Annual Report 2014

Raiffeisen Bank International

Insight 2014

RBI at a glance

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

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

In CEE, approximately 52,000 employees in around 2,900 business outlets serve some 14.8 million customers. In Austria, RBI is one of the top corporate and investment banks.

All in all, RBI employs about 55,000 staff and has total assets of approximately € 122 billion.

Overview

Raiffeisen Bank International Group

Monetary values in € million	2014	Change	2013	2012
Income statement	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**
Net interest income	3,789	1.6%	3,729	3,472
Net provisioning for impairment losses	(1,716)	49.3%	(1,149)	(1,009)
Net fee and commission income	1,586	(2.5)%	1,626	1,516
Net trading income	(30)	–	321	215
General administrative expenses	(3,024)	(9.5)%	(3,340)	(3,258)
Profit/loss before tax	23	(97.3)%	835	1,037
Profit/loss after tax	(463)	–	603	752
Consolidated profit/loss	(493)	–	557	730
Statement of financial position	**31/12**		**31/12**	**31/12**
Loans and advances to banks	15,573	(30.0)%	22,243	22,323
Loans and advances to customers	77,925	(3.4)%	80,635	83,343
Deposits from banks	22,408	(25.6)%	30,105	30,186
Deposits from customers	66,094	(0.5)%	66,437	66,297
Equity	8,302	(19.9)%	10,364	10,873
Total assets	121,624	(6.9)%	130,640	136,116
Key ratios	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**
Return on equity before tax	0.2%	(7.6) PP	7.8%	9.7%
Cost/income ratio	56.5%	(1.8) PP	58.3%	61.5%
Return on assets before tax	0.02%	(0.61) PP	0.63%	0.73%
Net interest margin (average interest-bearing assets)	3.24%	0.13 PP	3.11%	2.66%
Provisioning ratio (average loans and advances to customers)	2.13%	0.73 PP	1.39%	1.21%
Bank-specific information	**31/12**		**31/12**	**31/12**
NPL ratio	11.3%	0.6 PP	10.7%	9.8%
Risk-weighted assets (total RWA)	68,721	(14.0)%	79,897	82,822
Total capital requirement	5,498	(14.0)%	6,392	6,626
Total capital	11,003	(13.3)%	12,686	12,885
Common equity tier 1 ratio (transitional)	10.9%	0.2 PP	10.7%	10.7%
Common equity tier 1 ratio (fully loaded)	10.0%	–	–	–
Total capital ratio (transitional)	16.0%	0.1 PP	15.9%	15.6%
Total capital ratio (fully loaded)	15.2%	–	–	–
Stock data	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**
Earnings per share in €	(1.73)	–	1.83	2.72
Closing price in € (31/12)	12.54	(51.1)%	25.62	31.46
High (closing prices) in €	31.27	(6.9)%	33.59	33.36
Low (closing prices) in €	11.51	(42.3)%	19.96	18.64
Number of shares in million (31/12)	292.98	49.9%	195.51	195.51
Market capitalization in € million (31/12)	3,672	(26.7)%	5,009	6,150
Dividend per share in €	–	–	1.02	1.17
Resources	**31/12**		**31/12**	**31/12**
Employees as at reporting date (full-time equivalents)	54,730	(5.5)%	57,901	60,084
Business outlets	2,866	(5.3)%	3,025	3,106
Customers in million	14.8	1.6%	14.6	14.2

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

Overview of RBI

"Well on the way to becoming a more focused universal bank"

Interview with CEO Karl Sevelda

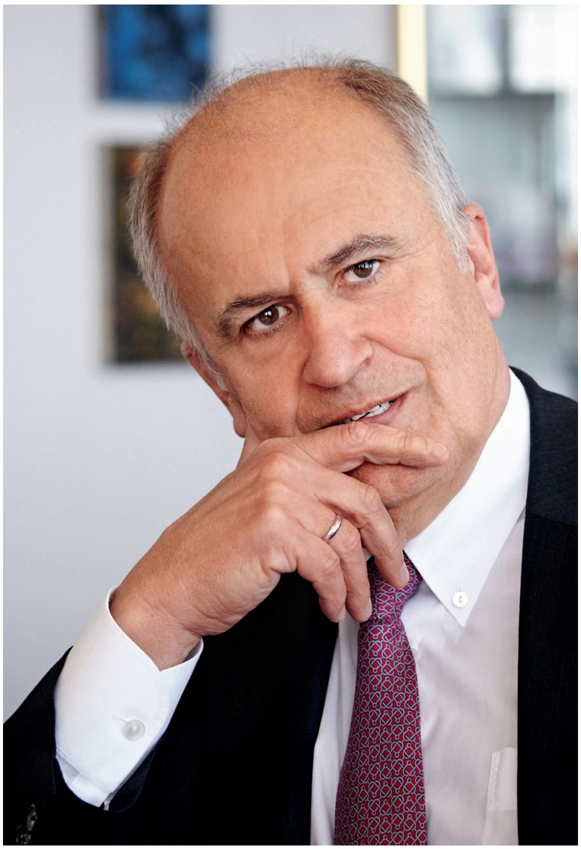
RBI posted a net loss in 2014. What were the reasons?
The 493 million euro loss was the first negative consolidated result in RBI's history. On the one hand, this was owing to loan loss provisions of more than 1.7 billion euros, which were considerably higher than the previous year's level due to the geopolitical crisis in Ukraine and defaults of individual large corporate customers in Asia. On the other, we had to book significant one-off effects amounting to approximately 750 million euros. The largest item among these was goodwill impairments totaling 306 million euros in Russia, Poland and Albania. Moreover, the hostile banking legislation in Hungary lowered our result by 251 million euros. The write-down of deferred tax assets cost us around 200 million euros. In this connection, I want to emphasize that, apart from the costs resulting from the Hungarian legislation, these write-downs have not had a negative impact on our regulatory capital. Without the aforementioned one-off charges, we would have reported a significantly positive net profit.

Why did you announce, just one month after publishing your half-year results for 2014, that you expected a net loss for the full year – was this not foreseeable a few weeks earlier?
When our half-year results were published, we were unable to foresee the impact of the events that made it necessary to adjust our outlook. It was only in the weeks that followed that the Ukrainian army lost control again over the eastern parts of the country to the separatists. The increased fighting not only stopped us from reopening many of our branches there, but of course also greatly exacerbated the economic situation. Ultimately, in mid-September, the Ukrainian parliament decided that the Donbass region should become partially autonomous. This had serious consequences for our branches there. Today, we have permanently shut down most of our 80 business outlets in the region. Then in Hungary, we had initially hoped to win the legal battle with the government concerning the retrospective reduction of interest and fees for private loans. When we lost the case some weeks later, we had to make corresponding provisions. However, with regard to Hungary I would like to state that in the meantime the government has promised to put an end to the burdens on banks.

You announced a strategic review in February 2015. What prompted you to take this step?
The conditions in which we operate have changed massively in the past year. The crisis in Ukraine, along with its implications such as sanctions and currency devaluations, has affected not only our income statement but also our share price. Additionally, the Russian economy is suffering from the oil price collapse. Moreover, a new normality has developed in the banking industry and we will have to adapt to it. We are being confronted with ever stricter regulations that entail high capital requirements as well as with weaker economic growth in a low interest rate environment. In order to be able to still grow in promising markets, we have decided on measures that will give us a generous capital buffer and help us to meet our target of a common equity tier 1 ratio (CET1 ratio, fully loaded) of 12 per cent. To achieve this, we will reduce risk-weighted assets, i.e. the part of our business that is backed by equity, by a gross amount of around 16 billion euros by the end of 2017. This is in addition to the approximately 10 billion euro reductions already undertaken in the fourth quarter of 2014. The reduction will be partly offset by growth in other business areas. Ultimately, RBI will not only be better capitalized but will also be more efficient, less complex and less subject to risk. We are therefore well on the way to becoming a more focused universal bank, which will secure our profitability in the long term. The positive reaction of our share price and bond prices upon the announcement of our plans indicates that the capital markets are convinced by this change of strategy.

Can you describe the strategic review in more detail?
We will sell our units in Poland and Slovenia in order to improve our capital position – both are markets that are in or are facing a resource-intensive period of consolidation. Moreover, the significance of our network banks in Poland and Slovenia for the Group as a whole is regrettably limited, with regard to earnings synergies and strategy. Without further investment, our direct bank Zuno will also be unable to achieve the size needed for long-term success and so we have decided to dispose of it. In Russia, where we cannot ignore the deterioration in the macroeconomic situation despite good profits, we intend to reduce our risk-weighted assets by around 20 per cent by the end of 2017. To take the country's political risk into account, we will also continue to tighten our lending criteria, cut our exposure to cyclical sectors, reduce maturities and increase collateral. The

difficult situation in neighboring Ukraine restricts our business opportunities to a great extent. For this reason, we plan to reduce our risk-weighted assets by approximately 30 per cent in the same period. In Hungary – another market that is too important to leave – our bank will be restructured due to the aforementioned situation. Given the intention to focus on Central and Eastern Europe, our operations in Asia and the USA will be considerably rescaled or exited by the end of 2017 and end of 2016 respectively.



So, you are cutting risk-weighted assets by about a fifth in Russia, which has been your cash cow in the past. Where will your earnings come from in the future?
A profit before tax of 436 million euros in Russia for the 2014 financial year shows that it remains to be an important market for us. However, we are also successful in other countries. For example, in the last financial year we generated a very respectable profit before tax of 145 million euros in Slovakia. In the Czech Republic, where the economy turned around in 2014, we earned 94 million euros before tax as number five in the market. Another positive example is Romania, with a profit before tax of 119 million euros and a return on equity before tax of 18.6 per cent. The fact that the Romanian economy, in which we have the fourth largest bank of the country, offers good growth prospects as a result of radical structural reforms makes me optimistic. We expect the country's economy to grow 3 per cent in 2015, compared to 1.2 per cent for the eurozone. In neighboring Serbia, where we rank among the five largest banks, our business is also performing well. In the reporting period, we earned a profit before tax of 48 million euros despite a negative GDP trend.

Despite the planned exit from single markets, do you still support the expansion into Central and Eastern Europe?
Absolutely! Diversification across a good dozen markets enables us to offset temporary weaknesses in one country with the strengths in another and forms part of our formula for success. Despite the huge challenges in individual markets, I am firmly convinced that, overall, we are operating in the right markets. One only has to consider the following success story: RBI reported the largest profit among Austrian banks for four years in a row. Even in the crisis years from 2009 to 2013, we posted profit before tax amounting to approximately 5.3 billion euros. Our shareholders also profited from that performance. Therefore, I firmly believe that our expansion into Central and Eastern Europe made sense. After all, these are markets in which – in contrast to Western Europe with its high banking density – good profits can be earned with conventional services.

Will there be a dividend for the 2014 financial year?
No dividend will be paid for the 2014 financial year. Regardless of the results, which were impaired by one-off effects, we are cutting costs. Our aim is to reduce costs by 2016 to a level lower than that of 2012. This will entail huge efforts on our part, as we will not only have to cut costs in real terms but will also have to compensate for inflation in some countries. Assuming constant prices and exchange rates, costs are expected to be around 20 per cent lower than the 2014 level after the Group restructuring in

2017, as already outlined. In order to remain a leading universal bank in Central and Eastern Europe in the future, we have drawn up cost-cutting and efficiency enhancement programs – and we are well on the way to achieving our ambitious goals. In the past year, we have already significantly cut our general administrative expenses while revenues remained largely stable. However, as we also profited from currency devaluations, we are aware that we must not relax our efforts. Instead, we will have to continue to work hard on our costs and efficiency. To achieve this, we are constantly evaluating and optimizing our organizational structure and processes.

2014 was a rather difficult year for banks, especially for those with links to Central and Eastern Europe. Looking back, does anything positive come to mind?
Last year, we were indeed confronted with challenges, but of course we were also able to report some successes. At the start of the year, we received a vote of confidence from the capital market in the form of an around 2.72 billion euro net capital increase. This enabled us to bolster our capital base and repay participation capital totaling 2.5 billion euros held by state and private investors in the course of the year. In this context, I would like to express my sincere thanks to all our owners – RZB as core shareholder, our institutional investors and private shareholders – for the trust they have placed in RBI. A further considerable achievement was that RZB, whose results are significantly influenced by RBI as its largest strategic investment, clearly passed the ECB stress test. Although the scenarios for our domestic market Central and Eastern Europe were especially strict compared to other European regions, we clearly surpassed the required capital ratios. At the end of 2014, we had a total capital ratio of 16 per cent and a CET1 ratio (fully loaded) of 10 per cent, which was far higher than the regulatory requirements. At this point, however, I would like to emphasize the personnel resources that the review tied up in our bank. Numerous employees spent a great deal of time and energy on the project over a long period. Overall, the ECB review cost us about 18,000 man days. I would like to express my thanks, also on behalf of my colleagues on the Management Board, for the exceptional hard work of those involved. Similarly, we also want to express our sincerest gratitude to all our other employees for their unfailing commitment!

Management Board of RBI

Karl Sevelda

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

Johann Strobl

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

Aris Bogdaneris

Consumer Banking
Group & Austrian IT
Lean
Operations
Procurement & Cost Management
Project Portfolio & Security
Small Business & Premium Banking

Klemens Breuer

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

Martin Grüll

Active Credit Management
Investor Relations
Planning & Finance
Tax Management
Treasury

Peter Lennkh

Corporate Customers
Corporate Finance
Corporate Sales Management & Development
International Business Support
Trade Finance & Transaction Banking

Report of the Supervisory Board

Dear shareholders,

in the 2014 financial year, RBI carried out a capital increase with gross proceeds of € 2.78 billion. RZB participated in the capital increase, in addition to numerous institutional and private investors, and remained the majority shareholder of RBI. The capital increase was a very important milestone for RBI, as it enabled it to fully repay the participation capital and significantly improve its tier 1 ratio (according to Basel III).

The second half of the year was mainly impacted by political and financial events in Ukraine and Russia, with the geopolitical crisis in Ukraine resulting in a sharp increase in RBI's risk costs. Furthermore, the hostile banking legislation in Hungary gave rise to higher costs. The development of some currencies, notably the depreciation of the rouble and of the Ukrainian hryvnia, as well as the appreciation of the US dollar, had a detrimental effect on the company's capital ratios.

Activity in 2014

In fiscal year 2014, members of the Supervisory Board and its committees were fully informed by the Management Board about all relevant business developments of the bank and subsidiaries during regular meetings in a timely and comprehensive manner. Information was provided verbally as well as in writing. At the Supervisory Board meetings, the Management Board were given tasks and asked to report on the results at subsequent meetings. The Supervisory Board made several requests to the Management Board for up-to-date reports on various matters that had already been decided on and dealt with. These included regular status reports on the Group's own funds or on the developments in Ukraine and in Russia. The Management Board also provided several reports on the development of Raiffeisenbank Ungarn Zrt., especially with regard to the effects of Hungarian foreign currency legislation on the subsidiary bank. The Management Board reported to the Supervisory Board on developments in the various business areas and explained risk developments at the meetings. In addition to the regular meetings, the Chairman of the Supervisory Board also held numerous discussions with the Management Board. The decision-making and informal dialog of the Supervisory Board and Management Board were based on open discussions conducted in a spirit of mutual trust. At the meetings, as well as at other times, Supervisory Board members were able to discuss topics directly with the responsible area managers and experts. The members of the Supervisory Board made considerable use of this opportunity. Overall, the members of the Supervisory Board thus conscientiously fulfilled their supervisory duties and took all decisions in a reasoned manner.

The Chairmen of the Working, Audit, Remuneration, Personnel, Risk and Nomination Committees regularly reported to the Supervisory Board on the respective committee's work.

Two Supervisory Board committees commenced their work in 2014:

The Nomination Committee handled the tasks and matters as specified in its rules of procedure and according to Section 29 of the Austrian Banking Act (BWG), such as the evaluation of the knowledge, skills and experience of both the members of the Management Board and of the individual members of the Supervisory Board (fit and proper review). Furthermore, the Nomination Committee set a target ratio for the under-represented sex.

The Risk Committee dealt with risk strategy, risk drivers and risk orientation in detail. This committee also reported on the Comprehensive Assessment (Asset Quality Review and stress test) which were conducted by the European Central Bank and the European Banking Authority. Moreover, it reviewed the implementation of the risk strategy.

Further information on the committees' composition and type, as well as on the contents of their fields of activity can be found in the corporate governance report. At its meeting on 21 January 2014, the Supervisory Board established a temporary Project Committee to take further decisions on matters relating to RBI's capital increase. It comprised of Walter Rothensteiner, Erwin Hameseder, Heinrich Schaller, Johannes Schuster, Martin Prater and Rudolf Kortenhof. The Project Committee was authorized, in particular, to decide on the final extent of the capital increase, the subscription ratio, as well as the subscription and offer price, and to decide on corresponding adjustments to the Articles of Association. The committee's work ended on 10 February 2014 after the corresponding decisions had been taken.

Between December 2014 and January 2015, there were a string of developments which negatively affected several of RBI's markets and share price. These were, in particular, the intensification of the conflict in Ukraine, the sharp oil price fall, as well as the abandoning of the fixed exchange rate between the euro and Swiss franc. Against this backdrop, the Management Board presented various strategic scenarios and a resulting package of measures to the Suspervisory Board, with an aim to better the risk position and raise the capital buffer, during an extraordinary meeting on 28 January 2015.

New appointments

Martin Schaller, CEO of Raiffeisen-Landesbank Steiermark AG, and Bettina Selden, former member of the management board of OeKB EH Beteiligungs- und Management AG and PRISMA Kreditversicherungs-AG, were elected to the Supervisory Board for the first time at the Annual General Meeting on 4 June 2014. They succeeded Markus Mair, who resigned with effect from 4 June 2014, and Stewart Gager, whose period of office ended on the same day. Kurt Geiger, whose term in office ended on 4 June 2014, was reelected to RBI's Supervisory Board by the Annual General Meeting. The term of office ends at the Annual General Meeting that decides on the discharge from liability for the 2018 fiscal year. Christian Teufl resigned from his position as Supervisory Board member with effect from 31 December 2014. On behalf of the Supervisory Board, I would like to thank the aforementioned gentlemen for their valuable contribution and commitment to the company over the past years.

Annual financial statements and consolidated financial statements

The consolidated financial statements (income statement, statement of financial position, statement of changes in equity, cash flow statement and notes) as well as the annual financial statements of RBI AG have been audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. Representatives of the auditing company presented the results of their audit at the respective meeting of the Audit Committee and Supervisory Board which dealt with the financial statements.

The audit revealed no reason for objections. All legislative provisions were fully satisfied and the unqualified auditor's report was thus issued.

The consistency check of the corporate governance report according to Section 243b of the Austrian Commercial Code (UGB) was performed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. Its final report gave no reason for objections.

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

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

On behalf of the Supervisory Board
Walter Rothensteiner, Chairman

RBI at a glance

A leading bank in CEE as well as Austria

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For over 25 years, RBI has been operating in Central and Eastern Europe (CEE), where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers. As a universal bank, RBI ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. At the end of 2014, around 52,000 RBI employees served approximately 14.8 million customers in around 2,900 business outlets in CEE.

In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers and major multinational clients operating in CEE. All in all, RBI employs about 55,000 staff and has total assets of approximately € 122 billion.

RBI's markets

2014	Total assets in € million	Change[1]	Business outlets	Number of staff
Czech Republic	8,794	10.1%	127	2,720
Hungary	6,936	11.3%	114	2,298
Poland	13,729	6.6%	351	5,462
Slovakia	10,215	2.1%	178	3,816
Slovenia	1,146	(14.6)%	14	230
Reconciliation	(48)	–	–	–
CE segment	**40,771**	**6.1%**	**784**	**14,526**
Albania	1,976	(5.2)%	92	1,326
Bosnia and Herzegovina	1,944	(3.9)%	96	1,434
Bulgaria	3,223	0.6%	156	2,751
Croatia	4,647	(2.1)%	77	2,127
Kosovo	778	11.2%	52	705
Romania	6,920	6.0%	529	5,292
Serbia	1,885	0.5%	85	1,581
Reconciliation	(1)	–	–	–
SEE segment	**21,371**	**1.0%**	**1,087**	**15,216**
Russia segment	**12,457**	**(19.9)%**	**212**	**8,252**
Belarus	1,536	6.2%	97	2,176
Kazakhstan	28	(24.8)%	1	9
Ukraine	2,481	(42.7)%	671	11,478
Reconciliation	(1)	–	–	–
CEE Other segment	**4,043**	**(30.4)%**	**769**	**13,663**
Group Corporates segment	**18,618**	**(10.5)%**	**8**	
Group Markets segment	**17,635**	**(13.0)%**	**5**	**3,073[2]**
Corporate Center segment	**31,095**	**(10.4)%**	**1**	
Reconciliation	(24,366)	–	–	–
Total	**121,624**	**(6.9)%**	**2,866**	**54,730**

[1] Change of total assets versus figures from 31 December 2013 expressed in local currencies varies due to fluctuations in euro exchange rates.
[2] Allocation of staff to Group Corporates, Group Markets and Corporate Center is not possible.

Long-term success story

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

RBI has been listed on the Vienna stock exchange since 25 April 2005 (as Raiffeisen International up until 12 October 2010). RZB, which functions as the central institution of the Austrian Raiffeisen Banking Group (RBG), remained the majority shareholder following the merger. As at year-end 2014, RZB held approximately 60.7 per cent of RBI's stock, with the remaining shares in free float.

With total assets of € 285.9 billion as at 31 December 2014, RBG is Austria's largest banking group. As at this reporting date, RBG managed € 92.8 billion in domestic customer deposits (excluding building society savings), of which € 49.4 billion were held in savings deposits. RBG has thus maintained its market share of around 30 per cent and, once more, its role as market leader among Austria's banks. RBG's strong market position was achieved through healthy organic growth.

RBI's strategy

Creating long-term value as primary objective

RBI's primary strategic objective is the creation of long-term value for its shareholders, who include Raiffeisen Zentralbank Österreich AG (RZB) as strong core shareholder and central institution of the Austrian Raiffeisen Banking Group, in addition to free float shareholders. RBI sees itself as an international bank for corporate customers, a leading financial services provider for retail customers as well as a business partner for select institutional clients. Proprietary trading activities serve to support its customer business. RBI provides comprehensive services to customers and strives to build sustainable customer relationships. Its customers mainly have a direct link to the CEE region (incl. Austria). A well-balanced portfolio and risk spread avoids concentration risks (e.g. customers, countries) while protecting owners and creditors.

To further strengthen RBI's position as a leading financial services provider, reliance is placed on the following core competencies:

- RBI positions itself as a diversified universal banking group with distinct central control elements.
- RBI maintains and develops a strong and reliable brand that serves as the basis for its business model.
- RBI offers its customers comprehensive and high-quality financial services.
- RBI distinguishes itself by its strong local anchoring and customer-centric focus.

The challenges in the business environment (e.g. bank-specific taxes, continued subdued economic momentum, tighter supervisory requirements and geopolitical developments in Ukraine) call for ongoing business model adjustments and flexibility within the organization. Stringent, Group-wide capital management is the key criterion for success. Therefore, RBI decided to undertake structural changes in order to strengthen its capital base and to reduce risk. The following package of measures will create capacity for growth in RBI's most promising markets:

- Launch of the selling process for the Polish unit: Poland is an attractive and rapidly growing market for banks. Following the successful integration of Polbank, RBI has a top-eight bank in a rapidly consolidating market. Substantial capital resources would be required in order to participate in this market consolidation. Poland also plays a relatively minor role for cross-border business within RBI.

- Reduction in the number of branches in the US (by the end of 2016) and in Asia (by the end of 2017): In order to focus on European markets and to reduce complexity within the Group, units will be either exited or significantly reduced. Cross-border US dollar refinancing will thereby also be considerably reduced.

- An around 20 per cent reduction in risk-weighted assets (total RWA) of the Russian unit by the end of 2017: In Russia, RBI has a profitable bank with an outstanding reputation, as well as customers with excellent credit standing. However, the macroeconomic environment and Group-wide risk management aspects make it necessary to reduce business volumes and risk accordingly.

- An around 30 per cent reduction in the RWA of the Ukrainian unit by the end of 2017: A challenging political and economic environment makes rescaling necessary. This will further reduce RBI's foreign currency risks and US dollar refinancing needs.

- Further short- to medium-term optimization measures: Restructuring of the Hungarian unit, sale or scale back of the Slovenian unit, sale of the ZUNO direct bank, adjustments to leasing units and enhanced risk transfer (e.g. by means of securitization transactions).

Freed-up capital and risk-bearing capacity are allocated to those markets that sustainably contribute to RBI's value enhancement. Factors such as country-specific risk, size and potential of the market, as well as the local market position, are additionaly taken into account. Capital efficiency measures are accompanied by Group-wide cost management. The coordination and collaboration among individual Group units has become increasingly important and will continue to be a focal point for cost management.

For all of these measures, the specific aspects of the various markets are taken into consideration. This raises the synergy potentials of an international banking group while at the same time promoting the entrepreneurship of the units (incl. self-financing capacity). The criteria for success in the market are consistent customer orientation, as well as rapid and transparent decision-making processes.

Technological developments are influencing customer requirements to an increasing degree and are permanently changing the traditional banking business. These requirements are being actively addressed and the business model adapted accordingly. Group-wide initiatives help to focus on these challenges and to further build on existing strengths:

- Continuous cost management and enhanced efficiency through standardization

- Integration of Lean Management into the corporate culture to enhance efficiency and customer satisfaction

- Further development of existing sales channels and expansion of alternative channels (e.g. internet, mobile banking, franchise models, cooperation models) to ensure a sustainable and balanced mix of traditional and alternative sales channels

- Improvement of the cross-border cooperation model to exploit further synergy potentials, as well as simplification of the product portfolio

- Strengthening of securitization and syndication capacities for capital relief, as well as enhanced local refinancing for the further diversification of the refinancing basis

- Increase in profits through strengthening of customer product penetration (cross-selling) and product cost transparency

Strategy by customer segment

Corporate customers

RBI strives to establish long-term partnerships with corporate customers that have a link to CEE (incl. Austria). Other regions are serviced on a selective basis only. RBI sees itself as financial advisor for a currently estimated 87,000 corporate customers – medium-sized businesses, major local companies and international corporate groups – and supports them with cross-border financial services. Its customers' needs are a top priority and RBI is committed to supporting them with high-quality products and services.

Particular attention is paid to the Group-wide further development of sales planning and controlling tools (account planning) with a focus on capital and liquidity-light products (e.g. trade financing, payment transactions, capital market transactions). These tools are specifically and successfully implemented in markets that are of particular importance to earnings (Austria, Czech Republic, Romania, Russia, and Slovakia). Furthermore, Group-wide product competence centers facilitate access to complex financing products (e.g. in the project, real estate and export financing areas), and internal efficiency can be enhanced through the transfer of know-how and bundling.

Retail customers

RBI currently provides services to over 14.7 million retail customers in roughly 2,800 branch offices. In the retail banking business, a balanced product and service portfolio is offered that comprises inter alia credit services (mortgages, credit cards and personal loans), as well as payment transaction and higher-quality current account package services. Convenience and simplicity are key elements of RBI's range of services. In doing so, RBI improves its efficiency and cost/income structure.

In the premium (available assets of up to € 200,000) and private banking segment (available assets of at least € 200,000), a gradual increase in asset volumes is seen in CEE as a whole. Under its private banking brand "Friedrich Wilhelm Raiffeisen," RBI currently serves nearly 21,000 customers (notably in the Czech Republic, Hungary, Romania, Russia, and Ukraine, as well as in Slovakia under the Tatra banka brand). In day-to-day banking operations, top-quality advisory services, innovative banking solutions (video or telephone advising, modern mobile banking options, etc.), and banking product packages tailored to customers needs, ensure above average customer satisfaction.

Around 884,000 small businesses (companies with revenues of up to € 6 million) are serviced by roughly 2,500 customer advisors. The key aspects of the services are simplicity (payment transaction and account maintenance services), high quality service and fast processing of business loans for small companies. Through collaborations with various supranational financial institutions, that are active in the area of SME (small and medium-sized enterprises) financing, SME customers enjoy noticeable benefits (e.g. easier access to loans).

Markets & investment banking

This area bundles support services for institutional customers, as well as Group-wide trading activities. Institutional customers (particularly banks and insurance companies, sovereigns and public sector organizations) are supported by specialists in Vienna, the network banks and international financial centers (e.g. London).

One focus is on capital market and investment banking products, as well as on the transaction business (e.g. trade financing and payment transactions). Particular strengths lie in the strategic hedging of currency, interest rate and credit risks, the intermediation between capital providers and local investment opportunities, as well as supporting companies with IPOs and takeovers.

Further potential for growth lies in the expanding of business with insurance and asset management companies and in the development of customized products for this customer segment.

Business activities in the capital market business have been realigned in prior years. Own-account trading has been reduced, with activities now focused on supporting the capital market-oriented customer business. RBI's direct access to all major stock exchanges in CEE, as well as its leading position on the Vienna stock exchange, makes it possible to cover all important asset classes (e.g. shares, currencies, certificates, exchange-traded derivatives).

Internally, the focus is on strengthening cross-border services for global institutional customers, establishing a joint trading platform and harmonizing IT systems.

RBI in the capital markets

Capital increase

On 21 January 2014, RBI announced that it intended to strengthen its capital base by issuing new shares. The first stage of this capital increase was an offering of new shares to selected qualified institutional investors by way of an accelerated bookbuilding process (pre-placement), in which all 97,473,914 new shares were placed on 22 January. RZB participated in the capital increase via its wholly owned subsidiary Raiffeisen International Beteiligungs GmbH with a commitment of € 750 million in the course of the pre-placement. 21.3 per cent of the new shares from the pre-placement were subject to clawback with deferred settlement. This was to be applied to the extent that shareholders exercised 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 RZB waived all of its subscription rights through its subsidiary, Raiffeisen International Beteiligungs GmbH, the remaining shareholders exercised 35.7 per cent of the subscription rights. Consequently, 90,074,789 new shares were allocated to qualified institutional investors from the pre-placement. This corresponds to 92.4 per cent of the total 97,473,914 shares issued by way of the capital increase. The remaining 7,399,125 new shares were issued to existing shareholders. At a subscription and offer price of € 28.50 per new share, the transaction brought a total of € 2,725 million in net new capital.

Financial markets swayed by monetary and global policy

The geopolitical situation in Ukraine and Russia dominated global financial markets throughout 2014. The threat of spiraling sanctions against Russia, as well as uncertainty over the future course of the Russian administration, greatly unsettled international investors and led repeatedly to corresponding stock price losses. As a result, the Russian rouble and the Ukrainian hryvnia lost considerable ground against the US dollar and the euro.

Despite this, stock indexes such as the US Dow Jones and the German DAX achieved several new highs during the year. The bullish sentiment in the equity markets was bolstered by the low-interest rate policy adopted by the European Central Bank (ECB). In early June, it cut its already low base rate from 0.25 to 0.15 per cent. At the same time, the ECB Council decided to impose a penalty rate, for the first time, of minus 0.1 per cent on bank deposits at the ECB.

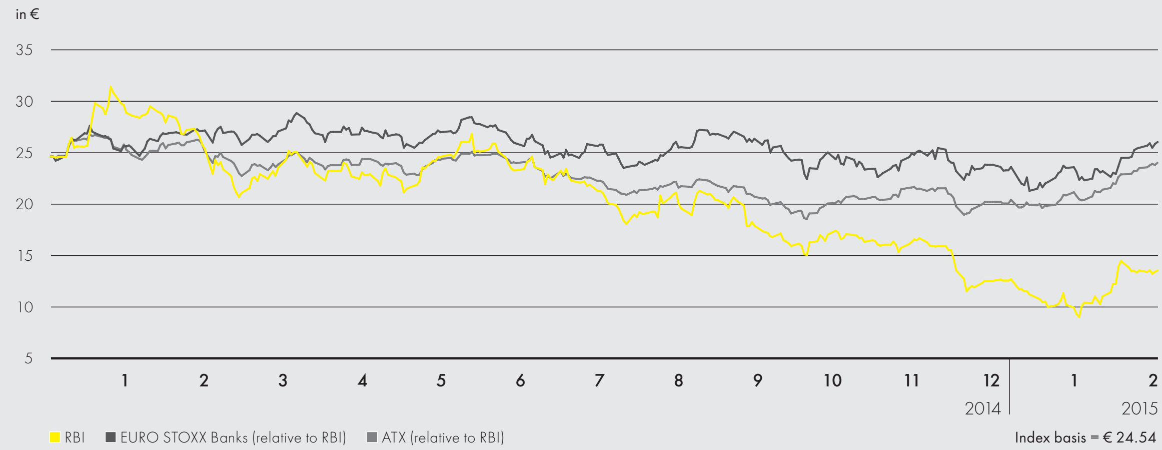
Over the course of the year, conflicts intensified not only between Ukraine and the separatists, but also between Russia and the West, which led to economic sanctions on both sides. As a result of the sanctions, ongoing structural and economic problems in several EU countries, as well as growing caution among businesses, the eurozone economy did not perform as well as expected in the second half of the year. The ECB took the opportunity to cut its base rate again from 0.15 to 0.05 per cent in early September. At the same time, the ECB Council decided to impose an even higher penalty rate on bank deposits held at the ECB – from minus 0.1 per cent to minus 0.2 per cent – and started a bond purchase program. These steps led to a further devaluation of the euro against the US dollar.

Towards the end of the year, most European and US stock markets again became increasingly volatile. On a positive note, key economic indicators appeared to be stabilizing in Europe and the US. Countering this was China's disappointing economic performance and the collapse of the Russian rouble. The Russian economy is faced with growing difficulties not only from the sanctions, but also from capital outflows and a sharp drop in oil prices, which by year-end had fallen to the lowest level seen in over five years.

Performance of RBI stock

After starting 2014 at € 25.62, RBI's stock hit its peak in January at € 31.27 before entering a downward trend till the end of the year. On 16 December, it closed at its low for the year at € 11.51. The decline was caused mainly by the situation in Ukraine and in Russia as well as the oil price drop, which affected the Russian economy and the rouble's valuation. The Russian central bank tried and failed to stem the currency's decline. RBI's stock was trading at € 12.54 at the end of the year. Over the full year this amounts to a share price loss of 51 per cent. It therefore underperformed compared to both the ATX (down 15 per cent) and the EURO STOXX Banks (down 5 per cent).

Price performance since 1 January 2014 compared to ATX and EURO STOXX Banks



As at the editorial deadline on 9 March 2015, RBI's stock was priced at € 13.32. The shares therefore recorded a gain of 6 per cent versus 31 December 2014.

RBI's market capitalization at the end of 2013, with the number of outstanding shares at 195.5 million, stood at € 5.0 billion. At year-end 2014, the number of outstanding shares stood at 293.0 million and the market capitalization at € 3.7 billion. At the editorial deadline, the market capitalization stood at € 3.9 billion.

In 2014, 163 million RBI shares were traded, amounting to a total value of € 3.4 billion and an average daily volume of 658,697 shares.

Shareholder structure

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

Stock data and details	
Price as at 31 December 2014	€ 12.54
High/low in 2014 (closing prices)	€ 31.27/€ 11.51
Earnings per share for 2014	(€ 1.73)
Market capitalization as at 31 December 2014	€ 3.7 billion
Average daily trading volume in 2014 (single count)	658,697 shares
Stock exchange turnover in 2014 (single count)	€ 3,428 million
Free float as at 31 December 2014	approximately 39.3%
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	Prime Market
Number of shares issued as at 31 December 2014	292,979,038

Bonds benefit from monetary policy

Yields on high-grade European government bonds fell steadily throughout 2014. This decline was primarily caused by the ECB's loose monetary policy and geopolitical tensions that prompted many investors to seek refuge in the presumed security of government bonds. Yields on ten-year German government bonds, for example, dropped below 1 per cent for the first time in history. Bonds from countries such as Italy, Portugal and Spain also benefited from this trend and narrowed their spreads relative to bonds issued by sovereigns with prime credit ratings. Yields on US government bonds shrank during the year despite the prospect of an interest rate turnaround and reduction in bond buying by the US Federal Reserve, but still remained noticeably higher than yields on German government bonds.

Successful issuance activities

RBI's benchmark transaction in February 2014 for € 500 million was met with strong demand. The callable subordinated bond, issued to strengthen the bank's tier 2 capital, was oversubscribed several times within a short period. It has a coupon of 4.5 per cent p. a. (reference rate EUR Mid-Swap plus 330 basis points). More than 380 institutional investors placed orders. Especially strong demand came from the UK, Germany and Switzerland. The subordinated bond is callable in 2020 (subject to regulatory requirements being fulfilled) and matures in 2025.

RBI rating

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

Rating agency	Long-term rating	Short-term rating	Outlook
Moody's Investors Service	Baa2	P-2	Review for downgrade
Standard & Poor's	A-	A-2	CreditWatch negative
Fitch Ratings	A	F1	negative

Ratings as of editorial deadline.

Annual General Meeting

The Annual General Meeting on 4 June 2014 approved a dividend payment of € 1.02 per share for the 2013 financial year. As the new shares resulting from the capital increase, carried out in early 2014, were also entitled to full dividend rights for the previous financial year, this resulted in a total dividend payout of around € 298 million.

As a result of the capital increase, existing authorized capital was largely utilized. In order to be able to also respond flexibly to future capital requirements, the Annual General Meeting again gave the Management Board anticipatory authorization to increase the company's share capital up to 50 per cent within the next five years, with approval from the Supervisory Board. Additionally, the Management Board was authorized to acquire own shares of up to 10 per cent of share capital, and if necessary to redeem them, as well as to acquire own shares of up to 5 per cent of the share capital for the purpose of securities trading.

Martin Schaller, CEO of Raiffeisen-Landesbank Steiermark AG, and Bettina Selden, who brings with her, inter alia, her experience as a member of the management board of both OeKB EH Beteiligungs- und Management AG and PRISMA Kreditversicherungs-AG, were elected to the Supervisory Board for the first time. They succeed Markus Mair, who resigned with effect from 4 June 2014, and Stewart Gager, whose period of office ended on the same day. Kurt Geiger was reelected to RBI's Supervisory Board by the Annual General Meeting, after his term in office ended on 4 June 2014.

Proposed dividend

The next ordinary Annual General Meeting will take place on 17 June 2015. No equity or participation dividend will be distributed for the 2014 financial year.

Capital market communications

RBI offered international investors numerous opportunities to obtain first-hand information at 38 road shows and conferences in 2014 (18 events for equity investors, 11 for debt investors and the remainder for both groups). The year kicked off with a road show in advance of the capital increase at which members of the Management Board and the Investor Relations team met with over 200 investors. Over the course of the year, representatives of RBI and, in some cases, members of the Management Board also traveled to Frankfurt, Geneva, Hamburg, London, Milan, New York, Paris, Prague, Warsaw, Zurich, as well as to the Austrian towns of Stegersbach and Zürs.

As in previous years, the investor day in London, which followed the publication of the 2013 results, was very well attended. On reporting dates, RBI continued to hold regular presentations for Austrian equity and debt investors at its head office, which struck a chord. These were followed by conference calls, each involving 200 to 300 participants.

Alongside the already established quarterly results conference calls, RBI gave the financial community the opportunity to obtain information, as well as answers to their questions, first-hand from the Management Board in additional conference calls held after the release of the outlook revision in September and publication of the ECB stress test results in October. The RBI Management Board subsequently had many individual discussions with investors, analysts and rating agencies.

RBI continued the previous year's practice of holding several debt investor calls a year in order to satisfy the unique information needs of debt investors.

A total of 28 equity analysts and 23 bond analysts regularly report their investment recommendations on RBI, making RBI the Austrian company with the greatest number of regular reports by analyst firms. In 2014, 603 analyst reports on RBI were published.

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

Financial calendar 2015	
25 March 2015	Annual Report 2014, Conference Call
26 March 2015	RBI Investor Presentation, London
7 May 2015	Start of Quiet Period
21 May 2015	First Quarter Report, Conference Call
17 June 2015	Annual General Meeting
24 June 2015	Ex-Dividend and Dividend Payment Date
5 August 2015	Start of Quiet Period
19 August 2015	Semi-Annual Report, Conference Call
29 October 2015	Start of Quiet Period
12 November 2015	Third Quarter Report, Conference Call

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Corporate governance report

RBI attaches great importance to responsible and transparent business management, in order to maintain understanding and trust with its various stakeholders – not least the capital market participants. Hence, RBI is committed to complying with the Austrian Code of Corporate Governance (ACGC, or "the Code"), as in the version dated July 2012. The ACGC is publicly available on the Austrian Working Group for Corporate Governance website (www.corporate-governance.at) and on the RBI website (www.rbinternational.com → Investor Relations → Corporate Governance).

Transparency is a key issue of corporate governance and thus of particular importance to RBI. This corporate governance report is structured following the legal guidelines of Section 243b of the Austrian Commercial Code (UGB) and is based on the structure set forth in Appendix 2 of the ACGC.

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

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

C Rule 45: non-competition clause for members of the Supervisory Board
RBI is a company of the Austrian Raiffeisen Banking Group (RBG), which is also a majority shareholder through its central institution, RZB. Some members of the Supervisory Board therefore also hold executive roles in RBG banks. Moreover, a number of members of the Supervisory Board hold executive roles in other banks and financial services institutions. Consequently, know-how and experience specific to the industry are applied in exercising the control function of the Supervisory Board, to the benefit of the company.

With regard to R Rule 62 of the ACGC, the company commissioned KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG) to conduct an external evaluation on compliance with the C and R Rules of the Code. The report on this external evaluation is public and available at www.rbinternational.com → Investor Relations → Corporate Governance → External Evaluation of the CG Code.

Composition of the Management Board

In the 2014 financial year, the Management Board consisted of the following members:

Management Board member	Year of birth	Original appointment	End of term
Karl Sevelda Chairman	1950	22 September 2010[1]	30 June 2017
Johann Strobl Deputy Chairman	1959	22 September 2010[1]	30 June 2017
Aris Bogdaneris Member	1963	1 October 2004	31 December 2015
Klemens Breuer Member	1967	16 April 2012	31 December 2015
Martin Grüll Member	1959	3 January 2005	30 June 2017
Peter Lennkh Member	1963	1 October 2004	31 December 2015

[1] Effective as of 10 October 2010.

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

■ Karl Sevelda	Oesterreichische Kontrollbank AG; Siemens AG Österreich (since 28 November 2014)
■ Johann Strobl	Raiffeisen-Leasing Management GmbH
■ Aris Bogdaneris	Visa Worldwide Pte. Limited (advisory council)
■ Peter Lennkh	Raiffeisen-Leasing Management GmbH
■ Klemens Breuer	FMS Wertmanagement AöR

Composition of the Supervisory Board

During the 2014 financial year, the Supervisory Board comprised of:

Supervisory Board member	Year of birth	Original appointment	End of term
Walter Rothensteiner Chairman	1953	11 May 2001	Annual General Meeting 2016
Erwin Hameseder 1st Deputy Chairman	1956	8 July 2010 [1]	Annual General Meeting 2015
Heinrich Schaller 2nd Deputy Chairman	1959	20 June 2012	Annual General Meeting 2017
Markus Mair 3rd Deputy Chairman (until 4 June 2014)	1964	8 July 2010 [1]	Annual General Meeting 2014
Martin Schaller 3rd Deputy Chairman (since 17 September 2014)	1965	4 June 2014	Annual General Meeting 2019
Klaus Buchleitner	1964	26 June 2013	Annual General Meeting 2015
Stewart D. Gager	1940	24 January 2005	Annual General Meeting 2014
Kurt Geiger	1946	9 June 2009	Annual General Meeting 2019
Günther Reibersdorfer	1954	20 June 2012	Annual General Meeting 2017
Johannes Schuster	1970	8 July 2010 [1]	Annual General Meeting 2015
Bettina Selden	1952	4 June 2014	Annual General Meeting 2019
Christian Teufl	1952	8 July 2010 [1]	31 December 2014
Martin Prater [2]	1953	10 October 2010	Until further notice
Rudolf Kortenhof [2]	1961	10 October 2010	Until further notice
Peter Anzeletti-Reikl [2]	1965	10 October 2010	Until further notice
Susanne Unger [2]	1961	18 January 2012	Until further notice
Helge Rechberger [2]	1967	10 October 2010	Until further notice

[1] Effective as of 10 October 2010.
[2] Delegated by the Works Council.

Independence of the Supervisory Board

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

- The Supervisory Board member shall not have been a member of the Management Board or a senior executive of the company or one of its subsidiaries in the past five years.

- The Supervisory Board member shall not have, or have had in the previous year, any significant business relationships with the company or a subsidiary of the company. This also applies to business relationships with companies in which the Supervisory Board member has a significant financial interest, albeit not with regard to carrying out executive functions within the company. The approval of individual transactions by the Supervisory Board according to L Rule 48 of the ACGC does not automatically lead to a qualification of "not independent".

- Company circumstances and the mere exercise of the function of a board member or leading employee by a Supervisory Board member does not, as a rule, lead to the company concerned being regarded as a "company in which a Supervisory Board member has a significant financial interest," to the extent that circumstances do not support the presumption that the Supervisory Board member derives a direct personal advantage from doing business with the company.

- The Supervisory Board member shall not have been an auditor of the company, nor shareholder or employee of the auditing company in the previous three years.

- The Supervisory Board member shall not be a member of the management board of another company in which a Management Board member of the company is a member of the supervisory board.

- The Supervisory Board member shall not be part of the Supervisory Board for longer than 15 years. This does not apply to Supervisory Board members who are shareholders with business interests in the company, or who represent the interests of such shareholders.

- The Supervisory Board member shall not be a close family relation (direct descendant, spouse, partner, father, mother, uncle, aunt, brother, sister, nephew, niece) of a member of the Management Board, or of persons who fill one of the positions described in the preceding points.

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

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

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

■ Walter Rothensteiner	UNIQA Insurance Group AG (Chairman)
■ Erwin Hameseder	AGRANA Beteiligungs-AG (Chairman), STRABAG SE, UNIQA Insurance Group AG, Südzucker AG, Flughafen Wien AG
■ Heinrich Schaller	voestalpine AG, AMAG Austria Metall AG
■ Johannes Schuster	UNIQA Insurance Group AG
■ Klaus Buchleitner	BayWa AG, AGRANA Beteiligungs-AG
■ Christian Teufl	VK Mühlen AG (listed on the stock exchange until 27 June 2014)
■ Kurt Geiger	Demir Bank OJSC

Members of the committees

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

Supervisory Board member	Working Committee	Audit Committee	Personnel Committee	Remuneration Committee	Risk Committee	Nomination Committee
Walter Rothensteiner	Chairman	Chairman	Chairman	Chairman	Chairman	Chairman
Erwin Hameseder	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman
Heinrich Schaller	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman
Markus Mair (until 4 June 2014)	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	–	–
Johannes Schuster	Member	Member	Member	Member	Member	Member
Martin Schaller (since 17 September 2014)	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman
Martin Prater	Member	Member	–	Member	Member	Member
Rudolf Kortenhof	Member	Member	–	Member	Member	Member
Peter Anzeletti-Reikl	Member	Member	–	Member	Member	Member

Functions of the Management Board and the Supervisory Board

Allocation of competencies and functions of the Management Board

The RBI Management Board leads the company according to clearly defined goals, strategies and guidelines on its own authority, with a focus on future-oriented business management and in line with modern business principles. In doing so, the Management Board pursues the good of the company at all times and considers the interests of shareholders and employees. The Management Board's areas of responsibility have been defined by the Supervisory Board, without prejudice to the general responsibility of the Management Board, as follows (as at 1 January 2015):

CEO
Karl Sevelda
- Compliance
- Group Communications
- Group Strategy
- Human Resources
- Internal Audit
- International Banking Units
- Legal Services
- Management Secretariat
- Marketing & Event Management
- Participations

CRO
Johann Strobl
- Credit Management Corporates
- Financial Institutions, Country & Portfolio Risk Management
- Retail Risk Management
- Risk Controlling
- Risk Excellence & Projects
- Workout

Retail Banking, Operations & IT
Aris Bogdaneris
- Consumer Banking
- Group & Austrian IT
- Lean
- Operations
- Procurement & Cost Management
- Project Portfolio & Security
- Small Business & Premium Banking

Markets
Klemens Breuer
- Business Management & Development
- Group Capital Markets
- Institutional Clients
- Investment Banking Products
- Raiffeisen Research

CFO
Martin Grüll
- Active Credit Management
- Investor Relations
- Planning & Finance
- Tax Management
- Treasury

Corporate Banking
Peter Lennkh
- Corporate Customers
- Corporate Finance
- Corporate Sales Management & Development
- International Business Support
- Trade Finance & Transaction Banking

RBI's Organization & Internal Control System was integrated into RZB during the financial year. It now deals with matters relating to the internal control system, instructions and organization for both the RZB Group and the RBI Group. The servicing of RBI AG is regulated through Service Level Agreements.

Effective as of 1 January 2015, RBI's Compliance division, part of the Legal & Compliance division until 31 December 2014, was transferred to RZB as a stand-alone division. This division also performs the compliance duties for RBI and is regulated through a Service Level Agreement.

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

Decision-making authority and activities of the committees (of the Supervisory Board)

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

The Working Committee was responsible for all matters that were referred to it by the Supervisory Board. These included, in particular, the approval of the creation, closure and liquidation of subsidiaries, as well as the acquisition or disposal of participations, where the change in the capitalized book value of the company holding exceeded a certain amount (up to the ceiling amount for overall Supervisory Board responsibility). Moreover, the Working Committee deals with the execution of functions in the management bodies of other companies by members of the Management Board and the appointment of persons to the management boards and supervisory bodies of banks within the Group. Furthermore, the Working Committee approved the assumption of operational banking risk above a certain level up to the ceiling amount for overall Supervisory Board responsibility.

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

The Audit Committee monitors the accounting process and the effectiveness of the company's internal control, audit and risk management systems. Its tasks include the supervision of the annual audit of the financial statements and consolidated financial statements, as well as checking and supervising the independence of the Group's auditor, particularly with respect to additional work performed for the audited company. The committee examines the annual financial statements, the management report, the consolidated financial statements and the Group management report, and is responsible for the preparation of its approval. It also audits the proposal for earnings appropriation and the corporate governance report. The Audit Committee presented a report on the results of its audits to the Supervisory Board. The committee is also responsible for preparing the Supervisory Board recommendation for the selection of the external auditor and bank auditor. Moreover, the Audit Committee discusses the content of the management letter as well as the report on the effectiveness of the risk management system and the internal control system.

The Remuneration Committee's responsibilities include establishing guidelines for the company's general remuneration policies and practices, particularly on the basis of the Austrian Banking Act (BWG), as well as relevant sections of the Austrian Code of Corporate Governance. The Remuneration Committee supervises and regularly reviews the remuneration policies, remuneration practices, and relevant incentive structures to ensure that all related risks were controlled, monitored and limited in accordance with the BWG, as well as the company's capitalization and liquidity. In doing so, the long-term interests of shareholders, investors and employees of the company are also taken into account, as are the economic interests of maintaining a functioning banking system and the stability of the financial market. The Remuneration Committee directly reviews the remuneration of executives responsible for risk management and compliance.

A Risk Committee was established during the 2014 financial year. Its responsibilities include advising the Management Board on current and future risk propensity and risk strategy, monitoring the implementation of this risk strategy with regard to the controlling, monitoring and limitation of risk in accordance with the Austrian Banking Act (BWG), as well as the observing of capitalization and liquidity. It is also responsible for ensuring proper consideration of the pricing of offered services and products, as well as the business model and credit risk strategy, and where applicable, to submit a plan with corrective measures. The Risk Committee also monitors if the incentives offered by the internal remuneration system give adequate consideration to risk, capital, liquidity, and the probability as well as timing of realized gains.

The Nomination Committee also met for the first time during the financial year. It concerns itself with the filling of any posts on the Management Board and the Supervisory Board that have become vacant. Consideration is given to the balance and diversity of knowledge, skills and experience of all members of the governing body in question. The Nomination Committee also sets a target ratio for the under-represented sex on the Management Board and the Supervisory Board, as well as a strategy for achieving the defined target. In its decision-making process, it ensures that the Management Board and the Supervisory Board are not dominated by one individual person, or a small group of persons, in a way which is contrary to the company's interests. The Nomination Committee's other responsibilities include:

- regularly evaluating, and in all cases where events indicate a need for a revaluation, the structure, size, composition and performance of the Management Board and Supervisory Board, as well as suggesting changes to the Supervisory Board where necessary;
- regularly conducting, but at least once a year, an evaluation of the knowledge, skills and experience of the individual members of both the Management Board and Supervisory Board, and also of the respective governing body as a whole, and informing the Supervisory Board of the results; and
- reviewing the Management Board's policy with regard to the selection of executives and supporting the Supervisory Board in preparing recommendations for the Management Board.

At its meeting on 21 January 2014, the Supervisory Board established a temporary Project Committee to take further decisions on matters relating to RBI's capital increase. It comprised of Walter Rothensteiner, Erwin Hameseder, Heinrich Schaller, Johannes Schuster, Martin Prater and Rudolf Kortenhof. The Project Committee was authorized, in particular, to decide on the final extent of the capital increase, the subscription ratio, as well as the subscription and offer price, and to decide on corresponding adjustments to the Articles of Association. The committee's work ended on 10 February 2014 after the corresponding decisions had been taken.

Number of meetings of the Supervisory Board and of the committees

The Supervisory Board held eight meetings during the reporting period. In addition, the Management Board fully informed the Supervisory Board on a prompt and regular basis of all relevant matters of the company's performance, including the risk position and risk management of the company, and material Group companies, especially in case of important matters.

The Working Committee held eight meetings in the 2014 financial year. The Audit Committee met twice, the Personnel Committee once, and the Remuneration Committee, the Risk Committee and the Nomination Committee each met twice. The Project Committee met once.

Only one member of the Supervisory Board (Markus Mair) was hindered from personally attending more than half of the sittings of the Supervisory Board.

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

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

Management Board and Supervisory Board remuneration disclosure

Management Board remuneration

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

in € thousands	2014	2013
Fixed remuneration	5,101	5,477
Bonuses (incl. portions for prior years)	2,798	2,947
Share-based payments	0	0
Other remuneration	2,103	1,013
Total	**10,002**	**9,437**

Fixed remuneration, as shown in the above table, includes salaries and benefits in kind. Performance-based components of the Management Board's remuneration basically consist of bonus payments (immediately payable shares of the cash portion of the bonus for 2013 and deferred bonus amounts from previous years) and share-based remuneration under the Share Incentive Program (SIP).

For the 2014 year (payable in 2015), there was no bonus allocation for the Management Board due to the operating result. Furthermore, there was no allocation of share-based payments in 2013, as no SIP tranche had been issued in 2010 owing to the merger between Raiffeisen International and the principal business areas of Raiffeisen Zentralbank Österreich AG (RZB). Moreover, the maturity of the program was extended to five years in accordance with legal regulations. Therefore, the next SIP tranche will not mature before 2016.

The measurement of bonuses is linked to the achievement of company goals in relation to profit after tax, return on risk-adjusted capital (RORAC), and cost/income ratio, as well as to annually consented on personal goals. Payment of bonuses is deferred as set forth in the Austrian Banking Act (BWG) and implemented according to internal RBI regulations.

Management Board members' contracts specify a maximum bonus. Similarly, SIP includes a cap amounting to three times the allocation value. A maximum limit is thus in place for all variable compensation components. Other remuneration consists of compensation for board-level functions in associated companies, payments to pension funds and reinsurance policies, as well as to other insurance and benefits.

The Management Board's remuneration paid in 2014 is shown in detail as follows:

in € thousands	Fixed remuneration	Bonus allocations for 2013 and prior years	Share-based payments	Other	Total
Karl Sevelda	1,108	582	0	378	2,068
Johann Strobl	908	555	0	337	1,800
Aris Bogdaneris	808	480	0	357	1,645
Klemens Breuer	759	398	0	391	1,548
Martin Grüll	759	482	0	303	1,544
Peter Lennkh	759	301	0	337	1,397
Total	**5,101**	**2,798**	**0**	**2,103**	**10,002**

In addition to the amounts listed above, Herbert Stepic received an amount of € 803 thousand in fixed remuneration on the basis of contractual obligations. Furthermore, deferred bonus amounts totaling € 203 thousand were paid to Herbert Stepic and Patrick Butler on account of their previous work on the Management Board.

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

In accordance with Section 39 (2) in conjunction with Section 39b of the Austrian Banking Act (BWG) including annexes, RBI's Supervisory Board approved the "General Principles of the Remuneration Policy and Practice" in 2011. Remuneration of all employees, including the Management Board and other "risk personnel" must comply with these principles. These principles apply to bonus payments for 2011 and subsequent years. The Remuneration Committee is responsible for the regular monitoring of these policies and practices and their implementation. Taking the current version of Section 39 (2) in conjunction with Section 39b of the Austrian Banking Act (BWG) including annexes into account, following the implementation of Directive 2013/36/EU, the Remuneration Committee of RBI's Supervisory Board approved a new version of the "General Principles of the Remuneration Policy and Practice" in 2014, which were applied as of 2014.

Share Incentive Program

Due to the enormous increase in the complexity of the regulatory provisions for variable remuneration, the Management Board was prompted to review the benefits and meaningfulness of share-based remuneration. Originally intended as a variable long-term remuneration element which is geared to market and corporate success, the SIP has since lost this meaning because the annual bonus for the same target group of top executives is now deferred for three to five years, and half must be paid in instruments (e.g. shares). It was therefore decided that no further SIP tranches will be issued in future.

No tranche of the Share Incentive Program matured in 2014, as no SIP tranche was issued in 2010 and the maturity of the program was extended to five years in 2011, in accordance with legal regulations. Consequently, the next SIP tranche will not mature until 2016.

Under the SIP, new tranches were last issued in 2011, 2012 and 2013. This means that on the reporting date, contingent shares for these three tranches were allocated. As at 31 December 2014, the number of these contingent shares was 975,955 (of which 212,796 were attributable to the 2011 allocation, 402,209 to the 2012 allocation and 360,950 to the 2013 allocation). The number of contingently allocated shares originally announced changed due to various personnel changes within Group units. It is aggregated in the following table:

SIP 2011, 2012 and 2013

Group of persons	Number of contingently allocated shares at 31/12/2014	Minimum allocation of shares	Maximum allocation of shares
Members of the Management Board of RBI	331,707	99,513	497,561
Members of the management boards of bank subsidiaries and branches affiliated to RBI	409,539	122,862	614,309
Executives of RBI and other affiliated companies	234,709	70,413	352,064

No shares were repurchased for SIP in 2014.

Expenditure for severance payments and pensions

The same rules essentially apply for the members of the Management Board as for employees. They provide for a basic contribution to a pension fund on the part of the company and an additional contribution when the employee makes their own contributions in the same amount. Additional individual pension benefits, which are financed by a reinsurance policy, apply to three members of the Management Board.

In the event of a function or contract termination, two members of the Management Board are entitled to severance payments in accordance with the Salaried Employees Act and the Banking Sector Tariff Agreement, one member in accordance with contractual agreements and three members in accordance with the Employee Benefit Act. In principle, the severance payment claims under the Salaried Employees Act or contractual agreements expire if the Management Board member resigns.

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

Supervisory Board remuneration

Supervisory Board remuneration was apportioned to individual Supervisory Board members as follows. The amounts provided are provisional amounts from the statement of financial position, subject to the approval of the Annual General Meeting 2015. Attendance fees were not paid.

Supervisory Board member	in €
Walter Rothensteiner	70,000
Erwin Hameseder	60,000
Heinrich Schaller	60,000
Markus Mair	30,000
Klaus Buchleitner	50,000
Stewart D. Gager	25,000
Kurt Geiger	50,000
Günther Reibersdorfer	50,000
Johannes Schuster	50,000
Christian Teufl	50,000
Bettina Selden	25,000
Martin Schaller	30,000

D&O insurance

In the 2014 financial year, a D&O (directors and officers) financial loss and liability insurance was signed with UNIQA Sachversicherung AG for the Supervisory Board, the Management Board and key executives, the cost of which is borne by the company.

Annual General Meeting

The Annual General Meeting for financial year 2013 was held on 4 June 2014 in Vienna. The Annual General Meeting for financial year 2014 will take place on 17 June 2015. The convening notice will be published in the Wiener Zeitung's official register and in electronic form a minimum of 28 days before the Annual General Meeting.

At the Annual General Meeting the shareholders, as owners of the company, can exercise their rights by voting. The fundamental principle of "one share one vote" applies. Accordingly, there are no restrictions on voting rights and all shareholders have equal rights. Every share confers one vote; registered shares have not been issued. Shareholders may exercise their voting rights themselves or by means of an authorized agent. RZB has not exercised its right to nominate up to one third of the Supervisory Board members to be elected by the Annual General Meeting, as per the Articles of Association, so that the share structure complies with the principle of "one share, one vote".

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

One of Raiffeisen's fundamental values has always been to offer equal opportunities for equal performance regardless of gender or other factors. This begins with the recruitment process, where it is important to ensure that the same standards are always applied in staff selection, without prejudice and without restrictions. The relatively high proportion of 67 per cent of female employees at RBI underscores the effectiveness of these activities.

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

Year	Proportion of women of the total number of employees	Proportion of women of the total number of executives	Management Board	Tier 2 management	Tier 3 management
2014	67%	54%	15%	36%	46%
2013	67%	56%	16%	41%	50%
2012	67%	56%	15%	41%	52%

A corresponding framework to promote the advancement of women must be established and continually developed. Improving the family-work balance is a very important element of this. Appropriate measures include flexible working hours, part-time models and home office. These models are implemented in nearly all countries the Group is active in, and in accordance with the local statutory provisions. The measures are supplemented with further national initiatives, such as the company's kindergarten with employee-friendly operating hours at the Vienna site.

The Management Board is aware of the need to continuously promote the existing initiatives as well as to maintain its openness to new initiatives in order to further increase the percentage of women in highly qualified positions. To achieve this end, it encourages women to take advantage of these opportunities and to make specific calls for such initiatives.

In order to build on management skills, RBI offers targeted training and continuing education programs, which also proved popular among female employees. For example, approximately 38 per cent of the participants in the Group-wide top-management program "Execute" were women. In 2014, female employees accounted for 15 per cent of participants in the restructured Advanced Leadership Training program for middle management.

Transparency

The internet, particularly the company website, plays an important role for RBI with regard to open communication with shareholders, their representatives, customers, analysts, employees, and the interested public. Therefore, the website offers regularly updated information and services on the following topics: annual and interim reports, company presentations, conference call webcasts, ad-hoc releases, press releases, investor relations releases, share price information and stock data, information for debt investors, financial calendar with advanced notice of important dates, information on securities transactions of Management Board and Supervisory Board that are subject to reporting requirements (directors' dealings), RBI's Articles of Association, the corporate governance report, analysts' research and recommendations, as well as an ordering service for written information and registration for the automatic receipt of investor relations news by e-mail.

Conflicts of interest

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

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

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

Accounting and audit of financial statements

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

The Annual General Meeting selected KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, now KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, as its external auditor and bank auditor for the 2014 financial year. KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft has confirmed to RBI that it has the certification of a quality auditing system. It has also declared that there are no reasons for disqualification or prejudice. The Supervisory Board is informed of the result of the audit by a statutory report regarding the audit of the consolidated financial statements by the auditor, as well as by the report of the Audit Committee. Furthermore, the auditor assesses the efficiency of the company's risk management in accordance with the Austrian Code of Corporate Governance, based on the documents submitted to him and otherwise available. The resulting report is presented to the Chairman of the Supervisory Board, who is responsible for addressing the report in the Audit Committee and for reporting thereon in the Supervisory Board.

The Management Board

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

Sustainability management at RBI

Within the RZB Group (of which RBI is an important part), economic, ecological and social responsibilities form part of a whole. Sustainable action has been part of the Group's agenda and identity since it was founded by Friedrich Wilhelm Raiffeisen. Thus, corporate responsibility and sustainability are integral components of RBI's business activities.

RBI promotes sustainability issues and ensures compliance with the ten principles of the "United Nations Global Compact (UNGC)."

According to the cornerstones of the sustainability strategy, the role of the responsible banker is of particular importance with regard to lending and investment activities. The involvement of the International Finance Corporation (IFC) in RBI's capital increase at the start of 2014 – and the associated agreement with the network banks in Russia, Poland, Bosnia and Herzegovina, as well as Kosovo – led to additional requirements including the introduction of an environmental and social management system which entails, among other things, compliance with the IFC's Performance Standards and the IFC Exclusion List. The eight IFC Performance Standards relate to the following: social and ecological assessment and management systems; labor and working conditions; prevention and reduction of environmental pollution; public health, safety and security; land acquisition and involuntary resettlement; biodiversity conservation and sustainable management of resources; indigenous peoples; as well as cultural heritage. They serve as a benchmark for identifying and managing environmental and social risks.

Furthermore, RBI acted as joint bookrunner in September 2014, together with three other UNICO member banks, for the structuring and placement of a European Investment Bank (EIB) Climate Awareness Bond.

In 2014, RBI was again listed in the Austrian sustainability index (VBV Österreichischer Nachhaltigkeitsindex – VÖNIX). This index contains listed Austrian companies which are leaders in terms of social and ecological performance.

In preparation for the Stakeholder Council 2014, a focus group of internal and external experts was organized on the subject of "RZB Group 2025 – Sustainable Future Scenarios and Strategies". The three rounds of dialog focused on man and his changing requirements, market trends, new business models and technologies, as well as changes in framework conditions, policy and governance. The numerous suggestions and proposals put forward by the participants are being analyzed in order to derive concrete steps for the current sustainability program.

As a fair partner, RBI maintains an active, transparent and open dialog with all stakeholders. In this regard, the Sustainability Report, an annual publication on sustainability performance, plays an important role. At the Econ Awards 2014, RBI's most recent Sustainability Report received a gold award for outstanding achievements in corporate communications in German-speaking countries. The RZB Group's 2011/12 Sustainability Report "We create sustainable value" received its first ever award in the category "Sustainability and CSR Report", while the electronic update for the reporting year 2013 received a prize at the Austrian Sustainability Reporting Awards (ASRA) in 2014, for being one of the best sustainability reports produced by a major Austrian corporation.

In order to identify new, innovative ideas and projects in the field of sustainability and to get employees more involved in the subject of sustainability and climate protection, RBI participated in the "Raiffeisen Sustainability Challenge" organized by the Raiffeisen Climate Protection Initiative (RKI) in fall 2014. Three category choices were available: Sustainable financial products and services, sustainable construction, renovation and mobility as well as internal measures. RBI employees submitted a total of 30 projects. The three best projects were awarded prizes and took part in the national final.

The Carbon Disclosure Project (CDP) is a non-profit organization aimed at reducing CO_2 emissions. The CDP collects data and information annually using standardized questionnaires. The CDP now manages the world's largest database on environmental data of listed companies. Investors access the data more than 8.8 million times a year.

RBI has been reporting under the Carbon Disclosure Project since 2011 and has been a CDP Reporter Services member since 2013. The data relating to the CDP is audited in accordance with ISO 14064-3. The companies which perform best in terms of reporting and planning, as well as in the implementation of measures, form the Carbon Performance Leadership Index (CPLI). In 2014, RBI was represented in this index for the second time. Moreover, with 96 A points, RBI has been ranked among the five best companies within the "Financials" sector in the DACH region (Germany, Austria and Switzerland) for the first time. The average for the DACH region is 69 C.

In order to reduce emissions, it is important to know the precise sources of such emissions. The CO_2 emission figures for Group head office were first recorded in 2009. Whereas in 2009, "energy", at 56 per cent, was the greatest contributor to RBI's CO_2e emissions (CO_2 equivalent or CO_2e is a term used to describe the effect of greenhouse gases caused by human beings on the greenhouse effect), the 2014 survey showed a marked improvement. The reduction in electricity consumption, the switch to green electricity (without the use of large-scale hydropower), and the increase in energy efficiency, not least through the use of district cooling, enabled this share to be reduced to 10 per cent. The partial relocation to the nearly zero-energy building at the new location "R 19" in Muthgasse in the Vienna-Döbling district also played a role. "Transport" (business travel) now accounts for the highest share of CO_2e emissions. Paper-based CO_2e emissions were also reduced, by 93 per cent, through cutting paper consumption and switching to recycled paper. Since 2009, the CO_2 footprint per employee has been reduced 34 per cent and now stands at 2,312 kg CO_2e.

Further attention focused on mobility, one of the three biggest sources of CO_2 emissions in the RZB Group. The first survey on employees' journeys to work was conducted in 2009 on behalf of the Environment Committee. A new mobility survey was launched in fall of 2014 to ascertain employees' travel habits during business trips and when traveling to their place of work. To increase the number of surveys returned by the network banks, the online questionnaire was translated into the respective national language. The results will be evaluated at national level in the first quarter of 2015.

As an engaged citizen, RBI assumes responsibility for society and the environment. As part of social development, it supports a wide variety of charitable projects, also via the H. Stepic CEE charity which is involved with charitable projects in Central and Eastern Europe. When selecting the charity projects, care is taken to ensure the aid really does reach those who need it most urgently. The offices involved make sure aid is provided promptly and without red tape. All projects are subjected to local-level monitoring and their progress is reported.

Group management report

Market development

Weak economic growth in Europe – recovery in the US

The eurozone economy developed weaker than expected in 2014, and the outlook for 2015 is also subdued. It posted a modest 0.9 per cent year-on-year GDP growth in 2014, following minus 0.4 per cent in the prior year. On the one hand, this was driven by solid growth figures in Germany and by a recovery in a number of countries (Spain, Ireland and Portugal) that had previously posted weaker growth. On the other, economic growth in major countries such as Italy and France disappointed. The weak economic trend contributed to a significant decline in inflation. As falling commodity prices further exacerbated this trend, inflation averaged only 0.4 per cent in 2014, after 1.4 per cent in 2013. A decline in consumer goods prices can be expected for at least the beginning of 2015. In a bid to bolster economic growth and prevent deflationary risks, the ECB took additional expansionary and unconventional measures in 2014 as well as in early 2015. The weaker external value of the euro is expected to be supportive for an economic recovery for the euro area in 2015. The major risk factors to economic growth and the financial markets in the euro area remain to be the tense geopolitical situation in addition to deflationary tendencies and delayed reforms in a number of eurozone countries.

Overall, current signs indicate a strong decoupling of economic cycles between Europe and the US. Last year the US economy, mirroring its trend from the two previous years, grew 2.4 per cent, driven by private consumption and corporate investment. Private consumption benefitted from positive labor market conditions, moderately increasing wages and a sharp drop in energy prices in the second half of the year. Unlike in the previous three years, fiscal consolidation has had hardly any dampening effect on economic activity in the US. Even though the increase in economic output lagged the momentum of past upswings, the labor market continued its robust recovery. Over the course of the year, unemployment fell from 6.7 per cent to 5.6 per cent, just slightly above the level deemed consistent with full employment.

CEE marked by divergent trends

The formative economic recovery in CEE in 2012 and 2013 weakened in 2014. The CEE region as a whole posted 1.0 per cent economic growth in 2014, only marginally outpacing the eurozone. This trend was primarily driven by the situation in Russia and Ukraine, where geopolitical risks coupled with structural weaknesses resulted in stagnation (Russia) or a deep adjustment recession (Ukraine). In 2014, Ukraine received extensive financial help from the International Monetary Fund (IMF) and the EU in order to facilitate necessary structural and institutional restructuring measures and to protect against financial market risks. This financial aid was increased in 2015.

In contrast to the trend – superimposed by Russia – in the region as a whole, the economies in Central Europe (CE) and Southeastern Europe (SEE) noticeably grew in 2014. CE recorded average GDP growth of 2.9 per cent, compared to 1.4 per cent in SEE. In addition to exports, domestic demand also recovered significantly, predominantly in CE countries. The solid economic performance in CE is broad-based. Moreover, all CE countries experienced significantly positive GDP growth rates in 2014, with the Czech Republic, Hungary and Slovenia reversing their stagnation and recession trends of previous years. In the CE region, economic growth particularly stood out in Poland and Hungary in 2014; these countries achieved GDP growth of more than 3.0 per cent. During the same period, economic output in Slovakia and Slovenia expanded roughly 2.5 per cent, and by 2.0 per cent in the Czech Republic. The positive trend is expected to continue in 2015, with solid GDP growth of 3.0 per cent expected in CE, mainly driven by continued notable growth in Germany and increasingly strong domestic demand and investment.

In a number of SEE countries, the restructuring efforts of recent years are already showing first results. In 2013 and 2014, GDP growth in SEE was primarily driven by Romania, while other economies remained in stagnation or recession. In light of the natural disasters that heavily impacted a number of SEE countries, economic growth in the region weakened to 1.4 per cent in 2014, following 2.1 per cent in 2013. The weaker-than-expected recovery in the eurozone is also dampening growth in SEE – first and foremost in Italy and France, countries of greater importance to SEE. The strongest growth – at 2.9 per cent – was recorded in Romania, which is benefitting from successful structural reforms, but still suffering from weak domestic demand; Albania followed with 2.0 per cent. Economic growth in Bulgaria reached 1.1 per cent despite a short-term bank run in the summer of 2014. Croatia, suffering from deep structural problems, remained in the grip of recession in 2014, marking its sixth consecutive year without growth. While Bosnia-Herzegovina got off lightly with a stagnating economy, Serbia suffered another sharp decline in 2014. In particular, Serbia had to contend with the consequences of the flood disaster, as well as from delays to policy reforms, and suffered a drop in economic output of 1.8 per cent in 2014. In an effort to stabilize its macroeconomic and budgetary situation, Serbia signed a precautionary arrangement with the IMF in the fourth quarter. The agreement set out targets for fiscal consolidation and privatization. Romania has shown by example that cooperation with the IMF can result in sustained structural reform. In this respect, the step can be seen as positive. A moderate, accelerated growth trend is expected in the SEE region in 2015, with GDP set to increase 1.9 per cent and to be led once again by Romania.

The economic momentum in Russia, Ukraine and Belarus, which already showed signs of slowing in 2014, is expected to continue in 2015. Following a de facto stagnation in 2014, Russia looks set to experience a recession in 2015, with GDP projected to decline 4.0 per cent. A similar trend is emerging in Belarus, where at least a slight GDP decline is expected. Barring a further escalation of the geopolitical situation, the Russian economy could return to moderate growth in 2016. In Ukraine, the adjustment recession that began in 2014 is set to continue in 2015, with GDP expected to decline at least 5.5 per cent. If comprehensive reforms are unsuccessful, economic and financial restructuring in Ukraine may prove to be much more difficult to implement. Overall, GDP in the CEE Other region (Ukraine, Belarus) will contract in 2015, continuing the trend from 2014. Ukraine is likely to remain dependent on substantial financial support from the international community in both 2015 and 2016.

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

Region/country	2013	2014e	2015f	2016f
Czech Republic	(0.7)	2.0	2.4	3.0
Hungary	1.5	3.5	2.5	2.5
Poland	1.7	3.3	3.5	3.4
Slovakia	1.4	2.4	2.5	3.0
Slovenia	(1.0)	2.6	2.0	2.0
CE	**1.0**	**2.9**	**3.0**	**3.1**
Albania	0.4	2.0	3.0	4.0
Bosnia and Herzegovina	2.5	0.5	2.5	3.0
Bulgaria	0.9	1.1	1.2	2.1
Croatia	(0.9)	(0.4)	0.0	1.0
Kosovo	3.4	0.5	2.0	3.0
Romania	3.4	2.9	3.0	3.0
Serbia	2.5	(1.8)	0.0	2.5
SEE	**2.1**	**1.4**	**1.9**	**2.6**
Russia	**1.3**	**0.6**	**(4.0)**	**0.5**
Belarus	0.9	1.6	(2.0)	1.0
Ukraine	0.0	(6.9)	(5.5)	0.5
CEE Other	**0.3**	**(4.5)**	**(3.9)**	**0.6**
Austria	**0.2**	**0.3**	**0.7**	**1.8**
Germany	**0.2**	**1.6**	**1.6**	**2.2**
Eurozone	**(0.4)**	**0.9**	**1.2**	**1.9**

Economic growth in Austria remains behind expectations

Following a promising second half of 2013, a period of stagnation then took hold that lasted the whole year, implying real gross domestic product growth of 0.3 per cent for 2014 as a whole (2013: 0.2 per cent). Despite stable employment growth, private consumption failed to show signs beyond a tentative recovery. Government spending was only somewhat more dynamic. Corporate investment activity also disappointed, particularly in the second half of the year, while the positive trend at the beginning of the year was attributable to pull-forward effects. In the second half of the year, weak growth in domestic demand was partly offset by foreign trade. Economic growth momentum was also weak at the beginning of 2015.

Global currencies

In the first half of 2014, the euro/US dollar exchange rate fluctuated within a very narrow range of between EUR/USD 1.35 and EUR/USD 1.39. In the second half of the year, the euro went into freefall, pushing the single currency down to EUR/USD 1.21 by the end of the year. At the beginning of the year, the euro's downward trend accelerated again. In early march 2015, the euro was 1.12 against the dollar. The exchange rate was mainly driven by the monetary policies of the ECB and US Federal Reserve. Since the middle of 2014, there have been indications that the US Federal Reserve would begin normalizing its monetary policy, a first step being the end of its bond purchases in November. At the same time, there were indications that the ECB would embark on a similar bond purchasing program in the foreseeable future.

Over the whole of 2014, the Swiss franc fluctuated between nearly 1.20 and 1.24 against the euro, with the average exchange rate at 1.22. At the beginning of the year, the Swiss franc was more or less on the back foot but in the wake of geopolitical uncertainties, returned to its safe haven status in the spring and has been steadily appreciating since. The ECB's expansionary monetary policy and the shrinking interest rate differential between the eurozone and Switzerland have also contributed to the Swiss franc's appreciation. Towards the end of the year, appreciation pressure on the Swiss franc against the euro increased to such an extent that the SNB (Swiss National Bank) introduced negative key interest rates. On 15 January 2015, the SNB surprisingly withdrew its minimum exchange rate peg for the EUR/CHF at 1.20; however, it stressed that it would take due account of the exchange rate situation in formulating its monetary policy in future and thus remain active in the foreign exchange market if necessary.

CEE currencies

CEE currencies trended weaker against the euro over the course of 2014. While the other currencies in the CE and SEE region declined within a range of between roughly 0.5 per cent and 3 per cent, the Hungarian forint (down 6.0 per cent) and Serbian dinar (down 5.3 per cent) weakened most significantly against the euro. The strongest devaluations were experienced in the CIS region, where the crisis in eastern Ukraine, the sliding oil price and sanctions against Russia led to hefty devaluations. For example, the Russian rouble fell nearly 36 per cent against the euro in the second half of 2014 (38 per cent for the year) and the Ukrainian hryvnia lost 41 per cent against the euro over the course of 2014. In 2014, the Belarusian rouble remained stable with just 1.4 per cent devaluation against the euro; however, lost almost 20 per cent against the euro up till the end of February in 2015. In the first two months of 2015, the Russian rouble recovered again somewhat against the euro, up by almost 4 per cent; while the Ukrainian hryvnia fell by around 37 per cent against the euro.

Development of the banking sector

Moderate growth and increasing divergence in CEE

Supported by slightly better economic indicators in the second half of 2014, as well as expansionary monetary policy measures and improved growth expectations in CE and SEE, credit growth in both of these regions moderately increased in 2014. This trend should continue in 2015. As a result, non-performing loans (NPLs) also stabilized – or in some cases already peaked – in many CE and SEE countries in 2014. Romania held its first notable NPL portfolio auctions in 2014. However, NPLs remained at high levels, notably in banking markets in SEE, which will weigh on the performance of banking sectors for a continued period. The banking environment in Russia and Ukraine sharply deteriorated in 2014, and the outlook for 2015 remains difficult. Credit growth weakened significantly in both markets, due in part to increasingly difficult local refinancing conditions (lower deposit growth, higher refinancing costs). Nevertheless, credit growth in the Russian banking sector remained in the upper double-digit range in 2014, the liquidity situation continues to be solid, and profitability (return on equity) was also still in the solid double-digit percentage range in 2014. As a result, barring a material deterioration of the geopolitical situation and financing conditions, the Russian banking sector should also remain profitable in 2015. In contrast, the Ukrainian banking sector posted a loss in 2014, and 2015 could also turn out to be another loss-producing year. The earnings situation of Western European banks operating in the region is also negatively impacted by ongoing currency weaknesses in Russia, Ukraine and Belarus.

The highly different regional trends in CEE with respect to asset quality and credit growth are also clearly reflected in divergent profitability ratios of the regional banking sectors. For example, profitability indicators of the CE banking sector remained at encouragingly robust levels, i.e. the average return on equity was in the lower double-digit percentage range in 2014. One exception was Hungary, where the earnings power of the banking sector was negative once again as a result of regulatory measures, however conditions should improve here. Although the Russian bank market suffered somewhat of a decline in profitability in 2014 compared to the previous year, it still boasted one of the highest returns on equity in the CEE region at roughly 13 per cent in 2014. In SEE, profitability was low again in 2014, partly attributable to weak credit demand in new business and, in some cases, still slightly increasing NPLs. The average return on equity in this region was in the low single-digit percentage range, roughly on a par with the eurozone level. Despite the positive trends in a number of CEE markets, overall, the average return on equity in the banking sector for the region remains below past levels. This trend is primarily driven by rising regulatory costs, increased equity ratios and costs, a higher degree of local refinancing, and limited opportunities to transform the risk and yield curve owing to the low interest rate environment. The outlook for a prolonged continuation of the current low interest rate environment in major CE and SEE markets, as well as the deterioration of earnings prospects in the Russian banking sector, suggests that the return on equity for the CEE banking sector will not significantly improve in 2015.

Performance and financials

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

Events in the financial year

Capital increase and repayment of participation capital
The capital increase carried out at the beginning of 2014, in which 97,473,914 new shares were issued, resulted in net capital growth of € 2,725 million. The participation capital of € 1,750 million subscribed by the Republic of Austria was repaid in June, and the participation capital of € 750 million subscribed by private investors was repaid in September.

RZB clearly passed AQR and stress test
The ECB subjected all banks that will be directly supervised in the future to the Comprehensive Assessment, which mainly comprised an extensive Asset Quality Review (AQR) and a Europe-wide stress test. RBI was subject to the ECB stress test, as part of RZB. Accordingly, the data published for the stress test related to the RZB Group. RZB clearly surpassed the required capital adequacy ratios in both the baseline scenario and the adverse scenario. The ECB's Asset Quality Review, which preceded the stress test, led to 0.65 percentage point adjustments to the CET1 ratio used by the ECB in its stress test for RZB. The main reason for these adjustments was the fact that the ECB employs a different approach than RZB for portfolio-based loan loss provisions. Moreover, the AQR did not consider loan loss provisions formed by RBI in the 2014 financial year. However, these were mostly allocated in the financial year 2014. The ECB’s recommendations were implemented to the extent in which they corresponded with the accounting policies of the IFRS or qualitatively sharpened the applied model.

Sub-consolidation of RBI
In October 2014, RBI was notified of the regulatory sub-consolidation of RBI as subgroup of RZB. Pursuant to Article 11 para 5 CRR (Capital Requirement Regulation), RBI is thus separately regulated on a sub-consolidated basis and recognized as a superordinate credit institution for the subgroup within the meaning of Section 30 of the BWG. Accordingly, the Group is required to maintain a minimum total capital ratio of 13.76 per cent as of 30 November 2014. This stipulated total capital ratio (transitional), including adequate buffer, has been adhered to on a sub-consolidated basis (Group level) since that date.

Banks come under Hungarian government's scrutiny
The measures introduced by the Hungarian government against Hungarian banks were associated with negative effects on the results again in 2014. Since the Home Protection Law of 2011, under which the Hungarian government allowed private borrowers to repay foreign currency loans prematurely at favorable terms and which led to losses for RBI, a number of new government programs favoring foreign currency borrowers have been drafted and adopted by parliament. The new legislation resulted in a provision of € 251 million recognized under sundry operating expenses in Hungary in the reporting year. The law related to the foreign exchange margins which can be applied to foreign currency loan disbursements and installments, as well as to unilateral rate changes on consumer loans.

Tensions in eastern Ukraine
The onset of geopolitical tensions in Ukraine, which culminated in the secession of Crimea as well as in military conflict in the Donbass region, had a negative impact on the Ukrainian network bank. This resulted in higher net provisioning for impairment losses in the amount of € 254 million, as well as additional other administrative expenses of € 15 million in the stated regions. This was further accompanied by the closure of a large number of branches and corresponding staff reductions in these regions.

Currency turmoil in Ukraine and Russia
In 2014, the dominant themes in international financial markets remained to be the geopolitical tensions in Ukraine, the widening of sanctions against Russia and resulting uncertainty. Consequently, the Russian rouble and Ukrainian hryvnia depreciated significantly against the US dollar and euro. Overall, exchange differences recognized in equity amounted to € 1.3 billion, with a negative effect on the common equity tier 1 ratio of 94 basis points, the bulk of which originated from units in Russia (47 basis points) and in Ukraine (19 basis points).

Depreciation of intangible fixed assets

Goodwill of € 306 million was impaired in the fourth quarter, particularly for Group units in Russia (€ 148 million), Poland (€ 101 million) and Albania (€ 51 million). In the third quarter, Ukraine recorded an impairment of € 29 million on the brand, and € 1 million on the customer base.

Overview

After a challenging year, the Group ended the reporting year with positive profit before tax of € 23 million. Despite the currency turmoil and geopolitical tensions, the operating result in the amount of € 2.332 million was marginally below the previous year's level, with a decline of 2 per cent year-on-year. The decline in profit before tax of € 812 million to € 23 million was primarily attributable to a number of one-off effects: A legislative change in Hungary entailed a one-off effect with a negative impact of € 251 million on the Group's results. At the same time, € 533 million in net provisioning for impairment losses was required in Ukraine, which was thus € 412 million above the previous year's level. Goodwill impairments totaling € 306 million were required for Group units in Russia and Poland as a result of lower medium-term earnings expectations, and in Albania due to a change in the discounting factor. The Group's loss after tax was € 463 million – not least due to impairments recognized on deferred tax assets in the amount of € 196 million owing to a tax planning revision at Group head office and in Asia. Taking profit attributable to non-controlling interests into account, which decreased € 16 million to minus € 30 million, the Group had a consolidated loss of € 493 million for the year.

Operating income fell 7 per cent, or € 373 million, to € 5,355 million year-on-year, while the net interest margin improved 13 basis points to 3.24 per cent due to lower refinancing costs at Group head office. Net interest income increased 2 per cent, or € 60 million, to € 3,789 million. In contrast, net fee and commission income fell 2 per cent, or € 40 million, to € 1,586 million, primarily due to currency movements. Net trading income declined € 351 million to minus € 30 million, driven by valuation losses on derivatives and by exchange rate-related valuation losses on foreign currency positions in Ukraine and Russia.

General administrative expenses were down 9 per cent, or € 316 million, to € 3,024 million year-on-year, with positive effects stemming from ongoing cost reduction programs, notably in the Czech Republic and in Poland. Ukraine and Russia recorded declines, primarily caused by currency devaluations. The average number of staff was further reduced, with a 2,671 decrease from the previous year to 56,396. The number of business outlets was down 159 to 2,866 year-on-year.

Net provisioning for impairment losses rose 49 per cent, or € 567 million, to € 1,716 million year-on-year. This was mainly due to the situation in Ukraine, which was impacted by the depreciation of the hryvnia, and by the challenging overall macroeconomic environment, leading to an increase in net provisioning for impairment losses of € 412 million to € 533 million. Asia also contributed to the increase, with defaults by large corporate customers resulting in an increase of € 215 million to € 291 million. In contrast, the credit risk situation improved in most other markets.

Net income from derivatives and liabilities reversed from minus € 257 million in the previous year to plus € 88 million, mainly due to the € 292 million change in the credit spread for own liabilities.

In the course of the year, total assets fell 7 per cent, or € 9,016 million, to € 121,624 million. Nearly half of this decrease (approximately € 4.2 billion) was attributable to currency effects mainly resulting from the depreciation of the Ukrainian hryvnia and Russian rouble against the euro. The reduction in short-term interbank business was also responsible for the decline in total assets.

Equity including non-controlling interests recorded a decline of € 2,062 million to € 8,302 million. Equity reduced as a result of dividend payments totaling € 539 million for the financial year 2013 and as a result of total comprehensive income of minus € 1,754 million, which was attributable to the loss after tax of € 463 million as well as currency devaluations of minus € 1,335 million.

Due to the negative result, RBI AG will not distribute a dividend on shares and on participation capital for the financial year 2014.

Detailed review of income statement items

in € million	2014	2013	Change absolute	Change in %
Net interest income	3,789	3,729	60	1.6%
Net fee and commission income	1,586	1,626	(40)	(2.5)%
Net trading income	(30)	321	(351)	–
Sundry net operating income	10	53	(42)	(80.5)%
Operating income	**5,355**	**5,729**	**(373)**	**(6.5)%**
Staff expenses	(1,450)	(1,632)	182	(11.2)%
Other administrative expenses	(1,193)	(1,277)	84	(6.6)%
Depreciation	(381)	(431)	50	(11.6)%
General administrative expenses	**(3,024)**	**(3,340)**	**316**	**(9.5)%**
Operating result	**2,332**	**2,389**	**(58)**	**(2.4)%**
Net provisioning for impairment losses	(1,716)	(1,149)	(567)	49.3%
Other results	(593)	(405)	(188)	46.3%
Profit/loss before tax	**23**	**835**	**(812)**	**(97.3)%**
Income taxes	(486)	(232)	(254)	109.7%
Profit/loss after tax	**(463)**	**603**	**(1,066)**	**–**
Profit attributable to non-controlling interests	(30)	(46)	16	(35.0)%
Consolidated profit/loss	**(493)**	**557**	**(1,050)**	**–**

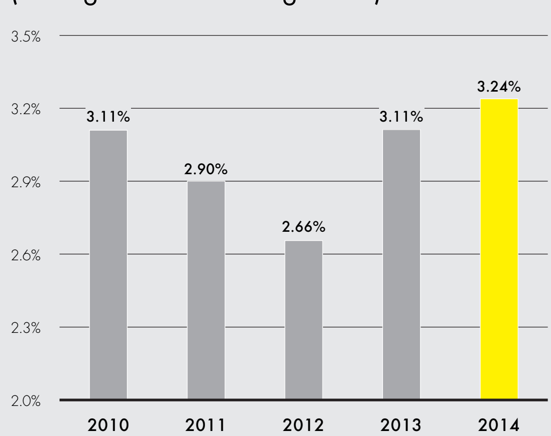
Net interest income

Net interest income increased 2 per cent, or € 60 million, to € 3,789 million in 2014. This was primarily attributable to a positive development in Russia and at Group head office. In Russia, higher interest income from derivatives and, in particular, successful positioning in the retail and corporate customer business, led to an increase of € 112 million. At Group head office, lower refinancing costs relating primarily to debt securities led to growth of net interest income of € 145 million.

In addition to the positive contribution from Russia and Group head office, this was also driven by the positive development of the credit business in Belarus (up € 24 million) and repricing measures in the deposit business in Slovakia (up € 10 million). In contrast, interest income in Hungary declined € 43 million as a result of lower interest income from derivatives, reduced lending volumes and a lower market interest rate level. In Romania, lower market interest rates, as well as declining income from securities, also led to a decrease in net interest income of € 7 million. The negative development of net interest income in Ukraine (down € 61 million) was purely currency-related, whereas net interest income in local currency was up 20 per cent. In Poland, net interest income marginally declined € 4 million due to sharply lower market interest rates. RBI recorded a decrease in net interest income of € 4 million in the Czech Republic as a result of lower margins in the retail and corporate customer business, as well as due to currency effects. In Slovenia, reduced lending volumes, in particular, led to a decline in net interest income of € 6 million.

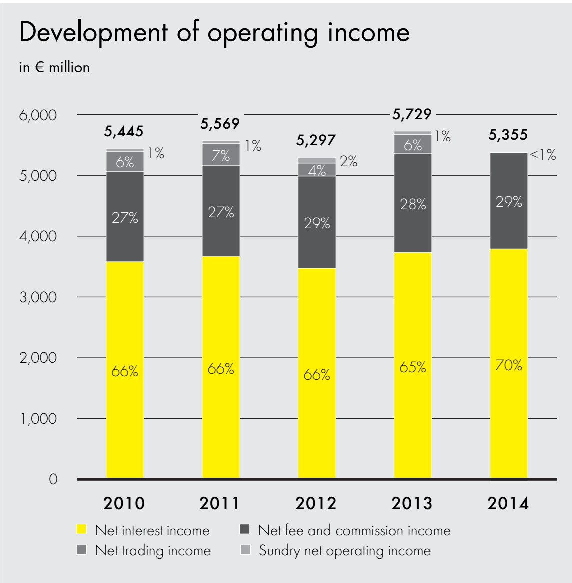
The Group's net interest margin increased 13 basis points to 3.24 per cent year-on-year owing to lower refinancing costs at Group head office, as well as improved margins in Russia and CEE Other.

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



Net fee and commission income

Net fee and commission income fell 2 per cent, or € 40 million, to € 1,586 million year-on-year, mainly as a result of currency-related effects. Net income from the loan and guarantee business declined 16 per cent, or € 40 million, to € 210 million, primarily due to currency effects in Russia and lower guarantee commissions in Romania. Net income from the securities business decreased 14 per cent, or € 21 million, to € 127 million – predominantly at Group head office – due to lower capital market transaction fees. Net income from the payment transfer business was down 3 per cent, or € 20 million, to € 712 million, due to currency effects. The most significant declines were recorded in Ukraine and in Russia, whereas Slovakia, Hungary and Croatia achieved increases. In contrast, in Russia and in Ukraine, net income from the foreign currency, notes/coins and precious metals business was up 11 percent, or € 38 million, to € 393 million, mainly driven by higher volumes and margins.



Net trading income

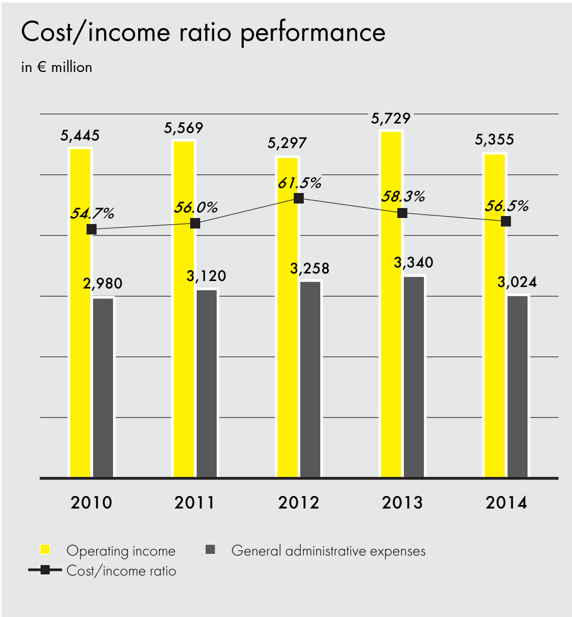
Net trading income fell € 351 million to minus € 30 million, largely due to a € 313 million decrease in currency-based transactions to minus € 51 million. This was mainly attributable to valuation losses on derivatives in Russia, as well as exchange rate-related valuation losses on foreign currency positions in Ukraine. In contrast, Group head office – as well as Hungary – posted valuation gains on derivatives. Net income from interest-based transactions declined € 20 million as a result of valuation losses in Russia. Net income from other transactions declined € 43 million to minus € 42 million.

Sundry net operating income

Sundry net operating income fell € 42 million to € 10 million, in the reporting year. In particular, net allocations to other provisions rose € 29 million. On the one hand, the positive result in the previous year was due to the release of a provision for VAT liabilities in Poland; on the other, allocations to provisions in Hungary (for litigation) and Russia had a negative impact in the reporting year. Other tax expense increased € 16 million due to a newly introduced tax on foreign exchange purchases in Ukraine, as well as to a higher tax expense related to the financial transaction tax in Hungary. This contrasted with improvements in net proceeds from the disposal of tangible fixed assets (sale of buildings) in Russia, Ukraine and Albania. In Albania, the result was lower in the previous year due to business outlet closures. In addition, income from the release of negative goodwill from the purchase of Raiffeisen Bausparkasse in Croatia had a positive impact of € 5 million.

General administrative expenses

The Group's general administrative expenses fell 9 per cent, or € 316 million, to € 3,024 million during the reporting period, largely attributable to the currency development of the Russian rouble and Ukrainian hryvnia. In addition, ongoing cost reduction programs in the Czech Republic and Poland, as well as lower depreciation in the Czech Republic, led to a reduction in general administrative expenses. The cost/income ratio improved 1.8 percentage points to 56.5 per cent.



Staff expenses

Staff expenses, which made up the largest item under general administrative expenses at 48 per cent, declined 11 per cent, or € 182 million, to € 1,450 million in the reporting year. In Ukraine and the Czech Republic, the sharp decline in staff expenses was mainly due to cost reduction programs and currency effects. Ongoing cost reduction programs in Poland and Hungary likewise led to a decrease, while significant currency devaluation in Russia reduced expenses.

The average number of staff (full-time equivalents) fell 2,671 to 56,396 year-on-year. The biggest declines occurred in Ukraine (down 1,117), Poland (down 557) and Hungary (down 335).

Other administrative expenses

Other administrative expenses decreased 7 per cent, or € 84 million, to € 1,193 million. The reduction in Ukraine (down € 26 million) and Russia (down € 16 million), was largely attributable to currency effects. Poland posted the most significant decline (down € 31 million), particularly for legal, advisory and consulting expenses, as well as IT and advertising expenses. In Romania (down € 8 million), the reduction was mainly related to office space expenses, and in the Czech Republic (down € 6 million) it was primarily related to legal, as well as advisory and consulting expenses. In contrast, in Slovakia higher deposit insurance fees, higher legal, as well as advisory and consulting expenses, and IT and advertising expenses resulted in a € 8 million increase.

The number of business outlets was down 159, to 2,866, compared to year-end 2013. The most significant declines in the number of business outlets occurred in Ukraine (down 127), Poland (down 19), Bulgaria (down 12), and Albania (down 12).

Depreciation expenses

Depreciation of tangible and intangible fixed assets fell 12 per cent, or € 50 million, to € 381 million year-on-year. This was primarily attributable to lower depreciation on software at Group head office, as well as to impairment of a software project in the Czech Republic (€ 57 million) undertaken in the previous year. Ukraine posted an increase of € 13 million due to a brand and customer base impairment totaling € 30 million and to impairment on a building of € 4 million, whereas the change in useful life resulted in lower depreciation of tangible fixed assets. Romania also recorded an increase (€ 8 million) due to an impairment of land.

The Group invested € 415 million in fixed assets in the reporting period. Of that, 36 per cent (€ 150 million) flowed into own tangible assets. Investments in intangible assets – mainly related to software projects – amounted to 42 per cent. The remainder was invested in assets of the operating leasing business.

Net provisioning for impairment losses

Net provisioning for impairment losses rose 49 per cent year-on-year, or € 567 million, to € 1,716 million. This resulted from an increase in individual loan loss provisions of € 614 million, to € 1,829 million. For portfolio-based loan loss provisions, there were again net releases totaling € 45 million (decline of € 6 million). This contrasted with € 54 million higher proceeds from the sale of impaired loans, which totaled € 68 million in the reporting year and of which the sale of non-performing loans in Poland accounted for € 61 million.

In Ukraine, net provisioning for impairment losses came to € 533 million – mainly due to higher individual loan loss provisions – up € 412 million in total from the previous year's level. This was mainly due to tensions in eastern Ukraine, as well as to the depreciation of the hryvnia and the resulting required provisions for collateralized US dollar loans. Net provisioning for impairment losses in the Group Corporates segment increased € 232 million to € 490 million, primarily caused by individual loans to large corporate customers in Asia. In Russia, a growing retail and corporate customer portfolio, as well as individual loans in the corporate customer business, also led to an increase in net provisioning for impairment losses of € 104 million to € 152 million. In contrast, Poland, Slovenia and Bulgaria posted significant declines. The € 61 million decline in Poland resulted primarily from sales of impaired loans. Impairment needs were € 42 million lower in Slovenia and € 39 million lower in Bulgaria after a significant increase in the non-performing loan portfolio and an update of collateral valuations in the previous year made higher net provisioning for impairment losses necessary.

The portfolio of non-performing loans to customers has increased € 181 million, to € 8,838 million since the beginning of the year; on a currency-adjusted basis there was an increase of € 959 million. This increase occurred mainly in the Group Corporates segment (up € 629 million) and in Ukraine (up € 604 million)and in Russia (up € 195 million) whereas, in Hungary and Bulgaria, the portfolio of non-performing loans to customers significantly declined (down € 181 million and € 187 million, respectively). In addition, currency effects – notably as a result of the devaluation of the Ukrainian hryvnia and Russian rouble – resulted in a decline of € 778 million. Compared to year-end 2013, the NPL ratio increased 0.6 percentage point to 11.3 per cent in the reporting year. Non-performing loans were set against loan loss provisions amounting to € 5,955 million. An improved NPL coverage ratio of 67.4 per cent, up from 63.1 per cent in the previous year resulted from the increase of loan loss provisions of existing non-performing loans.

The provisioning ratio – net provisioning for impairment losses in relation to the average volume of loans and advances to customers – increased 0.73 percentage point to 2.13 per cent.

Other results

Net income from derivatives and liabilities

Net income from derivatives and liabilities came to € 88 million, compared to minus € 257 million in the previous year. This was due to net income from liabilities designated at fair value, where the changed credit spreads for own liabilities – increase of € 292 million to plus € 166 million – had a positive effect. Net income from the valuation of derivatives entered into for hedging purposes improved € 53 million.

Net income from financial investments

Net income from financial investments improved € 5 million to € 62 million year-on-year. The valuation result for securities from the fair value portfolio increased € 31 million to € 38 million, and net proceeds from the sale of securities rose € 33 million to € 52 million, respectively. These increases resulted mainly from significant, largely currency-related gains from the valuation and sale of bonds in Ukraine, which were partially reduced by losses from the valuation and sale of bonds – predominantly corporate bonds – in Russia.

Net income from equity participations declined from plus € 29 million in the previous year to minus € 33 million in the reporting year. On the one hand, this was mainly due to € 46 million lower net income from the sale of equity participations after disposal gains of € 51 million in the previous year, predominantly from the sale of VISA and MasterCard shares in Russia and Ukraine. On the other, impairment for equity participations was € 16 million higher, largely booked at Group head office.

Bank levies, one-off effects and goodwill

The expense for bank levies fell € 20 million to € 177 million, in the reporting year. Bank levy expenses declined € 14 million in Austria due to a change in the assessment base and decreased € 7 million in Slovakia.

Changed legislation in Hungary led to a one-off effect in the form of a provision of € 251 million, which was reported under sundry operating expenses. The legislation passed by the Hungarian parliament favoring foreign currency borrowers related to foreign exchange margins which can be applied to foreign currency loan disbursements and installments, as well as unilateral rate changes on consumer loans.

In addition, goodwill impairments totaled € 306 million, € 148 million of which were recorded in Russia, € 101 million in Poland and € 51 million in Albania. In Russia, goodwill was impaired due to currency effects and resulting lower earnings expectations. In Poland, a reduction in the goodwill calculation resulted from a lower medium-term earnings expectation and a decrease in the perpetual return. In Albania, the calculation was subject to a higher underlying discount rate due to the increased cost of equity. Furthermore, the perpetual return decreased.

Net income from disposal of Group assets

The disposal of 18 subsidiaries resulted in a loss of € 10 million in the reporting year, while a loss of € 6 million was recorded in the previous year as a result of the exclusion of seven subsidiaries from the consolidated group. Of the 18 excluded subsidiaries, 11 companies were excluded due to immateriality, five companies were sold, one company was excluded as a result of end of operation, and another due to liquidation. The companies were predominantly active in the leasing, trading and financing business. The sale of commodity trading group F.J. Elsner, Vienna, resulted in a net loss from disposal of group assets of € 11 million.

Income taxes

Income taxes increased € 254 million to € 486 million year-on-year. The deferred tax expense increased € 214 million to € 183 million. This included a one-off effect related to the impairments of deferred tax assets of € 196 million. Impairments at Group head office totaled € 161 million as due to the updated medium-term tax planning tax loss carry-forwards can not be realized. In Asia, deferred tax assets of € 35 million were also impaired as insufficient taxable profit would have been available due to the planned reduction in business operations. Current taxes increased € 40 million to € 303 million, mainly as a result of higher tax expenses in Poland and the Czech Republic. At Group head office, current tax expenses totaled € 3 million; whereas tax income of € 44 million was recognized in the previous year due to a tax allocation at Group level.

Comparison of results with the previous quarter

in € million	Q4/2014	Q3/2014	Change absolute	Change in %
Net interest income	895	940	(45)	(4.8)%
Net fee and commission income	417	404	14	3.4%
Net trading income	(68)	30	(98)	–
Sundry net operating income	(26)	17	(43)	–
Operating income	**1,218**	**1,391**	**(172)**	**(12.4)%**
Staff expenses	(301)	(373)	72	(19.3)%
Other administrative expenses	(319)	(292)	(27)	9.2%
Depreciation	(108)	(112)	3	(2.9)%
General administrative expenses	**(728)**	**(776)**	**48**	**(6.2)%**
Operating result	**490**	**614**	**(124)**	**(20.2)%**
Net provisioning for impairment losses	(633)	(515)	(118)	22.9%
Other results	(336)	(115)	(221)	193.1%
Profit/loss before tax	**(479)**	**(16)**	**(464)**	**>500.0%**
Income taxes	(243)	(96)	(147)	152.4%
Profit/loss after tax	**(722)**	**(112)**	**(610)**	**>500.0%**
Profit attributable to non-controlling interests	4	(7)	11	–
Consolidated profit/loss	**(718)**	**(119)**	**(599)**	**>500.0%**

Net interest income

Compared to the third quarter of 2014, net interest income fell 5 per cent, or € 45 million, to € 895 million, in the fourth quarter of 2014. This development was attributable to a currency-related decline in net interest income in Russia; though net income rose 10 per cent in local currency. The net interest margin declined 17 basis points to 3.06 per cent quarter-on-quarter. In Asia, this decline was driven by the reduced lending volume with corporate customers and by higher provisioning. In Central Europe, the net interest margin, weighed down by the low interest rate level, fell 21 basis points. In Russia, the decline was 29 basis points and was attributable to lower interest income due to currency effects.

Net fee and commission income

Net fee and commission income rose € 14 million from the third quarter to € 417 million. The biggest increase in net fee and commission income came from the foreign currency business (€ 17 million), driven by higher sales in Russia. Net income from the management of investment and pension funds also grew € 5 million, whereas net income from the securities business improved € 4 million and net income from other banking services increased € 3 million. In contrast, net income from the payment transfer business decreased € 8 million, while net income from the loan and guarantee business was down € 6 million.

Net trading income

Net trading income fell € 98 million from the previous quarter to minus € 68 million. Currency-based transactions decreased, particularly in Ukraine, where the significant currency devaluation led to valuation losses on foreign currency positions. Net income from interest-based transactions declined, predominantly in Russia and at Group head office, due to valuation losses on securities positions and derivatives.

Sundry net operating income

Sundry net operating income fell € 43 million in the fourth quarter to minus € 26 million. Net income from the disposal of tangible fixed assets declined € 9 million, mainly in Hungary and Poland. In addition, allocations to other provisions increased € 8 million, especially in Romania, Slovakia and Hungary. Other net operating income also declined to minus € 9 million, due to an impairment of a building held for sale in Croatia.

General administrative expenses

General administrative expenses amounted to € 728 million in the fourth quarter, down € 48 million from the previous quarter's level. While staff expenses were down € 72 million to € 301 million, due also to the release of bonus provisions, other administrative expenses were up € 27 million to € 319 million, as a result of an increase in advertising, PR and promotional expenses, as well as legal, advisory and consulting expenses. Depreciation of tangible fixed assets was € 108 million in the fourth quarter, likewise down € 3 million from the previous quarter's level.

Net provisioning for impairment losses

Net provisioning for impairment losses rose 23 per cent from the third quarter, or € 118 million, to € 633 million. This was mainly attributable to developments, with net provisioning for impairment losses totaling € 207 million in Ukraine and € 87 million in Hungary. Net provisioning for individual loan loss provisions increased € 276 million overall, while net releases of portfolio-based loan loss provisions came to € 94 million. The sale of non-performing and impaired loans in Poland, with a nominal amount of € 294 million, led to a positive result of € 61 million in the fourth quarter.

Other results

Net income from derivatives and liabilities

Net income from derivatives decreased 72 per cent in the fourth quarter, or € 74 million, to € 28 million. This was mainly driven by the valuation result from the change in the credit spread of own issues, which came to € 95 million in the third quarter due to higher premiums for subordinated bonds; whereas, this was € 47 million in the fourth quarter. Likewise, net income from the valuation of derivatives entered into for hedging purposes fell € 25 million quarter-on-quarter.

Net income from financial investments

Net income from financial investments fell to minus € 39 million in the fourth quarter, down from plus € 23 million in the previous quarter. This development was attributable to higher impairment charges on equity participations, particularly at Group head office, and higher valuation losses on the fair value securities portfolio (mainly in Russia), as well as lower net proceeds from the sale from the fair value securities portfolio.

Bank levies, one-off effects and goodwill

Bank levies increased 8 per cent in the fourth quarter to € 40 million. Bank levies rose € 11 million in Hungary, whereas they fell € 9 million in Slovakia.

New legislation in Hungary led to a one-off effect in the form of a € 204 million provision, up from € 67 million in the second quarter, of which € 20 million were released in the fourth quarter.

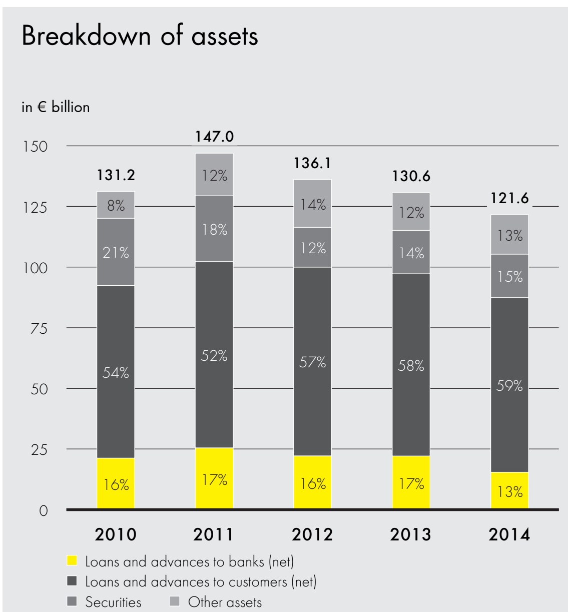
Goodwill impairments stood at € 306 million in the fourth quarter, of which Russia accounted for € 148 million, Poland € 101 million and Albania € 51 million.

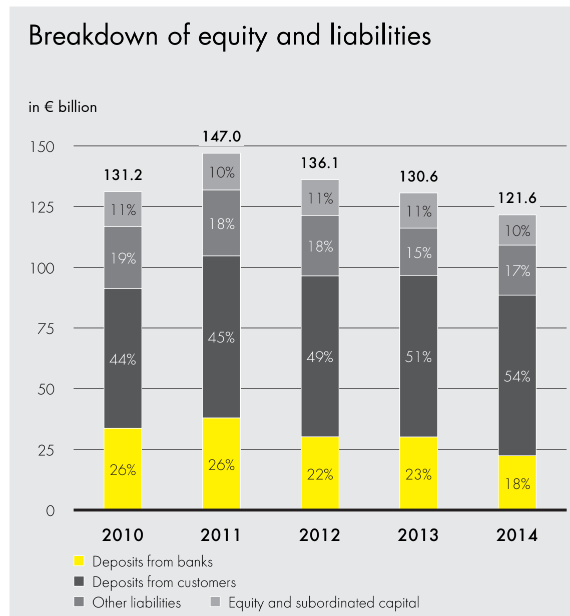
Income taxes

Income tax expense rose € 147 million to € 243 million quarter-on-quarter. This disproportional change was mainly due to impairments recognized on deferred tax assets at Group head office and in Asia, the bulk of which was related to capitalized tax loss carry-forwards at Group head office (€ 152 million).

Statement of financial position

The Group’s total assets declined 7 per cent, or € 9.0 billion, to € 121.6 billion during 2014. Currency effects – predominantly due to the depreciation of the Ukrainian hryvnia (down 41 per cent) and of the Russian rouble (down 38 per cent) and mitigated by the appreciation of the US dollar (up 14 per cent) – amounted to minus € 4.2 billion.





Assets

Interbank business declined 30 per cent, or € 6.7 billion, to € 15.6 billion during the year. Money market business – primarily at Group head office – declined € 5.7 billion due to a change in liquidity investment; of this amount, the decline in receivables from repurchase and securities lending transactions amounted to € 2.1 billion. Long-term receivables and receivables from the giro and clearing business each declined € 0.5 billion.

Loans and advances to customers (before deduction of impairment losses on loans and advances) fell 3 per cent, or € 2.7 billion, to € 77.9 billion in the reporting period, primarily as a result of currency effects. The largest decline related to loans and advances to private individuals (down € 1.4 billion), mainly due to currency effects in Russia and Ukraine as well as to volume effects in Poland. Loans and advances to large corporate customers fell € 0.7 billion; while these declined in Russia and Ukraine, in particular, due to currency effects, Poland, Slovakia and the Czech Republic reported increases.

Impairment losses on loans and advances rose € 0.5 billion to € 6.1 billion during the year. Of this, € 6.0 billion related to loans and advances to customers and € 0.1 billion to loans and advances to banks.

The securities item slightly rose by € 0.1 billion to € 17.9 billion. While it rose € 1.1 billion at Group head office (primarily due to the purchase of highly liquid government bonds) and € 0.5 billion in Poland, it fell – mainly as a result of currency effects – in Russia (down € 1.1 billion) and Hungary (down € 0.5 billion). The € 0.8 billion rise in other assets was mainly the result of a € 1.9 billion rise in positive fair values of derivatives; while intangible fixed assets, tangible fixed assets, and other assets declined € 1.2 billion.

Equity and liabilities

The Group's refinancing volume via banks (chiefly commercial banks) decreased 26 per cent, or € 7.7 billion, to € 22.4 billion. The money market business declined € 10 billion and was caused by lower short-term deposits of RZB at Group head office. In contrast, deposits in the giro and clearing business rose € 1.9 billion and long-term deposits rose € 0.4 billion.

Despite the currency devaluations, loans and advances to customers only slightly declined by € 0.3 billion to € 66.1 billion year-on-year. Deposits from large corporate customers declined € 0.7 billion in total, with Russia and Ukraine recording reductions, while Group head office and Poland reported increases. Deposits from private individuals fell € 0.3 billion, also primarily attributable to currency devaluations in Russia and Ukraine. In contrast, deposit business rose in the Czech Republic and Romania. Deposits from sovereigns – above all at Group head office and in Hungary – increased € 0.3 billion, as did deposits from mid market customers in the corporate business. The loan/deposit ratio (net – i.e. after deducting impairment losses on loans and advances) was 106.7 per cent (2013: 112.1 per cent).

Other liabilities – excluding subordinated capital – increased € 1.0 billion to € 20.6 billion. The rise was primarily attributable to the negative fair values of trading and banking book derivatives – mainly at Group head office – which rose € 2.1 billion in total. In contrast, debt securities issued fell € 0.9 billion to € 10.6 billion, mainly due to the reduced refinancing requirement.

Equity

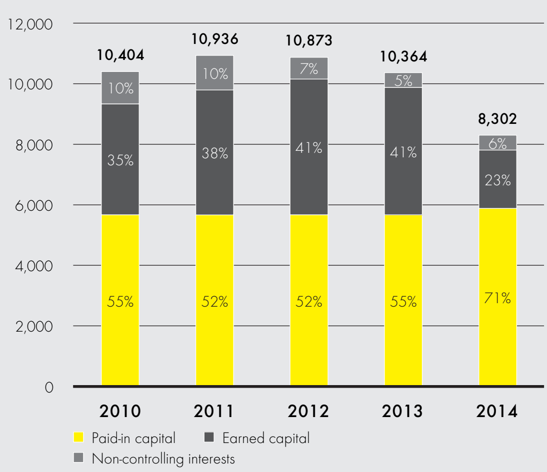
Equity on the statement of financial position

RBI's equity on the statement of financial position, consisting of consolidated equity, consolidated profit/loss and non-controlling interests, decreased 20 per cent, or € 2,062 million, to € 8,302 million compared to year-end 2013.

The capital increase carried out at the beginning of 2014, in which 97,473,914 new shares were issued at an issue price of € 28.50, resulted in a net capital increase of € 2,725 million (i.e. after deduction of issuance costs). On the other hand, the redemption of participation capital reduced equity by € 2,500 million. RBI repaid the full € 1,750 million of the participation capital subscribed by the Republic of Austria on 6 June. Participation capital of € 750 million subscribed by private investors was repaid on 10 September.

Breakdown of equity

in € million



Dividend payments to RBI's shareholders for the financial year 2013 (€ 298 million) and to the subscribers to the participation capital (€ 200 million) reduced the consolidated equity by € 498 million.

The Group's total comprehensive income of minus € 1,767 million comprises loss after tax of € 493 million and other comprehensive income of minus € 1,274 million. Exchange-rate differences represented the largest item in other comprehensive income and amounted to minus € 1,314 million in the reporting year (2013: minus € 440 million). A key driver here was the devaluation of the Russian rouble (minus € 839 million) and the Ukrainian hryvnia (minus € 371 million). In contrast, the application of hyperinflation accounting in Belarus generated a positive effect of € 34 million, and valuation changes in assets available-for-sale had a positive impact of € 22 million.

Capital of non-controlling interests rose € 10 million to € 495 million. On the one hand, this was due to the profit attributable to non-controlling interests of € 30 million and some smaller capital movements. On the other, dividends of € 41 million were paid to minority shareholders in Group units.

Total capital pursuant to CRR/Austrian Banking Act (BWG)

The following consolidated figures have been calculated in accordance with the provisions of the Capital Requirements Regulation (CRR) and the BWG. The conversion to the CRR/CRD IV (Basel III) rules took place on 1 January 2014. The previous year's figures as shown are based on the CRD III (Basel II) rules applicable at the time. Pursuant to Article 11 of the CRR, new regulatory requirements on a subconsolidated basis were imposed on RBI in the reporting year, whereby RBI is subject to the CRR provisions not only as an individual credit institution but also a subgroup. Previously, RBI – as part of the RZB credit institution group – did not constitute an independent credit institution group as defined by the BWG and therefore was not subject to the regulatory provisions for banking groups.

CET1 before deductions stood at € 7,902 million at the end of the year, and CET1 after deductions amounted to € 7,477 million. The decline from the 2013 comparable level totaled € 1,037 million. In addition to Basel III effects, the reduction was mainly caused by the aforementioned negative currency developments, in particular the devaluations of the Russian rouble and the Ukrainian hryvnia. The capital increase at the beginning of 2014 resulted in paid-in capital growth whereas repayment of the participation capital had a negative impact on regulatory capital. This resulted in a net increase of approximately € 225 million. Tier 1 capital declined € 1,478 million, to € 7,477 million. The relevant factors responsible for the decline were the effects noted above and the amended regulatory provisions. Tier 2 capital amounted to € 3,527 million, which was € 153 million above the comparative figure under Basel II as a result of higher hidden reserves. This was largely due to the first-time allowance of portfolio-based loan loss provisions. RBI's total capital under Basel III amounted to € 11,003 million. This corresponds to a decline of € 1,682 million compared to the 2013 year-end figure calculated under Basel II.

Total capital stood against a total capital requirement of € 5,498 million. This decline is mainly based on currency devaluations, a reduction in credit exposure and an adjustment of the calculation parameters. The total capital requirement for credit risk amounted to € 4,564 million, the total capital requirement for position risk in bonds, equities, commodities and open currency came to € 254 million, and the total capital requirement for operational risk stood at € 680 million.

The excess cover ratio was 100.2 per cent compared to 98.5 per cent as at the end of 2013, which was attributable to the decrease in the total capital requirement. Based on total risk, the common equity tier 1 ratio (transitional) was 10.9 per cent, with an total capital ratio (transitional) of 16.0 per cent.

Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 10.0 per cent. The total capital ratio (fully loaded) reached 15.2 per cent.

Changes in the regulatory environment

The Group concerned itself intensively with the current and upcoming regulatory developments in the reporting year. One of the main subjects, for which preparations have been made in the past, involved the legislative amendments that are associated with the EU directives under Basel III (CRD IV/CRR) and that came into effect at the beginning of the financial year. With the conversion to the new Basel III rules, in 2014 risk management continued to focus on the ongoing implementation of advanced calculation approaches. These activities comprised the implementation of the internal ratings-based (IRB) approach in the retail and non-retail business division of CEE subsidiaries, as well as further development of the internal market risk model and Group-wide further development of the standard approach for operational risk.

One of the key focal points in the reporting year was the changes pertaining to the Single Supervisory Mechanism (SSM), notably the associated Comprehensive Assessment by the ECB, which included an Asset Quality Review and a Europe-wide stress test. As part of the RZB credit institution-group, RBI represents one of the focal points for regulatory reviews within the framework of these processes. The tests conducted by the ECB a massive impact on the Group's financial resources due to the scope and duration, and the intensive exchange with authorities and external auditors.

In October 2014, the Austrian Financial Market Authority notified RBI of the regulatory subconsolidation of RBI as subgroup of RZB. Pursuant to Article 11 para 5 of the CRR, RBI is thus separately regulated on a subconsolidated basis and constitutes a superordinate credit institution for the subgroup within the meaning of Section 30 of the Austrian Banking Act (BWG). Accordingly, the Group is required to maintain a minimum total capital ratio of 13.76 per cent as of 30 November 2014.

At the beginning of November 2014, the ECB took over responsibility for banking supervision in the euro curreny area. The Single Supervisory Mechanism (SSM) is a new system of banking supervision comprising the ECB and the national competent authorities of the participating member states. Its primary function is to contribute to the safety and soundness of credit institutions, as well as to the stability of the European financial system while ensuring a uniform supervision. As a subconsolidated subgroup, RBI – as one of 120 major banking groups, that represents 82 per cent of the banking sector (measured by assets) in the euro area – is also subject as a group to direct supervision by the ECB. In connection with this, RBI expects – in addition to significantly raised reporting requirements – an increased presence of regulatory topics with strategic relevance.

The new Austrian Banking Intervention and Restructuring Act also came into force – simultaneousely with Basel III – at the beginning of 2014. As a consequence, RBI as a material member of the RZB Group was required to submit a contingent recovery plan to the Austrian Financial Market Authority in June 2014. Plans for a potential resolution were submitted at the end of the 2014 financial year.

The Austrian Federal Act on the Recovery and Resolution of Banks (BaSAG) came into force on 1 January 2015. Payments under this legislation, are based on European rules for carrying out the EU Bank Recovery and Resolution Directive (BRRD), but not yet adopted (expected for 2015), and providing for a mechanism of banks' contributions to resolution funds starting as, or in the course, of 2015. As of 2016, the Austrian resolution financing mechanism will, along with all other resolution financing mechanisms in the eurozone, be transferred to a Single Resolution Fund, which is currently being established for all EU-eurozone member states (and for other EU member states on a coluntary basis). It is not yet possible at this stage to quantify the related expense for RBI. For 2015, RBI expects an expense of roughly € 38 million in Austria.

The Deposit Guarantee Directive was published in the Official Journal of the EU in 2014 and is to be implemented in Austrian law by July 2015. The directive concerns the establishment of a Deposit Protection Fund, which is fed by contributions from credit institutions. The targeted volume amounts to 0.8 per cent of covered deposits. The implementation act was not available at the reporting date. Neither the structure, nor the timing, of the first contribution payments by credit institutions are known, therefore, the exact expense in Austria for RBI can not be quantified.

Research and development

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

In the context of financial engineering, however, it does develop customized solutions for investment, financing or risk hedging. Financial engineering encompasses not only structured investment products, but also structured financing, i.e. financing concepts that go beyond the application of standard instruments and are used in acquisition or project financing. RBI also develops individual solutions to hedge a broad spectrum of risks, from interest rate risk and currency risk through to commodity price risk. Besides financial engineering, RBI is actively working on the further development of integrated product solutions for international financial transactions within cash management.

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

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

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

Control environment

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

- The hierarchical decision-making process for approving Group and company directives, as well as departmental and divisional instructions.
- Process descriptions for the preparation, quality control, approval, publication, implementation, and monitoring of directives and instructions.
- Regulations for the revision and repeal of directives and instructions.

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

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

Risk assessment

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

Control measures

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

Group consolidation

The financial statement data, which are examined by an external auditor or have an audit review are mostly entered directly in, or automatically transferred to, the IBM Cognos Controller consolidation system by the end of January of the subsequent year. The IT system is kept secure by limiting access rights.

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

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

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

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

Information and communication

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

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

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

Monitoring

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

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

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

Capital, share, voting and control rights

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

(1) As at 31 December 2014, the company's capital stock amounts to € 893,586,065.90 and is divided into 292,979,038 voting common bearer shares. As at 31 December 2014, 604,517 of those were own shares which means that 292,374,521 were outstanding at the reporting date. During the reporting year, a capital increase of 97,473,914 shares was carried out with an offer price of € 28.50. The capital stock thereby increased by €297,295,437.70. Please consult the note on equity (34) for more information.

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

(3) RZB AG holds around 60.7 per cent of the capital stock (2013: 78.5 per cent) in the company indirectly through its wholly owned subsidiary Raiffeisen International Beteiligungs GmbH and other subsidiaries. The remaining shares of RBI AG are held in free float. The Management Board knows of no direct or indirect participations in the capital amounting to 10 per cent or more.

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

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

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

(6) Pursuant to the Articles of Association, a person who is 68 years or older may not be appointed as a member of the Management Board or be reappointed for another term in office. The rule for the Supervisory Board is that a person who is 75 years or older may not be elected as a member of the Supervisory Board or be re-elected for another term in office. Moreover, no person who already holds eight supervisory board mandates in publicly traded companies may become a member of the Supervisory Board. Holding a position as chairman of the supervisory board of a publicly traded company would count twice for this purpose. The Annual General Meeting may choose to waive this restriction through a simple majority of votes if permitted by law. Any candidate who has more mandates to, or chairman positions in, supervisory boards in publicly traded companies must disclose this to the Annual General Meeting. Beyond that, there are no regulations regarding the appointment or dismissal of members of the Management Board and the Supervisory Board beyond the provisions of the relevant laws (with regard to RZB AG's right to delegate members, please see (4) above). The articles of association stipulate that the resolutions of the Annual General Meeting are, notwithstanding any mandatory statutory provisions or Articles of Association to the contrary, adopted by a simple majority of the votes cast. Where the law requires a capital majority, in addition to the voting majority, resolutions are adopted by a simple majority of the share capital represented in the votes. As a result of this provision, members of the Supervisory Board may be dismissed prematurely via a simple majority. The Supervisory Board is authorized to adopt amendments to the articles of association that only affect the respective wording. This right may be delegated to committees. Furthermore, there are no regulations regarding amendments to the company articles of association beyond the provisions of the relevant laws.

(7) Pursuant to Section 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 4 June 2014 to increase the capital stock with the approval of the Supervisory Board – in one or more tranches – by up to € 446,793,032.95 through issuing up to 146,489,519 new common bearer shares with voting rights against contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to Section 153 (6) of AktG) by 25 August 2019 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights, with the approval of the Supervisory Board, (i) if the capital increase is carried out by contributions in kind or (ii) if the capital increase is carried out by contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's capital stock (exclusion of subscription rights). The authorization of 26 June 2013 pursuant to Section 169 of AktG (authorized capital), which had been previously partially utilized, was revoked.

Pursuant to Section 159 (2) 1 of AktG, the capital stock has been increased contingently by up to € 119,258,123.20 through the issue of up to 39,101,024 common bearer shares (contingent capital). The contingent capital increase will only be performed if and when use is made of an irrevocable right of exchange or subscription granted on shares by the company to creditors holding convertible bonds issued on the basis of the resolution of the Annual General Meeting on 26 June 2013 and the Management Board does not decide to issue own shares. Pursuant to Section 174 (2) of AktG, the Annual General Meeting of 26 June 2013 authorized the Management Board to issue, in one or more tranches, convertible bonds in a total nominal amount of up to € 2,000,000,000, which grant holders conversion or subscription rights for up to 39,101,024 common bearer shares of the company with a pro rata amount of the capital stock of up to € 119,258,123.20, within five years from the date of resolution adopted by the Annual General Meeting, with the approval of the Supervisory Board. Shareholders' subscription rights to the convertible bonds are excluded. No convertible bonds have been issued to date.

The Annual General Meeting of 4 June 2014 authorized the Management Board to acquire own shares, under the provisions of Section 65 (1) 4 and 8 of AktG, during a period of 30 months from the date of the resolution (i.e. by 3 December 2016), up to a maximum of 10 per cent of the company's respective capital stock and, if deemed appropriate, to retire them. The authorization may be exercised in full or in part or also in several installments, for one or more purposes – with the exception of securities trading – by the company, by affiliated enterprises or, for their account, by third parties. The acquisition price for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The Management Board was further authorized, pursuant to Section 65 (1b) of AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights. This authorization applies for a period of five years from the date of the resolution (i.e. until 3 June 2019). Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses or branches of activity of one or several companies in Austria or abroad, or for the purpose of implementing the company's Share Incentive Program (SIP) for executives and members of the Management Boards of the company and affiliated enterprises. In addition, if convertible bonds are issued in accordance with the Annual General Meeting resolution of 26 June 2013, shareholders' subscription rights may also be excluded in order to issue (own) shares to the holders of these convertible bonds who exercise the conversion or subscription rights granted them under the terms of the convertible bonds to shares of the company. This authorization replaces the authorization to purchase and use own shares that was granted in the Annual General Meeting of 20 June 2012. No own shares have been bought since the authorization was issued in June 2014.

The Annual General Meeting of 4 June 2014 also authorized the Management Board, under the provisions of Section 65 (1) 7 of AktG, to acquire own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 3 December 2016), of up to a maximum of 5 per cent of the company's respective capital stock. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice this closing price. This authorization may be exercised in full or in part or also in several installments by the company, by affiliated enterprises or, for their account, by third parties. This authorization replaces the authorization for the purpose of securities trading that was granted in the Annual General Meeting of 20 June 2012.

The company's Annual General Meeting of 9 June 2009 authorized the Management Board of the company to issue, in one or more tranches, participation rights having equity characteristics pursuant to Section 174 of AktG in a total nominal amount of up to € 2 billion within five years from the date of the resolution, with the approval of the Supervisory Board in accordance with the terms for participation rights to be set by the Management Board and to the exclusion of shareholders' subscription rights. It should be noted that, under the provisions of the relevant laws, participation rights confer no voting rights or other membership rights. Issuing participation rights therefore entails no change of ownership structure from the standpoint of stock corporation law and shareholders' voting rights. The company decided on 15 July 2009 to strengthen its capital by issuing participation rights in the amount of € 600 million based on the authorizing resolution of June 2009. In the course of the merger of Raiffeisen International with RZB AG's principal business areas to form RBI AG, with effect from 10 October 2010, the mutual loans and liabilities of the receiving and transferring company were wiped out. The same is true of the participatory rights in the amount of € 600 million, which had been subscribed in full by RZB AG. This authorization expired on 8 June 2014 and no further participation rights were issued.

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

- As a subsidiary of RZB, RBI AG is insured under RZB's group-wide D&O insurance. Insurance cover remains in place in the event of a merger with another legal entity of the RZB Group. In the event of a merger with a legal entity outside the RZB Group, RBI AG will no longer be covered under RZB's group-wide insurance from the date of the merger. In such case, insurance cover only exists for breaches of obligations committed prior to the merger.

- The company's SIP provides the following upon change in corporate control: "If a change in corporate control or a merger occurs during the vesting period without the combination being exclusively concerned with subsidiaries, all contingent shares will lapse without replacement at the time of acquiring the shares of RBI AG and the investor's actual possibility of disposing of them, or at the time of the merger. An indemnification payment will be made for these contingent shares. The indemnity sum calculated will be paid out with the next possible salary payment."

- Furthermore, the syndicate agreement concluded by RBI AG in relation to a subsidiary bank with the relevant shareholders will automatically be terminated upon a change of control.

- The brand agreement concluded with RZB AG on the unrestricted use of the name and logo of Raiffeisen Bank International for an indefinite period of time in all jurisdictions in which the brand is registered now or in the future includes a right of cancellation upon a change of control.

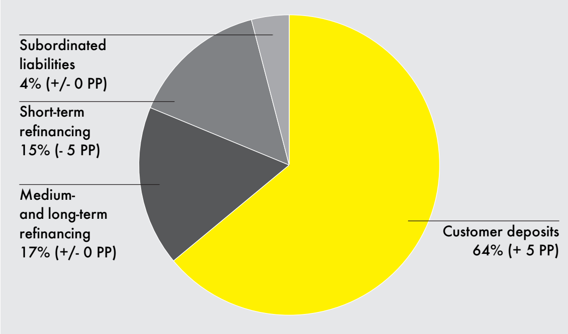
- The company's refinancing agreements and agreements concerning third-party financing for subsidiaries, which are guaranteed by the company, stipulate that the lenders can demand early repayment of financing in the event of a change in control.

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

Funding

Banks essentially refinance themselves using their own funds, customer deposits and various capital and interbank market tools. The refinancing situation on the capital markets was generally very favorable in 2014. Although the US central bank terminated its bond purchases in the course of the year, this had very little impact on the capital market environment. Further rate cuts (including a negative deposit rate for commercial banks) and additional liquidity injections by the European Central Bank (ECB), employed in response to slowing economic growth and a fall in inflation during the year, were particularly relevant to the eurozone. Excess liquidity therefore prevailed on the money market and government bond yields including risk premiums declined sharply on most bond markets in the course of the year.

Funding structure



The Group's refinancing is based on two key elements. Firstly, there are customer deposits, which at the end of 2014 accounted for € 66.1 billion or 64 per cent of refinancing. Secondly, there is wholesale funding, which contributed the remaining 36 per cent or € 37.1 billion. The high share of customer deposits creates a stable refinancing basis, making the Group less vulnerable to turbulence on the financial markets.

The diversification of financing sources for the Group's units continued to play a highly significant role in 2014.

Long-term funding from sources that are less susceptible to changes on the international capital markets plays a particularly important role. To achieve this, the Group actively collaborates with supranational institutions. These institutions have supported banks in Eastern Europe by providing bilateral loans and also through developing the local capital markets. The Group cooperates with these institutions not only in terms of financing, but also in other areas such as risk-sharing programs to optimize risk-weighted assets.

Moreover, the Group's units are becoming increasingly involved in issuing local bonds, especially issuances in local currencies. This not only boosts the financing structure in local currencies, but also makes a positive contribution to developing the local capital markets. The unsecured bonds of the Russian subsidiary bank (RUB), Raiffeisen bank Romania (RON), Raiffeisen Polbank (PLN) and a secured bond issue from the Czech Raiffeisenbank (EUR) are worth highlighting.

For medium- to long-term refinancing, RBI AG used instruments such as the "EUR 25,000,000,000 Debt Issuance Programme" which enables bonds to be issued in different currencies and structures. The total volume of outstanding bonds under this program may not exceed € 25 billion. At the end of 2014, a total of € 10 billion had been drawn on.

RBI swiftly implemented its funding plan again in 2014, primarily with low-volume private placements.

To strengthen its capital base, RBI issued a subordinated bond worth € 500 million in February 2014, with an eleven-year maturity, an initial right of termination after six years and a coupon of 4.5 per cent. The yield spread at issue equated to 330 basis points above EUR Mid-Swap.

For short-term funding, RBI used both the interbank market and its program for short-term issues (commercial papers), the "Euro-Commercial Paper and Certificate of Deposit Programme", in 2014. Under this program, RBI issued commercial papers in various currencies, thereby enabling it to also refinance itself outside of the interbank market.

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

Risk management

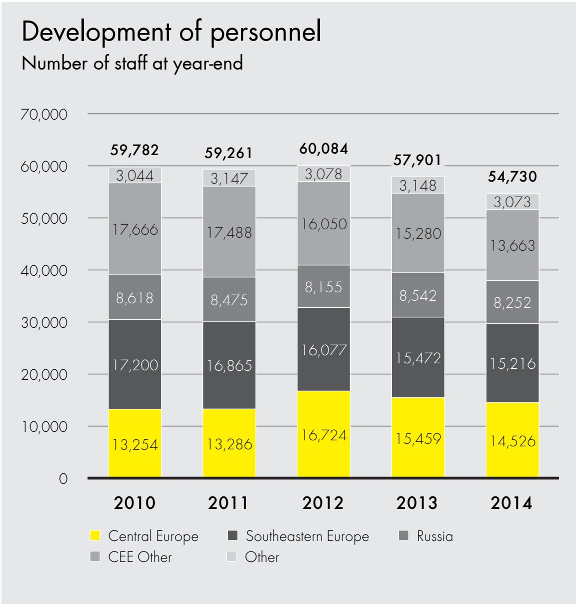
For information on risk management, please refer to note (44) Risks arising from financial instruments, in the risk report section of the consolidated financial statements.

Human resources

Human Resources (HR) manages personnel resources within the Group in order to harmonize corporate interests and the needs of employees. As at 31 December 2014, RBI had 54,730 employees (full-time equivalents), 3,171 people or 5 per cent fewer than at the end of 2013. The majority of this reduction is attributable to the developments in Ukraine. The average age of employees remained relatively low at 37 years, while women accounted for 67 per cent of the workforce. Graduates make up 72 per cent of employees, indicating a highly skilled workforce.

Talent management and management development

Once again, a number of initiatives to optimize talent management were continued across all Group units in 2014. Key areas included ensuring high standards in the identification of talent and an improvement in the quality of individual development plans. Alongside the existing cross-functional development programs for executives, a Group-wide program "Go IT", which is aimed at the customized strengthening of IT executives' specialist and management expertise, was launched within IT. Local management development programs were continued, including temporary job rotations (e.g. branch managers who switch to head office, or executives from central retail functions who work in a branch on a temporary basis). Qualification initiatives also focused on change management, in particular to provide support for managers in ensuring reorganizations are implemented successfully.



Professional development

In 2014, professional development placed special attention on using budgetary and time resources as precisely as possible for strategic objectives and initiatives. While the scope of standard training courses and the number of participants fell slightly, investment in business-critical areas was increased. Key areas included measures to increase sales success in affluent retail business, further training initiatives on customer satisfaction and customer loyalty, and also training courses to increase efficiency and optimize processes based on the "Lean" method. In addition, a Group-wide training initiative for branch managers, "Branch Management Academy", was launched and is aimed at increasing both professional and personal skills for this key sales role.

Alternative forms of learning such as e-learning, but also cross-functional and international rotation/exchange programs were further expanded. Employees in the corporate and retail customer business, in particular, made use of the numerous opportunities offered by the Group for the international exchange of knowledge and for targeted further development of talent through a wide variety of trainee programs and project visits. In 2014, the "International Young Potentials" program was successfully implemented for the fourth time with nine participating network banks.

Developments in compensation

Since banks are typical services companies, personnel costs represent a major portion of administrative expenses – at RBI it was 48 per cent in 2014 – and cost reduction programs naturally also impact salaries and fringe benefits. Personnel costs for the reporting period fell 11 per cent year-on-year. RBI's negative result had a marked impact on variable compensation for the 2014 financial year. In accordance with the regulatory framework, bonus commitments were not made, or were reduced on a differentiated basis, for management, "identified staff" employees and other employees.

Focus on the employee survey

Regular employee surveys have been conducted both at Group head office and in most network banks for a number of years. In the past, RBI used several survey companies with different survey methods. In order to ensure data comparability within the Group and reduce costs, a Group-wide survey was conducted for the first time in 2014.

Alongside the two key factors of employee engagement (commitment, discretionary effort) and employee enablement (optimised roles, supportive environment), twelve additional dimensions such as quality and customer orientation, cooperation, strategic direction, as well as performance and training were also surveyed.

The average response rate was 81 per cent (around 29,000 employees participated in total). On average, the 22 participating Group units achieved an engagement score of 61 per cent and an enablement score of 64 per cent.

When planning improvement measures, considerable emphasis was placed on direct involvement of employees. These measures will be implemented over the coming months and customized according to the priorities of the respective units.

In parallel, a number of proven initiatives with verifiable positive effects on employee engagement were continued. For example, training and mentoring opportunities were expanded, new career paths were defined for a number of functions, and the team-building as well as work-life-balance programs were intensified.

Other local initiatives in the network banks

In 2014, many HR measures focused again on cutting personnel costs. Job vacancies were increasingly filled internally, with external recruitments only made in exceptional cases and for specialist expert functions.

In view of the particularly difficult geopolitical situation in Ukraine, especially in the Donbass region, the management of Raiffeisen Bank Aval implemented numerous support measures for employees and their families in the regions affected by the military conflict. As part of the aid program "The Arm of Help to Donbass", temporary accommodation was organized in other regions for more than 75 families. The costs of which were carried by Raiffeisen Bank Aval.

Outlook

Economic prospects

Central Europe

Positive growth trends from the second half of 2014 should continue in the CE region in 2015 and 2016. The economic turnaround seems to have taken hold, and the 2015 increase in eurozone growth should support exports. Domestic demand is also expected to continue developing, which would further underpin the sustainability of the economic recovery. Following GDP growth of 2.9 per cent in 2014, the CE forecast for the years to come is currently at 3.0 per cent. Poland is likely to remain the top performing country in 2015, followed by other CE countries such as Hungary, Slovakia and the Czech Republic. In terms of monetary policy, the reins will likely continue to be kept loose in CE due to record-low inflation rates. Restrictive monetary policy measures are not expected before 2016.

Southeastern Europe

The SEE region's GDP growth in 2015 and 2016 should be less strongly affected by one-off effects (such as the natural disasters in Serbia and Bosnia-Herzegovina in 2014) and unmet consolidation requirements (such as in Croatia). After GDP growth of 1.4 per cent in 2014, and 1.9 per cent in 2015, SEE will likely near its current potential growth rate of 3.0 per cent again in 2016. Romania, in particular, should remain on a solid growth trajectory with GDP rising at around 3.0 per cent per year. Economic growth in Romania should be supported by rather lax monetary policies in 2015 and subsequent years. Other SEE countries, whose development in the past years was stagnant, are expected to slowly join the positive progress of Romania in 2015 and 2016.

Russia

The growth outlook is subdued – partly because exports and investments are unlikely to generate much momentum, and partly because the consequences of the Ukraine conflict still pose significant downside risks. After experiencing a deep recession in 2015 and a tentative recovery in 2016, the Russian economy is expected to weakly expand at 0.5 per cent. Its potential growth will likely stay below 2.0 per cent if the government does not enact reforms and diversify the economy as it planned, but failed to do in the previous cycle. Should economic sanctions against Russia continue, macrofinancial risks will rise sharply despite ample fiscal and foreign currency reserves.

CEE Other

Faced with high economic and political uncertainty, Ukraine will have to carry out difficult structural reforms in 2015 and 2016, supervised by the IMF, in order to adjust current economic imbalances and obtain urgently needed financing. Economic performance should therefore continue to decline, at least in 2015, while prospects of an economic recovery remain unclear. Belarus, also facing a stagnation or recession in 2015, will remain dependent on financial support from Russia making its macrofinancial situation likely to remain strained for the years to come.

Eurozone

The eurozone should see accelerated economic growth in the course of 2015 and continue this course in 2016. Exports are poised to benefit from the weak euro and robust economic momentum of important trading partners (USA, UK). Headwinds from fiscal policy will die down, while low oil prices should bolster consumer purchasing power and reduce companies' costs. Monetary policy, likely to stay very loose for a long time, will produce highly favorable financing terms that should clear the investment backlog. Private-sector investment will probably recover slowly, and so growth is expected to remain modest at 1.2 per cent in 2015. The 2016 estimate is at 1.9 per cent, which is even above the eurozone's potential growth. Despite the increase in economic momentum, weak wage pressures should keep inflation below the ECB target rate of slightly less than 2.0 per cent until 2016.

Austria

Economic momentum in Austria will probably only increase by a modest amount in 2015 and 2016, and lag behind previous upturns. Domestic demand should drive much of the growth, with private consumption benefitting from the stable employment situation. Furthermore, employment is expected to increase in the second half of 2015, while low energy prices support an increase in purchasing power. However, investment will only gain slight momentum. Due to an improvement in foreign trade conditions, exports are likely to increase; however, imports should rise about as quickly given the assumed increase in domestic demand. Therefore, GDP is expected to grow 0.7 per cent in 2015 and 1.8 per cent in 2016.

Outlook for RBI

We are planning an aggregate gross risk-weighted asset (total RWA) reduction of € 16 billion in selected markets by the end of 2017 (total RWA as at 31 December 2014: € 68.7 billion). We intend to partly offset the reduction with growth in other business areas.

After the implementation of the new strategic measures, the cost base should be 20 per cent below the level of 2014 (at constant prices and foreign exchange rates; general administrative expenses 2014: € 3,024 million). We target a cost/income ratio of between 50 and 55 per cent in the medium term.

We aim for a return on equity before tax of approximately 14 per cent and a consolidated return on equity of approximately 11 per cent in the medium term. The full year 2015 consolidated result may be negative as the majority of the restructuring costs (around € 550 million in total) are expected to be booked in 2015.

We expect net provisioning for impairment losses to remain elevated in 2015; however, we anticipate that the requirement will be below the level of the previous year (2014: € 1,716 million).

We target a CET1 ratio (fully loaded) of 12 per cent and a total capital ratio (fully loaded) of 16 per cent by the end of 2017.

Events after the reporting date

Strategic measures to strengthen capital ratios

In February 2015, RBI resolved to take a number of steps to increase capital buffers. The measures are intended to facilitate an improvement in the CET1 ratio (fully loaded) to 12 per cent by the end of 2017, compared to 10 per cent at the end of 2014. The planned steps will affect a number of operations across RBI, in particular those areas which generate low returns, have high capital consumption or are of limited strategic fit.

The measures to be implemented include sale of the operations in Poland and Slovenia, as well as the direct banking unit Zuno. Exposure to the Russian market is to be reduced, with a risk-weighted asset (total RWA) reduction of approximately 20 per cent planned by the end of 2017 (total RWA as at 31.12.2014: € 8.4 billion). A reduction in exposure is also foreseen in Ukraine, where total RWA will be decreased by approximately 30 per cent by the end of 2017 (total RWA as at 31.12.2014: € 3.0 billion). In Hungary further optimization of the operation will be undertaken. As part of the drive to increase Group focus on the CEE region, operations are to be significantly scaled back or exited in Asia by the end of 2017 and in the US by the end of 2016.

The implementation of these measures will result in an aggregate gross RWA reduction in the selected markets of approximately € 16 billion by the end of 2017 (total RWA as at 31.12.2014: € 68.7 billion). The total gross reduction from the end of the third quarter 2014 to the end of 2017 will amount to approximately € 26 billion.

The reduction is expected to be partially offset by growth in other business areas.

Currency devaluations at the beginning of 2015

At the beginning of 2015, changes to the Ukrainian National Bank's monetary policy led to a slump. By the end of February, the Ukrainian hyvrnia had lost 37 per cent. This will have an effect on RBI's loan portfolio; however, this has only little impact on RBI's capital position.

At the beginning of 2015, Belarus devalued the Belarusian rouble (BYR) by around 20 per cent. This was a result of the currency turbulence in Russia at the end of 2014. The Belarusian economy is strongly linked to the Russian's. As Priorbank's capital is partly secured through an economic hedge this has little impact on the capital position.

The appreciation of the Swiss franc (CHF) against the euro, following the withdrawal of the Swiss National Bank's exchange rate peg, had a negative effect on RBI's CHF-denominated foreign currency loans. RBI's portfolio of these loans is approximately € 4 billion, € 2.8 billion of which are in Poland. Overall, the short-term impact on RBI is deemed low.

Segment reports

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

Segment overview

In Central Europe, a decrease of € 131 million resulted in a loss before tax of € 66 million. This was primarily due to higher losses caused by a one-off effect (Settlement Act) in Hungary. This contrasted with an improvement in net income in Poland, the Czech Republic and Slovakia and a lower loss in Slovenia.

Profit before tax in the Southeastern Europe segment increased 26 per cent, or € 71 million, to € 348 million year-on-year. The increase was primarily due to lower net provisioning for impairment losses in Bulgaria, Romania, and Croatia.

The Russia segment continued to make the largest regional contribution to net income with a profit before tax of € 436 million, despite being down € 179 million year-on-year. The decline was the result of a € 104 million increase in net provisioning for impairment losses and a € 221 million lower net trading income caused by currency effects, compensated by a € 112 million improvement in net interest income.

In the CEE Other segment, geopolitical tensions in Ukraine led to higher net provisioning for impairment losses. In the reporting year a loss before tax of € 253 million was posted after a profit before tax of € 217 million in the previous year.

In the Group Corporates segment, a € 174 million decrease from the previous year resulted in a loss before tax of € 60 million. This was primarily attributable to the higher net provisioning for impairment losses on loans to large corporate customers in Asia.

The Group Markets segment's profit before tax fell 12 per cent, or € 15 million, to € 111 million year-on-year, mainly due to the negative valuation result from securities and derivative financial instruments attributable to the interest rate development.

The Corporate Center segment's profit before tax increased € 446 million to € 507 million from € 62 million in the prior year's period. This was mainly due to higher interest and dividend income, lower general administrative expenses and a higher net income from liabilities designated at fair value. In contrast, goodwill impairments amounted to € 306 million; € 148 million thereof for the Group unit in Russia, € 101 million for Poland, and € 51 million for Albania.

Segment development

Central Europe

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Operating income	1,519	1,657	(8.3)%	334	392	(14.7)%
General administrative expenses	(987)	(1,098)	(10.1)%	(262)	(234)	12.1%
Operating result	**532**	**558**	**(4.7)%**	**72**	**158**	**(54.4)%**
Net provisioning for impairment losses	(272)	(403)	(32.6)%	(96)	(48)	100.5%
Other results	(326)	(90)	262.4%	6	(217)	–
Profit/loss before tax	**(66)**	**65**	**–**	**(18)**	**(106)**	**(83.0)%**
Assets	40,771	38,421	6.1%	40,771	39,808	2.4%
Net interest margin (average interest-bearing assets)	2.77%	2.92%	(0.15) PP	2.54%	2.74%	(0.21) PP
Return on equity before tax	**–**	**2.0%**	**–**	**–**	**–**	**–**

Operating income

The segment's net interest income fell 4 per cent to € 1,022 million year-on-year. An increase in Slovakia contrasted with declines in Hungary, Slovenia, Poland, and the Czech Republic. In Slovakia higher margins in new retail business and repricing measures in the deposit business led to an increase in net interest income (up € 10 million). The biggest reduction was reported in Hungary (down € 43 million), where net interest income declined due to lower interest income from derivative financial instruments and securities, as well as to lower volumes and market interest rates. In the Czech Republic, lower margins in retail and corporate customer business, as well as currency effects, had a negative effect on net interest income (down € 4 million). The marginal € 4 million decline in Poland was attributable to considerably lower market interest rates; whereas the lower net interest income in Slovenia (down € 6 million) was mainly due to lower lending volumes. The segment's net interest margin declined 15 basis points to 2.77 per cent year-on-year. The sharpest decline was reported in Hungary at 56 basis points. Total assets increased 6 per cent, or € 2.4 billion, to € 40.8 billion year-on-year. Risk-weighted assets (total RWA) declined 7 per cent, or € 1.6 billion, to € 22.8 billion.

The segment's net fee and commission income declined 3 per cent, or € 15 million, to € 531 million year-on-year. Net income from payment transfer business increased 5 per cent to € 251 million, mainly as a result of higher margins in Slovakia as well as higher fees charged to customers in connection with the financial transaction tax in Hungary. In contrast, net income from other banking services fell to minus € 8 million, predominantly due to reduced business with combined products in Poland, as well as to lower fee and commission income from structured financing in the Czech Republic. Net income from foreign currency, notes/coins and precious metals business also declined year-on-year by 8 per cent to € 142 million due to volume and currency effects.

Net trading income in the segment reduced € 8 million to € 20 million. Net income from interest-based transactions decreased € 8 million to € 31 million year-on-year. This was mainly attributable to valuation losses on interest-based derivatives of € 15 million, in the Czech Republic, and of € 9 million in Hungary; whereas in Poland, valuation gains increased € 16 million. Net income from currency-based transactions fell from minus € 12 million to minus € 17 million year-on-year. Exchange-rate related valuation losses from foreign currency positions in Poland and in the Czech Republic were largely compensated by valuation gains in Hungary.

Sundry net operating income for the region declined € 68 million to minus € 53 million. Net allocations to other provisions declined € 18 million. On the one hand, the release of a provision for VAT liabilities in Poland (down € 9 million) led to a better result in the previous year, and on the other, provisions for pending litigation were made in Hungary during the reporting period (down € 6 million). Sales revenues from non-banking business declined € 29 million due to lower intra-Group service charges. The financial transaction tax in Hungary led to a € 9 million increase in expenses in the reporting year.

General administrative expenses

The segment's general administrative expenses declined 10 per cent to € 987 million year-on-year. This was predominantly due to software depreciation in the Czech Republic in the previous year. Staff expenses declined in all of the segment's countries and was led by Poland and the Czech Republic. In Poland, staff expenses were down € 15 million, mainly due to the completion of the restructuring measures after the merger of Raiffeisen Bank and Polbank. In the Czech Republic, staff expenses declined € 15 million. This was partly due to currency effects and partly to an employee reduction in course of the current cost-cutting program. Other administrative expenses primarily fell in Poland (down € 31 million) as the integration of Polbank led to a higher expense in the comparable period of the previous year. In contrast, other administrative expenses rose € 8 million in Slovakia because of an increase in deposit insurance fees, and legal, advisory and consulting expenses, as well as higher IT, advertising, PR and promotional expenses. Higher depreciation of tangible and intangible fixed assets was mainly posted in Hungary and Poland; whereas it declined € 56 million in the Czech Republic, because of the impairment of a software project in the same period of the previous year.

The number of business outlets fell by 18 to 784 year-on-year, due primarily to the optimization of the local presence in Poland and Hungary. The cost/income ratio improved 1.3 percentage points to 65.0 per cent.

Net provisioning for impairment losses

At € 272 million net provisioning for impairment losses in the Central Europe segment was € 132 million lower than in the previous year. Net allocations to individual loan loss provisions fell € 79 million to € 350 million, while net releases of portfolio-based loan loss provisions declined slightly to € 15 million. In addition, the sale of non-performing loans generated income of € 63 million in the reporting period, a year-on-year increase of € 54 million. Apart from Slovakia, all countries in the segment reported lower net provisioning for impairment losses: in Poland, net provisioning for impairment losses declined € 61 million and was mainly due to the sale of non-performing loans with a nominal value of € 294 million; in Slovenia, net provisioning for impairment losses declined € 42 million after being particularly high in the previous year because of a sharp rise in the volume of non-performing loans in the corporate business, and due to the revaluation of collateral. Declines were reported in Hungary and the Czech Republic of € 24 million and € 11 million respectively. In contrast, various defaults of large corporate customers resulted in a € 6 million increase in Slovakia.

The share of non-bank non-performing loans in the Central Europe segment's loan portfolio fell 2.0 percentage points to 10.3 per cent. The NPL coverage ratio improved 3.6 percentage points to 68.0 per cent.

Other results and taxes

Other results in the Central Europe segment fell € 236 to minus € 326 million year-on-year.

Due to a change in legislation in Hungary, a one-off effect in the form of a provision of € 251 million was posted in sundry operating expenses in the reporting period. This law related to exchange rate margins which can be applied to foreign currency loan disbursements and installments, as well as unilateral interest rate changes on consumer loans. The bank levy contained in other results fell – mainly in Slovakia – € 7 million to € 87 million.

Net income from derivatives and liabilities increased to € 7 million year-on-year (2013: minus € 4 million). This was mainly due to improved net income from hedging transactions for the adjustment of the currency and interest rate structure in the Czech Republic.

Net income from financial investments declined € 5 million to € 4 million year-on-year. The valuation of securities from the fair value portfolio led to a € 13 million decline in net income, mainly caused by the valuation of municipal bonds in Hungary. This was partly compensated by reduced impairment of equity participations (decline of € 6 million) – above all in Slovakia – as well as slightly higher net proceeds from the sale of securities (up € 2 million) predominantly in Hungary.

The segment's income taxes rose € 34 million to € 92 million. This is primarily due to improved net income in Poland, the Czech Republic and Slovakia, whereas losses in Hungary did not lead to any tax income (recognition of deferred tax assets).

Detailed results of individual countries:

Czech Republic

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	228	232	(1.7)%	58	59	(1.9)%
Net fee and commission income	105	125	(15.9)%	26	26	0.5%
Net trading income	(5)	15	–	(3)	(1)	327.5%
Sundry net operating income	0	14	–	(9)	3	–
Operating income	**328**	**386**	**(15.1)%**	**71**	**87**	**(17.7)%**
General administrative expenses	(201)	(277)	(27.5)%	(52)	(51)	3.6%
Operating result	**127**	**109**	**16.8%**	**19**	**36**	**(47.6)%**
Net provisioning for impairment losses	(41)	(52)	(21.3)%	(10)	(9)	11.6%
Other results	8	(6)	–	2	1	138.6%
Profit/loss before tax	**94**	**51**	**85.9%**	**11**	**28**	**(59.7)%**
Income taxes	(20)	(8)	152.9%	(4)	(5)	(20.8)%
Profit/loss after tax	**74**	**43**	**73.6%**	**7**	**23**	**(68.4)%**
Assets	8,794	7,987	10.1%	8,794	8,218	7.0%
Loans and advances to customers	6,335	5,983	5.9%	6,335	6,201	2.2%
hereof corporate %	44.4%	44.0%	0.4 PP	44.4%	43.6%	0.7 PP
hereof retail %	55.0%	55.6%	(0.5) PP	55.0%	55.8%	(0.7) PP
hereof foreign currency %	12.8%	11.7%	1.1 PP	12.8%	12.5%	0.3 PP
Deposits from customers	6,378	5,757	10.8%	6,378	6,123	4.2%
Loan/deposit ratio (net)	95.4%	100.2%	(4.8) PP	95.4%	97.2%	(1.8) PP
Equity	845	705	19.8%	845	775	9.0%
Return on equity before tax	13.2%	7.6%	5.5 PP	6.0%	15.7%	(9.8) PP
Return on equity after tax	10.4%	6.5%	3.9 PP	3.8%	12.9%	(9.0) PP
Cost/income ratio	61.3%	71.9%	(10.5) PP	73.6%	58.5%	15.1 PP
Net interest margin (average interest-bearing assets)	2.98%	3.00%	(0.02) PP	2.85%	3.11%	(0.26) PP
Employees as at reporting date	2,720	2,773	(1.9)%	2,720	2,727	(0.3)%
Business outlets	127	129	(1.6)%	127	128	(0.8)%
Customers	481,804	486,909	(1.0)%	481,804	482,818	(0.2)%

Hungary

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	154	196	(21.7)%	35	36	(2.6)%
Net fee and commission income	123	118	4.0%	32	31	0.8%
Net trading income	15	1	>500.0%	7	1	467.6%
Sundry net operating income	(60)	(48)	25.4%	(28)	(13)	118.0%
Operating income	**232**	**268**	**(13.5)%**	**46**	**56**	**(18.0)%**
General administrative expenses	(188)	(185)	1.8%	(57)	(43)	33.3%
Operating result	**43**	**83**	**(47.6)%**	**(11)**	**13**	**–**
Net provisioning for impairment losses	(128)	(152)	(15.8)%	(87)	(3)	>500.0%
Other results	(305)	(41)	>500.0%	4	(209)	–
Profit/loss before tax	**(389)**	**(110)**	**253.3%**	**(94)**	**(198)**	**(52.5)%**
Income taxes	(9)	(6)	57.4%	(3)	(3)	(23.3)%
Profit/loss after tax	**(398)**	**(116)**	**243.8%**	**(97)**	**(202)**	**(52.1)%**
Assets	6,936	6,230	11.3%	6,936	6,428	7.9%
Loans and advances to customers	4,714	4,990	(5.5)%	4,714	4,853	(2.9)%
hereof corporate %	54.5%	52.5%	2.0 PP	54.5%	53.7%	0.7 PP
hereof retail %	32.8%	36.0%	(3.1) PP	32.8%	33.5%	(0.7) PP
hereof foreign currency %	58.0%	60.5%	(2.5) PP	58.0%	62.4%	(4.3) PP
Deposits from customers	4,276	4,163	2.7%	4,276	4,180	2.3%
Loan/deposit ratio (net)	88.3%	97.2%	(8.9) PP	88.3%	94.6%	(6.3) PP
Equity	320	402	(20.6)%	320	203	57.4%
Return on equity before tax	–	–	–	–	–	–
Return on equity after tax	–	–	–	–	–	–
Cost/income ratio	81.3%	69.1%	12.2 PP	124.0%	76.3%	47.7 PP
Net interest margin (average interest-bearing assets)	2.62%	3.18%	(0.56) PP	2.32%	2.52%	(0.19) PP
Employees as at reporting date	2,298	2,603	(11.7)%	2,298	2,326	(1.2)%
Business outlets	114	122	(6.6)%	114	117	(2.6)%
Customers	580,052	606,021	(4.3)%	580,052	593,187	(2.2)%

Poland

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	307	312	(1.4)%	67	77	(13.4)%
Net fee and commission income	146	161	(8.9)%	36	37	(4.0)%
Net trading income	4	7	(39.1)%	1	3	(64.9)%
Sundry net operating income	2	25	(92.2)%	(4)	3	–
Operating income	**460**	**504**	**(8.8)%**	**100**	**120**	**(17.1)%**
General administrative expenses	(321)	(362)	(11.3)%	(79)	(73)	8.3%
Operating result	**138**	**142**	**(2.6)%**	**20**	**47**	**(56.9)%**
Net provisioning for impairment losses	(25)	(86)	(70.5)%	28	(15)	–
Other results	(4)	(2)	119.9%	0	0	38.6%
Profit/loss before tax	**109**	**54**	**101.1%**	**48**	**31**	**55.2%**
Income taxes	(25)	(14)	87.5%	(11)	(6)	66.6%
Profit/loss after tax	**84**	**41**	**105.6%**	**38**	**25**	**52.3%**
Assets	13,729	12,881	6.6%	13,729	13,451	2.1%
Loans and advances to customers	9,791	9,744	0.5%	9,791	9,867	(0.8)%
hereof corporate %	38.0%	33.5%	4.5 PP	38.0%	35.3%	2.7 PP
hereof retail %	61.9%	66.4%	(4.5) PP	61.9%	64.6%	(2.7) PP
hereof foreign currency %	58.8%	55.4%	3.4 PP	58.8%	56.9%	1.9 PP
Deposits from customers	7,737	7,280	6.3%	7,737	7,720	0.2%
Loan/deposit ratio (net)	116.2%	124.2%	(7.9) PP	116.2%	117.5%	(1.3) PP
Equity	1,441	1,475	(2.3)%	1,441	1,534	(6.1)%
Return on equity before tax	7.5%	3.7%	3.8 PP	13.5%	8.4%	5.1 PP
Return on equity after tax	5.8%	2.8%	3.0 PP	10.5%	6.7%	3.9 PP
Cost/income ratio	69.9%	71.8%	(1.9) PP	79.8%	61.1%	18.7 PP
Net interest margin (average interest-bearing assets)	2.44%	2.54%	(0.11) PP	2.07%	2.41%	(0.34) PP
Employees as at reporting date	5,462	5,985	(8.7)%	5,462	5,594	(2.4)%
Business outlets	351	370	(5.1)%	351	369	(4.9)%
Customers	689,676	776,917	(11.2)%	689,676	729,455	(5.5)%

Slovakia

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	319	308	3.3%	79	80	(0.1)%
Net fee and commission income	149	135	10.8%	39	38	2.7%
Net trading income	5	5	13.5%	2	1	38.6%
Sundry net operating income	8	26	(69.5)%	(8)	5	–
Operating income	**481**	**474**	**1.5%**	**112**	**124**	**(9.3)%**
General administrative expenses	(256)	(251)	1.7%	(67)	(62)	8.0%
Operating result	**225**	**222**	**1.3%**	**45**	**62**	**(26.6)%**
Net provisioning for impairment losses	(54)	(48)	13.2%	(21)	(10)	102.7%
Other results	(25)	(41)	(37.6)%	0	(8)	–
Profit/loss before tax	**145**	**134**	**8.9%**	**25**	**43**	**(42.7)%**
Income taxes	(38)	(31)	23.3%	(10)	(10)	0.0%
Profit/loss after tax	**107**	**103**	**4.5%**	**15**	**33**	**(54.9)%**
Assets	10,215	10,009	2.1%	10,215	10,507	(2.8)%
Loans and advances to customers	7,504	6,879	9.1%	7,504	7,355	2.0%
hereof corporate %	47.9%	46.7%	1.2 PP	47.9%	47.4%	0.4 PP
hereof retail %	52.0%	53.0%	(1.0) PP	52.0%	52.4%	(0.4) PP
hereof foreign currency %	1.2%	0.6%	0.6 PP	1.2%	1.0%	0.2 PP
Deposits from customers	7,657	7,320	4.6%	7,657	7,390	3.6%
Loan/deposit ratio (net)	94.9%	91.0%	3.9 PP	94.9%	96.2%	(1.3) PP
Equity	1,005	1,028	(2.2)%	1,005	991	1.4%
Return on equity before tax	15.2%	14.1%	1.0 PP	10.7%	19.1%	(8.4) PP
Return on equity after tax	11.2%	10.8%	0.3 PP	6.6%	14.8%	(8.3) PP
Cost/income ratio	53.2%	53.1%	0.1 PP	59.6%	50.0%	9.5 PP
Net interest margin (average interest-bearing assets)	3.28%	3.38%	(0.09) PP	3.18%	3.25%	(0.07) PP
Employees as at reporting date	3,816	3,853	(1.0)%	3,816	3,843	(0.7)%
Business outlets	178	165	7.9%	178	184	(3.3)%
Customers	926,903	895,376	3.5%	926,903	924,023	0.3%

Slovenia

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	14	19	(29.1)%	3	3	8.7%
Net fee and commission income	7	8	(4.3)%	2	2	5.9%
Net trading income	1	1	(14.3)%	0	0	(55.2)%
Sundry net operating income	(3)	(3)	8.8%	0	0	–
Operating income	**19**	**25**	**(25.1)%**	**5**	**5**	**(4.0)%**
General administrative expenses	(21)	(22)	(7.9)%	(6)	(5)	25.1%
Operating result	**(2)**	**3**	**–**	**(1)**	**0**	**–**
Net provisioning for impairment losses	(23)	(65)	(64.8)%	(7)	(10)	(33.2)%
Other results	0	(1)	(79.3)%	0	0	(58.5)%
Profit/loss before tax	**(25)**	**(63)**	**(60.6)%**	**(8)**	**(10)**	**(20.0)%**
Income taxes	0	0	(54.8)%	0	0	–
Profit/loss after tax	**(25)**	**(63)**	**(60.5)%**	**(8)**	**(10)**	**(18.1)%**
Assets	1,146	1,341	(14.6)%	1,146	1,215	(5.7)%
Loans and advances to customers	825	1,051	(21.5)%	825	884	(6.6)%
hereof corporate %	59.0%	60.9%	(1.9) PP	59.0%	59.0%	0.0 PP
hereof retail %	33.3%	31.8%	1.5 PP	33.3%	34.1%	(0.8) PP
hereof foreign currency %	4.3%	4.2%	0.1 PP	4.3%	4.5%	(0.1) PP
Deposits from customers	485	423	14.6%	485	478	1.5%
Loan/deposit ratio (net)	144.5%	215.2%	(70.7) PP	144.5%	157.3%	(12.7) PP
Equity	53	33	63.5%	53	60	(10.8)%
Return on equity before tax	–	–	–	–	–	–
Return on equity after tax	–	–	–	–	–	–
Cost/income ratio	109.5%	89.1%	20.4 PP	120.0%	92.1%	27.9 PP
Net interest margin (average interest-bearing assets)	1.22%	1.43%	(0.21) PP	1.31%	1.17%	0.14 PP
Employees as at reporting date	230	245	(6.1)%	230	231	(0.4)%
Business outlets	14	16	(12.5)%	14	14	0.0%
Customers	63,426	65,441	(3.1)%	63,426	63,953	(0.8)%

Southeastern Europe

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Operating income	1,283	1,285	(0.1)%	310	332	(6.7)%
General administrative expenses	(689)	(698)	(1.4)%	(188)	(168)	12.0%
Operating result	**595**	**587**	**1.4%**	**122**	**164**	**(25.9)%**
Net provisioning for impairment losses	(254)	(326)	(22.0)%	(77)	(43)	78.6%
Other results	8	16	(51.8)%	3	(2)	–
Profit/loss before tax	**348**	**277**	**25.7%**	**48**	**120**	**(59.6)%**
Assets	21,371	21,160	1.0%	21,371	21,350	0.1%
Net interest margin (average interest-bearing assets)	4.27%	4.37%	(0.09) PP	4.17%	4.28%	(0.12) PP
Return on equity before tax	**16.7%**	**13.7%**	**2.9 PP**	**9.1%**	**21.3%**	**(12.2) PP**

Operating income

The Southeastern Europe segment's net interest income fell 3 per cent, or € 26 million, to € 835 million year-on-year. In Romania, lower market interest rates and declining interest income from securities were responsible for a reduction in net interest income (down € 7 million). In Serbia, lower margins and reduced lending volumes in the retail customer business led to a decrease (down € 11 million). Bosnia and Herzegovina (down € 5 million) also reported a drop in net interest income due to lower volumes in the the corporate customer business. Lower market interest rates also resulted in a fall in net interest income in Bulgaria (down € 5 million). In contrast, Albania reported a rise of € 2 million, while net interest income in Croatia and Kosovo was largely stable. The segment's net interest margin declined 9 basis points to 4.27 per cent. Total assets increased 1 per cent to € 21.4 billion year-on-year, while risk-weighted assets (total RWA) fell 9 per cent to € 13.7 billion.

Net fee and commission income was up 3 per cent, or € 10 million, to € 358 million. Net income from other banking services increased € 8 million to € 25 million year-on-year, largely as a result of income generated from lead arranger activities in Romania. Net income from payment transfer business increased 4 per cent to € 198 million. This was positively influenced by higher sales in Croatia and Bulgaria and margin improvements in account management and in the credit card business in Romania. Net income from foreign currency, notes/coins and precious metals business was up 6 per cent to € 75 million, and was driven by higher volumes and margins – mainly in Romania and Bosnia and Herzegovina. In contrast, net income from loan and guarantee business declined € 13 million to € 15 million, primarily in Romania.

Net trading income for the Southeastern Europe segment increased € 4 million to € 56 million year-on-year. The improvement in currency-based transactions, up € 4 million to € 28 million, was mainly attributable to valuation gains on foreign currency positions in Romania and Croatia, as well as higher income from securities positions in Bulgaria. Stood against these were valuation losses from currency-based derivatives in Serbia. In contrast, net income from interest-based transactions marginally fell. Slight declines in government bonds in Albania, due to lower volumes and interest rates, were almost entirely offset by the business performance in Croatia and Romania, which reported higher valuation results from bonds in the trading portfolio and valuations gains from interest-based derivatives.

Sundry net operating income improved € 11 million to € 33 million year-on-year, mainly as a result of a € 4 million increase in net income from non-banking activities and a gain of € 5 million on the first-time consolidation of Raiffeisen Bausparkasse in Croatia.

General administrative expenses

General administrative expenses fell 1 per cent to € 689 million year-on-year. Staff expenses declined € 6 million to € 296 million as a result of lower provisions for bonus payments. Other administrative expenses were also down, due to a reduction in office space expenses after higher relocation costs in Romania in the previous year. Depreciation remained almost unchanged, as decreases in Croatia, Bulgaria and Serbia were offset by an impairment in Romania. The cost/income ratio improved 0.7 percentage points to 53.7 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses in the Southeastern Europe segment fell 22 per cent, or € 72 million, to € 254 million year-on-year. Net allocations to individual loan loss provisions declined € 48 million to € 287 million, while net releases of portfolio-based loan loss provisions increased € 25 million to € 32 million. The largest declines were reported in Bulgaria, Romania and Croatia: In Bulgaria, the € 39 million decline was due to a lower volume of non-performing loans and a greater provisioning requirement in the previous year as a result of the impairment of collateral. In Romania, sales of receivables and a year-on-year reduction in the portfolio of non-performing loans, led to a € 21 million decrease in net provisioning for impairment losses. In Croatia, where collection activities and restructuring were stepped up for both corporate and retail customers, the decline amounted to € 8 million.

The share of non-bank non-performing loans in the segment's loan portfolio fell 0.7 percentage points to 13.2 per cent, while the NPL coverage ratio improved 3.6 percentage points to 66.5 per cent.

Other results and taxes

Other results in the segment halved to € 8 million year-on-year.

Net income from derivatives and liabilities was € 8 million lower year-on-year, mainly as a result of valuation losses from interest rate swaps in Croatia.

Net income from financial investments amounted to € 8 million and was more or less at the previous year's level. In Croatia, lower valuation losses from securities of the fair value portfolio were recognized and higher net proceeds from securities were reported, which were entirely offset by lower valuation gains and net proceeds from the sale of securities in Romania.

The region's tax expense increased € 23 million to € 52 million year-on-year, while the tax rate was up 5 percentage points to 15 per cent. The increase was mainly the result of a one-off effect in Romania, where a deferred tax liability of € 12 million was released in the previous year.

Detailed results of individual countries:

Albania

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	80	77	2.9%	19	19	(0.3)%
Net fee and commission income	11	9	24.8%	3	3	(4.4)%
Net trading income	18	21	(11.5)%	4	4	8.4%
Sundry net operating income	2	(1)	–	2	1	119.9%
Operating income	**111**	**106**	**5.0%**	**28**	**27**	**3.7%**
General administrative expenses	(42)	(42)	0.6%	(11)	(11)	(0.2)%
Operating result	**69**	**63**	**7.9%**	**17**	**16**	**6.5%**
Net provisioning for impairment losses	(29)	(29)	0.6%	(10)	(7)	48.5%
Other results	0	0	(76.6)%	0	0	>500.0%
Profit/loss before tax	**39**	**35**	**13.5%**	**7**	**9**	**(25.6)%**
Income taxes	(6)	(3)	87.4%	(1)	(1)	(45.3)%
Profit/loss after tax	**33**	**32**	**6.2%**	**6**	**8**	**(22.0)%**
Assets	1,976	2,084	(5.2)%	1,976	1,975	0.1%
Loans and advances to customers	899	916	(1.8)%	899	911	(1.2)%
hereof corporate %	71.0%	69.7%	1.3 PP	71.0%	71.6%	(0.6) PP
hereof retail %	29.0%	30.3%	(1.3) PP	29.0%	28.4%	0.6 PP
hereof foreign currency %	67.4%	68.5%	(1.1) PP	67.4%	69.6%	(2.1) PP
Deposits from customers	1,669	1,758	(5.1)%	1,669	1,654	0.9%
Loan/deposit ratio (net)	48.0%	47.2%	0.8 PP	48.0%	49.0%	(1.0) PP
Equity	216	220	(2.0)%	216	221	(2.3)%
Return on equity before tax	19.8%	18.3%	1.5 PP	14.4%	18.9%	(4.4) PP
Return on equity after tax	16.8%	16.6%	0.2 PP	12.8%	15.9%	(3.2) PP
Cost/income ratio	38.1%	39.8%	(1.7) PP	39.2%	40.7%	(1.5) PP
Net interest margin (average interest-bearing assets)	4.70%	4.23%	0.46 PP	4.56%	4.65%	(0.09) PP
Employees as at reporting date	1,326	1,371	(3.3)%	1,326	1,336	(0.7)%
Business outlets	92	104	(11.5)%	92	96	(4.2)%
Customers	723,451	719,949	0.5%	723,451	710,587	1.8%

Bosnia and Herzegovina

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	69	74	(6.3)%	17	16	2.4%
Net fee and commission income	35	33	5.9%	9	9	6.9%
Net trading income	1	1	5.1%	0	1	(68.1)%
Sundry net operating income	(1)	1	–	(3)	0	>500.0%
Operating income	**104**	**109**	**(4.6)%**	**24**	**26**	**(8.0)%**
General administrative expenses	(63)	(65)	(2.8)%	(20)	(14)	36.7%
Operating result	**41**	**44**	**(7.1)%**	**4**	**11**	**(65.6)%**
Net provisioning for impairment losses	(16)	(15)	9.7%	(10)	2	–
Other results	(1)	(1)	(3.2)%	0	0	–
Profit/loss before tax	**24**	**29**	**(15.8)%**	**(6)**	**13**	**–**
Income taxes	(4)	(3)	38.2%	0	(1)	(80.1)%
Profit/loss after tax	**21**	**26**	**(21.3)%**	**(7)**	**11**	**–**
Assets	1,944	2,022	(3.9)%	1,944	1,965	(1.1)%
Loans and advances to customers	1,176	1,223	(3.8)%	1,176	1,196	(1.7)%
hereof corporate %	34.1%	35.8%	(1.7) PP	34.1%	34.7%	(0.6) PP
hereof retail %	65.5%	63.7%	1.8 PP	65.5%	64.9%	0.6 PP
hereof foreign currency %	74.0%	73.4%	0.6 PP	74.0%	71.8%	2.2 PP
Deposits from customers	1,503	1,567	(4.1)%	1,503	1,533	(2.0)%
Loan/deposit ratio (net)	72.5%	72.7%	(0.2) PP	72.5%	72.0%	0.4 PP
Equity	272	269	1.2%	272	279	(2.4)%
Return on equity before tax	9.5%	12.0%	(2.5) PP	–	20.2%	–
Return on equity after tax	8.0%	10.9%	(2.9) PP	–	18.0%	–
Cost/income ratio	60.5%	59.4%	1.1 PP	83.7%	56.3%	27.4 PP
Net interest margin (average interest-bearing assets)	3.67%	3.91%	(0.23) PP	3.61%	3.52%	0.09 PP
Employees as at reporting date	1,434	1,491	(3.8)%	1,434	1,462	(1.9)%
Business outlets	96	98	(2.0)%	96	96	0.0%
Customers	499,973	496,690	0.7%	499,973	501,996	(0.4)%

Bulgaria

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	124	129	(3.8)%	31	30	4.6%
Net fee and commission income	40	38	6.7%	11	10	6.5%
Net trading income	3	3	20.8%	1	1	(13.0)%
Sundry net operating income	1	(3)	–	0	0	105.4%
Operating income	**169**	**166**	**1.4%**	**43**	**41**	**5.4%**
General administrative expenses	(89)	(92)	(3.2)%	(23)	(22)	6.6%
Operating result	**79**	**74**	**7.1%**	**20**	**19**	**4.0%**
Net provisioning for impairment losses	(52)	(91)	(43.1)%	(9)	(13)	(30.9)%
Other results	0	(1)	–	0	0	–
Profit/loss before tax	**28**	**(18)**	**–**	**11**	**7**	**73.1%**
Income taxes	(3)	2	–	(1)	(1)	59.4%
Profit/loss after tax	**25**	**(15)**	**–**	**10**	**6**	**74.6%**
Assets	3,223	3,203	0.6%	3,223	3,377	(4.6)%
Loans and advances to customers	2,175	2,526	(13.9)%	2,175	2,297	(5.3)%
hereof corporate %	40.4%	44.0%	(3.6) PP	40.4%	42.9%	(2.5) PP
hereof retail %	58.0%	55.5%	2.5 PP	58.0%	56.6%	1.4 PP
hereof foreign currency %	61.5%	67.2%	(5.7) PP	61.5%	64.2%	(2.7) PP
Deposits from customers	2,168	2,133	1.6%	2,168	2,295	(5.5)%
Loan/deposit ratio (net)	91.3%	106.0%	(14.7) PP	91.3%	89.3%	2.0 PP
Equity	496	472	5.2%	496	486	2.1%
Return on equity before tax	5.9%	–	–	9.7%	5.6%	4.1 PP
Return on equity after tax	5.3%	–	–	8.8%	5.0%	3.7 PP
Cost/income ratio	53.0%	55.5%	(2.5) PP	53.8%	53.2%	0.6 PP
Net interest margin (average interest-bearing assets)	4.00%	3.93%	0.07 PP	3.99%	3.81%	0.18 PP
Employees as at reporting date	2,751	2,965	(7.2)%	2,751	2,767	(0.6)%
Business outlets	156	168	(7.1)%	156	156	0.0%
Customers	761,894	740,812	2.8%	761,894	755,250	0.9%

Croatia

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	151	153	(0.9)%	37	40	(6.1)%
Net fee and commission income	62	56	11.5%	16	17	(3.9)%
Net trading income	13	11	22.0%	2	3	(30.4)%
Sundry net operating income	23	24	(2.3)%	(1)	10	–
Operating income	**250**	**243**	**2.8%**	**54**	**69**	**(21.7)%**
General administrative expenses	(130)	(130)	0.2%	(33)	(34)	(3.7)%
Operating result	**120**	**114**	**5.8%**	**21**	**35**	**(39.3)%**
Net provisioning for impairment losses	(50)	(58)	(13.9)%	(15)	(4)	285.7%
Other results	1	0	258.2%	(1)	1	–
Profit/loss before tax	**72**	**56**	**27.8%**	**6**	**32**	**(82.5)%**
Income taxes	(11)	(11)	(4.4)%	1	(5)	–
Profit/loss after tax	**61**	**45**	**35.9%**	**7**	**27**	**(75.6)%**
Assets	4,647	4,749	(2.1)%	4,647	4,771	(2.6)%
Loans and advances to customers	3,200	3,436	(6.9)%	3,200	3,323	(3.7)%
hereof corporate %	41.2%	41.8%	(0.6) PP	41.2%	41.3%	0.0 PP
hereof retail %	54.4%	48.9%	5.5 PP	54.4%	52.6%	1.8 PP
hereof foreign currency %	64.9%	68.8%	(3.9) PP	64.9%	64.1%	0.8 PP
Deposits from customers	3,128	2,863	9.2%	3,128	3,119	0.3%
Loan/deposit ratio (net)	92.3%	109.1%	(16.8) PP	92.3%	95.8%	(3.5) PP
Equity	702	750	(6.5)%	702	696	0.8%
Return on equity before tax	10.8%	7.9%	2.9 PP	3.5%	19.7%	(16.2) PP
Return on equity after tax	9.2%	6.3%	2.9 PP	4.1%	16.6%	(12.5) PP
Cost/income ratio	51.9%	53.2%	(1.4) PP	60.8%	49.5%	11.4 PP
Net interest margin (average interest-bearing assets)	3.71%	3.58%	0.14 PP	3.54%	3.92%	(0.38) PP
Employees as at reporting date	2,127	2,036	4.5%	2,127	2,104	1.1%
Business outlets	77	76	1.3%	77	77	0.0%
Customers	463,552	475,838	(2.6)%	463,552	468,071	(1.0)%

Kosovo

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	39	39	0.9%	10	10	0.1%
Net fee and commission income	8	8	0.2%	2	2	(4.1)%
Net trading income	0	0	(42.2)%	0	0	>500.0%
Sundry net operating income	(1)	0	41.2%	0	0	(84.8)%
Operating income	**46**	**46**	**0.3%**	**12**	**12**	**2.0%**
General administrative expenses	(25)	(25)	0.3%	(7)	(6)	17.5%
Operating result	**21**	**21**	**0.4%**	**5**	**6**	**(14.4)%**
Net provisioning for impairment losses	(3)	(4)	(41.6)%	(2)	(1)	41.6%
Other results	0	1	–	0	0	(69.4)%
Profit/loss before tax	**18**	**18**	**4.9%**	**3**	**4**	**(27.9)%**
Income taxes	(2)	(2)	14.5%	0	0	(27.4)%
Profit/loss after tax	**16**	**16**	**3.8%**	**3**	**4**	**(27.9)%**
Assets	778	699	11.2%	778	782	(0.5)%
Loans and advances to customers	488	458	6.5%	488	483	1.1%
hereof corporate %	39.4%	39.4%	(0.1) PP	39.4%	40.5%	(1.2) PP
hereof retail %	60.6%	60.6%	0.1 PP	60.6%	59.5%	1.2 PP
hereof foreign currency %	0.0%	0.0%	0.0 PP	0.0%	0.0%	0.0 PP
Deposits from customers	604	558	8.3%	604	613	(1.5)%
Loan/deposit ratio (net)	76.7%	77.7%	(1.0) PP	76.7%	74.9%	1.8 PP
Equity	124	108	15.1%	124	121	2.4%
Return on equity before tax	17.2%	19.6%	(2.4) PP	12.0%	17.0%	(5.0) PP
Return on equity after tax	15.3%	17.6%	(2.3) PP	10.7%	15.3%	(4.5) PP
Cost/income ratio	54.3%	54.4%	0.0 PP	59.2%	51.4%	7.8 PP
Net interest margin (average interest-bearing assets)	5.31%	6.07%	(0.76) PP	5.14%	5.28%	(0.14) PP
Employees as at reporting date	705	699	0.9%	705	707	(0.3)%
Business outlets	52	54	(3.7)%	52	54	(3.7)%
Customers	278,432	251,035	10.9%	278,432	270,403	3.0%

Romania

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	274	281	(2.5)%	70	70	0.3%
Net fee and commission income	165	168	(1.8)%	38	47	(17.5)%
Net trading income	18	14	30.6%	3	5	(29.3)%
Sundry net operating income	5	2	145.5%	2	1	105.8%
Operating income	**462**	**465**	**(0.7)%**	**114**	**122**	**(6.8)%**
General administrative expenses	(266)	(271)	(1.7)%	(73)	(63)	15.0%
Operating result	**196**	**195**	**0.8%**	**41**	**59**	**(30.1)%**
Net provisioning for impairment losses	(85)	(106)	(19.9)%	(24)	(15)	56.2%
Other results	8	16	(50.8)%	4	(2)	–
Profit/loss before tax	**119**	**104**	**14.2%**	**22**	**42**	**(48.4)%**
Income taxes	(22)	(4)	392.5%	(6)	(8)	(30.0)%
Profit/loss after tax	**97**	**100**	**(2.8)%**	**16**	**34**	**(52.7)%**
Assets	6,920	6,528	6.0%	6,920	6,510	6.3%
Loans and advances to customers	4,313	4,266	1.1%	4,313	4,445	(3.0)%
hereof corporate %	33.3%	32.8%	0.5 PP	33.3%	34.1%	(0.8) PP
hereof retail %	64.1%	64.3%	(0.2) PP	64.1%	63.1%	1.0 PP
hereof foreign currency %	49.7%	54.3%	(4.6) PP	49.7%	50.2%	(0.5) PP
Deposits from customers	4,681	4,344	7.7%	4,681	4,262	9.8%
Loan/deposit ratio (net)	85.1%	90.2%	(5.1) PP	85.1%	96.3%	(11.2) PP
Equity	726	674	7.7%	726	715	1.5%
Return on equity before tax	18.6%	19.2%	(0.7) PP	13.6%	26.3%	(12.7) PP
Return on equity after tax	15.1%	18.4%	(3.3) PP	10.1%	21.4%	(11.2) PP
Cost/income ratio	57.5%	58.2%	(0.6) PP	63.8%	51.7%	12.1 PP
Net interest margin (average interest-bearing assets)	4.36%	4.61%	(0.25) PP	4.35%	4.46%	(0.11) PP
Employees as at reporting date	5,292	5,308	(0.3)%	5,292	5,368	(1.4)%
Business outlets	529	530	(0.2)%	529	530	(0.2)%
Customers	2,089,544	2,077,912	0.6%	2,089,544	2,049,071	2.0%

Serbia

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	100	110	(9.8)%	24	25	(6.0)%
Net fee and commission income	36	36	0.7%	9	9	2.6%
Net trading income	2	3	(47.4)%	1	0	–
Sundry net operating income	5	1	267.0%	1	1	(12.2)%
Operating income	**142**	**150**	**(5.4)%**	**35**	**35**	**(1.2)%**
General administrative expenses	(74)	(75)	(1.1)%	(22)	(17)	24.6%
Operating result	**68**	**75**	**(9.7)%**	**13**	**18**	**(26.1)%**
Net provisioning for impairment losses	(19)	(23)	(14.2)%	(7)	(5)	47.6%
Other results	0	1	–	0	0	>500.0%
Profit/loss before tax	**48**	**54**	**(9.8)%**	**6**	**13**	**(53.3)%**
Income taxes	(5)	(7)	(28.2)%	(1)	(1)	(50.3)%
Profit/loss after tax	**43**	**46**	**(6.9)%**	**5**	**12**	**(53.6)%**
Assets	1,885	1,875	0.5%	1,885	1,972	(4.4)%
Loans and advances to customers	1,129	1,105	2.1%	1,129	1,112	1.5%
hereof corporate %	52.2%	47.9%	4.3 PP	52.2%	50.3%	1.9 PP
hereof retail %	46.7%	49.9%	(3.2) PP	46.7%	47.7%	(1.0) PP
hereof foreign currency %	61.3%	69.8%	(8.5) PP	61.3%	64.5%	(3.3) PP
Deposits from customers	1,240	1,119	10.8%	1,240	1,269	(2.3)%
Loan/deposit ratio (net)	81.4%	89.2%	(7.8) PP	81.4%	78.7%	2.7 PP
Equity	466	498	(6.4)%	466	516	(9.7)%
Return on equity before tax	10.1%	11.9%	(1.8) PP	5.5%	11.0%	(5.5) PP
Return on equity after tax	9.0%	10.2%	(1.3) PP	4.9%	9.8%	(4.9) PP
Cost/income ratio	52.2%	49.9%	2.3 PP	61.9%	49.1%	12.8 PP
Net interest margin (average interest-bearing assets)	5.52%	6.23%	(0.71) PP	5.23%	5.50%	(0.27) PP
Employees as at reporting date	1,581	1,602	(1.3)%	1,581	1,590	(0.6)%
Business outlets	85	85	0.0%	85	86	(1.2)%
Customers	640,337	604,122	6.0%	640,337	622,755	2.8%

Russia

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Operating income	1,082	1,186	(8.8)%	234	269	(13.2)%
General administrative expenses	(477)	(552)	(13.7)%	(109)	(126)	(13.6)%
Operating result	**605**	**634**	**(4.6)%**	**125**	**143**	**(12.7)%**
Net provisioning for impairment losses	(152)	(48)	216.1%	(35)	(47)	(25.8)%
Other results	(17)	29	–	(20)	4	–
Profit/loss before tax	**436**	**615**	**(29.1)%**	**69**	**100**	**(30.7)%**
Assets	12,457	15,555	(19.9)%	12,457	14,683	(15.2)%
Net interest margin (average interest-bearing assets)	5.92%	4.80%	1.12 PP	6.09%	6.37%	(0.29) PP
Return on equity before tax	**28.8%**	**38.7%**	**(9.9) PP**	**17.6%**	**23.8%**	**(6.2) PP**

Operating income

Net interest income in Russia increased 16 per cent, or € 112 million, to € 835 million year-on-year. Interest income from derivative financial instruments rose € 84 million. Increased interest income from loans also had a positive effect, which largely reflected higher volumes in the retail business. The segment's net interest margin was up 112 basis points to 5.92 per cent year-on-year. Total assets declined 20 per cent to € 12.5 billion year-on-year, while risk-weighted assets (total RWA) were down 27 per cent to € 8.4 billion.

Net fee and commission income fell 1 per cent, or € 4 million, to € 304 million year-on-year, due to currency effects. While net income from the loan and guarantee business was down € 17 million to € 77 million, net income from foreign currency, notes/coins and precious-metal business rose € 26 million to € 88 million, largely due to higher volumes. Net income from the payment transfer business fell € 11 million to € 102 million.

Net trading income fell € 221 million to minus € 65 million, which was considerably below the previous year's level. Net income from currency-based transactions decreased € 183 million to minus € 36 million as a result of lower valuation results from foreign currency derivatives carried out for hedging purposes. Besides currency developments, this was also due to the classification of new foreign currency transactions carried out to hedge banking book positions, which resulted in interest income from such transactions being reported under net interest income. Net income from interest-based transactions declined € 38 million to minus € 30 million due to valuation losses on securities and derivatives, as well as lower interest income from securities.

Sundry net operating income reversed from being slightly negative in the previous year to plus € 8 million, due to the sale of a building.

General administrative expenses

General administrative expenses fell 14 per cent, or € 76 million, to € 477 million. The decline was mainly attributable to the development of the Russian rouble. Staff expenses therefore had a currency-related decline of € 45 million, while wages and salaries increased in local currency due to higher bonus payments. Other administrative expenses fell € 16 million and were similarly currency related, while lower advertising and IT expenses also contributed. The € 14 million decline in depreciation was also predominantly currency related. In addition, depreciation of tangible fixed assets fell. The number of business outlets rose by 17 to 212 year-on-year. The cost/income ratio improved 2.5 percentage points to 44.1 per cent.

Net provisioning for impairment losses

In the reporting year, net provisioning for impairment losses increased € 104 million in Russia. This was due to increases of € 53 million both in net allocations to individual loan loss provisions and portfolio-based loan loss provisions. These stood against a € 2 million increase in gains from the sale of impaired loans. This development was mainly the result of increased lending volumes to retail and corporate customers, developments in the retail business due to the economic situation in Russia (the development of the US dollar and euro against the Russian rouble, as well as inflation, led to the deterioration of customers' credit standing), and individual defaults of corporate customers. The share of non-performing loans in the segment's loan portfolio rose 1.1 percentage points to 5.9 per cent, while the NPL coverage ratio declined to 70.5 per cent (2013: 77.8 per cent).

Other results and taxes

The Russian segment's other results declined € 46 million to minus € 17 million. Net income from financial investments fell from plus € 25 million in the previous year to minus € 44 million in the reporting year. On the one hand, the decrease resulted from valuation losses on securities in the fair value portfolio, which were € 28 million higher than in the previous year; and on the other, from losses of € 15 million on the sale of securities in the fair value portfolio which were recognized in the reporting year – whereas a gain of € 1 million was reported in the previous year. Furthermore, gains of € 24 million in net proceeds from the sale of equity participations were achieved in the comprarable period of the previous year from the sale of VISA shares. Net income from derivative financial instruments increased € 22 million to € 26 million as a result of valuation gains from interest-rate swaps carried out to mitigate interest rate structure risk, as well as changes in the market values of banking book derivatives.

The segment's income taxes fell € 50 million to € 96 million as a result of lower net income, while the tax rate amounted to 22 per cent (2013: 24 per cent).

Russia

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

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	835	722	15.5%	199	233	(14.3)%
Net fee and commission income	304	308	(1.4)%	90	74	21.8%
Net trading income	(65)	156	–	(55)	(36)	53.3%
Sundry net operating income	8	0	–	(1)	(1)	(49.9)%
Operating income	**1,082**	**1,186**	**(8.8)%**	**234**	**269**	**(13.2)%**
General administrative expenses	(477)	(552)	(13.7)%	(109)	(126)	(13.6)%
Operating result	**605**	**634**	**(4.6)%**	**125**	**143**	**(12.7)%**
Net provisioning for impairment losses	(152)	(48)	216.1%	(35)	(47)	(25.8)%
Other results	(17)	29	–	(20)	4	–
Profit/loss before tax	**436**	**615**	**(29.1)%**	**69**	**100**	**(30.7)%**
Income taxes	(96)	(146)	(34.4)%	(19)	(22)	(16.8)%
Profit/loss after tax	**340**	**469**	**(27.4)%**	**51**	**78**	**(34.7)%**
Assets	12,457	15,555	(19.9)%	12,457	14,683	(15.2)%
Loans and advances to customers	8,389	9,967	(15.8)%	8,389	10,806	(22.4)%
hereof corporate %	60.9%	55.6%	5.4 PP	60.9%	58.2%	2.7 PP
hereof retail %	39.1%	44.4%	(5.3) PP	39.1%	41.8%	(2.7) PP
hereof foreign currency %	47.8%	33.5%	14.4 PP	47.8%	39.7%	8.1 PP
Deposits from customers	7,317	9,924	(26.3)%	7,317	9,255	(20.9)%
Loan/deposit ratio (net)	109.9%	96.7%	13.2 PP	109.9%	111.9%	(2.1) PP
Equity	1,197	2,360	(49.3)%	1,197	1,971	(39.3)%
Return on equity before tax	23.6%	31.7%	(8.1) PP	21.9%	21.5%	0.4 PP
Return on equity after tax	18.4%	24.2%	(5.7) PP	16.0%	16.7%	(0.7) PP
Cost/income ratio	44.1%	46.6%	(2.5) PP	46.5%	46.8%	(0.3) PP
Net interest margin (average interest-bearing assets)	5.92%	4.80%	1.12 PP	6.09%	6.37%	(0.29) PP
Employees as at reporting date	8,252	8,542	(3.4)%	8,252	8,390	(1.6)%
Business outlets	212	195	8.7%	212	206	2.9%
Customers	2,940,532	2,617,291	12.4%	2,940,532	2,840,875	3.5%

CEE Other

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Operating income	452	638	(29.2)%	81	119	(31.7)%
General administrative expenses	(296)	(358)	(17.2)%	(55)	(97)	(43.2)%
Operating result	**156**	**281**	**(44.5)%**	**27**	**22**	**18.1%**
Net provisioning for impairment losses	(542)	(108)	403.8%	(212)	(144)	46.7%
Other results	133	44	202.7%	25	31	(18.4)%
Profit/loss before tax	**(253)**	**217**	**–**	**(160)**	**(91)**	**75.6%**
Assets	4,043	5,809	(30.4)%	4,043	4,564	(11.4)%
Net interest margin (average interest-bearing assets)	8.92%	7.60%	1.32 PP	8.79%	8.99%	(0.19) PP
Return on equity before tax	**–**	**26.1%**	**–**	**–**	**–**	**–**

Operating income

Net interest income in the CEE Other segment fell 9 per cent, or € 36 million, to € 386 million year-on-year. This was mainly attributable to a currency-related decline in net interest income of 18 per cent, or € 61 million, to € 272 million in Ukraine (in local currency net interest income increased 20 per cent). In contrast, net interest income in Belarus increased 28 per cent, or € 24 million, to € 112 million, due to higher lending volumes and improved margins. The segment's net interest margin rose from 7.60 per cent to 8.92 per cent year-on-year. Total assets decreased 30 per cent to € 4.0 billion year-on-year, and risk-weighted assets (total RWA) also declined 25 per cent to € 4.6 billion.

The segment's net fee and commission income declined € 16 million to € 194 million year-on-year. This included a decrease in net income from payment transfer business – mainly exchange rate related in Ukraine - 21 per cent, or € 32 million, to € 125 million. This decline, however, was partly offset by a € 18 million increase in net income from foreign currency, notes/coins and precious metals business to € 55 million which was also reported in Ukraine as a result of higher volumes and margins.

Net trading income reduced from plus € 12 million in the comparable period of the previous year to minus € 112 million in the reporting period. This was mainly due to net income from currency-based transactions, which was burdened by higher valuation losses from foreign currency positions in Ukraine.

Sundry net operating income fell € 11 million to minus € 16 million year-on-year. The negative impact was the result of a newly introduced tax on purchases of foreign currency in Ukraine (€ 11 million). In contrast, real estate sales of € 4 million had a positive effect; whereas, net income arising from non-banking activities declined.

General administrative expenses

General administrative expenses declined € 62 million to € 296 million year-on-year. The majority of this reduction was in Ukraine, primarily due to the devaluation of the Ukrainian hryvnia, while general administrative expenses in Belarus increased as a result of inflation related adjustments to wages and salaries and higher other administrative expenses. The segment's staff expenses decreased € 54 million as a result of employee reductions in Ukraine. The decline in other administrative expenses was mainly a result of the currency development in Ukraine. A € 30 million impairment of the brand and customer base and € 4 million impairment of a building, led to increased depreciation of tangible and intangible fixed assets. The segment's number of business outlets declined by 130 to 769. The cost/income ratio increased 9.5 percentage points to 65.6 per cent.

Net provisioning for impairment losses

The region's net provisioning for impairment losses increased € 434 million to € 542 million year-on-year, mainly driven by developments in Ukraine. Net provisioning for impairment losses rose € 412 million in Ukraine and was largely required on foreign currency loans due to the devaluation of the Ukrainian hryvnia and the resulting required provision for collateralized US dollar loans, as well as to various defaults on loans to corporate customers. In Belarus, net provisioning for impairment losses totaled € 9 million, whereas provisions of € 13 million were released in the previous year. This was mainly the result of various defaults on loans to corporate customers and the application of new default rates.

The share of non-performing loans in the segment's total loan portfolio rose 9.3 percentage points to 33.7 per cent. The segment's NPL coverage ratio improved in the reporting period by 14.8 percentage points to 87.0 per cent.

Other results and taxes

Other results increased € 89 million to € 133 million year-on-year. This was mainly due to gains from the valuation and sale of securities from the fair value portfolio (up € 105 million). This resulted exclusively from the valuation and partial repayment of fixed-income government bonds in Ukraine. In contrast net proceeds from the sale of equity participations were € 18 million lower after net proceeds of € 20 million were posted from the sale of VISA and MasterCard shares in the previous year.

Tax income of € 27 million was posted for the region in the reporting period after a tax expense of € 47 million in the previous year. This was mainly due to the capitalization of tax loss carry-forwards in Ukraine.

Detailed results of individual countries:

Belarus

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	112	88	27.6%	27	33	(18.0)%
Net fee and commission income	66	62	6.9%	15	20	(24.5)%
Net trading income	0	(1)	(30.8)%	6	(5)	–
Sundry net operating income	(1)	(1)	46.9%	(1)	0	226.9%
Operating income	**177**	**149**	**19.1%**	**47**	**47**	**(0.7)%**
General administrative expenses	(80)	(74)	8.1%	(17)	(23)	(25.8)%
Operating result	**97**	**75**	**30.0%**	**30**	**24**	**23.6%**
Net provisioning for impairment losses	(9)	13	–	(5)	(1)	254.7%
Other results	2	0	–	0	2	–
Profit/loss before tax	**90**	**87**	**3.6%**	**25**	**25**	**(0.9)%**
Income taxes	(28)	(20)	36.5%	(11)	(6)	91.1%
Profit/loss after tax	**63**	**67**	**(6.4)%**	**14**	**19**	**(28.8)%**
Assets	1,536	1,446	6.2%	1,536	1,643	(6.5)%
Loans and advances to customers	1,047	910	15.0%	1,047	1,047	0.0%
hereof corporate %	69.6%	72.3%	(2.6) PP	69.6%	70.9%	(1.3) PP
hereof retail %	30.4%	27.7%	2.6 PP	30.4%	29.1%	1.3 PP
hereof foreign currency %	68.5%	72.4%	(3.9) PP	68.5%	73.3%	(4.8) PP
Deposits from customers	867	842	2.9%	867	989	(12.4)%
Loan/deposit ratio (net)	117.6%	105.7%	11.9 PP	117.6%	103.5%	14.0 PP
Equity	329	270	21.9%	329	327	0.4%
Return on equity before tax	34.2%	44.7%	(10.5) PP	35.6%	36.5%	(1.0) PP
Return on equity after tax	23.7%	34.3%	(10.6) PP	19.6%	28.0%	(8.4) PP
Cost/income ratio	45.2%	49.8%	(4.6) PP	36.8%	49.2%	(12.4) PP
Net interest margin (average interest-bearing assets)	8.08%	6.68%	1.40 PP	7.33%	9.09%	(1.76) PP
Employees as at reporting date	2,176	2,216	(1.8)%	2,176	2,162	0.6%
Business outlets	97	100	(3.0)%	97	96	1.0%
Customers	744,935	719,919	3.5%	744,935	740,085	0.7%

Ukraine

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Net interest income	272	332	(18.2)%	59	60	(2.8)%
Net fee and commission income	127	148	(13.9)%	30	32	(3.6)%
Net trading income	(111)	12	–	(52)	(15)	239.4%
Sundry net operating income	(15)	(5)	198.8%	(3)	(5)	(41.4)%
Operating income	**273**	**487**	**(43.9)%**	**34**	**71**	**(52.4)%**
General administrative expenses	(216)	(283)	(23.8)%	(37)	(73)	(48.9)%
Operating result	**58**	**204**	**(71.8)%**	**(3)**	**(2)**	**94.7%**
Net provisioning for impairment losses	(533)	(121)	339.8%	(207)	(143)	44.6%
Other results	131	44	199.9%	25	28	(11.8)%
Profit/loss before tax	**(345)**	**127**	**–**	**(185)**	**(116)**	**59.1%**
Income taxes	55	(26)	–	34	12	189.3%
Profit/loss after tax	**(290)**	**101**	**–**	**(151)**	**(105)**	**44.7%**
Assets	2,481	4,327	(42.7)%	2,481	2,894	(14.3)%
Loans and advances to customers	2,688	3,599	(25.3)%	2,688	2,890	(7.0)%
hereof corporate %	54.6%	56.6%	(2.0) PP	54.6%	54.2%	0.3 PP
hereof retail %	45.2%	43.4%	1.8 PP	45.2%	45.5%	(0.3) PP
hereof foreign currency %	57.5%	46.9%	10.6 PP	57.5%	55.4%	2.1 PP
Deposits from customers	1,541	2,433	(36.7)%	1,541	1,649	(6.5)%
Loan/deposit ratio (net)	104.7%	115.9%	(11.2) PP	104.7%	118.6%	(13.9) PP
Equity	218	878	(75.2)%	218	405	(46.2)%
Return on equity before tax	–	16.1%	–	–	–	–
Return on equity after tax	–	12.8%	–	–	–	–
Cost/income ratio	78.9%	58.1%	20.8 PP	109.9%	102.4%	7.5 PP
Net interest margin (average interest-bearing assets)	9.35%	7.92%	1.43 PP	9.52%	9.04%	0.48 PP
Employees as at reporting date	11,478	13,053	(12.1)%	11,478	12,199	(5.9)%
Business outlets	671	798	(15.9)%	671	670	0.1%
Customers	2,940,953	3,062,204	(4.0)%	2,940,953	2,859,750	2.8%

Group Corporates

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Operating income	615	622	(1.1)%	129	166	(22.2)%
General administrative expenses	(180)	(191)	(5.7)%	(38)	(48)	(21.4)%
Operating result	**435**	**431**	**0.9%**	**91**	**118**	**(22.5)%**
Net provisioning for impairment losses	(490)	(258)	90.1%	(209)	(236)	(11.1)%
Other results	(5)	1	–	(1)	(1)	(1.5)%
Profit/loss before tax	**(60)**	**174**	**–**	**(120)**	**(119)**	**0.3%**
Assets	18,618	20,812	(10.5)%	18,618	21,088	(11.7)%
Net interest margin (average interest-bearing assets)	2.31%	2.34%	(0.03) PP	1.83%	2.51%	(0.68) PP
Return on equity before tax	**–**	**9.6%**	**–**	**–**	**–**	**–**

Operating income

The segment's net interest income fell 2 per cent, or € 9 million, to € 469 million year-on-year. The margin-related increase in net interest income at Group head office's Corporate Customers profit center (Austrian and multinational corporate customers serviced from Vienna) was fully offset by decreases in other segment areas. In Asia, reduced lending volumes to corporate customers and higher impairment resulted in a decline. Despite lower refinancing costs, the segment's net interest margin fell 3 basis points to 2.31 per cent. Total assets decreased 11 per cent to € 18.6 billion year-on-year, while risk-weighted assets (total RWA) fell 9 per cent to € 12.6 billion.

Net fee and commission income declined € 20 million to € 140 million year-on-year. Declines were posted at Group head office and at business outlets in the US and Asia. These were attributable to lower net fee and commission income from bond issues, as well as from real estate, export and investment financing; whereas higher net fee and commission income resulted from the project financing business.

The segment's net trading income reversed from minus € 16 million in the comparable period of the previous year to plus € 6 million in the reporting period. This was, above all, due to an increase in net income from interest-based derivatives at Group head office.

General administrative expenses

The segment's general administrative expenses declined 6 per cent, or € 11 million, to € 180 million year-on-year, largely as a result of lower staff and depreciation expenses. The segment consisted of 8 business outlets at the reporting date. The cost/income ratio improved 1.4 percentage points to 29.3 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses increased € 232 million to € 490 million year-on-year. This increase was primarily the result of high net allocations to individual loan loss provisions due to defaults on loans to large corporate customers in Asia, which increased € 215 million to € 291 million. At Group head office, net provisioning increased slightly by € 29 million to € 196 million. Non-performing loans in Asia were up € 432 million to € 734 million, which corresponds to an 18.7 per cent share of the segment's total loan portfolio. Overall, the share of non-performing loans in the segment's total loan portfolio rose 3.8 percentage points to 10.5 per cent.

Other taxes and results

The segment's other results decreased from € 1 million to minus € 5 million year-on-year. Group head office's bank levy had a negative effect of € 5 million, as it was allocated to the individual segments for the first time in the reporting year.

The tax expense increased € 52 million to € 87 million. In Asia, an impairment of € 35 million on deferred tax assets was carried out, as there would have been insufficient taxable profit available in future, due to the planned reduction of business in China.

Group Markets

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Operating income	367	375	(2.3)%	92	99	(7.4)%
General administrative expenses	(244)	(253)	(3.5)%	(56)	(60)	(7.8)%
Operating result	**123**	**123**	**0.2%**	**36**	**38**	**(6.8)%**
Net provisioning for impairment losses	1	(15)	–	(2)	1	–
Other results	(13)	18	–	(7)	(2)	273.7%
Profit/loss before tax	**111**	**125**	**(11.8)%**	**27**	**38**	**(28.8)%**
Assets	17,635	20,271	(13.0)%	17,635	19,751	(10.7)%
Net interest margin (average interest-bearing assets)	0.98%	0.74%	0.24 PP	0.95%	0.95%	0.00 PP
Return on equity before tax	**16.9%**	**18.9%**	**(2.1) PP**	**17.8%**	**27.6%**	**(9.8) PP**

Operating income

Net interest income in the Group Markets segment declined 8 per cent, or € 12 million, to € 136 million year-on-year, because of a partial reclassification of new business from the banking book to the trading book. The 24 basis points increase in the net interest margin to 0.98 per cent was the result of a reduction in average interest-bearing assets. Total assets decreased 13 per cent to € 17.6 billion year-on-year. Risk-weighted assets (total RWA) declined 30 per cent to € 3.9 billion.

The segment's net fee and commission income decreased 9 per cent to € 110 million year-on-year, due to lower sales. This was attributable to the decline in customer demand for fixed-income bank products, due to the low interest rate level, as well as to lower volumes of bonds, derivative products and funds.

Net trading income in the segment increased 15 per cent, or € 12 million, to € 96 million. The decline in equity and index-based transactions was more than offset by an improvement in interest-based transactions.

Sundry net operating income, which consists of various smaller income and expense items, improved 13 per cent, or € 3 million, to € 25 million.

General administrative expenses

General administrative expenses in the Group Markets segment declined 3 per cent to € 244 million year-on-year. Staff and depreciation expenses allocated to the segment declined year-on-year, whereas other administrative expenses increased due to higher legal, advisory and consulting fees arising within the course of the Asset Quality Review. The cost/income ratio improved 0.8 percentage points to 66.5 per cent.

Net provisioning for impairment losses

There was a net release of impairment losses of € 1 million in the reporting period; whereas in the previous year, there was a net € 15 million allocation to provisions at Group head office's Financial Institutions & Sovereigns profit center. The ratio of non-performing loans to total credit exposure in the segment was 2.2 per cent.

Other results and taxes

The segment's other results fell € 32 million year-on-year from € 18 million to minus € 13 million. This was mainly attributable to valuation results of securities and derivative financial instruments, which declined € 27 million due to interest rate developments. Group head office's bank levy had a negative effect of € 6 million on net income (2013: € 1 million) as this was allocated to the individual segments for the first time in the reporting year. The tax expense declined € 10 million to € 13 million.

Corporate Center

in € million	2014	2013	Change	Q4/2014	Q3/2014	Change
Operating income	1,125	774	45.3%	123	251	(50.9)%
General administrative expenses	(271)	(329)	(17.6)%	(45)	(73)	(38.1)%
Operating result	**854**	**445**	**91.9%**	**78**	**179**	**(56.0)%**
Net provisioning for impairment losses	(10)	6	–	(6)	2	–
Other results	(337)	(389)	(13.4)%	(319)	84	–
Profit/loss before tax	**507**	**62**	**>500.0%**	**(247)**	**264**	**–**
Assets	31,095	34,716	(10.4)%	31,095	35,599	(12.7)%
Net interest margin (average interest-bearing assets)	–	–	–	–	–	–
Return on equity before tax	**19.1%**	**2.7%**	**16.3 PP**	**–**	**38.0%**	**–**

As of fourth quarter 2014, disclosure of investments in cash generating units was changed. On the one hand, goodwill and impairment of goodwill is assigned to the segment in which the investment is recognized, on the other, changes in carrying amount of investments in subsidiaries are eliminated in order to represent the Group-relevant effects in the respective segment. Till that time they were shown under reconciliation. The previous year figures were adapted accordingly.

Operating income

The segment's net interest income rose € 388 million or 58 per cent to € 1,053 million year-on-year. This increase was particularly due to higher intra-Group dividend income and lower funding costs, which were achieved through an optimization of the Group's refinancing structure. Besides income from the predominantly short-term investment of free liquidity, interest expenses of € 73 million (2013: € 60 million) for the subordinated capital of RBI AG were also reported in the segment. Assets declined 10 per cent to € 31.1 billion year-on-year, largely due to the optimization of the liquidity position. Risk-weighted assets (total RWA) were up 12 per cent to € 18.7 billion.

Net fee and commission income significantly improved from minus € 40 million to minus € 9 million year-on-year. This was largely attributable to higher net fee and commission income from intra-Group securitization transactions and the acceptance of guarantees.

The segment's net trading income declined € 64 million to minus € 54 million year-on-year, mainly as a result of valuation losses from open foreign currency positions.

Sundry net operating income fell € 4 million to € 136 million. The majority of this income came from intra-Group service charges.

General administrative expenses

General administrative expenses fell 18 per cent, or € 58 million, to € 271 million year-on-year. Staff expenses declined € 12 million at Group head office. Other administrative expenses fell € 38 million due to lower intra-Group charges. Depreciation expenses were down € 8 million to € 17 million, mainly at Group head office.

Net provisioning for impairment losses

Net provisioning for impairment losses generally plays a minor role in this segment due to the intra-Group nature of its business activities. Net provisioning for corporate customers at Group head office amounted to € 10 million in the reporting year.

Other results and taxes

Other results increased € 52 million to minus € 337 million year-on-year. Included net income from derivatives and liabilities developed positively, improving € 353 million to € 89 million. This was mainly attributable to net income from liabilities designated at fair value. The included valuations for the credit spread increased € 292 million to € 166 million. In contrast, goodwill impairment of € 306 million was recognized for Group units mainly in Russia (€ 148 million), Poland (€ 101 million) and Albania (€ 51 million). Net income from financial investments amounted to minus € 31 million in the reporting year, following minus € 18 million in the comparable period of the previous year.

The Austrian bank levy had a negative impact of € 79 million on net income. In addition, net income from disposal of Group assets resulting from the sale of commodity trading group F.J. Elsner, Vienna, amounted to minus € 11 million.

A tax expense of € 173 million was recognized in the Corporate Center segment in the reporting year. This resulted mostly from the € 161 million impairment on deferred tax assets at Group head office, since the tax loss carry-forwards cannot be utilized according to the updated medium-term tax plan.

Consolidated financial statements

Statement of comprehensive income

Income statement

in € thousand	Notes	2014	2013	Change
Interest income		5,615,587	6,083,730	(7.7)%
Current income from associates		0	122	–
Interest expenses		(1,826,657)	(2,354,913)	(22.4)%
Net interest income	**[2]**	**3,788,930**	**3,728,939**	**1.6%**
Net provisioning for impairment losses	[3]	(1,715,900)	(1,149,215)	49.3%
Net interest income after provisioning		**2,073,030**	**2,579,724**	**(19.6)%**
Fee and commission income		2,007,250	2,012,514	(0.3)%
Fee and commission expense		(421,362)	(386,346)	9.1%
Net fee and commission income	**[4]**	**1,585,888**	**1,626,167**	**(2.5)%**
Net trading income	[5]	(29,744)	321,071	–
Net income from derivatives and liabilities	[6]	88,253	(256,662)	–
Net income from financial investments	[7]	62,485	57,743	8.2%
General administrative expenses	[8]	(3,023,570)	(3,339,506)	(9.5)%
Other net operating income	[9]	(723,704)	(147,415)	390.9%
Net income from disposal of group assets	[10]	(9,755)	(6,465)	50.9%
Profit/loss before tax		**22,882**	**834,657**	**(97.3)%**
Income taxes	[11]	(485,961)	(231,711)	109.7%
Profit/loss after tax		**(463,079)**	**602,946**	**–**
Profit attributable to non-controlling interests	[34]	(29,659)	(45,611)	(35.0)%
Consolidated profit/loss		**(492,738)**	**557,336**	**–**

Earnings per share

in €	Notes	2014	2013	Change
Earnings per share	[12]	(1.73)	1.83	(3.56)

Earnings per share is obtained by dividing adjusted consolidated profit/loss (less dividends for participation capital) by the average number of common shares outstanding. In the fiscal year 2014, the number of common shares outstanding was 284,898 thousand compared with 194,948 thousand in the previous year.

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

Other comprehensive income and total comprehensive income

in € thousand	Total 2014	Total 2013	Group equity 2014	Group equity 2013	Non-controlling interests 2014	Non-controlling interests 2013
Profit/loss after tax	**(463,079)**	**602,946**	**(492,738)**	**557,336**	**29,659**	**45,611**
Items which are not reclassified to profit and loss	**(9,774)**	**2,862**	**(9,774)**	**2,862**	**0**	**0**
Remeasurements of defined benefit plans	(13,033)	3,820	(13,033)	3,820	0	0
Deferred taxes on items which are not reclassified to profit and loss	3,258	(958)	3,258	(958)	0	0
Items that may be reclassified subsequently to profit or loss	**(1,280,800)**	**(468,461)**	**(1,264,199)**	**(452,781)**	**(16,601)**	**(15,680)**
Exchange differences	(1,335,255)	(460,210)	(1,314,018)	(439,938)	(21,236)	(20,272)
Capital hedge	2,041	4,656	2,041	4,656	0	0
Hyperinflation	39,162	31,158	34,361	27,338	4,801	3,820
Net gains (losses) on derivatives hedging fluctuating cash flows	(10,241)	(16,364)	(10,241)	(16,364)	0	0
Changes in equity of companies valued at equity	0	224	0	224	0	0
Net gains (losses) on financial assets available-for-sale	21,411	(34,552)	21,577	(35,324)	(166)	772
Deferred taxes on income and expenses directly recognized in equity	2,081	6,626	2,081	6,626	0	0
Other comprehensive income	**(1,290,575)**	**(465,599)**	**(1,273,973)**	**(449,919)**	**(16,601)**	**(15,680)**
Total comprehensive income	**(1,753,654)**	**137,347**	**(1,766,712)**	**107,416**	**13,058**	**29,931**

Other comprehensive income

According to IAS 19R re-valuation of defined benefit plans are to be shown in other comprehensive income. This resulted in other comprehensive income of minus € 13,033 thousand in the reporting year (2013: € 3,820 thousand).

Exchange differences are derived primarily from changes of the Russian rouble and Ukrainian hryvnia to Euro. In the current reporting and previous year, no profit or loss was reclassified to income statement.

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

In 2014, € 39,162 thousand (2013: € 31,158 thousand) was recognized directly in other comprehensive income through the application of IAS 29 (hyperinflation accounting) in Belarus.

Cash flow hedging has been applied in two Group units to hedge the changes in interest rate risk. In the current reporting year and previous year, no profit or loss was reclassified to income statement.

The item, net gains (losses) on financial assets available-for-sale, contains net valuations of financial investments. In the current reporting year, minus € 10 thousand (2013: € 41,752 thousand) was reclassified to income statement.

The following components of retained earnings developed as follows:

in € thousand	Remeasure-ments reserve	Exchange differences	Capital hedge	Hyper-inflation	Cash flow hedge	Fair value reserve (afs financial assets)	Deferred taxes
As at 1/1/2013	**(6,260)**	**(1,308,271)**	**72,917**	**113,314**	**(1,302)**	**51,595**	**296,352**
Unrealized net gains (losses) of the period	3,820	(439,938)	4,656	27,338	(16,364)	6,429	118
hereof net gains (losses) reclassified to income statement	0	0	0	0	0	(41,752)	5,550
As at 31/12/2013	**(2,440)**	**(1,748,209)**	**77,573**	**140,652**	**(17,666)**	**16,271**	**302,020**
Unrealized net gains (losses) of the period	(13,003)	(1,314,018)	2,041	34,361	(10,241)	21,567	5,334
hereof net gains (losses) reclassified to income statement	0	0	0	0	0	10	(2)
As at 31/12/2014	**(15,442)**	**(3,062,227)**	**79,614**	**175,012**	**(27,906)**	**37,848**	**307,352**

Quarterly results

in € thousand	Q1/2014	Q2/2014	Q3/2014	Q4/2014
Net interest income	978,703	974,996	940,191	895,041
Net provisioning for impairment losses	(281,364)	(286,541)	(514,994)	(633,001)
Net interest income after provisioning	**697,339**	**688,454**	**425,197**	**262,040**
Net fee and commission income	375,512	389,173	403,814	417,388
Net trading income	(19,355)	28,208	29,548	(68,146)
Net income from derivatives and liabilities	(27,451)	(15,374)	102,647	28,431
Net income from financial investments	36,585	41,660	23,075	(38,836)
General administrative expenses	(754,600)	(764,077)	(776,471)	(728,422)
Other net operating income	(57,202)	(90,311)	(224,565)	(351,626)
Net income from disposal of group assets	(10,675)	(234)	1,186	(32)
Profit/loss before tax	**240,153**	**277,500**	**(15,568)**	**(479,204)**
Income taxes	(67,337)	(79,474)	(96,245)	(242,905)
Profit/loss after tax	**172,817**	**198,026**	**(111,813)**	**(722,109)**
Profit attributable to non-controlling interests	(12,138)	(14,640)	(7,121)	4,240
Consolidated profit/loss	**160,679**	**183,386**	**(118,934)**	**(717,869)**

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

Statement of financial position

Assets **in € thousand**	**Notes**	**2014**	**2013**	**Change**
Cash reserve	[14, 35]	6,768,685	6,674,226	1.4%
Loans and advances to banks	[15, 35, 52]	15,573,241	22,243,221	(30.0)%
Loans and advances to customers	[16, 35, 52]	77,925,416	80,634,618	(3.4)%
Impairment losses on loans and advances	[17, 35]	(6,069,233)	(5,605,475)	8.3%
Trading assets	[18, 35, 52]	7,916,624	7,581,097	4.4%
Derivatives	[19, 35, 52]	1,643,201	982,052	67.3%
Financial investments	[20, 35, 52]	14,467,887	13,482,703	7.3%
Investments in associates	[21, 35, 52]	0	5,035	–
Intangible fixed assets	[22, 24, 35]	759,252	1,248,709	(39.2)%
Tangible fixed assets	[23, 24, 35]	1,407,714	1,594,558	(11.7)%
Other assets	[25, 35, 52]	1,231,096	1,799,069	(31.6)%
Total assets		**121,623,883**	**130,639,813**	**(6.9)%**

Equity and liabilities **in € thousand**	**Notes**	**2014**	**2013**	**Change**
Deposits from banks	[26, 35, 52]	22,408,371	30,104,866	(25.6)%
Deposits from customers	[27, 35, 52]	66,094,172	66,436,636	(0.5)%
Debt securities issued	[28, 35, 52]	10,593,069	11,532,646	(8.1)%
Provisions for liabilities and charges	[29, 35, 52]	968,913	733,116	32.2%
Trading liabilities	[30, 35, 52]	6,877,407	5,203,894	32.2%
Derivatives	[31, 35, 52]	778,205	384,408	102.4%
Other liabilities	[32, 35, 52]	1,416,803	1,752,861	(19.2)%
Subordinated capital	[33, 35, 52]	4,185,108	4,127,589	1.4%
Equity	[34, 35]	8,301,835	10,363,798	(19.9)%
Consolidated equity		8,300,012	9,321,638	(11.0)%
Consolidated profit/loss		(492,738)	557,336	–
Non-controlling interests		494,561	484,824	2.0%
Total equity and liabilities		**121,623,883**	**130,639,813**	**(6.9)%**

Statement of changes in equity

in € thousand	Subscribed capital	Participation capital/ Participation rights	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Total
Equity as at 1/1/2013	**594,591**	**2,500,000**	**2,574,025**	**3,755,442**	**729,692**	**719,143**	**10,872,893**
Capital increases/decreases	0	0	0	0	0	9,358	9,358
Transferred to retained earnings	0	0	0	301,603	(301,603)	0	0
Dividend payments	0	0	0	0	(428,089)	(56,455)	(484,543)
Total comprehensive income	0	0	0	(449,919)	557,336	29,931	137,347
Own shares/share incentive program	0	0	1,057	0	0	0	1,057
Other changes	0	0	0	44,840	0	(217,153)	(172,313)
Equity as at 31/12/2013	**594,591**	**2,500,000**	**2,575,082**	**3,651,965**	**557,336**	**484,824**	**10,363,798**
Capital increases/decreases	297,295	(2,500,000)	2,428,115	0	0	8,642	234,053
Transferred to retained earnings	0	0	0	59,065	(59,065)	0	0
Dividend payments	0	0	0	0	(498,270)	(41,185)	(539,455)
Total comprehensive income	0	0	0	(1,273,973)	(492,738)	13,058	(1,753,654)
Own shares/share incentive program	(144)	0	(4,793)	4,937	0	0	0
Other changes	0	0	(7,135)	(24,993)	0	29,221	(2,907)
Equity as at 31/12/2014	**891,742**	**0**	**4,991,269**	**2,417,002**	**(492,738)**	**494,561**	**8,301,835**

In the current reporting year, a capital increase was carried out and participation capital was fully repaid.

As a consequence of the adaption of mapping own shares, € 4,937 thousand were reclassified to retained earnings.

The other changes in equity are mainly due to differences between average currency rate and currency rate as at reporting date in the course of translating the income statement. In the previous year, other changes in equity were mainly due to the purchase of a 25 per cent interest in Raiffeisenbank Austria d.d., Zagreb.

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

Statement of cash flows

in € thousand	2014	2013
Profit/loss after tax	**(463,079)**	**602,946**
Non-cash positions in profit/loss and transition to net cash from operating activities:		
Write-downs/write-ups of tangible fixed assets and financial investments	681,632	484,022
Net provisioning for liabilities and charges and impairment losses	2,346,865	1,449,536
Gains (losses) from disposals of tangible fixed assets and financial investments	(57,539)	(38,015)
Profit/loss from at-equity	0	0
Other adjustments (net)	(476,113)	418,604
Subtotal	**2,031,767**	**2,917,094**
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:		
Loans and advances to banks and customers	6,480,543	(422,067)
Trading assets/trading liabilities (net)	773,234	(1,638,922)
Other assets/other liabilities (net)	2,527,639	(1,073,170)
Deposits from banks and customers	(5,004,994)	2,967,245
Debt securities issued	(1,326,040)	(1,744,247)
Net cash from operating activities	**5,482,149**	**1,005,932**
Proceeds from sale of:		
Financial investments	1,375,538	1,990,337
Tangible and intangible fixed assets	110,400	64,193
Proceeds from disposal of group assets	92,786	7
Payments for purchase of:		
Financial investments	(5,445,145)	(1,729,381)
Tangible and intangible fixed assets	(415,279)	(450,457)
Payments for acquisition of subsidiaries	(37,800)	0
Net cash from investing activities	**(4,319,501)**	**(125,302)**
Capital increases	2,734,053	9,358
Payment ot participation capital	(2,500,000)	0
Inflows/outflows of subordinated capital	84,985	102,913
Dividend payments	(539,455)	(484,543)
Change in non-controlling interests	25	(160,627)
Net cash from financing activities	**(220,393)**	**(532,899)**

in € thousand	2014	2013
Cash and cash equivalents at the end of previous period	**6,674,226**	**6,556,723**
Cash from the acquisition of subsidiaries	1	0
Net cash from operating activities	5,482,149	1,005,932
Net cash from investing activities	(4,319,501)	(125,302)
Net cash from financing activities	(220,393)	(532,899)
Effect of exchange rate changes	(847,798)	(230,228)
Cash and cash equivalents at the end of period	**6,768,685**	**6,674,226**

Payments for taxes, interest and dividends	2014	2013
Interest received	5,280,738	6,443,169
Dividends received	19,052	5,292
Interest paid	(1,762,365)	(2,249,357)
Income taxes paid	(226,492)	(110,723)

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 on demand, which belong to operating activities.

Segment reporting

Division of the segments

Segmentation principles

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

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

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

The following segments resulted thereof:

Central Europe

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

Southeastern Europe

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

Russia

Raiffeisenbank is one of the leading foreign banks in Russia and services both corporate and retail customers. The national branch network also offers products tailored for affluent private individuals and small and medium-sized entities. RBI takes a strong position in the underwriting business. The product range in Russia is rounded off by leasing business. In view of the size of the banking market and its high natural and industrial potential, the Russia segment is of great importance for RBI.

CEE Other

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

Group Corporates

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

Group Markets

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

Corporate Center

The Corporate Center segment encompasses all of the services provided by Group head office in various divisions that serve to implement the Group's overall strategy and that are allocated to this segment to ensure comparability. Therefore, this segment includes the following areas: Liquidity management and balance sheet structure management as part of proprietary trading, participation management, income from banking operations carried out by Group head office for refinancing Group units, the Austrian transaction and services business for financial services providers, as well as income from the holding and other companies outside the financial service provider business that do not fall directly under another segment.

Assessment of segment profit and loss

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

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

The performance of the CGUs is evaluated as follows:

- **Profitability**

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

- **Efficiency**

  The cost/income ratio represents the cost efficiency of the segment. The cost/income ratio shows the proportion of the administrative expenses and the operating income, meaning the sum of net interest income, net fee and commission income, net trading income and the other net operating income (less bank levies, impairment of goodwill and any one-off effects from sundry operating expenses).

- **Constraints**

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

- **Business Mix**

  The following key performance indicators are relevant for a reasonable and effective business structure, whereby the composition of the results and the indicators are significant. The structure of the prime funding basis for loans and advances to customers are measured using the loan/deposit ratio which is the proportion of loans and advances to customer to deposits from customers (each less claims and obligations from (reverse) repurchase agreements and securities lending). The share of the result derived from the core business is relevant as well. The net interest margin is calculated on average interest-bearing assets. The proportion of the net fee and commission income to the operating income is also a key performance indicator, which is included in the target setting for the business mix.

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

Financial year 2014 in € thousand	Central Europe	Southeastern Europe	Russia	CEE Other	Group Corporates
Net interest income	1,021,540	835,356	834,581	385,818	468,780
Net fee and commission income	530,956	358,312	304,225	193,933	139,840
Net trading income	20,247	56,429	(64,976)	(111,664)	5,901
Sundry net operating income	(53,430)	33,210	7,685	(16,451)	260
Operating income	**1,519,314**	**1,283,306**	**1,081,515**	**451,637**	**614,780**
General administrative expenses	(987,326)	(688,577)	(476,726)	(296,068)	(180,073)
Operating result	**531,987**	**594,729**	**604,789**	**155,569**	**434,707**
Net provisioning for impairment losses	(271,657)	(254,145)	(152,014)	(542,104)	(490,373)
Other results	(325,911)	7,885	(16,800)	133,089	(4,551)
Profit/loss before tax	**(65,581)**	**348,468**	**435,975**	**(253,446)**	**(60,217)**
Income taxes	(92,244)	(52,435)	(95,750)	27,424	(87,240)
Profit/loss after tax	**(157,824)**	**296,033**	**340,225**	**(226,022)**	**(147,457)**
Profit attributable to non-controlling interests	(43,448)	(286)	7,468	4,887	(42)
Profit/loss after deduction of non-controlling interests	**(201,273)**	**295,747**	**347,693**	**(221,135)**	**(147,499)**
Risk-weighted assets (credit risk)	19,453,796	11,375,394	7,098,362	3,931,705	11,695,844
Risk-weighted assets (total RWA)	22,777,146	13,678,792	8,372,166	4,626,131	12,635,682
Total capital requirement	1,822,172	1,094,303	669,773	370,091	1,010,855
Assets	40,771,491	21,370,657	12,457,056	4,043,397	18,617,542
Liabilities	37,107,869	18,368,424	11,051,594	3,492,229	16,712,477
Net interest margin (average interest-bearing assets)	2.77%	4.27%	5.92%	8.92%	2.31%
NPL ratio	10.3%	13.2%	5.9%	33.7%	10.5%
NPL coverage ratio	68.0%	66.5%	70.5%	87.0%	53.5%
Cost/income ratio	65.0%	53.7%	44.1%	65.6%	29.3%
Provisioning ratio (average loans and advances to customers)	0.94%	1.85%	1.52%	13.46%	2.42%
Average equity	3,344,516	2,090,063	1,514,759	762,640	1,887,121
Return on equity before tax	**–**	**16.7%**	**28.8%**	**–**	**–**
Business outlets	784	1,087	212	769	8

As of fourth quarter 2014, disclosure of investments in cash generating units was changed. On the one hand goodwill and impairment of goodwill is assigned to the segment in which the investment is recognized, on the other hand, changes in carrying amount of investments in subsidiaries are eliminated in order to represent the Group relevant effects in the respective segment. Til that time they were shown under reconciliation. The previous year figures were adequately adapted.

Significant changes in profit/loss are described below:

In Central Europe, a decrease of € 131,858 thousand resulted in a loss before tax of € 65,581 thousand. This was primarily due to higher losses caused by a one-off effect (Settlement Act) in Hungary. This contrasted with an improvement in net income in Poland, the Czech Republic and Slovakia and a lower loss in Slovenia.

Profit before tax in the Southeastern Europe segment increased 26 per cent, or € 71,381 thousand, to € 348,468 thousand year-on-year. The increase was primarily due to lower net provisioning for impairment losses in Bulgaria, Romania, and Serbia.

The Russia segment continued to make the largest regional contribution to net income with a profit before tax of € 435,975 thousand, despite being down € 178,804 thousand year-on-year. The decline was the result of a € 103,921 thousand increase in net provisioning for impairment losses and a € 220,705 thousand lower net trading income caused by currency effects, compensated by a € 112,098 thousand improvement in interest income.

In the CEE Other segment, geopolitical tensions in Ukraine led to higher net provisioning for impairment losses. In the reporting year a loss before tax of € 253,446 thousand was posted after a profit before tax of € 216,648 thousand in the previous year.

Financial year 2014 in € thousand	Group Markets	Corporate Center	Reconciliation	Total
Net interest income	136,139	1,052,511	(945,795)	3,788,930
Net fee and commission income	109,669	(8,945)	(42,102)	1,585,888
Net trading income	96,036	(54,492)	22,775	(29,744)
Sundry net operating income	24,955	135,754	(121,747)	10,237
Operating income	**366,799**	**1,124,827**	**(1,086,868)**	**5,355,310**
General administrative expenses	(243,975)	(271,011)	120,186	(3,023,570)
Operating result	**122,825**	**853,816**	**(966,682)**	**2,331,740**
Net provisioning for impairment losses	1,176	(9,713)	2,930	(1,715,900)
Other results	(13,491)	(336,654)	(36,524)	(592,958)
Profit/loss before tax	**110,510**	**507,449**	**(1,000,276)**	**22,882**
Income taxes	(12,965)	(172,752)	0	(485,961)
Profit/loss after tax	**97,546**	**334,697**	**(1,000,276)**	**(463,079)**
Profit attributable to non-controlling interests	(3)	(2,056)	3,820	(29,659)
Profit/loss after deduction of non-controlling interests	**97,543**	**332,641**	**(996,456)**	**(492,738)**
Risk-weighted assets (credit risk)	3,102,292	16,593,453	(16,203,071)	57,047,775
Risk-weighted assets (total RWA)	3,937,155	18,737,631	(16,043,579)	68,721,124
Total capital requirement	314,972	1,499,010	(1,283,486)	5,497,690
Assets	17,634,653	31,094,991	(24,365,903)	121,623,883
Liabilities	18,094,349	22,450,160	(13,955,054)	113,322,048
Net interest margin (average interest-bearing assets)	0.98%	–	–	3.24%
NPL ratio	5.5%	–	–	11.3%
NPL coverage ratio	76.1%	–	–	67.4%
Cost/income ratio	66.5%	24.09%	–	56.5%
Provisioning ratio (average loans and advances to customers)	(0.04)%	–	–	2.13%
Average equity	655,283	2,662,852	(2,027,425)	10,889,808
Return on equity before tax	**16.9%**	**19.1%**	**–**	**0.2%**
Business outlets	5	1	–	2,866

In the Group Corporates segment, a € 173,761 thousand decrease from the previous year resulted in a loss before tax of € 60,217 thousand. This was primarily attributable to the higher need for loan loss provisions in relation to loans to large corporate customers in Asia.

The Group Markets segment's profit before taxes fell 12 per cent, or € 14,776 thousand, to € 110,510 thousand year-on-year, mainly due to the negative valuation result from securities and derivative financial instruments attributable to the interest rate development.

The Corporate Center segment's profit before tax increased € 445,517 thousand to € 507,449 thousand from € 61,932 thousand in in the prior year's period. This was mainly due to higher net interest and dividend income, lower general administrative expenses and a higher net income from liabilities designated at fair value. By contrast, Group units reported goodwill impairments of € 305,663 thousand, € 148,482 thousand thereof in Russia, € 101,354 thousand in Poland, and € 50,726 thousand in Albania.

Reconciliation comprises consolidation adjustments to reconcile segments with Group results. The financials of the reportable segments are shown after elimination of intra-segment items. However, the inter-segment items are eliminated in reconciliation. The main eliminations are dividend payments to head office and inter-segment revenues charged and expenses carried by the head office.

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

Financial year 2013 in € thousand	Group Markets	Corporate Center	Reconciliation	Total
Net interest income	148,435	664,857	(636,638)	3,728,939
Net fee and commission income	121,059	(39,937)	(27,201)	1,626,167
Net trading income	83,768	9,585	(4,570)	321,071
Sundry net operating income	22,041	139,443	(139,851)	52,604
Operating income	**375,303**	**773,948**	**(808,260)**	**5,728,780**
General administrative expenses	(252,695)	(329,096)	139,915	(3,339,506)
Operating result	**122,608**	**444,851**	**(668,345)**	**2,389,275**
Net provisioning for impairment losses	(15,418)	5,626	3,304	(1,149,215)
Other results[1]	18,096	(388,545)	(35,419)	(405,402)
Profit/loss before tax	**125,286**	**61,932**	**(700,461)**	**834,657**
Income taxes	(23,120)	108,180	(522)	(231,711)
Profit/loss after tax	**102,165**	**170,112**	**(700,983)**	**602,946**
Profit attributable to non-controlling interests	(3)	(11,307)	7,876	(45,611)
Profit/loss after deduction of non-controlling interests	**102,163**	**158,805**	**(693,107)**	**557,336**
Risk-weighted assets (credit risk)	3,920,473	15,630,928	(14,837,194)	65,334,163
Risk-weighted assets (total RWA)	5,613,634	16,670,488	(13,441,951)	79,896,525
Total capital requirement	449,091	1,333,639	(1,075,356)	6,391,722
Assets	20,271,054	34,716,289	(26,104,179)	130,639,813
Liabilities	18,687,417	29,687,473	(12,448,793)	120,276,015
Net interest margin (average interest-bearing assets)	0.74%	–	–	3.11%
NPL ratio	7.5%	–	–	10.7%
NPL coverage ratio	90.9%	–	–	63.1%
Cost/income ratio	67.3%	50.20%	–	58.3%
Provisioning ratio (average loans and advances to customers)	0.47%	–	–	1.39%
Average equity	662,071	2,286,752	(1,754,291)	10,670,599
Return on equity before tax	**18.9%**	**–**	**–**	**7.8%**
Business outlets	4	1	–	3,025

1 Adaption of previous year figures due to different allocation.

Notes

Principles underlying the preparation of financial statements

Reporting entity

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

Raiffeisen Bank International (RBI) is a universal bank focusing on corporate and retail customers in Central and Eastern Europe (CEE) and exclusively on corporate customers in Austria. In CEE, RBI consists of a closely-knit network of banks, leasing companies and numerous specialized financial service providers with 2,866 business outlets. In Austria, RBI concentrates on the top 1,000 corporate customers and is one of Austria's most prominent corporate finance and export and trade finance banks. Cash and asset management, treasury operations and investment banking are further fields of activity. RBI's focus as a highly specialized financial engineer is on serving Austrian and foreign key accounts, multinationals and providers of financial services. RBI has branches, subsidiaries and representative offices in the world's major financial centers and in Asia, which have selective business with corporate customers and financial institutions.

The consolidated financial statements were signed by the Management Board on March 9, 2015 and subsequently submitted to the Supervisory Board for review and notice.

Principles underlying the consolidated fianancial statements

The consolidated financial statements for the 2014 financial year and the comparative figures for the 2013 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 and adopted by the EU have been applied to financial statements for 2014. 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. All fully consolidated companies prepare their annual financial statements as of and for the year ended December 31. 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.

Foreign currency translation

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

All financial statements of fully consolidated companies prepared in another functional currency than Euro were translated into the reporting currency Euro 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 cases of significantly fluctuating currency rates, the transaction rate is applied instead of the average rate according to IAS 21.

Accumulated exchange differences are reclassified from other comprehensive income to income statement under net income from disposal of group assets, in the event of disposal of a foreign business operation which leads to loss of control, joint management or significant influence over this business operation.

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. In the case of two subsidiaries headquartered in Europe, the Russian rouble was the reporting currency for measurement purposes given the economic substance of the underlying transactions.

The following exchange rates were used for currency translation:

	2014		2013	
Rates in units per €	**As at 31/12**	**Average 1/1 – 31/12**	**As at 31/12**	**Average 1/1 – 31/12**
Albanian lek (ALL)	140.140	139.932	140.200	140.229
Belarusian rouble (BYR)	14,380.000	13,612.308	13,080.000	11,830.000
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)	7.658	7.634	7.627	7.577
Czech koruna (CZK)	27.735	27.542	27.427	25.960
Hungarian forint (HUF)	315.540	308.987	297.040	297.500
Kazakh tenge (KZT)	221.970	235.872	211.170	202.477
Malaysian Ringgit (MYR)	4.247	4.348	4.522	4.208
Polish zloty (PLN)	4.273	4.191	4.154	4.203
Romanian leu (RON)	4.483	4.441	4.471	4.417
Russian rouble (RUB)	72.337	51.424	45.325	42.444
Serbian dinar (RSD)	120.958	117.157	114.642	113.127
Singapore dollar (SGD)	1.606	1.682	1.741	1.663
Turkish lira (TRY)	2.832	2.899	2.961	2.551
Ukrainian hryvnia (UAH)	19.233	15.638	11.042	10.634
US-Dollar (USD)	1.214	1.326	1.379	1.330

Accounting in hyperinflationary economies – IAS 29

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

The application of the relevant provisions in IAS 29 in connection with IFRIC 7 (Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies) impacts the financial statements as at 31 December 2014, as well as the financial statements of subsequent periods.

The average inflation rate in Belarus was 16.2 per cent in the reporting period (2013: 16.5 per cent).

The individual financial statements of 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.

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 (44) 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 (42) Fair value of financial instruments.

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.

Notes to the income statement

(1) Income statement according to measurement categories

in € thousand	2014	2013
Net gains (losses) on financial assets and liabilities held-for-trading	**326,186**	**276,555**
Financial assets and liabilities at fair value through profit or loss	**305,518**	**402,012**
Interest income	232,940	354,812
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	72,578	47,200
Financial assets available-for-sale	**(10,813)**	**41,806**
Interest income	20,256	12,854
Net realized gains (losses) on financial assets available-for-sale	6,873	51,038
Impairment on financial assets available-for-sale	(37,942)	(22,086)
Loans and advances	**3,061,147**	**3,980,369**
Interest income	4,777,047	5,129,584
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	67,953	14,127
Impairment on financial assets not measured at fair value through profit and loss	(1,783,853)	(1,163,343)
Financial assets held-to-maturity	**167,090**	**186,686**
Interest income	162,942	183,803
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	4,156	2,562
Write-ups/impairment on financial assets not measured at fair value through profit and loss	(8)	321
Financial liabilities	**(1,823,390)**	**(2,355,251)**
Interest expenses	(1,826,657)	(2,354,913)
Income from repurchase of liabilities	3,267	(338)
Derivatives (hedging)	**134,323**	**69,918**
Net interest income	109,116	73,111
Net gains (losses) from hedge accounting	25,207	(3,193)
Net revaluations from exchange differences	**33,960**	**99,658**
Other operating income/expenses	**(2,171,141)**	**(1,867,096)**
Profit/loss before tax from continuing operations	**22,882**	**834,657**

(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.

in € thousand	2014	2013
Interest and interest-like income, total	**5,615,587**	**6,083,730**
Interest income	5,566,419	6,047,891
from balances at central banks	38,992	38,364
from loans and advances to banks	204,055	244,302
from loans and advances to customers	4,325,780	4,632,765
from financial investments	394,608	537,367
from leasing claims	180,583	192,416
from derivative financial instruments - economic hedge	313,285	329,566
from derivative financial instruments - hedge accounting	109,116	73,111
Current income	21,530	14,102
from shares and other variable-yield securities	1,274	1,248
from shares in affiliated companies	17,077	8,860
from other interests	3,179	3,994
Interest-like income	27,638	21,737
Current income from associates	**0**	**122**
Interest expenses and interest-like expenses, total	**(1,826,657)**	**(2,354,913)**
Interest expenses	(1,784,422)	(2,292,201)
on deposits from central banks	(69,089)	(2,815)
on deposits from banks	(278,612)	(416,496)
on deposits from customers	(976,437)	(1,308,750)
on debt securities issued	(252,060)	(369,226)
on subordinated capital	(208,224)	(194,914)
Interest-like expenses	(42,234)	(62,712)
Net interest income	**3,788,930**	**3,728,939**

Interest income includes interest income (unwinding) from impaired loans to customers and banks in the amount of € 204,653 thousand (2013: € 201,511 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 € 25,903 thousand (2013: € 5,237 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:

in € thousand	2014	2013
Individual loan loss provisions	**(1,829,288)**	**(1,215,173)**
Allocation to provisions for impairment losses	(2,329,833)	(1,892,013)
Release of provisions for impairment losses	559,157	739,935
Direct write-downs	(125,120)	(140,957)
Income received on written-down claims	66,509	77,863
Portfolio-based loan loss provisions	**45,434**	**51,830**
Allocation to provisions for impairment losses	(271,338)	(319,217)
Release of provisions for impairment losses	316,772	371,047
Gains from loan termination or sale	**67,953**	**14,127**
Total	**(1,715,900)**	**(1,149,215)**

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

(4) Net fee and commission income

in € thousand	2014	2013
Payment transfer business	711,871	731,402
Loan and guarantee business	209,884	249,662
Securities business	127,242	148,136
Foreign currency, notes/coins, and precious metals business	392,811	354,377
Management of investment and pension funds	38,328	26,887
Sale of own and third party products	49,424	42,136
Credit derivatives business	0	(69)
Other banking services	56,328	73,637
Total	**1,585,888**	**1,626,167**

(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.

in € thousand	2014	2013
Interest-based transactions	15,093	35,334
Currency-based transactions	(50,857)	261,739
Equity-/index-based transactions	48,580	29,419
Credit derivatives business	(635)	(6,375)
Other transactions	(41,925)	953
Total	**(29,744)**	**321,071**

A change of default probability for the counterparty risk led to a net result of minus € 9,620 thousand in income from interest-based transactions (2013: net result of minus € 8,960 thousand).

Currency-based transactions mainly contained valuation losses from deriviative financial instruments and open currency positions due to currency devaluations in Russia and Ukraine. Moreover, it included an effect due to the application of hyperinflation in Belarus amounting to minus € 29,139 thousand (2013: minus € 22,024 thousand).

(6) Net income from derivatives and liabilities

in € thousand	2014	2013
Net income from hedge accounting	25,207	(3,193)
Net income from credit derivatives	386	125
Net income from other derivatives	76,220	(274,549)
Net income from liabilities designated at fair value	(16,827)	21,293
Income from repurchase of liabilities	3,267	(338)
Total	**88,253**	**(256,662)**

Net income from hedge accounting includes on the one hand, a valuation result from derivatives in fair value hedges of plus € 399,401 thousand (2013: minus € 129,138 thousand) and on the other hand, changes in the carrying amount of the fair value hedged items of minus € 374,195 thousand (2013: plus € 125,946 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 a non-homogeneous portfolio and do not satisfy the requirements for hedge accounting according to IAS 39.

Net income from liabilities designated at fair value comprises a profit from changes in own credit risk amounting to € 166,210 thousand (2013: loss of € 125,528 thousand) and a negative effect from changes in market interest rates totalling € 183,037 thousand (2013: positive effect of € 146,821 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 and other companies.

in € thousand	2014	2013
Net income from securities held-to-maturity	**4,148**	**2,883**
Net valuations of securities	(8)	321
Net proceeds from sales of securities	4,156	2,562
Net income from equity participations	**(32,790)**	**28,941**
Net valuations of equity participations	(37,711)	(22,086)
Net proceeds from sales of equity participations	4,921	51,027
Net income from securities at fair value through profit and loss	**89,405**	**25,908**
Net valuations of securities	37,716	7,011
Net proceeds from sales of securities	51,689	18,897
Net income from available-for-sale securities	**1,721**	**11**
Total	**62,485**	**57,743**

Net proceeds from sales of securities held-to-maturity resulted exclusively from sales of bonds which are shortly before maturity.

(8) General administrative expenses

in € thousand	2014	2013
Staff expenses	**(1,449,627)**	**(1,631,667)**
Wages and salaries	(1,097,245)	(1,243,347)
Social security costs and staff-related taxes	(270,438)	(302,054)
Other voluntary social expenses	(40,056)	(41,515)
Expenses for defined contribution pension plans	(10,936)	(10,719)
Expenses/income for defined benefit pension plans	3,085	(576)
Expenses for other post-employment benefits	(8,746)	(9,465)
Expenses for other long-term employee benefits	(5,445)	(3,529)
Termination benefits	(1,961)	(2,140)
Expenses on share incentive program (SIP)	(927)	(1,057)
Deferred bonus payments according to Section 39b BWG	(16,958)	(17,264)
Other administrative expenses	**(1,192,813)**	**(1,276,926)**
Office space expenses	(312,203)	(347,045)
IT expenses	(253,551)	(268,644)
Communication expenses	(75,012)	(81,276)
Legal, advisory and consulting expenses	(105,253)	(108,555)
Advertising, PR and promotional expenses	(109,285)	(121,134)
Deposit insurance fees	(104,465)	(95,762)
Office supplies	(33,511)	(34,016)
Car expenses	(19,682)	(22,195)
Security expenses	(49,673)	(44,584)
Traveling expenses	(18,192)	(24,163)
Training expenses for staff	(17,546)	(19,738)
Sundry administrative expenses	(94,440)	(109,814)
Depreciation of tangible and intangible fixed assets	**(381,130)**	**(430,912)**
Tangible fixed assets	(173,271)	(177,923)
Intangible fixed assets	(178,418)	(219,365)
Leased assets (operating lease)	(29,441)	(33,624)
Total	**(3,023,570)**	**(3,339,506)**

Legal, advisory and consulting expenses include audit fees of the RBI AG and its subsidiaries which comprise expenses for the audit of financial statements amounting to € 6,742 thousand (2013: € 8,801 thousand) and tax advisory as well as other additional consulting services provided by the auditors amounting to € 4,462 thousand (2013: € 4,840 thousand). Thereof, € 1,914 thousand (2013: € 2,556 thousand) relates to the Group auditor for the audit of the financial statements and € 792 thousand (2013: € 1,222 thousand) account for the other consulting services.

Amortization of intangible fixed assets capitalized in the course of initial consolidation amounted to € 3,204 thousand (2013: € 3,916 thousand) which relates to scheduled amortization of customer relationship intangibles.

The depreciation of tangible and intangible fixed assets includes an impairment of € 49,090 thousand (2013: € 69,894 thousand) mainly for the brand and customer relationships in Ukraine and land in Romania.

Expenses on severance payments and retirement benefits

in € thousand	2014	2013
Members of the management board and senior staff	5,773	4,450
Other employees	26,276	15,421
Total	**32,049**	**19,871**

The same regulations for employees are in principle valid for the members of the Management Board. These regulations provide a basic contribution to a pension fund from the company and an additional contribution if the employee pays own contributions of the same amount. Three members of the Management Board additionally have individual retirement benefits, which are funded by a reinsurance policy.

In the event of termination of function or employment contract and retirement from the company, two members of the Management Board are entitled to severance payments according to the Salaried Employees Act (Angestelltengesetz) or Bank Collective Agreement (Bankenkollektivvertrag), one member of the Management Board according to contractual agreements and three members of the Management Board according to the Company Retirement Plan Act (Betrieblichen Mitarbeitervorsorgegesetz). The entitlement to receive severance payments according to the Salaried Employee Act or according to contractual agreements lapses in case of termination by the employee.

Moreover, protection against the risk of occupational invalidity exists which is covered by a pension fund and/or by individual pension agreements secured through reinsurance. The contracts of the members of the Management Board are concluded for the functional duration or limited to a maximum of five years. The severance payments in case of premature termination of function without good cause amounts to a maximum of two years total remuneration.

(9) Other net operating income

in € thousand	2014	2013
Net income arising from non-banking activities	27,336	27,696
Sales revenues from non-banking activities	428,541	553,992
Expenses arising from non-banking activities	(401,205)	(526,296)
Net income from additional leasing services	(4,215)	(281)
Revenues from additional leasing services	56,647	69,656
Expenses from additional leasing services	(60,863)	(69,937)
Rental income from operating lease (vehicles and equipment)	31,002	31,753
Rental income from investment property incl. operating lease (real estate)	35,684	34,086
Net proceeds from disposal of tangible and intangible fixed assets	(5,179)	(15,574)
Other taxes	(262,415)	(266,113)
hereof bank levies	(176,970)	(197,071)
Impairment of goodwill	(305,663)	(2,948)
Income from release of negative goodwill	5,394	0
Net expense from allocation and release of other provisions	(24,702)	4,195
Negative interest	(363)	(33)
Expenses from FX-loans (Settlement Act)	(251,308)	0
Sundry operating income	115,162	91,488
Sundry operating expenses	(84,437)	(51,685)
Total	**(723,704)**	**(147,415)**

The other net operating income includes impairment of goodwill amounting to € 305,663 thousand which were made by Group units in Russia, Poland and Albania. In the previous year, impairment of goodwill totaling € 2,948 thousand for Group units from the Czech Republic, Hungary and Belarus were included.

The expenses from FX loans are derived from the provisions for the Settlement Act in Hungary. The law related to FX margins which can be applied to foreign currency loan disbursements and installments, as well as unilateral rate changes on consumer loans.

(10) Net income from disposal of group assets

In the reporting period, eleven subsidiaries were excluded from the consolidated group due to materiality reasons. Moreover, five subsidiaries were excluded due to sale, and respectively one due to end of operations and one due to liquidation. Net income from this disposal of group assets amounted to minus € 9,755 thousand (2013: minus € 6,465 thousand).

(11) Income taxes

in € thousand	2014	2013
Current income taxes	(303,335)	(263,512)
Austria	(31,610)	20,239
Foreign	(271,725)	(283,751)
Deferred taxes	(182,626)	31,801
Total	**(485,961)**	**(231,711)**

RBI AG and 13 of its domestic subsidiaries are members of a joint tax entity headed by Raiffeisen Zentralbank Österreich Aktiengesellschaft.

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

in € thousand	2014	2013
Profit/loss before tax	**22,882**	**834,657**
Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent	**(5,721)**	**(208,664)**
Effect of divergent foreign tax rates	79,759	101,195
Tax decrease because of tax-exempted income from equity participations and other income	42,095	45,391
Tax increase because of non-deductible expenses	(198,981)	(99,737)
Impairment on loss carry-forwards	(196,370)	0
Other changes	(206,743)	(69,896)
Effective tax burden	**(485,961)**	**(231,711)**
Tax rate in per cent	**–**	**27.8**

Other tax deductions and tax increases mainly result from tax losses which are not recognized as deferred tax assets. Moreover, impairment on deferred tax assets from tax loss carryforwards amounting to € 196,370 thousand was carried out because the tax losses cannot be used based on the current medium-term tax planning.

(12) Earnings per share

in € thousand	2014	2013
Consolidated profit/loss	(492,738)	557,336
Less dividend for participation capital	0	(200,000)
Adapted consolidated profit/loss	**(492,738)**	**357,336**
Average number of ordinary shares outstanding in thousand	284,898	194,948
Earnings per share in €	**(1.73)**	**1.83**

There are no conversion or option rights outstanding, so undiluted earnings per share is 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 € thousand	2014	2013
Cash reserve	**6,768,685**	**6,674,226**
Trading assets	**8,618,064**	**7,990,145**
Positive fair values of derivative financial instruments	5,169,950	3,628,264
Shares and other variable-yield securities	347,823	407,571
Bonds, notes and other fixed-interest securities	3,100,291	3,954,310
Financial assets at fair value through profit or loss	**3,853,910**	**8,439,503**
Shares and other variable-yield securities	7,745	150,068
Bonds, notes and other fixed-interest securities	3,846,165	8,289,435
Investments in associates	**0**	**5,035**
Financial assets available-for-sale[1]	**2,365,617**	**823,393**
Investments in other affiliated companies	340,398	404,105
Other interests	89,191	66,252
Bonds, notes and other fixed-interest securities[1]	1,935,420	353,036
Shares and other variable-yield securities	608	0
Loans and advances	**88,660,519**	**99,071,433**
Loans and advances to banks	15,573,241	22,243,221
Loans and advances to customers	77,925,416	80,634,618
Other non-derivative financial assets	1,231,096	1,799,069
Impairment losses on loans and advances	(6,069,233)	(5,605,475)
Financial assets held-to-maturity	**8,248,360**	**4,219,807**
Bonds, notes and other fixed-interest securities	8,248,360	4,219,807
Derivatives (hedging)	**941,762**	**573,004**
Positive fair values of derivatives (hedging)	941,762	573,004
Other assets	**2,166,966**	**2,843,266**
Intangible and tangible fixed assets	2,166,966	2,843,266
Total assets	**121,623,883**	**130,639,813**

1 Adaption of previous year figures regarding the measurement category financial assets available-for-sale versus financial assets at fair value through profit and loss.

Positive fair values of derivatives not designated as hedging instruments according to IAS 39 hedge accounting are reported in the measurement category trading assets. The measurement category financial assets available-for-sale comprises other affiliated companies, other equity participations as well as non fixed-interest and fixed-interest securities. Loans and advances are reported on a net basis after provisions for impairment losses. Other assets comprise intangible and tangible fixed assets.

Equity and liabilities according to measurement categories in € thousand	2014	2013
Trading liabilities	**7,455,063**	**5,455,766**
Negative fair values of other derivative financial instruments	6,264,124	4,278,676
Short-selling of trading assets	498,071	551,459
Certificates issued	692,868	625,631
Financial liabilities	**102,101,840**	**111,342,320**
Deposits from banks	22,408,371	30,104,866
Deposits from customers	66,094,172	66,436,636
Debt securities issued	8,463,040	9,411,146
Subordinated capital	3,719,455	3,636,812
Other non-derivative financial liabilities	1,416,803	1,752,861
Liabilities at fair value through profit and loss	**2,595,682**	**2,612,277**
Debt securities issued	2,130,029	2,121,500
Subordinated capital	465,653	490,777
Derivatives (hedging)	**200,549**	**132,536**
Negative fair values of derivatives (hedging)	200,549	132,536
Provisions for liabilities and charges	**968,913**	**733,116**
Equity	**8,301,835**	**10,363,798**
Total equity and liabilities	**121,623,883**	**130,639,813**

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

(14) Cash reserve

in € thousand	2014	2013
Cash in hand	3,025,233	2,508,670
Balances at central banks	3,743,452	4,165,556
Total	**6,768,685**	**6,674,226**

(15) Loans and advances to banks

in € thousand	2014	2013
Giro and clearing business	2,068,822	2,563,784
Money market business	10,922,086	16,627,131
Loans to banks	2,074,561	2,623,960
Purchased loans	290,807	192,588
Leasing claims	78	175
Claims evidenced by paper	216,888	235,584
Total	**15,573,241**	**22,243,221**

The purchased loans amounting to € 290,807 thousand are fully assigned to the measurement category loans and advances (2013: € 192,588 thousand).

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

in € thousand	2014	2013
Austria	3,453,186	8,297,340
Foreign	12,120,056	13,945,881
Total	**15,573,241**	**22,243,221**

(16) Loans and advances to customers

in € thousand	2014	2013
Credit business	51,361,301	51,926,456
Money market business	3,661,924	4,403,067
Mortgage loans	17,102,794	19,114,884
Purchased loans	1,805,454	1,442,344
Leasing claims	3,100,548	2,933,520
Claims evidenced by paper	893,394	814,347
Total	**77,925,416**	**80,634,618**

Purchased loans amounting to € 1,805,454 thousand (2013: € 1,442,344 thousand) are assigned to the measurement category loans and advances.

in € thousand	2014	2013
Sovereigns	1,451,165	1,647,511
Corporate customers – large corporates	48,581,806	49,319,989
Corporate customers – mid market	2,957,576	3,089,211
Retail customers – private individuals	22,316,947	23,755,815
Retail customers – small and medium-sized entities	2,617,921	2,822,092
Total	**77,925,416**	**80,634,618**

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

in € thousand	2014	2013
Austria	6,945,074	7,224,427
Foreign	70,980,342	73,410,191
Total	**77,925,416**	**80,634,618**

(17) Impairment losses on loans and advances

Provisions for impairment losses are formed in accordance with uniform Group standards and cover all recognizable credit risks. A table with the development of the impairment losses on loans and advances can be found in the risk report. Provisions for impairment losses are allocated to the following asset classes:

in € thousand	2014	2013
Banks	114,621	118,162
Sovereigns	789	6,146
Corporate customers – large corporates	3,583,039	2,836,613
Corporate customers – mid market	305,253	531,049
Retail customers – private individuals	1,810,936	1,776,866
Retail customers – small and medium-sized entities	254,596	336,639
Total	**6,069,233**	**5,605,475**

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

2014 in € thousand	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based loan loss provisions	Net carrying amount
Banks	15,572,292	15,573,241	128,379	111,768	2,853	15,458,620
Sovereigns	1,475,715	1,451,165	361	34	755	1,450,376
Corporate customers – large corporates	44,005,863	48,581,806	5,807,018	3,388,297	194,742	44,998,767
Corporate customers – mid market	2,617,603	2,957,576	456,321	292,077	13,177	2,652,323
Retail customers – private individuals	20,276,431	22,316,947	2,167,138	1,640,373	170,562	20,506,011
Retail customers – small and medium-sized entities	2,419,920	2,617,921	335,537	224,830	29,766	2,363,326
Total	**86,367,824**	**93,498,657**	**8,894,754**	**5,657,378**	**411,856**	**87,429,423**

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

Impaired financial assets

Impairments and collateral according asset classes are shown in the following table:

2014 in € thousand	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collateral for individually impaired assets	Interest on individually impaired assets
Banks	128,379	111,768	16,612	11,983	165
Sovereigns	361	34	327	103	55
Corporate customers – large corporates	5,807,018	3,388,297	2,418,726	1,940,132	102,372
Corporate customers – mid market	456,321	292,077	164,244	211,907	21,293
Retail customers – private individuals	2,167,138	1,640,373	526,764	570,725	70,956
Retail customers – small and medium-sized entities	335,537	224,830	110,704	149,203	9,811
Total	**8,894,754**	**5,657,377**	**3,237,377**	**2,884,053**	**204,653**

ILLP individual loan loss provisions.

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

ILLP individual loan loss provisions.

(18) Trading assets

in € thousand	2014	2013
Bonds, notes and other fixed-interest securities	**3,100,291**	**3,954,310**
Treasury bills and bills of public authorities eligible for refinancing	1,658,097	1,321,466
Other securities issued by the public sector	349,213	605,762
Bonds and notes of non-public issuers	1,092,980	2,027,082
Shares and other variable-yield securities	**347,823**	**407,571**
Shares	320,670	382,840
Mutual funds	27,144	21,163
Other variable-yield securities	9	3,568
Positive fair values of derivative financial instruments	**4,468,510**	**3,219,217**
Interest-based transactions	3,320,065	2,559,487
Currency-based transactions	1,064,940	579,790
Equity-/index-based transactions	63,599	59,334
Credit derivatives business	18,087	10,274
Other transactions	1,820	10,332
Total	**7,916,624**	**7,581,097**

Pledged securities ready to be sold or repledged by transferee shown under trading assets amounted to € 679,017 thousand.

(19) Derivatives

in € thousand	2014	2013
Positive fair values of derivatives in fair value hedges (IAS 39)	**941,453**	**543,598**
Interest-based transactions	941,266	543,598
Currency-based transactions	187	0
Positive fair values of derivatives in cash flow hedges (IAS 39)	**309**	**6,305**
Interest-based transactions	0	593
Currency-based transactions	309	5,712
Positive fair values of derivatives in net investment hedge (IAS 39)	**0**	**23,101**
Currency-based transactions	0	23,101
Positive fair values of credit derivatives	**23**	**51**
Positive fair values of other derivatives	**701,417**	**408,996**
Interest-based transactions	270,276	269,346
Currency-based transactions	430,939	139,651
Equity-/index-based transactions	202	0
Total	**1,643,201**	**982,052**

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, loans and advances to banks 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 which are used for hedging against market risks (excluding trading assets and trading liabilities) for a non-homogeneous portfolio. These derivatives do not meet the conditions for IAS 39 hedge accounting.

The table below shows the expected hedged cash flows from assets in their time periods affecting the statement of comprehensive income:

in € thousand	2014	2013
1 year	380,276	386,155
More than 1 year, up to 5 years	1,174,058	1,424,405
More than 5 years	3,190,637	3,414,260

(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.

in € thousand	2014	2013
Bonds, notes and other fixed-interest securities	**14,029,945**	**12,862,278**
Treasury bills and bills of public authorities eligible for refinancing	7,192,257	7,453,473
Other securities issued by the public sector	5,725,443	3,214,637
Bonds and notes of non-public issuers	1,091,882	2,173,835
Money market instruments	0	0
Other	20,363	20,333
Shares and other variable-yield securities	**8,353**	**150,068**
Shares	4,085	27,924
Mutual funds	2,792	118,858
Other variable-yield securities	1,477	3,287
Equity participations	**429,589**	**470,357**
Interest in affiliated companies	340,398	404,105
Other interests	89,191	66,252
Total	**14,467,887**	**13,482,703**

Pledged securities ready to be sold or repledged by the transferee shown under financial investments amounted to € 351,868 thousand.

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 2014, the carrying amount totaled € 39,883 thousand and the fair value totaled € 42,286 thousand. In 2014, a result from the reclassified securities of € 1,414 thousand (2013: € 7,470 thousand) was shown in the income statement. If the reclassification had not been made, a loss of € 1 thousand (2013: loss of € 345 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 2014, the carrying amount amounted to € 17,928 (2013: € 89,006 thousand).

Equity participations valued at amortized cost for which fair values could not be measured reliably amounted to € 85,714 thousand (2013: € 61,850 thousand).

(21) Investments in associates

in € thousand	2014	2013
Investments in associates	0	5,035

The entity valued at-equity in the previous years was disclosed under the category available-for-sale assets and valued according to IAS 39 as it became immaterial.

(22) Intangible fixed assets

in € thousand	2014	2013
Goodwill	140,396	544,163
Software	531,198	545,326
Other intangible fixed assets	87,657	159,220
hereof brand	61,966	111,447
hereof customer relationships	22,472	35,280
Total	**759,252**	**1,248,709**

The item software comprises acquired software amounting to € 422,154 thousand (2013: € 464,773 thousand) and developed software amounting to € 109,044 thousand (2013: € 80,553 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: Raiffeisenbank a.s., Prague (RBCZ), Raiffeisen Bank Polska S.A., Warsaw (RBPL).

Development of goodwill

2014 in € thousand	AVAL	RBAL	RBCZ	RBPL	RBRU	Other	Total
As at 1/1	**0**	**50,628**	**37,323**	**198,323**	**236,974**	**21,028**	**544,163**
Additions	0	0	0	0	0	0	0
Impairment	0	(50,726)	0	(101,354)	(148,482)	(5,101)	(305,663)
Exchange rate changes	0	97	(414)	(3,566)	(88,492)	(5,842)	(98,104)
As at 31/12	**0**	**0**	**36,908**	**93,403**	**0**	**10,085**	**140,396**
Gross amount	129,791	56,428	36,908	192,826	148,482	39,515	603,950
Cumulative impairment[1]	(129,791)	(56,428)	0	(99,423)	(148,482)	(29,431)	(463,554)

1 Calculated with period-end exchange rate
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)
RBAL: Raiffeisen Bank Sh.a., Tirana (AL)
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)
RBRU: AO Raiffeisenbank, Moscow (RU)

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

1 Calculated with average exchange rate
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)
RBAL: Raiffeisen Bank Sh.a., Tirana (AL)
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)
RBRU: AO Raiffeisenbank, Moscow (RU)

In the financial year 2014, impairment of goodwill on group view amounted to € 305,663 thousand (2013: € 2,948 thousand). The highest impairment on goodwill (€ 148,482 thousand) was made for AO Raiffeisenbank, Moscow (RBRU) due to reductions of growth assumptions and an increase of the discount rate for the bank resulting from the worsening in the Russian economy. The increase of the discount rate mainly derived from higher inflation rates and a rating deterioration of Russia. The business plan for Raiffeisen Bank Polska S.A. Warsaw (RBPL) was revised and takes into account smaller interest margins and lower fee and commission income due to keen competition. The new business plan assumes cost reduction and stable expenses whereby partly lower earnings are compensated. The impairment of goodwill of Raiffeisen Bank Polska S.A., Warsaw, amounted to € 101,354 thousand. Moreover, the impairment of goodwill for Raiffeisen Bank Sh.a., Tirane (RBAL) amounting to € 50,726 thousand resulted from higher discount rates.

Impairment test for goodwill

At the end of each financial year, goodwill is reviewed by comparing the recoverable value of each cash generating unit showing goodwill with the carrying value. The carrying value is equal to net assets considering goodwill and other intangible assets which are recognized within the framework of business combinations. 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 course of impairment testing the carrying amount of each cash generating unit (CGU) is compared with the recoverable amount. If the recoverable amount of a cash generating unit is below its carrying amount, the difference is recognized as impairment in the income statement under other net operating income.

RBI generally identifies the recoverable amount of cash generating units on the basis of the "value-in-use" concept using a dividend discount model. The dividend discount model reflects the characteristics of the banking business including the regulatory framework. The present value of estimated future dividends that can be distributed to shareholders after taking into account relevant regulatory capital requirements represents the recoverable value.

The calculation of the recoverable amount is based on a five -year detailed planning period. The sustainable future growth is shown by the use of the terminal value, in the majority of cases country nominal growth rates of earnings are assumed, which are based on the long-term expected rate of inflation. For companies that have a significant overcapitalization an interim period of five years is defined, but without extending the detailed planning phase. Within this period, it is possible for these CGUs to make full payments without violating the capital adequacy requirements. In the future growth period related profit retention to comply with the capital requirements is imperative. If, however, zero growth is adopted in the future phase no profit retention is required.

In the future phase the model is based on a normal economically sustainable earnings situation, whereby approximation of expected return on equity and cost of equity is assumed (assumption of convergence).

Key assumptions

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

2014 Cash generating units	RBCZ	RBPL
Discount rates (after tax)	9.1% – 9.7%	9.2% – 10.7%
Growth rates in phase I and II	26.8%	21.3%
Growth rates in phase III	3.0%	3.4%
Planning period	5 years	5 years

RBCZ: Raiffeisenbank a.s., Prague (CZ)
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)

In the previous year, RBI used the following parameters:

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

RBAL: Raiffeisen Bank Sh.a., Tirana (AL)
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)
RBRU: AO Raiffeisenbank, Moscow (RU)

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 accessible external market data 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
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 detail planning phase was approved by the Supervisory Board.	Weakening of the macroeconomic environment. Possible negative effects of changed local capital requirements. Pressure on interest margins through greater competition.
RBPL	Poland is an important market for the Group. After the merger with 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 detail planning phase was approved by the Supervisory Board.	Weakening of the macroeconomic environment. Possible negative effects of changed local capital requirements. Pressure on interest margins through greater competition.

RBCZ: Raiffeisenbank a.s., Prague
RBPL: Raiffeisen Bank Polska S.A., Warsaw

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).

2014 Maximum sensitivity[1]	RBCZ	RBPL
Increase in discount rate	0.7 PP	n.a.
Reduction of the growth rates in phase III	n.a.	n.a.

1 The respective maximum sensitivity refers to the change of the perpetuity.
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)

The reference values for 2013 are as follows:

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.
RBAL: Raiffeisen Bank Sh.a., Tirana (AL)
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)
RBRU: AO Raiffeisenbank, Moscow (RU)

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

Brand

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

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

2014 in € thousand	AVAL	RBPL	Total
As at 1/1	**66,715**	**44,733**	**111,447**
Additions	0	0	0
Impairment[1]	(28,456)	0	(28,456)
Exchange differences	(23,096)	2,070	(21,025)
As at 31/12	**15,163**	**46,803**	**61,966**
Gross amount	38,300	46,803	85,104
Cumulative impairment[2]	(23,137)	0	(23,137)

1 Calculated with average exchange rate
2 Calculated with period-end exchange rate
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)

2013 in € thousand	AVAL	RBPL	Total
As at 1/1	**69,907**	**49,092**	**118,999**
Additions	0	0	0
Impairment[1]	0	0	0
Exchange differences	(3,193)	(4,359)	(7,552)
As at 31/12	**66,715**	**44,733**	**111,447**
Gross amount	66,715	44,733	111,447
Cumulative impairment[2]	0	0	0

1 Calculated with average exchange rate
2 Calculated with period-end exchange rate
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)

According to IAS 36.9 at the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired based on a list of external and internal indicators of impairment. In the third quarter, there were such indicators due to the ongoing political and economic problems in Ukraine. As a result, impairment of € 28,456 thousand was made for the brand of Raiffeisen Bank Aval.

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

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 2014, 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.

The Group has customer relationship intangibles activated at Raiffeisen Bank Polska S.A., Warsaw (RBPL) and Raiffeisen Bank Aval JSC, Kiev (AVAL). In the reporting year the book values of the customer relationships as well as the gross amount and cumulative impairments have developed as follows:

2014 in € thousand	AVAL	RBPL	Total
As at 1/1	**22,159**	**13,122**	**35,280**
Additions	0	0	0
Depreciation	(1,239)	(1,647)	(2,887)
Impairment[1]	(1,092)	0	(1,092)
Exchange differences	(9,437)	607	(8,830)
As at 31/12	**10,390**	**12,082**	**22,472**
Gross amount	24,784	16,475	41,258
Cumulative impairment[2]	(14,394)	(4,393)	(18,787)

1 Calculated with average exchange rate
2 Calculated with period-end exchange rate
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)

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

1 Calculated with average exchange rate
2 Calculated with period-end exchange rate
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)

The impairment test of customer relationships of Raiffeisenbank Aval JSC, Kiev (AVAL), recognized for the business division retail customers at the date of initial consolidation, identified an impairment loss of € 1,092 thousand in 2014.

The impairment test of customer relationships of Raiffeisen Bank Polska S.A., Warsaw (RBPL), identified no impairment need in 2014.

(23) Tangible fixed assets

in € thousand	2014	2013
Land and buildings used by the Group for own purpose	568,482	711,804
Other land and buildings (investment property)	275,245	207,531
Office furniture, equipment and other tangible fixed assets	298,202	398,679
Leased assets (operating lease)	265,785	276,544
Total	**1,407,714**	**1,594,558**

The fair value of investment property totaled € 276,658 thousand (2013: € 209,414 thousand).

(24) Development of fixed assets

	Cost of acquisition or conversion						
in € thousand	As at 1/1/2014	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As at 31/12/2014
Intangible fixed assets	**2,471,602**	**(913)**	**(338,603)**	**176,036**	**(76,187)**	**(207)**	**2,231,728**
Goodwill	796,344	(1,527)	(190,867)	0	0	0	603,950
Software	1,473,212	678	(96,463)	175,727	(75,470)	(88)	1,477,596
Other intangible fixed assets	202,046	(64)	(51,273)	309	(717)	(119)	150,182
Tangible fixed assets	**2,849,002**	**140,862**	**(420,807)**	**239,244**	**(198,010)**	**207**	**2,610,498**
Land and buildings used by the Group for own purpose	968,421	13,642	(161,963)	37,215	(20,134)	(3,035)	834,146
Other land and buildings	237,673	130,417	(43,948)	20,152	(36,675)	2,596	310,215
of which land value of developed land	13,445	1,060	(2,343)	190	0	0	12,352
Office furniture, equipment and other tangible fixed assets	1,274,129	(3,197)	(185,361)	92,287	(90,389)	(574)	1,086,895
Leased assets (operating lease)	368,779	0	(29,536)	89,590	(50,812)	1,221	379,242
Total	**5,320,604**	**139,949**	**(759,410)**	**415,280**	**(274,197)**	**0**	**4,842,226**

	Write-ups, amortization, depreciation, impairment			Carrying amount
in € thousand	Cumulative	hereof Write-ups	hereof Depreciation	as at 31/12/2014
Intangible fixed assets	**(1,443,728)**	**987**	**(484,081)**	**759,252**
Goodwill	(434,806)	0	(305,663)	140,396
Software	(946,398)	987	(140,634)	531,198
Other intangible fixed assets	(62,525)	0	(37,784)	87,657
Tangible fixed assets	**(1,202,784)**	**6,202**	**(202,712)**	**1,407,714**
Land and buildings used by the Group for own purpose	(265,664)	2,685	(48,944)	568,482
Other land and buildings	(34,970)	0	(19,445)	275,245
of which land value of developed land	(3)	0	0	12,349
Office furniture, equipment and other tangible fixed assets	(788,693)	3,338	(104,882)	298,202
Leased assets (operating lease)	(113,457)	179	(29,441)	265,785
Total	**(2,646,512)**	**7,189**	**(686,793)**	**2,166,966**

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

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

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

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

(25) Other assets

in € thousand	2014	2013
Tax assets	365,232	601,338
Current tax assets	80,670	112,379
Deferred tax assets	284,562	488,959
Receivables arising from non-banking activities	63,202	92,742
Prepayments and other deferrals	248,726	231,729
Clearing claims from securities and payment transfer business	256,314	387,532
Lease in progress	29,971	79,699
Assets held for sale (IFRS 5)	89,519	55,536
Inventories	40,747	146,937
Valuation fair value hedge portfolio	29,157	15,734
Any other business	108,226	187,822
Total	**1,231,096**	**1,799,069**

Assets held for sale derived from the scheduled sale of trading subsidiaries of Raiffeisen Centrobank AG, Vienna, amounting to € 40,915 thousand.

Deferred tax assets and liabilities after offsetting:

in € thousand	2014	2013
Deferred tax assets	284,562	488,959
Provisions for deferred taxes	(46,063)	(28,601)
Net deferred taxes	**238,499**	**460,358**

The net deferred taxes result from the following items:

in € thousand	2014	2013
Loans and advances to customers	131,842	135,478
Impairment losses on loans and advances	154,627	172,214
Tangible and intangible fixed assets	11,966	12,895
Other assets	4,098	10,144
Provisions for liabilities and charges	61,538	64,586
Trading liabilities	93,832	13,508
Other liabilities	146,508	64,583
Tax loss carry-forwards	35,947	189,493
Other items of the statement of financial position	7,175	194,901
Deferred tax assets	**647,534**	**857,802**
Loans and advances to banks	422	7
Loans and advances to customers	39,363	35,990
Impairment losses on loans and advances	47,774	68,418
Trading assets	84,691	4,839
Tangible and intangible fixed assets	77,205	83,074
Deposits from customers	458	467
Provisions for liabilities and charges	80	28
Other liabilities	3,479	3,958
Other items of the statement of financial position	155,562	200,663
Deferred tax liabilities	**409,035**	**397,444**
Net deferred taxes	**238,499**	**460,358**

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry-forwards which amounted to € 35,947 thousand (2013: € 189,493 thousand). The reduction is driven by impairment of deferred tax assets of €196,370 Thousand, because the tax loss carryforwards cannot be used based on the current medium-term tax planning. The tax loss carry-forwards are mainly without any time limit. The Group did not recognize deferred tax assets of € 379,427 thousand (2013: € 155,766 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

in € thousand	2014	2013
Giro and clearing business	5,407,236	3,558,755
Money market business	10,115,946	20,104,115
Long-term refinancing	6,885,189	6,441,996
Total	**22,408,371**	**30,104,866**

The Group 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 the Group in the future.

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

in € thousand	2014	2013
Austria	8,765,167	16,775,156
Foreign	13,643,204	13,329,710
Total	**22,408,371**	**30,104,866**

(27) Deposits from customers

in € thousand	2014	2013
Sight deposits	33,347,793	32,390,300
Time deposits	29,942,895	31,223,158
Savings deposits	2,803,483	2,823,178
Total	**66,094,172**	**66,436,636**

Deposits from customers break down as follows:

in € thousand	2014	2013
Sovereigns	1,150,609	820,198
Corporate customers – large corporates	30,739,814	31,439,453
Corporate customers – mid market	2,729,038	2,418,526
Retail customers – private individuals	26,785,780	27,058,857
Retail customers – small and medium-sized entities	4,139,835	4,279,701
Other	549,095	419,901
Total	**66,094,172**	**66,436,636**

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

in € thousand	2014	2013
Austria	6,493,008	5,619,030
Foreign	59,601,164	60,817,606
Total	**66,094,172**	**66,436,636**

(28) Debt securities issued

in € thousand	2014	2013
Bonds and notes issued	10,059,300	11,060,732
Money market instruments issued	516,859	427,950
Other debt securities issued	16,910	43,963
Total	**10,593,069**	**11,532,646**

The following table contains debt securities issued amounting to or exceeding € 200,000 thousand nominal value:

Issuer	ISIN	Type	Currency	Nominal value in € thousand	Coupon	Due
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	0.6%	19/3/2015

(29) Provisions for liabilities and charges

in € thousand	As at 1/1/2014	Change in consolidated group	Allocation	Release	Usage	Transfers, exchange differences	As at 31/12/2014
Severance payments and other	68,654	17	12,755	(33)	(1,479)	1,463	81,377
Retirement benefits	25,302	(353)	8,922	0	0	(442)	33,429
Taxes	92,868	(13,862)	127,905	(16,743)	(43,949)	(16,995)	129,225
Current	64,268	(12,522)	108,331	(16,514)	(43,300)	(17,102)	83,162
Deferred	28,601	(1,340)	19,574	(229)	(649)	107	46,063
Contingent liabilities and commitments	119,182	10	50,359	(55,674)	(13,400)	(2,730)	97,748
Pending legal issues	53,691	0	58,271	(9,203)	(6,462)	(2,012)	94,285
Overdue vacation	57,132	(294)	8,758	(5,745)	(131)	(9,064)	50,656
Bonus payments	230,737	27	131,844	(51,672)	(132,133)	(24,801)	154,003
Restructuring	8,831	0	10,269	(754)	(3,790)	(1,899)	12,658
Settlement Act Hungary	0	0	251,308	0	0	0	251,308
Other	76,717	(4,974)	76,912	(34,468)	(41,102)	(8,861)	64,224
Total	**733,116**	**(19,429)**	**737,305**	**(174,293)**	**(242,446)**	**(65,340)**	**968,913**

Severance and similar payments include provisions for anniversary bonuses and other payments in the amount of € 21,191 thousand (2013: € 16,954 thousand) and obligations from other benefits due to termination of employment according to IAS 19R amounting to € 60,186 thousand (2013: € 51,700 thousand).

RBI is involved in pending legal issues, which may occur in the banking business. RBI does not expect that these legal cases will have a material impact on the financial position of the Group. As of 31 December 2014, Group-wide provisions for pending legal issues amounted to € 94,285 thousand (2013: € 53,691 thousand). Single cases exceeding € 10,000 thousand occurred in Austria, Slovakia and Ukraine (2013: in Austria, Slovakia and Ukraine).

Pension obligations and other termination benefits

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

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

Funding

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

RBI expects to pay € 408 thousand in contributions to its defined benefit plans in 2015 (2014: € 452 thousand).

Pension obligations/defined benefit pension plans

Financial status

in € thousand	2014	2013
Defined benefit obligation (DBO)	48,117	38,206
Plan assets at fair value	(14,687)	(12,904)
Net liability/asset	33,430	25,302

The defined benefit obligations developed as follows:

in € thousand	2014	2013
DBO as at 1/1	38,206	40,876
Change in consolidated group	0	0
FX differences DBO	0	0
Current service cost	1,146	1,217
Interest cost	1,297	1,433
Payments	(815)	(1,515)
Transfer	675	(443)
Remeasurement	7,607	(3,362)
DBO as at 31/12	**48,117**	**38,206**

Plan assets developed as follows:

in € thousand	2014	2013
Plan assets at fair value as at 1/1	12,904	13,314
Change in consolidated group	0	0
FX differences plan asssets	0	0
Interest income	452	468
Contributions to plan assets	329	493
Payments from fund	(169)	(1,023)
Transfer	600	(407)
Return on plan assets excluding interest income	572	59
Plan assets at fair value as at 31/12	**14,687**	**12,904**

The return on plan assets for 2014 was € 1,023 thousand (2013: € 526,670 thousand). For 2014, the fair value of rights to reimbursement recognized as an asset was € 17,210 thousand (2013: € 12,537 thousand).

Structure of plan assets

Plan assets broke down as follows:

Per cent	2014	2013
Bonds	57	53
Shares	33	35
Alternative Investments	1	4
Property	4	4
Cash	5	4
Total	**100**	**100**
hereof own financial instruments	1	6
hereof property occupied or other assets used by the Group or other related parties	0	0

In the reporting year, 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 established 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 the liability structure of investment and risk associations. 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	2014	2013
Discount rate	2.0	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	2014	2013
Longevity at age 65 for current pensioners - males	20.8	20.7
Longevity at age 65 for current pensioners - females	24.4	24.2
Longevity at age 65 for current members aged 45 - males	23.4	23.1
Longevity at age 65 for current members aged 45 - females	26.6	26.4

The weighted average duration of the net defined benefit obligation was 17.0 years (2013: 16.0 years).

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:

	2014	
in € thousand	Addition	Decrease
Discount rate (1 per cent change)	(7,019)	8,705
Future salary growth (0.5 per cent change)	679	(650)
Future pension increase (0.25 per cent change)	1,666	(1,588)
Remaining life expactency (change 1 year)	1,910	(2,203)

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:

in € thousand	2014	2013
DBO as at 1/1	51,700	50,153
Changes in consolidated group	0	0
FX differences DBO	0	0
Current service cost	3,548	3,146
Interest cost	1,662	1,656
Payments	(2,874)	(2,736)
Loss/(gain) on DBO due to past service cost	(25)	(31)
Transfer	177	(89)
Remeasurement	5,997	(400)
DBO as at 31/12	**60,186**	**51,700**

Actuarial assumptions

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

Per cent	2014	2013
Discount rate	2.0	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.

	2014	
in € thousand	Addition	Decrease
Discount rate (1 per cent change)	(6,527)	7,729
Future salary growth (0.5 per cent change)	3,638	(3,362)

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

in € thousand	2014	2013
Negative fair values of derivative financial instruments	**5,686,468**	**4,026,804**
Interest-based transactions	3,078,848	2,452,611
Currency-based transactions	1,444,607	591,954
Equity-/index-based transactions	1,017,912	840,545
Credit derivatives business	17,372	8,442
Other transactions	127,730	133,252
Short-selling of trading assets	**498,071**	**551,459**
Certificates issued	**692,868**	**625,631**
Total	**6,877,407**	**5,203,894**

(31) Derivatives

in € thousand	2014	2013
Negative fair values of derivatives in fair value hedges (IAS 39)	**137,379**	**104,123**
Interest-based transactions	137,379	104,123
Negative fair values of derivatives in cash flow hedges (IAS 39)	**63,171**	**28,413**
Interest-based transactions	0	1,478
Currency-based transactions	63,171	26,935
Negative fair values of credit derivatives	**23**	**279**
Negative fair values of other derivative financial instruments	**577,633**	**251,593**
Interest-based transactions	272,281	214,910
Currency-based transactions	305,290	36,581
Equity-/index-based transactions	62	0
Other transactions	0	102
Total	**778,205**	**384,408**

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 table below shows the expected hedged cash flows from liabilties in their time periods affecting the statement of comprehensive income:

in € thousand	2014	2013
1 year	3,166,513	2,119,904
More than 1 year, up to 5 years	0	22,864
More than 5 years	0	33,366

Net losses of € 10,241 thousand (2013: loss € 16,364 thousand) relating to the effective portion of cash flow hedges were recognized in other comprehensive income.

(32) Other liabilities

in € thousand	2014	2013
Liabilities from non-banking activities	51,872	98,465
Liabilities from insurance contracts	202,337	320,343
Accruals and deferred items	224,935	266,530
Liabilities from dividends	835	778
Clearing claims from securities and payment transfer business	413,960	551,721
Valuation fair value hedge portfolio	143,605	39,393
Liabilities held for Sale IFRS 5	11,503	0
Other liabilities	367,755	475,632
Total	**1,416,803**	**1,752,861**

Insurance contracts

The 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 liabilities. 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:

in € thousand	2014	2013
Carrying amount as at 1/1	**320,343**	**196,973**
Additions	124	135,487
Usage	(303)	(6,143)
Other changes	(16)	0
Exchange rate changes	(119,624)	(21,708)
Investment return	1,813	15,734
Impact of liability adequacy test	0	0
Carrying amount as at 31/12	**202,337**	**320,343**

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 2014, there was no charge related to the liability adequacy test.

Presentation of risks in the insurance business

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

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

Other risks – Based on federal demography statistics data annuity rates are determined by Russian legislation and therefore subject to a degree of uncertainty. Market risk, liquidity risk and credit risk are not material in relation to insurance contracts.

Sensitivity analysis (insurance contracts only)

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

Change in profit before tax in € thousand	2014	2013
Mortality (deterioration of 50%)	36,258	23,300

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

in € thousand	2014	2013
Hybrid tier 1 capital	396,725	451,413
Subordinated liabilities and supplementary capital	3,788,383	3,676,176
Total	**4,185,108**	**4,127,589**

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

Issuer	ISIN	Type	Currency	Nominal value in € thousand	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
RBI AG	XS1034950672	Subordinated capital	EUR	500,000	4.500%	21.02.2025

1 Current interest rate, interest clauses are agreed.

In the reporting period, expenses on subordinated capital totaled € 209,135 thousand (2013: € 194,914 thousand).

(34) Equity

in € thousand	2014	2013
Consolidated equity	8,300,012	9,321,638
Subscribed capital	891,742	594,591
Participation capital	0	2,500,000
Capital reserves[1]	4,991,269	2,575,082
Retained earnings[1]	2,417,002	3,651,965
Consolidated profit/loss	(492,738)	557,336
Non-controlling interests	494,561	484,824
Total	**8,301,835**	**10,363,798**

1 Adaption of previous year figures regarding capital reserves and retained earnings.

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

Subscribed capital

As of 31 December 2014, the subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 893,586 thousand. The subscribed capital consists of 292,979,038 non-par bearer shares. The subscribed capital was increased through the issuance of 97,473,914 new non-par bearer shares in the course of a capital increase carried out at the beginning of 2014 by € 297,295 thousand. The net increase in capital reserves amounted to € 2,427,421 thousand after deduction of issuance costs of € 52,596 thousand (company tax and several additional costs, e.g. consulting expenses). After deduction of own shares of 604,517, the stated subscribed capital totaled € 891,742 thousand.

Participation capital

In June, the Austrian regulatory authorities granted approval for a redemption of participation capital. On this basis, RBI fully repaid € 1,750,000 thousand of the participation capital subscribed by the Republic of Austria on 6 June. Participation capital of € 750,000 thousand subscribed by private investors was repaid on 10 September.

Own shares

The Annual General Meeting held on 4 June 2014 authorized the Management Board to acquire own shares, pursuant to Section 65 (1), item 4 and 8 of the Austrian Joint Stock Companies Act (AktG), during a period of 30 months as of the date of the resolution (i.e. by 3 December 2016), up to 10 per cent of the subscribed capital of the company and to withdraw if applicable. This authorization may be exercised in full or in part or also in several installments and for one or more purposes – with the exception of securities trading – by the company, by affiliated companies or, for their account, by third parties. The acquisition price for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The Management Board was further authorized pursuant to Section 65 (1b) of the Austrian Joint Stock companies Act, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights. This authorization applies for a period of five years from the date of the resolution (i.e. until 3 June 2019). Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses or branches of activity of one or several companies in Austria or abroad, or for the purpose of implementing the company's Share Incentive Program (SIP) for executives and members of the Management Boards of the company and affiliated enterprises. In addition, if convertible bonds are issued in accordance with the Annual General Meeting resolution of 26 June 2013, shareholders' subscription rights may also be excluded in order to issue (own) shares to the holders of these convertible bonds who exercise the conversion or subscription rights granted them under the terms of the convertible bonds to shares of the company. This authorization replaces the authorization to purchase and use own shares that was granted in the Annual General Meeting of 20 June 2012. No own shares have been bought since the authorization was issued in June 2014.

The acquisition of own shares mainly serves to cover the obligation of RBI within the framework of the share incentive program (SIP) towards the members of the Management Board and executive employees. These bonus payments are carried out in the form of company shares.

The Annual General Meeting held on 4 June 2014 also authorized the Management Board, in accordance with Section 65 (1), item 7 of the Austrian Joint Stock Companies Act (AktG), to acquire own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 3 December 2016), of up to a maximum of 5 per cent of the respective subscribed capital of the company. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price. This authorization may be exercised in full or in part or also in several installments by the company, by affiliated companies or, for their account, by third parties. This authorization replaces the authorization for the purpose of securities trading that was granted in the Annual General Meeting held on 20 June 2012.

Authorized capital

The Management Board has been authorized pursuant to Section 169 of the Austrian Joint Stock Companies Act (AktG) by the Annual General Meeting held on 26 June 2013, within 5 years after registration of the respective change in the articles of incorporation in the Company Register, to increase the share capital up to € 298,145 thousand – also in several tranches – against contribution in cash and/or in kind by issuing 97,752,562 new common bearer shares with voting rights while preserving the subscription rights of the shareholders, including the indirect subscription by way of a bank pursuant to Section 153 (6) of the Austrian Joint Stock Companies Act (AktG), and to determine the offering price and terms of the issue with the approval of the Supervisory Board. The Supervisory Board or a committee is authorized for this purpose to adopt amendments to the articles of association that arise upon issuing shares from the authorized capital. The Management Board made use of the authorization after approval of the Supervisory Board. The capital increase by issuing 97,473,914 new shares was carried out in two tranches on 25 January and 11 February 2014 and subscription rights were preserved. The unused part of the authorization given in the Annual General Meeting on 26 June 2013 was revoked in the Annual General Meeting on 4 June 2014.

At the same time, pursuant to Section 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 4 June 2014 to increase the capital stock – in one or more tranches – by up to € 446,793,032.95 by issuing up to 146,489,519 new common bearer shares with voting rights against contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to Section 153 (6) of AktG) by 25 August 2019 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights, with the approval of the Supervisory Board, (i) if the capital increase is carried out by contributions in kind or (ii) if the capital increase is carried out by contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's capital stock (exclusion of subscription rights).

Convertible bonds

In the Annual General Meeting held on 26 June 2013, the Management Board was given the authorization pursuant to Section 174 (2) of the Austrian Joint Stock Companies Act (AktG) to issue – with the approval of the Supervisory Board – convertible bonds, also in several tranches, within 5 years as of the date of the resolution, for a maximum total nominal amount of € 2,000,000 thousand, to which attaches a conversion or subscription right to obtain a maximum of 39,101,024 ordinary bearer shares of the company with a corresponding pro-rata share in the subscribed capital of a maximum of € 119,258 thousand. The subscription right of shareholders is excluded. No convertible bonds have been issued to date, however.

Contingent capital

Pursuant to Section 159 (2) item 1 of the Austrian Joint Stock Companies Act (AktG), the subscribed capital has been increased contingently by a maximum of € 119,258 thousand by issuing a maximum of 39,101,024 common bearer shares (contingent capital). The contingent capital increase would only be carried out if and when use would be made of an irrevocable right of exchange or subscription granted on shares by the company to creditors holding convertible bonds issued on the basis of the resolution of the Annual General Meeting on 26 June 2013 and the Management Board does not decide to issue own shares.

Participation rights

The Annual General Meeting of 9 June 2009 authorized the Management Board of the company to issue, in one or more tranches, participation rights having equity characteristics pursuant to Section 174 of the Austrian Joint Stock Corporation Act (AktG) in a total nominal amount of up to € 2,000,000 thousand within 5 years as of the date of the resolution with the approval of the Supervisory Board and in accordance with the terms for participation rights to be set by the Management Board and to the exclusion of shareholders' subscription rights. It should be noted that, under the provisions of the relevant laws, participation rights confer no voting rights or other membership rights. Issuing participation rights therefore entails no change of ownership structure from the standpoint of stock corporation law and shareholders' voting rights. The company decided on 15 July 2009 to strengthen its equity by issuing participation rights in the amount of € 600,000 thousand based on the authorizing resolution of June 2009. In the course of the merger of the principal business areas of RZB with Raiffeisen International with effect from 10 October 2010, the mutual loans and liabilities of the receiving and the transferring company were wiped out. The same is true of the participatory rights in the amount of € 600,000 thousand, which had been subscribed in full by RZB. This authorization expired on 8 June 2014 and no further participatory rights were issued.

Dividend proposal

Due to RBI AG's loss, dividends on shares and participation capital will not be paid for the financial year 2014.

Number of shares outstanding

Number of shares	2014	2013
Number of shares issued as at 1/1	**195,505,124**	**195,505,124**
New shares issued	97,473,914	0
Number of shares issued as at 31/12	**292,979,038**	**195,505,124**
Own shares as at 1/1	557,295	557,295
Purchase of own shares	47,222	0
Sale of own shares	0	0
Less own shares as at 31/12	**604,517**	**557,295**
Number of shares outstanding as at 31/12	**292,374,521**	**194,947,829**

Non-controlling interests

The following table contains financial information of subsidiaries which are held by the Group and in which material non-controlling interests exist. Intra-group transactions are not eliminated in the amounts shown.

2014 in € thousand	Ownership interest	Net assets	Profit/loss after tax	Other comprehensive income	Total comprehensive income
Raiffeisen Bank Aval JSC, Kiev (UA)	3.8%	9,211	(10,393)	(13,064)	(23,456)
Raiffeisenbank a.s., Prague (CZ)	25.0%	206,162	18,599	(1,377)	17,223
Tatra banka, a.s., Bratislava (SK)	21.2%	202,769	22,086	77	22,162
Other	n/a	76,418	(633)	(2,237)	(2,870)
Total		**494,561**	**29,659**	**(16,601)**	**13,058**

As apposed to the above stated financial information which only relates to non-controlling interests, the following table contains summary financial information of the individual subsidiaries (including non-controlling interests):

2014 in € thousand	Raiffeisen Bank Aval JSC, Kiev (UA)	Raiffeisenbank a.s., Prague (CZ)	Tatra banka a.s., Bratislava (SK)
Operating income	264,427	316,722	413,357
Profit/loss after tax	(276,248)	74,397	104,090
Other comprehensive income	(374,219)	(6,019)	361
Total comprehensive income	**(650,467)**	**68,378**	**104,451**
Current assets	1,070,823	3,248,597	3,359,497
Non-current assets	1,283,849	4,900,980	6,304,800
Current liabilites	1,868,881	6,202,288	7,429,309
Non-current liabilities	240,944	1,122,639	1,279,332
Net assets	**244,846**	**824,650**	**955,656**
Net cash from operating activities	241,396	(194,932)	(311,213)
Net cash from investing activities	14,993	(15,557)	(43,476)
Net cash from financing activities	(398,490)	244,019	3,246
Effect of exchange rate changes	(138,016)	(1,587)	841
Net increase in cash and cash equivalents	**(280,118)**	**31,944**	**(350,602)**
Dividends paid to non-controlling interests during the year [1]	3,008	8,363	26,821

1 Included in net cash from investing activites

In the reporting year, no interests in subsidiaries were sold in which RBI AG has control.

Significant Restrictions

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.

In the course of the approval process for the acquisition of Polbank shares, it was promised – besides other consent efforts – to the Polish Financial Market Authority that 15 per cent of the shares of the Polish banking unit is to be quoted on the Warsaw stock exchange in June 2016 at the latest. Furthermore, it was promised that shares of RBI are to be listed on the Warsaw stock exchange (in addition to the listing at the Vienna stock exchange) from June 2018 at the latest or that the amount of quoted shares of the Polish banking unit is to be increased to 25 per cent.

As at end of 2014, the Ukrainian National Bank launched foreign currency transfer controls. Besides other restrictions, a foreign investor is not able to carry out dividend payments and other capital transactions. First of all, this restriction is valid til mid of 2015.

Share-based remuneration

The management board decided to assess the benefit and purpose of the share-based remuneration due to increasing complexity of regulations concerning variable remuneration. Originally, the SIP was set up as variable long-term remuneration element with reference to the market and the company's success. It became less important because the annual bonus for the same target group of top management is deferred over three to five years and one half is paid in instruments (e.g. shares). Therefore, it was decided that there will be no SIP issues in the future. In 2014, no tranche of the share incentive program matured because 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.

Under the SIP program new tranches have been issued in 2011, in 2012 and in 2013. On the reporting date, contingent shares for three allotments were assigned. As at 31 December 2014, the contingent allotment of shares amounted to 975,955 (of which 212,796 shares were attributable to the 2011 allotment, 402,209 shares to the 2012 allotment and 360,950 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 allotted shares as at 31/12/2014	Minimum of allotment of shares	Maximum of allotment of shares
Members of the management board of the company	331,707	99,513	497,561
Members of the management boards of bank subsidiaries affiliated with the company	409,539	122,862	614,309
Executives of the company and other affiliated companies	234,709	70,413	352,064

In the financial year 2014, no shares were bought back for the share incentive program.

Disclosures to financial instruments

(35) Breakdown of remaining terms to maturity

2014	Short-term assets/liabilities			Long-term assets/liabilities	
in € thousand	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	6,768,685	0	0	0	0
Loans and advances to banks	2,057,411	10,157,846	1,523,621	1,204,515	629,848
Loans and advances to customers	7,586,977	13,614,713	11,692,835	26,408,155	18,622,736
Impairment losses on loans and advances	(6,069,233)	0	0	0	0
Trading assets	416,509	747,972	1,087,690	3,141,555	2,522,898
Financial investments	483,400	3,661,166	2,088,061	6,867,792	1,367,468
Investments in associates	0	0	0	0	0
Sundry assets	2,744,606	624,936	575,302	573,547	522,872
Total assets	**13,988,355**	**28,806,632**	**16,967,509**	**38,195,564**	**23,665,823**
Deposits from banks	5,646,567	6,226,713	2,678,278	5,659,758	2,197,054
Deposits from customers	36,468,428	16,355,797	8,610,372	2,948,455	1,711,119
Debt securities issued	0	1,687,878	1,744,941	6,641,947	518,303
Trading liabilities	542,955	858,461	777,386	2,459,932	2,238,673
Subordinated capital	0	8,730	332,575	3,423,357	420,447
Sundry liabilities	1,928,573	686,403	192,919	161,150	194,875
Subtotal	**44,586,525**	**25,823,981**	**14,336,470**	**21,294,599**	**7,280,472**
Equity	8,301,835	0	0	0	0
Total equity and liabilities	**52,888,360**	**25,823,981**	**14,336,470**	**21,294,599**	**7,280,472**

2013	Short-term assets/liabilities			Long-term assets/liabilities	
in € thousand	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	6,674,226	0	0	0	0
Loans and advances to banks	3,290,762	14,920,181	1,922,818	1,337,770	771,689
Loans and advances to customers	7,823,404	13,897,015	12,872,693	27,902,140	18,139,366
Impairment losses on loans and advances	(5,605,475)	0	0	0	0
Trading assets	420,513	1,238,814	1,140,165	2,941,105	1,840,500
Financial investments	563,881	4,097,375	1,828,912	5,916,139	1,076,397
Investments in associates	5,035	0	0	0	0
Sundry assets	3,520,616	738,707	287,443	722,367	355,254
Total assets	**16,692,961**	**34,892,093**	**18,052,031**	**38,819,521**	**22,183,207**
Deposits from banks	4,238,759	14,871,307	2,560,350	6,105,246	2,329,202
Deposits from customers	34,937,602	16,784,803	9,117,412	3,571,244	2,025,574
Debt securities issued	0	2,869,705	1,202,476	6,884,669	575,796
Trading liabilities	510,574	426,448	536,886	2,084,274	1,645,712
Subordinated capital	0	23,326	69,322	413,404	3,621,537
Sundry liabilities	1,642,687	533,225	388,572	205,043	100,859
Subtotal	**41,329,622**	**35,508,814**	**13,875,019**	**19,263,880**	**10,298,680**
Equity	10,363,798	0	0	0	0
Total equity and liabilities	**51,693,420**	**35,508,814**	**13,875,019**	**19,263,880**	**10,298,680**

(36) Foreign currency volumes

in € thousand	2014	2013
Assets	62,898,948	62,674,328
Liabilities	57,618,631	51,018,210

(37) Securitization

RBI as originator

Securitization is the packaging of designated portfolios of loans or leasing claims with an appropriate level of credit enhancement and the redistribution of these portfolios to investors. The objective of RBI's securitization transactions is to ease the strain on the Group's regulatory own funds and to use additional refinancing sources.

The following transactions executed with external contractual partners, or at least individual tranches, are active in 2014. The stated amounts represent the usable volumes and the junior tranche at the transaction closing date:

in € thousand	Seller of claims or secured party	Date of contract	End of maturity	Volume	Portfolio	Junior tranche
Synthetic Transaction ROOF INFRASTRUCTURE 2014	Raiffeisen Bank International AG, Vienna	December 2014	March 2027	1,500,416	Company loans, guarantees, revolving credit facilities	6.1%
True Sale Transaction ROOF Poland Leasing 2014 Ltd, Dublin (IE)	Raiffeisen-Leasing Polska S.A., Warsaw (PL)	December 2014	January 2028	222,250	Car leasing contracts	33.0%
True Sale Transaction Raiffeisen Leasing Polska Auto Lease Securitisation	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%
Future Flow Securitization ROOF Russia DPR Finance Company S.A.	AO Raiffeisenbank, Moscow (RU)	June 2012	2017 and 2019	126,894	Right in "diversified payment rights" (DPR)	n.a.
Synthetic Transaction (JEREMIE) ROOF Romania SME 2011 – 1	Raiffeisenbank S.A., Bucharest (RO)	December 2010	December 2023	102,500	SME loans	25.0%
Synthetic Transaction (JEREMIE) ROOF Bulgaria SME 2011 – 1	Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	December 2010	August 2020	65,000	SME loans	25.0%
Synthetic Transaction (JEREMIE) ROOF Slovakia SME 2013 – 1	Tatra banka a.s., Bratislava (SK)	March 2014	June 2025	60,000	SME loans	17.5%
True sale transaction ROOF Poland 2008 – 1	Raiffeisen-Leasing Polska S.A., Warsaw (PL)	January 2008	May 2014 prematurely terminated	–	Car leasing contracts	1.3%

In the financial year 2014, some new securitization programs with external investors were made. They are described briefly as follows:

A synthetic securitization of loans and advances to corporate customers, primarily originated by head office, was concluded in December 2014. The equity tranche was externally placed and comprises a portfolio guarantee amount of up to € 88,100 thousand.

In the financial year a new securitization was placed by a leasing subsidiary in Poland in relation to a portfolio of car leasing contracts with a volume of € 222,250 thousand. The SPV founded for this transaction is fully consolidated because the leasing subsidiary in Poland possesses decision rights which significantly influence the financial assets and liabilities of the SPV. It has the ability to influence the earnings of the SPV and hence, according to IFRS 10, effective control exists. The senior tranche of the notes is externally held by the European Investment Bank, the junior notes amounting to 33 per cent are held internally by the leasing subsidiary in Poland as originator.

The following securitization programs from previous years remain active in 2014:

The securitization for car leasing contracts of the leasing subsidiary in Poland concluded in 2012 where loans and advances were transferred to the special purpose vehicle Compass Variety Funding Limited, Dublin (IE), remained active also in 2014. According to IFRS 10, which is mandatory as of 2014, a part of the SPV was consolidated which corresponds to the specified assets and liabilities that the Group controls. The first loss piece remaining in the Group amounted to 15 per cent at the beginning of the transaction. Due to the repayments, first of all to the not subordinated investors, the loans and advances have reduced to € 17,703 thousand as at year-end 2014 (2013: € 88,203 thousand).

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.

An external placement of diversified payments rights of AO Raiffeisenbank, Moscow, with a carrying amount of the outstanding debt securities issued of 129,338 thousand (2013: € 125,346 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.

Within the scope of further synthetic securitizations, RBI participated in the so-called JEREMIE programs in Bulgaria and Romania (ROOF Romania and Bulgaria SME 2011-1), as well as in Slovakia since 2013 (ROOF Slovakia SME 2013-1). By contract of the respective network banks with the European Investment Fund (EIF) the granting of loans to small and medium-sized enterprises is to be supported as they can receive guarantees from EIF under the JEREMIE initiative. The current volume of the portfolio under JEREMIE first loss portfolio guarantees amounts to € 54,034 thousand (2013: € 48,087 thousand) for the utilized volume of Raiffeisenbank S.A., Bucharest, € 64,845 thousand (2013: € 63,801 thousand) for Raiffeisenbank (Bulgaria) EAD, Sofia, and € 13,483 thousand (2013: € 845 thousand) for Tatra banka a.s., Bratislava.

A true sale securitization program regarding the retail loans portfolio of AO Raiffeisenbank, Moscow, rolled out in 2013 and amounting to about € 125,000 thousand is still active. The loans were sold to a special purpose vehicle which is held by the Group, where the senior tranche and the first loss piece are held by Group internal investors. Due to amortization of the program and already made repayments, the carrying amount of the outstanding loans and advances of this transaction amounted to € 44,106 thousand (2013: € 95,262 thousand) at year-end 2014.

The true sale transactions ROOF Poland 2008-1, consisting of car leasing contracts, was closed in May 2014, which was six months before maturity. The loans and advances in this SPV amounted to € 3,373 thousand at year-end 2013.

RBI as investor

Besides the above-mentioned refinancing and packaging of designated portfolios of loans or leasing claims, RBI also acts as an investor in ABS-structures. Essentially, this is about investments in Structured Credit Products, Asset Based Financing and partly also Diviersified Payment Rights. During the financial year 2014 market value changes led to a positive valuation result of about € 28 thousand (2013: minus € 286 thousand) and to a realized result from sale of € 126 thousand (2013: € 2,180 thousand).

Total exposure of structured products (excluding CDS):

in € thousand	2014 Outstanding nominal amount	2014 Carrying amount	2013 Outstanding nominal amount	2013 Carrying amount
Asset-backed securities (ABS)	917,066	917,405	609,363	609,775
Mortgage-backed securities (MBS)	0	0	55	49
Collateralized debt obligations (CDO)	31,793	173	42,196	151
Other	20,000	841	29,586	994
Total	**968,859**	**918,419**	**681,199**	**610,968**

(38) Transferred assets

The Group enters into transactions that result in the transfer of trading assets, financial investments and loans and advances to customers. The transferred financial assets continue to be recognized in their entirety or to the extent of the Group's continuing involvement, or are derecognized in their entirety. The Group transfers financial assets that are not derecognized in their entirety or for which the Group has continuing involvement primarily through sale and repurchase of securities, securities lending and securitization activities

Transferred financial assets not entirely derecognized

Sale and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it at a fixed price on a future date. The Group continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Securities lending agreements are transactions in which the Group lends securities for a fee and receives cash as collateral. The Group continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash received is recognized as a financial asset and a financial liability is recognized for the obligation to repay it. Because as part of the lending arrangement the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Loans and advances to customers are sold by the Group to securitization vehicles that in turn issue notes to investors collateralized by the purchased assets. In the securitizations in which the Group transfers loans and advances to an unconsolidated securitization vehicle, it retains some credit risk while transferring some credit risk, prepayment and interest rate risk to the vehicle. The Group therefore does not retain or transfer substantially all of the risks and rewards of such assets.

The table below shows the carrying amounts of financial assets transferred:

2014	Transferred assets			Associated liabilities		
in € thousand	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Loans and advances	320,570	257,829	62,741	216,882	161,669	55,213
Trading assets	79,213	0	79,213	72,834	0	72,834
Financial investments	124,067	0	124,067	88,136	0	88,136
Total	**523,851**	**257,829**	**266,021**	**377,853**	**161,669**	**216,184**

2013	Transferred assets			Associated liabilities		
in € thousand	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Loans and advances	88,203	88,203	0	65,198	65,198	0
Trading assets	251,235	0	251,235	205,674	0	205,674
Financial investments	641,078	0	641,078	487,380	0	487,380
Total	**980,516**	**88,203**	**892,313**	**758,251**	**65,198**	**693,054**

Transferred financial assets that are entirely derecognized

The Group currently has no securitization transactions in which financial assets are entirely derecognized.

(39) Assets pledged as collateral and received financial assets

The Group pledges assets mainly for repurchase agreements, securities lending agreements as well as other lending arrangements and for margining purposes on derivative liabilities. The table below contains assets from repo business, securities lending business, securitizations and debentures transferred as collateral of liabilities, or guarantees (this means collateralized deposits).

in € thousand	2014	2013
Loans and advances[1]	7,086,587	2,098,851
Trading assets[2]	694,067	433,316
Financial investments	711,713	1,830,723
Total	**8,492,368**	**4,362,889**

1 Without loans and advances from reverse repo and securities lending business.
2 Without derivatives.

The table below shows the corresponding liabilities to the assets pledged as collateral and contains liabilities from repo business, securities lending business, securititizations and debentures:

in € thousand	2014	2013
Deposits from banks	4,978,526	3,269,688
Deposits from customers	176,946	71,210
Debt securities issued	1,317,728	1,068,867
Other liabilities	188,645	169,958
Contingent liabilities and commitments	716	1,216
Total	**6,662,561**	**4,580,938**

The following table shows securities and other financial assets accepted as collateral:

in € thousand	2014	2013
Securities and other financial assets accepted as collateral which can be sold or repledged	6,538,220	7,339,178
hereof which have been sold or repledged	1,744,451	3,277,196

The Group received collateral which can be sold or repledged if no default occurs in the course of reverse repo business, securities lending business, derivative and other transactions.

Significant Restrictions regarding access to or usage of Group assets

Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interest might restrict the ability of the Group to access and transfer assets freely to or from other Group entities and settle liabilities. As at reporting date, the Group hasn't conceded any material protective rights associated to non-controlling interests and therefore these were not a source of significant restrictions.

The following products restrict the Group in the use of its assets: repurchase agreements, securities lending contracts as well as other lending contracts, for margining purposes on derivative liabilities, securitizations and various insurance activities. The table below shows assets pledged as collateral and otherwise restricted assets with a corresponding liability. These assets are restricted from usage to secure funding, for legal or other reasons.

2014 in € thousand	Pledged	Otherwise restricted with liabilities
Loans and advances[1]	7,086,587	1,735,310
Trading assets[2]	694,067	33,405
Financial investments	711,713	131,049
Total	**8,492,368**	**1,899,764**

1 Without loans and advances from reverse repo and securities lending business.
2 Without derivatives.

(40) Offsetting of financial assets and liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's statement of financial position or are subject to an enforceable/unenforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements.

Some of the agreements are not set-off in the statement of financial position. This is because they create, for the parties to the agreement, a right of set off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously. The Group receives and gives collaterals in the form of cash and marketable securities.

2014 in € thousand	Gross amount of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	Net amount of recognized assets set-off in the statement of financial position	Related amounts not set-off in the statement of financial position Financial instruments	Cash collateral received	Net amount
Derivatives (legally enforceable)	5,536,034	10,677	5,525,357	4,757,753	34,971	732,633
Reverse repurchase, securities lending & similar agreements (legally enforceable)	6,270,951	0	6,270,951	6,253,237	0	17,714
Other financial instruments (legally enforceable)	4,848,030	447,840	4,400,190	1,316,599	0	3,083,591
Total	**16,655,015**	**458,518**	**16,196,497**	**12,327,589**	**34,971**	**3,833,938**

In 2014, assets which were not subject to legally enforceable netting agreements amounted to € 105,480,048 thousand (2013: € 113,099,362 thousand) whereas an immaterial part was accounted for by derivative financial instruments and cash balances from reverse repo business. Moreover, liabilities which are not subject to legally enforceable netting agreements totaled € 106,962,257 thousand in the reporting year (2013: € 109,744,300 thousand) whereas an immaterial part was accounted for by derivative financial instruments and cash deposits from repo business.

2014 in € thousand	of recognized liabilities set-off in the statement of financial position	Gross amount of recognized assets set-off in the statement of financial position	Net amount of recognized liabilities set-off in the statement of financial position	Related amounts not set-off in the statement of financial position Financial instruments	Cash collateral pledged	Net amount
Derivatives (legally enforceable)	5,142,343	10,677	5,131,666	4,781,271	124,497	225,898
Repurchase, securities lending & similar agreements (legally enforceable)	406,086	0	406,086	399,175	0	6,911
Other financial instruments (legally enforceable)	1,816,509	447,247	1,369,262	1,316,599	0	52,663
Total	**7,364,938**	**457,924**	**6,907,014**	**6,497,045**	**124,497**	**285,471**

2013 in € thousand	of recognized assets set-off in the statement of financial position	Gross amount of recognized liabilities set-off in the statement of financial position	Net amount of recognized assets set-off in the statement of financial position	Related amounts not set-off in the statement of financial position Financial instruments	Cash collateral received	Net amount
Derivatives (legally enforceable)	3,496,129	39,966	3,456,164	3,063,382	16,311	376,470
Reverse repurchase, securities lending & similar agreements (legally enforceable)	8,131,019	0	8,131,019	8,123,543	0	7,476
Other financial instruments (legally enforceable)	6,244,589	231,823	6,012,766	6,012,766	0	0
Total	**17,871,737**	**271,789**	**17,599,949**	**17,199,691**	**16,311**	**383,946**

2013 in € thousand	of recognized liabilities set-off in the statement of financial position	Gross amount of recognized assets set-off in the statement of financial position	Net amount of recognized liabilities set-off in the statement of financial position	Related amounts not set-off in the statement of financial position Financial instruments	Cash collateral pledged	Net amount
Derivatives (legally enforceable)	3,268,829	39,966	3,228,863	3,531,310	51,855	(354,301)
Repurchase, securities lending & similar agreements (legally enforceable)	1,862,597	0	1,862,597	1,862,758	0	(161)
Other financial instruments (legally enforceable)	6,242,119	229,353	6,012,766	6,012,766	0	0
Total	**11,373,545**	**269,319**	**11,104,226**	**11,406,834**	**51,855**	**(354,463)**

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured at either fair value (derivatives, other financial instruments) or amortized cost (loans and advances, deposits and other financial instruments). All amounts have been reconciled to the line item in the statement of financial position.

(41) Derivative financial instruments

2014	Nominal amount by maturity				Fair values	
in € thousand	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive	Negative
Total	**81,423,171**	**78,328,479**	**47,373,936**	**207,125,585**	**6,111,712**	**(6,464,673)**
Interest rate contracts	**31,359,185**	**63,386,910**	**43,256,192**	**138,002,287**	**4,531,606**	**(3,488,507)**
OTC products						
Interest rate swaps	23,354,262	53,689,741	38,783,533	115,827,535	4,346,256	(3,306,140)
Interest rate futures	2,598,676	1,187,433	114,206	3,900,314	2,445	(5,908)
Interest rate options – purchased	964,006	3,019,331	1,959,025	5,942,362	181,949	0
Interest rate options – sold	1,025,483	3,149,991	2,289,658	6,465,131	0	(173,704)
Products trading on stock exchange						
Interest rate futures	1,111,761	2,340,415	109,771	3,561,947	705	(2,344)
Interest rate options	2,304,998	0	0	2,304,998	252	(412)
Foreign exchange rate and gold contracts	**48,205,734**	**11,277,116**	**2,950,853**	**62,433,703**	**1,496,375**	**(1,813,068)**
OTC products						
Cross-currency interest rate swaps	5,324,308	10,202,152	2,898,717	18,425,177	628,815	(726,415)
Forward foreign exchange contracts	38,920,839	660,034	9,625	39,590,499	813,410	(1,016,863)
Currency options – purchased	1,717,633	204,435	0	1,922,068	48,594	0
Currency options – sold	1,877,746	206,026	0	2,083,772	0	(51,903)
Gold commodity contracts	0	2,969	0	2,969	41	0
Products trading on stock exchange						
Currency contracts (futures)	365,208	0	0	365,208	5,482	(3,287)
Other similar currency contracts[1]	0	1,500	42,511	44,011	34	(14,600)
Equity/index contracts	**1,705,372**	**1,895,477**	**1,140,395**	**4,741,244**	**63,801**	**(1,017,973)**
OTC products						
Equity-/index-based options - purchased	196,966	365,123	147,191	709,280	51,985	0
Equity-/index-based options - sold	158,758	662,627	454,612	1,275,997	0	(102,847)
Other similar equity/index contracts	29,551	56,699	0	86,250	204	(1,151)
Products trading on stock exchange						
Equity/index futures - forward pricing	626,012	55	0	626,067	1,081	(2,082)
Equity/index futures	517,081	97,421	0	614,503	9,740	(13,463)
Other similar equity/index contracts[1]	177,005	713,552	538,592	1,429,148	791	(898,429)
Commodities	**80,358**	**212,477**	**14,338**	**307,172**	**1,671**	**(103,039)**
Credit derivatives	**57,419**	**1,536,077**	**0**	**1,593,496**	**18,110**	**(17,395)**
Precious metals contracts	**15,103**	**20,422**	**12,158**	**47,682**	**148**	**(24,690)**

1 Other similar equity/index contracts and other similar currency contracts traded on stock exchange are separately reported in 2014.

The surplus of negative market values for equity/index contracts is offset by shares purchased for hedging purposes. These shares are recording under trading assets and are not shown in the above table.

2013 in € thousand	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	**78,040,200**	**65,470,099**	**42,887,764**	**186,398,063**	**4,206,434**	**(4,412,069)**
Interest rate contracts	**30,570,093**	**53,288,726**	**40,047,378**	**123,906,197**	**3,378,184**	**(2,773,952)**
OTC products						
Interest rate swaps	25,727,466	46,752,103	35,324,359	107,803,929	3,210,034	(2,604,230)
Interest rate futures	2,731,254	165,871	0	2,897,125	2,463	(2,614)
Interest rate options – purchased	964,268	2,832,996	2,012,651	5,809,915	159,504	0
Interest rate options – sold	684,477	2,931,551	2,546,351	6,162,379	0	(166,215)
Other similar contracts	11,278	0	0	11,278	0	0
Products trading on stock exchange						
Interest rate futures	451,350	606,204	124,017	1,181,571	5,910	(893)
Interest rate options	0	0	40,000	40,000	274	0
Foreign exchange rate and gold contracts	**45,597,652**	**9,059,471**	**2,409,684**	**57,066,807**	**748,253**	**(655,470)**
OTC products						
Cross-currency interest rate swaps	5,188,688	8,020,118	2,372,280	15,581,087	230,414	(315,793)
Forward foreign exchange contracts	36,228,365	803,930	22,667	37,054,962	471,750	(263,912)
Currency options – purchased	1,984,514	117,004	0	2,101,519	43,199	0
Currency options – sold	1,870,663	118,417	0	1,989,081	0	(48,226)
Other similar currency contracts	0	0	0	0	0	0
Gold commodity contracts	23,654	0	14,737	38,391	7	(25,044)
Other contracts on gold basis	0	0	0	0	125	0
Products trading on stock exchange						
Currency contracts (futures)	301,768	0	0	301,768	2,757	(2,495)
Equity/index contracts	**1,507,466**	**1,507,254**	**407,101**	**3,421,821**	**59,334**	**(840,545)**
OTC products						
Equity-/index-based options - purchased	64,143	386,892	122,448	573,483	31,690	0
Equity-/index-based options - sold	170,754	455,754	78,364	704,871	0	(62,945)
Other similar equity/index contracts	184,188	600,660	206,288	991,136	1,529	(740,417)
Products trading on stock exchange						
Equity/index futures - forward pricing	769,345	597	0	769,942	16,879	(28,816)
Equity/index futures	319,036	63,351	0	382,387	9,237	(8,366)
Commodities	**201,584**	**170,660**	**11,415**	**383,659**	**10,294**	**(115,948)**
Credit derivatives	**115,758**	**1,431,265**	**0**	**1,547,023**	**10,325**	**(8,721)**
Precious metals contracts	**47,647**	**12,724**	**12,186**	**72,556**	**43**	**(17,433)**

(42) Fair Value of Financial Instruments

In the Group fair value is primarily measured based on external data sources (mainly stock exchange prices or broker quotations in highly liquid markets). Financial instruments which are measured using quoted market prices are mainly listed securities and derivatives and also liquid bonds which are traded on OTC markets. These financial instruments are assigned to Level I of the fair value hierarchy.

In the case of a market valuation where the market cannot be considered an active market because of its restricted liquidity, the underlying financial instrument is assigned to Level II of the Fair Value hierarchy. If no market prices are available, these financial instruments are measured using valuation models based on observable market data. These observable market data are mainly reproducible yield curves, credit spreads and volatilities. The Group generally uses valuation models which are subject to an internal audit by the Market Risk Committee in order to ensure appropriate measurement parameters.

If fair value cannot be measured using either insufficiently regularly quoted market prices (Level I) or using valuation models which are entirely based on observable market prices (Level II), then individual input parameters which are not observable on the market are estimated using appropriate assumptions. If parameters which are not observable on the market have a significant impact on the measurement of the underlying financial instrument, it is assigned to Level III of the fair value hierarchy. These measurement parameters which are not regularly observable are mainly credit spreads derived from internal estimates.

Assigning certain financial instruments to the level categories requires regular assessment, especially if measurement is based on both observable parameters and also parameters which are not observable on the market. The classification of an instrument can also change over time because of changes in market liquidity and thus price transparency.

Fair value of financial instruments reported at fair value

Bonds are primarily measured using prices that can be realized in the market. If no quotations are available, the securities are measured using the discounted cash flow model. The measurement parameters used here are the yield curve and an adequate credit spread. The credit spread is calculated using comparable financial instruments which are available on the market. For a small part of the portfolio, a conservative approach was selected and credit default spreads were used for measurement. External measurements by third parties are also taken into account, all of which are indicative in nature. Items are assigned to levels at the end of the reporting period.

At Group standard, well-known valuation techniques are used to measure OTC derivatives. For example, interest rate swaps, cross currency swaps or forward rate agreements are measured using the customary discounted cash flow model for these products. OTC options, such as foreign exchange options or caps and floors, are based on valuation models which are in line with market standards. For the products mentioned as examples, these would include the Garman-Kohlhagen model, Black-Scholes 1972 and Black 1976. Complex options are measured using binomial tree models and Monte-Carlo simulations.

To determine the fair value a credit value adjustment (CVA) is also 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 respective estimated market value of a security which could be used to hedge against the credit risk of the counterparties to the Group's OTC derivative portfolios.

For OTC derivatives, credit value adjustments (CVA) and debit value adjustments (DVA) are used to cover expected losses from lending business. The CVA will depend on the expected future exposure (expected positive exposure) and the probability of default of the contractual partner. The DVA is determined based on the expected negative exposure and on RBI's credit quality. The expected positive exposure is calculated by simulating a large number of scenarios for future points in time, taking into account all available risk factors (e.g. currency and yield curves). OTC derivatives are measured at market values taking into account these scenarios at the respective future points in time and are aggregated at counterparty level in order to then ascertain the expected positive exposure for all points in time. Counterparties with CSA contracts (credit support annex contracts) are included in the calculation for the first time from 31 December 2014. Here, the expected exposures are not calculated directly from simulated market values, but from a future expected change in market values based on a "margin period of risk" of 10 days.

A further element of the CVA involves determining a probability of default for each counterparty. Where direct credit default swap (CDS) quotations are available, the Group calculates the market-based probability of default and, implicitly, the loss-given-default (LGD) for the respective counterparty. The probability of default for counterparties which are not actively traded on the market is calculated by assigning a counterparty's internal rating to a sector and rating-specific CDS curve. The valuation result due to changed credit risk of the counterparty is disclosed under note (5) Net trading income, interest-based transactions.

The DVA is determined by the expected negative exposure and by RBI's credit quality and represents the value adjustment for own probability of default. The method of calculation is similar to that for the CVA, but the expected negative market value is used instead of the expected positive market value. Instead of the expected positive exposures, expected negative exposures are calculated from the simulated future aggregated counterparty market values; these represent the expected debt which we have to the counterparty at the respective future points in time. Values implied by the market are also used to calculate the own probability of default. Direct CDS quotations are used where available. If no CDS quotation is available, the own probability of default is calculated by assigning the own rating to a sector and rating-specific CDS curve. The net valuation due to the changed credit risk of the counterparty is shown in note (5) net trading income, interest-based transactions.

In the following tables, the financial instruments reported at fair value in the statement of financial position are grouped according to items in the statement of financial position and classified according to measurement category. A distinction is made as to whether the measurement is based on quoted market prices (Level I), or whether the valuation models are based on observable market data (Level II) or on parameters which are not observable on the market (Level III). Items are assigned to levels at the end of the reporting period.

	2014			2013		
in € thousand	Level I	Level II	Level III	Level I	Level II	Level III
Trading assets	**3,138,518**	**5,365,030**	**114,517**	**4,069,863**	**3,755,398**	**164,884**
Positive fair values of derivatives[1]	158,754	4,938,594	72,603	59,118	3,481,137	88,009
Shares and other variable-yield securities	345,500	2,086	237	402,805	4,460	306
Bonds, notes and other fixed-interest securities	2,634,264	424,350	41,677	3,607,941	269,800	76,569
Call/time deposits from trading purposes	0	0	0	0	0	0
Financial assets at fair value through profit or loss	**3,434,961**	**332,688**	**86,261**	**4,788,178**	**3,639,195**	**12,131**
Shares and other variable-yield securities	4,042	0	3,702	42,584	102,595	4,889
Bonds, notes and other fixed-interest securities	3,430,919	332,688	82,559	4,745,594	3,536,599	7,242
Financial assets available-for-sale	**1,857,262**	**0**	**82,243**	**345,844**	**0**	**11,627**
Other interests[2]	3,477	0	0	4,434	0	0
Bonds, notes and other fixed-interest securities	1,853,178	0	82,242	341,409	0	11,627
Shares and other variable-yield securities	607	0	1	0	0	0
Derivatives (hedging)	**0**	**941,575**	**187**	**0**	**549,903**	**23,101**
Positive fair values of derivatives from hedge accounting	0	941,575	187	0	549,903	23,101

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

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in € thousand	2014 Level I	2014 Level II	2014 Level III	2013 Level I	2013 Level II	2013 Level III
Trading liabilities	**555,458**	**6,872,620**	**26,984**	**630,609**	**4,801,262**	**23,894**
Negative fair values of derivative financial instruments[1]	128,449	6,116,587	19,088	128,849	4,133,186	16,640
Call/time deposits from trading purposes	0	0	0	0	0	0
Short-selling of trading assets	427,010	71,062		501,760	49,699	0
Certificates issued	0	684,972	7,896	0	618,377	7,254
Liabilities at fair value through profit and loss	**0**	**2,595,682**	**0**	**0**	**2,612,277**	**0**
Debt securities issued	0	2,130,029	0	0	2,121,500	0
Subordinated capital		465,653	0		490,777	0
Derivatives (hedging)	**0**	**200,549**	**0**	**0**	**132,536**	**0**
Negative fair values of derivatives from hedge accountin	0	200,549	0	0	132,536	0

1 Including other derivatives.

Level I Quoted market prices
Level II Valuation techniques based on market data
Level III Valuation techniques not based on market data

Movements between Level I and Level II

For each financial instrument, a check is made whether quoted market prices are available on an active market (Level I). For financial instruments where there are no quoted market prices, observable market data such as yield curves are used to calculate fair value (Level II). Reclassification takes place if this estimate changes.

If instruments are reclassified from Level I to Level II, this means that market quotations were previously available for these instruments but are no longer so. These securities are now measured using the discounted cash flow model, using the respective valid yield curve and the appropriate credit spread.

If instruments are reclassified from Level II to Level I, this means that the measurement results were previously calculated using the discounted cash flow model but that market quotations are now available and can be used for measurement.

In 2014, mainly bonds and other fixed-income securities in the amount of € 11,057 thousand were transferred from Level II to Level I driven by higher market liquidity of individual products.

Movements in Level III of financial instruments at fair value

If at least one significant measurement parameter is not observable on the market, this instrument is assigned to Level III of the fair value hierarchy. The following tables show the changes in the fair value of financial instruments whose valuation models are based on unobservable parameters.

in € thousand	As at 1/1/2014	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	164,884	0	(2,816)	28,107	(89,523)
Financial assets at fair value through profit or loss	12,131	0	(1,692)	52,013	(27,322)
Financial assets available-for-sale	11,627	0	(324)	25,257	(179)
Derivatives (hedging)	23,101	0	146	187	(25,170)

in € thousand	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 31/12/2014
Trading assets	15,418	0	43	(1,595)	114,517
Financial assets at fair value through profit or loss	2,953	0	48,179	(1)	86,261
Financial assets available-for-sale	(8,904)	(4)	54,770	0	82,243
Derivatives (hedging)	(118)	2,041	0	0	187

in € thousand	As at 1/1/2014	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading liabilities	23,894	0	0	5,669	0

in € thousand	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 31/12/2014
Trading liabilities	(2,579)	0	0	0	26,984

In 2014, gains and losses resulting from financial instruments of the level III fair value hierarchy amounted to minus € 7,938 thousand (2013: € 8,971 thousand).

Qualitative information for the measurement of Level III financial instruments

Financial assets	Type	Fair value in € thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Shares and other variable-yield securities	Closed end real estate fund	237	Net asset value	Haircuts	20 – 50%
Shares and other variable-yield securities	Shares	3,702	Approximation method	–	n/a
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	158,286	Discounted cash flow method	Credit spread	2 – 20%
Bonds, notes and other fixed-interest securities	Asset backed securities	48,567	Broker estimate	Probability of default Loss severity Expected prepayment rate	n/a
Positive fair value of banking book derivatives without hedge accounting	Forward foreign exchange contract	72,416	Discounted cash flow method	Interest rate	10 – 30%
Total		**283,208**			

Financial liabilities	Type	Fair value in € thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Negative fair value of banking book derivatives without hedge accounting	OTC options	19,088	Option model	Closing Period Currency risk LT volatility Index category	2 – 16% 0 – 5% 0 – 3% 0 – 5%
Issued certificates for trading purposes	Certificates	7,896	Option model	Closing period Bid-Ask Spread LT Volatility Index category	0 – 3% 0 – 3% 0 – 3% 0 – 2.5%
Total		**26,984**			

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.

2014 in € thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve		6,768,685		6,768,685	6,768,685	0
Loans and advances to banks	0	11,068,873	4,503,419	15,572,292	15,458,620	113,671
Loans and advances to customers	0	20,300,351	50,495,181	70,795,532	71,970,803	(1,175,271)
Financial investments	5,033,801	3,404,904	405,597	8,844,302	8,677,949	166,354
Liabilities						
Deposits from banks	0	18,388,452	4,056,535	22,444,987	22,408,371	36,616
Deposits from customers	0	27,069,196	39,288,856	66,358,052	66,094,172	263,880
Debt securities issued	443,875	3,705,096	1,761,006	5,909,977	5,867,358	42,619
Subordinated capital	0	3,773,191	409,948	4,183,139	3,719,455	463,684

2013 in € thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	6,674,226	0	6,674,226	6,674,226	0
Loans and advances to banks	0	16,657,868	5,509,804	22,167,673	22,125,059	42,614
Loans and advances to customers	0	20,268,017	53,756,660	74,024,678	75,147,307	(1,122,629)
Financial investments	3,764,363	637,348	443,071	4,844,782	4,733,692	111,089
Liabilities						
Deposits from banks	0	26,389,191	3,816,750	30,205,941	30,104,866	101,075
Deposits from customers	0	34,889,786	31,647,440	66,537,226	66,436,636	100,591
Debt securities issued	278,283	9,042,953	158,686	9,479,922	9,411,146	68,776
Subordinated capital	0	3,672,880	32,731	3,705,611	3,636,812	68,799

(43) Contingent liabilities and commitments

in € thousand	2014	2013
Contingent liabilities	**10,037,595**	**10,989,527**
Acceptances and endorsements	62,929	38,141
Credit guarantees	6,289,555	6,198,703
Other guarantees	2,191,132	2,504,219
Letters of credit (documentary business)	1,396,379	2,188,542
Other contingent liabilities	97,599	59,921
Commitments	**10,019,684**	**10,278,861**
Irrevocable credit lines and stand-by facilities	10,019,684	10,278,861
Up to 1 year	3,000,231	2,797,602
More than 1 year	7,019,453	7,481,260

The following table contains revocable credit lines which are unweighted according to Basel III:

in € thousand	2014	2013
Revocable credit lines	**18,268,598**	**16,726,791**
Up to 1 year	11,952,719	11,983,086
More than 1 year	3,595,965	3,823,609
Without maturity	2,719,913	920,095

RBI AG is a member of Raiffeisen-Kundengarantiegemeinschaft Austria. The members of this association have a contractual obligation to guarantee jointly the punctual fulfillment of the entirety of an insolvent association member's commitments arising from customer deposits and its own issues up to the limit of the sum of the individual capacities of the remaining association members. The individual capacity of an association member is measured on the basis of its freely available reserves subject to the pertinent provisions of the Austrian Banking Act (BWG).

Risk report

(44) Risks arising from financial instruments

Active risk management is a core competency of the Group. 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

The Group has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at controlling and managing material risks at all banks and specialist companies in the Group. The risk policies and risk management principles are laid out by the Management Board. The principles include the following risk policies:

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

- Standardized methodologies: Risk measurement and risk limitation methods are standardized Group-wide in order to ensure a consistent and coherent approach to risk management. This is efficient for the development of risk management methods and it forms the basis for consistent overall bank management across all countries and business segments in RBI.

- Continuous planning: Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to preventing risk concentrations.

- Independent control: A clear personnel and organizational separation is maintained between business operations and any risk management or risk controlling activities.

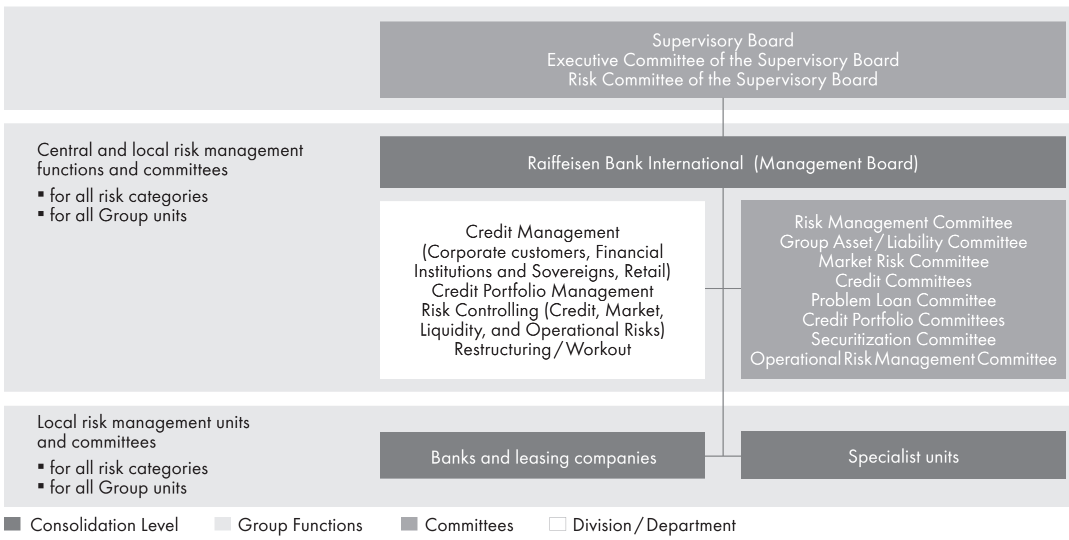
- Ex ante and ex post control: Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

Individual risk management units of the Group create detailed risk strategies, which set more concrete risk targets and specific standards in compliance with these general principles. The overall Group risk strategy is derived from the Group's business strategy and adds risk relevant aspects to the planned business structure and strategic development. These aspects include e.g. structural limits and capital ratio targets which have to be met in the budgeting process and which frame upcoming business decisions. More specific targets for individual risk categories are set in detailed risk strategies. The credit risk strategy of RBI, for instance, sets credit portfolio limits for individual countries and segments and defines the credit approval authority for limit applications.

Organization of risk management

The Management Board of the Group ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the created risk reports and analyses. The Management Board is supported in implementing these tasks by independent risk management units and special committees.

Risk management functions are performed on different levels in the Group. RBI AG develops and implements the relevant concepts in coordination with RZB AG as the parent credit institution and in cooperation with the subsidiaries of the Group. The central risk management units are responsible for the adequate and appropriate implementation of the Group's risk management processes. In particular, they establish common Group directives and set business-specific standards, tools, and practices for all Group entities.



In addition, local risk management units are established in the different Group entities of RBI. They implement the risk policies for specific risk types and take active steering decisions within the approved risk budgets in order to achieve the targets set in the business policy. For this purpose, they monitor resulting risks using standardized measurement tools and report them to central risk management units via defined interfaces.

The central Risk Controlling division assumes the independent risk controlling function required by banking law. Amongst others, this division is responsible for developing the Group-wide framework for overall bank risk management (integrating all risk types) and preparing independent reports on the risk profile for the Risk Committee of the Supervisory Board, the Management Board and the heads of individual business units. It also measures required risk coverage capital for different Group units and calculates the utilization of the allocated risk capital budgets in the internal capital adequacy framework.

Risk committees

The Risk Management Committee is responsible for ongoing development and implementation of methods and parameters for risk quantification models and for refining steering instruments. The committee also analyzes the current risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and controlling activities (like the allocation of risk capital) and advises the Management Board in these matters.

The Group Asset/Liability Committee assesses and manages statement of financial position structure and liquidity risks and defines the standards for internal funds transfer pricing. In this context it plays an important role for the long-term funding planning and the hedging of structural interest rate and foreign exchange risks.

The Market Risk Committee controls market risks of trading and banking book transactions and establishes corresponding limits and processes. In particular, it relies on profit and loss reports, the amount of risks taken and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks for controlling.

The Credit Committees are staffed by front office and back office divisions with different participants depending on the customer segment (corporate customers, financial institutions, sovereigns and retail). They decide upon the specific lending criteria for different customer segments and countries. And they approve all credit decisions concerning them according to the credit approval authority (depending on rating and exposure size).

The 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. Due to the underlying statutes, resolutions cannot be made without approval of the members of the risk division.

The Problem Loan Committee is the most important committee in the judgment and decision-making process concerning problem loans. It comprises primarily 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 Securitization Committee is the decision-making body for limit requests regarding securitization positions within the framework of concrete entitlement for decisions and works out suggestions for modifications to the securitization strategy for the Management Board. In addition, the Securitization Committee is a platform for exchanging information regarding securitization positions and market developments.

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

Quality assurance and internal audit

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

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

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

Overall group risk management

Maintaining an adequate level of capital is a core objective of the Group. 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 legally required. The full ICAAP process of the Group is audited during the supervisory review process for RZB credit institution group (RZB-Kreditinstitutsgruppe) 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	99.92 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 CRR 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 presuming the owners´ willingness to inject additional own funds
Sustainability perspective	Risk of falling short of a sustainable tier 1 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 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 fixed assets). In addition, a general buffer for other risk types not explicitly quantified is held.

The objective of calculating economic capital is to determine the amount of capital that would be required for servicing all of the claims of customers and creditors even in the case of such an extremely rare loss event. The Group uses a confidence level of 99.92 per cent for calculating economic capital. This confidence level is derived from the probability of default implied by the target rating. Based on the empirical analysis of rating agencies, the selected confidence level corresponds to a rating of plain A. Compared to the previous year, the confidence level was reduced from 99.95 per cent to 99.92 per cent representing an adaption of the implicit target rating to the general development of ratings in the banking industry over the last years.

During the year, the economic capital of the Group decreased to € 7,375,631 thousand. The key drivers of the decrease were the change of the confidence level and a decline in credit exposure due to the devaluation of the Russian rouble and the Ukrainian hryvnia. The devaluation effect was however due to the high volatility of the Russian rouble in December partly offset by the increased market risk as at end of reporting date. At 18.5 per cent, the share of market risk to total economic capital more than doubled year-on-year. As at end of reporting date, credit risk accounted for 55 per cent (2013: 67 per cent) of economic capital. CVA risk firstly added in 2014 to the calculation of economic capital amounted to less than 1 per cent of economic capital. Moreover, a general buffer for other risks of unchanged 5 per cent of calculated economic capital is added. In the regional breakdown of economic capital as at 31 December 2014, the largest share of economic capital, at around 30 per cent (2013: 38 per cent), is allocated to Group units located in Central Europe.

The economic capital is compared to internal capital, which mainly denotes equity and subordinated capital of the Group. This capital form serves as a primary provision for risk coverage for servicing claims of senior debtors if the bank should incur losses. Total utilization of available risk capital (the ratio of economic capital to internal capital) was 70.2 per cent at year-end (2013: 64.3 per cent).

Economic capital is an important instrument in overall bank risk management. Economic capital limits are allocated to individual business segments during the annual budgeting process and are complemented for day-to-day management by volume, sensitivity, or value-at-risk limits. In the Group 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 remuneration of the Group's executive management.

Risk distribution of individual risk types to economic capital

in € thousand	2014	Share	2013	Share
Credit risk corporate customers	1,810,240	24.5%	2,433,337	30.9%
Credit risk retail customers	1,554,750	21.1%	2,059,768	26.2%
Market risk	1,366,889	18.5%	630,075	8.0%
Operational risk	630,248	8.5%	682,259	8.7%
Credit risk sovereigns	467,630	6.3%	486,628	6.2%
Macroeconomic risk	462,000	6.3%	189,424	2.4%
Other tangible fixed assets	275,492	3.7%	262,565	3.3%
Credit risk financial institutions	194,288	2.6%	267,040	3.4%
Participation risk	129,640	1.8%	184,558	2.3%
Liquidity risk	92,782	1.3%	297,414	3.8%
CVA risk	40,452	0.5%	0	0.0%
Risk buffer	351,221	4.8%	374,653	4.8%
Total	**7,375,631**	**100.0%**	**7,867,722**	**100.0%**

Regional allocation of economic capital according to booking Group unit

in € thousand	2014	Share	2013	Share
Central Europe	2,236,243	30.3%	2,959,188	37.6%
Russia	1,841,948	25.0%	1,121,057	14.2%
Southeastern Europe	1,303,650	17.7%	1,652,330	21.0%
Austria	936,088	12.7%	1,276,052	16.2%
CEE Other	906,544	12.3%	659,706	8.4%
Rest of World	151,157	2.0%	199,388	2.5%
Total	**7,375,631**	**100.0%**	**7,867,722**	**100.0%**

Going concern perspective

Parallel to the target rating perspective, internal capital adequacy 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 – with a focus on regulatory capital and total capital requirements.

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.

Sustainability perspective

The main goal of the sustainability perspective is to ensure that the Group can maintain a sufficiently high tier 1 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 tier 1 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 tier 1 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 the Group 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 the Group, 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 the Group, 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 the Group 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 classifications and presentation of exposure volumes.

Reconciliation of figures from the IFRS consolidated financial statements to total credit exposure (according to CRR)

in € thousand	2014	2013
Cash reserve	3,743,452	4,165,556
Loans and advances to banks	15,573,241	22,243,221
Loans and advances to customers	77,925,416	80,634,618
Trading assets	7,916,624	7,581,097
Derivatives	1,643,201	982,052
Financial investments	14,029,945	12,862,278
Other assets	978,808	243,029
Contingent liabilities	10,037,595	10,989,527
Commitments	10,019,684	10,278,861
Revocable credit lines	18,268,598	16,726,791
Description differences	(4,897,024)	(3,384,431)
Total[1]	**155,239,541**	**163,322,599**

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

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings are performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organization unit. Default probabilities assigned to individual rating grades are estimated for each asset class separately. As a consequence the default probability of the same ordinal rating grade (e.g., corporates good credit standing 4, 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

The internal rating models for corporate customers take into account qualitative parameters and several ratios of the statement of financial position and profit ratios covering different aspects of customer credit-worthiness for various industries and countries. In addition, the model for smaller corporates also includes an account behavior component.

The following table shows the total credit exposure according to internal rating of corporates (large corporates and mid-market). For a better readability, the individual grades of the rating scale are summarized to the 9 main rating grades.

in € thousand		2014	Share	2013[1]	Share
1	Minimal risk	4,196,771	5.6%	3,558,051	4.5%
2	Excellent credit standing	10,171,800	13.6%	9,768,697	12.4%
3	Very good credit standing	9,004,402	12.0%	9,864,145	12.6%
4	Good credit standing	10,044,500	13.4%	10,501,659	13.4%
5	Sound credit standing	13,793,753	18.4%	13,285,147	16.9%
6	Acceptable credit standing	11,287,505	15.1%	12,916,107	16.4%
7	Marginal credit standing	5,949,740	7.9%	7,303,978	9.3%
8	Weak credit standing / sub-standard	2,693,793	3.6%	3,177,222	4.0%
9	Very weak credit standing / doubtful	1,566,013	2.1%	1,973,152	2.5%
10	Default	5,920,901	7.9%	5,445,779	6.9%
NR	Not rated	213,232	0.3%	724,006	0.9%
Total		**74,842,411**	**100.0%**	**78,517,943**	**100.0%**

1 Adaptation of previous year figures due to harmonization of master scales.

Within the framework of harmonization and continuing development of master scales, movements in the individual rating grades occured. The previous year figures were adapted accordingly.

The maximum credit exposure to corporates amounted to € 74,842,411 thousand (2013: € 78,517,943 thousand) at year-end 2014. At € 29,194,614 thousand (2013: € 31,041,882 thousand) Group Corporates is the largest segment. Compared to year-end 2013, the segment Group Corporates reported a decline of € 1,847,268 thousand due to decrease in credit financing and letters of credit. In the segment Central Europe, the credit exposure increased € 459,757 thousand to € 18,118,270 thousand due to increased repo business.

The credit exposure in Russia amounted to € 8,300,748 thousand (2013: € 9,990,053 thousand), thus representing a decrease in credit exposure of € 1,689,305 thousand due to a decline in framework financing and bonds as well as currency devaluation of the Russian rouble. The remaining exposure is allocated to Southeastern Europe at € 9,258,938 thousand (2013: € 9,893,211 thousand), Group Markets at € 5,540,054 thousand (2013: € 4.890.260 thousand), CEE Other at € 3,003,927 thousand (2013: € 3,748,491 thousand) and Corporate Center at € 1,425,860 thousand (2013: € 1,295,533 thousand).

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:

in € thousand		2014	Share	2013	Share
6.1	Excellent project risk profile – very low risk	3,570,635	41.5%	3,388,198	38.7%
6.2	Good project risk profile – low risk	3,100,039	36.0%	2,970,514	34.0%
6.3	Acceptable project risk profile – average risk	734,303	8.5%	1,225,163	14.0%
6.4	Poor project risk profile – high risk	486,767	5.7%	615,521	7.0%
6.5	Default	716,876	8.3%	539,048	6.2%
NR	Not rated	0	0.0%	10,102	0.1%
Total		**8,608,620**	**100.0%**	**8,748,547**	**100.0%**

The maximum credit exposure in project finance amounted to € 8,608,620 thousand (2013: € 8,748,547 thousand) at year-end 2014. At 77.5 per cent, 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) accounted for the highest share of the portfolio. This reflects mainly the high level of collateralization in specialized lending transactions. The increase of € 182,437 thousand in rating grade 6.1 resulted mainly from new business. The increase of € 129,525 thousand in rating grade 6.2 resulted from rating upgrade, especially in the Polish and the Russian portfolio. Similarly, there was a decrease in rating grade 6.3. The remaining decrease in rating grade 6.3 resulted from a rating downgrade of project finance in Canada and from finished project financing.

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

in € thousand	2014	Share	2013[1]	Share
Central Europe	22,453,416	26.9%	22,498,280	25.8%
Austria	15,942,648	19.1%	16,758,307	19.2%
Russia	11,760,911	14.1%	13,478,929	15.4%
Southeastern Europe	10,805,202	12.9%	11,463,944	13.1%
Western Europe	9,197,429	11.0%	7,923,849	9.1%
Asia	4,995,490	6.0%	5,955,653	6.8%
CEE Other	3,792,250	4.5%	4,554,451	5.2%
Other	4,503,684	5.4%	4,633,077	5.3%
Total	**83,451,031**	**100.0%**	**87,266,489**	**100.0%**

1 Adaption of previous year figures due to different mapping.

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

in € thousand	2014	Share	2013	Share
Wholesale and retail trade	19,367,208	23.2%	20,688,851	23.7%
Manufacturing	18,111,708	21.7%	18,362,354	21.0%
Real estate	9,611,862	11.5%	9,865,457	11.3%
Financial intermediation	9,786,037	11.7%	8,005,905	9.2%
Construction	5,472,656	6.6%	6,345,659	7.3%
Transport, storage and communication	3,612,697	4.3%	3,736,176	4.3%
Electricity, gas, steam and hot water supply	3,236,002	3.9%	4,124,123	4.7%
Freelance/technical services	4,389,583	5.3%	5,216,879	6.0%
Other industries	9,863,278	11.8%	10,921,083	12.5%
Total	**83,451,031**	**100.0%**	**87,266,489**	**100.0%**

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 the Group:

in € thousand	2014	Share	2013	Share
Retail customers – private individuals	25,273,277	88.3%	26,194,329	89.1%
Retail customers – small and medium-sized entities	3,347,157	11.7%	3,207,994	10.9%
Total	**28,620,435**	**100.0%**	**29,402,323**	**100.0%**
hereof non-performing loans	2,621,710	9.2%	2,923,404	9.9%
hereof individual loan loss provision	1,863,657	6.5%	1,927,507	6.6%
hereof portfolio-based loan loss provision	201,874	0.7%	185,998	0.6%

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

2014 in € thousand	Central Europe	Southeastern Europe	Russia	CEE Other	Group Markets
Retail customers – private individuals	13,877,776	7,051,272	3,083,626	1,248,350	12,254
Retail customers – small and medium-sized entities	1,838,845	934,313	408,589	165,410	0
Total	**15,716,621**	**7,985,585**	**3,492,215**	**1,413,760**	**12,254**
hereof non-performing loans	1,237,641	568,810	167,903	647,356	0
hereof individual loan loss provision	768,534	358,469	124,149	577,172	75
hereof portfolio-based loan loss provision	97,206	34,259	43,255	22,461	0

2013 in € thousand	Central Europe	Southeastern Europe	Russia	CEE Other	Group Markets
Retail customers – private individuals	13,460,771	6,672,299	4,633,303	1,413,648	14,307
Retail customers – small and medium-sized entities	2,084,916	739,617	93,216	290,245	0
Total	**15,545,687**	**7,411,917**	**4,726,519**	**1,703,893**	**14,307**
hereof non-performing loans	1,571,970	598,787	150,408	597,348	900
hereof individual loan loss provision	988,679	358,156	118,534	419,234	93
hereof portfolio-based loan loss provision	91,213	42,135	28,971	20,413	0

Compared to year-end 2013, the retail credit portfolio decreased € 781,888 thousand to € 28,620,435 thousand.

The highest volume of € 15,716,621 thousand (2013: € 15,545,687 thousand) was booked in segment Central Europe. Compared to year-end 2013, this was an increase of € 170,934 thousand, mainly caused by an increase in loans in Slovakia.

The second largest segment was Southeastern Europe with € 7,985,585 thousand (2013: € 7,411,917 thousand). Compared to the previous year, the exposure increased € 573,668 thousand. This was mainly due to an increase in Romania and Croatia.

The segment Russia reported – despite an expansion of credit exposure in retail customers division – a decrease of € 1,234,304 thousand due to currency devaluation of the Russian rouble. The segment CEE Other reported a decline of € 290,133 thousand due to currency devaluation of Ukrainian hryvnia.

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

in € thousand	2014	Share	2013	Share
Mortgage loans	14,638,501	51.1%	14,055,312	47.8%
Personal loans	6,075,652	21.2%	6,659,950	22.7%
Credit cards	2,551,336	8.9%	2,351,050	8.0%
Car loans	2,100,413	7.3%	2,617,310	8.9%
Overdraft	1,781,552	6.2%	2,102,645	7.2%
SME financing	1,472,981	5.1%	1,616,056	5.5%
Total	**28,620,435**	**100.0%**	**29,402,323**	**100.0%**

2014 in € thousand	Central Europe	Southeastern Europe	Russia	CEE Other	Group Markets
Mortgage loans	10,753,794	2,454,313	743,638	686,755	0
Personal loans	1,290,031	3,053,381	1,397,484	326,657	8,100
Credit cards	788,429	862,362	676,976	221,170	2,399
Car loans	936,152	529,276	576,947	58,037	0
Overdraft	1,346,986	393,160	8,422	32,322	661
SME financing	601,228	693,092	88,747	88,819	1,095
Total	**15,716,621**	**7,985,585**	**3,492,215**	**1,413,760**	**12,254**

2013 in € thousand	Central Europe	Southeastern Europe	Russia	CEE Other	Group Markets
Mortgage loans	9,175,649	2,902,663	1,112,535	864,465	0
Personal loans	2,467,174	2,311,816	1,352,896	528,063	0
Credit cards	756,950	514,657	939,159	140,284	0
Car loans	925,936	614,238	989,081	88,055	0
Overdraft	1,233,491	566,990	245,305	56,859	0
SME financing	986,486	501,551	87,543	26,168	14,307
Total	**15,545,687**	**7,411,917**	**4,726,519**	**1,703,893**	**14,307**

The share of foreign currency loans in retail portfolios provides an indication for the potential change in default rates if the exchange rate of the domestic currency changes. The internal risk assessment thus takes into account the share of foreign currency loans but also the usually stricter lending criteria at loan distribution and – in several countries – the customers' matching foreign currency income.

in € thousand	2014	Share	2013	Share
Swiss franc	4,229,215	47.0%	4,560,230	50.4%
Euro	3,904,712	43.4%	3,557,010	39.3%
US-Dollar	862,801	9.6%	914,962	10.1%
Other foreign currencies	10,406	0.1%	10,829	0.1%
Loans in foreign currencies	**9,007,134**	**100.0%**	**9,043,031**	**100.0%**
Share of total loans	**31.5%**		**30.8%**	

Compared to year-end 2013, loans denominated in Swiss francs and US-Dollar decreased, while loan denominated in Euro increased.

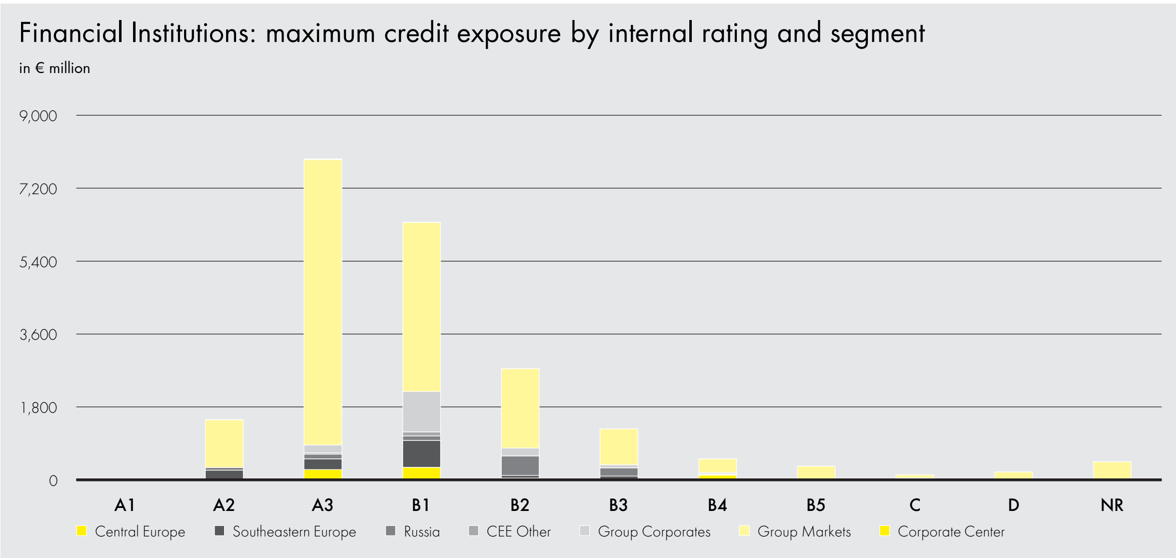
The following table shows the maximum credit exposure of this asset class by segment:

2014 in € thousand	Central Europe	Southeastern Europe	Russia	CEE Other	Group Markets
Swiss franc	3,559,320	669,504	0	0	390
Euro	1,102,746	2,756,085	35,243	10,638	0
US-Dollar	9,520	4,036	158,172	689,839	1,235
Other foreign currencies	2,794	86	0	807	6,720
Loans in foreign currencies	**4,674,380**	**3,429,711**	**193,416**	**701,283**	**8,345**
Share of total loans	**29.7%**	**42.9%**	**5.5%**	**49.6%**	**68.1%**

2013 in € thousand	Central Europe	Southeastern Europe	Russia	CEE Other	Group Markets
Swiss franc	3,818,523	741,324	0	0	383
Euro	1,178,683	2,347,304	22,121	8,902	0
US-Dollar	6,177	3,958	193,040	710,076	1,711
Other foreign currencies	3,001	45	0	925	6,858
Loans in foreign currencies	**5,006,385**	**3,092,631**	**215,160**	**719,903**	**8,952**
Share of total loans	**32.2%**	**41.7%**	**4.6%**	**42.3%**	**62.6%**

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.



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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.

in € thousand		2014	Share	2013	Share
A1	Excellent credit standing	0	0.0%	244,612	0.9%
A2	Very good credit standing	1,487,147	6.9%	974,381	3.6%
A3	Good credit standing	7,927,599	37.0%	13,368,091	48.8%
B1	Sound credit standing	6,364,419	29.7%	8,039,908	29.4%
B2	Average credit standing	2,747,667	12.8%	1,769,127	6.5%
B3	Mediocre credit standing	1,260,735	5.9%	1,732,703	6.3%
B4	Weak credit standing	521,324	2.4%	517,995	1.9%
B5	Very weak credit standing	339,013	1.6%	303,924	1.1%
C	Doubtful/high default risk	123,653	0.6%	187,038	0.7%
D	Default	194,061	0.9%	213,498	0.8%
NR	Not rated	448,390	2.1%	18,247	0.1%
Total		**21,414,009**	**100.0%**	**27,369,523**	**100.0%**

The maximum credit exposure of these customers amounted to € 21,414,009 thousand (2013: € 27,369,523 thousand) at year-end 2014. At € 7,927,599 thousand or 37.0 per cent, the bulk of this customer group was in the rating grade A3, which decreased € 5,440,492 thousand compared to year-end 2013. This resulted mainly from a decline of loans to banks and money market business (minus € 5.676.586 thousand).

The decrease of € 244,612 thousand in rating grade A1 is due to repayment of bonds, open framework credits and swap business as well as internal rating downgrade of the European Investment Bank from A1 to A2.

Taking all rating grades together, segment Group Markets accounted for the largest portfolio share at € 16,628,085 thousand (2013: € 21,924,434 thousand) or 77.7 per cent, followed by the segment Group Corporates at € 1,486,551 thousand (2013: € 2,117,293 thousand) or 6.9 per cent.

The share of not rated financial institutions amounted to 2.1 per cent at year-end 2014 and concerned mainly short-term loans to small banks, where the rating process had not yet been completed.

Time deposits, securities lending business, 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 securities lending business or through netting-agreements) depending on the type of product.

The Group continues to reduce the unsecured exposure in this asset class according to its strategy. New business in this asset class thus mainly stems from repurchase agreements, counterparty credit exposure from derivatives and short-term money market deposits. Credit business with other financial institutions in the Austrian Raiffeisen Banking Group which are participating in a joint risk monitoring system of course is not restricted.

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

in € thousand	2014	Share	2013[1]	Share
Derivatives	5,300,585	24.8%	4,422,939	16.2%
Loans	5,219,417	24.4%	6,323,066	23.1%
Repo	4,149,703	19.4%	4,683,460	17.1%
Money market	2,834,686	13.2%	7,269,563	26.6%
Bonds	2,472,539	11.5%	2,960,036	10.8%
Other	1,437,079	6.7%	1,710,458	6.2%
Total	**21,414,009**	**100.0%**	**27,369,523**	**100.0%**

1 Adaption of previous year figures due to different mapping.

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.

in € thousand		2014	Share	2013	Share
A1	Excellent credit standing	3,650,552	16.8%	1,659,587	8.6%
A2	Very good credit standing	1,405,760	6.5%	1,350,019	7.0%
A3	Good credit standing	3,629,243	16.7%	3,143,919	16.3%
B1	Sound credit standing	2,985,661	13.7%	2,844,466	14.8%
B2	Average credit standing	3,276,223	15.1%	1,076,257	5.6%
B3	Mediocre credit standing	1,700,302	7.8%	4,061,005	21.1%
B4	Weak credit standing	3,951,754	18.2%	3,682,907	19.1%
B5	Very weak credit standing	879,996	4.0%	1,402,628	7.3%
C	Doubtful/high default risk	272,248	1.3%	5,088	0.0%
D	Default	229	0.0%	36,899	0.2%
NR	Not rated	2,098	0.0%	21,488	0.1%
Total		**21,754,066**	**100.0%**	**19,284,264**	**100.0%**

The maximum credit exposure to sovereigns amounted to € 21,754,066 thousand (2013: € 19,284,264 thousand) at year-end 2014 and represented 14.0 per cent (2013: 11.8 per cent) of the bank's total credit exposure.

The rating grade excellent credit standing (A1) showed an increase of € 1,990,965 thousand. This mainly resulted from the rise in the portfolio of Austrian, and German government bonds (up € 1,581,244 thousand).

The medium rating grades Good credit standing (rating A3) to Mediocre credit standing (rating B3) represented the highest share with 53.3 per cent (2013: 57.8 per cent). The high exposure in these rating grades mainly results from deposits of network banks at local central banks as well as from government bonds in Central and Southeastern Europe. The deposits at local central banks are mandatory for meeting the respective minimum reserve requirements or used in order to manage excess liquidity on a short-term basis and therefore are intrinsically linked to the banking business in these countries. The increase in rating grade B2 mainly resulted on the one hand from rating upgrade of Romania (B3 to B2) and on the other hand from rating downgrade of Italy (B1 to B2). The rating grades B4 and B5 accounted for € 4,831,750 thousand or 22.2 per cent of total credit exposure. The credit exposure in rating grade C increased due to a rating worsening of Ukraine from B5 to C.

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

in € thousand	2014	Share	2013	Share
Bonds	14,249,383	65.5%	12,470,673	64.7%
Loans	5,995,954	27.6%	5,555,118	28.8%
Derivatives	790,564	3.6%	726,408	3.8%
Other	718,166	3.3%	532,065	2.8%
Total	**21,754,066**	**100%**	**19,284,264**	**100.0%**

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

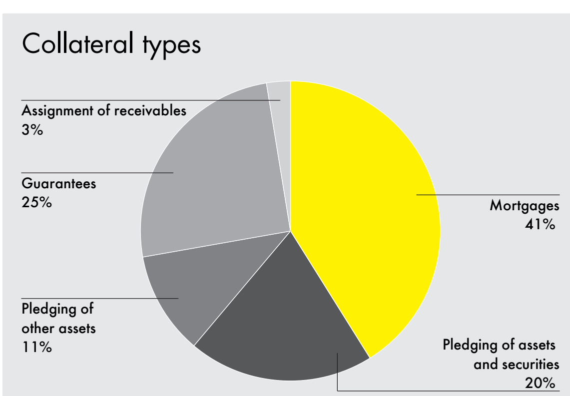
in € thousand	2014	Share	2013[1]	Share
Hungary	2,646,246	38.9%	2,068,442	22.5%
Croatia	894,450	13.1%	940,667	10.2%
Albania	743,743	10.9%	843,639	9.2%
Bosnia and Herzegovina	432,491	6.4%	382,408	4.2%
Bulgaria	395,204	5.8%	551,388	6.0%
Serbia	310,056	4.6%	556,576	6.0%
Slovenia	289,799	4.3%	337,912	3.7%
Ukraine	267,167	3.9%	607,517	6.6%
Belarus	242,724	3.6%	278,645	3.0%
Romania	0	-	2,167,739	23.5%
Other	584,746	8.6%	475,082	5.2%
Total	**6,806,627**	**100.0%**	**9,210,016**	**100.0%**

1 Adaption of previous year figures due to different mapping.

Here, the credit exposure decreased to € 6,806,627 thousand (2013: € 9,205,016 thousand) year-on-year. The decrease resulted primarily from a rating upgrade of Romania from B3 to B2.

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

Credit risk mitigation



Collateralization is one of the main strategies and an actively pursued measure for reducing potential credit risks. The value of collateral and the effect of other risk mitigation techniques are determined within each limit application. The risk mitigation effect taken into account is the value that the Group 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. Mortgages dominate the types of collateral considered by the Group. Essentially, these relate to residential or commerical properties.

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 the Group are shown in the following table:

2014 in € thousand	Maximum credit exposure Net exposure	Commitments/guarantees issued	Fair value of collateral
Banks	15,458,620	3,323,781	6,127,462
Sovereigns	1,450,376	389,445	550,496
Corporate customers – large corporates	44,998,767	30,267,358	28,317,573
Corporate customers – mid market	2,652,323	954,806	2,250,268
Retail customers – private individuals	20,506,011	2,876,746	13,573,409
Retail customers – small and medium-sized entities	2,363,326	514,639	1,797,081
Other	0		0
Total	**87,429,423**	**38,326,775**	**52,616,289**

2013 in € thousand	Maximum credit exposure Net exposure	Commitments/guarantees issued	Fair value of collateral
Banks	22,125,059	2,731,027	4,282,919
Sovereigns	1,641,365	271,763	656,956
Corporate customers – large corporates	46,462,937	30,761,333	34,162,454
Corporate customers – mid market	2,558,162	906,548	2,320,443
Retail customers – private individuals	21,999,167	2,905,984	13,869,417
Retail customers – small and medium-sized entities	2,485,675	418,657	1,835,553
Other	0	0	0
Total	**97,272,366**	**37,995,311**	**57,127,741**

Collateral ready to be sold or repledged in the absence of default of the debtor amounted to € 21,591,758 thousand (2013: € 21,617,052 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.

2014 in € thousand	Current	Overdue Up to 30 days	31 days, up to 90 days	91 days, up to 180 days	181 days, up to 1 year	More than 1 year	Collateral received for assets which are past due
Banks	15,439,767	455	181	7	0	4,452	0
Sovereigns	1,437,862	11,316	1,343	277	4	2	543
Corporate customers – large corporates	41,620,502	930,349	123,330	35,467	6,110	59,029	519,326
Corporate customers – mid market	2,385,485	78,235	21,324	7,606	2,493	6,112	90,908
Retail customers – private individuals	18,190,088	1,464,584	338,323	123,407	22,096	11,310	1,033,029
Retail customers – small and medium-sized entities	1,979,267	211,737	53,479	12,225	7,157	18,519	264,611
Total	**81,052,971**	**2,696,676**	**537,981**	**178,990**	**37,860**	**99,425**	**1,908,417**

2013 in € thousand	Current	Overdue Up to 30 days	31 days, up to 90 days	91 days, up to 180 days	181 days, up to 1 year	More than 1 year	Collateral received for assets which are past due
Banks	22,094,493	26	22	1	0	1	0
Sovereigns	1,599,712	19,144	207	0	8	537	1,442
Corporate customers – large corporates	43,148,394	833,617	356,464	459	73,360	73,026	797,050
Corporate customers – mid market	2,273,858	163,034	64,840	18,485	7,465	5,278	193,352
Retail customers – private individuals	19,835,498	1,210,549	264,500	111,135	5,760	6,624	610,755
Retail customers – small and medium-sized entities	2,163,063	155,932	29,599	7,880	717	2,364	179,259
Total	**91,115,019**	**2,382,302**	**715,631**	**137,959**	**87,310**	**87,829**	**1,781,857**

Non-performing exposure not failed (NPE)

This chapter represents exclusively exposure without any reason for default according to Article 178 CRR. In the corporate division, the group distinguishes for loans, when terms or loan conditions are altered in favor of the customer, between modified and foreborne loans according to the valid definition of the EBA document "Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures)".

The crucial aspect deciding a loan is forborne is the financial situation of a customer at the time the terms and conditions are altered. Loans are defined as foreborne 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 modification is assessed as concession. If this modification consequently leads to a further concession or to substantial overdue of more than 30 days, the credit exposure is considered as non-performing exposure (NPE), independent if a reason for default according to Article 178 CRR exists.

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 credit exposure was not overdue for 180 days before the new agreement, it is transferred from the portfolio in observation to the living portfolio. Those credit exposure already overdue for 180 days before the new agreements or those customers who did not meet the newly agreed terms, remain in the portfolio which is fully impaired.

The following table shows the non-performing exposure not failed according to asset classes:

in € thousand	2014	Share
Corporate customers	778,499	73.3%
Retail customers	282,590	26.6%
Banks	624	0.1%
Sovereigns	0	0.0%
Total	**1,061,713**	**100.0%**

In the Group, the regulations for forbearance pursuant to EBA/ITS/2013/02 from 21 October 2013 (final EBA draft of ITS for the regulatory reporting for forbearance and non-performing loans pursuant to Article 99/4, number 575/2013 CRR) are implemented. The first-time reporting to the Authority was carried out in the course of FINREP reporting in the third quarter 2014. For non-retail customers, financial difficulties are measured by means of an internal early warning system which is based on numerous representative and accepted input factors for customer risk classification (e.g. due days, rating downgrade etc.). IAS 39 requires that impairments must be derived from an incurred loss event; defaults according to Article 178 CRR are still the main indicators for individual and portfolio-based loan loss provisions. The transfer of forborne exposure to the living portfolio is not automatically done after the determined monitoring period. Additionally, an expertise has to be obtained confirming that the circumstances of the concerned customers have improved.

Non-performing loans failed (NPL) and provisioning

A default and thus non-performing loan (NPL) is according to Article 178 CRR 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. The Group 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 Group 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 failed 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):

in € thousand	As at 1/1/2014	Change in consolidated group/ Exchange differences	Additions/disposals	As at 31/12/2014
Corporate customers	5,706,711	(409,313)	929,846	6,227,244
Retail customers	2,921,588	(367,143)	56,326	2,610,770
Sovereigns	29,122	(1,707)	(27,185)	229
Total non-banks	**8,657,421**	**(778,164)**	**958,986**	**8,838,243**
Banks	153,469	(397)	(23,163)	129,909
Total	**8,810,890**	**(778,560)**	**935,823**	**8,968,153**

in € thousand	As at 1/1/2013	Change in consolidated group/ Exchange differences	Additions/disposals	As at 31/12/2013
Corporate customers	5,073,267	(125,097)	758,542	5,706,711
Retail customers	3,052,468	(91,522)	(39,358)	2,921,588
Sovereigns	57,216	(898)	(27,197)	29,122
Total non-banks	**8,182,950**	**(217,517)**	**691,987**	**8,657,421**
Banks	201,666	(2,321)	(45,876)	153,469
Total	**8,384,617**	**(219,838)**	**646,112**	**8,810,890**

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):

in € thousand	NPL 2014	2013	NPL ratio 2014	2013	NPL coverage ratio 2014	2013
Corporate customers	6,227,244	5,706,711	12.1%	10.9%	62.4%	59.0%
Retail customers	2,610,770	2,921,588	10.5%	11.0%	79.1%	72.3%
Sovereigns	229	29,122	0.0%	1.8%	344.1%	17.6%
Total non-banks	**8,838,243**	**8,657,421**	**11.3%**	**10.7%**	**67.4%**	**63.1%**
Banks	129,909	153,469	0.8%	0.7%	88.2%	72.6%
Total	**8,968,153**	**8,810,890**	**9.6%**	**8.6%**	**67.7%**	**63.5%**

The following table shows the share of non-performing loans in the defined asset classes loans and advances to customers and loans and advances to banks as reported in the statement of financial position (excluding items off the statement of financial position) according to segments:

in € thousand	NPL 2014	2013	NPL ratio 2014	2013	NPL coverage ratio 2014	2013
Central Europe	2,998,907	3,508,780	9.1%	11.4%	68.0%	64.3%
Southeastern Europe	1,769,536	1,943,836	11.6%	12.1%	66.5%	58.4%
Russia	496,302	481,569	4.9%	3.9%	70.5%	77.7%
CEE Other	1,267,471	1,107,805	31.8%	23.3%	87.1%	72.2%
Group Corporates	2,002,746	1,373,426	10.2%	6.5%	53.5%	47.2%
Group Markets	395,283	351,271	3.0%	2.1%	79.7%	84.7%
Corporate Center	37,907	44,203	0.8%	0.7%	52.1%	215.4%
Total	**8,968,153**	**8,810,890**	**9.6%**	**8.6%**	**67.7%**	**63.5%**
hereof non-banks	8,838,243	8,657,421	11.3%	10.7%	67.4%	63.1%

In 2014, in the asset class corporate customers, non-performing loans increased € 520,533 thousand to € 6,227,244 thousand (2013: € 5,706,711 thousand). The ratio of non-performing loans to credit exposure rose 1.2 percentage points to 12.1 per cent; the NPL coverage ratio also went up 3.4 percentage points to 62.4 per cent. In the retail portfolio, non-performing loans sank 10.6 per cent or € 310,818 thousand to € 2,610,770 thousand (2013: € 2,921,588 thousand). The ratio of non-performing loans to credit exposure decreased 0.5 percentage points to 10.5 per cent, the NPL coverage ratio went up 6.8 percentage points to 79.1 per cent. The portfolio of non-performing loans in the division financial institutions decreased € 23,560 thousand to € 129,909 thousand (2013: € 153,469 thousand) at year-end, the NPL coverage ratio increased 15.6 percentage points to 88.2 per cent.

Non-performing loans increased significantly in the segment Group Corporates by 45.8 per cent or € 629,320 thousand to € 2,002,746 thousand (2013: € 1,373,426 thousand) due to non-performing loans in Asia. Here, the ratio of non-performing loans to credit exposure rose 3.7 percentage points to 10.2 per cent, the NPL coverage ratio increased 6.3 percentage points to 53.5 per cent. Non-performing loans in the segment CEE Other went up 14.4 per cent or € 159,666 thousand to € 1,267,471 thousand (2013: € 1,107,805 thousand). Here, the NPL ratio increased 8.5 percentage points to 31.8 per cent and NPL coverage ratio increased also 14.9 percentage points to 87.1 per cent. In the segment Group Markets, non-performing loans increased 12.5 per cent or € 44,102 thousand to € 395,283 thousand (2013: € 351,271 thousand) due to a regrouping of non-performing exposure of € 63 thousand from Group Corporates. Therefore, the NPL ratio increased 0.9 percentage points to 3.0 per cent, the NPL coverage ratio however sank 5.0 percentage points to 79.7 per cent. In the segment Russia, non-performing loans increased 3.1 per cent or € 14,734 thousand to € 496,302 thousand (2013: € 481,569 thousand. The NPL ratio went up 1.1 percentage points to 4.9 per cent, while the NPL coverage ratio sank 7.1 percentage points to 70.5 per cent. In Central Europe, non-performing loans decreased 14.5 per cent or € 509,873 thousand to € 2,998,907 thousand (2013: € 3,508,780 thousand), especially due to sale of non-performing loans amounting to € 293,873 thousand in Poland. The NPL ratio sank 2.3 percentage points to 9.1 per cent, while the NPL coverage ratio improved 3.6 percentage points to 68.0 per cent. In the segment Southeastern Europe, non-performing loans declined 9.0 per cent or € 174,300 thousand to € 1,769,536 thousand (2013: € 1,943,836 thousand). At the same time, the NPL ratio declined 0.4 percentage points to 11.6 per cent, the NPL coverage ratio improved 8.1 percentage points to 66.5 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:

in € thousand	As at 1/1/2014	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 31/12/2014
Individual loan loss provisions	**5,195,279**	**(270)**	**2,388,444**	**(559,157)**	**(1,113,985)**	**(184,141)**	**5,726,171**
Loans and advances to banks	111,447	0	3,219	(1,910)	(4,951)	3,962	111,768
Loans and advances to customers	5,010,140	(270)	2,347,946	(529,714)	(1,095,634)	(186,858)	5,545,610
Off-balance sheet obligations	73,692	0	37,279	(27,532)	(13,400)	(1,245)	68,794
Portfolio-based loan loss provisions	**529,379**	**1,190**	**271,338**	**(316,773)**	**(39)**	**(44,285)**	**440,810**
Loans and advances to banks	6,715	25	1,945	(5,847)	0	15	2,853
Loans and advances to customers	477,173	1,143	256,269	(282,770)	(39)	(42,773)	409,003
Off-balance sheet obligations	45,490	22	13,124	(28,156)	0	(1,526)	28,954
Total	**5,724,657**	**920**	**2,659,782**	**(875,929)**	**(1,114,024)**	**(228,425)**	**6,166,981**

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

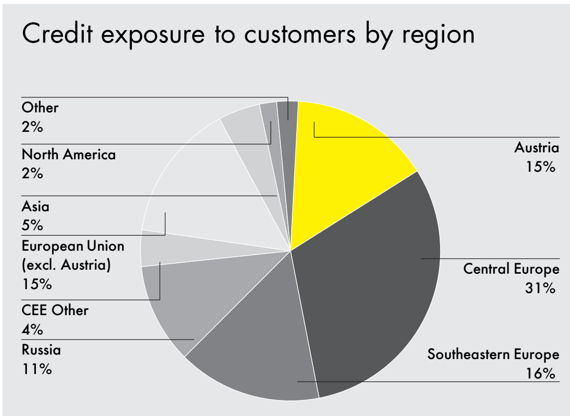
in € thousand	As at 1/1/2013	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 31/12/2013
Individual loan loss provisions	**4,843,476**	**(18,206)**	**1,955,107**	**(739,935)**	**(1,059,451)**	**214,288**	**5,195,279**
Loans and advances to banks	145,805	(15,678)	168	(4,584)	(11,464)	(2,800)	111,447
Loans and advances to customers	4,593,102	(45)	1,914,424	(680,553)	(1,037,505)	220,716	5,010,140
Off-balance sheet obligations	104,569	(2,484)	40,515	(54,798)	(10,482)	(3,628)	73,692
Portfolio-based loan loss provisions	**949,763**	**(5,867)**	**319,217**	**(371,047)**	**(139)**	**(362,548)**	**529,379**
Loans and advances to banks	11,914	0	3,869	(4,506)	(1,903)	(2,658)	6,715
Loans and advances to customers	891,076	(5,867)	298,915	(341,384)	(7,663)	(357,903)	477,173
Off-balance sheet obligations	46,773	0	16,433	(25,156)	9,428	(1,987)	45,490
Total	**5,793,239**	**(24,073)**	**2,274,324**	**(1,110,981)**	**(1,059,590)**	**(148,260)**	**5,724,657**

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

The following table shows the breakdown of loan loss provisions according to segments:

in € thousand	2014	2013
Individual loan loss provisions	**5,726,171**	**5,195,279**
Central Europe	1,910,329	2,123,019
Southeastern Europe	1,019,068	1,037,689
Russia	281,235	315,201
CEE Other	1,063,950	737,740
Group Corporates	1,018,263	576,036
Group Markets	326,559	307,246
Corporate Center	106,770	98,350
Portfolio-based loan loss provisions	**440,810**	**529,379**
Central Europe	161,134	176,323
Southeastern Europe	82,729	115,193
Russia	70,695	67,426
CEE Other	42,183	63,906
Group Corporates	70,963	89,108
Group Markets	3,278	10,009
Corporate Center	8,982	7,414
Total	**6,166,981**	**5,724,657**

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. The Group 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 the Group 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 the Group'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 the Group 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 the Group is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence portfolio granularity is high.

The regional breakdown of the loans reflects the broad diversification of credit business in the Group'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.

in € thousand	2014	Share	2013	Share
Austria	**23,612,819**	**15.2%**	**27,976,394**	**17.1%**
Central Europe	**47,963,978**	**30.9%**	**46,349,852**	**28.4%**
Poland	14,590,232	9.4%	14,181,171	8.7%
Slovakia	11,916,153	7.7%	11,706,327	7.2%
Czech Republic	11,593,064	7.5%	10,700,350	6.6%
Hungary	8,440,122	5.4%	8,033,629	4.9%
Other	1,424,407	0.9%	1,728,376	1.1%
Other European Union	**23,101,485**	**14.9%**	**20,890,041**	**12.8%**
Germany	5,961,886	3.8%	5,546,180	3.4%
Great Britain	6,040,221	3.9%	4,293,542	2.6%
France	3,812,017	2.5%	5,106,338	3.1%
Netherlands	1,974,029	1.3%	1,599,847	1.0%
Other	5,313,331	3.4%	4,344,133	2.7%
Southeastern Europe	**24,144,854**	**15.6%**	**24,561,839**	**15.0%**
Romania	8,914,812	5.7%	8,597,163	5.3%
Croatia	5,175,331	3.3%	5,351,289	3.3%
Bulgaria	3,691,509	2.4%	3,913,964	2.4%
Serbia	1,805,059	1.2%	2,217,096	1.4%
Other	4,558,142	2.9%	4,482,327	2.7%
Russia	**16,803,445**	**10.8%**	**20,439,621**	**12.5%**
Asia	**6,999,905**	**4.5%**	**9,032,724**	**5.5%**
China	3,206,735	2.1%	4,208,191	2.6%
Singapore	1,336,724	0.9%	1,516,165	0.9%
Other	2,456,446	1.6%	3,308,368	2.0%
CEE Other	**6,142,828**	**4.0%**	**7,508,601**	**4.6%**
Ukraine	4,007,317	2.6%	5,544,850	3.4%
Other	2,135,416	1.4%	1,963,751	1.2%
North America	**2,899,065**	**1.9%**	**4,134,308**	**2.5%**
Rest of World	**3,571,161**	**2.3%**	**2,429,219**	**1.5%**
Total	**155,239,541**	**100.0%**	**163,322,599**	**100.0%**

The Group 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 the Group 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:

in € thousand	2014	Share	2013	Share
Banking and insurance	40,401,798	26.0%	42,712,673	26.2%
Private households	26,628,106	17.2%	27,272,431	16.7%
Wholesale trade and commission trade (except car trading)	14,662,082	9.4%	16,086,635	9.8%
Other manufacturing	11,829,289	7.6%	12,323,902	7.5%
Public administration and defence and social insurance institutions	12,719,616	8.2%	10,991,094	6.7%
Real estate activities	9,424,346	6.1%	9,992,147	6.1%
Construction	5,508,026	3.5%	6,550,982	4.0%
Other business activities	4,521,505	2.9%	5,414,023	3.3%
Retail trade except repair of motor vehicles	3,839,075	2.5%	4,093,906	2.5%
Electricity, gas, steam and hot water supply	3,158,525	2.0%	4,163,444	2.5%
Manufacture of basic metals	2,678,461	1.7%	2,542,925	1.6%
Manufacture of food products and beverages	2,314,294	1.5%	2,427,679	1.5%
Land transport, transport via pipelines	1,975,535	1.3%	2,082,848	1.3%
Other transport	2,053,102	1.3%	1,937,512	1.2%
Manufacture of machinery and equipment	1,199,475	0.8%	1,479,573	0.9%
Extraction of crude petroleum and natural gas	1,252,770	0.8%	1,218,276	0.7%
Sale of motor vehicles	1,104,885	0.7%	1,175,319	0.7%
Other industries	9,968,651	6.4%	10,857,229	6.6%
Total	**155,239,541**	**100.0%**	**163,322,599**	**100.0%**

Structured credit portfolio

The Group'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 (37) securitization. Around 72.0 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 lending or borrowing transaction can lead to losses from re-establishing an equivalent contract. In the Group 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, the Group 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

The Group 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

All market risks are measured, monitored, and managed 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

The Group 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 so that it can be used for calculating total capital 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. The Group'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 in € thousand	VaR as at 31/12/2014	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2013
Currency risk[1]	114,463	68,936	35,018	192,966	41,481
Interest rate risk	5,940	3,332	1,318	10,828	3,373
Credit spread risk	4,583	5,066	2,330	13,248	4,931
Share price risk	1,223	1,288	801	1,717	832
Vega risk	632	472	229	1,675	348
Total	108,495	73,534	43,896	193,402	45,892

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

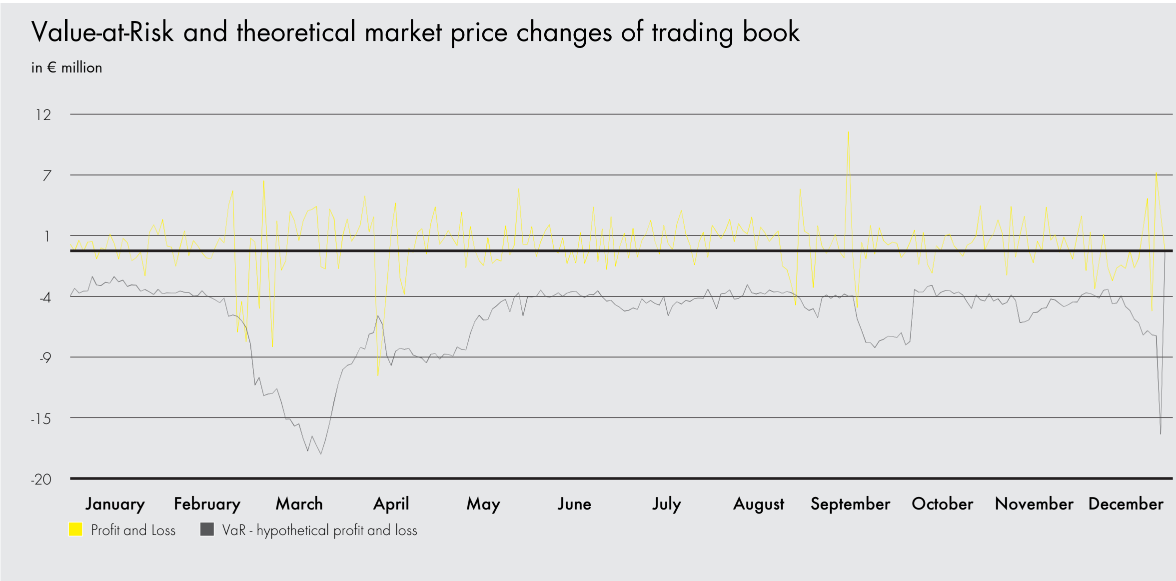
Banking book VaR 99% 1d in € thousand	VaR as at 31/12/2014	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2013
Interest rate risk	52,657	10,875	4,384	54,499	7,627
Credit spread risk	18,888	11,682	6,485	27,115	16,854
Vega risk	940	601	350	1,028	423
Total	69,281	19,495	10,711	69,281	19,100

Total VaR 99% 1d in € thousand	VaR as at 31/12/2014	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2013
Currency risk[1]	114,463	68,937	35,019	192,966	41,478
Interest rate risk	53,594	12,545	5,487	56,368	9,203
Credit spread risk	17,507	14,921	8,644	34,996	21,508
Share price risk	1,223	1,288	801	1,717	832
Vega risk	914	757	220	1,352	219
Total	134,630	82,475	51,483	216,773	56,961

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. Due to the good forecast quality of the internal model, a factor reduction to 3.2 was approved as of 1 November 2014.

The geopolitical crisis (occupation of Crimea, Ukrainian war, political sanctions to Russia) and other related market movements are the reason for the increased market risk, above all for the increase of the structural foreign currency risk (Ukrainian hryvnia and Russian rouble).



Exchange rate risk and capital (ratio) hedge

Market risk in the Group 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 2014 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.

in € thousand	2014	2013
ALL	98,707	267,954
BAM	167,381	259,148
BGN	158,633	64,118
BYR	178,372	199,771
CNY	161,123	272,150
CZK	204,775	776,215
HRK	542,274	700,082
HUF	(37,341)	369,969
PLN	949,633	1,702,785
RON	567,552	675,266
RSD	436,143	493,711
RUB	760,310	2,546,995
UAH	32,471	948,398
USD	(15,306)	(216,212)

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.

The Group 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 the Group is denominated in foreign currencies. Changes in foreign exchange rates thus lead to a change of consolidated capital in the Group and to changes in the total capital 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 tier 1 capital and risk-weighted assets in all currencies according to the targeted tier 1 ratio (i.e. reduce excess capital or deficits in relation to risk-weighted assets for each currency) such that the tier 1 ratio remains stable even if foreign exchange rates change.

The Group aims at stabilizing its 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 tier 1 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 the Group given a one-basis-point interest rate increase for the whole yield curve in € thousand for the reporting dates 31 December 2014 and 31 December 2013. 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.

2014 in € thousand	Total	Up to 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 J	>20y
ALL	(31)	(1)	(3)	(1)	(4)	(5)	(10)	(7)	0	0	0	0
BGN	(4)	0	0	(1)	(1)	(2)	0	0	(1)	0	0	0
CHF	(8)	3	(6)	1	1	(2)	3	(4)	(1)	(1)	(1)	(1)
CNH	(3)	0	0	(2)	(1)	0	0	0	0	0	0	0
CNY	1	1	0	0	0	0	0	0	0	0	0	0
CZK	5	(2)	(4)	3	0	4	(6)	13	1	(3)	0	0
EUR	(131)	8	(51)	12	(65)	(52)	60	21	(42)	(2)	(6)	(15)
GBP	(1)	(1)	0	0	0	0	0	0	0	0	0	0
HRK	(11)	0	0	(1)	(8)	(1)	(1)	0	0	0	0	0
PLN	(6)	0	(14)	22	(6)	(6)	3	(4)	0	0	0	0
RON	7	0	3	3	0	0	1	0	0	0	0	0
RUB	4	(3)	3	(9)	(2)	(3)	10	0	2	7	0	0
USD	(25)	7	7	(25)	(7)	42	(28)	35	(31)	(25)	(13)	12
Other	(2)	(1)	2	0	0	(1)	(3)	0	1	1	0	0

2013 in € thousand	Total	Up to 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	(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

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 the Group. 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 total capital in line with the CRR requirements. Maturity assumptions needed in this analysis are defined as specified by regulatory authorities or based on internal statistics and empirical values.

In 2014, 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 total capital.

The following table shows the change in the present value of the Group's banking book given a one-basis-point interest rate increase for the whole yield curve in € thousand for reporting dates 31 December 2014 and 31 December 2013. Currencies where the total interest rate sensitivity exceeds € 1 thousand are shown separately.

2014 in € thousand	Total	Up to 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 J	>20y
ALL	(38)	1	(3)	9	(10)	(7)	(10)	(18)	(2)	0	0	0
BAM	15	3	(2)	(3)	8	3	2	1	2	2	0	0
BGN	31	0	0	(2)	(1)	9	31	(2)	(3)	(1)	0	0
BYR	(33)	0	(1)	(7)	(10)	(8)	(4)	(1)	(1)	(1)	0	0
CAD	7	0	7	0	0	0	0	0	0	0	0	0
CHF	(382)	11	(2)	0	(29)	(11)	(20)	(25)	(73)	(140)	(77)	(17)
CNY	10	(6)	0	16	0	0	0	0	0	0	0	0
CZK	11	(5)	3	29	0	(1)	(17)	0	3	(2)	(1)	0
EUR	(283)	25	(23)	(7)	(35)	(52)	(69)	206	75	(175)	(95)	(133)
GBP	(1)	(1)	1	2	(1)	0	(1)	(1)	0	0	0	0
HRK	(41)	0	(3)	3	(21)	(1)	(10)	(8)	2	(3)	0	0
HUF	(92)	10	(3)	(5)	(10)	(11)	(25)	(10)	(31)	(4)	(2)	(1)
PLN	(38)	(7)	5	(7)	1	(1)	3	(7)	(9)	(11)	(4)	(1)
RON	(18)	(3)	(5)	(14)	(19)	(1)	37	(13)	(1)	2	(1)	0
RSD	(24)	(2)	(3)	(6)	(11)	(2)	0	0	0	0	0	0
RUB	(164)	(9)	(18)	27	(66)	(61)	38	(17)	(37)	(19)	(2)	0
SGD	(4)	(4)	0	0	0	0	0	0	0	0	0	0
UAH	(39)	0	(1)	(2)	(8)	0	(19)	(3)	(4)	(2)	0	0
USD	(100)	56	50	13	(15)	(30)	5	(5)	(49)	19	0	(144)
Other	1	1	(1)	1	0	0	0	0	0	0	0	0

2013 in € thousand	Total	Up to 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	153	(1)	(10)	55	32	(184)	509	(36)	(131)	70	(58)	(93)
HRK	(84)	(4)	1	(4)	(5)	(29)	(17)	(13)	(13)	0	0	0
HUF	(26)	(4)	(9)	(3)	4	11	9	(18)	(14)	(2)	0	0
RON	(72)	(2)	(3)	(9)	(30)	6	(6)	(20)	(6)	(1)	(1)	0
RSD	(20)	(2)	(2)	(3)	(9)	(3)	(1)	0	0	0	0	0
RUB	(163)	(8)	(3)	(15)	(15)	(95)	84	(49)	(41)	(18)	(3)	0
SGD	6	(2)	0	9	(1)	0	0	0	0	0	0	0
UAH	(56)	(2)	3	(2)	(42)	(8)	14	(7)	(8)	(4)	0	0
USD	(7)	32	45	116	1	(73)	(68)	(10)	(52)	3	1	(2)
Other	(1)	11	15	15	(49)	1	9	(2)	(1)	0	0	0

Credit spread risk

The market risk management framework uses time-dependent bond and CDS-spread curves as risk factors in order to measure credit spread risks. This market risk category thus captures the specific interest rate risk of all securities in the trading and banking book. The Value-at-Risk report covers RBI AG in this risk category, where a major part of securities positions of the Group are booked.

Liquidity risk

Banks perform maturity transformation as an important role for international financial markets. The need for maturity transformation arises from the needs of depositors to access their funds within short notice and the opposite need of borrowers for long-term loans. This function constantly results in positive or negative liquidity gaps for different maturities that are managed through transactions with other market participants under normal market conditions.

Liquidity management, i.e. ensuring that the Group maintain its ability to pay at all times, is performed both centrally by the Treasury division in Vienna and on a decentralized basis by local banking subsidiaries. Cash flows are calculated and analyzed by currency on a periodical basis in an internal monitoring system. Based on this data, the Group creates liquidity balances, and analyzes whether the Group conforms to legal regulations on liquidity positions and defined internal liquidity limits. Liquidity analyses also include simulations on defined market or name specific liquidity crises in scenario-based cash flow forecasts. All these analyses are discussed in the Group Asset/Liability Committee. The Group possesses all instruments for liquidity risk management required by the credit institutions 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).

in € thousand	2014			2013		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	15,442,649	15,201,539	16,237,354	15,222,987	12,371,670	13,123,718
Liquidity ratio	159%	135%	117%	155%	126%	113%

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. The Group's banking activities are refinanced by combining wholesale funding and the retail franchise of deposit-taking network banks and it is the central liquidity balancing agent for the local Group units in Central and Eastern Europe.

In the Group'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 Group's parent institution, but also individually by different banking subsidiaries. Those efforts are coordinated and optimized through a joint funding plan. Moreover, RBI AG 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:

2014 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**105,888,462**	**114,808,169**	**68,078,586**	**16,531,771**	**21,646,512**	**8,551,301**
Deposits from banks	22,408,371	26,738,214	12,007,443	4,682,993	7,940,886	2,106,893
Deposits from customers	66,094,172	68,513,060	52,381,826	9,442,787	4,684,708	2,003,739
Debt securities issued	10,593,069	11,299,763	1,745,195	1,924,792	6,752,853	876,925
Other liabilities	2,607,742	2,628,567	1,745,926	217,273	360,021	305,346
Subordinated capital	4,185,108	5,628,565	198,196	263,926	1,908,044	3,258,398
Derivatives	**6,464,673**	**15,680,138**	**4,557,294**	**2,502,372**	**4,486,244**	**4,134,227**
Derivatives in the trading book	5,686,468	12,643,716	3,188,336	2,071,561	3,422,150	3,961,669
Hedging derivatives	200,549	171,563	3,722	16,681	42,375	108,785
Other derivatives	577,633	2,864,836	1,365,236	414,107	1,021,719	63,773
Credit derivatives	23	23	0	23	0	0
Contingent liabilities	**10,037,594**	**1,633,785**	**602,359**	**714,394**	**181,097**	**135,936**
Acceptances and endorsements	0	0	0	0	0	0
Credit guarantees	6,289,555	214,424	76,645	106,279	29,993	1,507
Other guarantees	2,191,132	195,292	76,458	74,544	45,496	(1,206)
Letters of credit (documentary business)	1,396,379	862,100	449,256	307,236	105,608	0
Other contingent liabilities	160,528	643	0	643	0	0
Commitments	**10,033,024**	**10,290,154**	**3,726,583**	**1,452,302**	**4,618,930**	**492,338**
Irrevocable credit lines	10,019,684	10,284,342	3,723,139	1,449,934	4,618,930	492,338

2013 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**115,131,688**	**125,340,412**	**76,519,554**	**15,840,079**	**24,064,488**	**8,916,291**
Deposits from banks	30,104,866	34,194,631	18,695,918	4,100,160	9,350,547	2,048,006
Deposits from customers	66,436,636	69,291,405	51,498,939	9,813,668	5,765,635	2,213,162
Debt securities issued	11,532,646	12,948,883	3,284,053	1,305,860	7,128,116	1,230,854
Other liabilities	2,929,951	3,581,250	2,583,644	440,091	489,784	67,732
Subordinated capital	4,127,589	5,324,243	457,000	180,300	1,330,406	3,356,537
Derivatives	**4,411,212**	**13,873,781**	**7,008,251**	**2,533,086**	**3,358,743**	**973,703**
Derivatives in the trading book	4,026,804	10,678,912	4,501,009	2,278,143	3,032,400	867,361
Hedging derivatives	132,536	166,465	44,752	11,062	50,755	59,897
Other derivatives	251,593	2,651,230	2,085,316	243,881	275,588	46,445
Credit derivatives	279	377,174	377,174	0	0	0
Contingent liabilities	**10,989,526**	**2,477,125**	**1,231,072**	**881,333**	**215,849**	**148,872**
Acceptances and endorsements	0	0	0	0	0	0
Credit guarantees	6,198,703	546,418	118,417	289,872	70,766	67,363
Other guarantees	2,504,219	341,590	85,550	144,423	41,758	69,859
Letters of credit (documentary business)	2,188,542	1,583,943	1,027,105	441,863	103,325	11,650
Other contingent liabilities	98,062	5,174	0	5,174	0	0
Commitments	**10,278,862**	**10,321,586**	**4,370,871**	**1,224,735**	**4,469,379**	**256,601**
Irrevocable credit lines	10,278,862	10,321,586	4,370,871	1,224,735	4,469,379	256,601

Adaption of previous year figures due to higher detailing.

Operational risk

Operational risk is defined as the risk of unexpected losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers like unauthorized activities, fraud or theft, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or consciously conducted human fraud are managed and controlled as well.

This risk category is analyzed and managed on the basis of own historical loss data and the results of self-assessments. Another management tool is the incentive system implemented in internal capital allocation. This system rewards high data quality and active risk management. Generally speaking, the Group 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 the Group. 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 risk assessments, 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 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. 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 (early warning indicators) 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, The Group 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 Committees on a regular basis.

Quantification and mitigation

The Group currently calculates regulatory capital requirements for operational risks according to Basel III using the Standardized Approach (TSA). This approach applies to all Group units of the credit institution group. 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. The Group also executes an extensive staff training program and has different emergency plans and back-up systems in place.

Other disclosures

(45) Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria are as follows:

in € thousand	2014	2013
Assets	101,055,550	108,409,668
Liabilities	81,333,711	82,410,215

(46) Fiduciary business

Fiduciary business not recognized in the statement of financial position was concluded with the following volumes on the reporting date:

in € thousand	2014	2013
Loans and advances to banks	7,939	9,402
Loans and advances to customers	273,375	290,229
Financial investments	7,091	9,285
Other fiduciary assets	45,607	70,006
Fiduciary assets	**334,012**	**378,921**
Deposits from banks	138,292	131,957
Deposits from customers	148,223	173,067
Other fiduciary liabilities	47,498	73,897
Fiduciary liabilities	**334,012**	**378,921**

Fiduciary income and expenses break down as follows:

in € thousand	2014	2013
Fiduciary income	12,796	13,476
Fiduciary expenses	315	288

The following table contains the funds managed by the Group:

in € thousand	2014	2013
Retail investment funds	**7,063,551**	**6,156,910**
Equity-based and balanced funds	3,462,829	2,936,862
Bond-based funds	1,447,983	1,606,380
Money market funds	5,480	0
Other	2,147,259	1,613,669
Special funds	**793,329**	**1,096,256**
Property-based funds	**255,768**	**254,384**
Total	**8,112,647**	**7,507,550**

(47) Finance leases

in € thousand	2014	2013
Gross investment value	**3,451,381**	**3,239,342**
Minimum lease payments	3,403,782	3,215,703
Up to 3 months	476,477	437,293
More than 3 months, up to 1 year	777,299	747,930
More than 1 year, up to 5 years	1,847,586	1,722,854
More than 5 years	302,419	307,626
Non-guaranteed residual value	47,599	23,638
Unearned finance income	**390,875**	**376,119**
Up to 3 months	39,377	43,144
More than 3 months, up to 1 year	101,358	96,356
More than 1 year, up to 5 years	209,050	192,199
More than 5 years	41,091	44,420
Net investment value	**3,060,506**	**2,863,222**

As at 31 December 2014, write-offs on unrecoverable minimum lease payments totaled € 67,122 thousand (2013: € 61,592 thousand).

Assets under finance leases break down as follows:

in € thousand	2014	2013
Vehicles leasing	1,785,280	1,733,857
Real estate leasing	510,017	561,691
Equipment leasing	765,209	567,674
Total	**3,060,506**	**2,863,222**

(48) Operating leases

Operating leases from view of lessor

Future minimum lease payments under non-cancelable operating leases are as follows:

in € thousand	2014	2013
Up to 1 year	40,458	40,897
More than 1 year, up to 5 years	91,127	80,818
More than 5 years	17,364	21,935
Total	**148,948**	**143,651**

Operating leases from view of lessee

Future minimum lease payments under non-cancelable operating leases are as follows:

in € thousand	2014	2013
Up to 1 year	91,158	101,382
More than 1 year, up to 5 years	159,783	172,254
More than 5 years	38,329	14,307
Total	**289,270**	**287,943**

(49) Other disclosures according to BWG

Geographical markets

2014 Monetary values in € thousand	Operating income	hereof net interest income	Profit/loss before tax	Current income taxes	Employees as at reporting date
Central Europe	**1,519,314**	**1,021,540**	**(65,581)**	**(92,244)**	**14,526**
Czech Republic	327,866	227,982	93,952	(19,758)	2,720
Poland	459,893	307,367	109,192	(25,396)	5,462
Slovakia	481,052	318,599	145,490	(38,095)	3,816
Slovenia	18,801	13,574	(24,848)	(198)	230
Hungary	231,748	153,766	(389,366)	(8,797)	2,298
Southeastern Europe	**1,283,307**	**835,356**	**348,468**	**(52,435)**	**15,216**
Albania	110,782	79,580	39,275	(5,791)	1,326
Bosnia and Herzegovina	103,825	68,885	24,266	(3,679)	1,434
Bulgaria	168,683	124,280	27,745	(2,720)	2,751
Croatia	250,325	151,242	71,528	(10,721)	2,127
Kosovo	46,506	39,021	18,409	(2,087)	705
Romania	462,053	273,891	118,943	(22,062)	5,292
Serbia	142,163	99,619	48,302	(5,376)	1,581
Russia	**1,081,515**	**834,581**	**435,975**	**(95,750)**	**8,252**
CEE Other	**451,637**	**385,818**	**(253,446)**	**27,424**	**13,663**
Belarus	176,982	112,277	90,434	(27,711)	2,176
Kazakhstan	1,502	1,844	892	138	9
Ukraine	273,153	271,698	(344,772)	54,997	11,478
Asia	**142,202**	**134,287**	**(194,593)**	**(41,122)**	**239**
Head office and other	**1,794,084**	**1,347,764**	**253,770**	**(208,902)**	**2,834**
Reconciliation	**(916,748)**	**(770,417)**	**(501,712)**	**(22,932)**	**0**
Total	**5,355,310**	**3,788,930**	**22,882**	**(485,961)**	**54,730**

Volume of the securities trading book

in € thousand	2014	2013
Securities, equity investments	6,362,032	4,317,244
Other financial instruments	174,795,197	158,341,884
Total	**181,157,229**	**162,659,128**

Securities admitted for trading on a stock exchange

	2014		2013	
in € thousand	listed	unlisted	listed	unlisted
Bonds, notes and other fixed-interest securities	11,323,726	501,731	10,980,155	601,402
Shares and other variable-yield securities	379,794	138,402	451,539	99,252
Equity participations	3,405	161,772	1,287	92,341
	11,706,925	**801,906**	**11,432,981**	**792,995**

Subordinated assets

in € thousand	2014	2013
Loans and advances to banks	4,140	4,253
Loans and advances to customers	270,052	218,719
Trading assets	8,434	3,008
Financial investments	53,359	53,047
Total	**335,985**	**279,027**

(50) Capital management and total capital according to CCR/CRD IV and Austrian Banking Act (BWG)

Capital managment

Capital was and is an integral part of the Group's control mechanism. RBI as an international Group considers several control parameters. From a regulatory view, the Group is supervised on a subgroup level according to Article 11 paragraph 5 CRR (Capital Requirement Regulation) based on the FMA (Finanzmarkt Austria) decision from 24 October 2014 and is the superordinated credit institution for the subgroup in terms of Section 30 Austrian Banking Act. Morover, the Group has to adhere to the legal total capital regulations on an individual basis and is additionally part of RZB credit institution group.

Regulatory values are defined on an individual and subgroup basis by the Austrian Banking Act (BWG) and the applicable regulation of the European Parliament (CRR) based on adequate guidelines of the EU. There are also – often deviating with regard to content – guidelines in the several countries in which the Group operates. Such guidelines have to be adhered to by the local Group units.

The Group uses target values for internal regulation, which comprise all risk types. Control on a Group level is exerted by Planning & Finance. The individual Group units are responsible for the observation of the capital targets in coordination with central departments responsible for the participation management of the respective unit.

The main focus in the control is on the regulatory (minimum) capital ratios and the economic capital within the framework of ICAAP (Internal Capital Adequacy Assessment Process, quantitative method to assess the adequacy of internal capital as required by Basel II (Pillar 2) regulations). Moreover, the optimal mixture of capital instruments (e.g. additional tier 1 capital and tier 2 capital) plays an important role and is continuously analized and optimized.

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 next 12 months without falling short of the regulatory minimum capital ratios.

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 internal capital is drawn. The economic capital is integral part of the planning and control of the Group. Further details regarding this calculation are stated in the risk report.

Current regulatory developments and passed capital measures

Basel III was implemented in the European Union via a regulation (CRR) and a directive (CRD IV). Both regulations were published on 27 June 2013 in the EU Official Journal and are therefore effective.

As of 1 January 2014, the CRR is directly applicable law for all EU member states. The CRD IV became effective on 17 July and had to be transferred into local law until 31 December 2013. As of beginning of 2014, the new regulations – CRR and CRD IV – have to be therefore applied under consideration of several transitional periods.

Moreover, the European Central Bank (ECB) took over supervision of large banks in the Eurozone, whose total assets exceed € 30 billion or 20 per cent of the country's economic performance in November 2014. Both, RBI and RZB are defined as large banks.

After phase-out of the several transitional periods CRR and CRD IV respectively provides harder specifications for the regulatory capital with a minimum of common equity tier 1 of 4.5 per cent, tier 1 capital 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 tier 1 to 8.5 per cent and for total capital to 10.5 per cent (each including capital conservation buffer). A violation of the capital conservation buffer induces constraints of e.g. dividend distribution and coupon payments for certain capital instruments.

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.

As mentioned at the beginning, the Group is supervised on a subgroup level. Based on this, a minimum total capital ratio of 13.76 per cent calculated on the total risk amount according to Article 92 paragraph 3 CRR was specified for the Group which has to be adhered as of 30 November 2014. This specified total capital ratio including a sufficient buffer on subgroup level has been adhered since this effective date.

In February 2014, RBI AG carried out a capital increase of € 2.78 billion which enabled the redemption of the total participation capital of € 2.5 billlion. This was an important step for strengthening and optimizing the capital structure. According to CRR/CRD IV, the participation capital was no longer eligible common tier 1 capital and from 2018 on it would fully loose eligibility.

Further expected regulatory changes or developments are displayed and analyzed in scenario calculations by Planning & Finance as well as Risk Controlling on an ongoing basis. Possible effects are included in planning and steering, if necessary.

Calculation of total capital

The determination of eligible total capital in accordance with the applicable regulations is based on international accounting standards. Further details can be found in the regulatory Disclosure report according to Article 431 ff CRR.

The total capital breaks down as follows:

in € thousand	2014
Paid-in capital	5,882,953
Earned capital	1,625,175
Non-controlling interests	393,548
Common equity tier 1 (before deductions)	**7,901,676**
Intangible fixed assets/goodwill	(411,312)
Provision shortage for IRB positions	(8,597)
Deduction securitizations	(5,121)
Deduction deferred tax assets	0
Deduction insurance and other investments	0
Common equity tier 1 (after deductions)	**7,476,646**
Additional tier 1	353,002
Deduction securitizations	0
Intangible fixed assets/goodwill	(343,255)
Provision shortage for IRB positions	(17,194)
Deduction insurance and other investments	0
Non-controlling interests	7,447
Tier 1	**7,476,646**
Provision excess of internal rating approach positions	182,128
Hidden reserve	201,027
Long-term subordinated capital	3,132,008
Deduction securitizations	0
Deduction insurance and other investments	0
Non-controlling interests	11,562
Tier 2 (after deductions)	**3,526,725**
Total capital	**11,003,370**
Total capital requirement	**5,497,690**
Common equity tier 1 ratio (transitional)	10.9%
Tier 1 ratio (transitional)	10.9%
Total capital ratio (transitional)	16.0%

After phase-out of the transitional regulations, a common equity tier 1 ratio (fully loaded) of 10.0 per cent and a total capital ratio (fully loaded) of 15.2 per cent would be accounted.

The total capital requirement is composed as follows:

in € thousand	2014
Risk-weighted assets (total RWA)	**68,721,124**
Total capital requirement for credit risk	4,563,822
Internal rating approach	2,657,626
Standardized approach	1,865,740
CVA risk	40,456
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	253,783
Total capital requirement for operational risk	680,085
Total capital requirement	**5,497,690**

Risk weighted assets for the credit risk according to asset classes break down as follows:

in € thousand	2014
Risk-weighted assets according to standardized approach	**23,321,745**
Central governments and central banks	1,537,985
Regional governments	35,037
Public administration and non-profit organizations	8,980
Multilateral development banks	0
Banks	325,306
Corporate customers	9,924,997
Retail customers	7,998,478
Equity exposures	455,418
Covered bonds	9,091
Mutual funds	0
Securitization position	0
Other positions	3,026,453
Risk-weighted assets according to internal rating approach	**33,220,327**
Central governments and central banks	266,180
Banks	2,496,382
Corporate customers	25,411,672
Retail customers	4,686,208
Equity exposures	105,410
Securitization position	254,477
CVA risk	**505,702**
Total	**57,047,774**

The own funds (calculated according to Austrian Banking Act (BWG) 1993/Amendment 2006 – Basel II) as of year-end 2013 break down as follows:

in € thousand	2013
Paid-in capital	5,668,558
Earned capital	3,134,557
Non-controlling interests	428,211
Hybrid tier 1 capital	441,252
Intangible fixed assets	(705,048)
Core capital (tier 1 capital)	**8,967,530**
Deductions from core capital	(12,759)
Eligible core capital (after deductions)	**8,954,771**
Supplementary capital according to Section 23 (1) 5 BWG	0
Provision excess of internal rating approach positions	221,143
Hidden reserves	8,230
Long-term subordinated capital	3,157,248
Additional own funds (tier 2 capital)	**3,386,621**
Deduction items: participations, securitizations	(12,759)
Eligible additional own funds (after deductions)	**3,373,862**
Deduction items: insurance companies	0
Tier 2 capital available to be redesignated as tier 3 capital	357,016
Total own funds	**12,685,649**
Total own funds requirement	**6,391,722**
Excess own funds	6,293,927
Excess cover ratio	98.5%
Core tier 1 ratio, total	10.7%
Tier 1 ratio, credit risk	13.7%
Tier 1 ratio, total	11.2%
Own funds ratio	15.9%

The total own funds requirement is composed as follows:

in € thousand	2013
Risk-weighted assets according to section 22 BWG	**65,334,163**
of which 8 per cent minimum own funds for the credit risk according to sections 22a to 22 h BWG	5,226,733
Standardized approach	2,278,162
Internal rating approach	2,948,571
Settlement risk	7
Own funds requirement for position risk in bonds, equities and commodities	297,108
Own funds requirement for open currency positions	59,908
Own funds requirement for operational risk	807,966
Total own funds requirement	**6,391,722**

Risk-weighted assets for the credit risk according to asset classes break down as follows:

in € thousand	2013
Risk-weighted assets according to standardized approach	**28,477,025**
Central governments and central banks	1,846,988
Regional governments	86,775
Public administration and non-profit organizations	6,500
Multilateral development banks	0
Banks	370,513
Corporate customers	12,827,375
Retail customers	9,925,963
Covered bonds	1,038
Mutual funds	113,138
Securitization position	0
Other positions	3,298,738
Risk-weighted assets according to internal rating approach	**36,857,138**
Central governments and central banks	316,700
Banks	3,098,900
Corporate customers	28,911,400
Retail customers	4,293,663
Equity exposures	143,563
Securitization position	92,913
Total	**65,334,163**

The following table provides an overview on the calculation methods that are applied to determine total capital requirements in the subsidiaries:

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

1 IRB = internal ratings-based approach.
2 Only for risk of open currency positions and general interest rate risk in the trading book.
3 STA = standardized approach.
4 Only on consolidated level.

(51) Average number of staff

Full-time equivalents	2014	2013
Salaried employees	55,623	58,210
Wage earners	773	857
Total	**56,396**	**59,067**

Full-time equivalents	2014	2013
Austria	2,669	2,664
Foreign	53,727	56,403
Total	**56,396**	**59,067**

(52) Related parties

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

Parent companies are Raiffeisen-Landesbanken-Holding GmbH, Vienna, and Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna. Disclosures on RBI's relations to key management are reported under note (53) Relations to key management.

2014 in € thousand	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	1,770,385	127,677	182,964	107,045
Loans and advances to customers	20,980	1,456,618	3,790	162,985
Trading assets	0	48,387	1,604	0
Financial investments	0	343,680	0	89,191
Investments in associates	0	0	0	0
Other assets (incl. derivatives)	51,245	112,878	14	110
Deposits from banks	957,993	280,732	3,673,391	336,193
Deposits from customers	198	342,199	623,845	188,753
Debt securities issued	0	10,593	0	0
Provisions for liabilities and charges	0	23	0	0
Trading liabilities	0	87,803	12,801	42
Other liabilities including derivatives	5	27,752	2	549
Subordinated capital	0	0	0	0
Guarantees given	0	253,919	1,147	8,936
Guarantees received	792,587	341,731	178,273	37,258

2013 in € thousand	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	6,031,955	88,846	217,580	120,209
Loans and advances to customers	0	1,524,967	41,220	295,139
Trading assets	0	47,195	1,345	2,147
Financial investments	0	405,018	2,371	66,252
Investments in associates	0	0	5,035	0
Other assets (incl. derivatives)	51,352	17,955	97	153
Deposits from banks	9,224,338	239,764	3,968,666	203,907
Deposits from customers	522	260,535	779,389	511,412
Debt securities issued	0	10,272	0	0
Provisions for liabilities and charges	0	1	0	(5)
Trading liabilities	0	78,151	0	288
Other liabilities including derivatives	158	23,145	367	77
Subordinated capital	51,840	0	0	0
Guarantees given	0	116,572	1,170	5,172
Guarantees received	925,008	390,302	200,903	40,379

2014 in € thousand	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Interest income	240	72,839	4,929	2,155
Interest expenses	166	(42,693)	(25,253)	(1,261)
Dividends income	0	17,077	0	3,179
Fee and commission income	92	21,641	1,467	82
Fee and commission expense	(11)	(547)	(296)	(595)

2013 in € thousand	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Interest income	197	65,186	5,148	3,169
Interest expenses	139	(93,786)	(30,197)	(2,102)
Dividends income	0	8,860	122	3,994
Fee and commission income	24	12,951	880	168
Fee and commission expense	0	(310)	(213)	(430)

(53) Relations to key management

Group relations of key management

Key management refers to the members of the Management Board and the Supervisory Board of RBI AG, the parent company and Raiffeisen Zentralbank Österreich Aktiengesellschaft, the major shareholder. Relations of key management to RBI are as follows (respective fair values):

in € thousand	2014	2013
Sight deposits	1,000	1
Bonds	1,203	1,354
Shares	1,193	2,171
Time deposits	41	27
Loans	0	2
Leasing liabilities	591	578

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

in € thousand	2014	2013
Shares	2	5
Bonds	21	81
Time deposits	122	46
Leasing liabilities	33	33

There is no compensation agreed between the company and its members of the Management Board and Supervisory Board or employees in the case of a takeover bid.

Remuneration of members of the Management Board

The following table shows total remuneration of the members of the Management Board according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards (IAS 19 and IFRS 2):

in € thousand	2014	2013
Short-term employee benefits	7,221	7,878
Post-employment benefits	2,007	506
Other long-term benefits	(594)	2,064
Termination benefits	0	0
Share based payments	196	618
Total	**8,830**	**11,066**

Short-term employee benefits shown in the above table contain salaries and benefits in kind and other benefits, remunerations for membership of board in affiliated companies and those parts of the bonuses which become due for the short term. Furthermore, changes possibly arising from the difference between the bonus provision and the later awarded bonus are also contained.

Post-employment beneifts comprise payments to pension funds, business insurances and payments according to Retirement Plan Act (Mitarbeitervorsorgegesetz) as well as net allocations to provisions for retirement benefits and severance payments.

Other long-term benefits contains portions of the provision for bonus payments regarding deferred bonus portions in cash and retained portion payable in instruments. For the latter, valuation changes due to currency fluctuations are taken into account.

Bonus calculation is linked to the achievement of the Group objectives regarding profit after tax, return on risk adjusted capital (RORAC), cost/income ratio and to the achievement of personal objectives that are agreed upon annually. Payment is done according to the current regulations of the Austrian Banking Act (BWG), executed in the internal regulations (see employee compensation plans under the chapter recognition and measurement principles).

Share-based payments comprises adaptions for the SIP tranches launched in 2013 (see share-based remuneration in the notes under (34) Equity.

To former members of the Management Board and to their surviving dependants € 103 thousand (2013: € 0 thousand) was paid.

Remuneration of members of the Supervisory Board

in € thousand	2014	2013
Remunerations Supervisory Board	550	550

The Annual General Meeting held on 4 June 2014 decided an annual remuneration for the members of the Supervisory Board of € 550 thousand and transferred the distribution to the Board itself. The members of the Supervisory Board settled the distribution in their meeting on 4 June 2014 as follows: Chairman € 70 thousand, Deputy Chairman € 60 thousand, members of the Supervisory Board € 50 thousand. Session fees are not paid.

Thus, in the financial year, € 550 thousand (2013: € 550 thousand) was paid to the members of the Supervisory Board.

Moreover, no contracts subject to approval in the meaning of Section 95 (5) item 12 Austrian Joint Stock Company Act (AktG) were concluded with members of the Supervisory Board in the financial year 2014.

(54) Boards

Management Board

The Management Board of RBI AG is as follows:

Members of the Management Board	First assignment	End of period
Karl Sevelda, Chairman[1]	22 September 2010[1]	30 June 2017
Johann Strobl, Deputy Chairman[4]	22 September 2010[1]	30 June 2017
Aris Bogdaneris	1 October 2004	31 December 2015
Klemens Breuer	16 April 2012	31 December 2015
Martin Grüll	3 January 2005	30 June 2017
Peter Lennkh	1 October 2004	31 December 2015

1 Effective as of 10 October 2010.

Supervisory Board

Members of the Supervisory Board	First assignment	End of period
Walter Rothensteiner, Chairman	11 May 2001	AGM 2016
Erwin Hameseder, 1st Deputy Chairman	8 July 2010[1]	AGM 2015
Heinrich Schaller, 2nd Deputy Chairman	20 June 2012	AGM 2017
Markus Mair, 3rd Deputy Chairman	8 July 2010[1]	4 June 2014
Martin Schaller, 3rd Deputy Chairman	4 June 2014	AGM 2019
Klaus Buchleitner	26 June 2013	AGM 2015
Stewart D. Gager	24 January 2005	AGM 2014
Bettina Selden	4 June 2014	AGM 2019
Kurt Geiger[2]	9 June 2009	AGM 2019
Günther Reibersdorfer	20 June 2012	AGM 2017
Johannes Schuster	8 July 2010[1]	AGM 2015
Christian Teufl	8 July 2010[1]	31 December 2014
Martin Prater[3]	10 October 2010	Until further notice
Rudolf Kortenhof[3]	10 October 2010	Until further notice
Peter Anzeletti-Reikl[3]	10 October 2010	Until further notice
Suanne Unger[3]	18 January 2012	Until further notice
Helge Rechberger[3]	10 October 2010	Until further notice

1 Effective as of 10 October 2010.
2 Geiger was again elected as member of the Supervisory Board in the Annual General Meeting held on 4 June 2014.
3 Staff council delegates.

Committees of the Supervisory Board

The committees of the Supervisory Board of RBI AG are as follows:

Members of the Supervisory Board	Working Committee	Audit Committee	Personnel Committee	Remuneration Committee	Risk Committee	Nomination Committee
Walter Rothensteiner	Chairman	Chairman	Chairman	Chairman	Chairman	Chairman
Erwin Hameseder	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman
Heinrich Schaller	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman
Markus Mair (til 4 June 2014)	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	–	–
Martin Schaller (since 17 September 2014)	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman
Johannes Schuster	Member	Member	Member	Member	Member	Member
Martin Prater	Member	Member	–	Member	Member	Member
Rudolf Kortenhof	Member	Member	–	Member	Member	Member
Peter Anzeletti-Reikl	Member	Member	–	Member	Member	Member

Project Committee:
In the meeting held on 21 Janaury 2014, the Supervisory Board estabilshed a temporary Project Committee for further resolution in concerns regarding the capital increase of RBI AG. The members were the following: Walter Rothensteiner, Erwin Hameseder, Heinrich Schaller, Johannes Schuster, Martin Prater and Rudolf Kortenhof. The Project Committee was especially authorized to decide on the approval of determining the volume of the capital increase, the shareholder´s subscription rights and the subscription and offer price and work out the related adaptions to the articles of incorporation. After arranging the relevant decisions the activity of the Project Committee was finished as at 10 February 2014.

State Commissioners

- Alfred Lejsek, State Commissioner (since 1 January 2011)
- Anton Matzinger, Deputy State Commissioner (since 1 April 2011)

(55) Subsequent events

Strategic measures to strengthen capital ratios

In February 2015, RBI resolved to take a number of steps to increase capital buffers. The measures are intended to facilitate an improvement in the CET1 ratio (fully loaded) to 12 per cent by the end of 2017, compared to 10 per cent at the end of 2014. The planned steps will affect a number of operations across RBI, in particular those areas which generate low returns, have high capital consumption or are of limited strategic fit.

The measures to be implemented include sale of the operations in Poland and Slovenia, as well as the direct banking unit Zuno. Exposure to the Russian market is to be reduced, with a risk-weighted asset (total RWA) reduction of approximately 20 per cent planned by the end of 2017 (total RWA as at 31.12.2014: € 8.4 billion). A reduction in exposure is also foreseen in Ukraine, where total RWA will be decreased by approximately 30 per cent by the end of 2017 (total RWA as at 31.12.2014: € 3.0 billion). In Hungary further optimization of the operation will be undertaken. As part of the drive to increase Group focus on the CEE region, operations are to be significantly scaled back or exited in Asia by the end of 2017 and in the US by the end of 2016.

The implementation of these measures will result in an aggregate gross RWA reduction in the selected markets of approximately € 16 billion by the end of 2017 (total RWA as at 31.12.2014: € 68.7 billion). The total gross reduction from the end of the third quarter 2014 to the end of 2017 will amount to approximately € 26 billion.

The reduction is expected to be partially offset by growth in other business areas.

Currency devaluations at the beginning of 2015

At the beginning of 2015, changes to the Ukrainian National Bank's monetary policy led to a slump. By the end of February, the Ukrainian hyvrnia had lost 37 per cent. This will have an effect on RBI's loan portfolio; however, this has only little impact on RBI's capital position.

At the beginning of the year, Belarus devalued the Belarusian rouble (BYR) by around 20 per cent. This was a result of the currency turbulence in Russia at the end of 2014. The Belarusian economy is strongly linked to the Russian's. As Priorbank's capital is partly secured through an economic hedge this has little impact on the capital position.

The appreciation of the Swiss franc (CHF) against the euro, following the withdrawal of the Swiss National Bank's exchange rate peg, had a negative effect on RBI's CHF-denominated foreign currency loans. RBI's portfolio of these loans is approximately € 4 billion, € 2.8 billion of which are in Poland. Overall, the short-term impact on RBI is deemed low.

(56) Group composition

Consolidated group

Number of units	Fully consolidated 2014	2013	Equity method 2014	2013
As at beginning of period	**143**	**137**	**1**	**1**
Included in the course of merger	0	0		0
Included for the first time in the financial period	10	14	0	0
Merged in the financial period	0	(1)	0	0
Excluded in the financial period	(18)	(7)	1	0
As at end of period	**135**	**143**	**0**	**1**

Of the 135 entities in the Group, 35 are domiciled in Austria (2013: 36) and 100 abroad (2013: 107). They comprise 20 banks, 66 financial institutions, 25 companies rendering bank-related ancillary services, 9 financial holding companies and 15 other companies.

Included units

Name, domicile	Share	Included as of	Reason
Financial institutions			
RB International Markets (USA) LLC, New York (US)	100.0%	1/1	Materiality
RB International Investment Asia Limited, Labuan (MY)	100.0%	1/1	Materiality
Compass Variety Funding Limited, Dublin (IE)	0.0%	1/1	Materiality
FWR Russia Funding B.V., Amsterdam (NL)	0.0%	1/7	Start of operations
Infrastruktur Heilbad Sauerbrunn GmbH, Vienna (AT)	55.7%	1/9	Materiality
Infrastruktur Heilbad Sauerbrunn RBI-Leasing GmbH & Co.KG., Bad Sauerbrunn (AT)	55.7%	1/9	Materiality
Banks			
Raiffeisen stambena stedionica d.d., Zagreb (HR)	100.0%	1/7	Purchase
Other companies			
Raiffeisen Real Estate Fund, Budapest (HU)	78.8%	30/11	Materiality
AMYKOS RBI Leasing-Immobilien GmbH, Vienna (AT)	81.3%	1/12	Materiality
ROOF Poland Leasing 2014 Ltd, Dublin (IE)	0.0%	1/6	Start of operations

Excluded units

Name, domicile	Share	Excluded as of	Reason
Financial institutions			
ROOF Consumer Bulgaria 2007 - 1 B.V., Amsterdam (NL)	0.0%	31/1	Immaterial
RLRE Beta Property, s.r.o., Prague (CZ)	75.0%	31/1	Immaterial
RLRE Hotel Ellen, s.r.o., Prague (CZ)	75.0%	31/1	Immaterial
RLRE Eta Property, s.r.o., Prague (CZ)	75.0%	31/1	Immaterial
Iris Property, s.r.o., Prague (CZ)	75.0%	31/1	Immaterial
RLRE Jota Property, s.r.o., Prague (CZ)	75.0%	31/1	Immaterial
RLRE Orion Property s.r.o., Prague (CZ)	75.0%	31/1	Immaterial
Sirius Property, s.r.o., Prague (CZ)	75.0%	31/1	Immaterial
RLRE Ypsilon Property, s.r.o., Prague (CZ)	37.5%	31/1	Immaterial
RZB Finance (Jersey) II Ltd, St. Helier (JE)	100.0%	31/8	End of operations
Banks			
Raiffeisen Malta Bank plc., Sliema (MT)	100.0%	30/6	Sale
Providers of ancillary services			
LLC "R1", Novosibirsk (RU)	60.8%	30/4	Sale
LLC "R2", Novosibirsk (RU)	100.0%	30/6	Liquidation
Other companies			
Phoenix Property, s.r.o., Prague (CZ)	75.0%	31/1	Immaterial
Larus Handels- und BeteiligungsgmbH, Vienna (AT)	100.0%	31/3	Sale
F.J. Elsner & Co. Gesellschaft mbH, Vienna (AT)	100.0%	31/3	Sale
F.J. Elsner Trading Gesellschaft m.b.H., Vienna (AT)	100.0%	31/3	Sale
P & C Beteiligungs Gesellschaft m.b.H., Vienna (AT)	60.8%	30/9	Immaterial

Income arising from disposal of Group assets:

in € thousand	ELSNER-Group	RBMT	Others	Total
Assets	70,227	102,939	77,764	250,931
Liabilities	57,736	649	78,276	136,661
Total identifiable net assets	**12,491**	**102,290**	**(511)**	**114,270**
Non-controlling interests	0	0	3	3
Net assets after non-controlling interests	**12,491**	**102,290**	**(508)**	**114,273**
Goodwill	0	0	0	0
Goodwill/Badwill from exchange differences	0	0	0	0
Selling price/carrying amount	1,229	102,790	499	104,519
Net income from disposal of group assets	**(11,261)**	**500**	**1,007**	**(9,755)**

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

The liquidity effect of the sold Group unit amounted to € 92,786 thousand, mainly resulting from Raiffeisen Malta Bank.

Consolidated subsidiaries where RBI holds, indirectly, less than 50 per cent of the ordinary voting shares

The Group controls the following types of entities, even though it holds less than half of the voting rights.

Structured entities

Name, domicile	Share	Reason
Raiffeisen Real Estate Fund, Budapest (HU)	0.0%	Fund
Compass Variety Funding Limited, Dublin (IE)	0.0%	SPV
CJSC Mortgage Agent Raiffeisen 01, Moscow (RU)	0.0%	SPV
Roof Russia DPR Finance Company S.A., Luxembourg (LU)	0.0%	SPV
ROOF Poland Leasing 2014 Ltd, Dublin (IE)	0.0%	SPV
Roof Russia S.A., 2520 Luxembourg (LU)	0.0%	SPV
FWR Russia Funding B.V., Amsterdam (NL)	0.0%	SPV

The above entities are consolidated as they are either special purpose vehicles or funds set up by the Group. The Group is exposed to variability in returns from the vehicles from activities such as holding securities in the vehicles or issuing financial guarantees and the Group has the power to influence the relevant activities of these entities. These entities primarily run on 'auto-pilot' with the day to day business activities being performed by the Group by way of a Service Agreement.

De-facto control

Name, domicile	Share	Reason
OOO "Kvadro", Tomsk (RU)	0.0%	Management influence
Bondy Centrum, s.r.o., Prague (CZ)	37.5%	Management influence

The above entities are consolidated as the Group has de facto control over the entities arising due to the Group's ability to elect members of the management of the entity without contractual agreements and to govern the entity by concluding material business.

Subsidiaries not consolidated where RBI holds, indirectly, more than 50 per cent of the ordinary voting shares

Because of their minor importance in giving a view of the Group's assets, financial and earnings position 222 subsidiaries were not included in the consolidated financial statements (2013: 251). They are recognized at cost under financial investments at cost and are assigned to measurement category available-for-sale. Total assets of the companies not included came to less than 1 per cent of the Group's aggregated total assets.

List of fully consolidated companies

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
AMYKOS RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	81.3%	OT
AO Raiffeisenbank, Moscow (RU)	36,711,260,000	RUB	100.0%	BA
BAILE Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	FI
Baumgartner Höhe RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	81.3%	FI
Bondy Centrum, s.r.o., Prague (CZ)	200,000	CZK	37.5%	OT
BUILDING BUSINESS CENTER DOO NOVI SAD, Novi Sad (RS)	559,220,792	RSD	100.0%	FI
Bulevard Centar BBC Holding d.o.o., Belgrade (RS)	63,708	RSD	100.0%	BR
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	2,820,000	RON	100.0%	BR
Centrotrade Chemicals AG, Zug (CH)	5,000,000	CHF	100.0%	OT
Centrotrade Commodities Malaysia Sdn Bhd, Kuala Lumpur (MY)	1,400,000	MYR	100.0%	OT
Centrotrade Deutschland GmbH, Eschborn (DE)	1,000,000	EUR	100.0%	OT
Centrotrade Holding AG, Vienna (AT)	3,000,000	EUR	100.0%	OT
Centrotrade Minerals & Metals Inc., Chesapeake (US)	2,000	USD	100.0%	OT
Centrotrade Singapore Pte. Ltd., Singapore (SG)	500,000	SGD	100.0%	OT
CINOVA RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	81.3%	FI
CJSC Mortgage Agent Raiffeisen 01, Moscow (RU)	10,000	RUB	0.0%	BR
Closed Joint Stock Company Non-state pension fund Raiffeisen, Moscow (RU)	275,000,000	RUB	75.0%	FI
Compass Variety Funding Limited, Dublin (IE)	1	EUR	0.0%	FI
DAV Holding Ltd., Budapest (HU)	3,020,000	HUF	100.0%	FI
Eastern European Invest GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Eastern European Invest Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
ELIOT, a.s., Bratislava (SK)	21,420,423	EUR	78.8%	BR
FCC Office Building SRL, Bucharest (RO)	30,298,500	RON	100.0%	BR
Floreasca City Center Verwaltung Kft., Budapest (HU)	41,000	HUF	100.0%	FI
Gaia Property, s.r.o., Prague (CZ)	200,000	CZK	75.0%	OT
Golden Rainbow International Limited, Tortola (VG)	1	EUR	100.0%	FI
Harmadik Vagyonkezelő Kft., Budapest (HU)	3,100,000	HUF	100.0%	BR
Infrastruktur Heilbad Sauerbrunn GmbH, Vienna (AT)	35,000	EUR	81.3%	FI
Infrastruktur Heilbad Sauerbrunn RBI-Leasing GmbH & Co.KG., Bad Sauerbrunn (AT)	0	EUR	81.3%	FI
JLLC "Raiffeisen-leasing", Minsk (BY)	4,300,250,000	BYR	83.9%	FI
Kathrein & Co. Vermögensverwaltung GmbH, Vienna (AT)	125,000	EUR	100.0%	FI
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	20,000,000	EUR	100.0%	BA
Lexxus Services Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Limited Liability Company Raiffeisen Leasing Aval, Kiev (UA)	180,208,527	UAH	93.5%	FI
LLC "ARES Nedvizhimost", Moscow (RU)	10,000	RUB	50.0%	BR
OOO "Kvadro", Tomsk (RU)	10,000	RUB	0.0%	BR
OOO "Tkatskoye", Moscow (RU)	73,300,000	RUB	100.0%	BR
OOO Raiffeisen-Leasing, Moscow (RU)	1,071,000,000	RUB	87.5%	FI
OOO RB Obligatsii, Moscow (RU)	10,000	RUB	100.0%	FI
Park City real estate Holding d.o.o., Novi Sad (RS)	63,708	RSD	100.0%	BR
PERSES RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	81.3%	FI
Pointon Investment Limited, Limassol (CY)	2,000	RUB	100.0%	BR
Priorbank JSC, Minsk (BY)	412,279,277,350	BYR	87.7%	BA
Raiffeisen Bank Aval JSC, Kiev (UA)	3,002,774,908	UAH	96.2%	BA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	247,167,000	BAM	100.0%	BA
Raiffeisen Bank Kosovo J.S.C., Pristina (KO)	63,000,000	EUR	100.0%	BA
Raiffeisen Bank Polska S.A., Warsaw (PL)	2,256,683,400	PLN	100.0%	BA
Raiffeisen Bank S.A., Bucharest (RO)	1,200,000,000	RON	99.9%	BA
Raiffeisen Bank Sh.a., Tirana (AL)	14,178,593,030	ALL	100.0%	BA
Raiffeisen Bank Zrt., Budapest (HU)	50,000,080,000	HUF	100.0%	BA

1 Less own shares.
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, SC Securities firms.

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
Raiffeisen banka a.d., Belgrade (RS)	27,466,157,580	RSD	100.0%	BA
Raiffeisen Banka d.d., Maribor (SI)	46,824,564	EUR	99.7%	BA
Raiffeisen Biztosításközvetítö Kft., Budapest (HU)	5,000,000	HUF	100.0%	BR
Raiffeisen CEE Region Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen Centrobank AG, Vienna (AT)	47,598,850	EUR	100.0%	BA
Raiffeisen CIS Region Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen Energiaszolgáltató Kft., Budapest (HU)	500,000	HUF	87.5%	OT
Raiffeisen Factoring Ltd., Zagreb (HR)	15,000,000	HRK	100.0%	FI
Raiffeisen FinCorp, s.r.o., Prague (CZ)	200,000	CZK	75.0%	FI
Raiffeisen Gazdasági Szolgáltató Zrt., Budapest (HU)	20,100,000	HUF	100.0%	FI
Raiffeisen Ingatlan Vagyonkezelő Kft., Budapest (HU)	3,100,000	HUF	100.0%	BR
Raiffeisen Insurance Agency Sp.z.o.o, Warsaw (PL)	200,000	PLN	100.0%	BR
RAIFFEISEN INSURANCE BROKER EOOD, Sofia (BG)	5,000	BGN	100.0%	BR
Raiffeisen International Invest Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen International Liegenschaftsbesitz GmbH, Vienna (AT)	35,000	EUR	100.0%	BR
Raiffeisen Investment Advisory GmbH, Vienna (AT)	730,000	EUR	100.0%	FI
Raiffeisen Investment Financial Advisory Services Ltd. Co., Istanbul (TR)	70,000	TRY	99.0%	FI
Raiffeisen Investment Ltd., Moscow (RU)	47,904,192	RUB	100.0%	FI
Raiffeisen Investment Polska sp.z.o.o., Warsaw (PL)	3,024,000	PLN	100.0%	FI
Raiffeisen Investment Romania LLC - in liquidation, Bucharest (RO)	159,130	RON	100.0%	FI
Raiffeisen Leasing Bulgaria OOD, Sofia (BG)	5,900,000	BGN	81.1%	FI
Raiffeisen Leasing d.o.o. Sarajevo, Sarajevo (BA)	15,405,899	BAM	87.2%	FI
Raiffeisen Leasing d.o.o., Belgrade (RS)	226,389,900	RSD	87.5%	FI
Raiffeisen Leasing d.o.o., Ljubljana (SI)	3,738,107	EUR	75.0%	FI
Raiffeisen Leasing IFN S.A., Bucharest (RO)	14,935,400	RON	87.5%	FI
Raiffeisen Leasing Kosovo LLC, Pristina (KO)	642,857	EUR	92.5%	FI
Raiffeisen Leasing sh.a., Tirana (AL)	263,520,134	ALL	93.8%	FI
Raiffeisen Lízing Zrt., Budapest (HU)	51,500,000	HUF	87.5%	FI
Raiffeisen Mandatory and Voluntary Pension Funds Management Company Plc., Zagreb (HR)	143,445,300	HRK	100.0%	FI
Raiffeisen Property Holding International GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen Property International GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Raiffeisen Real Estate Fund, Budapest (HU)	0	HUF	0.0%	FI
Raiffeisen Rent DOO, Belgrade (RS)	243,099,913	RSD	75.0%	FI
Raiffeisen RS Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen SEE Region Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen stambena stedionica d.d., Zagreb (HR)	180,000,000	HRK	100.0%	BA
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	603,447,952	BGN	100.0%	BA
Raiffeisenbank a.s., Prague (CZ)	11,060,800,000	CZK	75.0%	BA
Raiffeisenbank Austria d.d., Zagreb (HR)	3,621,432,000	HRK	100.0%	BA
Raiffeisen-Leasing d.o.o., Zagreb (HR)	30,000,000	HRK	87.5%	FI
Raiffeisen-Leasing International Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	75.0%	FI
Raiffeisen-Leasing Polska S.A., Warsaw (PL)	150,003,800	PLN	100.0%	FI
RAIFFEISEN-LEASING REAL ESTATE Sp. z o.o., Warsaw (PL)	50,000	PLN	100.0%	FI
Raiffeisen-Leasing Real Estate, s.r.o., Prague (CZ)	10,000,000	CZK	75.0%	FI
Raiffeisen-Leasing, s.r.o., Prague (CZ)	440,000,000	CZK	75.0%	FI
Raiffeisen-RBHU Holding GmbH, Vienna (AT)	236,640	EUR	100.0%	FH
RB International Finance (Hong Kong) Ltd., Hong Kong (HK)	10,000,000	HKD	100.0%	FI
RB International Finance (USA) LLC, New York (US)	1,510,000	USD	100.0%	FI
RB International Investment Asia Limited, Labuan (MY)	1	USD	100.0%	FI
RB International Markets (USA) LLC, New York (US)	8,000,000	USD	100.0%	FI

1 Less own shares.
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, SC Securities firms.

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
RB Kereskedhőáz Kft., Budapest (HU)	4,000,000	HUF	100.0%	BR
RBI KI Beteiligungs GmbH, Vienna (AT)	48,000	EUR	100.0%	FH
RBI IB Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
RBI LEA Beteiligungs GmbH, Vienna (AT)	70,000	EUR	100.0%	FI
RBI Leasing GmbH, Vienna (AT)	100,000	EUR	81.3%	FI
RBI LGG Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
REC Alpha LLC, Kiev (UA)	267,643,204	UAH	100.0%	BR
Regional Card Processing Center s.r.o., Bratislava (SK)	539,465	EUR	100.0%	BR
RI Eastern European Finance B.V., Amsterdam (NL)	400,000	EUR	100.0%	FI
RIRE Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	BR
RLI Holding Gesellschaft m.b.H., Vienna (AT)	40,000	EUR	75.0%	FI
RLRE Dorado Property, s.r.o., Prague (CZ)	200,000	CZK	75.0%	OT
ROOF Poland Leasing 2014 Ltd, Dublin (IE)	1	EUR	0.0%	OT
Roof Russia DPR Finance Company S.A., Luxembourg (LU)	50,000	EUR	0.0%	OT
Roof Russia S.A., Luxembourg (LU)	31,000	RUB	0.0%	FI
RSC Raiffeisen Service Center GmbH, Vienna (AT)	2,000,000	EUR	51.9%	BR
FWR Russia Funding B.V., Amsterdam (NL)	1	EUR	0.0%	BR
RZB Finance (Jersey) III Ltd, St Helier (JE)	1,000	EUR	100.0%	FI
RZB Finance (Jersey) IV Limited, St Helier (JE)	2,000	EUR	100.0%	FI
S.C. PLUSFINANCE ESTATE 1 S.R.L., Bucharest (RO)	13,743,340	RON	100.0%	BR
SCTAI Angol Iskola Ingatlanfejlesztő és Ingatlanhasznosító Kft., Budapest (HU)	3,000,000	HUF	90.3%	FI
SCTF Szentendre Ingatlanforgalmazó és Ingatlanfejlesztő Kft., Budapest (HU)	3,000,000	HUF	100.0%	FI
SCTJ Ingatlanfejlesztő és Ingatlanhasznosító Kft., Budapest (HU)	3,100,000	HUF	100.0%	FI
SCTS Kft., Budapest (HU)	3,100,000	HUF	100.0%	OT
'S-SPV'' d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	87.2%	FI
Tatra Asset Management, správ. spol., a.s., Bratislava (SK)	1,659,700	EUR	78.8%	FI
Tatra banka, a.s., Bratislava (SK)	64,326,228	EUR	78.8%	BA
Tatra Residence, s. r. o., Bratislava (SK)	23,143,519	EUR	78.8%	BR
Tatra-Leasing, s.r.o., Bratislava (SK)	6,638,784	EUR	76.8%	FI
TOO Raiffeisen Leasing Kazakhstan, Almaty (KZ)	85,800,000	KZT	75.0%	FI
Ukrainian Processing Center PJSC, Kyiv (UA)	180,000	UAH	100.0%	BR
Viktor Property, s.r.o., Prague (CZ)	200,000	CZK	75.0%	OT
Vindalo Properties Limited, Limassol (CY)	1,710	RUB	100.0%	BR
ZUNO BANK AG, Vienna (AT)	5,000,000	EUR	100.0%	BA

1 Less own shares.
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, SC Securities firms.

Structured units

The following tables show, by type of structured entity, the carrying amounts of the Group's interests recognized in the consolidated statement of financial position as well as the maximum exposure to loss resulting from these interests. The carrying amounts presented below do not reflect the true variability of returns faced by the Group because they do not take into account the effects of collateral or hedges.

Assets

2014 in € thousand	Loans and advances	Equities	Debt instruments	Derivatives
Securitization vehicles	270,214	0	670,325	0
Third party funding entities	87,994	1,730	0	22
Funds	0	26,269	0	0
Total	**358,208**	**27,999**	**670,325**	**22**

Liabilities

2014 in € thousand	Deposits	Equities	Debt securities issued	Derivatives
Securitization vehicles	25,125	0	0	0
Third party funding entities	72,178	0	0	1,321
Total	**97,303**	**0**	**0**	**1,321**

Nature, purpose and extent of the Group's interests in non-consolidated structured entities

The Group engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- Restricted activities;
- A narrow and well defined objective;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The principal uses of structured entities are to provide clients with access to specific portfolios of assets and to provide market liquidity for clients through securitizing financial assets. Structured entities may be established as corporations, trusts or partnerships. Structured entities generally finance the purchase of assets by issuing debt and equity securities that are collateralized by and/or indexed to the assets held by the structured entities.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicate that the structured entities are controlled by the Group.

Below is a description of the Group's involvements in non-consolidated structured entities by type.

Third party funding entities

The Group provides funding to structured entities that hold a variety of assets. These entities may take the form of funding entities, trusts and private investment companies. The funding is collateralized by the asset in the structured entities. The group's involvement involves predominantly lending.

Securitization vehicles

The Group establishes securitization vehicles which purchase diversified pools of assets, including fixed income securities, corporate loans, and asset-backed securities (predominantly commercial and residential mortgage-backed securities and credit card receivables). The vehicles fund these purchases by issuing multiple tranches of debt and equity securities, the repayment of which is linked to the performance of the assets in the vehicles.

The Group often transfers assets to these securitization vehicles and provide financial support to these entities in the form of liquidity facilities.

Funds

The Group establishes structured entities to accommodate client requirements to hold investments in specific assets. The Group also invests in funds that are sponsored by third parties. A group entity may act as fund manager, custodian or some other capacity and provide funding and liquidity facilities to both group sponsored and third party funds. The funding provided is collateralized by the underlying assets held by the fund.

Maximum exposure to and size of non-consolidated structured entities

The maximum exposure to loss is determined by considering the nature of the interest in the non-consolidated structured entity. The maximum exposure for loans and trading instruments is reflected by their carrying amounts in the consolidated statement of financial position. The maximum exposure for derivatives and instruments off the statement of financial position such as guarantees, liquidity facilities and loan commitments under IFRS 12, as interpreted by the Group, is reflected by the notional amounts. Such amounts do not reflect the economic risks faced by the Group because they do not take into account the effects of collateral or hedges nor the probability of such losses being incurred. At December 31, 2014, the notional related replacement values of derivatives and instruments off the statement of financial position were € 30,352 thousand and € 136,782 thousand respectively. Size information of structured entities is not always publically available therefore the Group has determined that its exposure is an appropriate guide to size.

Financial support

The Group did not provide non-contractual support during the year to non-consolidated structured entities.

Sponsored structured entities

As a sponsor, the Group is often involved in the legal set up and marketing of the entity and supports the entity in different ways such as providing operational support to ensure the entity's continued operation

The Group is also deemed a sponsor for a structured entity if market participants would reasonably associate the entity with the Group. Additionally, the use of the Raiffeisen name for the structured entity often indicates that the Group has acted as a sponsor.

The gross revenues from sponsored entities for the year ending December 31, 2014 amounted to € 22,074 thousand.

No assets have been transferred to sponsored non-consolidated structured entities in 2014.

(57) List of equity participations

Other non-consolidated subsidiaries

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
"A-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	FI
"Immobilien Invest" Limited Liability Company, Moscow (RU)	10,000	RUB	100.0%	BR
"K-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	FI
Abies Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Afrodite Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
ALT POHLEDY s.r.o., Prague (CZ)	84,657,000	CZK	100.0%	OT
Amfion Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Appolon Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Aspius Immobilien Holding International GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Astra Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Athena Property, s.r.o. v likvidaci, Prague (CZ)	200,000	CZK	100.0%	OT
BA Development II., s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
BA Development, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
BUTÁR Gazdasági Szolgáltató Kft., Erd (HU)	3,000,000	HUF	100.0%	BR
BUXUS Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Cassie Gain Investments Limited, Road Town (VG)	1	USD	100.0%	OT
CEE PRIVATE EQUITY FUND LIMITED PARTNERSHIP, St Helier (JE)	10,284	EUR	19.9%	FI
Centro Asset Management Limited, St Helier (JE)	10,000	GBP	100.0%	FI
Chronos Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
CP Inlandsimmobilien-Holding GmbH, Vienna (AT)	364,000	EUR	99.0%	OT
CP Linzerstraße 221-227 Projektentwicklungs GmbH, Vienna (AT)	37,000	EUR	99.0%	OT
CP Logistikcenter Errichtungs- und Verwaltungs GmbH, Vienna (AT)	37,000	EUR	98.0%	OT
CP Projekte Muthgasse Entwicklungs GmbH, Vienna (AT)	40,000	EUR	99.0%	OT
Credibilis a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
CRISTAL PALACE Property s.r.o., Prague (CZ)	595,027	CZK	100.0%	FI
Dafne Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
DAV Management Kft., Budapest (HU)	3,010,000	HUF	100.0%	BR
DAV-ESTATE Kft., Budapest (HU)	3,010,000	HUF	100.0%	BR
DAV-LAND Kft., Budapest (HU)	3,010,000	HUF	100.0%	BR
DAV-OUTLET Kft., Budapest (HU)	3,010,000	HUF	100.0%	FI
DAV-PROPERTY Kft., Budapest (HU)	3,000,000	HUF	100.0%	BR
Dike Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Dione Property s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Dom-office 2000, Minsk (BY)	2,834,781,000	BYR	100.0%	OT
Doplnková dôchodková spolocnost Tatra banky, a.s., Bratislava (SK)	1,659,700	EUR	100.0%	FI
DORISCUS ENTERPRISES LTD., Limassol (CY)	18,643,400	EUR	86.6%	OT
Dubravcice, s.r.o., Bratislava (SK)	5,000	EUR	100.0%	FI
Elektrarna Dynin s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Eris Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
"E-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	FI
EUDOXUS s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Euro Green Energy Fejlesztő és Szolgáltató Kft., Budapest (HU)	21,000,000	HUF	100.0%	OT
Eurolease RE Leasing, s. r. o., Bratislava (SK)	6,125,256	EUR	100.0%	OT
Euros Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Exit 90 SPV s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Expo 2000 Real Estate EOOD, Sofia (BG)	10,000	BGN	100.0%	OT
Extra Year Investments Limited, Tortola (VG)	50,000	USD	100.0%	FH
FAGUS Beteiligungs GmbH in liquidation, Vienna (AT)	35,000	EUR	100.0%	OT
FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	OT
FMK Fachmarktcenter Kohlbruck Betriebs GmbH, Eschborn (DE)	30,678	EUR	0.0%	FI

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, SC Securities firms.

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Forkys Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
FORZA SOLE s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
FVE Cihelna s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Gala Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Gergely u. Ingatlanfejlesztő Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
GS55 Sazovice s.r.o., Prague (CZ)	15,558,000	CZK	100.0%	OT
Hebe Property, s.r.o., Prague (CZ)	200,000	CZK	95.0%	OT
Hermes Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Holeckova Property s.r.o., Prague (CZ)	210,000	CZK	100.0%	FI
Humanitarian Fund ''Budimir Bosko Kostic'', Belgrade (RS)	30,000	RSD	100.0%	OT
HYPO Capital Management AG, Vienna (AT)	1,000,000	EUR	100.0%	FI
ICS Raiffeisen Leasing s.r.l, Chisinau (MD)	8,307,535	MDL	100.0%	FI
INFRA MI 1 Immobilien Gesellschaft mbH, Vienna (AT)	1,000,000	EUR	100.0%	OT
Ino Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Invest Vermögensverwaltungs-GmbH, Vienna (AT)	73,000	EUR	98.0%	OT
Iris Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Janus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
JV Developer Invest Ltd., Mogilev (BY)	2,400,000	BYR	99.0%	FI
Kalypso Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Kathrein & Co Life Settlement Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	OT
Kathrein & Co. I Vermögensverwaltungs GmbH - in liquidation, Munich (DE)	25,000	EUR	100.0%	OT
Kathrein & Co. Trust Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
KIWANDA Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Konevova s.r.o., Prague (CZ)	50,000,000	CZK	10.0%	BR
Leasing Poland Sp.z.o.o., Warsaw (PL)	19,769,500	PLN	100.0%	FI
Leto Property, s.r.o., Prague (CZ)	200,000	CZK	77.0%	OT
Limited Liability Company European Insurance Agency, Moscow (RU)	120,000	RUB	100.0%	OT
Limited Liability Company REC GAMMA, Kiev (UA)	49,015,000	UAH	100.0%	BR
Logisticky areal Hostivar, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
LOTA Handels- und Beteiligungs-GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Luna Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Maharal Hotels, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Mall Varna EAD, Sofia (BG)	146,700,000	BGN	100.0%	OT
MAMONT GmbH, Kiev (UA)	44,000	UAH	100.0%	OT
Médea Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
MENARAI Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Michalka - Sun s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
MORHUA Handels- und Beteiligungs GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
MOVEO Raiffeisen-Leasing GmbH, Vienna (AT)	35,000	EUR	51.0%	FI
MP Real Invest a.s., Bratislava (SK)	140,000,000	EUR	100.0%	OT
Na Starce, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
NAURU Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
NC Ivancice s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Neptun Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Nike Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Niobe Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Nußdorf Immobilienverwaltung GmbH, Vienna (AT)	36,336	EUR	98.5%	OT
Onyx Energy Projekt II s.r.o., Prague (CZ)	210,000	CZK	100.0%	OT
Onyx Energy s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
OOO "Cplus", Moscow (RU)	20,000	RUB	100.0%	SC

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Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
OOO "Vneshleasing", Moscow (RU)	131,770	RUB	100.0%	FI
OOO Raiffeisen Capital Asset Management Company, Moscow (RU)	225,000,000	RUB	100.0%	FI
Orchideus Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Ötödik Vagyonkezelő Kft., Budapest (HU)	3,010,000	HUF	100.0%	FI
P & C Beteiligungs Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	OT
Perun Capital GmbH & Co KG, CEE Value Creation, Vienna (AT)	20,000	EUR	100.0%	OT
Perun Capital GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Perun Capital GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Phoenix Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon Energie s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 10 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 11 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 3 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 4 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 6 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 8 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
PILSENINEST, uzavreny investicni fond, a.s., Prague (CZ)	212,000,000	CZK	0.0%	OT
PLUSFINANCE LAND S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
PLUSFINANCE OFFICE S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
PLUSFINANCE RESIDENTIAL S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
PMC SPINDLERUV MLYN s.r.o., Hradec Kralove (CZ)	100,000	CZK	100.0%	OT
Pontos Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Priapos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Pro Invest da Vinci e.o.o.d., Sofia (BG)	5,000	BGN	100.0%	OT
PRODEAL, a.s., Bratislava (SK)	796,654	EUR	100.0%	OT
Production unitary enterprise "PriortransAgro", Minsk (BY)	500,000,001	BYR	100.0%	OT
PV Cekanice, s.r.o., Prague (CZ)	200,000	CZK	0.0%	OT
PV Rosice, s.r.o., Prague (CZ)	200,000	CZK	0.0%	OT
Pyrit Property, s.r.o. v likvidaci, Prague (CZ)	200,000	CZK	100.0%	OT
PZ PROJEKT a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
R LUX IMMOBILIEN LINIE S.R.L., Timisoara (RO)	50,000	RON	1.0%	OT
R MORMO IMMOBILIEN LINIE S.R.L., Bucharest (RO)	50,000	RON	1.0%	OT
R.L.H. Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen (Beijing) Investment Management Co., Ltd., Beijing (CN)	2,000,000	CNH	100.0%	FI
Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG)	250,000	BGN	100.0%	FI
Raiffeisen Assistance D.O.O., Beograd, Belgrade (RS)	4,307,115	RSD	100.0%	OT
Raiffeisen Assistance doo Sarajevo, Sarajevo (BA)	4,000	BAM	100.0%	BR
Raiffeisen Autó Lízing Kft., Budapest (HU)	3,000,000	HUF	100.0%	FI
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	131,074,560	RON	33.3%	BA
Raiffeisen Befektetési Alapkezelõ Zrt., Budapest (HU)	100,000,000	HUF	100.0%	FI
Raiffeisen Bonus Ltd., Zagreb (HR)	200,000	HRK	100.0%	BR
Raiffeisen Capital a.d. Banja Luka, Banja Luka (BA)	355,000	BAM	100.0%	BR
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 Beograd drustvo za upravljanje dobrovoljnim penzijskim fondom, Belgrade (RS)	143,204,921	RSD	100.0%	FI
Raiffeisen Ingatlan Üzemeltető Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Raiffeisen Insurance and Reinsurance Broker S.R.L, Bucharest (RO)	180,000	RON	100.0%	BR
Raiffeisen Insurance Broker Kosovo L.L.C., Pristina (KO)	5,000	EUR	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

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Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Raiffeisen Invest Drustvo za upravljanje fondovima d.o.o Sarajevo, Sarajevo (BA)	945,424	BAM	100.0%	BR
Raiffeisen INVEST Sh.a., Tirana (AL)	90,000,000	ALL	100.0%	FI
Raiffeisen investicni spolecnost a.s., Prague (CZ)	40,000,000	CZK	100.0%	SC
Raiffeisen Investment (Bulgaria) EOOD - in liquidation, Sofia (BG)	60,050	BGN	100.0%	FI
Raiffeisen Investment (Malta) Limited - in liquidation, Sliema (MT)	5,000	EUR	99.8%	FI
Raiffeisen Investment s.r.o. - in liquidation, Prague (CZ)	200,000	CZK	100.0%	FI
Raiffeisen Investment Ukraine TOV - in liquidation, Kyiv (UA)	3,733,213	UAH	100.0%	FI
Raiffeisen Investment Zagreb d.o.o. - in liquidation, Zagreb (HR)	300,000	HRK	100.0%	OT
Raiffeisen Pension Insurance d.d., Zagreb (HR)	23,100,000	HRK	100.0%	FI
Raiffeisen penzijni spolecnost a.s. - in liquidation, Prague (CZ)	325,000,000	CZK	100.0%	SC
Raiffeisen Property Lízing Zrt, Budapest (HU)	50,100,000	HUF	100.0%	BR
Raiffeisen Property Management Bulgaria EOOD, Sofia (BG)	80,000	BGN	100.0%	OT
Raiffeisen Property Management GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Raiffeisen Property Management spol.s.r.o., Prague (CZ)	100,000	CZK	100.0%	OT
RAIFFEISEN Real Estate EOOD, Sofia (BG)	550,000	BGN	10.0%	OT
Raiffeisen Research GmbH, Vienna (AT)	55,000	EUR	100.0%	BR
RAIFFEISEN SERVICES EAD, Sofia (BG)	3,000,000	BGN	100.0%	BR
Raiffeisen Services SRL, Bucharest (RO)	30,000	RON	100.0%	FI
Raiffeisen Solutions Spólka z ograniczona odpowiedzialno, Warszawa (PL)	550,000	PLN	100.0%	FI
RAIFFEISEN SPECIAL ASSETS COMPANY d.o.o. Sarajevo, Sarajevo (BA)	1,982,591	BAM	100.0%	FI
Raiffeisen stavebni sporitelna, a.s., Prague (CZ)	650,000,000	CZK	10.0%	BA
Raiffeisen Torony Ingatlanfejlesztő és Ingatlanhasznosító Kft., Budapest (HU)	3,000,000	HUF	83.0%	OT
Raiffeisen-Leasing BOT s.r.o., Prague (CZ)	100,000	CZK	0.0%	OT
Raiffeisen-Leasing Lithuania UAB, Vilnius (LT)	345,280	LTL	100.0%	FI
Raiffeisen-Leasing Service Ltd., Warsaw (PL)	50,000	PLN	100.0%	OT
Rail-Rent-Holding GmbH, Vienna (AT)	40,000	EUR	60.0%	OT
Raines Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Ratio Holding Gesellschaft mit beschränkter Haftung, Vienna (AT)	40,000	EUR	100.0%	OT
RB Russia Finance Limited, Dublin (IE)	100	EUR	0.0%	FI
RB Szolgáltató Központ Kft. - RBSC Kft., Nyíregyháza (HU)	3,000,000	HUF	100.0%	BR
RBI PE Handels- und Beteiligungs GmbH, Vienna (AT)	150,000	EUR	100.0%	FI
RBI Private Equity Holding GmbH, Vienna (AT)	100,000	EUR	100.0%	FI
RBI Vajnoria spol.s.r.o., Bratislava (CZ)	5,000	EUR	100.0%	OT
RCR Ukraine LLC, Kyiv (UA)	282,699	UAH	100.0%	BR
REAL ESTATE RENT 1 DOO, Belgrade (RS)	39,960	RSD	100.0%	FI
REAL ESTATE RENT 2 DOO, Belgrade (RS)	40,386	RSD	100.0%	FI
Real Estate Rent 4, Belgrade (RS)	40,310	RSD	100.0%	FI
Rent CC, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
Rent GRJ, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
Rent PO, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
Residence Park Trebes, s.r.o., Prague (CZ)	20,000,000	CZK	100.0%	OT
Rheia Property, s.r.o., Prague (CZ)	200,000	CZK	95.0%	OT
RI Inwestycje Sp. z o.o., Warszawa (PL)	50,000	PLN	100.0%	OT
RIRBRO ESTATE MANAGEMENT S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
RL Flussschifffahrts GmbH & Co KG, Vienna (AT)	5,000	EUR	0.0%	FI
RL Hotel Palace Wien Besitz GmbH, Vienna (AT)	36,336	EUR	0.0%	FI
RL Leasing Gesellschaft m.b.H., Eschborn (DE)	50,000	DEM	25.0%	FI
RL Service Member of Raiffeisen Group d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	OT
RL Thermal Beteiligungen GmbH, Vienna (AT)	35,000	EUR	0.0%	FI
RL Thermal GmbH & Co Liegenschaftsverwaltung KG, Vienna (AT)	1,452,003	EUR	0.0%	FI

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Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
RL Thermal GmbH, Vienna (AT)	36,336	EUR		FI
RL-Assets Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
RLOL ESTATE 1 d.o.o. Belgrad (SCG), Belgrade (RS)	43,186	RSD	100.0%	FI
RLRE Alpha Property s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
RLRE Beta Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
RLRE Carina Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RLRE Epsilon Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
RLRE Eta Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
RLRE Hotel Ellen, s.r.o., Prague (CZ)	100,000	CZK	100.0%	FI
RLRE Jota Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
RLRE Lyra Property s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
RLRE Orion Property s.r.o., Prague (CZ)	465,000	CZK	100.0%	FI
RLRE Ypsilon Property, s.r.o., Prague (CZ)	200,000	CZK	50.0%	FI
Robert Károly Körút Irodaház Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Rogofield Property Limited, Nicosia (CY)	2,174	USD	100.0%	OT
ROOF Consumer Romania 2008 (1) B.V., Amsterdam (NL)	0	EUR	0.0%	FI
RPM Budapest KFT, Budapest (HU)	3,000,000	HUF	100.0%	OT
RPN Verwaltungs GmbH, Vienna (AT)	37,464	EUR	100.0%	OT
S.A.I. Raiffeisen Asset Management S.A., Bucharest (RO)	10,656,000	RON	100.0%	FI
SAM-House Kft, Budapest (HU)	3,000,000	HUF	100.0%	BR
SASSK Ltd., Kyiv (UA)	152,322,000	UAH	88.7%	OT
SCT Beruházás Ingatlanfejlesztő és Ingatlanhasznosító Kft., Budapest (HU)	3,600,000	HUF	100.0%	FI
SCT Kárász utca Ingatlankezelő Kft., Budapest (HU)	3,000,000	HUF	100.0%	FI
SCT Tündérkert Kft., Budapest (HU)	500,000	HUF	100.0%	BR
SCT Zivatar utca Ingatlanfejlesztő Kft., Budapest (HU)	3,100,000	HUF	100.0%	OT
SCTB Ingatlanfejlesztés Ingatlanhasznosító Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
SCTP Biatorbágy Ingatlanfejlesztő és Ingatlanhasznosító Kft., Budapest (HU)	3,000,000	HUF	75.3%	OT
Selene Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Sen Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Sirius Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Sky Solar Distribuce s.r.o., Hodejovice (CZ)	200,000	CZK	77.0%	OT
Sky Tower Immobilien- und Verwaltung Kft, Budapest (HU)	41,000	HUF	100.0%	OT
Skytower Building SRL, Bucharest (RO)	126,661,500	RON	100.0%	OT
Somlói út Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
SORANIS Raiffeisen Portfolio Management GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
SPV Krautland Nord Ingatlanforgalmazó Kft., Budapest (HU)	510,000	HUF	100.0%	OT
St. Marx-Immobilien Verwertungs- und Verwaltungs GmbH, Vienna (AT)	36,336	EUR	99.0%	OT
Stadtpark Hotelreal GmbH, Vienna (AT)	6,543,000	EUR	1.0%	OT
Studio Invest, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Szentkiraly utca 18 Kft., Budapest (HU)	5,000,000	HUF	100.0%	OT
T.L.S. building construction s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Tatra Office, s.r.o., Bratislava (SK)	185,886	EUR	100.0%	BR
TAURUS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
TB Invest Ingatlanforgalmazó Zrt., Budapest (HU)	20,000,000	HUF	50.0%	OT
TelPol 3 S.A. in liquidation, Warsaw (PL)	100,000	PLN	100.0%	OT
Timur Holding GmbH, Passau (DE)	25,000	EUR	100.0%	OT
TL leasing, s.r.o., Bratislava (SK)	331,939	EUR	100.0%	FI
Trade Center Pleven EOOD, Sofia (BG)	1,220,000	BGL	100.0%	OT
Transaction System Servis, s.r.o., Prague (CZ)	200,000	CZK	100.0%	BR
Trojske vyhledy s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT

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Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Unitary insurance enterprise "Seventh line", Minsk (BY)	29,418,000,000	BYR	100.0%	VV
UPC Real, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Verto Invest GmbH in Liqu., Vienna (AT)	35,000	EUR	100.0%	OT
Villa Atrium Bubenec, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
VINAGRIUM Borászati és Kereskedelmi Kft., Eger (HU)	500,000	HUF	100.0%	OT
VN-Industrie Immobilien GmbH, Vienna (AT)	35,000	EUR	74.0%	OT
VN-Wohn Immobilien GmbH, Vienna (AT)	35,000	EUR	74.0%	OT
VUWG Verwaltung und Verwertung von Gewerbeimmobilien GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Zefyros Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Zethos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
ZHS Office- & Facilitymanagement GmbH, Vienna (AT)	36,336	EUR	1.0%	BR

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Other equity participations

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Accession Mezzanine Capital II L.P., Bermuda (BM)	2,613	EUR	5.7%	OT
Accession Mezzanine Capital III L.P., Hamilton (BM)	134,125,000	EUR	3.7%	OT
Accession Mezzanine Capital L.P. in liquidation, Bermuda (BM)	1,147	EUR	2.6%	OT
ACG Bor Glasworks, Bor (RU)	418,956,270	RUB	7.4%	OT
Agricultural Open Joint Stock Company Illintsi Livestock Breeding Enterprise, Illinci (UA)	703,100	UAH	4.7%	OT
ALCS Association of Leasing Companies in Serbia, Belgrade (RS)	853,710	RSD	12.5%	OT
Alpenbank Aktiengesellschaft, Innsbruck (AT)	10,220,000	EUR	0.0%	FI
ARR Rail Rent Transportmittel Vermietungs Gesellschaft m.b.H., Perchtoldsdorf (AT)	500,000	ATS	30.0%	OT
ASC Logistik GmbH in liquidation, Vienna (AT)	35,000	EUR	15.2%	OT
A-Trust Gesellschaft für Sicherheitssysteme im elektronischen Datenverkehr GmbH, Vienna (AT)	5,290,013	EUR		OT
Bankart d.o.o., Ljubljana (SI)	2,000,083	EUR	1.7%	BR
bat-groupware GmbH, Vienna (AT)	50,000	EUR	0.5%	BR
Belarussian currency and stock exchange JSC, Minsk (BY)	48,717,430,230	BYR	0.0%	SC
Biroul de Credit S.A., Bucharest (RO)	4,114,615	RON	12.9%	FI
BRD-Groupe Société Générale S.A. Bucharest (RO)	696,901,518	RON	0.0%	BA
Bucharest Stock Exchange, Bucharest (RO)	76,741,980	RON	1.0%	SC
Budapest Stock Exchange, Budapest (HU)	541,348,100	HUF	0.0%	SC
Burza cennych papierov v. Bratislave, a.s., Bratislava (SK)	11,404,927,296	EUR	0.1%	SC
CASA DE COMPENSARE S.A., Bucharest (RO)	6,835,850	RON	0.1%	SC
Cash Service Company AD, Sofia (BG)	12,500,000	BGN	20.0%	BR
CEESEG Aktiengesellschaft, Vienna (AT)	18,620,720	EUR	7.0%	SC
CELL MED Research GmbH, Krems-Lerchenfeld (AT)	1,718,907	EUR	5.8%	OT
Central Depository and Clearing Company, Inc., Zagreb (HR)	22,500,000	HRK	0.1%	FI
Closed Joint Stock Company Truskavets Valeological Innovative Centre, Truskavets (UA)	100,000	UAH	5.0%	OT
Closed Joint Stock Company Vinegar-yeast Factory, Uzyn (UA)	9,450,000	UAH	33.8%	OT
Commodity Exchange Crimean Interbank Currency Exchange, Simferopol (UA)	440,000	UAH	4.5%	SC
Commodity Exchange of the Agroindustrial Complex of Central Regions of Ukraine, Cherkassy (UA)	90,000	UAH	11.1%	OT
CREF CZ 1 s.r.o., Prague (CZ)	200,000	CZK	20.0%	OT
CREF CZ 2 s.r.o., Prague (CZ)	200,000	CZK	20.0%	OT
CREF CZ 3 s.r.o, Prague (CZ)	200,000	CZK	20.0%	OT
CREF CZ 4 s.r.o., Prague (CZ)	200,000	CZK	20.0%	OT
CREF CZ 5 s.r.o., Prague (CZ)	200,000	CZK	20.0%	OT
Czech Real Estate Fund (CREF) B.V., Amsterdam (NL)	18,000	EUR	20.0%	FI
Csörsz utca Kft Budapest (HU)	3,000,000	HUF	0.0%	OT
D. Trust Certifikačná Autorita, a.s., Bratislava (SK)	331,939	EUR	10.0%	OT
Easdaq NV, Leuven (BE)	128,526,849	EUR	0.0%	OT
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna (AT)	70,000	EUR	0.1%	FI
EMERGING EUROPE GROWTH FUND II, L.P., Delaware (US)	370,000,000	USD	1.9%	OT
Euro Banking Association (ABE Clearing S.A.S.), Paris (FR)	62,000	EUR	1.6%	FI
European Investment Fund S.A., Luxembourg (LU)	3,000,000,000	EUR	0.2%	FI
Export and Industry Bank Inc., Makati City (PH)	4,734,452,540	PHP	9.5%	BA
Ferrell Premier Investments Limited, Port Louis (MU)	111,089,074	SGD	18.0%	OT
Flex-space Plzen I, s.r.o., Prague (CZ)	200,000	CZK	10.2%	OT
Fondul de Garantare a Creditului Rural S.A., Bucharest (RO)	15,940,890	RON	33.3%	FI
Garantiqa Hitelgarancia ZRt., Budapest (HU)	4,811,600,000	HUF	0.3%	FI
Green Energie vetrny park Bilcice, s.r.o., Prague (CZ)	200,000	CZK	50.0%	OT
Greenix Limited, Tortola (VG)	100,000	USD	25.0%	OT
Hrvatski registar obveza po kreditima d.o.o., Zagreb (HR)	13,500,000	HRK	10.5%	BR
Intereuropa d.d., Koper , Koper (SI)	27,488,803	EUR	10.4%	OT
International Factors Group S.C., Brussels (BE)	69,650	EUR	2.2%	FI

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, SC Securities firms.

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
INVESTOR COMPENSATION FUND, Bucharest (RO)	344,350	RON	0.4%	SC
Island Capital Ltd., Hamilton (BM)	901,067	USD	0.7%	VV
Joint Stock Company "Interagroinvest", Moscow (RU)	18,600,000	RUB	8.3%	OT
Kathrein & Co. Private Equity I AG, Vienna (AT)	190,000	EUR	36.8%	OT
Lead Equities Mittelstandsfinanzierungs AG, Vienna (AT)	89,422	EUR	2.0%	FI
Limited Liability Company Scientific-Production Enterprise Assembling and Implementation of Telecommunication Sytems, Dnepropetrovsk (UA)	500,000	UAH	10.0%	OT
LLC "Insurance Company Raiffeisen Life", Moscow (RU)	240,000,000	RUB	25.0%	VV
LUXTEN LIGHTING COMPANY S.A., Bucharest (RO)	42,126,043	RON	0.0%	OT
MasterCard Inc, New York (US)	13,518	USD	0.0%	BA
National Settlement Dipositary, Moscow (RU)	1,180,675,000	RUB	0.0%	OT
NOC Kft., Budapest (HU)	3,000,000	HUF	50.0%	FI
NOC Kft., Budapest (HU)	3,000,000	HUF	50.0%	FI
OOO "MAZ-KUPAVA", Minsk (BY)	36,089,000	BYR	7.6%	OT
Open Joint Stock Company Kyiv Special Project and Design Bureau Menas, Kiev (UA)	3,383,218	UAH	4.7%	OT
Open Joint Stock Company Volodymyr-Volynskyi Sugar Refinery, Volodymyr-Volynskyi (UA)	13,068,010	UAH	2.6%	OT
Orka Energy ehf., Reykjavik (IS)	833,332	ISK	10.0%	OT
Österreichische Raiffeisen-Einlagensicherung eGen, Vienna (AT)	3,100	EUR	9.7%	OT
OT-Optima Telekom d.d. , Zagreb (HR)	535,587,570	HRK	4.0%	OT
OVIS Raiffeisen-Immobilien-Lesing GesmbH, Vienna (AT)	36,400	EUR		FI
Pannon Lúd Kft, Mezokovácsháza (HU)	852,750,000	HUF	0.3%	OT
Petrom S.A. Bucharest (RO)	5,664,410,834	RON	0.0%	OT
Polish Real Estate Investment Limited, Limassol (CY)	911,926	EUR	11.2%	OT
Private Joint Stock Company First All-Ukrainian Credit Bureau, Kiev (UA)	11,750,000	UAH	5.1%	OT
Private Joint Stock Company Ukrainian Interbank Currency Exchange, Kiev (UA)	36,000,000	UAH	3.1%	SC
PRK Sigma 06, s.r.o., Prague (CZ)	3,700,000	CZK	20.0%	OT
Public Joint Stock Company Bird Farm Bershadskyi, Viytivka (UA)	6,691,141	UAH	0.5%	OT
Public Joint Stock Company National Depositary of Ukraine, Kiev (UA)	103,200,000	UAH	0.1%	BR
Public Joint Stock Company Settlement Center for Servicing of Contracts in Financial Markets, Kiev (UA)	153,100,000	UAH	0.0%	FI
Public Joint Stock Company Stock Exchange PFTS, Kiev (UA)	32,010,000	UAH	0.2%	SC
Public Joint Stock Company Sumy Enterprise Agrotechservice, Sumy (UA)	1,545,000	UAH	0.6%	OT
Raiffeisen CIV (Jersey) Ltd., St Helier (JE)	23,102	EUR	26.0%	OT
Raiffeisen e-force GmbH, Vienna (AT)	145,346	EUR	0.7%	OT
Raiffeisen Informatik GmbH, Vienna (AT)	1,460,000	EUR	0.1%	BR
Raiffeisen Software Solution und Service GmbH, Vienna (AT)	773,000	EUR	1.0%	OT
Raiffeisen-Leasing Anlagen und KFZ Vermietungs GmbH, Vienna (AT)	35,000	EUR	17.0%	FI
Raiffeisen-Leasing Management GmbH, Vienna (AT)	300,000	EUR	25.0%	FI
Raiffeisen-Leasing Mobilien und KFZ GmbH, Vienna (AT)	35,000	EUR	15.0%	FI
RC Gazdasági és Adótanácsadó Zrt., Budapest (HU)	20,000,000	HUF	22.2%	FI
Registry of Securities in FBH, Sarajevo (BA)	2,052,300	BAM	1.4%	OT
REPEF Holding GmbH in liquidation, Vienna (AT)	400,000	EUR	3.5%	OT
RLKG Raiffeisen-Leasing GmbH, Vienna (AT)	40,000	EUR	33.3%	FI
RVS, a. s., Bratislava (SK)	6,852,480	EUR	0.7%	OT
S.C. DEPOZITARUL CENTRAL S.A., Budapest (RO)	25,291,953	RON	2.6%	OT
Sarajevska berza-burza vrijednosnih papira dd Sarajevo, Sarajevo (BA)	1,975,680	BAM	5.2%	OT
Scanviwood Co. Ltd., Ho Chi Minh City (VN)	2,500,000	USD	6.0%	OT
Slomskova Ustanova, Maribor (SI)	0	EUR	0.0%	OT
Slovak Banking Credit Bureau, s.r.o., Bratislava (SK)	9,958	EUR	33.3%	BR
SN De Transfer De Fonduri Si Decontari SA - Transfond, Bucharest (RO)	6,720,000	RON	2.6%	BR
Society for Worldwide Interbank Financial Telekommunication n.s.c., La Hulpe (BE)	13,827,750	EUR	0.4%	FI
Syrena Immobilien Holding AG, Spittal an der Drau (AT)	22,600,370	EUR	21.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, SC Securities firms.

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Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
The Zagreb Stock Exchange joint stock company, Zagreb (HR)	40,408,000	HRK	3.3%	SC
Thetis Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Transilvania LEASING S.A., Brasov (RO)	51,569,000	RON	0.6%	FI
Trimo inzeniring in proizvodnja montaznih objektov, d.d., Trebnje (SI)	5,077,295	EUR	5.0%	OT
UNIQA Raiffeisen Software Service Kft., Budapest (HU)	19,900,000	HUF	1.0%	OT
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH, Vienna (AT)	36,336	EUR	17.0%	OT
VISA Europe Ltd., London (GB)	150,000	EUR	0.0%	BR
Visa Inc., San Francisco (US)	84,598	USD	0.0%	BR
Zhytomyr Commodity Agroindustrial Exchange, Zhitomir (UA)	390,100	UAH	2.6%	OT
Ziloti Holding S.á.r.l., Luxembourg (LU)	4,896,313	EUR	0.6%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, SC Securities firms.

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. According to IFRS 13, the fair value is defined as the exit price. This is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 line items in the statement of financial position. Relationships between the principal line items in the statement of financial position and the measurement standard applied are described in the table "Categories of financial instruments according to IFRS7" and 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

On initial recognition, the Group categorizes certain financial assets and liabilities as held-for-trading or measured at fair value. These financial assets and liabilities are recognized at fair value and shown as financial assets and liabilities at fair value.

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. 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". 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. The Group 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 2014, as in 2013, 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 derivatives 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 "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 into account 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 certain 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 an 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 allocated to this category 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 indicators, if the fair value is either significantly or permanently below cost. In the Group, equity instruments classified as available-for-sale are impaired 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 have expired, when the Group has transferred the rights to the cash flows, 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 the notes under (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 under (20) Financial investments.

Offsetting of financial instruments

Where the borrower and lender are the same, 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 the notes under (40) 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 allocation of the gain of loss on the hedging instrument 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 under (41) 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 lifetime of the hedging relationship that the fair value or cash flow hedge is highly effective.

a. Fair value hedge

Hedge accounting according to IAS 39 applies to 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 tested 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 effectiveness 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).

In RBI, within the management of interest rate risks, 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 including sight deposits (the rules of the EU carve-out are therefore 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. Any ineffective portion is recognized in profit or loss in the position net income from derivatives and liabilities.

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

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

Fair value

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

Quotation on an active market (level I)

If market prices are available, the fair value is reflected best by the market price. This category contains equity instruments traded on the stock exchange, debt instruments traded on the interbank market, and derivatives traded on the stock exchange. The valuation is mainly based on external data sources (stock exchange prices or broker quotes in liquid market segments). In an active market, transactions of financial assets and liabilities are traded in sufficient frequency and volumes, so that price information is currently available. Indicators for active markets are the number, the frequency of update or the quality of quotations (e.g. banks or stock exchanges). Moreover, also narrow bid/ask spreads and quotations of market participants within a certain corridor are indicators for an active liquid market.

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.

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

If no sufficient current verifiable market data is available for the measurement with measurement models, also not observable market data is used. These initial parameters may include data which is calculated in terms of approximated values from historical data (fair value hierarchy level III). 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.

For financial instruments valued at amortized cost (this comprises loans and advances, deposits, other short-term borrowings and long-term liabilities), the Group calculates the fair value. In principle, there is low or no trading activity for these instruments, therefore significant assessment by the Management is necessary for determining the fair value.

Further information to measurement methods and quantitative information for determination of fair value is shown under Notes (42) Fair value of financial instruments.

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. The underlying rating models for corporate customers are distinguished between "corporate large" and "corporate regular" as well as “SME large” and “SME regular”. Moreover, portfolios under rating model “financial institutions” und those under “project finance” rating model are separately evaluated. A Group-wide uniform calculation of portfolio-based provisions is given in so far as centrally calculated historical Group default rates for each rating class are evaluated and applied. 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.

Consolidation principles

Subsidiaries

All material subsidiaries in which RBI AG directly or indirectly has control are fully consolidated. The Group has control over an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Structured entities are entities in which the voting or similar rights are not the dominant factor for determining control, e.g. if the voting rights are solely related to administration activities and the relevant activities are governed by contractual agreements.

Similar to subsidiaries, consolidation of structured entities is necessary, if the Group has control over the entity. In the Group, the need to consolidate structured entities is reviewed as part of the securitization transaction process, where the structured entity is either formed by the Group with or without participation of third parties, or, in which the Group with or without participation of third parties enters into contractual relationships with already existing structured entities. Whether an entity should be consolidated or not is reviewed at least quarterly. All fully consolidated structured entities and interests in not-consolidated structured entities are to be seen in the notes (56) Group composition.

In order to determine when an entity has to be consolidated, a series of control factors have to be checked. These include an examination of

- the purpose and the constitution of the entity,
- the relevant activities and how they are determined,
- if the Group has the ability to determine the relevant activity through its rights,
- if the Group is exposed to risks of or has rights to variable returns
- if the Group has the ability to use its power over the investee in order to affect the amount of variable returns.

If voting rights are relevant, the Group has control over an entity, in which it directly or indirectly holds more than 50 per cent of the voting rights; except when there are indicators that another investee has the ability to determine unilaterally the relevant activities of the entity. One or more of the following points may be such an indicator:

- Another investor has control over more than half of the voting rights due to an agreement with the Group
- Another investor has the ability to control financial policy and operational activities of the participation due to legal law or an agreement.
- Another investor has control over the participation due to its possibility to appoint and withdraw the majority of members of the Board or members of an equivalent governing body.
- Another investor has control over the entity due to its possibility to dispose of the majority of the delivered voting rights in a meeting of members of the Board or of members an equivalent governing body

When judging control, also potential voting rights are considered as far as they are material.

The Group assesses evidence of control in cases in which it does not hold the majority of voting rights but has the ability to unilaterally govern the relevant activities of the entity. This ability may occur in cases in which the Group has the ability to control the relevant activities due to its size and distribution of voting rights of the investees.

In principle, subsidiaries are firstly integrated in the consolidated group on the date when the Group obtains control of the company and are excluded from the date on when it no longer has control of the company. 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. 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 the Group's existing or new contractual arrangements with a unit.

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

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 are 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.

Changes in the Group's participation quota of existing subsidiaries

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. The carrying amount of the shares hold by the Group and the non-controlling interests are adjusted in the way that they reflect the changes of the participation quota of the existing subsidiaries. Any difference between the amount which is adjusted for the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and is assigned to the shareholders of the parent company.

If the company loses control over a subsidiary, the income/loss from disposal of group assets is shown in the income statement. . This is calculated as difference between

- the total amount of fair value of the received consideration and fair value of the shares retained and
- the carrying amount of assets (including goodwill), liabilities of the subsidiary and all non-controlling interests

All amounts related to these subsidiaries and shown in other comprehensive income are recognized as this would be done in case of sale of group assets. This means the amounts are reclassified to income statement or directly transferred to retained earnings.

Associated companies

An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity in which shares are held. There exists no control or joint management of decision making processes. As a rule, significant influence is assumed, if the Group holds 20 to 50 per cent of the voting rights. When judging, if the Group has the ability to exert a significant influence on another entity, the existence and the effect of potential voting rights which are actually usable or convertible are taken into account. Further parameters for judging significant influence are, for example, the representation in executive committees and supervisory boards (Supervisory Board in Austrian Joint Stock companies) of the entity and material business cases with the entity. Shares in associated companies are valued at equity and shown in the statement of financial positon under "Investments in associates".

Profit or losses of companies valued at equity 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 at equity 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 in companies that have not been valued at equity are included in "financial investments" and are measured at acquisition cost.

At each reporting date, the Group reviews to what extent there is objective evidence for impairment of a participation in an associated company. If there is objective evidence of impairment, an impairment test is carried out to determine the recoverable value of the participation – this is higher of the usable value and the fair value excluding selling costs – and the carrying amount. An impairment made in previous periods is reversed only if the assumptions underlying the determination of the recoverable value have been changed since recognition of the last impairment. In this case the carrying amount is written up to the higher recoverable value.

Business combinations

The acquisition of business operations is recognized according to the acquisition method. The consideration transferred in a business combination is measured at fair value. This is calculated as the aggregate of the acquisition-date fair value of all assets transferred, liabilities assumed from former owners of the acquired business combination and equity instruments issued by the Group in exchange to control of the business combination. Transaction costs related to business combinations are recognized in the income statement when incurred.

Goodwill is measured as the excess of the aggregate of the value of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree (if any), and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In case that the difference is negative after further review, the resulting gain is recognized immediately in income statement.

Non-controlling interests currently procuring ownership rights and granting the right to the owner in case of liquidation to receive a proportionate share of net assets of the entity, are measured either at fair value or at the non-controlling interest's proportionate share of net assets of the acquiree at acquisition date. This accounting policy choice can be newly opted for every business combination. Other components of non-controlling interests are measured at fair value or with measurement values derived from other standards.

If the consideration transferred includes a contingent consideration, this is measured at the acquisition-date fair value. Changes in the fair value of the consideration transferred within the measurement time are adjusted retroactively and are booked against goodwill. Adjustments within the measurement time are corrections to reflect additional information about facts and circumstances already existing at the acquisition date. The measurement time may not exceed one year after the acquisition date.

Recognition of changes in the fair value of the contingent consideration which do not represent corrections within the measurement time is dependent on how the contingent consideration is to be classified. If the contingent consideration is classified as equity, it is not measured on the following reporting date. Its settlement is recognized within equity. A contingent consideration classified as assets or liabilities, is measured on the following reporting dates according to IAS 39 or IAS 37 Provisions for liabilities and charges, contingent liabilities or contingent receivables if applicable and a resulting profit or loss is recognized in the income statement.

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 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 in the notes under (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 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 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 a maximum of 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 applied 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 its 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 potential dividends 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 due to 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 booked through different line items in the income statement depending on the nature of the provision. Allocation of loan loss provisions for contingent liabilities are recorded under net provisioning for impairment losses, restructuring provisioning, provisioning for legal risks and other employee benefits are recorded 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 relevant parameters for salaried employees. In other countries, comparable actuarial parameters are used for calculation.

Please refer to Provisions for pensions and similar obligations in the notes under (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 the Group 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 for the allocation, the claim and the payment of variable remuneration (including the payment of the deferred portion of the bonus) for board members of RBI AG and certain Group units and identified staff ("risk personnel") are applied:

- 60 per cent and for especially high amounts 40 per cent of the annual bonus respectively 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 and 60 per cent of the annual bonus respectively will be deferred according to local law 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 common equity tier 1 ratio of the Group,

- additionally, in Group units at local level, achieving the legally required local minimum "common equity tier 1 ratio excluding buffers," and

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

The 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 (e.g. Poland).

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) for the years 2011, 2012 and 2013 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. In 2014, it was decided not to continue the program due to complexity of the regulatory rules regarding variable compensation.

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 the notes under (34) Equity.

Subordinated capital

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

Net interest income

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

Net fee and commission income

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

Net trading income

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

General administrative expenses

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

Income taxes

RBI AG and eight of its consolidated domestic subsidiaries are members of a tax group for which Raiffeisen Zentralbank Österreich Aktiengesellschaft acts as group parent. Current taxes are calculated on the basis of taxable income for the current year taking into account the tax group (in terms of a tax group allocation). The taxable income deviates from the profit of the statement of comprehensive income due to expenses and income which are taxable or tax-deductible in the following years or which are never taxable or tax-deductible. The liability of the Group for current taxes is recognized on the basis of the actual tax rate or the future tax rate which is enacted by the end of the reporting period.

Deferred taxes are calculated and recognized in accordance with IAS 12 applying the liability method. Deferred taxes are based on all temporary differences that result from comparing the carrying amounts of assets and liabilities in the IFRS accounts with the tax bases of assets and liabilities, and which will reverse in the future. Deferred taxes are calculated by using tax rates applicable in the countries concerned. A deferred tax asset should also be recognized on tax loss carry-forwards if it is probable that sufficient taxable profit will be achieved against which the tax loss carry-forwards can be utilized within the same entity. On each reporting date, the carrying amount of the deferred tax assets is reviewed and impaired if it is no longer probable that sufficient taxable income is available in order to partly or fully realize the tax assets. Deferred tax assets and deferred tax liabilities within the same entity are netted. Income tax credits and income tax obligations are recorded separately under the item "other assets" and "tax provisions" respectively.

Current taxes and movements of deferred taxes are recognized in the income statement. 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 other comprehensive income and are not reclassified to 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 to 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 the notes under (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 in the notes under (50) Capital management and regulatory own funds according to the Austrian Banking Act.

Application of new and revised standards

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 application of the revised version of IAS 32 has no material impact on the consolidated financial statements of RBI.

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 has no impact on the consolidated financial statements of RBI.

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 application of the revised version of IAS 28 has no impact on the consolidated financial statements of RBI.

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) is 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.

Impacts due to application of IFRS 10

Due to first-time application of IFRS 10, the structured entity Compass Variety Funding Limited, Dublin (IE), was firstly integrated into the group as RBI has control on certain financial assets (leasing claims) according to IFRS 10.B76–IFRS 10.B79 which are separated from the general entity. Due to full integration, the financing obtained by the structured entity of € 18.4 million (2013: € 66.8 million) is shown under deposits from banks.

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. The application of IFRS 11 has no impact on the consolidated financial statements of RBI.

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. This additional disclosure is shown in the Notes under (56) Group composition.

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 have no impact on the consolidated financial statements of RBI.

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.

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. These changes have no material impact on the consolidated financial statements of RBI.

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.

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 19 (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 independent on the number of years of service performed. These amendments have no material impact on the consolidated financial statements of RBI.

Annual Improvements to IFRS – 2010–2012 cycle (entry into force 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 have no material impact on the consolidated financial statements of RBI.

Annual Improvements to IFRS – 2011 – 2013 cycle (entry into force 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 have no material impact on the consolidated financial statements of RBI.

Standards and interpretations not yet applicable (not yet endorsed by the EU)

IFRS 9 (Financial Instruments; entry into force January 1, 2018)

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:

According to IFRS 9, 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 was to create or increase an accounting inconsistency in or compared to the profit and loss statement. Changes in fair value attributable to a reporting entity's own credit risk may not be subsequently reclassified to profit or loss. RBI anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the impact of IFRS 9 until a detailed review has been completed.

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

IFRS 15 (Revenue from contracts with customers; entry into force January 1, 2017)

The standard regulates the determination when to recognize revenue and how much revenue to recognize. IFRS 15 replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and a series of revenue-related interpretations. The application of IFRS 15 is obligatory for all IFRS users and is valid for almost all contracts with customers – the material exemptions are leasing contracts, financial instruments and insurance contracts.

IFRS 14 (Regulatory deferral accounts; entry into force January 1, 2016)

Just entities firstly applying IFRS and who recognize regulatory deferrals according to the previous accounting standards are allowed to continue with regulatory deferrals after transition into IFRS. The standard is intended to be a short-term interim solution till the IASB concludes the long-term fundamental project to price-regulated business transactions.

Amendments to IFRS 11 (Joint arrangements; entry into force January 1, 2016)

The amendments to IFRS 11 (Recognition of acquired shares of a joint arrangement) modifies IFRS 11, so that the acquirer of shares of a joint arrangement representing a business operation as defined in IFRS 3, has to apply all principles regarding the recognition of business combinations according to IFRS 3 and other IFRS, as far as they do not contradict other rules of IFRS 11.

Amendments to IAS 16/IAS 38 (Clarification of acceptable methods of depreciation; entry into force January 1, 2016)

These amendments provide guidelines for methods of depreciation on tangible and intangible fixed assets to be used; especially related to revenue-based methods of depreciation.

Amendments to IAS 16/IAS 41 (Agriculture, biological assets; entry into force January 1, 2016)

According to these amendments, IAS 16 is applicable for biological assets which are no longer subject to obvious biological changes; therefore they can be recognized as tangible fixed assets. .

Amendments to IAS 27 (Equity-method in separate financial statements; entry into force January 1, 2016)

These amendments allow investors in separate financial statements to use the option of recognizing shares in subsidiaries, joint ventures or associated entities at equity.

Amendments to IFRS 10/IAS 28 (Disposal or contribution of financial assets between an investor and an associated entity or joint venture; entry into force January 1, 2016)

The amendments clarify that revenue recognition of transactions with an associated entity or joint venture is dependent on the fact that the disposed or contributed financial assets represent a business operation.

Annual Improvements to IFRS – 2012–2014 cycle (entry into force January 1, 2016)

Amendments and clarifications to several IFRS.

Vienna, 9 March 2015

The Management Board

Karl Sevelda

Johann Strobl

Aris Bogdaneris

Klemens Breuer

Martin Grüll

Peter Lennkh

Auditor’s report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Raiffeisen Bank International AG, Vienna, for the year from 1 January 2014 to 31 December 2014. These consolidated financial statements comprise the consolidated statement of financial position as of 31 December 2014, 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 2014 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 (ISA), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2014 and of its financial performance and its cash flows for the year from 1 January 2014 to 31 December 2014 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, 9 March 2015

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca	Michael Schlenk
Wirtschaftsprüfer	Wirtschaftsprüfer

(Austrian Chartered Accountants)

Statement of all legal representatives

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

Vienna, 9 March 2015

The Management Board

Karl Sevelda

Chief Executive Officer responsible for Compliance, Group Communications, Group Strategy, Human Resources, Internal Audit, International Banking Units, Legal Services, Management Secretariat, Marketing & Event Management and Participations

Johann Strobl

Deputy to the Chief Executive Officer responsible for Credit Management Corporates, Financial Institutions, Country & Portfolio Risk Management, Retail Risk Management, Risk Controlling, Risk Excellence & Projects and Workout

Aris Bogdaneris

Member of the Management Board responsible for Consumer Banking, Group & Austrian IT, Lean, Operations, Procurement & Cost Management, Project Portfolio & Security and Small Business & Premium Banking

Klemens Breuer

Member of the Management Board responsible for Business Management & Development, Group Capital Markets, Institutional Clients, Investment Banking Products and Raiffeisen Research

Martin Grüll

Member of the Management Board responsible for Active Credit Management, Investor Relations, Planning & Finance, Tax Management and Treasury

Peter Lennkh

Member of the Management Board responsible for Corporate Customers, Corporate Finance, Corporate Sales Management & Development, International Business Support and Trade Finance & Transaction Banking

Service

Glossary

Back testing – Backward comparison of VaR figures with actual results to test the quality of a model.

Basel II – The body of capital adequacy regulations proposed by the "Basel Committee," an international forum dedicated to improving bank supervision. As in the case of the Basel I Accord, the goal is to ensure that banks have adequate capital resources and that uniform competitive conditions are created for both lending and credit trading. The main objective of the changes made by Basel II compared to Basel I is to orient capital adequacy requirements prescribed by regulators more effectively to actual risk and hence approximate the capital requirements internally ascertained by banks.

Basel III – Basel-II regulations, broadened with the experiences and insights of the financial and economic crisis to harmonize incurred risks and the bank's risk-taking capacity (derived from the equity's amount and quality).

BWG – Bankwesengesetz (Austrian Banking Act).

CE – Central Europe. For RBI this segment encompasses the Czech Republic, Hungary, Poland, Slovakia, and Slovenia.

CEE – Central and Eastern Europe.

CEE Other – For RBI the segment CEE Other encompasses Belarus, Kazakhstan and Ukraine.

Common equity tier 1 ratio (fully loaded) – Common equity tier 1 as a percentage of risk-weighted assets (total RWA) according to CRR/CRD IV without applying the transitional provisions set out in Part Ten of CRR and CRR accessory regulation of FMA respectively (425th regulation issued on 11 December 2013).

Common equity tier 1 ratio (transitional) – Common equity tier 1 as a percentage of risk-weighted assets (total RWA) according to CRR/CRD IV Regulation.

Consolidated ROE – Consolidated Return on Equity is consolidated profit less dividend on participation capital in relation to average consolidated equity less participation capital, i.e. the equity attributable to the shareholders of RBI. Average equity is based on month-end figures excluding non-controlling interest and does not include current year profit.

Core tier 1 ratio, total – Core capital without consideration of hybrid capital divided by risk-weighted assets (total RWA).

Cost/income ratio – General administrative expenses in relation to operating income (less bank levies, impairments of goodwill and any one-off effects from sundry operating expenses).

Country risk – Comprises transfer and convertibility risk as well as political risk.

Credit exposure – Comprises all exposures on the statement of financial position (loans, debt securities) and all exposures off the statement of financial position (guarantees, commitments) that expose RBI to credit risk.

Credit risk – See default risk.

Credit spread – Difference in yield between top-rated bonds (usually government bonds) and bonds with the same residual maturity but lower issuer quality.

Cross-selling – Marketing strategy in which additional products and services are actively offered to existing customers.

Default risk – Risk that counterparties in a financial transaction will not be able to fulfill an obligation, causing the other party a financial loss.

EPS – Earnings per share. Adjusted consolidated profit (after deduction of dividend for participation capital) divided by the average number of ordinary shares outstanding for the reporting period.

EBRD – European Bank for Reconstruction and Development. An institution that promotes the transition to an open market economy and to private and entrepreneurial action in the countries of Central and Eastern Europe. Through its investments, it supports activity of the private sector and strengthens financial institutions, legal systems, and development of infrastructure needed by the private sector.

Excess cover ratio (own funds) – Relation of excess total capital to total capital requirement.

Funding – All means used by banks for the purpose of refinancing.

General administrative expenses – Comprises staff expenses, other administrative expenses, and depreciation/amortization on intangible and tangible fixed assets.

IAS – International Accounting Standards. Reporting standards published by the IASB (International Accounting Standards Board) with the goal of achieving transparent and comparable accounting on an international basis.

IFRIC – International Financial Reporting Interpretations Committee. Committee responsible for the official interpretation of the International Financial Reporting Standards.

IFRS – International Financial Reporting Standards. Reporting standards published by the IASB (International Accounting Standards Board) with the goal of achieving transparent and comparable accounting on an international basis.

Individual loan loss provisions – For credit risks related to loans and advances to customers and banks, provisions are made in the amount of expected loss according to uniform Group-wide standards. Risk of loss is deemed to exist if the discounted projected repayment amounts and interest payments are below the carrying value of the loans, taking collateral into account.

Interest-bearing assets – Total assets less trading assets, derivatives, intangible fixed assets, tangible fixed assets, and other assets.

IRB – Internal Ratings-Based. Approach to measure the own funds requirement for credit risks in accordance with Basel III. By applying the IRB approach, the total capital requirement is determined according to internal credit ratings. In the process, features specific to the borrower and the loan are taken into account. The ratings must be made by an independent source.

Leverage ratio – The ratio of tier 1 capital to specific exposures on and off the statement of financial position calculated in accordance with the methodology set out in CRD IV.

Liquidity risk – Risk that a bank could be unable to meet its current and future financial obligations in full or in time. This arises from the danger that, e.g. refinancing can only be obtained at very disadvantageous terms or is entirely impossible.

Loan/deposit ratio (net) – Loans and advances to customers excluding impairment losses in relation to deposits from customers, less claims and obligations from (reverse) repurchase agreements and securities lending.

Loan to local stable funding ratio (LLSFR) – The sum of total loans and advances to customers less impairment losses on loans and advances, divided by the sum of deposits from non-banks, funding from supranational institutions, capital from third parties and the total outstanding bonds (with an original maturity of at least one year issued by a subsidiary bank to investors outside the bank´s consolidated group).

Market capitalization – The number of issued shares multiplied by the share price on a particular date.

Market risk – The risk that the value of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Monte Carlo simulation – Numerical method to aggregate risks to evaluate specific risks concerning their influence on corresponding income statement items.

Net interest margin (average interest-bearing assets) – Net interest income in relation to average interest-bearing assets.

NPL – Non-performing loans. Defined as the event where a specific debtor is unlikely to pay its credit obligations to the bank in full, or the debtor is overdue more than 90 days on any material credit obligation (RBI has defined 12 default indicators).

NPL coverage ratio – Impairment losses on loans and advances to customers in relation to non-performing loans to customers.

NPL ratio – Non-performing loans in relation to total loans and advances to customers.

Operating income – Comprises of net interest income, net fee and commission income, net trading income and other net operating income (less bank levies, impairments of goodwill and any one-off effects from sundry operating expenses).

Operating result – Consists of operating income less general administrative expenses.

Operational risk – Risk of unexpected losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

Other results – Consist of net income from derivatives and liabilities, net income from financial investments, expenses for bank levies, impairment of goodwill, net income from disposal of Group assets and any one-off effects from sundry operating expenses.

Portfolio-based loan loss provisions – Impairment provisions for portfolios of loans with identical risk profiles that may be compiled under certain conditions.

Premium banking – Support for wealthy customers that includes additional and above all more individually tailored products in comparison to the customary support for private customers.

Provisioning ratio – Net provisioning for impairment losses in relation to average loans and advances to customers.

Quarter-on-quarter – Compared to the quarter which precedes the quarter under consideration; for example, the fourth quarter of 2014 in comparison to the third quarter of 2014.

RBI – Raiffeisen Bank International. RBI Group in contrast to RBI AG.

Risk-weighted assets (RWA credit risk) – The sum of the weighted accounts receivable including receivables in the form of asset items, items off the statement of financial position and CVA risk.

Risk-weighted assets (total RWA) – Risk-weighted assets (credit risk, CVA risk) plus market risk and operational risk.

ROE – Return on equity. Return on the total equity including non-controlling interests, i.e. profit before tax respectively after tax in relation to average equity on the statement of financial position. Average equity is calculated on month-end figures including non-controlling interest and does not include current year profit.

ROTE – Return on tangible equity is consolidated profit less depreciation on intangible assets and less impairment of goodwill in relation to average consolidated equity less participation capital and less intangible assets. Average equity is calculated using month-end figures for the period.

RZB – Raiffeisen Zentralbank Österreich. RZB Group in contrast to RZB AG.

RZB Credit Institution Group – Pursuant to Section 30 of the Austrian Banking Act (BWG), the RZB Credit Institution Group is made up of all banks, financial institutions, securities companies and companies rendering banking related services in which RZB holds direct or indirect interests or has control as a superordinate institution.

Scorecard – A statistical tool in risk management for estimating risk parameters, typically used to determine probability of default or the loss-given default ratio.

SEE – Southeastern Europe. For RBI this segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania (incl. Moldova), and Serbia.

SIC – Standing Interpretations Committee. Now IFRIC.

Stress test – Stress tests endeavor to simulate extreme fluctuations in market parameters. They are used because such fluctuations are usually inadequately captured by VaR models (VaR forecasts maximum losses under normal market conditions).

Tax rate – Relation of income taxes to profit before tax.

Tier 1 ratio – Tier 1 capital to risk-weighted assets (total RWA).

Tier 1 ratio, credit risk (Basel II) – Core capital to risk-weighted assets (RWA credit risk).

Tier 1 ratio, total (Basel II) – Core capital to risk-weighted assets (total RWA).

Total capital ratio – Total capital as a percentage of risk-weighted assets (total RWA).

Trading book – Bank regulators' term for assets held by a bank for short-term resale to exploit fluctuations in prices and interest rates.

UGB – Unternehmensgesetzbuch (Austrian Commercial Code).

VaR – Value at risk. Expresses the potential loss that will, with a 99 per cent probability, not be exceeded within the period for which an asset is held in the portfolio in question.

Wholesale funding – Refinancing of banks by way of external sources, i.e. not through their own funds or customer deposits.

Year-on-year – Compared to the point in time, or the time period, which occurs one year before the point in time, or the time period, under consideration; for example, the first half year of 2014 in comparison to the first half year of 2013, or 30 June 2014 in comparison to 30 June 2013.

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Phone: +43-1-71 707-0
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Internet: www.rbinternational.com

Editorial team: Group Investor Relations
Editorial deadline: 9 March 2015

Concept/design: gantnerundenzi.at
Proofread by: be.public
Printed by: AV Astoria, Vienna

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The Annual Report is available online in German at http://gb2014.rbinternational.com
The report is also available in English at http://ar2014.rbinternational.com

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PEFC/06-39-12

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