Raiffeisen Bank International

First Quarter Report 2014

Survey of key data

Raiffeisen Bank International Group

Monetary values in € million	2014	Change	2013
Income statement	**1/1-31/3**		**1/1-31/3**
Net interest income	979	13.2%	865
Net provisioning for impairment losses	(281)	28.1%	(220)
Net fee and commission income	376	0.2%	375
Net trading income	(19)	–	80
General administrative expenses	(755)	(4.2)%	(788)
Profit before tax	240	(4.3)%	251
Profit after tax	173	(0.7)%	174
Consolidated profit	161	2.5%	157
Statement of financial position	**31/3**		**31/12**
Loans and advances to banks	19,806	(11.0)%	22,243
Loans and advances to customers	79,692	(1.2)%	80,635
Deposits from banks	26,348	(12.5)%	30,105
Deposits from customers	63,599	(4.3)%	66,437
Equity	12,821	23.7%	10,364
Total assets	125,410	(4.0)%	130,640
Key ratios	**1/1-31/3**		**1/1-31/3**
Return on equity before tax	7.9%	(1.3) PP	9.2%
Return on tangible equity	9.3%	0.1 PP	9.2%
Consolidated return on equity	4.8%	(0.8) PP	5.6%
Cost/income ratio	56.1%	(2.4) PP	58.5%
Return on assets before tax	0.74%	(0.01) PP	0.75%
Net interest margin (average interest-bearing assets)	3.35%	0.46 PP	2.89%
NPL ratio	10.6%	0.6 PP	9.9%
Provisioning ratio (average loans and advances to customers)	1.40%	0.34 PP	1.06%
Bank-specific information[1]	**31/3**		**31/12**
Risk-weighted assets (total)	79,900	0.0%	79,897
Total capital	14,639	15.4%	12,686
Total capital requirement	6,392	0.0%	6,392
Common equity tier 1 ratio (transitional)	13.9%	3.3 PP	10.7%
Common equity tier 1 ratio (fully loaded)	9.9%	–	n.a.
Total capital ratio	18.3%	2.4 PP	15.9%
Stock data	**1/1-31/3**		**1/1-31/3**
Earnings per share in €	0.41	(24.6)%	0.55
Closing price in € (31/3)	24.20	(4.7)%	25.39
High (closing prices) in €	31.27	(2.8)%	32.16
Low (closing prices) in €	20.60	(18.2)%	25.19
Number of shares in million (31/3)	292.98	49.9%	195.51
Market capitalization in € million (31/3)	7,090	42.8%	4,964
Resources	**31/3**		**31/12**
Employees as at reporting date	57,217	(1.2)%	57,901
Business outlets	2,991	(1.1)%	3,025
Customers in million	14.5	(0.5)%	14.6

1 Calculated according to the Austrian Banking Act (Bankwesengesetz, BWG) for illustrative purposes. RBI as part of the RZB Group is as a group not subject to the Austrian Banking Act.

Content

In this report RBI denotes the RBI Group. If RBI AG is used it denotes Raiffeisen Bank International AG.

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

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 shares from the pre-placement were subject to clawback with deferred settlement. This was to be applied to the extent that shareholders would exercise their subscription rights in the second stage of the capital increase, namely a rights offering during the period from 24 January to 7 February 2014.

Whereas RZB waived all of its subscription rights through its subsidiary Raiffeisen International Beteiligungs GmbH, the remaining shareholders exercised 35.7 per cent of their subscription rights. Consequently, 90,074,789 new shares were allocated to the qualified institutional investors from the pre-placement. This corresponds to 92.4 per cent of the total 97,473,914 shares issued by way of the capital increase, with existing shareholders receiving the remaining 7,399,125 new shares. At a subscription and offer price of € 28.50 per new share, gross proceeds from the deal amounted to roughly € 2.78 billion.

Crisis in Crimea impacts capital markets

In the first quarter of 2014, the dominant theme in the international financial markets was the political situation in Ukraine and the short-notice referendum resulting in Russia's annexation of the Crimean peninsula. The threat of spiraling sanctions against Russia, as well as uncertainty over the future course of the Russian administration, unsettled international investors considerably and, in March, led to corresponding share price losses in equity markets. Consequently, the Russian rouble and Ukrainian hryvnia devalued significantly against the US dollar and the euro. On a positive note, the US and the European Union are continuing their efforts to find a diplomatic solution. As a result, capital markets were already recovering towards the end of the first quarter.

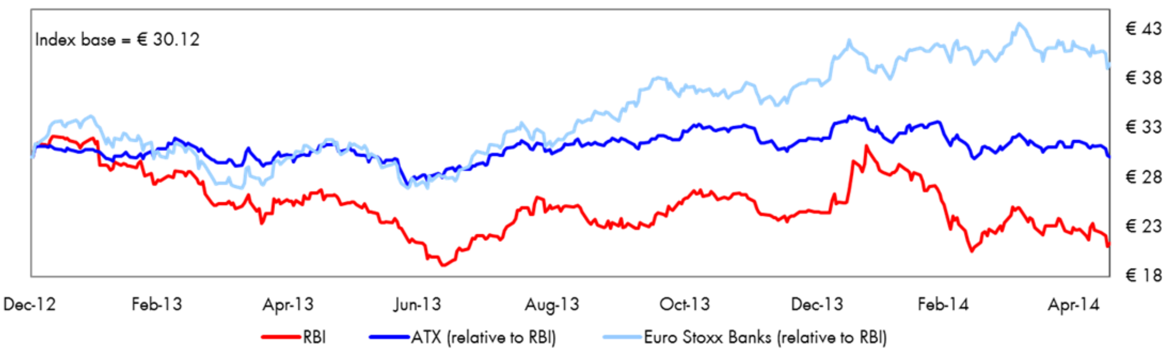
Developments in a number of emerging markets likewise attracted attention in the financial markets. Following the Fed's announcement that it would gradually begin tapering its purchases of US government bonds, investors withdrew capital from these markets, which caused short-term turbulence in Turkey and India, for example.

Unlike the Fed, the European Central Bank sent no signals that it intended to withdraw liquidity from the market or end its loose monetary policy. To the contrary, owing to fresh fears of possible deflation in the eurozone, the ECB is even considering expanding its loose monetary policy.

Performance of RBI stock

RBI stock started the year with a share price of € 24.54 and reached its highest closing price for the reporting period at € 31.27 on 23 January 2014. The share price subsequently declined, resulting in a total share price loss of 1.4 per cent in the first quarter. As at the report's editorial deadline on 16 May 2014, it traded at € 21.40.

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



Active capital market communication

In the first quarter of 2014, RBI offered interested investors another opportunity to obtain first-hand information at road shows in Frankfurt, London, Milan, New York, Vienna, Warsaw, and Zurich. Currently, a total of 30 equity analysts and 22 debt analysts regularly report their investment recommendations on RBI. This makes RBI the company in Austria that has the by far largest number of analysts reporting on it on a regular basis.

To mark the publication of its 2013 annual results on 27 March 2014, RBI held a presentation for around 40 equity and debt investors, as well as analysts from Austria. Some 200 international analysts and investors participated in the subsequent conference call. On the following day, in London, the company presented itself to analysts and institutional investors from the world's most important financial centers. The event, which for some years now has taken place on the day following the publication of the annual results, was also met with keen interest on the part of the numerous investors that subscribed to the capital increase carried out at the beginning of the year. The ensuing question and answer session provided the roughly 100 participants with an opportunity for an in-depth exchange with the Management Board.

After the end of the reporting period, RBI participated in additional road shows in Geneva, Zurich and Zürs (Austria).

Stock data and details

RBI has been listed on the Vienna Stock Exchange since 25 April 2005. At the end of the first quarter, Raiffeisen Zentralbank Österreich AG (RZB) held roughly 60.7 per cent of RBI's stock, with the remaining shares in free float. RZB's stake, which was 78.5 per cent as at the end of 2013, was reduced following the capital increase at the beginning of 2014 in favor of the free float, which increased from around 21.5 per cent to roughly 39.3 per cent. With a broad geographic distribution and a wide range of investment objectives, the shareholders presented a balanced structure as at the editorial deadline. Investors included not only a large number of small Austrian investors, but also institutional shareholders, mainly from the USA and UK. Among the institutional shareholders were also sovereign wealth funds and supranational organizations, which promise stability owing to their preference for long-term investment strategies.

Share price as at 31 March 2014	€ 24.20
High/low in the first quarter 2014 (closing prices)	€ 31.27 / € 20.60
Earnings per share from 1 January to 31 March 2014	€ 0.41
Market capitalization as at 31 March 2014	€ 7.1 billion
Average daily trading volume in the first quarter 2014 (single count)	833,937 shares
Stock exchange turnover in the first quarter 2014 (single count)	€ 1,385 million
Free float as at 31 March 2014	approximately 39.3%
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	Prime Market
Number of shares issued as at 31 March 2014	292,979,038

Rating details

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

Financial calendar for 2014

4 June 2014	Annual General Meeting
11 June 2014	Ex-Dividend and Dividend Payment Date
7 August 2014	Start of Quiet Period
21 August 2014	Semi-Annual Report, Conference Call
6 November 2014	Start of Quiet Period
20 November 2014	Third Quarter Report, Conference Call

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Group management report

Market development

Following 1.2 per cent in 2013, economic growth of 0.5 per cent is expected in Central and Eastern Europe (CEE) in 2014, with development, once again, diverging considerably in Central and Eastern European regions. Recent GDP data, for the first quarter of 2014, and leading indicators support the view that economic growth in Central Europe (CE) and a number of Southeastern European (SEE) countries will accelerate significantly in 2014 – with economic growth above eurozone average. In contrast, Russia is expected to be marked by mild recession in 2014, while the CEE Other region (Ukraine and Belarus) will probably not be able to avoid a considerable economic slowdown.

Central Europe (CE) – the Czech Republic, Hungary, Poland, Slovakia, and Slovenia – is the most economically developed region in CEE. With the exception of Poland, CE economies are small, open, and highly dependent on exports to the eurozone. Following 0.8 per cent growth in 2013, economic growth in CE should increase significantly to 2.5 per cent in 2014, with Poland again being expected to post the strongest GDP growth at just over 3 per cent. Recent GDP data and leading indicators here point to a steady and sustainable improvement in economic conditions. In general, the recovery in CE benefits primarily from high economic growth momentum in Germany, as well as from expansionary monetary and currency policies in those CE countries with room to maneuver in this area.

In Southeastern Europe (SEE) – Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, and Serbia – the economy should grow by over 2 per cent in 2014, as in the previous year. As in 2013, Romania is expected to record the strongest growth in 2014, which is confirmed by recent GDP figures for the first quarter of 2014. Romania is currently benefitting from successfully implemented structural reforms. GDP growth in Bulgaria is projected at roughly 2 per cent for 2014. In most of the other countries in SEE, GDP growth looks set to continue below 2 per cent, and Croatia could remain in stagnation in 2014. This is attributable to the fact that structural reforms are still pending in a number of these countries, and that the high levels of debt in the private sector are only gradually being reduced.

Russia already suffered a marked economic downturn in 2013, which will strengthen in 2014. A mild recession is expected in Russia in 2014, with GDP declining 0.3 per cent (following 1.3 per cent growth in 2013). In Russia, but also in the CEE Other region, domestic weaknesses (low investment, unfavorable investment climate, and high capital outflows) have further intensified as a result of the current escalation of geopolitical tensions and the first (still) rather mild sanctions. Currency devaluations in Russia and Ukraine additionally weigh on the domestic economy, as well as on consumer confidence. Against this backdrop, Ukraine's GDP is expected to decline by around 5 per cent – with considerable downturn risk – in 2014.

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

Region/country	2012	2013e	2014f	2015f
Czech Republic	(0.9)	(0.9)	2.3	2.4
Hungary	(1.7)	1.1	2.0	2.0
Poland	1.9	1.6	3.1	3.3
Slovakia	1.8	0.9	2.2	3.0
Slovenia	(2.5)	(1.1)	(0.5)	1.5
CE	**0.6**	**0.8**	**2.5**	**2.8**
Albania	1.6	0.4	2.0	3.0
Bosnia and Herzegovina	(1.1)	1.9	1.5	3.5
Bulgaria	0.6	0.9	2.0	3.5
Croatia	(1.9)	(1.0)	(0.8)	1.0
Kosovo	2.5	3.0	3.0	4.0
Romania	0.6	3.5	3.5	3.5
Serbia	(1.5)	2.5	1.0	2.0
SEE	**(0.1)**	**2.1**	**2.2**	**2.9**
Russia	**3.4**	**1.3**	**(0.3)**	**1.0**
Belarus	1.7	0.9	0.5	1.5
Ukraine	0.2	0.0	(5.0)	1.5
CEE Other	**0.6**	**0.2**	**(3.5)**	**1.5**
CEE	**2.1**	**1.2**	**0.5**	**1.7**
Austria	**0.9**	**0.4**	**1.5**	**2.3**
Germany	**0.9**	**0.5**	**1.8**	**2.5**
Eurozone	**(0.6)**	**(0.4)**	**1.5**	**2.0**

Performance

RBI generated a profit before tax of € 240 million in the first three months of 2014, a fall of € 11 million versus the comparable period in the previous year. Operating result rose 4 per cent to € 590 million, while general administrative expenses fell 4 per cent to € 755 million. In contrast, higher net provisioning for impairment losses – especially in Ukraine – had a negative effect on the result.

At € 1,345 million, operating income remained stable year-on-year: The net interest margin (calculated on interest-bearing assets) improved 46 basis points to 3.35 per cent owing to the reduction in receivables with lower margins, as well as to unsustainably higher interest income from derivatives at Group head office. This resulted in a 13 per cent increase in net interest income to € 979 million. Net trading income fell € 100 million to minus € 19 million due, among other things, to exchange-rate related valuation losses from foreign currency positions in Ukraine, valuation losses on derivatives in Russia, and a reduced net income from proprietary trading activities in Poland.

General administrative expenses fell 4 per cent, or € 33 million, to € 755 million year-on-year. Positive effects resulted from the ongoing cost reduction programs, predominantly in the Czech Republic and Poland, while the declines in Ukraine and Russia were primarily caused by currency devaluations. The average number of employees fell 1,709 to 57,843 year-on-year. The number of business outlets reduced by 66 to 2,991 year-on-year.

Compared to the same period last year, net provisioning for impairment losses rose 28 per cent, or € 62 million, to € 281 million. Individual loan loss provisions increased € 76 million to € 269 million, while portfolio-based loan loss provisions fell € 14 million compared to the same period in the previous year. The rise in net provisioning was primarily attributable to the devaluation of the hryvnia and to the difficult macro-economic situation in Ukraine.

Net income from derivatives and liabilities improved € 94 million to minus € 27 million. This improvement was attributable to net income from liabilities designated at fair value, in which the changed valuation of credit spreads, by € 116 million to € 34 million, was positively reflected. In contrast, net income from the valuation of derivatives entered into for hedging purposes fell € 22 million.

At € 173 million, profit after tax for the reporting period was almost on par with the previous year's level, while the tax rate decreased 3 percentage points to 28 per cent. Profit attributable to non-controlling interests fell € 5 million to minus € 12 million. After deducting profit attributable to non-controlling interests, consolidated profit amounted to € 161 million. As a result of the capital increase, carried out at the start of 2014, the average number of shares outstanding rose to 268.1 million (comparable period in the previous year: 194.9 million), in the first quarter of 2014. This resulted in earnings per share of € 0.41. In the same period of the previous year, this figure was € 0.55, based on the lower number of shares outstanding.

Comparison of results year-on-year

in € million	1/1-31/3/2014	1/1-31/3/2013	Change absolute	Change in %
Net interest income	979	865	114	13.2%
Net fee and commission income	376	375	1	0.2%
Net trading income	(19)	80	(100)	–
Sundry net operating income	10	26	(16)	(61.3)%
Operating income	**1,345**	**1,346**	**(1)**	**(0.1)%**
Staff expenses	(390)	(406)	16	(3.9)%
Other administrative expenses	(286)	(291)	5	(1.8)%
Depreciation	(78)	(91)	12	(13.5)%
General administrative expenses	**(755)**	**(788)**	**33**	**(4.2)%**
Operating result	**590**	**558**	**32**	**5.8%**
Net provisioning for impairment losses	(281)	(220)	(62)	28.1%
Other results	(69)	(87)	19	(21.2)%
Profit before tax	**240**	**251**	**(11)**	**(4.3)%**
Income taxes	(67)	(77)	10	(12.4)%
Profit after tax	**173**	**174**	**(1)**	**(0.7)%**
Profit attributable to non-controlling interests	(12)	(17)	5	(29.7)%
Consolidated profit	**161**	**157**	**4**	**2.5%**

Net interest income

In the first three months of 2014, net interest income rose 13 per cent, or € 114 million, to € 979 million year-on-year. This positive development was mainly attributable to significantly lower interest expenses for customer deposits, as well as to higher interest income from derivatives, primarily at Group head office (up € 33 million).

The net interest margin rose 46 basis points to 3.35 per cent year-on-year, notably due to a reduction in short-term receivables and associated lower refinancing costs. The increase in the interest margin was also driven by higher interest income from derivatives at Group head office, repricing measures in the deposit business in Poland and Slovakia, as well as the favorable development of new business in Russia and Belarus. In Ukraine, net interest income rose due to lower interest expenses for deposits from customers (lower interest rates and volumes) and from banks. In the Czech Republic, on the other hand, interest income declined due to lower margins caused by competition conditions and currency effects. In Hungary, lower interest income from derivatives, as well as lower volumes in retail and corporate customer business, led to a slide in net interest income. In Romania, net interest income declined mainly due to a fall in market interest rates and reduced interest income from securities.

Net fee and commission income

Net fee and commission income rose € 1 million to € 376 million year-on-year. Net income from foreign currency, notes/coins and precious metals business grew 8 per cent, or € 6 million, to € 88 million, primarily as a result of higher volumes in Russia and Ukraine. Net income from the payment transfer business also posted growth of € 4 million, attributable to higher fees in Hungary following the introduction of the financial transaction tax, as well as to improved margins in account management and in the credit card business in Slovakia and Romania. In contrast, net income from loan and guarantee business fell 9 per cent, or € 6 million; this was attributable to reduced margins and volumes in Russia, to lower volumes in the Czech Republic, and to changes in the law in Slovakia.

Net trading income

Compared to the same period last year, net trading income declined € 100 million to minus € 19 million. This was mainly due to a € 110 million decrease in currency-based transactions. The decline was primarily attributable to exchange-rate related valuation losses from foreign currency positions in Ukraine, reduced net income from proprietary trading in Poland, and valuation losses on derivatives in Russia. Hungary, on the other hand, posted valuation gains from derivatives, and Belarus reported positive effects from a strategic currency position. In contrast, net income from interest-based transactions rose € 24 million to € 32 million. This improvement was primarily due to valuation gains from securities positions and derivatives at Group head office, while Russia posted valuation losses.

Sundry net operating income

Sundry net operating income fell € 16 million to € 10 million year-on-year. The largest contribution to this decline was the financial transaction tax in Hungary (up €10 million year-on-year), as well as the allocation of other provisions, mainly in Hungary and Slovenia, totaling € 11 million.

General administrative expenses

General administrative expenses declined € 33 million to € 755 million, compared to the same period last year. This reduction was due to lower staff expenses, as well as to reduced depreciation of tangible and intangible assets. The cost/income ratio improved 2.1 percentage points to 56.1 per cent.

The largest component in general administrative expenses was staff expenses at 52 per cent, which decreased 4 per cent, or € 16 million, to € 390 million. This decline was due, on the one hand, to ongoing cost reduction programs – with the largest reductions in the Czech Republic and Poland, and on the other, to the significant currency devaluations in Russia and Ukraine. Vacation accruals at Group head office increased expenses.

The average number of staff (full-time equivalents) fell 1,709 year-on-year to 57,843. The biggest declines occurred in Ukraine (down 856), Hungary (down 305), Poland (down 204) and Bulgaria (down 179).

Other administrative expenses fell 2 per cent, or € 5 million, to € 286 million. In Russia and Ukraine, the achieved reduction was primarily due to currency effects. In Poland, other administrative expenses declined € 4 million, mainly as a result of lower advertising, legal, advisory and consulting expenses, as well as decreased office space expenses. In contrast, Group head office recorded a rise due to higher legal, advisory and consulting expenses, and higher IT expenses.

Depreciation of tangible and intangible fixed assets fell 14 per cent, or € 12 million, to € 78 million. This was largely attributable to currency effects and depreciation of tangible fixed assets in Russia, currency effects in Ukraine and reduced depreciation at Group head office.

Net provisioning for impairment losses

Compared to the same period last year, net provisioning for impairment losses rose 28 per cent, or € 62 million, to € 281 million. Individual loan loss provisions rose € 76 million to € 269 million, while net allocations for portfolio-based loan loss provisions fell € 14 million to € 13 million.

Ukraine posted overall significantly higher net provisioning for impairment losses (up € 65 million), above all related to foreign-currency denominated loans, following the devaluation of the hryvnia and the resulting need for provisioning for secured US dollar loans in the amount of € 30 million. In Russia, a growing retail portfolio and the devaluation of the rouble led to higher net provisioning for impairment losses (up € 41 million). However, this was still at a moderate level in the first three months of 2014, particularly as net releases of impairment losses were posted in the comparable period of the previous year. Net provisioning for impairment losses in the Group Corporates segment showed a decline of € 39 million, following a need for higher net provisioning for impairment losses on various non-performing loans to large corporate customers in the same period of the previous year. Hungary revealed a year-on-year decline of € 17 million.

Compared to year-end, the portfolio of non-performing loans (NPL) to customers fell € 228 million to € 8,429 million. Here, currency effects – notably as a result of the devaluation of the Ukrainian hryvnia and the Russian rouble – resulted in a decline of € 168 million. The organic change was the net result of a clear reduction in non-performing loans in the Group Corporates segment (down € 153 million) and in Hungary (down € 57 million), while increases were posted in Russia (up € 64 million) and in Poland (up € 37 million). In the reporting period, the NPL ratio was 10.6 per cent compared to 10.7 per cent at the end of 2013. Non-performing loans were set against loan loss provisions of € 5,499 million, improving the NPL coverage ratio to 65.2 per cent compared to 63.1 per cent at the year-end.

The provisioning ratio, based on average volume of loans and advances to customers, increased 0.34 percentage points to 1.40 per cent year-on-year.

Other results

Other results – consisting of net income from derivatives and liabilities, net income from financial investments, goodwill impairments, bank levies and financial transaction tax, as well as net income from the disposal of Group assets – rose from minus € 87 million in the same period last year to minus € 69 million.

In the first three months of 2014, net income from financial investments fell € 51 million compared to the same period in the previous year and amounted to € 37 million. The decline was due, on the one hand, to the gain from the sale of shares in equity participations posted in the same period of the previous year (down € 27 million), and on the other, to net income from the valuation of securities and net proceeds from the sale of securities in the current period being significantly lower (down € 23 million) than in the same period of the previous year.

Net income from derivatives and liabilities improved € 94 million to minus € 27 million. This was attributable to net income from liabilities designated at fair value, in which the changed valuation of credit spreads for own liabilities by € 116 million to € 34 million was positively reflected. In contrast, net income from the valuation of derivatives entered into for hedging purposes fell € 22 million.

The expense for bank levies rose € 23 million. This was due to the fact that in Hungary the bank levy for the whole of 2014, amounting to € 39 million, was already booked in January. In the previous year, an amount of only € 10 million was accrued in the first quarter, with the levies for the full year not posted until the second quarter.

Net income from disposal of Group assets amounted to minus € 11 million in the first quarter of 2014. In total, 13 subsidiaries were excluded from the consolidated group, 8 of which were excluded because they fell below the materiality threshold. The sale of the trading group F.J. Elsner, Vienna, resulted in a loss from the disposal of Group assets of € 11 million.

Income taxes

Income tax expense fell € 10 million to € 67 million – essentially due to a quarterly loss in Ukraine – compared to the previous year's period. In addition, income tax expense in Russia revealed an earnings-related fall compared to the same period in the previous year. The tax rate decreased 3 percentage points to 28 per cent.

Comparison of results with the previous quarter

in € million	Q1/2014	Q4/2013	Change absolute	Change in %
Net interest income	979	953	26	2.7%
Net fee and commission income	376	424	(48)	(11.3)%
Net trading income	(19)	81	(100)	–
Sundry net operating income	10	5	5	116.0%
Operating income	**1,345**	**1,462**	**(117)**	**(8.0)%**
Staff expenses	(390)	(405)	15	(3.7)%
Other administrative expenses	(286)	(357)	71	(19.9)%
Depreciation	(78)	(147)	69	(46.8)%
General administrative expenses	**(755)**	**(910)**	**155**	**(17.1)%**
Operating result	**590**	**552**	**39**	**7.0%**
Net provisioning for impairment losses	(281)	(350)	68	(19.5)%
Other results	(69)	(64)	(5)	8.2%
Profit before tax	**240**	**138**	**102**	**73.6%**
Income taxes	(67)	4	(71)	–
Profit after tax	**173**	**142**	**30**	**21.4%**
Profit attributable to non-controlling interests	(12)	4	(16)	–
Consolidated profit	**161**	**146**	**14**	**9.8%**

Net interest income

Compared to the fourth quarter of 2013, net interest income rose 3 per cent, or € 26 million, to € 979 million in the first quarter of 2014. The net interest margin (calculated on interest-bearing assets) improved 15 basis points quarter-on-quarter, to 3.35 per cent. This positive development was driven in particular by higher interest income from derivative financial instruments primarily at Group head office and in Russia. The majority of this increase at Group head office resulted from interest derivative transactions in connection with hedge accounting.

Net fee and commission income

Net fee and commission income fell € 48 million, to € 376 million, compared to the fourth quarter of 2013. The largest decline, at € 21 million, was in net income from the payment transfer business, due to higher fee expenses, as well as seasonal effects in Ukraine, Russia, and Romania, followed by a volume-driven € 15 million decline in net income from the loan and guarantee business. Similarly, net income from securities business decreased € 8 million, and net income from other banking services declined € 6 million.

Net trading income

Compared to the previous quarter, net trading income fell € 100 million to minus € 19 million. This was triggered by a decline in net income from currency-based transactions, primarily in Ukraine, which suffered valuation losses on foreign currency positions. Interest-based transactions improved due to valuation gains on securities positions and on derivative financial instruments at Group head office; whereas valuation losses were recorded in Russia and Hungary.

Sundry net operating income

In the first quarter of 2014, sundry net operating income increased € 5 million to € 10 million quarter-on-quarter. In the previous quarter, losses on the sale of tangible and intangible fixed assets negatively impacted net income.

General administrative expenses

General administrative expenses amounted to € 755 million in the first quarter of 2014, down € 155 million from € 910 million in the previous quarter, in which, seasonally, the level is always at its highest over the course of the year. Staff expenses fell 4 per cent quarter-on-quarter, or € 15 million, to € 390 million. Other administrative expenses decreased 20 per cent, or € 71 million, to € 286 million quarter-on-quarter, primarily due to reductions in advertising, PR and promotional expenses, as well as in office space and IT expenses. Depreciation of tangible and intangible fixed assets declined 47 per cent quarter-on-quarter, or € 69 million, to € 78 million. This was attributable to the impairment on a software project in the Czech Republic in the amount of € 47 million in the fourth quarter of 2013.

Net provisioning for impairment losses

Net provisioning for impairment losses fell € 68 million to € 281 million quarter-on-quarter. Lower net provisioning for impairment losses was mainly due to individual loan loss provisions (down € 164 million), driven by high net provisioning in the previous quarter in Hungary, Slovenia, Bulgaria, and the Czech Republic. As a result of the depreciation of the hryvnia, Ukraine's impairment requirement for foreign currency loans increased € 57 million. In contrast, portfolio-based loan loss provisions reported a net provision of € 13 million compared to a net release of € 80 million in the previous quarter.

Other results

Other results declined € 5 million to minus € 69 million quarter-on-quarter.

Net income from financial investments improved from minus € 15 million in the previous quarter to plus € 37 million in the reporting period as a result of valuation gains from the fair value securities portfolio, primarily in Ukraine and Hungary.

Net income from derivatives and liabilities declined € 14 million, to minus € 27 million, compared to the previous quarter. Net income from liabilities designated at fair value deteriorated € 95 million to minus € 61 million. The decline was mainly due to valuation losses on the interest rate component. In addition, net income from hedge accounting declined € 18 million, to minus € 13 million. This contrasted with improved net income from the credit spread, which increased € 21 million primarily as a result of the valuation of subordinated liabilities.

The bank levy increased € 33 million to stand at € 67 million in the first quarter of 2014. This was attributable to the levy in Hungary, which was booked upfront for the full year in the first quarter of 2014; whereas in the previous year it was recognized in the second quarter.

Income taxes

Tax expenses amounted to € 67 million in the first quarter of 2014, with a tax rate of 28 per cent. In the previous quarter, tax income totaled € 4 million, mainly as a result of a tax allocation with RZB AG.

Statement of financial position

RBI's total assets amounted to € 125.4 billion as at 31 March 2014 and thus were 4 per cent, or € 5.2 billion, below year-end 2013. Total assets dropped € 3.1 billion due to currency effects, mainly as a result of the sharp depreciation of the Ukrainian hryvnia (down 37 per cent) and of the Russian rouble (down 8 per cent). In addition, short-term receivables were reduced, in particular from the repo business.

Assets

in € million	31/3/2014	Share	31/12/2013	Share
Loans and advances to banks (less impairment losses)	19,695	15.7%	22,125	16.9%
Loans and advances to customers (less impairment losses)	74,193	59.2%	75,147	57.5%
Financial investments	17,630	14.1%	17,850	13.7%
Other assets	13,892	11.1%	15,518	11.9%
Total assets	**125,410**	**100.0%**	**130,640**	**100.0%**

Loans and advances to banks before deduction of loan loss provisions decreased € 2.4 billion to € 19.8 billion, since the beginning of the year. This was mainly attributable to a € 4.0 billion decline in receivables from repurchase and securities lending – predominantly at Group head office. In contrast, short-term receivables from the giro and clearing business increased € 1.2 billion while long-term receivables posted a rise of € 0.4 billion.

Loans and advances to customers before deduction of loan loss provisions fell € 0.9 billion to € 79.7 billion, since the beginning of the year, due to currency effects and continued subdued credit demand. Mortgage loans – mostly in Ukraine and Poland – were down € 0.7 billion, while receivables from repurchase and securities lending – predominantly at Group head office – decreased € 0.4 billion. At the same time, business with corporate customers fell € 0.5 billion and retail customer business declined € 0.4 billion. On a currency-adjusted basis, the core markets of Slovakia, Romania, and Russia posted gains.

Other assets decreased € 1.6 billion to € 13.9 billion. The cash reserve item contained therein declined € 1.9 billion.

Equity and liabilities

in € million	31/3/2014	Share	31/12/2013	Share
Deposits from banks	26,348	21.0%	30,105	23.0%
Deposits from customers	63,599	50.7%	66,437	50.9%
Equity and subordinated capital	16,875	13.5%	14,491	11.1%
Other liabilities	18,588	14.8%	19,607	15.0%
Total equity and liabilities	**125,410**	**100.0%**	**130,640**	**100.0%**

The refinancing volume of RBI via banks (primarily commercial banks) decreased to € 26.3 billion since the beginning of the year, as a result of a € 3.8 billion reduction in short-term deposits – mainly at Group head office.

Deposits from customers were down € 2.8 billion, to € 63.6 billion. Whereas deposits from corporate customers (notably at Group head office, in Ukraine, and Romania) fell € 2.7 billion and those from retail customers (mostly in Ukraine and Russia) declined € 0.8 billion, deposits from the public sector (predominantly in Russia and Poland) were up € 0.5 billion.

Other liabilities decreased € 1.0 billion to € 18.6 billion, attributable principally to debt securities issued.

Funding is as follows:

in € million	31/3/2014	Share	31/12/2013	Share
Customer deposits	63,599	60.9%	66,437	59.2%
Medium- and long-term refinancing	17,714	16.9%	19,495	17.4%
Short-term refinancing	19,145	18.3%	22,142	19.7%
Subordinated liabilities	4,054	3.9%	4,128	3.7%
Total	**104,512**	**100.0%**	**112,201**	**100.0%**

Equity on the statement of financial position

RBI's equity on the statement of financial position, consisting of consolidated equity, consolidated profit, and capital of non-controlling interests, increased 24 per cent, or € 2,457 million, to € 12,821 million versus year-end 2013. The capital increase carried out at the beginning of 2014, in which 97,473,914 new shares were issued, resulted in a net capital gain of € 2,732 million.

This contrasted with total comprehensive income of minus € 278 million, which includes profit after tax of € 173 million, in addition to other comprehensive income of minus € 451 million, which was impacted by currency differences of minus € 466 million. The main drivers here were the depreciation of the Ukrainian hryvnia (down 37 per cent) and the Russian rouble (down 8 per cent). In contrast, the use of hyperinflation accounting in Belarus had a positive impact of € 13 million.

Total capital pursuant to the CRR/BWG

RBI does not form an independent credit institution group (Kreditinstitutsgruppe), as defined by the Austrian Banking Act (BWG) and is not subject to the regulatory provisions for banking groups, on a consolidated basis, as it is part of the RZB credit institution group. As of 1 January 2014, the provisions of Basel III under the Capital Requirements Regulation (CRR) and the provisions of the Capital Requirements Directive (CRD) IV incorporated into the BWG are decisive for the calculation of total capital. The consolidated values shown below have been calculated in accordance with the provisions of the CRR, as well as of the BWG, and are assumed in the RZB credit institution group calculation. The previous year's figures are based on the rules applicable under Basel II at the time.

As at 31 March 2014, total capital of RBI under Basel III amounted to € 14,639 million. This corresponds to an increase of € 1,953 million compared to the year-end figure calculated under Basel II, primarily due to the capital increase in early 2014. In contrast, the currency development of the Russian rouble and Ukrainian hryvnia had a negative impact. Tier 2 capital (after deductions) increased by € 123 million to € 3,510 million.

Total capital stood in contrast to a total capital requirement of € 6,392 million. The increase in the total capital requirement, as a result of the new Basel III regulations, was largely neutralized by the depreciation of the Russian rouble and Ukrainian hryvnia. The total capital requirement for credit risk was € 5,229 million, the total capital requirement for position risk in bonds, equities and commodities came to € 388 million, and the total capital requirement for operational risk stood at € 775 million.

The excess cover ratio was 129.0 per cent compared to 98.5 per cent as at year-end 2013, and was attributable to the capital increase carried out in early 2014. Based on total risk, the common equity tier 1 ratio (transitional) came to 13.9 per cent, with a total capital ratio of 18.3 per cent.

Without taking the transitional provisions defined by the CRR into account, the common equity tier 1 ratio (fully loaded) was 9.9 per cent.

Risk management

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

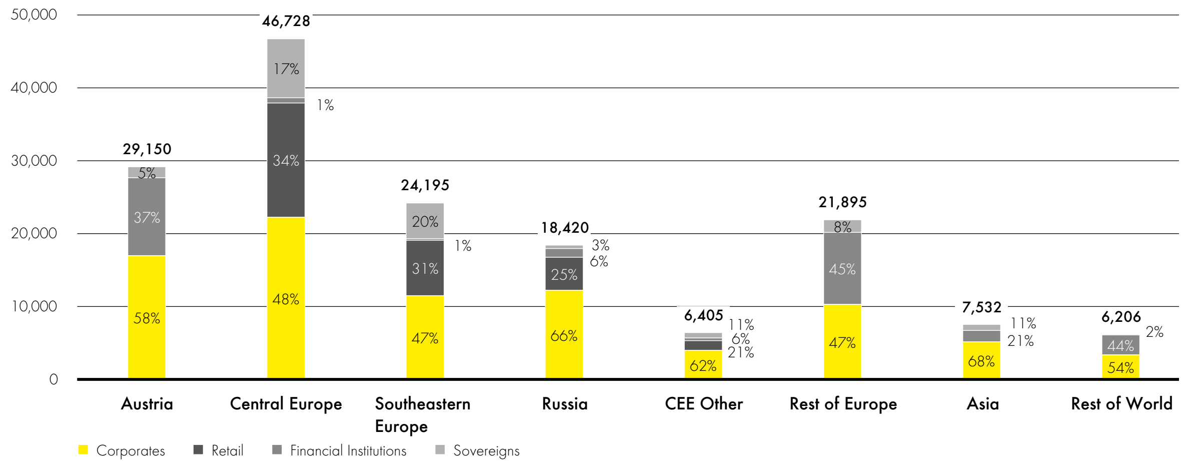
This function spans the entire organizational structure, including all levels of management, and is also implemented in each of the subsidiaries by local risk management units. Risk management is structured to ensure the careful handling and professional management of credit risk, country risk, market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

Loan portfolio strategy

The following chart shows RBI's outstanding exposure by business area and region as at the end of the first quarter of 2014.

Exposure by region

in € million



The portfolio remained highly stable throughout the first quarter of 2014 and thus reflects the Group's business model. On the reporting date, the total credit exposure used for managing the portfolio was € 160,532 million. This amount includes exposures on and off the statement of financial position prior to the application of credit conversion factors and thus represents the total credit exposure.

Corporate customers are a central element of RBI's portfolio in all regions. As at 31 March 2014, outstanding exposure to corporate customers for the Group totaled € 77,116 million, down € 1,402 million from the end of financial year 2013. This was attributable to a credit portfolio reduction at some network banks, which was partly compensated by an increase in loans in the Austrian portfolio. As new loans are granted primarily to customers with very good ratings, due to stricter lending policies, the new business credit quality is higher than that of the existing portfolio.

Retail business is undertaken by RBI exclusively in Central and Eastern European markets and declined € 273 million to € 29,129 million, compared to year-end 2013. The decline was primarily attributable to the currency development of the Russian rouble and the Ukrainian hryvnia, whereas Southeastern Europe posted moderate gains.

The financial institutions sector consists mainly of loans and advances to, as well as securities from Western European banks, in addition to loans and advances to the Austrian Raiffeisen Banking Group (as part of liquidity management within the sector). This portfolio amounted to € 27,278 million at the end of the reporting period, remaining nearly unchanged from year-end 2013. Rating grade A3, at € 14,529 million, or 53.3 per cent, accounted for the majority of an increase of € 1,161 million over the year-end level. In contrast, rating grade B1 showed a decline of € 1,247 million.

In line with RBI's strategic orientation, credit exposure to sovereigns is kept at a low level. It serves primarily to meet the minimum reserve and liquidity management requirements. The credit portfolio in this segment was down slightly, at € 18,349 million, in the first quarter of 2014, which represented a decline of € 935 million from year-end 2013.

Situation in Ukraine

Geopolitical tensions in Ukraine pose an elevated risk of loss for RBI and thus present a challenge for its risk management. The main risks are foreign currency risk, arising from the rapid depreciation of the local currency, as well as associated credit risk from foreign currency loans.

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

Changes in the regulatory environment

In the current reporting year, RBI continues to focus intensively on both existing and forthcoming regulatory requirements. One of the major themes, for which preparations were made in the past, is the amended legal regulations that came into effect with the EU directives on Basel III (CRD IV/CRR) at the beginning of the financial year.

The main focus was on preparing for the changes pertaining to the single supervisory mechanism, especially the associated comprehensive assessment by the ECB, which will also lead to an asset quality review and pan-European stress test during the first half of 2014. During these processes, the regulatory reviews will also focus on RBI as part of the RZB Group, as a result of which RBI was heavily integrated into these preparations in the first quarter.

Under the new Basel III regulations, risk management will continue to focus on the ongoing implementation of advanced calculation approaches in 2014. These activities comprise the implementation of the internal ratings-based (IRB) approach in the retail and non-retail segments of the Central and Eastern European subsidiaries, as well as further development of the internal market risk model and Group-wide further development of the standard approach for operational risk.

Outlook

We expect loans and advances to customers in 2014 to remain at the approximate level of the previous year.

We anticipate a net provisioning requirement of between € 1,300 million and € 1,400 million in 2014, however, results may be impacted by the ECB Asset Quality Review process and further deterioration of the situation in Ukraine and Russia.

In the course of our cost reduction program, we plan to reduce general administrative expenses to below the level of 2012 by 2016. We aim to achieve a cost/income ratio of between 50 to 55 per cent by 2016. Costs in 2014 are expected to be below the level of 2013.

We aim for a return on equity before tax of approximately 15 per cent and a consolidated return on equity of approximately 12 per cent in the medium term.

Segment reports

Division of segments

As a rule, RBI's internal management reporting is based on the current organizational structure. This matrix structure means that each member of the Management Board is responsible for both the 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. The presentation of the countries does not only include the subsidiary banks, but all of RBI's operating units (e.g., leasing companies) in the relevant countries. 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. This 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 amounts resulting from intra-group results elimination and consolidation between the segments.

The following segments result thereof:

- Central Europe (Czech Republic, Hungary, Poland, Slovakia, and Slovenia)
- Southeastern Europe (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, and Serbia)
- Russia
- CEE Other (Belarus, Kazakhstan, and Ukraine)
- Group Corporates
- Group Markets
- Corporate Center

In the first quarter of 2014, Ukraine resolved to leave the CIS. Therefore the "CIS Other" segment was renamed "CEE Other". In order to provide a better overview of operating income, the figures for other net operating income, and therefore operating income, are listed excluding charges for impairment of goodwill and bank levies and will be reported as sundry net operating income.

Segment overview

In Central Europe, profit before tax decreased 23 per cent, or € 13 million, to € 44 million year-on-year. This was primarily due to increased losses in Hungary and a decline in net income in the Czech Republic; whereas other countries in the region achieved slightly higher net income.

At € 94 million, profit before tax in the Southeastern Europe segment remained virtually unchanged year-on-year. While net income significantly increased in Croatia, it fell in Romania.

With profit before tax of € 139 million, the Russia segment continued to make the largest regional contribution to net income, although this was down 30 per cent, or € 59 million, year-on-year. Net provisioning for impairment losses – releases were booked in the same period last year – and earnings from the sale of participations during this period in the previous year, were responsible for the year-on-year decline.

In the CEE Other segment, markedly increased net provisioning for impairment losses and a significantly higher net trading loss year-on-year had a negative impact on net income during the period. A loss of € 8 million was posted in the first quarter of 2014.

The Group Corporates segment's profit before tax doubled to € 81 million year-on-year. This was primarily attributable to higher net provisioning for impairment losses for loans to large corporate customers during the previous year's period.

Profit before tax in the Group Markets segment fell 32 per cent to € 17 million, year-on-year, mainly due to the valuation of derivative financial instruments.

Loss before tax in the Corporate Center segment amounted to € 248 million in the first quarter of 2014, after € 208 million in the same period of the previous year. The partial write-down, carried out during the reporting period, of the participation of Raiffeisen Bank Aval JSC, Kiev, was partly compensated by higher net interest and dividend income.

Central Europe

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Operating income	389	402	(3.4)%	389	419	(7.2)%
General administrative expenses	(246)	(259)	(5.2)%	(246)	(314)	(21.7)%
Operating result	**143**	**143**	**0.0%**	**143**	**105**	**36.3%**
Net provisioning for impairment losses	(59)	(74)	(20.2)%	(59)	(143)	(58.9)%
Other results	(40)	(12)	240.5%	(40)	(24)	69.6%
Profit/loss before tax	**44**	**57**	**(23.4)%**	**44**	**(62)**	**–**
Assets	38,430	39,432	(2.5)%	38,430	38,421	0.0%
Net interest margin (average interest-bearing assets)	2.87%	2.77%	0.10 PP	2.87%	2.94%	(0.07) PP
Return on equity before tax	**4.8%**	**7.1%**	**(2.3) PP**	**4.8%**	**(7.6)%**	**–**

In Central Europe, profit before tax decreased 23 per cent to € 44 million year-on-year. This was due primarily to increased losses in Hungary, resulting from the bank levy which was already booked for the full year in January 2014, and a decline in net income in the Czech Republic; whereas the other countries in the region achieved slightly higher net income. Return on equity before tax for the segment fell 2.3 percentage points to 4.8 per cent.

Operating income

At € 259 million, the segment’s net interest income remained virtually unchanged year-on-year. An increase in net interest income in Poland and Slovakia almost offset declines in the segment's other countries. Whilst the positive development in Poland was due primarily to repricing measures in deposit business, higher margins in new retail business additionally led to the increase in net interest income in Slovakia. The biggest decline was reported in the Czech Republic as a result of lower margins in retail and corporate customer business due to competition, as well as currency effects. Net interest income also fell in Hungary, as interest income declined following reduced lending volumes, as well as lower income from derivative financial instruments and securities. The segment's net interest margin improved 10 basis points to 2.87 per cent, with falling interest margins in the Czech Republic and Slovenia offset by better results in Poland and Slovakia. Total assets were down 3 per cent, or € 1 billion, to € 38.4 billion year-on-year, due to optimized liquidity and weak demand for credit. Credit risk-weighted assets also decreased 7 per cent from € 21.7 billion to € 20.2 billion.

Net fee and commission income in the segment increased 2 per cent, or € 2 million, to € 130 million year-on-year. Net income from payment transfer business grew 11 per cent to € 61 million, largely driven by higher fees charged to customers in connection with the financial transaction tax recently introduced in Hungary. In contrast, net income from the sale of own and third party products fell 29 per cent to € 5 million, predominantly due to developments in Poland and the Czech Republic. Similarly, particularly in the Czech Republic, net income from foreign currency, notes/coins and precious metals business fell 4 per cent to € 35 million versus the same period last year as a result of margins.

The segment's net trading income declined € 5 million to € 7 million. Net income from currency-based transactions posted a decline from € 6 million to minus € 2 million year-on-year. Particularly in Poland, a significant reduction occurred due to lower net income from proprietary trading. At the same time, Hungary recorded a substantial increase owing to valuation gains from derivative financial instruments. In contrast, net income from interest-based transactions rose € 3 million to € 9 million year-on-year. This increase was attributable to valuation gains on interest-based derivatives in Hungary, whereas losses were posted in the Czech Republic.

Sundry net operating income for the region fell € 9 million to minus € 8 million. This was due, on the one hand, to increased tax expense arising from the financial transaction tax in Hungary, and on the other, to allocations for other provisions in Hungary and Slovenia.

General administrative expenses

The segment's general administrative expenses fell 5 per cent year-on-year to € 246 million. Staff expenses declined in most of the segment's countries, with the Czech Republic recording the biggest decline due to a cost reduction program. Other administrative expenses predominantly fell in Poland, Hungary, and the Czech Republic; whereas an increase was reported in Slovakia due to higher advertising, PR and promotional expenses, as well as increased deposit insurance fees. The segment's number of business outlets rose by 15 to 820 year-on-year, particularly as a result of increases in Slovakia. The cost/income ratio in the region improved 1.2 percentage points to 63.3 per cent.

Net provisioning for impairment losses

At € 59 million, net provisioning for impairment losses in the Central Europe segment was € 15 million lower year-on-year. A positive trend was recorded in both individual and portfolio-based loan loss provisions. Net provisioning for individual loan loss provisions fell € 13 million to € 66 million, while net releases of portfolio-based loan loss provisions increased € 2 million to € 7 million. In terms of countries, net provisioning for impairment losses in Hungary fell € 17 million for both retail and corporate customers, and a € 6 million decline was recorded in Slovenia. Net provisioning for impairment losses increased € 3 million in the Czech Republic, Poland, and Slovakia. The share of non-bank non-performing loans in the Central Europe segment loan portfolio amounted to 11.9 per cent at the end of the reporting period (up 0.5 percentage point year-on-year).

Other results and taxes

The Central Europe segment's other results decreased € 28 million to minus € 40 million year-on-year.

In the reporting period, the bank levy contained in the other results rose € 29 million to € 47 million. This was due mainly to the € 39 million levy in Hungary which – in contrast to the previous year – was already booked in January for the whole of 2014.

Net income from derivatives and liabilities increased € 13 million to € 4 million year-on-year. This was primarily due to net income in Poland from the valuation of other derivatives used to hedge statement of financial position items.

The decline in net income from financial investments resulted from a € 14 million decrease in the valuation result of securities from the fair value portfolio, caused primarily by municipal bonds in Hungary.

Income tax expense decreased 13 per cent to € 20 million, while the tax rate increased 5 percentage points to 45 per cent. This high tax rate stemmed mainly from loss carry-forwards in Hungary, Slovenia, and Poland; these could not be fully deducted for tax purposes through the recognition of deferred taxes.

Detailed results of individual countries:

Czech Republic

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	54	60	(9.8)%	54	55	(1.6)%
Net fee and commission income	27	31	(13.4)%	27	29	(6.6)%
Net trading income	1	0	2.0%	1	4	(88.9)%
Sundry net operating income	3	2	24.9%	3	5	(46.8)%
Operating income	**84**	**94**	**(10.1)%**	**84**	**93**	**(9.8)%**
General administrative expenses	(50)	(58)	(13.1)%	(50)	(95)	(47.2)%
Operating result	**34**	**36**	**(5.3)%**	**34**	**(2)**	**–**
Net provisioning for impairment losses	(10)	(7)	41.4%	(10)	(26)	(61.8)%
Other results	4	1	254.2%	4	(4)	–
Profit/loss before tax	**28**	**30**	**(7.5)%**	**28**	**(31)**	**–**
Income taxes	(6)	(6)	(12.8)%	(6)	9	–
Profit/loss after tax	**22**	**23**	**(6.1)%**	**22**	**(22)**	**–**
Assets	7,791	8,510	(8.4)%	7,791	7,987	(2.4)%
Loans and advances to customers	5,959	6,353	(6.2)%	5,959	5,983	(0.4)%
hereof corporate %	43.0%	45.3%	(2.3) PP	43.0%	44.0%	(0.9) PP
hereof retail %	56.4%	54.6%	1.8 PP	56.4%	55.6%	0.8 PP
hereof foreign currency %	11.4%	8.7%	2.6 PP	11.4%	11.7%	(0.3) PP
Deposits from customers	5,666	5,950	(4.8)%	5,666	5,757	(1.6)%
Loan/deposit ratio	105.2%	106.8%	(1.6) PP	105.2%	104.5%	0.7 PP
Equity	726	744	(2.3)%	726	705	3.0%
Return on equity before tax	16.2%	17.3%	(1.2) PP	16.2%	–	–
Return on equity after tax	12.8%	13.6%	(0.7) PP	12.8%	–	–
Cost/income ratio	59.8%	61.8%	(2.1) PP	59.8%	102.1%	(42.3) PP
Net interest margin (average interest-bearing assets)	2.89%	3.00%	(0.11) PP	2.89%	2.90%	(0.01) PP
Employees as at reporting date	2,749	3,037	(9.5)%	2,749	2,773	(0.9)%
Business outlets	130	129	0.8%	130	129	0.8%
Customers	469,111	484,650	(3.2)%	469,111	486,909	(3.7)%

Hungary

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	43	47	(8.5)%	43	48	(10.2)%
Net fee and commission income	32	26	24.5%	32	34	(5.8)%
Net trading income	5	(4)	–	5	17	(67.9)%
Sundry net operating income	(16)	(3)	421.9%	(16)	(16)	1.2%
Operating income	**64**	**66**	**(2.6)%**	**64**	**82**	**(22.2)%**
General administrative expenses	(42)	(47)	(10.8)%	(42)	(48)	(14.2)%
Operating result	**23**	**19**	**17.3%**	**23**	**34**	**(33.6)%**
Net provisioning for impairment losses	(18)	(36)	(48.6)%	(18)	(55)	(66.7)%
Other results	(35)	1	–	(35)	(12)	198.1%
Loss before tax	**(31)**	**(16)**	**95.7%**	**(31)**	**(33)**	**(5.9)%**
Income taxes	(2)	(4)	(48.7)%	(2)	(3)	(17.5)%
Loss after tax	**(33)**	**(20)**	**64.6%**	**(33)**	**(35)**	**(6.8)%**
Assets	6,241	6,802	(8.2)%	6,241	6,230	0.2%
Loans and advances to customers	4,894	5,121	(4.4)%	4,894	4,990	(1.9)%
hereof corporate %	51.5%	56.8%	(5.3) PP	51.5%	52.5%	(1.0) PP
hereof retail %	35.4%	37.2%	(1.9) PP	35.4%	36.0%	(0.6) PP
hereof foreign currency %	61.8%	64.9%	(3.1) PP	61.8%	60.5%	1.2 PP
Deposits from customers	4,115	4,700	(12.4)%	4,115	4,163	(1.1)%
Loan/deposit ratio	118.9%	109.2%	9.7 PP	118.9%	119.9%	(1.0) PP
Equity	377	390	(3.3)%	377	402	(6.2)%
Return on equity before tax	–	–	–	–	–	–
Return on equity after tax	–	–	–	–	–	–
Cost/income ratio	64.8%	70.7%	(6.0) PP	64.8%	58.7%	6.0 PP
Net interest margin (average interest-bearing assets)	2.95%	2.85%	0.10 PP	2.95%	3.24%	(0.29) PP
Employees as at reporting date	2,488	2,820	(11.8)%	2,488	2,603	(4.4)%
Business outlets	122	125	(2.4)%	122	122	0.0%
Customers	599,544	615,660	(2.6)%	599,544	606,021	(1.1)%

Poland

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	80	76	5.6%	80	78	2.0%
Net fee and commission income	37	38	(1.8)%	37	38	(2.0)%
Net trading income	0	15	–	0	(1)	(76.0)%
Sundry net operating income	2	3	(29.8)%	2	2	(3.7)%
Operating income	**119**	**132**	**(9.6)%**	**119**	**117**	**1.5%**
General administrative expenses	(85)	(90)	(5.2)%	(85)	(96)	(11.5)%
Operating result	**34**	**42**	**(19.1)%**	**34**	**21**	**61.9%**
Net provisioning for impairment losses	(19)	(16)	18.5%	(19)	(12)	60.2%
Other results	0	(13)	(99.3)%	0	0	–
Profit before tax	**14**	**13**	**12.4%**	**14**	**9**	**62.3%**
Income taxes	(4)	(4)	5.4%	(4)	(3)	40.6%
Profit after tax	**11**	**9**	**15.1%**	**11**	**6**	**71.5%**
Assets	13,070	13,068	0.0%	13,070	12,881	1.5%
Loans and advances to customers	10,097	10,057	0.4%	10,097	9,744	3.6%
hereof corporate %	36.3%	32.4%	3.9 PP	36.3%	33.5%	2.8 PP
hereof retail %	63.6%	67.5%	(3.9) PP	63.6%	66.4%	(2.8) PP
hereof foreign currency %	51.4%	54.8%	(3.4) PP	51.4%	55.4%	(4.0) PP
Deposits from customers	7,370	7,731	(4.7)%	7,370	7,280	1.2%
Loan/deposit ratio	138.1%	130.5%	7.6 PP	138.1%	133.8%	4.3 PP
Equity	1,473	1,424	3.4%	1,473	1,475	(0.1)%
Return on equity before tax	4.0%	3.6%	0.4 PP	4.0%	2.5%	1.5 PP
Return on equity after tax	3.0%	2.6%	0.4 PP	3.0%	1.8%	1.2 PP
Cost/income ratio	71.7%	68.4%	3.3 PP	71.7%	82.2%	(10.6) PP
Net interest margin (average interest-bearing assets)	2.62%	2.40%	0.22 PP	2.62%	2.62%	0.00 PP
Employees as at reporting date	5,847	6,134	(4.7)%	5,847	5,985	(2.3)%
Business outlets	373	371	0.5%	373	370	0.8%
Customers	760,045	847,807	(10.4)%	760,045	776,917	(2.2)%

Slovakia

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	79	73	8.9%	79	80	(0.7)%
Net fee and commission income	32	31	2.5%	32	34	(5.8)%
Net trading income	1	1	109.6%	1	1	(18.6)%
Sundry net operating income	6	6	8.1%	6	7	(14.2)%
Operating income	**118**	**110**	**7.5%**	**118**	**122**	**(3.1)%**
General administrative expenses	(64)	(59)	8.2%	(64)	(68)	(5.6)%
Operating result	**54**	**51**	**6.8%**	**54**	**54**	**0.0%**
Net provisioning for impairment losses	(12)	(9)	31.1%	(12)	(19)	(36.1)%
Other results	(8)	(8)	1.4%	(8)	(8)	6.2%
Profit before tax	**34**	**33**	**1.5%**	**34**	**27**	**23.0%**
Income taxes	(8)	(8)	(2.3)%	(8)	(8)	(0.6)%
Profit after tax	**26**	**25**	**2.7%**	**26**	**19**	**32.8%**
Assets	10,067	9,594	4.9%	10,067	10,009	0.6%
Loans and advances to customers	7,057	6,732	4.8%	7,057	6,879	2.6%
hereof corporate %	47.6%	48.8%	(1.1) PP	47.6%	46.7%	1.0 PP
hereof retail %	52.2%	51.0%	1.2 PP	52.2%	53.0%	(0.8) PP
hereof foreign currency %	1.0%	0.8%	0.2 PP	1.0%	0.6%	0.4 PP
Deposits from customers	7,365	7,191	2.4%	7,365	7,320	0.6%
Loan/deposit ratio	95.8%	93.6%	2.2 PP	95.8%	94.0%	1.8 PP
Equity	1,053	1,099	(4.2)%	1,053	1,028	2.4%
Return on equity before tax	13.9%	13.0%	0.8 PP	13.9%	11.9%	2.0 PP
Return on equity after tax	10.6%	9.8%	0.7 PP	10.6%	8.4%	2.2 PP
Cost/income ratio	54.2%	53.9%	0.3 PP	54.2%	55.6%	(1.4) PP
Net interest margin (average interest-bearing assets)	3.33%	3.23%	0.10 PP	3.33%	3.39%	(0.06) PP
Employees as at reporting date	3,845	3,845	0.0%	3,845	3,853	(0.2)%
Business outlets	179	163	9.8%	179	165	8.5%
Customers	900,049	859,019	4.8%	900,049	895,376	0.5%

Slovenia

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	4	5	(29.5)%	4	4	(12.1)%
Net fee and commission income	2	2	(6.7)%	2	2	(8.6)%
Net trading income	0	0	87.4%	0	0	15.3%
Sundry net operating income	(3)	0	–	(3)	(3)	12.8%
Operating income	**3**	**8**	**(64.8)%**	**3**	**4**	**(27.3)%**
General administrative expenses	(5)	(6)	(18.0)%	(5)	(6)	(26.1)%
Operating result	**(2)**	**2**	**–**	**(2)**	**(3)**	**(24.5)%**
Net provisioning for impairment losses	1	(6)	–	1	(31)	–
Other results	0	0	–	0	0	–
Loss before tax	**(1)**	**(4)**	**(66.4)%**	**(1)**	**(34)**	**(96.2)%**
Income taxes	0	0	–	0	(1)	–
Loss after tax	**(1)**	**(4)**	**(66.1)%**	**(1)**	**(35)**	**(96.3)%**
Assets	1,264	1,468	(13.9)%	1,264	1,341	(5.8)%
Loans and advances to customers	1,000	1,208	(17.3)%	1,000	1,051	(4.9)%
hereof corporate %	60.1%	62.6%	(2.5) PP	60.1%	60.9%	(0.8) PP
hereof retail %	32.2%	30.9%	1.3 PP	32.2%	31.8%	0.4 PP
hereof foreign currency %	4.2%	4.7%	(0.5) PP	4.2%	4.2%	0.0 PP
Deposits from customers	430	380	13.3%	430	423	1.7%
Loan/deposit ratio	232.5%	318.3%	(85.8) PP	232.5%	248.4%	(16.0) PP
Equity	31	52	(40.1)%	31	33	(4.0)%
Return on equity before tax	–	–	–	–	–	–
Return on equity after tax	–	–	–	–	–	–
Cost/income ratio	173.9%	74.6%	99.3 PP	173.9%	171.2%	2.7 PP
Net interest margin (average interest-bearing assets)	1.24%	1.45%	(0.21) PP	1.24%	1.36%	(0.13) PP
Employees as at reporting date	247	276	(10.5)%	247	245	0.8%
Business outlets	16	17	(5.9)%	16	16	0.0%
Customers	64,528	66,404	(2.8)%	64,528	65,441	(1.4)%

Southeastern Europe

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Operating income	318	312	1.9%	318	321	(1.0)%
General administrative expenses	(163)	(166)	(2.0)%	(163)	(184)	(11.2)%
Operating result	**155**	**145**	**6.3%**	**155**	**137**	**12.6%**
Net provisioning for impairment losses	(63)	(63)	(0.3)%	(63)	(107)	(41.5)%
Other results	2	12	(87.2)%	2	1	49.6%
Profit before tax	**94**	**95**	**(1.1)%**	**94**	**31**	**197.5%**
Assets	20,752	21,411	(3.1)%	20,752	21,160	(1.9)%
Net interest margin (average interest-bearing assets)	4.30%	4.20%	0.10 PP	4.30%	4.42%	(0.12) PP
Return on equity before tax	**16.1%**	**17.3%**	**(1.1) PP**	**16.1%**	**6.2%**	**9.9 PP**

In Southeastern Europe, profit before tax remained almost unchanged at € 94 million year-on-year. Return on equity before tax declined 1.1 percentage points to 16.1 per cent.

Operating income

The segment's net interest income rose € 2 million to € 209 million year-on-year. Net interest income increased in all countries in the segment, with the exception of Romania and Kosovo. Lower market interest rates and falling interest income from securities were responsible for the fall in Romania. In contrast, a reduction in interest income due to lower lending volumes and considerably lower market interest rates in Bulgaria, Croatia, Bosnia and Herzegovina, as well as in Albania, was fully offset by lower interest expenses. The segment's net interest margin rose to 4.30 per cent (up 10 basis points). Total assets decreased 3 per cent to € 20.8 billion year-on-year, while credit risk-weighted assets also declined 2 per cent to € 12.7 billion.

Net fee and commission income was up 4 per cent, or € 3 million, to € 82 million. Net income from securities business more than doubled to € 5 million year-on-year, due especially to lead arranger activities in bond issues in Croatia, as well as due to higher volumes and margins also in Romania. Net income from payment transfer business increased 4 per cent and was positively influenced by margin improvements in account management and credit card business in Romania. At € 45 million, it again delivered the largest contribution to earnings in the SEE segment. In contrast, net income from loan and guarantee business declined 12 per cent to € 5 million, due to lower volumes predominantly in Croatia. Furthermore, net income from the sale of own and third party products fell 10 per cent to € 5 million, especially in Croatia as a result of the market environment.

Net trading income in the Southeastern Europe segment was up € 1 million to € 16 million year-on-year. The improvement in interest-based transactions, which increased € 1 million to € 10 million, was mainly based on business development in Croatia, where higher valuation gains from bonds in the trading portfolio were reported. In contrast, net trading income in Romania was slightly down, as a result of lower market yields and fewer transactions.

Sundry net operating income remained unchanged year-on-year at € 10 million.

General administrative expenses

The segment's general administrative expenses fell € 3 million to € 163 million year-on-year. Staff expenses and other administrative expenses were largely stable at € 73 million and € 71 million, respectively. Depreciation, however, decreased 15 per cent, or € 3 million, to € 19 million, mainly as a result of lower depreciation on tangible fixed assets in Romania, and on leased assets in Croatia. The cost/income ratio declined 2.0 percentage points to 51.3 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses in the Southeastern Europe segment remained unchanged year-on-year at € 63 million. The individual countries in the segment, however, developed differently. The need for provisioning fell year-on-year in Croatia, Bosnia and Herzegovina, Kosovo, as well as in Serbia. Net provisioning for impairment losses increased in Romania and Bulgaria as a result of a lower valuation of collateral. In Albania, higher provisions were required for large corporate customers. The share of non-bank non-performing loans in the segment's loan portfolio increased 0.8 percentage points to 14.0 per cent.

Other results and taxes

Other results in the segment fell € 10 million to € 2 million year-on-year.

Net income from derivatives and liabilities was down € 2 million year-on-year. This was attributable in particular to valuation losses on interest rate swaps in Croatia, which declined € 2 million.

Net income from financial investments decreased € 8 million to € 2 million. This was largely due to lower valuation results of securities from the fair value portfolio – mainly government bonds – in Romania and Serbia.

The region's tax expense increased slightly to € 14 million year-on-year, while the tax rate rose 1 percentage point to 15 per cent.

Detailed results of individual countries:

Albania

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	21	18	12.4%	21	21	(1.1)%
Net fee and commission income	2	2	(0.6)%	2	1	90.0%
Net trading income	5	5	4.9%	5	5	12.2%
Sundry net operating income	0	1	–	0	(2)	(86.8)%
Operating income	**28**	**26**	**6.4%**	**28**	**24**	**14.8%**
General administrative expenses	(9)	(9)	10.3%	(9)	(12)	(20.0)%
Operating result	**18**	**17**	**4.4%**	**18**	**12**	**48.3%**
Net provisioning for impairment losses	(6)	(4)	51.6%	(6)	(11)	(46.2)%
Other results	0	0	–	0	0	–
Profit before tax	**12**	**13**	**(9.7)%**	**12**	**1**	**>500.0%**
Income taxes	(2)	(1)	37.5%	(2)	0	–
Profit after tax	**10**	**12**	**(15.0)%**	**10**	**2**	**>500.0%**
Assets	2,052	2,238	(8.3)%	2,052	2,084	(1.5)%
Loans and advances to customers	903	955	(5.4)%	903	916	(1.5)%
hereof corporate %	70.1%	69.0%	1.1 PP	70.1%	69.7%	0.4 PP
hereof retail %	29.9%	31.0%	(1.1) PP	29.9%	30.3%	(0.4) PP
hereof foreign currency %	68.5%	65.2%	3.3 PP	68.5%	68.5%	(0.1) PP
Deposits from customers	1,684	1,970	(14.5)%	1,684	1,758	(4.2)%
Loan/deposit ratio	53.6%	48.5%	5.1 PP	53.6%	52.1%	1.5 PP
Equity	214	239	(10.5)%	214	220	(2.8)%
Return on equity before tax	24.7%	25.7%	(1.0) PP	24.7%	2.6%	22.1 PP
Return on equity after tax	20.9%	23.1%	(2.2) PP	20.9%	3.4%	17.5 PP
Cost/income ratio	34.2%	33.0%	1.2 PP	34.2%	49.1%	(14.9) PP
Net interest margin (average interest-bearing assets)	4.79%	3.84%	0.95 PP	4.79%	4.70%	0.09 PP
Employees as at reporting date	1,352	1,394	(3.0)%	1,352	1,371	(1.4)%
Business outlets	95	105	(9.5)%	95	104	(8.7)%
Customers	683,297	710,610	(3.8)%	683,297	719,949	(5.1)%

Bosnia and Herzegovina

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	18	17	5.6%	18	19	(0.7)%
Net fee and commission income	8	8	4.4%	8	10	(16.9)%
Net trading income	0	0	(55.1)%	0	(1)	–
Sundry net operating income	1	1	3.8%	1	(1)	–
Operating income	**28**	**26**	**4.6%**	**28**	**27**	**3.6%**
General administrative expenses	(14)	(14)	(0.3)%	(14)	(19)	(26.0)%
Operating result	**14**	**12**	**10.0%**	**14**	**8**	**75.6%**
Net provisioning for impairment losses	0	(3)	(98.4)%	0	(8)	(99.5)%
Other results	0	0	–	0	0	250.2%
Profit before tax	**13**	**10**	**33.4%**	**13**	**0**	**–**
Income taxes	(2)	(1)	65.8%	(2)	0	–
Profit after tax	**12**	**9**	**29.8%**	**12**	**0**	**>500.0%**
Assets	2,010	1,959	2.6%	2,010	2,022	(0.6)%
Loans and advances to customers	1,225	1,245	(1.6)%	1,225	1,223	0.1%
hereof corporate %	35.7%	38.9%	(3.2) PP	35.7%	35.8%	(0.1) PP
hereof retail %	63.9%	60.2%	3.6 PP	63.9%	63.7%	0.2 PP
hereof foreign currency %	71.7%	74.3%	(2.6) PP	71.7%	73.4%	(1.7) PP
Deposits from customers	1,551	1,506	3.0%	1,551	1,567	(1.0)%
Loan/deposit ratio	79.0%	82.7%	(3.7) PP	79.0%	78.1%	0.9 PP
Equity	280	267	5.1%	280	269	4.3%
Return on equity before tax	20.6%	15.9%	4.7 PP	20.6%	–	–
Return on equity after tax	18.0%	14.3%	3.7 PP	18.0%	0.7%	17.4 PP
Cost/income ratio	50.6%	53.1%	(2.5) PP	50.6%	70.9%	(20.2) PP
Net interest margin (average interest-bearing assets)	3.85%	3.78%	0.07 PP	3.85%	3.89%	(0.04) PP
Employees as at reporting date	1,475	1,511	(2.4)%	1,475	1,491	(1.1)%
Business outlets	98	98	0.0%	98	98	0.0%
Customers	497,183	490,460	1.4%	497,183	496,690	0.1%

Bulgaria

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	31	30	2.2%	31	31	1.0%
Net fee and commission income	9	9	(0.5)%	9	10	(8.6)%
Net trading income	1	1	84.8%	1	1	1.8%
Sundry net operating income	0	0	–	0	(4)	(90.6)%
Operating income	**41**	**40**	**1.7%**	**41**	**38**	**7.5%**
General administrative expenses	(22)	(22)	(0.3)%	(22)	(25)	(10.1)%
Operating result	**19**	**18**	**4.1%**	**19**	**14**	**39.4%**
Net provisioning for impairment losses	(17)	(15)	12.3%	(17)	(37)	(55.7)%
Other results	0	0	–	0	0	423.1%
Profit/loss before tax	**3**	**3**	**(14.4)%**	**3**	**(24)**	**–**
Income taxes	0	0	(2.8)%	0	2	–
Profit/loss after tax	**2**	**3**	**(15.8)%**	**2**	**(21)**	**–**
Assets	3,201	3,464	(7.6)%	3,201	3,203	(0.1)%
Loans and advances to customers	2,439	2,812	(13.3)%	2,439	2,526	(3.4)%
hereof corporate %	43.7%	45.7%	(2.0) PP	43.7%	44.0%	(0.3) PP
hereof retail %	55.8%	53.7%	2.1 PP	55.8%	55.5%	0.3 PP
hereof foreign currency %	67.0%	74.7%	(7.8) PP	67.0%	67.2%	(0.3) PP
Deposits from customers	2,038	2,152	(5.3)%	2,038	2,133	(4.5)%
Loan/deposit ratio	119.7%	130.7%	(11.0) PP	119.7%	118.4%	1.3 PP
Equity	474	503	(5.7)%	474	472	0.5%
Return on equity before tax	2.2%	2.5%	(0.3) PP	2.2%	–	–
Return on equity after tax	1.9%	2.2%	(0.3) PP	1.9%	–	–
Cost/income ratio	54.0%	55.0%	(1.1) PP	54.0%	64.5%	(10.5) PP
Net interest margin (average interest-bearing assets)	4.03%	3.66%	0.37 PP	4.03%	3.81%	0.22 PP
Employees as at reporting date	2,846	3,034	(6.2)%	2,846	2,965	(4.0)%
Business outlets	156	182	(14.3)%	156	168	(7.1)%
Customers	740,162	795,039	(6.9)%	740,162	740,812	(0.1)%

Croatia

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	37	36	4.7%	37	41	(8.3)%
Net fee and commission income	15	14	9.5%	15	13	11.2%
Net trading income	3	2	86.2%	3	4	(13.1)%
Sundry net operating income	8	7	20.1%	8	5	51.5%
Operating income	**63**	**58**	**10.0%**	**63**	**63**	**0.6%**
General administrative expenses	(32)	(33)	(5.6)%	(32)	(32)	(0.6)%
Operating result	**32**	**24**	**31.6%**	**32**	**31**	**1.9%**
Net provisioning for impairment losses	(12)	(15)	(17.9)%	(12)	(10)	17.3%
Other results	0	1	(97.5)%	0	(2)	–
Profit before tax	**20**	**11**	**85.6%**	**20**	**19**	**1.7%**
Income taxes	(4)	(2)	87.0%	(4)	(4)	1.7%
Profit after tax	**16**	**8**	**85.3%**	**16**	**15**	**1.7%**
Assets	4,639	4,948	(6.2)%	4,639	4,749	(2.3)%
Loans and advances to customers	3,388	3,498	(3.2)%	3,388	3,436	(1.4)%
hereof corporate %	42.3%	39.6%	2.7 PP	42.3%	41.8%	0.5 PP
hereof retail %	49.5%	49.5%	0.0 PP	49.5%	48.9%	0.6 PP
hereof foreign currency %	69.0%	62.1%	7.0 PP	69.0%	68.8%	0.2 PP
Deposits from customers	2,822	2,870	(1.7)%	2,822	2,863	(1.4)%
Loan/deposit ratio	119.6%	121.6%	(2.0) PP	119.6%	120.0%	(0.3) PP
Equity	705	765	(7.9)%	705	750	(6.1)%
Return on equity before tax	11.2%	5.7%	5.5 PP	11.2%	10.9%	0.3 PP
Return on equity after tax	9.0%	4.6%	4.4 PP	9.0%	8.7%	0.3 PP
Cost/income ratio	49.8%	58.0%	(8.2) PP	49.8%	50.4%	(0.6) PP
Net interest margin (average interest-bearing assets)	3.66%	3.28%	0.38 PP	3.66%	3.99%	(0.33) PP
Employees as at reporting date	2,039	2,063	(1.2)%	2,039	2,036	0.1%
Business outlets	76	79	(3.8)%	76	76	0.0%
Customers	477,294	475,925	0.3%	477,294	475,838	0.3%

Kosovo

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	9	9	(0.5)%	9	9	(3.1)%
Net fee and commission income	2	2	(1.6)%	2	2	(17.2)%
Net trading income	0	0	(98.8)%	0	0	–
Sundry net operating income	0	0	201.5%	0	0	(1.0)%
Operating income	**11**	**11**	**(3.2)%**	**11**	**11**	**(5.1)%**
General administrative expenses	(6)	(6)	1.5%	(6)	(7)	(15.1)%
Operating result	**5**	**5**	**(8.6)%**	**5**	**4**	**11.7%**
Net provisioning for impairment losses	1	(1)	–	1	(1)	–
Other results	0	0	–	0	0	–
Profit before tax	**5**	**4**	**31.1%**	**5**	**4**	**47.8%**
Income taxes	(1)	0	53.8%	(1)	0	91.1%
Profit after tax	**5**	**4**	**28.6%**	**5**	**3**	**43.4%**
Assets	717	628	14.1%	717	699	2.5%
Loans and advances to customers	457	444	2.8%	457	458	(0.2)%
hereof corporate %	38.9%	39.0%	(0.1) PP	38.9%	39.4%	(0.5) PP
hereof retail %	61.1%	61.0%	0.1 PP	61.1%	60.6%	0.5 PP
hereof foreign currency %	0.0%	0.0%	0.0 PP	0.0%	0.0%	0.0 PP
Deposits from customers	564	508	11.0%	564	558	1.1%
Loan/deposit ratio	81.0%	87.5%	(6.4) PP	81.0%	82.1%	(1.1) PP
Equity	112	103	9.0%	112	108	4.3%
Return on equity before tax	20.9%	17.1%	3.8 PP	20.9%	15.4%	5.5 PP
Return on equity after tax	18.4%	15.4%	3.0 PP	18.4%	13.9%	4.5 PP
Cost/income ratio	55.9%	53.3%	2.6 PP	55.9%	62.5%	(6.6) PP
Net interest margin (average interest-bearing assets)	5.24%	5.87%	(0.63) PP	5.24%	5.69%	(0.46) PP
Employees as at reporting date	700	698	0.3%	700	699	0.1%
Business outlets	54	52	3.8%	54	54	0.0%
Customers	253,830	258,799	(1.9)%	253,830	251,035	1.1%

Romania

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	67	72	(6.1)%	67	69	(3.0)%
Net fee and commission income	38	36	4.3%	38	51	(25.1)%
Net trading income	6	6	(7.1)%	6	3	113.6%
Sundry net operating income	1	1	1.1%	1	(1)	-
Operating income	**112**	**115**	**(2.8)%**	**112**	**122**	**(8.1)%**
General administrative expenses	(63)	(65)	(2.3)%	(63)	(71)	(10.8)%
Operating result	**49**	**51**	**(3.4)%**	**49**	**51**	**(4.2)%**
Net provisioning for impairment losses	(26)	(21)	20.8%	(26)	(31)	(16.5)%
Other results	2	6	(71.8)%	2	2	(14.8)%
Profit before tax	**25**	**36**	**(29.4)%**	**25**	**23**	**11.4%**
Income taxes	(4)	(6)	(39.2)%	(4)	(4)	(0.7)%
Profit after tax	**22**	**30**	**(27.5)%**	**22**	**19**	**13.6%**
Assets	6,264	6,370	(1.7)%	6,264	6,528	(4.0)%
Loans and advances to customers	4,318	4,195	3.0%	4,318	4,266	1.2%
hereof corporate %	34.2%	34.6%	(0.4) PP	34.2%	32.8%	1.4 PP
hereof retail %	63.2%	62.6%	0.6 PP	63.2%	64.3%	(1.0) PP
hereof foreign currency %	53.0%	54.1%	(1.1) PP	53.0%	54.3%	(1.2) PP
Deposits from customers	4,127	3,995	3.3%	4,127	4,344	(5.0)%
Loan/deposit ratio	104.6%	105.0%	(0.3) PP	104.6%	98.2%	6.4 PP
Equity	701	665	5.4%	701	674	3.9%
Return on equity before tax	16.1%	25.0%	(8.9) PP	16.1%	15.8%	0.3 PP
Return on equity after tax	13.9%	21.0%	(7.1) PP	13.9%	13.4%	0.5 PP
Cost/income ratio	56.3%	56.0%	0.3 PP	56.3%	58.0%	(1.8) PP
Net interest margin (average interest-bearing assets)	4.36%	4.83%	(0.47) PP	4.36%	4.47%	(0.12) PP
Employees as at reporting date	5,329	5,393	(1.2)%	5,329	5,308	0.4%
Business outlets	530	526	0.8%	530	530	0.0%
Customers	2,053,737	1,981,086	3.7%	2,053,737	2,077,912	(1.2)%

Serbia

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	25	25	3.5%	25	27	(7.2)%
Net fee and commission income	8	8	(0.5)%	8	9	(8.2)%
Net trading income	1	1	(58.3)%	1	1	(26.5)%
Sundry net operating income	1	2	(19.2)%	1	(1)	–
Operating income	**35**	**36**	**(0.6)%**	**35**	**36**	**(1.3)%**
General administrative expenses	(17)	(18)	(6.0)%	(17)	(19)	(10.0)%
Operating result	**18**	**18**	**5.0%**	**18**	**17**	**8.3%**
Net provisioning for impairment losses	(3)	(4)	(32.2)%	(3)	(8)	(68.4)%
Other results	0	4	–	0	0	>500.0%
Profit before tax	**16**	**18**	**(13.3)%**	**16**	**9**	**83.2%**
Income taxes	(2)	(2)	(15.8)%	(2)	(1)	21.9%
Profit after tax	**14**	**16**	**(12.9)%**	**14**	**7**	**96.2%**
Assets	1,892	1,849	2.3%	1,892	1,875	0.9%
Loans and advances to customers	1,067	1,195	(10.7)%	1,067	1,105	(3.5)%
hereof corporate %	47.3%	51.2%	(3.9) PP	47.3%	47.9%	(0.5) PP
hereof retail %	50.2%	45.8%	4.5 PP	50.2%	49.9%	0.4 PP
hereof foreign currency %	74.8%	72.0%	2.9 PP	74.8%	69.8%	5.1 PP
Deposits from customers	1,164	1,097	6.2%	1,164	1,119	4.1%
Loan/deposit ratio	91.6%	109.0%	(17.3) PP	91.6%	98.8%	(7.1) PP
Equity	508	520	(2.3)%	508	498	2.1%
Return on equity before tax	13.2%	15.1%	(1.9) PP	13.2%	7.5%	5.6 PP
Return on equity after tax	11.6%	13.3%	(1.6) PP	11.6%	6.2%	5.4 PP
Cost/income ratio	48.1%	50.8%	(2.8) PP	48.1%	52.7%	(4.6) PP
Net interest margin (average interest-bearing assets)	5.74%	5.60%	0.14 PP	5.74%	6.26%	(0.52) PP
Employees as at reporting date	1,593	1,757	(9.3)%	1,593	1,602	(0.6)%
Business outlets	85	86	(1.2)%	85	85	0.0%
Customers	609,052	561,702	8.4%	609,052	604,122	0.8%

Russia

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Operating income	281	283	(0.5)%	281	292	(3.8)%
General administrative expenses	(114)	(125)	(9.0)%	(114)	(161)	(29.3)%
Operating result	**168**	**158**	**6.1%**	**168**	**132**	**27.3%**
Net provisioning for impairment losses	(27)	15	–	(27)	(29)	(6.6)%
Other results	(2)	26	–	(2)	5	–
Profit before tax	**139**	**198**	**(29.8)%**	**139**	**108**	**28.6%**
Assets	15,103	16,187	(6.7)%	15,103	15,555	(2.9)%
Net interest margin (average interest-bearing assets)	5.46%	5.12%	0.34 PP	5.46%	4.79%	0.67 PP
Return on equity before tax	**32.9%**	**48.1%**	**(15.2) PP**	**32.9%**	**27.0%**	**5.9 PP**

In Russia, profit before tax fell 30 per cent to € 139 million year-on-year. This was mainly due to net provisioning for impairment losses, as well as the net proceeds from the sale of participations in the comparable period of the previous year. Return on equity before tax declined 15.2 percentage points to 32.9 per cent.

Operating income

Net interest income in Russia rose 7 per cent, or € 12 million, to € 194 million year-on-year. Interest income from securities increased € 9 million and interest income from derivative financial instruments rose € 6 million. Increased interest income from loans due to higher volumes also had a positive effect, although this was largely offset by similarly rising interest expenses from customer deposits. The segment's net interest margin was up 34 basis points to 5.46 per cent year-on-year. Total assets fell 7 per cent to € 15.1 billion year-on-year mainly due to currency devaluation. Credit risk-weighted assets decreased 19 per cent to € 8.5 billion.

Net fee and commission income declined 5 per cent, or € 4 million, to € 66 million year-on-year. While net income from foreign currency, notes/coins and precious metals business rose € 5 million to € 18 million largely due to higher volumes, net income from loan and guarantee business declined € 4 million to € 16 million. Net income from payment transfer business also fell € 2 million to € 24 million. Net income from the sale of own and third party products decreased € 2 million to minus € 4 million as a result of higher expenses.

Net trading income amounted to € 12 million (down € 19 million), which was considerably lower than in the previous year. Net income from currency-based transactions fell € 5 million to € 22 million as a result of lower net income from foreign currency derivatives carried out for hedging purposes, and net income from interest-based transactions was down € 14 million to minus € 10 million as a result of valuation losses.

Sundry net operating income rose € 9 million to € 11 million, as a result of the sale of assets.

General administrative expenses

The segment's general administrative expenses fell 9 per cent, or € 11 million, to € 114 million due to currency movements. The decrease in staff expenses (down € 5 million) was largely attributable to the development of the Russian rouble, as well as to slightly lower wages and salaries. Other administrative expenses fell € 3 million as a result of currency movements and lower IT expenses. Depreciation expenses were down € 3 million, following lower depreciation on tangible fixed assets. The number of business outlets rose by 7 to 196 year-on-year. The cost/income ratio improved 3.7 percentage points to 40.4 per cent on account of lower administrative expenses.

Net provisioning for impairment losses

In Russia, in the reporting period, net provisioning for impairment losses totaled € 27 million. Even though this figure represents a moderate level, it contrasts with a net release of provisions totaling € 15 million in the comparable period of the previous year. In the first three months of 2014, new provisions were necessary, above all for retail customers, to counter the increase in lending volume and movement of the US dollar and euro against the Russian rouble. The share of non-bank non-performing loans in the credit portfolio of the segment increased 0.5 percentage points to 5.3 per cent year-on-year.

Other results and taxes

Other results in the Russia segment fell from € 26 million, in the comparable period of the previous year, to minus € 2 million in the reporting period. Net income from financial investments decreased from plus € 26 million in the first three months of 2013 to minus € 13 million in the reporting period. On the one hand, the decline was the result of higher losses from the valuation and sale of securities from the fair value portfolio, and on the other, of net proceeds of € 26 million from the sale of participations in the comparable prior-year period. Net income from derivative financial instruments improved € 12 million to plus € 12 million year-on-year, mainly due to valuation gains from interest rate swaps carried out to mitigate interest rate structure risk.

The tax expense developed in line with profit, while the tax rate was marginally higher at 22 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	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	194	182	6.6%	194	181	7.0%
Net fee and commission income	66	69	(5.5)%	66	77	(15.1)%
Net trading income	12	31	(62.2)%	12	34	(66.4)%
Sundry net operating income	11	1	>500.0%	11	0	–
Operating income	**281**	**283**	**(0.5)%**	**281**	**292**	**(3.8)%**
General administrative expenses	(114)	(125)	(9.0)%	(114)	(161)	(29.3)%
Operating result	**168**	**158**	**6.1%**	**168**	**132**	**27.3%**
Net provisioning for impairment losses	(27)	15	–	(27)	(29)	(6.6)%
Other results	(2)	26	–	(2)	5	–
Profit before tax	**139**	**198**	**(29.8)%**	**139**	**108**	**28.6%**
Income taxes	(31)	(43)	(28.0)%	(31)	(22)	41.9%
Profit after tax	**109**	**156**	**(30.3)%**	**109**	**87**	**25.3%**
Assets	15,103	16,187	(6.7)%	15,103	15,555	(2.9)%
Loans and advances to customers	9,598	10,101	(5.0)%	9,598	9,967	(3.7)%
hereof corporate %	55.1%	62.7%	(7.7) PP	55.1%	55.6%	(0.5) PP
hereof retail %	44.9%	37.2%	7.7 PP	44.9%	44.4%	0.5 PP
hereof foreign currency %	34.5%	42.2%	(7.7) PP	34.5%	33.5%	1.0 PP
Deposits from customers	9,805	10,447	(6.1)%	9,805	9,924	(1.2)%
Loan/deposit ratio	97.9%	96.7%	1.2 PP	97.9%	100.4%	(2.5) PP
Equity	2,300	2,633	(12.7)%	2,300	2,360	(2.6)%
Return on equity before tax	27.3%	35.5%	(8.2) PP	27.3%	22.4%	4.9 PP
Return on equity after tax	21.3%	27.9%	(6.6) PP	21.3%	18.0%	3.3 PP
Cost/income ratio	40.4%	44.1%	(3.7) PP	40.4%	55.0%	(14.6) PP
Net interest margin (average interest-bearing assets)	4.80%	5.12%	(0.32) PP	5.46%	4.79%	0.67 PP
Employees as at reporting date	8,530	8,200	4.0%	8,530	8,542	(0.1)%
Business outlets	196	189	3.7%	196	195	0.5%
Customers	2,683,852	2,335,420	14.9%	2,683,852	2,617,291	2.5%

CEE Other

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Operating income	117	137	(14.3)%	117	171	(31.4)%
General administrative expenses	(77)	(90)	(14.3)%	(77)	(89)	(13.5)%
Operating result	**40**	**47**	**(14.3)%**	**40**	**82**	**(51.0)%**
Net provisioning for impairment losses	(92)	(25)	262.1%	(92)	(14)	>500.0%
Other results	43	32	34.5%	43	0	>500.0%
Profit/loss before tax	**(8)**	**54**	**–**	**(8)**	**68**	**–**
Assets	4,758	6,349	(25.1)%	4,758	5,809	(18.1)%
Net interest margin (average interest-bearing assets)	8.89%	6.59%	2.31 PP	8.89%	8.59%	0.31 PP
Return on equity before tax	**–**	**25.1%**	**–**	**–**	**32.7%**	**–**

In the CEE Other segment, the net income for the period was negatively impacted by significantly higher net trading income and considerably higher net provisioning for impairment losses. The first quarter of 2014 resulted in a loss before tax for the period of € 8 million.

Operating income

The segment's net interest income rose overall 19 per cent, or € 17 million, to € 110 million. This was primarily attributable to a rise in net interest income in Ukraine of 17 per cent to € 84 million, due to lower interest expense and a fall in market interest rates. In Belarus, a higher lending volume and increased margins led to an increase of 25 per cent to € 25 million in net interest income. The net interest margin improved from 6.59 per cent to 8.89 per cent year-on-year. Total assets in the segment decreased 25 per cent to € 4.8 billion year-on-year, mainly due to currency effects, while credit risk-weighted assets declined 19 per cent to € 4.4 billion.

Net fee and commission income in the segment remained almost unchanged versus the prior year period, falling € 1 million to € 48 million. Net income from the payment transfer business declined 9 per cent, or € 3 million, due to higher expenses in Ukraine, but was almost offset by improved net income from foreign currency, notes/coins and precious metals business. The latter rose € 3 million to € 12 million, mainly in Ukraine.

Net trading income declined to minus € 40 million in the reporting period year-on-year, after minus € 4 million in the previous year's period. This was primarily due to net income from currency-based transactions, where Ukraine posted higher valuation losses from foreign currency positions. In Ukraine, valuations from bonds also led to a reduction of € 1 million in net income from interest-based transactions.

Sundry net operating income in the segment remained almost unchanged year-on-year at minus € 1 million.

General administrative expenses

Compared to the same period last year, general administrative expenses declined € 13 million to € 77 million. A large proportion of this reduction was recorded in Ukraine, primarily due to the devaluation of the hryvnia. The segment's staff expenses fell € 7 million as a result of headcount reduction and currency effects. The decline in other administrative expenses and depreciation was also currency-related. The number of business outlets decreased to 867. The cost/income ratio in the segment remained constant at 65.9 per cent.

Net provisioning for impairment losses

The region's net provisioning for impairment losses increased € 66 million to € 92 million year-on-year. The rise was mainly attributable to developments in Ukraine. This included € 85 million in individual loan loss provisions and € 7 million in portfolio-based loan loss provisions. Provisioning for impairment losses was largely required on foreign currency loans due to the devaluation of the Ukrainian hryvnia, and the resulting need to adjust provisioning for secured US dollar loans. In contrast, Belarus again had no need for provisioning for impairment losses on loans. The share of non-bank non-performing loans in the segment's overall loan portfolio fell 2.9 percentage points to 24.8 per cent year-on-year.

Other results and taxes

Other results in the segment rose € 11 million to € 43 million year-on-year. This rise was particularly due to valuation gains from the fair value securities portfolio. In Ukraine, net income from the valuation of fixed-income Ukrainian government bonds improved € 11 million to € 43 million year-on-year.

In the first three months of 2014, tax income of € 2 million was posted due to the utilization of tax loss carry-forwards.

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

Belarus

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	25	20	25.3%	25	23	8.6%
Net fee and commission income	15	15	(2.6)%	15	15	(3.5)%
Net trading income	0	(6)	(99.9)%	0	0	–
Sundry net operating income	0	(1)	(95.0)%	0	0	–
Operating income	**40**	**28**	**40.7%**	**40**	**39**	**2.5%**
General administrative expenses	(19)	(18)	5.1%	(19)	(19)	(3.1)%
Operating result	**21**	**11**	**100.3%**	**21**	**20**	**8.0%**
Net provisioning for impairment losses	0	0	(40.8)%	0	13	(99.2)%
Other results	0	0	–	0	0	–
Profit before tax	**21**	**11**	**97.9%**	**21**	**33**	**(34.8)%**
Income taxes	(5)	(2)	166.3%	(5)	(9)	(45.0)%
Profit after tax	**17**	**9**	**84.4%**	**17**	**24**	**(31.1)%**
Assets	1,435	1,472	(2.5)%	1,435	1,446	(0.8)%
Loans and advances to customers	949	1,010	(6.0)%	949	910	4.2%
hereof corporate %	73.4%	76.8%	(3.4) PP	73.4%	72.3%	1.2 PP
hereof retail %	26.6%	23.2%	3.4 PP	26.6%	27.7%	(1.2) PP
hereof foreign currency %	73.4%	73.0%	0.4 PP	73.4%	72.4%	1.0 PP
Deposits from customers	773	926	(16.6)%	773	842	(8.3)%
Loan/deposit ratio	122.8%	109.0%	13.8 PP	122.8%	108.1%	14.7 PP
Equity	272	223	22.0%	272	270	0.9%
Return on equity before tax	37.4%	21.6%	15.8 PP	37.4%	64.7%	(27.3) PP
Return on equity after tax	29.1%	18.0%	11.1 PP	29.1%	47.6%	(18.6) PP
Cost/income ratio	46.8%	62.6%	(15.8) PP	46.8%	49.5%	(2.7) PP
Net interest margin (average interest-bearing assets)	7.80%	6.39%	1.41 PP	7.80%	7.00%	0.79 PP
Employees as at reporting date	2,178	2,201	(1.0)%	2,178	2,216	(1.7)%
Business outlets	96	100	(4.0)%	96	100	(4.0)%
Customers	723,688	695,067	4.1%	723,688	719,919	0.5%

Ukraine

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Net interest income	84	72	16.8%	84	91	(7.5)%
Net fee and commission income	33	34	(0.6)%	33	39	(14.5)%
Net trading income	(40)	2	–	(40)	3	–
Sundry net operating income	(1)	(1)	(33.2)%	(1)	(2)	(73.1)%
Operating income	**77**	**107**	**(28.5)%**	**77**	**132**	**(41.8)%**
General administrative expenses	(58)	(72)	(19.2)%	(58)	(70)	(16.3)%
Operating result	**18**	**35**	**(47.8)%**	**18**	**62**	**(70.5)%**
Net provisioning for impairment losses	(92)	(27)	244.5%	(92)	(27)	245.5%
Other results	43	32	34.6%	43	0	>500.0%
Profit/loss before tax	**(30)**	**41**	**–**	**(30)**	**35**	**–**
Income taxes	7	(9)	–	7	(7)	–
Profit/loss after tax	**(24)**	**32**	**–**	**(24)**	**29**	**–**
Assets	3,289	4,832	(31.9)%	3,289	4,327	(24.0)%
Loans and advances to customers	3,027	3,806	(20.5)%	3,027	3,599	(15.9)%
hereof corporate %	54.8%	51.9%	2.9 PP	54.8%	56.6%	(1.8) PP
hereof retail %	44.9%	48.1%	(3.2) PP	44.9%	43.4%	1.5 PP
hereof foreign currency %	54.3%	50.8%	3.4 PP	54.3%	46.9%	7.4 PP
Deposits from customers	1,610	2,835	(43.2)%	1,610	2,433	(33.8)%
Loan/deposit ratio	187.9%	134.2%	53.7 PP	187.9%	147.9%	40.0 PP
Equity	618	885	(30.2)%	618	878	(29.6)%
Return on equity before tax	–	19.6%	–	–	17.9%	–
Return on equity after tax	–	15.5%	–	–	14.6%	–
Cost/income ratio	76.2%	67.4%	8.8 PP	76.2%	53.0%	23.2 PP
Net interest margin (average interest-bearing assets)	9.32%	6.66%	2.66 PP	9.32%	9.15%	0.17 PP
Employees as at reporting date	12,891	13,787	(6.5)%	12,891	13,053	(1.2)%
Business outlets	770	822	(6.3)%	770	798	(3.5)%
Customers	3,014,699	3,023,416	(0.3)%	3,014,699	3,062,204	(1.6)%

Group Corporates

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Operating income	162	156	3.8%	162	153	5.9%
General administrative expenses	(45)	(44)	2.3%	(45)	(49)	(7.1)%
Operating result	**117**	**112**	**4.4%**	**117**	**104**	**12.0%**
Net provisioning for impairment losses	(34)	(73)	(53.3)%	(34)	(50)	(32.3)%
Other results	(1)	0	–	(1)	3	–
Profit before tax	**81**	**39**	**106.5%**	**81**	**57**	**43.3%**
Assets	20,884	21,380	(2.3)%	20,884	20,812	0.3%
Net interest margin (average interest-bearing assets)	2.39%	2.17%	0.22 PP	2.39%	2.34%	0.05 PP
Return on equity before tax	**15.7%**	**8.3%**	**7.5 PP**	**15.7%**	**12.6%**	**3.1 PP**

Following the negative impact of higher net provisioning for impairment losses on loans to large corporate customers in the comparative period of the previous year, profit before tax in the Group Corporates segment rose € 42 million to € 81 million year-on-year. The segment's return on equity before tax rose 7.5 percentage points to 15.7 per cent.

Operating income

The segment's net interest income increased 14 per cent to € 124 million year-on-year. In particular, increased margins in the Corporate Customers profit center of Group head office (Austrian and multinational corporate customers serviced from Vienna) contributed to a 32 per cent improvement in net interest income to € 57 million. Similarly, in the Network Corporate Customers & Support profit center (predominantly international corporate customers with a CEE relationship), net interest income increased 10 per cent to € 23 million although the volume of business with Central and Eastern European corporate customers has declined since year-end 2013. The segment's net interest margin rose 22 basis points to 2.39 per cent due to improved asset margins. Total assets fell 2 per cent to € 20.9 billion year-on-year, due to a decline in the volume of loans to Central and Eastern European corporate customers. Credit risk-weighted assets fell 13 per cent to € 12.8 billion.

Net fee and commission income decreased € 6 million to € 37 million year-on-year. Declines were recorded in the business outlets in Asia and the USA, and also at Group head office. These were attributable to lower fee and commission income from bond issues, as well as from real estate, export and investment financing; whereas the project financing business resulted in higher fee and commission income.

The segment's net trading income declined from € 3 million in the comparable period of the previous year, to € 1 million in the reporting period. Both, net income from interest-based transactions, as well as from currency-based transactions decreased, mainly in the business outlets in Asia.

The segment's sundry net operating income fell € 2 million to less than € 1 million year-on-year. The decline resulted from assigning the bank levy to the segment for the first time in 2014.

General administrative expenses

The segment's general administrative expenses increased 2 per cent, or € 1 million to € 45 million year-on-year, mainly as a result of higher overhead costs that were allocated to the segment. At the end of the reporting period the segment consisted of 9 business outlets. The cost/income ratio improved 0.4 percentage points to 28.0 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses fell € 39 million to € 34 million year-on-year. In the same period of the previous year, individual loans to large corporate customers, particularly at Group head office as well as in Asia, led to higher risk costs. The share of non-bank non-performing loans in the segment's portfolio increased 1.6 percentage points to 6.0 per cent.

Other results and taxes

The segment's other results amounted to minus € 1 million in the reporting period.

Income tax expense increased 20 per cent to € 16 million, while the tax rate fell 14 percentage points to 19 per cent. This was attributable to improvements in net income in countries with very low tax rates.

Group Markets

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Operating income	83	76	9.1%	83	94	(11.7)%
General administrative expenses	(64)	(61)	5.2%	(64)	(60)	6.2%
Operating result	**19**	**15**	**24.4%**	**19**	**34**	**(43.7)%**
Net provisioning for impairment losses	2	(1)	–	2	(22)	–
Other results	(4)	11	–	(4)	6	–
Profit before tax	**17**	**25**	**(31.5)%**	**17**	**17**	**0.0%**
Assets	16,755	19,438	(13.8)%	16,755	20,271	(17.3)%
Net interest margin (average interest-bearing assets)	1.09%	0.84%	0.25 PP	1.09%	0.95%	0.13 PP
Return on equity before tax	**7.9%**	**8.9%**	**(1.1) PP**	**7.9%**	**10.6%**	**(2.7) PP**

In the Group Markets segment, profit before tax fell 32 per cent to € 17 million year-on-year. The main reason for the decline was the valuation of derivatives. As a result, the segment's return on equity before tax declined 1.1 percentage points to 7.9 per cent.

Operating income

The segment's net interest income increased 27 per cent to € 41 million year-on-year. This was mainly attributable to the reclassification of net trading income in accordance with IFRS to net interest income in the Global Treasury Markets profit center and in the customer business of the Financial Institutions & Sovereigns profit center. This caused the net interest margin to increase 25 basis points to 1.09 per cent. Total assets in the segment decreased 14 per cent to € 16.8 billion year-on-year. The 23 per cent rise in credit risk-weighted assets to € 4.6 billion was mainly due to rating downgrades and the increase in exposure.

Net fee and commission income in the segment rose 9 per cent to € 29 million year-on-year.

The segment's net trading income declined 45 per cent to € 8 million. This was mainly due tovaluation losses from foreign currency positions. In contrast, net income from banknote trading and net income from structured products improved € 6 million overall.

Sundry net operating income improved € 2 million to € 5 million in the reporting period.

General administrative expenses

The Group Markets segment's general administrative expenses increased 5 per cent to € 64 million year-on-year. With operating income rising 9 per cent, the cost/income ratio improved 2.8 percentage points to 77.1 per cent.

Net provisioning for impairment losses

An individual loan loss provision of € 2 million was released in the reporting period. Non-performing loans accounted for 2.1 per cent of the segment's total credit exposure.

Other results and taxes

Other results in the segment fell from € 11 million to minus € 4 million year-on-year. This was mainly attributable to net income from derivatives, which declined € 13 million to minus € 4 million. This decrease was due to interest rate development for macro hedges at Group head office. Income tax expense rose € 4 million to € 7 million, while the tax rate increased to 38 per cent.

Corporate Center

in € million	1/1-31/3 2014	1/1-31/3 2013	Change	Q1/2014	Q4/2013	Change
Operating income	127	4	>500.0%	127	48	164.0%
General administrative expenses	(80)	(72)	10.8%	(80)	(87)	(8.7)%
Operating result	**47**	**(67)**	**–**	**47**	**(39)**	**–**
Net provisioning for impairment losses	(8)	1	–	(8)	11	–
Other results	(287)	(142)	102.2%	(287)	(199)	43.8%
Loss before tax	**(248)**	**(208)**	**19.0%**	**(248)**	**(227)**	**9.0%**
Assets	34,172	43,580	(21.6)%	34,172	34,716	(1.6)%
Net interest margin (average interest-bearing assets)	–	–	–	–	–	–
Return on equity before tax	**–**	**–**	**–**	**–**	**–**	**–**

The Corporate Center segment's profit before tax fell to minus € 248 million in the reporting period, despite significantly improved net interest and dividend income due to the partial write-down of the Raiffeisen Bank Aval JSC, Kiev, participation at the Group head office.

Operating income

Net interest income in the segment rose from minus € 12 million to plus € 128 million year-on-year. This increase was mainly due to intra-Group dividend income. In addition, lower refinancing costs had a positive impact as existing financing was replaced with cheaper financing. The interest expenses of € 16 million (comparable period in 2013: € 13 million) for the subordinated capital of RBI AG are also reported in this segment. The segment's total assets declined 22 per cent to € 34.2 billion compared to the same period last year; whereas credit risk-weighted assets rose 12 per cent to € 18.8 billion due to the introduction of the new corporate rating model and higher total capital requirement under Basel III.

Net fee and commission income improved 60 per cent to minus € 4 million year-on-year, due especially to higher fee and commission income from intra-Group securitization transactions and the acceptance of guarantees.

Net trading income in the segment fell € 17 million to minus € 26 million year-on-year. This was mainly attributable to valuation losses from open foreign currency positions in Ukraine.

Sundry net operating income fell € 7 million to € 30 million, due to the sale of F.J. Elsner Trading GmbH in the first quarter of 2014. The contribution to net income made by the Raiffeisen Service Center (back-office services for banks in Austria) remained almost unchanged at € 7 million.

General administrative expenses

The segment's general administrative expenses increased € 8 million to € 80 million year-on-year, due to higher overhead costs. The only business outlet reported in the segment is Group head office.

Net provisioning for impairment losses

Net provisioning for impairment losses generally plays a minor role in this segment due to the intra-Group nature of its business activities. In the first three months of 2014, net provisioning for impairment losses for customers of Group head office amounted to € 8 million.

Other results and taxes

Other results in the segment fell from minus € 142 million to minus € 287 million year-on-year. In particular, at € 216 million, the partial write-down on the Raiffeisen Bank Aval JSC, Kiev, participation had a negative impact on the net income of Group head office. In contrast, net income from derivatives and liabilities positively developed and improved € 85 million to minus € 31 million. This was attributable to net income from liabilities designated at fair value, in which valuations for credit spreads increased € 116 million to € 34 million.

The Austrian bank levy had a negative effect of € 17 million on net income. Net income from disposal of Group assets amounted to minus € 11 million and resulted mainly from the sale of three subsidiaries.

In the Corporate Center segment, tax income fell € 10 million to € 17 million year-on-year.

Interim consolidated financial statements

(Interim report as at 31 March 2014)

Statement of comprehensive income

Income statement

in € million	Notes	1/1-31/3/2014	1/1-31/3/2013	Change
Interest income		1,442	1,490	(3.2)%
Interest expenses		(463)	(626)	(26.0)%
Net interest income	**[2]**	**979**	**865**	**13.2%**
Net provisioning for impairment losses	[3]	(281)	(220)	28.1%
Net interest income after provisioning		**697**	**645**	**8.1%**
Fee and commission income		471	458	2.8%
Fee and commission expense		(95)	(83)	14.5%
Net fee and commission income	**[4]**	**376**	**375**	**0.2%**
Net trading income	[5]	(19)	80	–
Net income from derivatives and liabilities	[6]	(27)	(121)	(77.3)%
Net income from financial investments	[7]	37	87	(58.1)%
General administrative expenses	[8]	(755)	(788)	(4.2)%
Other net operating income	[9]	(57)	(21)	173.7%
Net income from disposal of group assets		(11)	(6)	64.6%
Profit before tax		**240**	**251**	**(4.3)%**
Income taxes	[10]	(67)	(77)	(12.4)%
Profit after tax		**173**	**174**	**(0.7)%**
Profit attributable to non-controlling interests		(12)	(17)	(29.7)%
Consolidated profit		**161**	**157**	**2.5%**

Earnings per share

in €	1/1-31/3/2014	1/1-31/3/2013	Change
Earnings per share	0.41	0.55	(0.13)

Earnings per share are obtained by dividing consolidated profit less dividend for participation capital by the average number of ordinary shares outstanding. As at 31 March 2014, the number of ordinary shares oustanding was 268.1 million (31 March 2013: 194.9 million). As there were no conversion rights or options outstanding, a dilution of earnings per share did not occur.

Other comprehensive income and total comprehensive income

	Total		Group equity		Non-controlling interests	
in € million	1/1-31/3 2014	1/1-31/3 2013	1/1-31/3 2014	1/1-31/3 2013	1/1-31/3 2014	1/1-31/3 2013
Profit after tax	**173**	**174**	**161**	**157**	**12**	**17**
Items which are not reclassified to profit and loss	**0**	**0**	**0**	**0**	**0**	**0**
Remeasurements of defined benefit plans	0	0	0	0	0	0
Deferred taxes on items which are not reclassified to profit and loss	0	0	0	0	0	0
Items that may be reclassified subsequently to profit or loss	**(451)**	**(6)**	**(441)**	**(3)**	**(10)**	**(2)**
Exchange differences	(466)	5	(455)	9	(11)	(4)
hereof unrealized net gains (losses) of the period	(466)	5	(455)	9	(11)	(4)
hereof net gains (losses) reclassified to income statement	0	0	0	0	0	0
Capital hedge	1	(1)	1	(1)	0	0
Hyperinflation	13	13	12	11	2	2
Net gains (losses) on derivatives hedging fluctuating cash flows	0	(2)	0	(2)	0	0
hereof unrealized net gains (losses) of the period	0	(2)	0	(2)	0	0
hereof net gains (losses) reclassified to income statement	0	0	0	0	0	0
Changes in equity of companies valued at equity	0	0	0	0	0	0
Net gains (losses) on financial assets available-for-sale	3	(25)	3	(25)	0	0
hereof unrealized net gains (losses) of the period	4	0	3	0	1	0
hereof net gains (losses) reclassified to income statement	(1)	(25)	0	(25)	(1)	0
Deferred taxes on income and expenses directly recognized in equity	(1)	5	(1)	5	0	0
hereof unrealized net gains (losses) of the period	(1)	0	(1)	0	0	0
hereof net gains (losses) reclassified to income statement	0	5	0	5	0	0
Sundry income and expenses directly recognized in equity	0	0	0	0	0	0
Other comprehensive income	**(451)**	**(6)**	**(441)**	**(3)**	**(10)**	**(2)**
Total comprehensive income	**(278)**	**168**	**(280)**	**153**	**2**	**15**

Quarterly results

in € million	Q2/2013	Q3/2013	Q4/2013	Q1/2014
Net interest income	972	940	953	979
Net provisioning for impairment losses	(249)	(330)	(350)	(281)
Net interest income after provisioning	**722**	**610**	**603**	**697**
Net fee and commission income	411	417	424	376
Net trading income	60	100	81	(19)
Net income from derivatives and liabilities	(66)	(56)	(14)	(27)
Net income from financial investments	(23)	9	(15)	37
General administrative expenses	(829)	(813)	(910)	(755)
Other net operating income	(58)	(38)	(30)	(57)
Net income from disposal of group assets	0	0	0	(11)
Profit before tax	**216**	**229**	**138**	**240**
Income taxes	(79)	(80)	4	(67)
Profit after tax	**137**	**149**	**142**	**173**
Profit attributable to non-controlling interests	(17)	(15)	4	(12)
Consolidated profit	**120**	**134**	**146**	**161**

in € million	Q2/2012	Q3/2012	Q4/2012	Q1/2013
Net interest income	886	834	876	865
Net provisioning for impairment losses	(247)	(224)	(385)	(220)
Net interest income after provisioning	**639**	**611**	**491**	**645**
Net fee and commission income	375	400	396	375
Net trading income	85	54	(6)	80
Net income from derivatives and liabilities	(55)	(88)	(20)	(121)
Net income from financial investments	(8)	46	19	87
General administrative expenses[1]	(764)	(818)	(922)	(788)
Other net operating income	(28)	(16)	(50)	(21)
Net income from disposal of group assets	(2)	0	14	(6)
Profit before tax	**243**	**188**	**(78)**	**251**
Income taxes[1]	(83)	(32)	(59)	(77)
Profit after tax	**160**	**155**	**(137)**	**174**
Profit attributable to non-controlling interests	0	(14)	24	(17)
Consolidated profit	**160**	**142**	**(113)**	**157**

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

Statement of financial position

Assets in € million	Notes	31/3/2014	31/12/2013	Change
Cash reserve		4,814	6,674	(27.9)%
Loans and advances to banks	[12, 36]	19,806	22,243	(11.0)%
Loans and advances to customers	[13, 36]	79,692	80,635	(1.2)%
Impairment losses on loans and advances	[14]	(5,610)	(5,605)	0.1%
Trading assets	[15, 36]	7,855	7,581	3.6%
Derivatives	[16, 36]	982	982	0.0%
Financial investments	[17, 36]	13,260	13,483	(1.7)%
Investments in associates	[36]	0	5	–
Intangible fixed assets	[18]	1,179	1,249	(5.6)%
Tangible fixed assets	[19]	1,458	1,595	(8.6)%
Other assets	[20, 36]	1,974	1,799	9.7%
Total assets		**125,410**	**130,640**	**(4.0)%**

Equity and liabilities in € million	Notes	31/3/2014	31/12/2013	Change
Deposits from banks	[21, 36]	26,348	30,105	(12.5)%
Deposits from customers	[22, 36]	63,599	66,437	(4.3)%
Debt securities issued	[23]	10,511	11,533	(8.9)%
Provisions for liabilities and charges	[24, 36]	775	733	5.7%
Trading liabilities	[25, 36]	5,435	5,204	4.4%
Derivatives	[26, 36]	377	384	(1.9)%
Other liabilities	[27, 36]	1,490	1,753	(15.0)%
Subordinated capital	[28, 36]	4,054	4,128	(1.8)%
Equity	[29]	12,821	10,364	23.7%
Consolidated equity		12,169	9,322	30.5%
Consolidated profit		161	557	(71.2)%
Non-controlling interests		492	485	1.4%
Total equity and liabilities		**125,410**	**130,640**	**(4.0)%**

Statement of changes in equity

in € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as at 1/1/2014	**595**	**2,500**	**2,575**	**3,652**	**557**	**485**	**10,364**
Capital increases	297	0	2,435	0	0	0	2,732
Transferred to retained earnings	0	0	0	557	(557)	0	0
Dividend payments	0	0	0	0	0	(2)	(2)
Total comprehensive income	0	0	0	(441)	161	2	(278)
Own shares/share incentive program	0	0	(5)	5	0	0	0
Other changes	0	0	(6)	5	0	7	6
Equity as at 31/3/2014	**892**	**2,500**	**4,999**	**3,778**	**161**	**492**	**12,821**

in € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as at 1/1/2013[1]	**595**	**2,500**	**2,574**	**3,755**	**730**	**719**	**10,873**
Capital increases	0	0	0	0	0	0	0
Transferred to retained earnings	0	0	0	730	(730)	0	0
Dividend payments	0	0	0	0	0	(2)	(2)
Total comprehensive income	0	0	0	(3)	157	15	168
Own shares/share incentive program	0	0	0	0	0	0	0
Other changes	0	0	0	35	0	(13)	22
Equity as at 31/3/2013	**595**	**2,500**	**2,574**	**4,517**	**157**	**719**	**11,061**

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

Statement of cash flows

in € million	1/1-31/3/2014	1/1-31/3/2013
Cash and cash equivalents at the end of previous period	**6,674**	**6,557**
Net cash from operating activities	(4,433)	(1,624)
Net cash from investing activities	(156)	65
Net cash from financing activities	2,945	(18)
Effect of exchange rate changes	(217)	34
Cash and cash equivalents at the end of period	**4,814**	**5,013**

Segment reporting

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 elemination of intra-group results and consolidation between the segments.

The following segments result thereof:

- Central Europe
- Southeastern Europe
- Russia
- CEE Other
- Group Corporates
- Group Markets
- Corporate Center

In the first quarter of 2014 Ukraine decided to leave the CIS. The segment CIS Other has been renamed as CEE Other.

1/1-31/3/2014 in € million	Central Europe	Southeastern Europe	Russia	CEE Other	Group Corporates
Net interest income	259	209	194	110	124
Net fee and commission income	130	82	66	48	37
Net trading income	7	16	12	(40)	1
Sundry net operating income	(8)	10	11	(1)	0
Operating income	**389**	**318**	**281**	**117**	**162**
General administrative expenses	(246)	(163)	(114)	(77)	(45)
Operating result	**143**	**155**	**168**	**40**	**117**
Net provisioning for impairment losses	(59)	(63)	(27)	(92)	(34)
Other results	(40)	2	(2)	43	(1)
Profit before tax	**44**	**94**	**139**	**(8)**	**81**
Income taxes	(20)	(14)	(31)	2	(16)
Profit after tax	**24**	**80**	**109**	**(7)**	**66**
Profit attributable to non-controlling interests	(11)	0	1	0	0
Profit/Loss after non-controlling interests	**13**	**80**	**109**	**(7)**	**66**
Share of profit before tax	36.7%	78.4%	116.7%	–	68.2%
Risk-weighted assets (credit risk)	20,159	12,662	8,545	4,444	12,757
Risk-weighted assets (total)	23,636	15,254	10,614	5,437	13,235
Total capital requirement	1,891	1,220	849	435	1,059
Assets	38,430	20,752	15,103	4,758	20,884
Liabilities	34,768	17,758	12,803	3,864	14,932
Net interest margin (average interest-bearing assets)	2.87%	4.30%	5.46%	8.89%	2.39%
NPL ratio	11.9%	14.0%	5.3%	24.8%	6.0%
NPL coverage ratio	64.8%	64.1%	73.8%	78.2%	54.9%
Cost/income ratio	63.3%	51.3%	40.4%	65.9%	28.0%
Provisioning ratio (average loans and advances to customers)	0.81%	1.09%	1.21%	1.40%	0.95%
Average equity	3,673	2,321	1,694	888	2,071
Return on equity before tax	**4.8%**	**16.1%**	**32.9%**	**–**	**15.7%**
Business outlets	820	1,094	196	867	9

1/1-31/3/2014 in € million	Group Markets	Corporate Center	Reconciliation	Total
Net interest income	41	128	(87)	979
Net fee and commission income	29	(4)	(12)	376
Net trading income	8	(26)	4	(19)
Sundry net operating income	5	30	(36)	10
Operating income	**83**	**127**	**(132)**	**1,345**
General administrative expenses	(64)	(80)	34	(755)
Operating result	**19**	**47**	**(98)**	**590**
Net provisioning for impairment losses	2	(8)	(1)	(281)
Other results	(4)	(287)	219	(69)
Profit before tax	**17**	**(248)**	**121**	**240**
Income taxes	(7)	17	0	(67)
Profit after tax	**11**	**(231)**	**121**	**173**
Profit attributable to non-controlling interests	0	(2)	0	(12)
Profit/Loss after non-controlling interests	**11**	**(232)**	**121**	**161**
Share of profit before tax	14.6%	–	–	100.0%
Risk-weighted assets (credit risk)	4,639	18,752	(16,602)	65,357
Risk-weighted assets (total)	5,943	19,207	(13,426)	79,900
Total capital requirement	475	1,537	(1,074)	6,392
Assets	16,755	34,172	(25,445)	125,410
Liabilities	17,814	24,132	(13,481)	112,590
Net interest margin (average interest-bearing assets)	1.09%	–	–	3.35%
NPL ratio	10.8%	11.6%	–	10.6%
NPL coverage ratio	65.3%	45.9%	–	65.2%
Cost/income ratio	77.1%	62.7%	–	56.1%
Provisioning ratio (average loans and advances to customers)	1.48%	–	–	1.40%
Average equity	884	2,750	(2,190)	12,091
Return on equity before tax	**7.9%**	**–**	**–**	**7.9%**
Business outlets	4	1	–	2,991

1/1-31/3/2013 in € million	Central Europe	Southeastern Europe	Russia	CEE Other	Group Corporates
Net interest income	260	207	182	93	109
Net fee and commission income	128	79	69	49	43
Net trading income	12	15	31	(4)	3
Sundry net operating income	1	10	1	(1)	2
Operating income	**402**	**312**	**283**	**137**	**156**
General administrative expenses	(259)	(166)	(125)	(90)	(44)
Operating result	**143**	**145**	**158**	**47**	**112**
Net provisioning for impairment losses	(74)	(63)	15	(25)	(73)
Other results	(12)	12	26	32	0
Profit before tax	**57**	**95**	**198**	**54**	**39**
Income taxes	(22)	(13)	(43)	(11)	(13)
Profit after tax	**35**	**82**	**156**	**43**	**26**
Profit attributable to non-controlling interests	(11)	(10)	0	(3)	0
Profit after non-controlling interests	**23**	**72**	**155**	**40**	**27**
Share of profit before tax	22.0%	36.4%	76.2%	20.6%	15.1%
Risk-weighted assets (credit risk)	21,650	12,971	10,586	5,474	14,580
Risk-weighted assets (total)	25,277	15,712	12,965	6,661	14,830
Total capital requirement	2,022	1,257	1,037	533	1,186
Assets	39,432	21,411	16,187	6,349	21,380
Liabilities	35,705	18,348	13,553	5,237	13,928
Net interest margin (average interest-bearing assets)	2.77%	4.20%	5.12%	6.59%	2.17%
NPL ratio	11.4%	13.2%	4.8%	27.6%	4.4%
NPL coverage ratio	63.8%	61.5%	99.7%	70.9%	66.6%
Cost/income ratio	64.5%	53.3%	44.1%	65.9%	28.4%
Provisioning ratio (average loans and advances to customers)	1.46%	1.69%	(0.23)%	2.02%	0.20%
Average equity	3,232	2,192	1,649	854	1,910
Return on equity before tax	**7.1%**	**17.3%**	**48.1%**	**25.1%**	**8.3%**
Business outlets	805	1,128	189	923	8

1/1-31/3/2013 in € million	Group Markets	Corporate Center	Reconciliation	Total
Net interest income	32	(12)	(6)	865
Net fee and commission income	26	(11)	(9)	375
Net trading income	15	(9)	18	80
Sundry net operating income	2	37	(26)	26
Operating income	**76**	**4**	**(24)**	**1,346**
General administrative expenses	(61)	(72)	30	(788)
Operating result	**15**	**(67)**	**5**	**558**
Net provisioning for impairment losses	(1)	1	0	(220)
Other results	11	(142)	(15)	(87)
Profit before tax	**25**	**(208)**	**(10)**	**251**
Income taxes	(2)	27	0	(77)
Profit after tax	**23**	**(181)**	**(10)**	**174**
Profit attributable to non-controlling interests	0	0	7	(17)
Profit/Loss after non-controlling interests	**23**	**(181)**	**(2)**	**157**
Share of profit before tax	9.8%	(80.0)%	–	100.0%
Risk-weighted assets (credit risk)	3,777	16,710	(16,430)	69,319
Risk-weighted assets (total)	5,219	16,497	(13,421)	83,740
Total capital requirement	418	1,320	(1,074)	6,699
Assets	19,438	43,580	(35,845)	131,932
Liabilities	19,567	31,792	(17,259)	120,871
Net interest margin (average interest-bearing assets)	0.84%	–	–	2.89%
NPL ratio	6.4%	–	–	9.9%
NPL coverage ratio	88.9%	–	–	67.5%
Cost/income ratio	79.9%	–	–	58.5%
Provisioning ratio (average loans and advances to customers)	0.82%	(0.13)%	–	1.06%
Average equity	1,137	2,482	(2,492)	10,963
Return on equity before tax	**8.9%**	**–**	**–**	**9.2%**
Business outlets	3	1	–	3,057

Notes

Principles underlying the consolidated financial statements

Principles of preparation

The condensed interim consolidated financial statements of RBI are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the international accounting standards adopted by the EU on the basis of IAS Regulation (EC) 1606/2002 including the applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC). The condensed consolidated interim financial statements as at 31 March 2014 are prepared in accordance with IAS 34.

In addition to the information on risks arising from financial instruments in the individual notes to the financial statements, the risk report section in particular contains detailed information on the issues of credit risk, concentration risk, market risk, and liquidity risk.

RBI's interim report as at 31 March 2014 did not undergo a complete audit, nor did it undergo an audit inspection carried out by a certified auditor (framework prime market of the Vienna Stock Exchange).

The same recognition and measurement principles and consolidation methods were fundamentally applied in the interim reporting, as those used in preparing the consolidated financial statements 2013 (see Annual Report 2013, page 116 ff). Standards and interpretations to be applied in the EU from 1 January 2014 onward were accounted for in this interim report. The application of these standards had no material influence on the condensed interim consolidated financial statements.

Application of new and revised standards

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

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

Due to the first-time application of IFRS 10, the structured company Compass Variety Funding Limited, Dublin (IE), was fully consolidated for the first time, due to the fact that RBI has control over specified assets (leasing claims) according to IFRS10.B76–IFRS10.B79, which are separated from the general participation entity. Due to the initial consolidation of the structured company, refinancing gathered via the structured entity of € 52 million as at reporting date (31 December 2013: € 66.8 million) was shown under deposits from banks.

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

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

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

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, they are made in accordance with the respective standards. They are based on past experience and other factors, such as planning and expectations or forecasts of future events that appear likely from today's standard. This primarily affects impairment losses in the credit business, the fair value and the impairment of financial instruments, deferred taxes, provisions for pensions and pension-related liabilities, and calculations used to determine the recoverability of goodwill and the intangible asset values capitalized in the course of the initial consolidation. The actual values may deviate from the estimated figures.

Currencies

Rates in units per €	2014 As at 31/3	2014 Average 1/1-31/3	2013 As at 31/12	2013 Average 1/1-31/3
Albanian lek (ALL)	140.270	140.263	140.200	139.685
Belarusian rouble (BYR)	13,570.000	13,287.500	13,080.000	11,350.000
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)	7.648	7.644	7.627	7.583
Czech koruna (CZK)	27.442	27.428	27.427	25.537
Hungarian forint (HUF)	307.180	306.983	297.040	296.198
Kazakh tenge (KZT)	249.700	230.965	211.170	198.293
Malaysian Ringgit (MYR)	4.498	4.518	4.522	4.068
Polish zloty (PLN)	4.172	4.186	4.154	4.150
Romanian leu (RON)	4.459	4.482	4.471	4.402
Russian rouble (RUB)	48.780	47.949	45.325	40.238
Serbian dinar (RSD)	115.385	115.471	114.642	112.199
Singapore dollar (SGD)	1.737	1.739	1.741	1.625
Turkish lira (TRY)	2.969	3.015	2.961	2.355
Ukrainian hryvnia (UAH)	15.072	12.650	11.042	10.516
US-Dollar (USD)	1.379	1.373	1.379	1.317

Consolidated group

Number of units	Fully consolidated 31/3/2014	Fully consolidated 31/12/2013	Equity method 31/3/2014	Equity method 31/12/2013
As at beginning of period	**143**	**137**	**1**	**1**
Included for the first time in the financial period	3	14	0	0
Merged in the financial period	0	(1)	0	0
Excluded in the financial period	(13)	(7)	(1)	0
As at end of period	**133**	**143**	**0**	**1**

Excluded units

in € million	ELSNER-Group	Others	Total
Assets	70	78	148
Liabilities	58	78	136
Total identifiable net assets	**12**	**0**	**12**
Non-controlling interests	0	0	0
Net assets after non-controlling interests	**12**	**0**	**12**
Goodwill	0	0	0
Goodwill/Badwill from exchange differences	0	0	0
Selling price/carrying amount	1	0	2
Net income from disposal of group assets	**(11)**	**1**	**(11)**

Notes to the income statement

(1) Income statement according to measurement categories

in € million	1/1-31/3/2014	1/1-31/3/2013
Net income from financial assets and liabilities held-for-trading	196	(25)
Net income from financial assets and liabilities at fair value through profit or loss	44	86
Net income from financial assets available-for-sale	2	28
Net income from loans and advances	921	1,047
Net income from financial assets held-to-maturity	42	49
Net income from financial liabilities measured at acquisition cost	(463)	(625)
Net income from derivatives (hedging)	32	15
Net revaluations from exchange differences	(87)	116
Other operating income/expenses	(447)	(441)
Total profit before tax from continuing operations	**240**	**251**

(2) Net interest income

in € million	1/1-31/3/2014	1/1-31/3/2013
Interest and interest-like income, total	**1,442**	**1,490**
Interest income	1,435	1,485
from balances at central banks	8	13
from loans and advances to banks	48	53
from loans and advances to customers	1,095	1,148
from financial investments	112	131
from leasing claims	46	48
from derivative financial instruments (non-trading), net	127	92
Current income	1	0
Interest-like income	6	5
Current income from associates	**0**	**0**
Interest expenses and interest-like expenses, total	**(463)**	**(626)**
Interest expenses	(451)	(612)
on deposits from central banks	(2)	(1)
on deposits from banks	(85)	(108)
on deposits from customers	(249)	(358)
on debt securities issued	(63)	(96)
on subordinated capital	(52)	(48)
Interest-like expenses	(12)	(14)
Total	**979**	**865**

(3) Net provisioning for impairment losses

in € million	1/1-31/3/2014	1/1-31/3/2013
Individual loan loss provisions	**(269)**	**(194)**
Allocation to provisions for impairment losses	(594)	(490)
Release of provisions for impairment losses	344	297
Direct write-downs	(29)	(14)
Income received on written-down claims	10	12
Portfolio-based loan loss provisions	**(13)**	**(27)**
Allocation to provisions for impairment losses	(149)	(159)
Release of provisions for impairment losses	136	132
Gains from loan termination or sale	**1**	**1**
Total	**(281)**	**(220)**

(4) Net fee and commission income

in € million	1/1-31/3/2014	1/1-31/3/2013
Payment transfer business	172	168
Loan and guarantee business	53	59
Securities business	31	30
Foreign currency, notes/coins, and precious metals business	88	82
Management of investment and pension funds	7	7
Sale of own and third party products	8	12
Other banking services	16	16
Total	**376**	**375**

(5) Net trading income

in € million	1/1-31/3/2014	1/1-31/3/2013
Interest-based transactions	32	8
Currency-based transactions	(40)	70
Equity-/index-based transactions	7	4
Credit derivatives business	0	0
Other transactions	(20)	(2)
Total	**(19)**	**80**

The refinancing expenses for trading assets that are included in net trading income amounted to € 14 million (comparable period: € 12 million).

(6) Income from derivatives and liabilities

in € million	1/1-31/3/2014	1/1-31/3/2013
Net income from hedge accounting	(13)	10
Net income from credit derivatives	0	0
Net income from other derivatives	47	(77)
Net income from liabilities designated at fair value	(61)	(55)
Total	**(27)**	**(121)**

(7) Net income from financial investments

in € million	1/1-31/3/2014	1/1-31/3/2013
Net income from securities held-to-maturity	**0**	**0**
Net income from equity participations	**1**	**28**
Net valuations of equity participations	0	0
Net proceeds from sales of equity participations	1	28
Net income from securities at fair value through profit and loss	**35**	**59**
Net valuations of securities	36	53
Net proceeds from sales of securities	(1)	6
Net income from available-for-sale securities	**0**	**0**
Total	**37**	**87**

(8) General administrative expenses

in € million	1/1-31/3/2014	1/1-31/3/2013
Staff expenses	(390)	(406)
Other administrative expenses	(286)	(291)
Depreciation of intangible and tangible fixed assets	(78)	(91)
Total	**(755)**	**(788)**

(9) Other net operating income

in € million	1/1-31/3/2014	1/1-31/3/2013
Net income arising from non-banking activities	8	12
Sales revenues from non-banking activities	126	133
Expenses arising from non-banking activities	(118)	(122)
Net income from additional leasing services	0	1
Revenues from additional leasing services	16	18
Expenses from additional leasing services	(16)	(17)
Rental income from operating lease (vehicles and equipment)	8	8
Rental income from investment property incl. operating lease (real estate)	8	6
Net proceeds from disposal of tangible and intangible fixed assets	0	0
Other taxes	(83)	(58)
hereof bank levies and financial transaction tax	(67)	(44)
Impairment of goodwill	0	(3)
Net expense from allocation and release of other provisions	(11)	(1)
Sundry operating income	21	21
Sundry operating expenses	(8)	(8)
Total	**(57)**	**(21)**

(10) Income taxes

in € million	1/1-31/3/2014	1/1-31/3/2013
Current income taxes	(49)	(63)
Austria	1	(1)
Foreign	(50)	(62)
Deferred taxes	(19)	(14)
Total	**(67)**	**(77)**

Notes to the statement of financial position

(11) Statement of financial position according to measurement categories

Assets according to measurement categories in € million	31/3/2014	31/12/2013[1]
Cash reserve	4,814	6,674
Trading assets	8,275	7,990
Financial assets at fair value through profit or loss	7,406	8,440
Investments in associates	0	5
Financial assets available-for-sale	1,517	823
Loans and advances	95,862	99,071
Financial assets held-to-maturity	4,336	4,220
Derivatives (hedging)	563	573
Other assets	2,637	2,843
Total assets	**125,410**	**130,640**

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

Positive fair values of derivatives not designated as hedging instruments according to IAS 39 hedge accounting are reported in the measurement category trading assets. The measurement category financial assets available-for-sale comprises other affiliated companies, other equity participations 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 € million	31/3/2014	31/12/2013
Trading liabilities	5,715	5,456
Financial liabilities	103,443	111,342
Liabilities at fair value through profit and loss	2,559	2,612
Derivatives (hedging)	97	133
Provisions for liabilities and charges	775	733
Equity	12,821	10,364
Total equity and liabilities	**125,410**	**130,640**

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

(12) Loans and advances to banks

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

in € million	31/3/2014	31/12/2013
Austria	8,354	8,297
Foreign	11,452	13,946
Total	**19,806**	**22,243**

Loans and advances to banks include € 2,749 million (31/12/2013: € 4,664 million) from repo transactions.

(13) Loans and advances to customers

Loans and advances to customers break down into asset classes as follows:

in € million	31/3/2014	31/12/2013
Sovereigns	1,631	1,648
Corporate customers – large corporates	48,818	49,320
Corporate customers – mid market	3,072	3,089
Retail customers – private individuals	23,346	23,756
Retail customers – small and medium-sized entities	2,824	2,822
Other	0	0
Total	**79,692**	**80,635**

Loans and advances to customers include € 962 million (31/12/2013: € 1,323 million) from repo transactions.

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

in € million	31/3/2014	31/12/2013
Austria	7,390	7,224
Foreign	72,303	73,410
Total	**79,692**	**80,635**

(14) Impairment losses on loans and advances

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

in € million	31/3/2014	31/12/2013
Banks	111	118
Sovereigns	1	6
Corporate customers – large corporates	2,958	2,837
Corporate customers – mid market	370	531
Retail customers – private individuals	1,821	1,777
Retail customers – small and medium-sized entities	349	337
Total	**5,610**	**5,605**

(15) Trading assets

in € million	31/3/2014	31/12/2013
Bonds, notes and other fixed-interest securities	4,001	3,954
Shares and other variable-yield securities	370	408
Positive fair values of derivative financial instruments	3,485	3,219
Total	**7,855**	**7,581**

(16) Derivatives

in € million	31/3/2014	31/12/2013
Positive fair values of derivatives in fair value hedges (IAS 39)	540	544
Positive fair values of derivatives in cash flow hedges (IAS 39)	6	6
Positive fair values of derivatives in net investment hedge (IAS 39)	24	23
Positive fair values of other derivatives	413	409
Total	**982**	**982**

(17) Financial investments

in € million	31/3/2014	31/12/2013
Bonds, notes and other fixed-interest securities	12,655	12,862
Shares and other variable-yield securities	128	150
Equity participations	477	470
Total	**13,260**	**13,483**

(18) Intangible fixed assets

in € million	31/3/2014	31/12/2013
Goodwill	523	544
Software	523	545
Other intangible fixed assets	134	159
Total	**1,179**	**1,249**

(19) Tangible fixed assets

in € million	31/3/2014	31/12/2013
Land and buildings used by the Group for own purpose	659	712
Other land and buildings (investment property)	187	208
Office furniture, equipment and other tangible fixed assets	357	399
Leased assets (operating lease)	254	277
Total	**1,458**	**1,595**

(20) Other assets

in € million	31/3/2014	31/12/2013
Tax assets	567	601
Current tax assets	103	112
Deferred tax assets	464	489
Receivables arising from non-banking activities	72	93
Prepayments and other deferrals	328	232
Clearing claims from securities and payment transfer business	636	388
Lease in progress	58	80
Assets held for sale (IFRS 5)	60	56
Inventories	87	147
Valuation fair value hedge portfolio	18	16
Any other business	149	188
Total	**1,974**	**1,799**

(21) Deposits from banks

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

in € million	31/3/2014	31/12/2013
Austria	10,780	16,775
Foreign	15,568	13,330
Total	**26,348**	**30,105**

Deposits from banks include € 972 million (31/12/2013: € 1,220 million) from repo transactions.

(22) Deposits from customers

Deposits from customers break down as follows:

in € million	31/3/2014	31/12/2013
Sovereigns	1,367	820
Corporate customers – large corporates	28,890	31,439
Corporate customers – mid market	2,312	2,419
Retail customers – private individuals	26,395	27,059
Retail customers – small and medium-sized entities	4,122	4,280
Other	514	420
Total	**63,599**	**66,437**

Deposits from customers include € 332 million (31/12/2013: € 743 million) from repo transactions.

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

in € million	31/3/2014	31/12/2013
Austria	5,094	5,619
Foreign	58,505	60,818
Total	**63,599**	**66,437**

(23) Debt securities issued

in € million	31/3/2014	31/12/2013
Bonds and notes issued	9,376	11,061
Money market instruments issued	1,093	428
Other debt securities issued	42	44
Total	**10,511**	**11,533**

(24) Provisions for liabilities and charges

in € million	31/3/2014	31/12/2013
Severance payments and other	68	69
Retirement benefits	25	25
Taxes	87	93
Current	51	64
Deferred	36	29
Contingent liabilities and commitments	112	119
Pending legal issues	53	54
Overdue vacation	59	57
Bonus payments	233	231
Restructuring	9	9
Other	128	77
Total	**775**	**733**

(25) Trading liabilities

in € million	31/3/2014	31/12/2013
Negative fair values of derivative financial instruments	**4,245**	**4,027**
Interest-based transactions	2,557	2,453
Currency-based transactions	619	592
Equity-/index-based transactions	917	841
Credit derivatives business	9	8
Other transactions	143	133
Short-selling of trading assets	**553**	**551**
Certificates issued	**637**	**626**
Total	**5,435**	**5,204**

(26) Derivatives

in € million	31/3/2014	31/12/2013
Negative fair values of derivatives in fair value hedges (IAS 39)	66	104
Negative fair values of derivatives in cash flow hedges (IAS 39)	31	28
Negative fair values of credit derivatives	0	0
Negative fair values of derivative financial instruments	280	252
Total	**377**	**384**

(27) Other liabilities

in € million	31/3/2014	31/12/2013
Liabilities from non-banking activities	83	98
Liabilities from insurance contracts	299	320
Accruals and deferred items	241	267
Liabilities from dividends	3	1
Clearing claims from securities and payment transfer business	419	552
Valuation fair value hedge portfolio	43	39
Any other business	403	476
Total	**1,490**	**1,753**

(28) Subordinated capital

in € million	31/3/2014	31/12/2013
Hybrid tier 1 capital	441	451
Subordinated liabilities	3,613	3,371
Supplementary capital	0	305
Total	**4,054**	**4,128**

(29) Equity

in € million	31/3/2014	31/12/2013
Consolidated equity	12,169	9,322
Subscribed capital	892	595
Participation capital	2,500	2,500
Capital reserves	4,999	2,564
Retained earnings	3,778	3,664
Consolidated profit	161	557
Non-controlling interests	492	485
Total	**12,821**	**10,364**

The subscribed capital of RBI AG as defined by the articles of incorporation amounts to € 894 million. After deduction of 557,295 own shares, the stated subscribed capital totaled € 892 million.

Risk report

(30) Risks arising from financial instruments

Active risk management is a core competency of RBI. In order to effectively identify, measure, and manage risks, the Group has implemented comprehensive risk management and controlling. The risk management system is an integral part of overall bank management and it is continuously being developed. RBI's risk management is geared toward ensuring that credit and country risks, market and liquidity risks, risks arising from holdings and operational risks are dealt with conscientiously and managed professionally. The principles and organization of risk management are disclosed in the relevant chapters of the 2013 Annual Report, pages 176 ff.

Economic capital

Economic capital constitutes an important instrument in overall bank risk management. It sets the internal capital requirement for all material risk categories being measured based on comparable models and thus allows for an aggregated view of the Group's risk profile. Economic capital has thus become an important instrument in overall bank risk management and is used for making risk-adjusted business decisions and in performance measurement. For this purpose, a business unit's profit is set in relation to the economic capital attributed to the unit (return on risk-adjusted capital, RORAC).

Risk contribution of individual risk types to economic capital:

in € million	31/3/2014	Share	31/12/2013	Share
Credit risk corporate customers	2,342	28.3%	2,433	30.9%
Credit risk private individuals	2,020	24.4%	2,060	26.2%
Market risk	1,038	12.5%	630	8.0%
Operational risk	733	8.9%	682	8.7%
Credit risk sovereigns	509	6.1%	487	6.2%
Credit risk financial institutions	292	3.5%	267	3.4%
Liquidity risk	272	3.3%	297	3.8%
Other tangible fixed assets	237	2.9%	263	3.3%
Participation risk	199	2.4%	185	2.3%
Macroeconomic risk	189	2.3%	189	2.4%
CVA risk	52	2.3%	0	0.0%
Risk buffer	394	4.8%	375	4.8%
Total	**8,278**	**100.0%**	**7,868**	**100.0%**

Regional allocation of economic capital according to booking Group unit:

in € million	31/3/2014	Share	31/12/2013	Share
Central Europe	2,954	35.7%	2,959	37.6%
Southeastern Europe	1,709	20.6%	1,652	21.0%
Austria	1,307	15.8%	1,276	16.2%
Russia	1,278	15.4%	1,121	14.2%
CEE Other	749	9.1%	660	8.4%
Rest of World	281	3.4%	199	2.5%
Total	**8,278**	**100.0%**	**7,868**	**100.0%**

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

Credit risk

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

The following table translates items of the statement of financial position (banking and trading book positions) into the maximum credit exposure, which is used in portfolio management. It includes exposures on and off the statement of financial position before the application of credit-conversion factors and thus represents the maximum credit exposure. It is not reduced by the effects of credit risk mitigation, for example guarantees and physical collateral, effects that are, however, considered in the total assessment of credit risks. The total credit exposure is used – if not explicitly stated otherwise – for showing exposures in all subsequent charts in the risk report. The reasons for the deviation between the figures of internal portfolio management and external accounting are the different scopes of consolidation (regulatory versus IFRS, i.e. corporate legal basis), different classification and presentation of exposure volumes.

in € million	31/3/2014	31/12/2013
Cash reserve	2,688	4,166
Loans and advances to banks	19,806	22,243
Loans and advances to customers	79,692	80,635
Trading assets	7,855	7,581
Derivatives	982	982
Financial investments	12,655	12,862
Other assets	208	243
Contingent liabilities	10,900	10,990
Commitments	9,165	10,279
Revocable credit lines	16,115	16,727
Description differences	465	(3,384)
Total	**160,532**	**163,323**

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

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings are performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organization unit. Default probabilities assigned to individual rating grades are estimated for each asset class separately. As a consequence the default probability of the same ordinal rating grade (e.g. corporates 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 following table shows the total credit exposure by internal rating for corporate customers (large corporates and mid-market). For a better readability, the 25 grades of the new rating scale are summarized to the 9 main rating grades. When making an overall assessment of credit risk, collateral and recovery rates in the event of default must also be taken into account.

in € million		31/3/2014	Share	31/12/2013	Share
1	Minimal risk	7,183	9.3%	6,534	8.3%
2	Excellent credit standing	9,011	11.7%	8,950	11.4%
3	Very good credit standing	8,117	10.5%	8,575	10.9%
4	Good credit standing	10,295	13.3%	10,624	13.5%
5	Sound credit standing	13,696	17.8%	13,338	17.0%
6	Acceptable credit standing	11,729	15.2%	12,623	16.1%
7	Marginal credit standing	7,470	9.7%	7,304	9.3%
8	Weak credit standing / sub-standard	2,093	2.7%	2,605	3.3%
9	Very weak credit standing / doubtful	1,887	2.4%	1,973	2.5%
10	Default	5,187	6.7%	5,268	6.7%
NR	Not rated	450	0.6%	724	0.9%
Total		**77,116**	**100.0%**	**78,518**	**100.0%**

Compared to year-end 2013, total credit exposure for corporate customers decreased € 1,402 million to € 77,116 million. At the end of the first quarter, the largest segment in terms of corporate customers was Group Corporates with € 31,456 million, followed by Central Europe with € 17,534 million, Southeastern Europe with € 9,867 million and Russia with € 9,188 million. The rest is divided between Group Markets with € 4,810 million, CEE Other with € 3,164 million and Corporate Center with € 1,097 million.

The share of loans with good to minimum risk credit profiles slightly increased to 44.8 per cent (2013: 44.1 per cent). The share of loans with marginal credit standing to even weaker credit profiles decreased from 15.1 per cent to 14.8 per cent which reflects the loan portfolio's active management. Based thereon, the portfolio's growth is strongly focused on economically thriving markets and at the same time the high lending standards demand that new loans were granted primarily to customers with good credit ratings. The share of default loans under Basel III (rating 10) amounted to 6.7 per cent or € 5,187 million of total credit exposure to corporate customers. The highest increase was shown in the segment Group Corporates.

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 € million	31/3/2014	Share	31/12/2013	Share
Central Europe	21,274	24.8%	21,394	24.5%
Austria	17,177	20.0%	16,758	19.2%
Southeastern Europe	12,463	14.5%	10,285	11.8%
Western Europe	10,548	12.3%	9,741	11.2%
Russia	10,235	11.9%	11,520	13.2%
Asia	6,069	7.1%	5,956	6.8%
CEE Other	3,299	3.8%	3,896	4.5%
Other	4,712	5.5%	7,717	8.8%
Total	**85,776**	**100.0%**	**87,266**	**100.0%**

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

in € million	31/3/2014	Share	31/12/2013	Share
Wholesale and retail trade	20,570	24.0%	20,689	23.7%
Manufacturing	18,067	21.1%	18,362	21.0%
Real estate	9,632	11.2%	9,865	11.3%
Financial intermediation	8,722	10.2%	8,006	9.2%
Construction	6,440	7.5%	6,346	7.3%
Transport, storage and communication	3,689	4.3%	3,736	4.3%
Electricity, gas, steam and hot water supply	3,939	4.6%	4,124	4.7%
Freelance/technical services	5,081	5.9%	5,217	6.0%
Other industries	9,635	11.2%	10,921	12.5%
Total	**85,776**	**100.0%**	**87,266**	**100.0%**

The rating model for project finance has five different grades and takes into account both the individual probability of default and the available collateral. The exposure from project finance is shown in the table below:

in € million		31/3/2014	Share	31/12/2013	Share
6.1	Excellent project risk profile – very low risk	3,316	38.3%	3,388	38.7%
6.2	Good project risk profile – low risk	3,097	35.8%	2,971	34.0%
6.3	Acceptable project risk profile – average risk	1,075	12.4%	1,225	14.0%
6.4	Poor project risk profile – high risk	614	7.1%	616	7.0%
6.5	Default	545	6.3%	539	6.2%
NR	Not rated	14	0.2%	10	0.1%
Total		**8,660**	**100.0%**	**8,749**	**100.0%**

The credit exposure in project finance amounted to € 8,660 million at the end of the first quarter of 2014, with the two best rating grades – Excellent project risk profile, with a very low risk and Good project risk profile, with a low risk – accounting for the highest share, at 74.1 per cent. This reflects mainly the high level of collateralization in such specialized lending transactions. Compared to year-end 2013, the share of unrated loans increased to 0.2 per cent or € 14 million.

Credit portfolio – Retail customers

Retail customers are subdivided into private individuals and small and medium-sized entities (SMEs). For retail customers, a two-fold scoring system is used – consisting of the initial and ad-hoc scoring based on customer data and of the behavioral scoring based on account data. The table below provides a breakdown of RBI's retail credit exposure:

in € million	31/3/2014	Share	31/12/2013	Share
Retail customers – private individuals	25,803	88.6%	26,194	89.1%
Retail customers – small and medium-sized entities	3,326	11.4%	3,208	10.9%
Total	**29,129**	**100.0%**	**29,402**	**100.0%**
hereof non-performing loans	2,900	9.9%	2,923	9.9%
hereof individual loan loss provision	1,975	6.7%	1,928	6.6%
hereof portfolio-based loan loss provision	195	0.7%	186	0.6%

The total credit exposure of retail customers breaks down by segments as follows (excluding Corporate Center):

31/3/2014 in € million	Central Europe	Southeastern Europe	Russia	CEE Other	Group Markets
Retail customers – private individuals	13,628	6,712	4,337	1,096	17
Retail customers – small and medium-sized entities	2,049	872	181	235	0
Total	**15,677**	**7,584**	**4,518**	**1,332**	**17**
hereof non-performing loans	1,567	605	154	568	1
hereof individual loan loss provision	1,010	364	119	440	0
hereof portfolio-based loan loss provision	90	44	40	19	0

31/12/2013 in € million	Central Europe	Southeastern Europe	Russia	CEE Other	Group Markets
Retail customers – private individuals	13,461	6,672	4,633	1,414	14
Retail customers – small and medium-sized entities	2,085	740	93	290	0
Total	**15,546**	**7,412**	**4,727**	**1,704**	**14**
hereof non-performing loans	1,572	599	150	597	1
hereof individual loan loss provision	989	358	119	419	0
hereof portfolio-based loan loss provision	91	42	29	20	0

Compared to year-end 2013, the total credit exposure to retail customers decreased € 273 million to € 29,129 million in the first quarter of 2014. The highest volume amounting to € 15,677 million was booked in the segment Central Europe. Compared to year-end 2013, this represents an increase of € 132 million mainly resulting from currency effects in Hungary. Southeastern Europe ranks second with a credit exposure of € 7,584 million. Compared to year-end 2013, this represents an increase of € 172 million. The segment Russia and CEE Other reported a decline of € 209 million and € 372 million mainly caused by currency devaluation of Russian rouble and Ukrainian hryvnia.

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

in € million	31/3/2014	Share	31/12/2013	Share
Mortgage loans	14,022	48.1%	14,055	47.8%
Personal loans	6,430	22.1%	6,660	22.7%
Credit cards	2,356	8.1%	2,351	8.0%
Car loans	2,481	8.5%	2,617	8.9%
Overdraft	2,099	7.2%	2,103	7.2%
SME financing	1,741	6.0%	1,616	5.5%
Total	**29,129**	**100.0%**	**29,402**	**100.0%**

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

in € million	31/3/2014	Share	31/12/2013	Share
Swiss franc	4,143	47.0%	4,560	50.4%
Euro	3,772	42.8%	3,557	39.3%
US-Dollar	885	10.0%	915	10.1%
Other foreign currencies	11	0.1%	11	0.1%
Loans in foreign currencies	**8,811**	**100.0%**	**9,043**	**100.0%**
Share of total loans	30.2%		30.8%	

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

Credit portfolio – Financial institutions

The financial institutions asset class mainly contains banks and securities firms. The internal rating model for financial institutions is based on a peer-group approach that takes both qualitative and quantitative information into account. The final rating for financial institutions is capped by the country rating of the respective home country.

The following table shows the maximum credit exposure by internal rating for financial institutions (excluding central banks). Due to the limited number of customers (or observable defaults), the default probabilities of individual rating categories in this asset class are estimated based on a combination of internal and external data.

in € million		31/3/2014	Share	31/12/2013	Share
A1	Excellent credit standing	224	0.8%	245	0.9%
A2	Very good credit standing	1,162	4.3%	974	3.6%
A3	Good credit standing	14,529	53.3%	13,368	48.8%
B1	Sound credit standing	6,793	24.9%	8,040	29.4%
B2	Average credit standing	1,699	6.2%	1,769	6.5%
B3	Mediocre credit standing	1,358	5.0%	1,733	6.3%
B4	Weak credit standing	569	2.1%	518	1.9%
B5	Very weak credit standing	392	1.4%	304	1.1%
C	Doubtful/high default risk	119	0.4%	187	0.7%
D	Default	205	0.8%	213	0.8%
NR	Not rated	229	0.8%	18	0.1%
Total		**27,278**	**100.0%**	**27,370**	**100.0%**

Total credit exposure amounted to € 27,278 million in the first quarter of 2014, which represents a decline of € 92 million compared to the year-end 2013. At € 14,529 million, or 53.3 per cent, the bulk of this customer group was in the A3 rating class, which increased € 1,161 million compared to year-end 2013. This increase resulted from growth of loans to banks and money market business.

At € 20,823 million or 76.3 per cent, the segment Group Markets had the largest share of the loan portfolio with financial institutions, followed by the segment Group Corporates with € 2,660 million, or 9.7 per cent.

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

in € million	31/3/2014	Share	31/12/2013	Share
Money market	8,586	31.5%	7,521	27.5%
Derivatives	7,306	26.8%	7,270	26.6%
Loans	4,513	16.5%	2,960	10.8%
Bonds	3,165	11.6%	4,683	17.1%
Repo	2,786	10.2%	4,002	14.6%
Other	923	3.4%	933	3.4%
Total	**27,278**	**100.0%**	**27,370**	**100.0%**

Credit portfolio – Sovereigns

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

in € million		31/3/2014	Share	31/12/2013	Share
A1	Excellent credit standing	2,005	10.9%	1,660	8.6%
A2	Very good credit standing	1,185	6.5%	1,350	7.0%
A3	Good credit standing	3,213	17.5%	3,144	16.3%
B1	Sound credit standing	2,547	13.9%	2,844	14.8%
B2	Average credit standing	867	4.7%	1,076	5.6%
B3	Mediocre credit standing	3,433	18.7%	4,061	21.1%
B4	Weak credit standing	3,881	21.2%	3,683	19.1%
B5	Very weak credit standing	775	4.2%	1,403	7.3%
C	Doubtful/high default risk	427	2.3%	5	0.0%
D	Default	1	0.0%	37	0.2%
NR	Not rated	15	0.1%	21	0.1%
Total		**18,349**	**100.0%**	**19,284**	**100.0%**

Compared to year-end 2013, the credit exposure to sovereigns sank € 935 million to € 18,349 million in the first quarter of 2014, which represents 11.4 per cent of the bank's total credit exposure.

The rating class excellent credit standing (A1 rating) reported an increase of € 345 million. This resulted from a rise in the portfolio of German government bonds (plus € 276 million) and an increase of the minimum reserve at the Austrian National Bank (plus € 40 million).

The intermediate rating classes good credit standing (A3 rating) to mediocre credit standing (B3 rating) accounted for the highest share with 54.8 per cent of the total credit exposure. The high level of exposure in the intermediate rating classes was mainly due to deposits of Group units in Central and Southeastern Europe at their local central banks. These are mandatory for meeting the respective minimum reserve requirements or used to manage excess liquidity on a short-term basis, and are therefore inextricably linked to the business activities in these countries. The exposure in rating classes B4 and B5 amounted to € 4,656 million, or 25.4 per cent, of total loans outstanding. Loans in the rating class C increased due to a rating deterioration in Ukraine from B5 to C.

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

in € million	31/3/2014	Share	31/12/2013	Share
Bonds	12,464	67.9%	12,471	64.7%
Loans	4,691	25.6%	5,555	28.8%
Derivatives	749	4.1%	726	3.8%
Other	446	2.4%	532	2.8%
Total	**18,349**	**100.0%**	**19,284**	**100.0%**

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

in € million	31/3/2014	Share	31/12/2013[1]	Share
Hungary	2,231	26.1%	2,068	22.5%
Romania	1,668	19.5%	2,168	23.5%
Croatia	858	10.1%	941	10.2%
Albania	822	9.6%	844	9.2%
Serbia	573	6.7%	557	6.0%
Other	2,381	27.9%	2,633	28.6%
Total	**8,532**	**100.0%**	**9,210**	**100.0%**

1 Adaption of previous year figures due to different mapping.

Compared to year-end 2013, the credit exposure to non-investment grade sovereigns decreased € 678 million to € 8,532 million. It resulted mainly 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.

Non-performing loans and provisioning

The table below shows the share of non-performing loans (NPL) in the defined asset classes loans and advances to customers and loans and advances to banks (excluding items off the statement of financial position) in the statement of financial position and the corresponding share of provisioning:

	NPL		NPL ratio		NPL coverage ratio	
in € million	31/3/2014	31/12/2013	31/3/2014	31/12/2013	31/3/2014	31/12/2013
Corporate customers	5,529	5,707	10.7%	10.9%	60.2%	59.0%
Retail customers	2,900	2,922	11.1%	11.0%	74.8%	72.3%
Sovereigns	1	29	0.0%	1.8%	41.5%	17.6%
Total nonbanks	**8,429**	**8,657**	**10.6%**	**10.7%**	**65.2%**	**63.1%**
Banks	143	153	0.7%	0.7%	73.6%	72.6%
Total	**8,573**	**8,811**	**8.6%**	**8.6%**	**65.4%**	**63.5%**

The table below shows the share of non-performing loans (NPL) in the defined asset classes loans and advances to customers and loans and advances to banks (excluding items off the statement of financial position) as reported in the statement of financial position and the corresponding share of provisioning, selected by segments:

	NPL		NPL ratio		NPL coverage ratio	
in € million	**31/3/2014**	**31/12/2013**	**31/3/2014**	**31/12/2013**	**31/3/2014**	**31/12/2013**
Central Europe	3,455	3,509	11.2%	11.4%	64.8%	64.3%
Southeastern Europe	1,929	1,944	11.6%	12.1%	59.5%	58.4%
Russia	510	482	4.0%	3.9%	73.7%	77.7%
CEE Other	992	1,108	23.7%	23.3%	78.2%	72.2%
Group Corporates	1,219	1,373	5.6%	6.5%	55.1%	47.2%
Group Markets	423	351	2.6%	2.1%	68.8%	84.7%
Corporate Center	44	44	0.7%	0.7%	254.4%	215.4%
Total	**8,573**	**8,811**	**8.6%**	**8.6%**	**65.4%**	**63.5%**

The table below shows the development of non-performing loans in the defined asset classes loans and advances to customers and loans and advances to banks (excluding items off the statement of financial position) as reported in the statement of financial position:

in € million	**As at 1/1/2014**	**Change in consolidated group**	**Exchange differences**	**Additions**	**Disposals**	**As at 31/3/2014**
Corporate customers	5,707	0	(110)	453	(520)	5,529
Retail customers	2,922	0	(57)	398	(363)	2,900
Sovereigns	29	0	(1)	0	(28)	1
Total nonbanks	**8,657**	**0**	**(168)**	**850**	**(910)**	**8,429**
Banks	153	0	0	0	(11)	143
Total	**8,811**	**0**	**(168)**	**851**	**(921)**	**8,573**

In Corporate Customers, total non-performing loans decreased € 177 million to € 5,529 million at the end of the first quarter of 2014. The ratio of non-performing loans to total credit exposure sank 0.2 percentage points to 10.7 per cent, at the same time the NPL coverage ratio increased 1.2 percentage points to 60.2 per cent. In the retail porfolio, non-performing loans declined 0.8 per cent, or € 22 million, to € 2,900 million. The ratio of non-performing loans to total credit exposure increased 0.1 percentage points to 11.1 per cent, the NPL coverage ratio rose 2.5 percentage points to 74.8 per cent. Non-performing loans for financial institutions amounted to € 143 million at the end of the first quarter of 2014, thus representing a decrease of € 10 million compared to year-end 2013 and the NPL coverage ratio rose 1.0 percentage points to 73.6 per cent.

In Group Corporates, non-performing loans sank significantly by 11.3 per cent, or € 155 million, to € 1,219 million, which mainly resulted from the regrouping of a non-performing loan exposure of € 63 million. Here, the NPL ratio sank 0.9 percentage points to 5.6 per cent, while the NPL coverage ratio increased 7.9 percentage points to 55.1 per cent. In the segment CEE Other, non-performing loans sank 10.5 per cent, or € 116 million, to € 992 million. The NPL ratio increased 0.4 percentage points to 23.7 per cent and also the NPL coverage ratio went up 6.0 percentage points to 78.2 per cent. In Central Europe, non-performing loans decreased 1.5 per cent, or € 54 million, to € 3,455 million. The ratio of non-performing loans to total credit exposure sank 0.2 percentage points to 11.2 per cent, while the NPL coverage ratio went up 0.5 percentage points to 64.8 per cent. In the segment Group Markets, non-performing loans increased 20.6 per cent, or € 72 million, to € 423 million (regrouping of a non-performing loan exposure of € 63 million). At the same time, the ratio of non-performing loans to credit exposure rose 0.5 percentage points to 2.6 per cent and the NPL coverage sank 15.9 percentage points to 68.8 per cent.

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

in € million	As at 1/1/2014	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 31/3/2014
Individual loan loss provision	5,195	0	613	(344)	(145)	(123)	5,196
Portfolio-based loan loss provisions	529	1	149	(136)	0	(18)	526
Total	**5,725**	**1**	**762**	**(480)**	**(145)**	**(141)**	**5,722**

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

Concentration risk

RBI's credit portfolio is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence, portfolio granularity is high. The regional breakdown of the loans reflects the broad diversification of credit business in the European markets. The following table shows the regional distribution of the credit exposure of all asset classes by the borrower's home country and grouped by region:

in € million	31/3/2014	Share	31/12/2013	Share
Austria	**29,150**	**18.2%**	**27,976**	**18.1%**
Central Europe	**46,728**	**29.1%**	**46,350**	**28.1%**
Poland	14,449	9.0%	14,181	8.6%
Slovakia	12,021	7.5%	11,706	6.7%
Czech Republic	10,343	6.4%	10,700	6.5%
Hungary	8,162	5.1%	8,034	5.1%
Other	1,754	1.1%	1,728	1.2%
European Union	**19,743**	**12.3%**	**20,890**	**13.5%**
Germany	6,233	3.9%	5,546	3.6%
France	2,987	1.9%	5,106	3.1%
Great Britain	5,026	3.1%	4,294	4.1%
Netherlands	1,673	1.0%	1,600	0.8%
Other	3,824	2.4%	4,344	1.9%
Southeastern Europe	**24,195**	**15.1%**	**24,562**	**14.5%**
Romania	8,122	5.1%	8,597	4.7%
Croatia	5,314	3.3%	5,351	3.3%
Bulgaria	3,861	2.4%	3,914	2.5%
Serbia	2,317	1.4%	2,217	1.2%
Other	4,581	2.9%	4,482	2.7%

in € million	31/3/2014	Share	31/12/2013	Share
Russia	**18,420**	**11.5%**	**20,440**	**11.7%**
Asia	**7,532**	**4.7%**	**9,033**	**5.7%**
China	4,038	2.5%	4,208	2.4%
Singapore	1,329	0.8%	1,516	1.0%
Other	2,165	1.3%	3,308	2.2%
CEE Other	**6,405**	**4.0%**	**7,509**	**4.4%**
Ukraine	4,793	3.0%	5,545	3.3%
Other	1,613	1.0%	1,964	1.0%
North America	**4,679**	**2.9%**	**4,134**	**2.1%**
Rest of World	**3,679**	**2.3%**	**2,429**	**2.0%**
Total	**160,532**	**100.0%**	**163,323**	**100.0%**

RBI does not own any banking subsidiaries that are incorporated in the so-called European periphery countries. Nonetheless, some of the bank's loans and advances are to customers domiciled in theses countries and result from credit financing and capital markets activities. All in all, the Group has almost no exposure to government bonds in these countries (except for the Republic of Italy).

Market risk

Market risk management is based on figures from an internal model that calculates value-at-risk (VaR) for changes in the following risk factors: foreign exchange, interest rate changes, credit spreads and equity indices. The Austrian financial market authority and the Austrian national bank have approved this model, and it is used to calculate own fund requirements for market risk.

The following table lists risk measures for overall market risk in the trading and banking book for each risk type. The VaR is dominated by risk arising from equity positions held in foreign currencies, structural interest risks and spread risks on the bond books (frequently held as a liquidity reserve).

Total VaR 99% 1d in € million	VaR as at 31/3/2014	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2013
Currency risk	72	70	35	122	41
Interest rate risk	26	15	8	31	9
Credit spread risk	14	17	12	23	22
Share price risk	1	1	1	2	1
Vega risk	1	1	0	1	0
Total	94	83	48	131	57

Excange rate risk on total bank level also includes equity positions of subsidiaries denominated in foreign currency. The structural exchange rate risk resulting from equity positions is managed independently from the mainly short-term trading positions.

Liquidity risk

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

in € million	31/3/2014			31/12/2013		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	12,192	12,758	11,588	15,223	12,372	13,124
Liquidity ratio	132%	124%	110%	155%	126%	113%

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

Additional notes

(31) Contingent liabilities and commitments

in € million	31/3/2014	31/12/2013
Contingent liabilities	**13,783**	**10,990**
Acceptances and endorsements	100	38
Credit guarantees	9,397	6,199
Other guarantees	2,525	2,504
Letters of credit (documentary business)	1,699	2,189
Other contingent liabilities	63	60
Commitments	**9,165**	**10,279**
Irrevocable credit lines and stand-by facilities	9,165	10,279
Up to 1 year	3,003	2,798
More than 1 year	6,162	7,481

(32) Derivatives

31/3/2014	Nominal amount by maturity				Fair values	
in € million	Up to 1 year	> 1 year to 5 years	More than 5 years	Total	Positive	Negative
Interest rate contracts	34,058	55,057	40,850	129,965	3,539	(2,836)
Foreign exchange rate and gold contracts	57,020	10,761	2,494	70,275	818	(717)
Equity/index contracts	1,345	1,700	372	3,417	84	(917)
Commodities	289	180	11	480	15	(116)
Credit derivatives	69	1,235	181	1,485	12	(10)
Precious metals contracts	48	24	13	84	0	(26)
Total	**92,828**	**68,957**	**43,921**	**205,706**	**4,467**	**(4,622)**

31/12/2013	Nominal amount by maturity				Fair values	
in € million	Up to 1 year	> 1 year to 5 years	More than 5 years	Total	Positive	Negative
Interest rate contracts	30,570	53,289	40,047	123,906	3,378	(2,774)
Foreign exchange rate and gold contracts	45,598	9,059	2,410	57,067	748	(655)
Equity/index contracts	1,507	1,507	407	3,422	59	(841)
Commodities	202	171	11	384	10	(116)
Credit derivatives	116	1,431	0	1,547	10	(9)
Precious metals contracts	48	13	12	73	0	(17)
Total	**78,040**	**65,470**	**42,888**	**186,398**	**4,206**	**(4,412)**

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

31/3/2014 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	4,814	0	4,814	4,814	0
Loans and advances to banks	0	14,091	5,774	19,865	19,695	170
Loans and advances to customers	0	20,511	52,630	73,140	74,192	(1,052)
Financial investments	3,689	797	408	4,893	4,809	84
Liabilities						
Deposits from banks	0	21,106	5,175	26,281	26,348	(67)
Deposits from customers	0	29,026	34,692	63,718	63,599	119
Debt securities issued	264	8,049	129	8,442	8,417	25
Subordinated capital	0	3,672	0	3,672	3,589	83

31/12/2013 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	6,674	0	6,674	6,674	0
Loans and advances to banks	0	16,658	5,510	22,168	22,125	43
Loans and advances to customers	0	20,268	53,757	74,025	75,147	(1,123)
Financial investments	3,764	613	406	4,783	4,672	111
Liabilities						
Deposits from banks	0	26,389	3,817	30,206	30,105	101
Deposits from customers	0	34,890	31,647	66,537	66,437	101
Debt securities issued	278	9,043	159	9,480	9,411	69
Subordinated capital	0	3,673	33	3,706	3,637	69

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

in € million	31/3/2014 Level I	31/3/2014 Level II	31/3/2014 Level III	31/12/2013 Level I	31/12/2013 Level II	31/12/2013 Level III
Trading assets	**3,982**	**4,121**	**171**	**4,070**	**3,755**	**165**
Positive fair values of derivatives[1]	83	3,728	93	59	3,481	88
Shares and other variable-yield securities	365	1	0	403	4	0
Bonds, notes and other fixed-interest securities	3,534	393	78	3,608	270	77
Call/time deposits from trading purposes	0	0	0	0	0	0
Financial assets at fair value through profit or loss	**4,304**	**3,073**	**30**	**4,788**	**3,639**	**12**
Shares and other variable-yield securities	24	99	5	43	103	5
Bonds, notes and other fixed-interest securities	4,280	2,974	25	4,746	3,537	7
Financial assets available-for-sale	**1,043**	**27**	**41**	**346**	**25**	**49**
Other interests[2]	4	27	40	4	25	37
Bonds, notes and other fixed-interest securities	1,039	0	0	341	0	12
Shares and other variable-yield securities	0	0	0	0	0	0
Derivatives (hedging)	**0**	**540**	**24**	**0**	**550**	**23**
Positive fair values of derivatives from hedge accounting	0	540	24	0	550	23

in € million	31/3/2014 Level I	31/3/2014 Level II	31/3/2014 Level III	31/12/2013 Level I	31/12/2013 Level II	31/12/2013 Level III
Trading liabilities	**690**	**5,002**	**23**	**631**	**4,801**	**24**
Negative fair values of derivatives financial instruments[1]	146	4,363	16	129	4,133	17
Call/time deposits from trading purposes	0	0	0	0	0	0
Short-selling of trading assets	543	10	0	502	50	0
Certificates issued	0	629	7	0	618	7
Liabilities at fair value through profit and loss	**0**	**2,559**	**0**	**0**	**2,612**	**0**
Debt securities issued	0	2,093	0	0	2,122	0
Subordinated capital	0	466	0	0	491	0
Derivatives (hedging)	**0**	**97**	**0**	**0**	**133**	**0**
Negative fair values of derivatives from hedge accounting	0	97	0	0	133	0

1 Including other derivatives.
2 Includes only securities traded on the stock exchange.

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

Movements between Level I and Level II

Compared to year-end 2013, the share of financial assets according to Level II decreased slightly. The decrease resulted primarily from the reduction of the fair values of bonds, notes and other fixed-interest securities. Regarding bonds, notes and other fixed-interest securities, there was a slight shift from Level I to Level II (€ 229 million), which is due to change from the fair value measurement method to a theoretical evaluation for individual securities.

Movements in Level III of financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose valuation models are based on unobservable parameters. In the first quarter 2014, there was no material reclassification in Level III.

in € million	As at 1/1/2014	Changes in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	165	0	3	2	(3)
Financial assets at fair value through profit or loss	12	0	0	25	(8)
Financial assets available-for-sale	12	0	0	0	(11)
Derivatives (hedging)	23	0	0	0	0

in € million	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 31/3/2014
Trading assets	(3)	0	0	0	171
Financial assets at fair value through profit or loss	0	0	0	0	30
Financial assets available-for-sale	0	0	0	0	0
Derivatives (hedging)	0	0	1	(1)	24

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

in € million	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 31/3/2014
Trading liabilities	(1)	0	0	0	23

Qualitative information for the valuation of financial instruments in Level III

Financial assets	Type	Fair value in € million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Shares and other variable-yield securities	Closed end real estate fund	0	Net asset value	Haircuts	20 - 50%
Shares and other variable-yield securities	Shares	5	Approximation method	–	–
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	103	Discounted cash flow	Credit spread	10 - 20%
Bonds, notes and other fixed-interest securities	Asset backed securities	0	Broker estimate	Probability of default Loss severity Expected prepayment rate	–
Positive fair value of banking book derivatives without hedge accounting	Forward foreign exchange contracts	116	Discounted cash flow	Interest rate	10 - 30%
Total		**225**			

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

(35) Offsetting of financial assets and liabilities

31/3/2014		Gross amount	Net amount	Related amounts not set off in the statement of financial position		Net amount
in € million	of recognised assets set off in the statement of financial position	of recognised liabilities set off in the statement of financial position	of recognised assets set off in the statement of financial position	Financial instruments	Cash collateral received	
Derivatives	3,648	7	3,640	3,216	15	410
Reverse repurchase, securities lending & similar agreements	3,763	313	3,451	3,750	0	(299)
Other financial instruments	0	0	0	0	0	0
Total	**7,411**	**320**	**7,091**	**6,966**	**15**	**110**

31/3/2014		Gross amount	Net amount	Related amounts not set off in the statement of financial position		Net amount
in € million	of recognised liabilities set off in the statement of financial position	of recognised assets set off in the statement of financial position	of recognised liabilities set off in the statement of financial position	Financial instruments	Cash collateral pledged	
Derivatives	3,415	7	3,408	3,738	63	(393)
Repurchase, securities lending & similar agreements	1,261	0	1,261	1,247	0	14
Other financial instruments	0	0	0	0	0	0
Total	**4,676**	**7**	**4,669**	**4,985**	**63**	**(379)**

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

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

(36) Related parties

Transactions with related parties that are natural persons are limited to banking business transactions that are carried out at fair market conditions. Moreover, members of the Management Board hold shares of Raiffeisen Bank International AG. Detailed information regarding this issue is published on the homepage of Raiffeisen Bank International. Further business transactions, especially large banking business transactions with related parties that are natural persons, were not concluded in the current financial year.

The following tables show transactions with related companies. Parent companies are Raiffeisen-Landesbanken-Holding GmbH, Vienna and Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna:

31/3/2014 in € million	**Parent companies**	**Affiliated companies**	**Companies valued at equity**	**Other interests**
Loans and advances to banks	6,433	156	321	117
Loans and advances to customers	0	1,295	70	77
Trading assets	0	37	1	2
Financial investments	0	407	2	72
Investments in associates	0	0	0	0
Other assets (incl. derivatives)	55	19	0	0
Deposits from banks	1,850	299	3,709	87
Deposits from customers	0	244	368	107
Provisions for liabilities and charges	1	0	0	0
Trading liabilities	0	99	0	0
Other liabilities including derivatives	2	12	16	1
Subordinated capital	53	0	0	0
Guarantees given	0	128	2	6
Guarantees received	903	394	209	39

31/12/2013 in € million	**Parent companies**	**Affiliated companies**	**Companies valued at equity**	**Other interests**
Loans and advances to banks	6,032	89	218	120
Loans and advances to customers	0	1,525	41	295
Trading assets	0	47	1	2
Financial investments	0	405	2	66
Investments in associates	0	0	5	0
Other assets (incl. derivatives)	51	18	0	0
Deposits from banks	9,224	240	3,969	204
Deposits from customers	1	261	779	511
Provisions for liabilities and charges	0	0	0	0
Trading liabilities	0	78	0	0
Other liabilities including derivatives	0	23	0	0
Subordinated capital	52	0	0	0
Guarantees given	0	117	1	5
Guarantees received	925	390	201	40

(37) Regulatory total capital

RBI does not form an independent credit institution group as defined by the Austrian Banking Act (BWG) and therefore is not subject to the regulatory provisions on a consolidated basis as it is part of the RZB Group. The following figures are for information purposes only.

The total capital of RBI (according to Basel III) breaks down as follows:

in € million	31/3/2014
Paid-in capital	7,503
Earned capital	4,131
Non-controlling interests	374
Common equity tier 1 (before deductions)	**12,007**
Intangible fixed assets	(338)
Goodwill	(518)
Provision shortage for IRB positions	(20)
Deduction securitizations	(2)
Deduction deferred tax assets	0
Deduction insurance and other investments	0
Common equity tier 1 (after deductions)	**11,129**
Additional tier 1	353
Deduction securitizations	(4)
Intangible fixed assets	(318)
Provision shortage for IRB positions	(39)
Deduction insurance and other investments	0
Non-controlling interests	8
Tier 1	**11,129**
Provision excess of internal rating approach positions	226
Hidden reserve	19
Long-term subordinated capital	3,269
Deduction securitizations	(4)
Deduction insurance and other investments	0
Non-controlling interests	1
Tier 2 (after deductions)	**3,510**
Total capital	**14,639**
Total capital requirement	**6,392**
Common equity tier 1 ratio (transitional)	13.9%
Tier 1 ratio	13.9%
Total capital ratio	18.3%

The total capital requirement breaks down as follows:

in € million	31/3/2014
Risk-weighted assets (total)	**79,900**
Total capital requirement credit risk	5,229
Internal rating approach	2,996
Standardized approach	2,181
CVA risk	52
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	388
Total capital requirement for operational risk	775
Total capital requirement	**6,392**

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

in € million	31/12/2013
Paid-in capital	5,669
Earned capital	3,135
Non-controlling interests	428
Hybrid tier 1 capital	441
Intangible fixed assets	(705)
Core capital (tier 1 capital)	**8,968**
Deductions from core capital	(13)
Eligible core capital (after deductions)	**8,955**
Supplementary capital according to Section 23 (1) 5 BWG	0
Provision excess of internal rating approach positions	221
Hidden reserves	8
Long-term subordinated capital	3,157
Additional own funds (tier 2 capital)	**3,387**
Deduction items: participations, securitizations	(13)
Eligible additional own funds (after deductions)	**3,374**
Deduction items: insurance companies	0
Tier 2 capital available to be redesignated as tier 3 capital	357
Total own funds	**12,686**
Total own funds requirement	**6,392**
Excess own funds	6,294
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 breaks down as follows:

in € million	31/12/2013
Risk-weighted assets according to section 22 BWG	**65,334**
of which 8 per cent minimum own funds for the credit risk according to Sections 22a to 22h BWG	5,227
Standardized approach	2,278
Internal rating approach	2,949
Settlement risk	0
Own funds requirement for position risk in bonds, equities and commodities	297
Own funds requirement for open currency positions	60
Own funds requirement for operational risk	808
Total own funds requirement	**6,392**

(38) Average number of staff

The average number of staff employed during the reporting period (full-time equivalents) breaks down as follows:

Full-time equivalents	1/1-31/3/2014	1/1-31/3/2013
Austria	2,646	2,637
Foreign	55,197	56,915
Total	**57,843**	**59,552**

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