Raiffeisen Bank International

Semi-Annual Financial Report as of 30 June 2014

Survey of key data

Raiffeisen Bank International Group Monetary values in € million	2014	Change	2013
Income statement	**1/1-30/6**		**1/1-30/6**
Net interest income	1,954	6.4%	1,836
Net provisioning for impairment losses	(568)	21.1%	(469)
Net fee and commission income	765	(2.6)%	785
Net trading income	9	(93.6)%	140
General administrative expenses	(1,519)	(6.1)%	(1,617)
Profit before tax	518	10.9%	467
Profit after tax	371	19.1%	311
Consolidated profit	344	24.4%	277
Statement of financial position	**30/6**		**31/12**
Loans and advances to banks	19,776	(11.1)%	22,243
Loans and advances to customers	80,826	0.2%	80,635
Deposits from banks	28,711	(4.6)%	30,105
Deposits from customers	64,386	(3.1)%	66,437
Equity	10,846	4.6%	10,364
Total assets	127,279	(2.6)%	130,640
Key ratios	**1/1-30/6**		**1/1-30/6**
Return on equity before tax	8.6%	0.0 PP	8.6%
Return on tangible equity	8.0%	(0.2) PP	8.2%
Consolidated return on equity	5.4%	0.7 PP	4.6%
Cost/income ratio	55.3%	(2.2) PP	57.5%
Return on assets before tax	0.80%	0.10 PP	0.70%
Net interest margin (average interest-bearing assets)	3.33%	0.27 PP	3.06%
NPL ratio	10.7%	0.8 PP	9.9%
Provisioning ratio (average loans and advances to customers)	1.41%	0.28 PP	1.13%
Bank-specific information[1]	**30/6**		**31/12**
Risk-weighted assets (total)	77,922	(2.5)%	79,897
Total capital requirement	6,234	(2.5)%	6,392
Total capital	13,114	3.4%	12,686
Common equity tier 1 ratio (transitional)	12.1%	1.4 PP	10.7%
Common equity tier 1 ratio (fully loaded)	10.4%	–	n.a.
Total capital ratio (transitional)	16.8%	1.0 PP	15.9%
Stock data	**1/1-30/6**		**1/1-30/6**
Earnings per share in €	0.88	(3.2)%	0.91
Closing price in € (30/6)	23.32	8.7%	21.45
High (closing prices) in €	31.27	(2.8)%	32.16
Low (closing prices) in €	20.60	(4.0)%	21.45
Number of shares in million (30/6)	292.98	49.9%	195.51
Market capitalization in € million (30/6)	6,831	62.9%	4,194
Resources	**30/6**		**31/12**
Employees as at reporting date (full-time equivalents)	56,356	(2.7)%	57,901
Business outlets	2,934	(3.0)%	3,025
Customers in million	14.6	0.1%	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 markets increasingly influenced by geopolitical situation

Although political developments in Ukraine and Russia weighed heavily on the capital markets in the first quarter of 2014, share price movements in major indices showed that they were largely unfazed by the geopolitical situation over the further course of the first half of the year. Thus, indices such as the US Dow Jones and the German Stock Index (DAX) reached new highs. In addition, the positive sentiment in the equity markets was supported by the ECB's low-interest rate policy.

Discussions surrounding the possibility of deflation in the eurozone also attracted attention in the financial markets, after an inflation rate of only 0.7 per cent in the first quarter of 2014. This development prompted the ECB to cut its already low base rate from 0.25 to 0.15 per cent in early June. At the same time, the ECB Council decided to impose a penalty rate, for the first time, of minus 0.1 per cent on bank deposits at the ECB in a bid to encourage bank lending to companies and stimulate investment activity.

This interest rate move initially put an end to the euro's surge against the US dollar. Export-oriented companies, as well as the eurozone economy, on the whole, are likely to benefit as a result. Following the monetary policy measures set by the ECB, yields on high-grade European government bonds continued their downward trend, which began at the start of the year, and headed towards historic lows at the end of the first half of the year.

The crashing of a commercial airliner in Ukraine in July, led to not only a renewed intensification of the conflict between Ukraine and the separatists but also between Russia and the West. The resulting resolved on sanctions on both sides, as well as mixed mid-year results, impacted capital markets at the beginning of the third quarter. This also affected – exacerbated through difficulties of a Portuguese financial institution – bank shares.

Performance of RBI stock

RBI stock started the second quarter with a share price of € 24.20 and reached its highest closing price of € 26.71 on 10 June 2014. The share price subsequently declined, with the stock losing a total 3.7 per cent in value in the second quarter. At the report’s editorial deadline on 18 August 2014, it traded at € 19.20.

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

Annual General Meeting

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

As a result of the capital increase, carried out at the beginning of 2014, existing authorized capital was largely utilized. In order to be able to also respond flexibly to future capital requirements, the Annual General Meeting again gave the Management Board anticipatory authorization to increase the company's share capital by up to 50 per cent within the next five years, with approval from the Supervisory Board. Additionally, the Management Board was authorized to acquire own shares of up to 10 per cent of share capital, and if necessary to redeem them, as well as to acquire own shares of up to 5 per cent of the share capital for the purpose of securities trading.

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

Active capital market communication

In the second quarter of 2014, RBI again offered interested investors the opportunity to obtain first-hand information at road shows in Geneva, Hamburg, Paris, Warsaw, Zurich, and in the Austrian town Zürs. 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 by far the largest number of analysts reporting on it on a regular basis.

To mark the publication of its results for the first quarter of 2014, RBI held a conference call on 22 May – also available as a webcast – with roughly 200 international analysts and investors participating.

Stock data and details

RBI has been listed on the Vienna Stock Exchange since 25 April 2005. At the end of the second 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 roughly 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.

Share price as at 30 June 2014	€ 23.32
High/low in the second quarter of 2014 (closing prices)	€ 26.71 / € 21.05
Earnings per share from 1 January to 30 June 2014	€ 0.88
Book value per share as at 30 June 2014	€ 32.50
Market capitalization as at 30 June 2014	€ 6.8 billion
Average daily trading volume in the second quarter of 2014 (single count)	441,061 shares
Stock exchange turnover in the second quarter of 2014 (single count)	€ 616 million
Free float as at 30 June 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 30 June 2014	292,979,038

Rating details

Rating agency	Long-term rating	Short-term rating	Outlook
Moody's Investors Service	A3	P-2	negative
Standard & Poor's	A-	A-2	negative
Fitch Ratings	A	F1	negative

Financial calendar for 2014 and 2015

6 November 2014	Start of Quiet Period
20 November 2014	Third Quarter Report, Conference Call

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

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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. However, the individual CEE regions will develop very differently. Initial GDP data for 2014, and leading indicators, support the view that economic growth in Central Europe (CE), and in a number of Southeastern European (SEE) countries, will accelerate this year – with economic growth markedly exceeding the eurozone average. In contrast, Russia and Belarus are likely to be marked by stagnation or a mild recession in 2014, with Ukraine unable to avoid a sharp economic downturn. According to the current state, increasing restrictions on trade with Russia (especially for exports to Russia) should not, in themselves, have any material impact on the economic situation – both for the eurozone, as well as for CE and SEE.

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, in particular to Germany. Following 0.8 per cent growth in 2013, economic growth in CE is expected to increase significantly to 2.9 per cent in 2014. The strongest GDP growth for the current year should appear in Poland, at just over 3 per cent, with latest GDP data pointing to a sustainable improvement in economic conditions. In general, CE benefits primarily from high economic growth momentum in Germany, as well as from expansionary monetary and currency policies in a number of CE countries. Against this backdrop, growth rates in 2015 are also likely to be on a par with 2014 levels.

In Southeastern Europe (SEE) – Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, and Serbia – the economy should grow by 2 per cent in 2014, as in the previous year. Romania is expected to record the strongest GDP growth in the current year – as in 2013 – at 3.5 per cent, as it is currently benefitting from successfully implemented structural reforms. In Bulgaria, GDP growth for 2014 is projected at roughly 2 per cent. In most of the other countries in SEE, GDP growth in 2014 is likely to range from 0 to 2 per cent and Croatia could remain in a light recession. The, on the whole, moderate growth in SEE is attributable to a number of factors: structural reforms are still pending in a number of these countries, high levels of debt in the private sector are only gradually being reduced, and damage caused by recent flooding further impedes growth prospects in Bosnia and Herzegovina, as well as in Serbia. For 2015, positive growth rates are expected in all SEE countries and could exceed 3 per cent in Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, and Romania.

Russia already suffered a marked economic downturn in 2013, which is set to become even more severe in 2014. A mild recession is expected in Russia in the current year, with GDP declining 0.3 per cent (following 1.3 per cent growth in the previous year). In Russia, as well as in CEE Other (Ukraine and Belarus), existing weaknesses such as low investment, an unfavorable investment climate, and high capital outflows, have further intensified as a result of the current escalation of geopolitical tensions and the initial effects of sanctions. Notable currency devaluations in Russia and Ukraine additionally weigh on their domestic economies, as well as on consumer confidence. Against this backdrop, and an unavoidable adjustment recession (due in part to requirements under the IMF/EU bailout agreement), a decline in Ukraine's GDP of roughly 7 per cent can be expected for 2014. CEE Other and Russia, however, should return to positive growth in 2015.

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

Region/country	2013	2014e	2015f	2016f
Czech Republic	(0.9)	2.6	2.4	3.0
Hungary	1.1	2.7	2.5	2.2
Poland	1.6	3.3	3.3	3.5
Slovakia	0.9	2.7	3.0	3.5
Slovenia	(1.1)	1.0	1.0	1.8
CE	**0.8**	**2.9**	**2.9**	**3.2**
Albania	0.4	2.0	3.0	4.5
Bosnia and Herzegovina	1.9	0.0	3.5	3.5
Bulgaria	0.9	2.0	3.5	3.2
Croatia	(0.9)	(0.8)	1.0	1.2
Kosovo	3.0	3.0	4.0	4.0
Romania	3.5	3.5	3.5	3.0
Serbia	2.5	0.0	2.0	3.5
SEE	**2.2**	**2.0**	**2.9**	**2.9**
Russia	**1.3**	**(0.3)**	**1.0**	**0.5**
Belarus	0.9	0.5	1.5	2.0
Ukraine	0.0	(7.0)	1.5	4.0
CEE Other	**0.3**	**(4.8)**	**1.5**	**3.4**
CEE	**1.2**	**0.5**	**1.7**	**1.6**
Austria	**0.3**	**0.9**	**1.5**	**2.1**
Germany	**0.5**	**1.8**	**2.5**	**1.3**
Eurozone	**(0.4)**	**0.8**	**1.6**	**1.9**

Earnings and financial performance

In addition to the capital increase carried out at the beginning of the year, RBI's first half of 2014 was affected by geopolitical tensions in Ukraine and new strains on the banking sector in Hungary. Nevertheless, RBI achieved a profit before tax of € 518 million during the reporting period, which corresponds to an increase of 11 per cent, or € 51 million, year-on-year. Operating result also increased, up 3 per cent to € 1,228 million, due to improved interest margins and lower general administrative expenses. In Hungary, changed legislation resulted in a one-off effect, with a negative impact of € 67 million so far in the second quarter of 2014. At the same time, in Ukraine, higher net provisioning for impairment losses of € 184 million was required.

Operating income declined 2 per cent, or € 67 million, to € 2,747 million year-on-year. The net interest margin (calculated on interest-bearing assets) improved 27 basis points to 3.33 per cent, as a result of lower refinancing costs and slightly higher interest income from derivatives at Group head office. This resulted in an increase of 6 per cent, or € 117 million, to € 1,954 million in net interest income. However, net trading income fell € 132 million, to € 9 million, due, inter alia, to exchange-rate related valuation losses on foreign currency positions in Ukraine, as well as a reduced volume of derivatives in Russia. Net fee and commission income declined € 21 million, primarily due to currency effects, as well as lower income from loan and guarantee business resulting from subdued demand for credit. Sundry net operating income decreased € 32 million to € 19 million, largely attributable to the higher financial transaction tax in Hungary.

General administrative expenses were down 6 per cent, or € 98 million, to € 1,519 million year-on-year. Positive effects resulted from ongoing cost reduction programs, predominantly in the Czech Republic, Poland, and Hungary, while declines in Ukraine and Russia were primarily caused by currency devaluations. The average number of employees was further reduced, down 1,989 to 57,404 year-on-year. The number of business outlets also decreased – down 122 to 2,934 year-on-year.

Compared to the same period of the previous year, net provisioning for impairment losses rose 21 per cent, or € 99 million, to € 568 million. The increase was mainly attributable to the devaluation of the hryvnia and the difficult overall macro-economic environment in Ukraine, where net provisioning increased € 125 million to € 184 million.

Net income from derivatives and liabilities improved € 145 million to minus € 43 million. This improvement was attributable to net income from liabilities designated at fair value, where the change in valuations for credit spreads on own liabilities – of € 158 million to plus € 24 million – had a positive impact.

Profit after tax increased 19 per cent to € 371 million year-on-year, while the tax rate fell to 28 per cent. Profit attributable to non-controlling interests decreased € 8 million to minus € 27 million. This resulted in a consolidated profit of € 344 million. Due to the capital increase, carried out at the beginning of 2014, the average number of shares outstanding rose to 278.5 million in the first half of 2014 (comparable period of the previous year: 194.9 million). This resulted in earnings per share of € 0.88. In the same period of the previous year, this figure was € 0.91 based on the lower number of shares outstanding.

Following the capital increase, which resulted in a net capital growth of € 2,727 million, the Austrian regulatory authorities granted approval for a redemption of participation capital in June. On this basis, RBI repaid the full € 1,750 million in participation capital subscribed by the Republic of Austria on 6 June 2014.

Comparison of results year-on-year

in € million	1/1-30/6/2014	1/1-30/6/2013	Change absolute	Change in %
Net interest income	1,954	1,836	117	6.4%
Net fee and commission income	765	785	(21)	(2.6)%
Net trading income	9	140	(132)	(93.6)%
Sundry net operating income	19	51	(32)	(62.5)%
Operating income	**2,747**	**2,813**	**(67)**	**(2.4)%**
Staff expenses	(776)	(815)	39	(4.8)%
Other administrative expenses	(582)	(615)	34	(5.5)%
Depreciation	(161)	(186)	25	(13.6)%
General administrative expenses	**(1,519)**	**(1,617)**	**98**	**(6.1)%**
Operating result	**1,228**	**1,197**	**31**	**2.6%**
Net provisioning for impairment losses	(568)	(469)	(99)	21.1%
Other results	(142)	(260)	118	(45.4)%
Profit before tax	**518**	**467**	**51**	**10.9%**
Income taxes	(147)	(156)	9	(5.7)%
Profit after tax	**371**	**311**	**60**	**19.1%**
Profit attributable to non-controlling interests	(27)	(35)	8	(22.8)%
Consolidated profit	**344**	**277**	**68**	**24.4%**

Net interest income

In the first half of 2014, net interest income rose 6 per cent, or € 117 million, to € 1,954 million year-on-year. The main reasons for this positive development were lower refinancing costs, continued optimization of liquidity, as well as higher interest income from derivatives – predominantly at Group head office and in Russia. Furthermore, net interest income was supported in a number of markets by new business with higher margins.

The net interest margin was up 27 basis points to 3.33 per cent year-on-year. This development was attributable to higher interest income from derivatives at Group head office, and in Russia, as well as lower refinancing costs. Repricing measures in the deposit business in Poland and Slovakia, as well as the favorable development of new business in Russia and Belarus, also contributed to the interest margin increase. In Ukraine, net interest income remained virtually unchanged. In the Czech Republic, interest income declined due to lower margins caused by competition conditions and currency effects. In Hungary, on the other hand, lower interest income from derivatives, as well as reduced volumes in retail and corporate customer business, led to a slide in interest income. In Romania, net interest income decreased mainly due to a fall in market interest rates and lower interest income from securities.

Net fee and commission income

Net fee and commission income fell € 21 million to € 765 million year-on-year, predominantly as a result of currency effects. Primarily due to reduced volumes in Russia and lower margins in the Czech Republic, net income from loan and guarantee business declined 15 per cent, or € 18 million, to € 104 million. As a result of lower fees, net income from the securities business fell 14 per cent, or € 11 million, to € 63 million, predominantly at Group head office. In contrast, net income from foreign currency, notes/coins and precious metals business increased 5 per cent, or € 9 million, to € 180 million, primarily through higher volumes in Ukraine and Russia. Similarly, net income from the payment transfer business grew € 7 million to € 355 million, as a result of fee increases in Hungary following the introduction of the financial transaction tax, as well as margin improvements in Slovakia. In contrast, net income from other banking services decreased € 8 million to € 24 million, with lower fee and commission income from structured financing resulting in a decline in the Czech Republic.

Net trading income

Net trading income fell € 132 million to € 9 million, compared to the same period of the previous year, primarily driven by a € 135 million decrease in net income from currency-based transactions. This decline was mainly attributable to exchange-rate related valuation losses on foreign currency positions in Ukraine, as well as a reduced derivatives portfolio in Poland. Hungary, on the other hand, posted valuation gains from derivatives. Belarus benefitted from the positive effects of a strategic currency position, as well as from an improvement in net income from proprietary trading. Net income from interest-based transactions was up € 26 million to € 39 million. This improvement was primarily due to valuation gains on securities positions and derivatives at Group head office, while valuation losses were posted in the Czech Republic.

Sundry net operating income

Sundry net operating income fell € 32 million to € 19 million year-on-year. This decline was attributable to the higher financial transaction tax in Hungary, up € 7 million compared to the same period of the previous year, due to the increased tax rate, as well as a newly introduced tax on foreign exchange purchases in Ukraine, which had a negative impact of € 4 million. Additional factors included a € 13 million decline in net income from non-banking activities due to the deconsolidation (sale) of F.J. Elsner Trading GmbH, Vienna, and to the depreciation of a property in Ukraine. An € 11 million decline in net income from additional leasing services and a € 5 million increase in expenses for the formation of other provisions, primarily in Hungary and Slovenia, also contributed to the decrease in sundry net operating income. This was contrasted by improved net income from the disposal of tangible fixed assets in Ukraine and higher net income from investment property in Hungary.

General administrative expenses

General administrative expenses declined € 98 million to € 1,519 million, compared to the same period of the previous year. The cost/income ratio improved 2.2 percentage points to 55.3 per cent.

The largest component in general administrative expenses was staff expenses at 51 per cent, which decreased 5 per cent, or € 39 million, to € 776 million. On the one hand, the decline resulted from ongoing cost reduction programs – with the largest reductions in the Czech Republic, Poland, and Hungary; and on the other, from significant currency devaluations in Russia and Ukraine, which led to lower expenses. In contrast, adjustments for current salaries and overtime payments, as well as social security contributions at Group head office, led to slightly higher expenses.

The average number of staff (full-time equivalents) fell 1,989 year-on-year to 57,404. The largest declines occurred in Ukraine (down 959), Hungary (down 311), the Czech Republic (down 214), and Bulgaria (down 219).

Other administrative expenses fell 6 per cent, or € 34 million, to € 582 million. The reduction in Russia (down € 9 million) and in Ukraine (down € 10 million) was primarily driven by currency effects. In Poland, other administrative expenses were down € 10 million, mainly as a result of lower legal, advisory and consulting expenses. In contrast higher deposit protection costs and increased advertising, PR and promotional expenses, as well as higher legal, advisory and consulting expenses, resulted in a € 6 million increase, in Slovakia.

Depreciation of intangible and tangible fixed assets declined 14 per cent, or € 25 million, to € 161 million year-on-year. This was primarily due to currency effects and the depreciation of tangible fixed assets in Ukraine, currency effects in Russia, as well as reduced depreciation on software at Group head office.

Net provisioning for impairment losses

Net provisioning for impairment losses rose 21 per cent, or € 99 million, to € 568 million compared to the same period of the previous year, primarily as a result of higher net provisioning for individual loan loss provisions in Ukraine. Net allocations for portfolio-based loan loss provisions, however, were down € 6 million. This was set against reduced income from the sale of impaired loans.

In Ukraine, net provisioning for impairment losses – solely due to higher individual loan loss provisions – was up € 125 million compared to the same period of the previous year. Following the devaluation of the hryvnia and the resulting need for provisioning for collateralized US dollar loans, foreign currency loans, among other things, were impacted. In Russia, a growing retail portfolio, the devaluation of the rouble and individual loans to corporate customers led to higher net provisioning for impairment losses (up € 77 million) – both for individual loan loss provisions and for portfolio-based loan loss provisions. However, the level of net provisioning in the first half of 2014 was still moderate, particularly because net releases for impairment losses were posted in the comparable period of the previous year. Net provisioning for impairment losses in the Group Corporates segment decreased € 58 million to € 45 million, following a need for higher net provisioning for impairment losses on various non-performing loans to large corporate customers in the comparable period of the previous year. Hungary posted a € 35 million decline in net provisioning for impairment losses – both in the corporate and retail customer business – to € 38 million.

Compared to year-end 2013, the portfolio of non-performing loans (NPL) to customers marginally fell to € 8,643 million. Currency effects – notably as a result of the devaluation of the Ukrainian hryvnia – resulted in a decline of € 114 million. The increase in non-performing loans totaled € 100 million on a currency-adjusted basis. This increase was primarily attributable to Russia (up € 91 million), Ukraine (up € 57 million), and Poland (up € 40 million); whereas declines were posted in the Group Corporates segment (down € 109 million) and in Hungary (down € 104 million). In the reporting period, the NPL ratio, at 10.7 per cent, remained unchanged from the level at the end of 2013. Non-performing loans were set against loan loss provisions of € 5,642 million, improving the NPL coverage ratio to 65.3 per cent, compared to 63.1 per cent at the year-end.

The provisioning ratio, based on the average volume of loans and advances to customers, increased 0.28 percentage points to 1.41 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, net income from the disposal of Group assets and one-off effects reported in other operating expenses – rose from minus € 260 million to minus € 142 million in the comparable period of the previous year.

Net income from derivatives and liabilities improved € 145 million to minus € 43 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 € 158 million to plus € 24 million – was positively reflected. Net income from the valuation of derivatives entered into for hedging purposes was down € 14 million.

Net income from financial investments improved € 14 million to € 78 million compared to the same period of the previous year. On the one hand, the valuation result of securities from the fair value portfolio – particularly in Ukraine – was € 50 million higher compared to the same period of the previous year; on the other, the gain from the sale of shares in equity participations – achieved in the comparable period of the previous year – resulted in a decline of € 39 million.

The expense for bank levies fell € 28 million, with declines in Hungary (down € 20 million) due to a one-time special tax in the previous year and in Austria (down € 9 million) due to a change in the tax assessment base. Net income from disposal of Group assets amounted to minus € 11 million in the first half of 2014. In total, 16 subsidiaries were excluded from the consolidation group, 10 of which were excluded because they fell below the materiality threshold. The sale of the commodity trading group F.J. Elsner, Vienna, resulted in a deconsolidation loss of € 11 million.

As a result of changed legislation in Hungary, sundry operating expenses in the first half of 2014 included a one-off effect in the form of a provision of € 67 million. This effect was the result of legislation passed by the Hungarian parliament. The law related to FX margins which can be applied to foreign currency loan disbursement and installments, as well as unilateral rate changes on consumer loans. Further costs – the extent of which could not yet be assessed, due to the calculation method being unavailable – are to be expected in the second half of the year.

Income taxes

Income tax expense fell € 9 million to € 147 million compared to the previous year's period. While an earnings-related decrease in income tax expenses was posted in Ukraine and Russia, impairment charges on activated tax loss carry-forwards, as well as lower deferred taxes caused by changed valuation results for derivatives in Austria, increased tax expenses. The tax rate decreased 5 percentage points to 28 per cent.

Comparison of results with the previous quarter

in € million	Q2/2014	Q1/2014	Change absolute	Change in %
Net interest income	975	979	(4)	(0.4)%
Net fee and commission income	389	376	14	3.6%
Net trading income	28	(19)	47	–
Sundry net operating income	9	10	(1)	(11.0)%
Operating income	**1,402**	**1,345**	**56**	**4.2%**
Staff expenses	(386)	(390)	4	(1.1)%
Other administrative expenses	(296)	(286)	(10)	3.3%
Depreciation	(83)	(78)	(4)	5.1%
General administrative expenses	**(764)**	**(755)**	**(9)**	**1.3%**
Operating result	**637**	**590**	**47**	**8.0%**
Net provisioning for impairment losses	(287)	(281)	(5)	1.8%
Other results	(73)	(69)	(4)	6.4%
Profit before tax	**278**	**240**	**37**	**15.6%**
Income taxes	(79)	(67)	(12)	18.0%
Profit after tax	**198**	**173**	**25**	**14.6%**
Profit attributable to non-controlling interests	(15)	(12)	(3)	20.6%
Consolidated profit	**183**	**161**	**23**	**14.2%**

Net interest income

Compared to the first quarter of 2014, net interest income remained virtually stable at € 975 million (down € 4 million) in the second quarter of 2014. The net interest margin (calculated on interest-bearing assets) fell 1 basis point to 3.34 per cent quarter-on-quarter. Lower funding costs and higher current income from shares in affiliated companies were set against lower interest income from derivatives.

Net fee and commission income

Net fee and commission income was up € 14 million to € 389 million, compared to the first quarter of 2014. The largest increase of € 11 million was reported in net income from the payment transfer business, which was driven by improved margins in Slovakia and higher volumes in Russia, followed by a € 7 million increase in net income from agency services for own and third-party products, as well as a € 3 million improvement in net income from the foreign currency, notes/coins and precious metals business. In contrast, net income from other banking services decreased € 7 million and net income from loan and guarantee business was down € 3 million.

Net trading income

Net trading income improved from minus € 19 million in the previous quarter to € 28 million. This was triggered by an increase in net income from currency-based transactions, predominantly in Ukraine, where lower valuation losses from foreign currency positions were recognized due to the sharp currency devaluation in the first quarter. Net income from interest-based transactions declined as a result of valuation losses on derivatives and securities positions, in Hungary and at Group head office; whereas Russia posted valuation gains.

Sundry net operating income

In the second quarter of 2014, sundry net operating income decreased € 1 million to € 9 million quarter-on-quarter.

General administrative expenses

General administrative expenses amounted to € 764 million in the second quarter of 2014, up € 9 million from the previous quarter's level of € 755 million. Staff expenses slightly decreased, down 1 per cent, or € 4 million, to € 386 million. Other administrative expenses rose 3 per cent, or € 10 million, to € 296 million quarter-on-quarter, primarily due to higher advertising, PR and promotional expenses. Depreciation of intangible and tangible fixed assets increased 5 per cent, or € 4 million, to € 83 million quarter-on-quarter.

Net provisioning for impairment losses

Net provisioning for impairment losses was up € 5 million to € 287 million quarter-on-quarter. The increase was mainly attributable to Russia, Slovenia, and Croatia, whereas the Group Corporates segment reported a significant decline. All in all, the € 16 million increase in net provisioning for individual loan losses was set against net releases of portfolio-based loan loss provisions in the amount of € 11 million.

Other results

Other results fell € 4 million to minus € 73 million quarter-on-quarter. As a result of the aforementioned new legislation in Hungary, a one-off effect of minus € 67 million was posted in the second quarter.

Bank levies were down € 35 million to € 32 million in the second quarter, as the bank levy in Hungary was already recognized for the full year in the first quarter.

Net income from derivatives and liabilities rose € 12 million to minus € 15 million quarter-on-quarter. Whilst net income from the valuation of derivatives entered into for hedging purposes improved, net income from the credit spread of own issues decreased € 10 million compared to the previous quarter.

Net income from financial investments improved € 5 million to € 42 million quarter-on-quarter. This was mainly due to net gains on securities from the fair value portfolio, predominantly in Hungary and Croatia, as well as reduced losses on the disposal of securities in Russia. Impairments on participations were recorded in the second quarter, particularly in Poland, which were fully offset by the higher valuation results of market-priced securities.

Net income from the deconsolidation of commodity trading group F.J. Elsner resulted in a loss of € 11 million in the first quarter.

Income taxes

Income tax expense increased € 12 million to € 79 million, due to earnings, and the tax rate marginally rose to 29 per cent.

Statement of financial position

RBI's total assets declined 3 per cent, or € 3,361 million, to € 127,279 million since the beginning of 2014. A reduction in total assets of roughly 1 per cent was driven by currency effects, mainly as a result of the sharp devaluation of the Ukrainian hryvnia (down 46 per cent). Furthermore, short-term receivables in particular declined.

Assets

in € million	30/6/2014	Share	31/12/2013	Share
Loans and advances to banks (less impairment losses)	19,664	15.4%	22,125	16.9%
Loans and advances to customers (less impairment losses)	75,184	59.1%	75,147	57.5%
Financial investments	17,851	14.0%	17,850	13.7%
Other assets	14,580	11.5%	15,518	11.9%
Total assets	**127,279**	**100.0%**	**130,640**	**100.0%**

Loans and advances to banks before deduction of loan loss provisions decreased € 2,467 million to € 19,776 million, since the beginning of the year. This was mainly attributable to a € 2,121 million decline in receivables from money market business – predominantly at Group head office. At the same time, receivables from repurchase and securities lending transactions were down € 666 million. Similarly, long-term receivables declined € 261 million and receivables from the giro and clearing business were down € 167 million.

Loans and advances to customers before deduction of loan loss provisions marginally rose to € 80,826 million despite mitigating currency effects. Loans to large corporate customers – predominantly in Poland and Asia – increased € 240 million, while loans and advances to private individuals remained stable. On a currency-adjusted basis, gains were predominantly posted in Ukraine, Russia, Poland, the Czech Republic, and Slovakia.

Other assets were down € 938 million to € 14,580 million. The cash reserve position contained therein decreased € 1,359 million, whereas positive fair values of derivatives rose € 469 million.

Equity and Liabilities

in € million	30/6/2014	Share	31/12/2013	Share
Deposits from banks	28,711	22.6%	30,105	23.0%
Deposits from customers	64,386	50.6%	66,437	50.9%
Equity and subordinated capital	14,903	11.7%	14,491	11.1%
Other liabilities	19,279	15.1%	19,607	15.0%
Total equity and liabilities	**127,279**	**100.0%**	**130,640**	**100.0%**

The refinancing volume of RBI via banks (primarily commercial banks) decreased to € 28,711 million, since the beginning of the year, as a result of the € 1,394 million reduction – predominantly at Group head office – in short-term deposits. An increase in the giro and clearing business (up € 2,215 million) was set against a more significant reduction in money market business (down € 3,780 million).

Deposits from customers dropped € 2,051 million to € 64,386 million. While deposits from large corporate customers (primarily at Group head office, in Ukraine, the Czech Republic, and Poland) decreased € 2,692 million, deposits from the public sector (predominantly in Poland, Slovakia, and Russia) were up € 692 million. Deposits from private individuals remained on the whole stable; however, the development varied from country to country. While deposits from private individuals decreased in Ukraine and Russia due to currency effects, deposits in the Czech Republic, Poland, Romania, and Slovakia increased.

Other liabilities fell € 328 million to € 19,279 million, with debt securities issued decreasing € 685 million – mainly due to the lower refinancing requirement– while negative fair values of derivatives increased € 496 million.

Funding is as follows:

in € million	30/6/2014	Share	31/12/2013	Share
Customer deposits	64,386	59.6%	66,437	59.2%
Medium- and long-term refinancing	17,708	16.4%	19,495	17.4%
Short-term refinancing	21,850	20.2%	22,142	19.7%
Subordinated liabilities	4,058	3.8%	4,128	3.7%
Total	**108,002**	**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 5 per cent, or € 482 million, to € 10,846 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 € 2,727 million. However, repayment of state participation capital resulted in a € 1,750 million reduction in equity in June.

Total comprehensive income of € 20 million consisted of profit after tax of € 371 million and other comprehensive income of minus € 351 million. The largest item in other comprehensive income was currency differences, which increased € 126 million to minus € 387 million year-on-year, mainly driven by the devaluation of the Ukrainian hryvnia (down 46 per cent). In contrast, the use of hyperinflation accounting in Belarus had a positive impact of € 25 million.

The Austrian regulatory authorities granted approval for a redemption of participation capital in June. On this basis, RBI repaid the full € 1,750 million of the participation capital subscribed by the Republic of Austria, on 6 June 2014.

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, 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 the rules applicable under Basel II at the time.

As of 30 June 2014, total capital of RBI under Basel III amounted to € 13,114 million. This corresponds to an increase of € 428 million compared to the year-end figure, calculated under Basel II, primarily due to the capital increase at the beginning of 2014. This was set against by the € 1,750 million repayment of state participation capital in June 2014. The development of the Ukrainian hryvnia, Russian rouble, and Hungarian forint, also had a negative impact. Tier 2 capital (after deductions) increased € 328 million, to € 3,702 million. The increase was largely due to the first-time allowance of portfolio-based loan loss provisions.

Total capital stood in contrast to a total capital requirement of € 6,234 million. The increase in the total capital requirement, as a result of the new Basel III regulations, was largely neutralized by currency devaluations. The total capital requirement for credit risk amounted to € 5,148 million, the total capital requirement for position risk in bonds, equities, commodities and foreign currencies came to € 314 million, and the total capital requirement for operational risk stood at € 772 million.

The excess cover ratio was 110.4 per cent compared to 98.5 per cent as at year-end 2013, which was attributable to the capital increase carried out at the beginning of 2014. Based on total risk, the common equity tier 1 ratio (transitional) came to 12.1 per cent, with a total capital ratio of 16.8 per cent.

Without taking the transitional provisions defined by the CRR into account, the common equity tier 1 ratio (fully loaded) was 10.4 per cent.

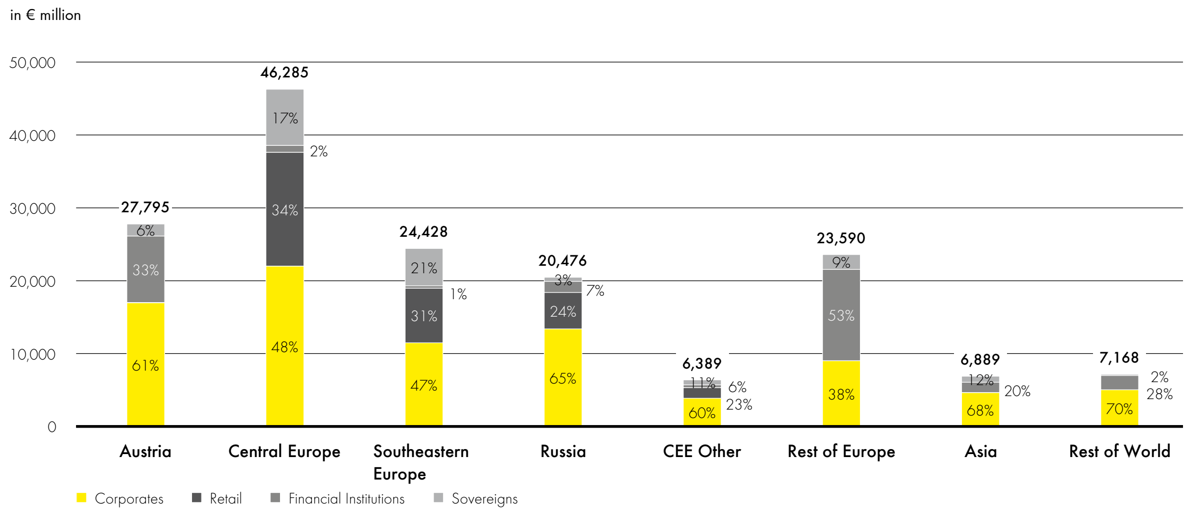
Risk management

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 asset classes and region as at the end of the half year of 2014.



RBI's portfolio structure remained highly stable throughout the first half of 2014 and thus reflects the Group's business model. On the reporting date, the total credit exposure used for managing the portfolio was € 163,020 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 30 June 2014, outstanding exposure to corporate customers totaled € 77,902 million, down € 616 million from the end of financial year 2013. This was attributable to a credit portfolio reduction at some network banks and a depreciation of currencies in Russia and Ukraine. These effects were, however, partly compensated by an increase in loans in the Austrian and Russian portfolios. 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 rose € 203 million to € 29,605 million, compared to year-end 2013, following an exchange-rate related decline to € 29,129 million in the first quarter. This recovery was primarily attributable to the currency stabilization of the Russian rouble and moderate increase of credit exposure in Russia and Slovakia.

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 the liquidity management within the sector). This portfolio amounted to € 28,211 million at the end of the reporting period, a slight increase compared to year-end 2013.

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. With a slight decrease of € 525 million to € 18,759 million in the first half of 2014, the credit portfolio in this segment remained relatively stable compared to year-end 2013.

Ukraine and Russia

In the first six months of the current year, the dominant themes in the international financial markets continued to be the geopolitical tensions in Ukraine, the threatening expansions of sanctions against Russia and uncertainty over the future course of the Russian administration. Accordingly, the Russian rouble and Ukrainian hryvnia devalued significantly against the US dollar and the euro.

This situation continues to have adverse effects on RBI's results. The rapid depreciation of the local currencies and associated credit risk from foreign currency loans present the main potential drivers in relation to RBI's provisioning and capital position.

In response to these developments, RBI took a series of countermeasures in the first half 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.

Hungary

The market environment in Hungary continues to be difficult and is currently under special review. Following the "Home Protection Law" in 2011, in which the Hungarian state granted private debtors early repayment of foreign currency loans under preferential conditions, and which resulted in losses for RBI, several new government programs in favor of foreign exchange loan debtors have been prepared, which could have a potentially significant negative effect on RBI's results.

Additionally, new legislation was recently passed by the Hungarian parliament relating to FX margins, which can be applied to foreign currency loan disbursement and installments, as well as unilateral rate changes on consumer loans. The new law applies to all banks operating in Hungary and requires retroactive modifications to margins and potentially to rates.

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. Under the new Basel III regulations, risk management continues 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 business of CEE subsidiaries, as well as further development of the internal market risk model and Group-wide further development of the standard approach for operational risk.

Simultaneously with Basel III, the new Austrian Bank Intervention and Restructuring Law came into effect at the beginning of 2014. This regulation required RBI, as a material subsidiary of RZB Group, to submit a plan for in the event of restructuring to the Financial Market Authority by June 2014. Plans for a potential resolution are currently being developed and are due by the end of the current financial year.

In October 2013, the Single Supervisory Mechanism (SSM) for the oversight of banks and credit institutions for a number of EU member states, including Austria, came into effect. The SSM will empower the ECB to directly supervise banks in the euro area, and other member states, which decide to join this banking union. Therefore, focus was put on reforms resulting from the SSM, especially the associated comprehensive assessment by the ECB, which also led to an asset quality review (AQR) and pan-European stress test during the first half of 2014. As part of the RZB credit institution group, RBI is one of the focal points for the regulatory reviews within the framework of these processes and was therefore heavily involved in the relevant preparations.

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

Following signals from the Ukrainian government that they intend to leave CIS, the “CIS Other” segment was renamed “CEE Other”. In order to provide a better overview of the operating result, the figures for other net operating income, and therefore operating income, are listed excluding charges for impairment of goodwill and bank levies and the one-off effect in Hungary and will be reported as sundry net operating income.

Segment overview

In Central Europe, profit before tax decreased 17 per cent year-on-year, or € 12 million, to € 59 million. This was primarily due to higher losses in Hungary caused by a one-off effect. The decline in net income in the Czech Republic and in Poland was fully compensated by an improvement in net income in Slovakia and a lower loss in Slovenia.

Profit before tax in the Southeastern Europe segment increased 17 per cent, or € 26 million, to € 180 million year-on-year. This increase was mainly the result of a € 21 million increase in net income in Croatia.

With profit before tax of € 266 million, the Russia segment continued to make the largest regional contribution to net income, although this was down € 78 million year-on-year. Net provisioning for impairment losses – after releases were booked in the same period of 2013 – as well as earnings from the sale of participations during this period in the previous year, were responsible for the decline.

In the CEE Other segment, increased net provisioning for impairment losses in Ukraine had a negative impact on net income during the period. After profit before tax of € 94 million in the same period last year, a loss of € 2 million was posted in the first half of 2014.

The Group Corporates segment’s profit before tax increased 51 per cent to € 178 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 38 per cent to € 46 million year-on-year, due mainly to the negative valuation result from derivative financial instruments.

Profit before tax in the Corporate Center segment increased 49 per cent to € 264 million, after € 177 million in the same period of the previous year. A partial write-down, carried out during the reporting period, of the participation in Raiffeisen Bank Aval JSC, Kiev, was compensated by higher net interest and dividend income.

Central Europe

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Operating income	793	820	(3.3)%	405	389	4.2%
General administrative expenses	(492)	(517)	(4.9)%	(246)	(246)	(0.1)%
Operating result	**302**	**303**	**(0.5)%**	**159**	**143**	**11.7%**
Net provisioning for impairment losses	(128)	(170)	(24.6)%	(69)	(59)	17.7%
Other results	(115)	(63)	82.4%	(75)	(40)	87.7%
Profit before tax	**59**	**71**	**(16.7)%**	**15**	**44**	**(65.7)%**
Assets	38,593	38,358	0.6%	38,593	38,430	0.4%
Net interest margin (average interest-bearing assets)	2.89%	2.87%	0.02 PP	2.90%	2.87%	0.02 PP
Return on equity before tax	**3.2%**	**4.3%**	**(1.1) PP**	**1.6%**	**4.8%**	**(3.1) PP**

Operating income

The segment's net interest income fell 2 per cent to € 524 million year-on-year. A decline in net interest income in Hungary, the Czech Republic, and Slovenia contrasted with an increase in Poland and Slovakia. Whilst the positive development in Poland was due primarily to repricing measures in deposit business, higher margins in new retail business led to an increase in Slovakia. In contrast, the Czech Republic reported a decline in net interest income 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 and lower income from derivative financial instruments, as well as from securities. The segment's net interest margin improved 2 basis points to 2.89 per cent year-on-year. Total assets were up 1 per cent, or € 235 million, to € 38,593 million year-on-year, while credit risk-weighted assets decreased 5 per cent from € 21,209 million to € 20,076 million.

Net fee and commission income in the segment declined 3 per cent, or € 8 million, to € 262 million year-on-year. Whilst net income from the payment transfer business increased 13 per cent to € 129 million, largely driven by higher fees charged to customers in connection with the financial transaction tax recently introduced in Hungary, net income from other banking services fell to minus € 4 million, predominantly due to lower fee and commission income from structured financing in the Czech Republic. Similarly, net income from foreign currency, notes/coins and precious metals business fell 11 per cent to € 69 million. Net income from loan and guarantee business decreased 26 per cent, or € 8 million, to € 22 million versus the same period last year, especially due to developments in the Czech Republic and Poland.

The segment's net trading income increased € 9 million to € 9 million. Net income from currency-based transactions increased significantly, up € 13 million to minus € 4 million year-on-year. This rise was due to valuation gains from currency-based derivatives in Hungary, whilst Poland reported losses. Net income from interest-based transactions declined slightly, down from € 16 million to € 13 million year-on-year. Valuation losses on derivatives in the Czech Republic were almost offset by valuation gains in Hungary.

Sundry net operating income for the region fell € 18 million to minus € 1 million. This was due, on the one hand, to increased tax expense as a result of the financial transaction tax in Hungary, and on the other, to a reduction in net income in Poland, where the release of a provision for sales tax liabilities had a positive effect in the previous period.

General administrative expenses

The segment's general administrative expenses fell 5 per cent, or € 25 million, to € 492 million year-on-year. Staff expenses declined in all 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 and the Czech Republic; whereas an increase was reported in Slovakia due to higher deposit insurance fees and higher advertising, PR and promotional expenses, as well as higher legal, advisory and consulting expenses. Depreciation of intangible and tangible fixed assets rose primarily in Hungary and Poland. The number of business outlets in the segment rose by 9 to 816 year-on-year, mainly as a result of increases in Slovakia. The cost/income ratio in the region reduced 1.1 percentage points to 62.0 per cent.

Net provisioning for impairment losses

At € 128 million, net provisioning for impairment losses in the Central Europe segment was € 42 million lower year-on-year. Net provisioning for individual loan loss provisions fell € 54 million to € 122 million, while portfolio-based loan loss provisions increased € 7 million. A decrease of € 5 million was reported due to loan termination or sale. Individual countries in the segment developed differently: in Hungary net provisioning for impairment losses declined € 35 million for both retail and corporate customers, in Slovenia and Poland net provisioning for impairment losses also declined, whilst the provisioning requirement increased in the Czech Republic and Slovakia. The share of non-bank non-performing loans in the Central Europe segment loan portfolio remained unchanged at 11.7 per cent year-on-year.

Other results and taxes

The Central Europe segment's other results decreased € 52 million to minus € 115 million year-on-year.

The bank levy contained in the other results was € 19 million lower year-on-year because of a special one-off tax levied in the previous year. Due to a change in the legislation in Hungary a one-off effect in form of a provision amounting to € 67 million was posted in sundry operating expenses in the first half of 2014. This effect was the result of legislation passed by the Hungarian parliament. The law related to FX margins which can be applied to foreign currency loan disbursement and installments, as well as unilateral rate changes on consumer loans.

Net income from derivatives and liabilities decreased € 1 million to € 4 million year-on-year. This was mainly due to lower net income from the valuation of other derivatives in Hungary.

Net income from financial investments declined € 8 million to € 3 million year-on-year. The valuation of securities from the fair value portfolio led to a € 17 million decrease in net income caused mainly by municipal bonds in Hungary. This was partly offset by lower net provisioning for impairment losses on equity participations – especially in Slovakia – and by slightly higher net proceeds from the sale of securities and equity participations.

Income tax expense in the segment increased 12 per cent to € 41 million, and the tax rate rose 19 percentage points to 69 per cent. This high tax rate stemmed primarily from loss carry-forwards in Hungary, which could not be fully deducted for tax purposes through the recognition of deferred tax assets.

Detailed results of individual countries:

Czech Republic

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	112	121	(7.6)%	58	54	7.1%
Net fee and commission income	53	66	(18.6)%	26	27	(3.3)%
Net trading income	(1)	8	–	(1)	1	–
Sundry net operating income	6	5	17.9%	3	3	13.7%
Operating income	**170**	**200**	**(14.8)%**	**86**	**84**	**1.8%**
General administrative expenses	(98)	(115)	(14.7)%	(48)	(50)	(5.4)%
Operating result	**72**	**85**	**(14.9)%**	**38**	**34**	**12.5%**
Net provisioning for impairment losses	(22)	(19)	14.0%	(12)	(10)	24.5%
Other results	5	0	–	1	4	(71.8)%
Profit before tax	**55**	**65**	**(16.4)%**	**27**	**28**	**(2.3)%**
Income taxes	(11)	(13)	(17.4)%	(5)	(6)	(13.3)%
Profit after tax	**44**	**52**	**(16.1)%**	**22**	**22**	**0.5%**
Assets	7,900	8,265	(4.4)%	7,900	7,791	1.4%
Loans and advances to customers	6,126	6,196	(1.1)%	6,126	5,959	2.8%
hereof corporate %	43.7%	43.9%	(0.3) PP	43.7%	43.0%	0.6 PP
hereof retail %	55.7%	56.0%	(0.2) PP	55.7%	56.4%	(0.6) PP
hereof foreign currency %	11.9%	9.7%	2.2 PP	11.9%	11.4%	0.5 PP
Deposits from customers	5,700	5,752	(0.9)%	5,700	5,666	0.6%
Loan/deposit ratio	107.4%	108.3%	(0.9) PP	107.4%	105.2%	2.2 PP
Equity	753	760	(0.9)%	753	726	3.7%
Return on equity before tax	15.9%	19.1%	(3.2) PP	15.3%	16.2%	(0.9) PP
Return on equity after tax	12.8%	15.4%	(2.5) PP	12.5%	12.8%	(0.4) PP
Cost/income ratio	57.6%	57.6%	0.0 PP	55.6%	59.8%	(4.2) PP
Net interest margin (average interest-bearing assets)	2.99%	3.09%	(0.10) PP	3.11%	2.89%	0.22 PP
Employees as at reporting date	2,732	2,994	(8.8)%	2,732	2,749	(0.6)%
Business outlets	130	132	(1.5)%	130	130	0.0%
Customers	476,258	481,500	(1.1)%	476,258	469,111	1.5%

Hungary

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	82	101	(18.7)%	39	43	(8.6)%
Net fee and commission income	60	54	10.0%	28	32	(12.5)%
Net trading income	7	(18)	–	1	5	(75.4)%
Sundry net operating income	(19)	(20)	(3.6)%	(3)	(16)	(81.6)%
Operating income	**130**	**118**	**10.2%**	**65**	**64**	**2.2%**
General administrative expenses	(89)	(92)	(3.3)%	(47)	(42)	13.3%
Operating result	**41**	**26**	**57.7%**	**18**	**23**	**(18.2)%**
Net provisioning for impairment losses	(38)	(73)	(47.7)%	(20)	(18)	9.0%
Other results	(100)	(34)	190.9%	(65)	(35)	84.6%
Loss before tax	**(97)**	**(81)**	**19.4%**	**(66)**	**(31)**	**115.3%**
Income taxes	(3)	(2)	72.0%	(1)	(2)	(73.6)%
Loss after tax	**(100)**	**(83)**	**20.4%**	**(67)**	**(33)**	**102.6%**
Assets	6,069	6,324	(4.0)%	6,069	6,241	(2.8)%
Loans and advances to customers	4,951	5,324	(7.0)%	4,951	4,894	1.2%
hereof corporate %	52.7%	53.2%	(0.4) PP	52.7%	51.5%	1.3 PP
hereof retail %	33.6%	35.3%	(1.7) PP	33.6%	35.4%	(1.8) PP
hereof foreign currency %	63.6%	65.7%	(2.1) PP	63.6%	61.8%	1.8 PP
Deposits from customers	3,882	4,368	(11.1)%	3,882	4,115	(5.7)%
Loan/deposit ratio	127.5%	121.9%	5.6 PP	127.5%	118.9%	8.6 PP
Equity	312	359	(13.0)%	312	377	(17.2)%
Return on equity before tax	–	–	–	–	–	–
Return on equity after tax	–	–	–	–	–	–
Cost/income ratio	68.3%	77.9%	(9.5) PP	71.8%	64.8%	7.0 PP
Net interest margin (average interest-bearing assets)	2.84%	3.12%	(0.28) PP	2.71%	2.95%	(0.24) PP
Employees as at reporting date	2,407	2,772	(13.2)%	2,407	2,488	(3.3)%
Business outlets	122	125	(2.4)%	122	122	0.0%
Customers	595,456	608,749	(2.2)%	595,456	599,544	(0.7)%

Poland

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	163	151	8.1%	84	80	4.7%
Net fee and commission income	74	80	(8.5)%	36	37	(3.0)%
Net trading income	0	7	(95.4)%	1	0	–
Sundry net operating income	3	19	(84.1)%	1	2	(66.5)%
Operating income	**240**	**258**	**(6.8)%**	**121**	**119**	**1.8%**
General administrative expenses	(169)	(179)	(5.6)%	(83)	(85)	(2.3)%
Operating result	**72**	**79**	**(9.6)%**	**38**	**34**	**12.1%**
Net provisioning for impairment losses	(39)	(44)	(12.9)%	(19)	(19)	0.2%
Other results	(3)	(2)	63.8%	(3)	0	>500.0%
Profit before tax	**30**	**33**	**(9.3)%**	**16**	**14**	**8.4%**
Income taxes	(8)	(8)	6.5%	(5)	(4)	27.5%
Profit after tax	**22**	**25**	**(14.2)%**	**11**	**11**	**1.9%**
Assets	13,307	12,639	5.3%	13,307	13,070	1.8%
Loans and advances to customers	10,114	9,768	3.6%	10,114	10,097	0.2%
hereof corporate %	36.7%	32.6%	4.1 PP	36.7%	36.3%	0.4 PP
hereof retail %	63.2%	67.3%	(4.1) PP	63.2%	63.6%	(0.4) PP
hereof foreign currency %	54.5%	56.0%	(1.5) PP	54.5%	51.4%	3.2 PP
Deposits from customers	7,513	7,179	4.7%	7,513	7,370	1.9%
Loan/deposit ratio	129.3%	136.1%	(6.8) PP	129.3%	138.1%	(8.8) PP
Equity	1,488	1,401	6.3%	1,488	1,473	1.1%
Return on equity before tax	4.1%	4.7%	(0.5) PP	4.3%	4.0%	0.3 PP
Return on equity after tax	3.0%	3.5%	(0.6) PP	3.0%	3.0%	0.0 PP
Cost/income ratio	70.2%	69.3%	0.9 PP	68.8%	71.7%	(2.9) PP
Net interest margin (average interest-bearing assets)	2.64%	2.43%	0.21 PP	2.66%	2.62%	0.04 PP
Employees as at reporting date	5,731	6,080	(5.7)%	5,731	5,847	(2.0)%
Business outlets	371	370	0.3%	371	373	(0.5)%
Customers	743,389	828,605	(10.3)%	743,389	760,045	(2.2)%

Slovakia

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	160	150	6.4%	81	79	2.1%
Net fee and commission income	72	66	8.3%	40	32	22.9%
Net trading income	2	2	20.3%	1	1	(13.3)%
Sundry net operating income	12	12	0.2%	6	6	(5.2)%
Operating income	**245**	**230**	**6.8%**	**127**	**118**	**7.2%**
General administrative expenses	(127)	(121)	5.4%	(63)	(64)	(1.8)%
Operating result	**118**	**109**	**8.3%**	**64**	**54**	**17.9%**
Net provisioning for impairment losses	(23)	(18)	28.3%	(11)	(12)	(4.5)%
Other results	(17)	(24)	(29.7)%	(8)	(8)	0.1%
Profit before tax	**78**	**67**	**16.5%**	**44**	**34**	**30.3%**
Income taxes	(19)	(14)	32.5%	(11)	(8)	36.5%
Profit after tax	**59**	**53**	**12.1%**	**33**	**26**	**28.4%**
Assets	10,128	9,637	5.1%	10,128	10,067	0.6%
Loans and advances to customers	7,127	6,853	4.0%	7,127	7,057	1.0%
hereof corporate %	46.9%	47.8%	(0.9) PP	46.9%	47.6%	(0.7) PP
hereof retail %	52.8%	51.9%	0.9 PP	52.8%	52.2%	0.6 PP
hereof foreign currency %	1.0%	0.6%	0.3 PP	1.0%	1.0%	0.0 PP
Deposits from customers	7,734	7,345	5.3%	7,734	7,365	5.0%
Loan/deposit ratio	92.1%	93.3%	(1.2) PP	92.1%	95.8%	(3.7) PP
Equity	952	974	(2.3)%	952	1,053	(9.6)%
Return on equity before tax	17.1%	14.1%	3.0 PP	18.4%	13.9%	4.5 PP
Return on equity after tax	12.9%	11.1%	1.8 PP	13.8%	10.6%	3.2 PP
Cost/income ratio	51.8%	52.5%	(0.7) PP	49.6%	54.2%	(4.6) PP
Net interest margin (average interest-bearing assets)	3.34%	3.32%	0.02 PP	3.35%	3.33%	0.02 PP
Employees as at reporting date	3,866	3,828	1.0%	3,866	3,845	0.5%
Business outlets	179	163	9.8%	179	179	0.0%
Customers	914,343	879,227	4.0%	914,343	900,049	1.6%

Slovenia

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	7	10	(32.9)%	3	4	(11.0)%
Net fee and commission income	4	4	(9.8)%	2	2	(2.6)%
Net trading income	0	0	36.8%	0	0	(14.3)%
Sundry net operating income	(3)	1	–	0	(3)	–
Operating income	**8**	**15**	**(46.9)%**	**5**	**3**	**104.7%**
General administrative expenses	(9)	(11)	(16.1)%	(5)	(5)	0.8%
Operating result	**(1)**	**4**	**–**	**1**	**(2)**	**–**
Net provisioning for impairment losses	(6)	(15)	(61.9)%	(6)	1	–
Other results	0	0	(92.8)%	0	0	–
Loss before tax	**(7)**	**(11)**	**(37.5)%**	**(6)**	**(1)**	**328.2%**
Income taxes	0	0	–	0	0	–
Loss after tax	**(7)**	**(11)**	**(36.5)%**	**(6)**	**(1)**	**328.2%**
Assets	1,202	1,502	(20.0)%	1,202	1,264	(4.9)%
Loans and advances to customers	924	1,157	(20.1)%	924	1,000	(7.6)%
hereof corporate %	59.5%	62.0%	(2.5) PP	59.5%	60.1%	(0.5) PP
hereof retail %	33.8%	31.2%	2.6 PP	33.8%	32.2%	1.6 PP
hereof foreign currency %	4.4%	4.6%	(0.2) PP	4.4%	4.2%	0.2 PP
Deposits from customers	444	404	10.0%	444	430	3.3%
Loan/deposit ratio	208.0%	286.4%	(78.4) PP	208.0%	232.5%	(24.5) PP
Equity	26	45	(43.2)%	26	31	(17.7)%
Return on equity before tax	–	–	–	–	–	–
Return on equity after tax	–	–	–	–	–	–
Cost/income ratio	114.6%	72.5%	42.1 PP	85.6%	173.9%	(88.2) PP
Net interest margin (average interest-bearing assets)	1.20%	1.46%	(0.26) PP	1.16%	1.24%	(0.08) PP
Employees as at reporting date	226	264	(14.4)%	226	247	(8.5)%
Business outlets	14	17	(17.6)%	14	16	(12.5)%
Customers	64,306	66,019	(2.6)%	64,306	64,528	(0.3)%

Southeastern Europe

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Operating income	641	635	0.9%	323	318	1.8%
General administrative expenses	(332)	(343)	(3.0)%	(169)	(163)	3.8%
Operating result	**309**	**293**	**5.4%**	**154**	**155**	**(0.3)%**
Net provisioning for impairment losses	(134)	(149)	(9.5)%	(72)	(63)	14.8%
Other results	6	10	(39.0)%	4	2	191.0%
Profit before tax	**180**	**154**	**17.1%**	**87**	**94**	**(7.3)%**
Assets	20,885	21,330	(2.1)%	20,885	20,752	0.6%
Net interest margin (average interest-bearing assets)	4.31%	4.28%	0.03 PP	4.33%	4.30%	0.03 PP
Return on equity before tax	**15.5%**	**14.9%**	**0.6 PP**	**14.9%**	**16.1%**	**(1.2) PP**

Operating income

The segment's net interest income decreased € 6 million to € 418 million year-on-year. Albania (up 9 per cent) and Croatia (up 3 per cent) reported a rise in net interest income, while it remained stable in Bosnia and Herzegovina, as well as in Bulgaria. Lower market interest rates and falling interest income from securities were responsible for a fall in Romania. In Serbia, a decline resulted from lower margins and reduced lending volumes, especially in the corporate customer business. In contrast, in Albania and Croatia, a reduction in interest income – that was also due to lower lending volumes – was accompanied by lower interest expenses. The segment's net interest margin rose to 4.31 per cent (up 3 basis points). Total assets fell 2 per cent to € 20,885 million year-on-year, and credit risk-weighted assets were also down – 6 per cent to € 12,191 million.

Net fee and commission income was up 7 per cent, or € 12 million, to € 172 million. Net income from payment transfer business, which was positively influenced by margin improvements in account management and credit card business in Romania and higher income in Croatia, increased 5 per cent year-on-year. Net income from the securities business nearly doubled at € 4 million, mainly as a result of leader arranger activities in bond issues in Croatia and higher volumes and margins in Romania. Net income from foreign currency, notes/coins and precious metals business rose 7 per cent to € 34 million, and was predominantely driven by higher volumes and margins in Romania, as well as in Bosnia and Herzegovina.

Net trading income in the Southeastern Europe segment was up € 4 million to € 32 million year-on-year. Currency-based transactions increased € 2 million to € 16 million due to valuation gains in Romania. Set against this were losses from a reduced number of currency-based transactions in Bosnia and Herzegovina. The improvement in interest-based transactions, which increased € 2 million to € 17 million, was mainly due to business development in Croatia, where higher valuation gains from bonds in the trading portfolio were reported, while Albania reported slight declines due to lower volumes and interest rates.

Sundry net operating income fell € 4 million to € 18 million year-on-year.

General administrative expenses

The segment's general administrative expenses fell € 10 million to € 332 million year-on-year. Staff expenses remained largely stable at € 147 million, while other administrative expenses decreased slightly to € 147 million. Depreciation declined 13 per cent, or € 6 million, to € 38 million, mainly as a result of lower depreciation on tangible fixed assets in Romania and Bulgaria, as well as on tangible fixed assets and leased assets in Croatia. The cost/income ratio improved 2.1 percentage points to 51.8 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses in the Southeastern Europe segment declined € 14 million to € 134 million year-on-year. The largest fall with € 9 million, was reported in Croatia, where the need for provisioning was lower due to higher individual cases in the corporate customer segment in the previous year. In addition, collection activities and restructurings were stepped up both for corporate and retail customers. In Kosovo, Romania, Serbia, and Bulgaria, net provisioning for impairment losses were also down year-on-year. In contrast, net provisioning for impairment losses in the remaining countries in the region were slightly up. The share of non-bank non-performing loans in the segment's loan portfolio increased 1.1 percentage points to 14.5 per cent.

Other results and taxes

Other results in the segment fell € 4 million to € 6 million year-on-year.

Net income from derivatives and liabilities was down € 6 million year-on-year. This was attributable in particular to valuation losses on interest rate swaps in Croatia.

However, net income from financial investments improved € 2 million to € 7 million. This was largely due to higher net proceeds from the sale of securities in the fair value portfolio – mainly government bonds in Romania – which compensated lower valuation results.

The region's tax expense increased € 17 million to € 26 million year-on-year, while the tax rate rose 9 percentage points to 15 per cent. This was mainly due to the release of a tax liability in Romania in the previous year's period and higher tax results in the region.

Detailed results of individual countries:

Albania

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	41	37	9.3%	20	21	(1.6)%
Net fee and commission income	5	5	3.2%	3	2	10.8%
Net trading income	10	10	(6.4)%	5	5	(9.3)%
Sundry net operating income	0	1	–	0	0	–
Operating income	**55**	**54**	**3.3%**	**28**	**28**	**(0.2)%**
General administrative expenses	(20)	(20)	1.8%	(11)	(9)	12.1%
Operating result	**35**	**34**	**4.1%**	**17**	**18**	**(6.6)%**
Net provisioning for impairment losses	(12)	(11)	6.5%	(6)	(6)	(6.0)%
Other results	0	0	–	0	0	–
Profit before tax	**23**	**23**	**2.9%**	**11**	**12**	**(6.9)%**
Income taxes	(4)	(2)	53.2%	(2)	(2)	(6.8)%
Profit after tax	**20**	**20**	**(2.9)%**	**10**	**10**	**(6.9)%**
Assets	1,966	2,181	(9.9)%	1,966	2,052	(4.2)%
Loans and advances to customers	892	928	(3.9)%	892	903	(1.3)%
hereof corporate %	69.5%	68.6%	0.9 PP	69.5%	70.1%	(0.6) PP
hereof retail %	30.5%	31.4%	(0.9) PP	30.5%	29.9%	0.6 PP
hereof foreign currency %	71.0%	65.0%	6.0 PP	71.0%	68.5%	2.5 PP
Deposits from customers	1,647	1,920	(14.2)%	1,647	1,684	(2.2)%
Loan/deposit ratio	54.1%	48.3%	5.8 PP	54.1%	53.6%	0.5 PP
Equity	213	229	(7.3)%	213	214	(0.6)%
Return on equity before tax	24.5%	22.8%	1.8 PP	22.8%	24.7%	(2.0) PP
Return on equity after tax	20.8%	20.4%	0.3 PP	19.2%	20.9%	(1.7) PP
Cost/income ratio	36.3%	36.9%	(0.5) PP	38.5%	34.2%	4.2 PP
Net interest margin (average interest-bearing assets)	4.81%	3.98%	0.83 PP	4.81%	4.79%	0.02 PP
Employees as at reporting date	1,337	1,386	(3.5)%	1,337	1,352	(1.1)%
Business outlets	95	105	(9.5)%	95	95	0.0%
Customers	695,481	722,839	(3.8)%	695,481	683,297	1.8%

Bosnia and Herzegovina

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	36	36	0.2%	18	18	(5.2)%
Net fee and commission income	17	15	14.7%	9	8	11.9%
Net trading income	0	1	(78.9)%	0	0	8.1%
Sundry net operating income	2	2	(2.7)%	1	1	(33.1)%
Operating income	**55**	**53**	**2.3%**	**27**	**28**	**(1.1)%**
General administrative expenses	(29)	(29)	(1.5)%	(15)	(14)	6.2%
Operating result	**26**	**24**	**6.8%**	**12**	**14**	**(8.7)%**
Net provisioning for impairment losses	(8)	(6)	18.4%	(8)	0	>500.0%
Other results	0	0	28.4%	0	0	(90.3)%
Profit before tax	**18**	**18**	**2.2%**	**5**	**13**	**(63.0)%**
Income taxes	(2)	(2)	14.6%	0	(2)	(77.4)%
Profit after tax	**16**	**16**	**0.8%**	**4**	**12**	**(61.0)%**
Assets	1,954	1,985	(1.6)%	1,954	2,010	(2.8)%
Loans and advances to customers	1,191	1,279	(6.8)%	1,191	1,225	(2.7)%
hereof corporate %	34.2%	39.2%	(4.9) PP	34.2%	35.7%	(1.4) PP
hereof retail %	65.3%	60.0%	5.3 PP	65.3%	63.9%	1.4 PP
hereof foreign currency %	72.6%	73.1%	(0.4) PP	72.6%	71.7%	0.9 PP
Deposits from customers	1,508	1,541	(2.1)%	1,508	1,551	(2.8)%
Loan/deposit ratio	79.0%	83.0%	(4.0) PP	79.0%	79.0%	0.0 PP
Equity	262	258	1.6%	262	280	(6.3)%
Return on equity before tax	14.8%	14.7%	0.1 PP	7.6%	20.6%	(13.1) PP
Return on equity after tax	13.1%	13.2%	(0.1) PP	7.0%	18.0%	(11.1) PP
Cost/income ratio	52.5%	54.5%	(2.0) PP	54.4%	50.6%	3.8 PP
Net interest margin (average interest-bearing assets)	3.78%	3.87%	(0.09) PP	3.72%	3.85%	(0.13) PP
Employees as at reporting date	1,471	1,510	(2.6)%	1,471	1,475	(0.3)%
Business outlets	97	98	(1.0)%	97	98	(1.0)%
Customers	500,461	488,254	2.5%	500,461	497,183	0.7%

Bulgaria

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	63	64	(1.2)%	32	31	3.0%
Net fee and commission income	19	18	1.5%	10	9	12.2%
Net trading income	2	1	103.9%	1	1	(43.1)%
Sundry net operating income	0	0	–	0	0	–
Operating income	**84**	**84**	**0.0%**	**43**	**41**	**5.1%**
General administrative expenses	(44)	(45)	(2.1)%	(22)	(22)	(0.6)%
Operating result	**40**	**39**	**2.5%**	**21**	**19**	**11.6%**
Net provisioning for impairment losses	(30)	(32)	(3.9)%	(14)	(17)	(17.4)%
Other results	0	(1)	–	0	0	–
Profit before tax	**10**	**7**	**44.0%**	**7**	**3**	**171.9%**
Income taxes	(1)	0	127.3%	(1)	0	116.8%
Profit after tax	**9**	**6**	**38.4%**	**6**	**2**	**179.2%**
Assets	3,232	3,373	(4.2)%	3,232	3,201	1.0%
Loans and advances to customers	2,370	2,711	(12.6)%	2,370	2,439	(2.8)%
hereof corporate %	42.9%	44.6%	(1.7) PP	42.9%	43.7%	(0.8) PP
hereof retail %	56.6%	54.9%	1.7 PP	56.6%	55.8%	0.8 PP
hereof foreign currency %	65.3%	73.0%	(7.6) PP	65.3%	67.0%	(1.6) PP
Deposits from customers	2,106	2,110	(0.2)%	2,106	2,038	3.3%
Loan/deposit ratio	112.6%	128.4%	(15.9) PP	112.6%	119.7%	(7.1) PP
Equity	480	505	(5.0)%	480	474	1.2%
Return on equity before tax	4.1%	2.7%	1.3 PP	6.1%	2.2%	3.9 PP
Return on equity after tax	3.7%	2.6%	1.1 PP	5.5%	1.9%	3.6 PP
Cost/income ratio	52.5%	53.6%	(1.2) PP	51.1%	54.0%	(2.9) PP
Net interest margin (average interest-bearing assets)	4.09%	3.85%	0.24 PP	4.16%	4.03%	0.13 PP
Employees as at reporting date	2,764	3,070	(10.0)%	2,764	2,846	(2.9)%
Business outlets	156	181	(13.8)%	156	156	0.0%
Customers	745,331	733,506	1.6%	745,331	740,162	0.7%

Croatia

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	75	73	2.6%	37	37	(0.6)%
Net fee and commission income	30	26	15.7%	15	15	1.6%
Net trading income	9	7	36.9%	6	3	87.1%
Sundry net operating income	14	13	5.7%	6	8	(31.1)%
Operating income	**127**	**118**	**7.7%**	**64**	**63**	**0.3%**
General administrative expenses	(63)	(66)	(5.4)%	(31)	(32)	(1.5)%
Operating result	**64**	**52**	**24.4%**	**32**	**32**	**2.1%**
Net provisioning for impairment losses	(31)	(40)	(22.6)%	(19)	(12)	54.7%
Other results	1	2	(45.8)%	1	0	>500.0%
Profit before tax	**34**	**13**	**156.5%**	**15**	**20**	**(25.7)%**
Income taxes	(7)	(3)	153.5%	(3)	(4)	(30.2)%
Profit after tax	**27**	**11**	**157.2%**	**12**	**16**	**(24.6)%**
Assets	4,553	5,047	(9.8)%	4,553	4,639	(1.9)%
Loans and advances to customers	3,340	3,581	(6.7)%	3,340	3,388	(1.4)%
hereof corporate %	42.4%	42.1%	0.3 PP	42.4%	42.3%	0.1 PP
hereof retail %	50.0%	48.6%	1.4 PP	50.0%	49.5%	0.5 PP
hereof foreign currency %	66.1%	62.9%	3.2 PP	66.1%	69.0%	(2.9) PP
Deposits from customers	2,816	2,984	(5.6)%	2,816	2,822	(0.2)%
Loan/deposit ratio	118.1%	119.6%	(1.5) PP	118.1%	119.6%	(1.5) PP
Equity	677	734	(7.8)%	677	705	(4.0)%
Return on equity before tax	10.1%	3.7%	6.4 PP	8.7%	11.2%	(2.5) PP
Return on equity after tax	8.1%	3.0%	5.1 PP	7.1%	9.0%	(1.9) PP
Cost/income ratio	49.4%	56.2%	(6.8) PP	48.9%	49.8%	(0.9) PP
Net interest margin (average interest-bearing assets)	3.70%	3.33%	0.37 PP	3.73%	3.66%	0.07 PP
Employees as at reporting date	2,027	2,050	(1.1)%	2,027	2,039	(0.6)%
Business outlets	76	76	0.0%	76	76	0.0%
Customers	478,267	475,235	0.6%	478,267	477,294	0.2%

Kosovo

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	19	19	(0.9)%	10	9	9.7%
Net fee and commission income	4	4	(1.3)%	2	2	16.8%
Net trading income	0	0	(93.2)%	0	0	340.8%
Sundry net operating income	0	0	133.9%	0	0	(85.2)%
Operating income	**23**	**23**	**(2.1)%**	**12**	**11**	**12.6%**
General administrative expenses	(12)	(12)	0.1%	(6)	(6)	2.9%
Operating result	**11**	**11**	**(4.5)%**	**6**	**5**	**24.9%**
Net provisioning for impairment losses	0	(2)	–	0	1	–
Other results	0	0	–	0	0	(64.0)%
Profit before tax	**11**	**9**	**20.5%**	**5**	**5**	**4.9%**
Income taxes	(1)	(1)	38.9%	(1)	(1)	9.8%
Profit after tax	**9**	**8**	**18.4%**	**5**	**5**	**4.2%**
Assets	734	624	17.7%	734	717	2.4%
Loans and advances to customers	488	462	5.7%	488	457	6.9%
hereof corporate %	41.5%	39.8%	1.7 PP	41.5%	38.9%	2.6 PP
hereof retail %	58.5%	60.2%	(1.7) PP	58.5%	61.1%	(2.6) PP
hereof foreign currency %	0.0%	0.0%	0.0 PP	0.0%	0.0%	0.0 PP
Deposits from customers	580	500	16.0%	580	564	2.8%
Loan/deposit ratio	84.2%	92.4%	(8.2) PP	84.2%	81.0%	3.2 PP
Equity	112	108	4.4%	112	112	(0.2)%
Return on equity before tax	22.0%	19.1%	2.9 PP	20.8%	20.9%	(0.1) PP
Return on equity after tax	19.3%	17.0%	2.2 PP	18.2%	18.4%	(0.2) PP
Cost/income ratio	53.3%	52.1%	1.2 PP	51.0%	55.9%	(4.8) PP
Net interest margin (average interest-bearing assets)	5.42%	6.19%	(0.77) PP	5.59%	5.24%	0.35 PP
Employees as at reporting date	702	704	(0.3)%	702	700	0.3%
Business outlets	54	52	3.8%	54	54	0.0%
Customers	262,458	243,527	7.8%	262,458	253,830	3.4%

Romania

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	134	141	(4.6)%	67	67	(0.5)%
Net fee and commission income	80	75	6.4%	42	38	11.3%
Net trading income	10	8	34.2%	4	6	(28.9)%
Sundry net operating income	1	3	(56.7)%	1	1	(38.2)%
Operating income	**226**	**227**	**(0.4)%**	**114**	**112**	**1.7%**
General administrative expenses	(130)	(134)	(2.8)%	(67)	(63)	6.0%
Operating result	**96**	**93**	**3.1%**	**47**	**49**	**(4.0)%**
Net provisioning for impairment losses	(46)	(48)	(3.8)%	(20)	(26)	(19.7)%
Other results	5	7	(19.5)%	4	2	112.4%
Profit before tax	**56**	**52**	**6.5%**	**30**	**25**	**19.9%**
Income taxes	(9)	4	–	(5)	(4)	47.5%
Profit after tax	**47**	**56**	**(16.0)%**	**25**	**22**	**15.4%**
Assets	6,516	6,252	4.2%	6,516	6,264	4.0%
Loans and advances to customers	4,380	4,244	3.2%	4,380	4,318	1.4%
hereof corporate %	33.4%	34.4%	(1.0) PP	33.4%	34.2%	(0.8) PP
hereof retail %	64.2%	62.6%	1.5 PP	64.2%	63.2%	0.9 PP
hereof foreign currency %	50.8%	52.9%	(2.1) PP	50.8%	53.0%	(2.2) PP
Deposits from customers	4,273	3,983	7.3%	4,273	4,127	3.5%
Loan/deposit ratio	102.5%	106.6%	(4.0) PP	102.5%	104.6%	(2.1) PP
Equity	683	626	9.1%	683	701	(2.6)%
Return on equity before tax	18.4%	19.3%	(1.0) PP	18.4%	16.1%	2.3 PP
Return on equity after tax	15.5%	20.7%	(5.2) PP	15.3%	13.9%	1.4 PP
Cost/income ratio	57.5%	58.9%	(1.4) PP	58.7%	56.3%	2.4 PP
Net interest margin (average interest-bearing assets)	4.34%	4.67%	(0.33) PP	4.35%	4.36%	(0.01) PP
Employees as at reporting date	5,363	5,246	2.2%	5,363	5,329	0.6%
Business outlets	530	526	0.8%	530	530	0.0%
Customers	2,066,076	2,004,802	3.1%	2,066,076	2,053,737	0.6%

Serbia

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	50	55	(7.7)%	25	25	(1.1)%
Net fee and commission income	17	17	0.6%	9	8	11.8%
Net trading income	1	1	(28.1)%	0	1	(4.4)%
Sundry net operating income	3	4	(22.4)%	1	1	5.9%
Operating income	**72**	**77**	**(6.9)%**	**36**	**35**	**2.1%**
General administrative expenses	(35)	(37)	(6.0)%	(18)	(17)	5.6%
Operating result	**37**	**40**	**(7.7)%**	**18**	**18**	**(1.1)%**
Net provisioning for impairment losses	(8)	(9)	(13.3)%	(5)	(3)	89.6%
Other results	0	2	–	0	0	–
Profit before tax	**29**	**32**	**(11.6)%**	**13**	**16**	**(15.7)%**
Income taxes	(3)	(4)	(22.3)%	(1)	(2)	(27.4)%
Profit after tax	**26**	**28**	**(10.0)%**	**12**	**14**	**(14.2)%**
Assets	1,946	1,922	1.3%	1,946	1,892	2.9%
Loans and advances to customers	1,112	1,213	(8.3)%	1,112	1,067	4.2%
hereof corporate %	49.8%	51.9%	(2.1) PP	49.8%	47.3%	2.5 PP
hereof retail %	48.2%	45.6%	2.6 PP	48.2%	50.2%	(2.0) PP
hereof foreign currency %	72.0%	69.9%	2.1 PP	72.0%	74.8%	(2.8) PP
Deposits from customers	1,220	1,117	9.2%	1,220	1,164	4.8%
Loan/deposit ratio	91.1%	108.5%	(17.4) PP	91.1%	91.6%	(0.5) PP
Equity	518	523	(0.9)%	518	508	1.9%
Return on equity before tax	12.2%	13.8%	(1.6) PP	10.6%	13.2%	(2.5) PP
Return on equity after tax	10.8%	12.0%	(1.2) PP	9.6%	11.6%	(2.1) PP
Cost/income ratio	48.9%	48.5%	0.4 PP	49.7%	48.1%	1.6 PP
Net interest margin (average interest-bearing assets)	5.65%	6.13%	(0.48) PP	5.57%	5.74%	(0.17) PP
Employees as at reporting date	1,589	1,753	(9.4)%	1,589	1,593	(0.3)%
Business outlets	86	86	0.0%	86	85	1.2%
Customers	614,340	571,677	7.5%	614,340	609,052	0.9%

Russia

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Operating income	579	575	0.6%	298	281	5.8%
General administrative expenses	(242)	(265)	(8.5)%	(129)	(114)	13.3%
Operating result	**337**	**311**	**8.3%**	**169**	**168**	**0.7%**
Net provisioning for impairment losses	(70)	7	–	(43)	(27)	60.1%
Other results	(1)	27	–	1	(2)	–
Profit before tax	**266**	**345**	**(22.7)%**	**127**	**139**	**(8.8)%**
Assets	16,041	16,208	(1.0)%	16,041	15,103	6.2%
Net interest margin (average interest-bearing assets)	5.58%	4.90%	0.68 PP	5.74%	5.46%	0.28 PP
Return on equity before tax	**30.8%**	**41.9%**	**(11.1) PP**	**29.7%**	**32.9%**	**(3.2) PP**

Operating income

Net interest income in Russia rose 10 per cent, or € 37 million, to € 403 million year-on-year. Interest income from derivative financial instruments increased € 22 million, and interest income from securities was up € 19 million. Increased interest income from loans also had a positive effect due to higher volumes, though this was set against similarly rising interest expenses for customer deposits. The segment's net interest margin was up 68 basis points to 5.58 per cent year-on-year. Total assets fell 1 per cent to € 16,041 million year-on-year, and credit risk-weighted assets decreased 9 per cent to € 9,349 million.

Net fee and commission income declined 10 per cent, or € 15 million, to € 140 million year-on-year. While net income from loan and guarantee business decreased € 15 million to € 36 million, net income from foreign currency, notes/coins and precious metals business rose € 7 million to € 35 million – largely due to higher volumes. Net income from payment transfer business fell € 3 million to € 51 million, and net income from the management of investment and pension funds decreased € 2 million.

Net trading income amounted to € 26 million (down € 29 million), which was noticeably lower than in the previous year. Net income from currency-based transactions fell € 27 million to € 30 million, as a result of volume-based lower net income from foreign currency derivatives carried out for hedging purposes. Net income from interest-based transactions was also down – € 2 million to minus € 4 million – due to valuation losses and a smaller portfolio. Sundry net operating income increased € 10 million to € 10 million, as a result of the sale of a building.

General administrative expenses

The segment's general administrative expenses fell 9 per cent, or €23 million, to € 242 million due to currency movements. The decrease in staff expenses (down € 7 million) was attributable to the development of the Russian rouble. Other administrative expenses fell € 9 million, which was also a result of currency movements, as well as lower IT expenses. Depreciation expenses were also down € 7 million due to lower depreciation on tangible fixed assets. The number of business outlets rose by 11 to 201 year-on-year. The cost/income ratio improved 4.2 percentage points to 41.8 per cent, on account of lower general administrative expenses.

Net provisioning for impairment losses

In Russia, net provisioning for impairment losses totaled € 70 million in the reporting period, due to an increase in lending volumes to retail customers, the movement of the US dollar and euro against the Russian rouble, as well as individual cases in the corporate customer business. This contrasted with a net release of € 7 million in the comparable period of the previous year. The share of non-bank non-performing loans in the segment's credit portfolio increased 1.0 percentage points to 5.5 per cent year-on-year.

Other results and taxes

Other results in the Russia segment fell from € 27 million, in the comparable period of the previous year, to minus € 1 million in the reporting period. Net income from financial investments was at minus € 12 million, a decrease from plus € 25 million in the first six months of 2013. 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 totaling € 26 million from the sale of participations in the comparable prior-year period. Net income from derivative financial instruments improved € 9 million to € 11 million year-on-year, mainly due to valuation gains from interest rate swaps carried out to mitigate interest rate structure risk.

The tax expense declined € 33 million to € 55 million. The tax rate fell 5 percentage points to 21 per cent.

Russia

The table below provides an overview of the country results for Russia. Any discrepancies with regard to 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	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	403	365	10.2%	209	194	8.0%
Net fee and commission income	140	155	(9.7)%	75	66	14.1%
Net trading income	26	55	(52.9)%	14	12	23.3%
Sundry net operating income	10	0	–	(1)	11	–
Operating income	**579**	**575**	**0.6%**	**298**	**281**	**5.8%**
General administrative expenses	(242)	(265)	(8.5)%	(129)	(114)	13.3%
Operating result	**337**	**311**	**8.3%**	**169**	**168**	**0.7%**
Net provisioning for impairment losses	(70)	7	–	(43)	(27)	60.1%
Other results	(1)	27	–	1	(2)	–
Profit before tax	**266**	**345**	**(22.7)%**	**127**	**139**	**(8.8)%**
Income taxes	(55)	(88)	(37.6)%	(24)	(31)	(21.6)%
Profit after tax	**212**	**257**	**(17.7)%**	**103**	**109**	**(5.2)%**
Assets	16,041	16,208	(1.0)%	16,041	15,103	6.2%
Loans and advances to customers	10,303	9,935	3.7%	10,303	9,598	7.4%
hereof corporate %	54.5%	59.1%	(4.6) PP	54.5%	55.1%	(0.6) PP
hereof retail %	45.5%	40.9%	4.6 PP	45.5%	44.9%	0.6 PP
hereof foreign currency %	32.2%	36.5%	(4.3) PP	32.2%	34.5%	(2.3) PP
Deposits from customers	9,936	10,437	(4.8)%	9,936	9,805	1.3%
Loan/deposit ratio	103.7%	95.2%	8.5 PP	103.7%	97.9%	5.8 PP
Equity	2,263	2,292	(1.3)%	2,263	2,300	(1.6)%
Return on equity before tax	27.0%	34.3%	(7.3) PP	23.9%	27.3%	(3.3) PP
Return on equity after tax	21.5%	25.5%	(4.1) PP	19.4%	21.3%	(1.9) PP
Cost/income ratio	41.8%	46.0%	(4.2) PP	43.2%	40.4%	2.9 PP
Net interest margin (average interest-bearing assets)	5.58%	4.90%	0.68 PP	5.74%	5.46%	0.28 PP
Employees as at reporting date	8,486	8,358	1.5%	8,486	8,530	(0.5)%
Business outlets	201	190	5.8%	201	196	2.6%
Customers	2,757,194	2,431,687	13.4%	2,757,194	2,683,852	2.7%

CEE Other

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Operating income	251	293	(14.2)%	134	117	14.3%
General administrative expenses	(145)	(180)	(19.6)%	(67)	(77)	(12.8)%
Operating result	**107**	**113**	**(5.6)%**	**67**	**40**	**66.7%**
Net provisioning for impairment losses	(186)	(57)	224.7%	(94)	(92)	2.3%
Other results	77	39	99.9%	34	43	(21.8)%
Profit/loss before tax	**(2)**	**94**	**–**	**7**	**(8)**	**–**
Assets	4,560	6,213	(26.6)%	4,560	4,758	(4.2)%
Net interest margin (average interest-bearing assets)	8.98%	6.86%	2.12 PP	9.00%	8.89%	0.11 PP
Return on equity before tax	**–**	**22.1%**	**–**	**3.1%**	**–**	**–**

Operating income

The segment's net interest income increased 6 per cent, or € 12 million, to € 206 million. This was primarily attributable to a rise in net interest income in Belarus of 27 per cent, or € 11 million, to € 53 million, due to a higher lending volume and improved margins. In Ukraine, net interest income remained almost unchanged at € 152 million, as a decline in interest income from securities was set against correspondingly lower interest expenses. The net interest margin improved from 6.86 per cent to 8.98 per cent year-on-year. The segment's total assets decreased 27 per cent to € 4,560 million year-on-year, mainly due to currency effects, while credit risk-weighted assets declined 25 per cent to € 4,130 million.

Net fee and commission income in the segment declined € 5 million to € 97 million year-on-year, with net income from the payment transfer business declining 16 per cent, or € 12 million, to € 64 million in Ukraine, due to exchange rate effects. This decline, however, was almost offset by improved net income from foreign currency, notes/coins and precious metals business, also in Ukraine, which rose € 8 million to € 26 million.

Net trading income declined to minus € 45 million, in the reporting period, from minus € 1 million in previous year's period. This was primarily due to net income from currency-based transactions, which was negatively affected by higher valuation losses from foreign currency positions in Ukraine. There, 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 declined € 5 million to minus € 7 million year-on-year. The negative impact was the result of a newly introduced tax in Ukraine, as well as a real estate write-down. In contrast, real estate sales had a positive impact.

General administrative expenses

Compared to the same period last year general administrative expenses declined € 35 million to € 145 million. The full reduction was recorded in Ukraine and was primarily due to the devaluation of the hryvnia. The segment's staff expenses fell € 19 million, as a result of headcount reduction and currency effects. The decrease in other administrative expenses and depreciation was primarily currency related. The number of business outlets in the segment declined 111 to 810. The cost/income ratio improved 3.9 percentage points to 57.6 per cent.

Net provisioning for impairment losses

The region's net provisioning for impairment losses increased € 129 million to € 186 million year-on-year. The rise was mainly attributable to developments in Ukraine. 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 and individual defaults in corporate customer business. In Belarus net provisioning for impairment losses in the reporting period amounted to € 2 million. The share of non-bank non-performing loans in the segment's overall loan portfolio rose 0.2 percentage points to 27.0 per cent year-on-year.

Other results and taxes

Other results in the segment increased € 39 million to € 77 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 government bonds particularly improved – € 53 million to € 78 million year-on-year.

Income taxes declined € 18 million to € 1 million year-on-year due to the activation of tax loss carry-forwards in Ukraine.

Detailed results of individual countries:

Belarus

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	53	42	27.0%	28	25	8.7%
Net fee and commission income	31	31	(0.6)%	16	15	10.6%
Net trading income	(1)	(5)	(76.3)%	(1)	0	>500.0%
Sundry net operating income	0	(1)	(74.1)%	0	0	>500.0%
Operating income	**83**	**67**	**23.4%**	**42**	**40**	**5.9%**
General administrative expenses	(39)	(37)	7.6%	(21)	(19)	9.5%
Operating result	**43**	**30**	**42.3%**	**22**	**21**	**2.8%**
Net provisioning for impairment losses	(2)	0	–	(2)	0	–
Other results	0	0	–	0	0	–
Profit before tax	**41**	**30**	**34.8%**	**20**	**21**	**(8.5)%**
Income taxes	(11)	(6)	74.9%	(6)	(5)	29.3%
Profit after tax	**30**	**24**	**24.5%**	**13**	**17**	**(19.3)%**
Assets	1,490	1,442	3.3%	1,490	1,435	3.8%
Loans and advances to customers	971	971	0.0%	971	949	2.3%
hereof corporate %	71.7%	74.0%	(2.3) PP	71.7%	73.4%	(1.7) PP
hereof retail %	28.3%	26.0%	2.3 PP	28.3%	26.6%	1.7 PP
hereof foreign currency %	72.8%	72.3%	0.5 PP	72.8%	73.4%	(0.6) PP
Deposits from customers	852	905	(5.9)%	852	773	10.3%
Loan/deposit ratio	113.9%	107.3%	6.7 PP	113.9%	122.8%	(8.9) PP
Equity	292	235	24.0%	292	272	7.2%
Return on equity before tax	35.3%	30.5%	4.8 PP	30.3%	37.4%	(7.1) PP
Return on equity after tax	25.9%	24.3%	1.6 PP	20.8%	29.1%	(8.3) PP
Cost/income ratio	47.6%	54.6%	(7.0) PP	48.4%	46.8%	1.6 PP
Net interest margin (average interest-bearing assets)	7.92%	6.42%	1.49 PP	8.07%	7.80%	0.27 PP
Employees as at reporting date	2,152	2,194	(1.9)%	2,152	2,178	(1.2)%
Business outlets	96	100	(4.0)%	96	96	0.0%
Customers	734,542	701,651	4.7%	734,542	723,688	1.5%

Ukraine

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Net interest income	152	152	0.4%	68	84	(18.9)%
Net fee and commission income	66	70	(6.2)%	32	33	(4.1)%
Net trading income	(43)	4	–	(3)	(40)	(92.7)%
Sundry net operating income	(7)	(2)	265.3%	(6)	(1)	>500.0%
Operating income	**168**	**224**	**(25.2)%**	**91**	**77**	**19.0%**
General administrative expenses	(105)	(143)	(26.6)%	(47)	(58)	(20.0)%
Operating result	**63**	**81**	**(22.9)%**	**44**	**18**	**143.5%**
Net provisioning for impairment losses	(184)	(58)	214.2%	(92)	(92)	(0.4)%
Other results	77	39	100.2%	34	43	(21.8)%
Profit/loss before tax	**(43)**	**62**	**–**	**(13)**	**(30)**	**(56.5)%**
Income taxes	10	(13)	–	3	7	(55.9)%
Profit/loss after tax	**(34)**	**49**	**–**	**(10)**	**(24)**	**(56.6)%**
Assets	3,044	4,727	(35.6)%	3,044	3,289	(7.5)%
Loans and advances to customers	2,873	3,787	(24.1)%	2,873	3,027	(5.1)%
hereof corporate %	53.9%	53.3%	0.7 PP	53.9%	54.8%	(0.9) PP
hereof retail %	45.8%	46.7%	(0.9) PP	45.8%	44.9%	0.9 PP
hereof foreign currency %	55.7%	49.9%	5.8 PP	55.7%	54.3%	1.4 PP
Deposits from customers	1,622	2,806	(42.2)%	1,622	1,610	0.7%
Loan/deposit ratio	177.2%	135.0%	42.2 PP	177.2%	187.9%	(10.8) PP
Equity	513	878	(41.6)%	513	618	(17.1)%
Return on equity before tax	–	15.1%	–	–	–	–
Return on equity after tax	–	12.0%	–	–	–	–
Cost/income ratio	62.6%	63.7%	(1.1) PP	51.2%	76.2%	(25.0) PP
Net interest margin (average interest-bearing assets)	9.44%	7.00%	2.44 PP	9.47%	9.32%	0.15 PP
Employees as at reporting date	12,398	13,492	(8.1)%	12,398	12,891	(3.8)%
Business outlets	713	820	(13.0)%	713	770	(7.4)%
Customers	2,962,732	3,082,951	(3.9)%	2,962,732	3,014,699	(1.7)%

Group Corporates

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Operating income	319	316	1.1%	157	162	(3.1)%
General administrative expenses	(94)	(96)	(2.1)%	(48)	(45)	6.3%
Operating result	**226**	**220**	**2.5%**	**109**	**117**	**(6.8)%**
Net provisioning for impairment losses	(45)	(103)	(56.0)%	(11)	(34)	(67.0)%
Other results	(2)	0	–	(1)	(1)	(47.3)%
Profit before tax	**178**	**118**	**51.4%**	**97**	**81**	**19.1%**
Assets	20,596	19,529	5.5%	20,596	20,884	(1.4)%
Net interest margin (average interest-bearing assets)	2.40%	2.41%	(0.01) PP	2.41%	2.39%	0.02 PP
Return on equity before tax	**17.5%**	**13.0%**	**4.5 PP**	**18.9%**	**15.7%**	**3.2 PP**

Operating income

The segment's net interest income rose 4 per cent to € 248 million year-on-year. Net interest income increased – especially in the Corporate Customers profit center of Group head office (Austrian and multinational corporate customers serviced from Vienna) – predominantly as a result of higher margins. The segment's net interest margin remained virtually unchanged at 2.40 per cent (down 1 basis point). Total assets increased 6 per cent to € 20,596 million year-on-year, while credit risk-weighted assets were up 2 per cent to € 12,893 million, driven by higher volumes.

Net fee and commission income fell € 4 million to € 69 million year-on-year. Slight declines were reported in the business outlets in Asia, the USA, as well as 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, project financing business generated higher fee and commission income.

The segment's net trading income declined from € 3 million in the comparable period of the previous year, to € 2 million in the reporting period. In particular, net income from currency-based transactions fell, predominantly in business outlets in China.

General administrative expenses

The segment's general administrative expenses declined 2 per cent, or € 2 million, to € 94 million year-on-year, mainly as a result of lower depreciation. At the end of the reporting period, the segment consisted of 8 business outlets. The cost/income ratio improved 0.9 percentage points to 29.3 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses fell € 58 million to € 45 million year-on-year. In the first half of 2014, improved ratings at Group head office, and in Asia, led to releases of portfolio-based loan loss provisions, while in the same period of the previous year, individual loans to large corporate customers, particularly at Group head office, led to higher risk costs. The share of non-bank non-performing loans in the segment's total credit portfolio increased 2.1 percentage points to 6.2 per cent year-on-year.

Other results and taxes

The segment's other results fell € 2 million to minus € 2 million, as the bank levy was allocated to the individual segments for the first time in 2014.

Income tax expense increased € 8 million to € 33 million, largely due to earnings in Austria, while the tax rate fell 3 percentage points to 18 per cent.

Group Markets

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Operating income	176	193	(8.7)%	93	83	12.6%
General administrative expenses	(128)	(128)	0.0%	(64)	(64)	0.0%
Operating result	**49**	**65**	**(25.6)%**	**29**	**19**	**55.2%**
Net provisioning for impairment losses	2	1	2.4%	0	2	–
Other results	(4)	7	–	(1)	(4)	(77.9)%
Profit before tax	**46**	**74**	**(38.2)%**	**28**	**17**	**62.8%**
Assets	18,351	19,486	(5.8)%	18,351	16,755	9.5%
Net interest margin (average interest-bearing assets)	1.07%	0.87%	0.20 PP	0.96%	1.09%	(0.13) PP
Return on equity before tax	**16.8%**	**22.7%**	**(5.9) PP**	**15.9%**	**7.9%**	**8.0 PP**

Operating income

Net interest income in the segment increased 9 per cent to € 74 million year-on-year. This was mainly due to the segment's net interest margin, which increased 20 basis points to 1.07 per cent. This was attributable to a partial reclassification of new business from the trading book to the banking book. Total assets decreased 6 per cent to € 18,351 million year-on-year. Credit risk-weighted assets increased 5 per cent to € 3,951 million.

The segment's net fee and commission income decreased 8 per cent to € 58 million year-on-year due to lower sales.

As a result of the abovementioned reclassification, net trading income in the segment declined 36 per cent, or € 19 million, to € 33 million. This was mainly due to interest-based as well as equity- and index-based transactions.

General administrative expenses

General administrative expenses in the Group Markets segment remained relatively stable year-on-year. The cost/income ratio deteriorated 6.2 percentage points to 72.5 per cent due to lower operating income.

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 plus € 7 million to minus € 4 million year-on-year. This was mainly attributable to the valuation result of securities and derivative financial instruments which declined € 9 million to minus € 1 million due to the development of interest rates. The bank levy had a negative impact of € 3 million on net income in the first half of 2014, albeit significantly below € 1 million in the same period of the previous year.

At € 13 million, income tax expense remained almost unchanged, and the tax rate rose 10 percentage points to 28 per cent.

Corporate Center

in € million	1/1-30/6 2014	1/1-30/6 2013	Change	Q2/2014	Q1/2014	Change
Operating income	750	591	26.9%	623	127	391.4%
General administrative expenses	(153)	(155)	(1.1)%	(74)	(80)	(7.1)%
Operating result	**597**	**436**	**36.9%**	**549**	**47**	**>500.0%**
Net provisioning for impairment losses	(6)	1	–	3	(8)	–
Other results	(327)	(259)	26.0%	(40)	(287)	(86.1)%
Profit/loss before tax	**264**	**177**	**49.1%**	**512**	**(248)**	**–**
Assets	32,703	34,120	(4.2)%	32,703	34,172	(4.3)%
Net interest margin (average interest-bearing assets)	–	–	–	–	–	–
Return on equity before tax	**18.7%**	**15.5%**	**3.2 PP**	**73.5%**	**–**	**–**

Operating income

Net interest income in the segment rose € 186 million to € 726 million year-on-year. This increase was particularly due to intra-Group dividend income and lower refinancing costs resulting from the optimization of RBI's refinancing structure. In this segment, income from the predominantly short-term investment of free liquidity, as well as interest expenses of € 31 million (previous year's period: € 27 million) for the subordinated capital of RBI AG, are reported. The segment's total assets declined 4 per cent to € 32,703 million year-on-year. However, credit risk-weighted assets rose 10 per cent to € 17,579 million.

Net fee and commission income improved slightly, up 5 per cent to minus € 8 million year-on-year, due especially to higher fee and commission income from the acceptance of guarantees.

Net trading income in the segment fell € 22 million to minus € 30 million year-on-year. This was mainly attributable to valuation losses from open foreign currency positions.

Sundry net operating income fell € 5 million to € 62 million year-on-year on account of lower net income from non-banking activities – due to the deconsolidation of F.J. Elsner Trading GmbH in the first quarter of 2014. The majority of the income comes from intra-Group service charges.

General administrative expenses

The segment's general administrative expenses declined € 2 million to € 153 million year-on-year, mainly due to reduced depreciation at Group head office.

Net provisioning for impairment losses

Net provisioning for impairment losses generally plays a minor role in this segment due to the intra-Group nature of its business activities. In the first half of 2014, net provisioning for impairment losses for corporate customers of Group head office amounted to only € 6 million.

Other results and taxes

Other results in the segment fell from minus € 259 million to minus € 327 million year-on-year. Especially, the partial write-down on Raiffeisen Bank Aval JSC, Kiev, had a negative impact of € 216 million on the net income of Group head office. However, this was only recognized in profit or loss in the segment, and not in the Group. In contrast, net income from derivatives and liabilities developed positively and improved € 149 million to minus € 51 million. This was attributable to net income from liabilities designated at fair value, in which valuations for credit spreads increased € 158 million to € 24 million.

The Austrian bank levy had a negative effect of € 38 million on the segment's net income. Net income from disposal of Group assets resulting from the sale of commodity trading group F.J. Elsner, Vienna, amounted to minus € 11 million. In the Corporate Center segment tax income fell € 14 million to € 22 million year-on-year.

Interim consolidated financial statements

(Interim report as at 30 June 2014)

Statement of comprehensive income

Income statement

in € million	Notes	1/1-30/6/2014	1/1-30/6/2013	Change
Interest income		2,878	3,052	(5.7)%
Interest expenses		(924)	(1,216)	(24.0)%
Net interest income	**[2]**	**1,954**	**1,836**	**6.4%**
Net provisioning for impairment losses	[3]	(568)	(469)	21.1%
Net interest income after provisioning		**1,386**	**1,367**	**1.4%**
Fee and commission income		959	968	(1.0)%
Fee and commission expense		(194)	(183)	6.2%
Net fee and commission income	**[4]**	**765**	**785**	**(2.6)%**
Net trading income	[5]	9	140	(93.6)%
Net income from derivatives and liabilities	[6]	(43)	(187)	(77.2)%
Net income from financial investments	[7]	78	64	22.3%
General administrative expenses	[8]	(1,519)	(1,617)	(6.1)%
Other net operating income	[9]	(148)	(79)	86.2%
Net income from disposal of group assets		(11)	(6)	68.7%
Profit before tax		**518**	**467**	**10.9%**
Income taxes	[10]	(147)	(156)	(5.7)%
Profit after tax		**371**	**311**	**19.1%**
Profit attributable to non-controlling interests		(27)	(35)	(22.8)%
Consolidated profit		**344**	**277**	**24.4%**

Earnings per share

in €	1/1-30/6/2014	1/1-30/6/2013	Change
Earnings per share	0.88	0.91	(0.03)

Earnings per share are obtained by dividing consolidated profit less dividend for participation capital by the average number of ordinary shares outstanding. As at 30 June 2014, the number of average ordinary shares oustanding was 278.5 million (30 June 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

in € million	Total 1/1-30/6 2014	Total 1/1-30/6 2013	Group equity 1/1-30/6 2014	Group equity 1/1-30/6 2013	Non-controlling interests 1/1-30/6 2014	Non-controlling interests 1/1-30/6 2013
Profit after tax	**371**	**311**	**344**	**277**	**27**	**35**
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	**(352)**	**(295)**	**(343)**	**(293)**	**(9)**	**(2)**
Exchange differences	(387)	(261)	(375)	(257)	(12)	(4)
hereof unrealized net gains (losses) of the period	(387)	(261)	(375)	(257)	(12)	(4)
hereof net gains (losses) reclassified to income statement	0	0	0	0	0	0
Capital hedge	2	0	2	0	0	0
Hyperinflation	25	15	22	14	3	2
Net gains (losses) on derivatives hedging fluctuating cash flows	(2)	(22)	(2)	(22)	0	0
hereof unrealized net gains (losses) of the period	(2)	(22)	(2)	(22)	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	13	(34)	13	(34)	0	0
hereof unrealized net gains (losses) of the period	13	2	13	1	0	0
hereof net gains (losses) reclassified to income statement	0	(36)	0	(35)	0	0
Deferred taxes on income and expenses directly recognized in equity	(3)	6	(3)	6	0	0
hereof unrealized net gains (losses) of the period	(3)	1	(3)	1	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	**(351)**	**(295)**	**(343)**	**(293)**	**(9)**	**(2)**
Total comprehensive income	**20**	**16**	**1**	**(16)**	**18**	**32**

Quarterly results

in € million	Q3/2013	Q4/2013	Q1/2014	Q2/2014
Net interest income	940	953	979	975
Net provisioning for impairment losses	(330)	(350)	(281)	(287)
Net interest income after provisioning	**610**	**603**	**697**	**688**
Net fee and commission income	417	424	376	389
Net trading income	100	81	(19)	28
Net income from derivatives and liabilities	(56)	(14)	(27)	(15)
Net income from financial investments	9	(15)	37	42
General administrative expenses	(813)	(910)	(755)	(764)
Other net operating income	(38)	(30)	(57)	(90)
Net income from disposal of group assets	0	0	(11)	0
Profit before tax	**229**	**138**	**240**	**278**
Income taxes	(80)	4	(67)	(79)
Profit after tax	**149**	**142**	**173**	**198**
Profit attributable to non-controlling interests	(15)	4	(12)	(15)
Consolidated profit	**134**	**146**	**161**	**183**

in € million	Q3/2012	Q4/2012	Q1/2013	Q2/2013
Net interest income	834	876	865	972
Net provisioning for impairment losses	(224)	(385)	(220)	(249)
Net interest income after provisioning	**611**	**491**	**645**	**722**
Net fee and commission income	400	396	375	411
Net trading income	54	(6)	80	60
Net income from derivatives and liabilities	(88)	(20)	(121)	(66)
Net income from financial investments	46	19	87	(23)
General administrative expenses[1]	(818)	(922)	(788)	(829)
Other net operating income	(16)	(50)	(21)	(58)
Net income from disposal of group assets	0	14	(6)	0
Profit/loss before tax	**188**	**(78)**	**251**	**216**
Income taxes[1]	(32)	(59)	(77)	(79)
Profit/loss after tax	**155**	**(137)**	**174**	**137**
Profit attributable to non-controlling interests	(14)	24	(17)	(17)
Consolidated profit/loss	**142**	**(113)**	**157**	**120**

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

Statement of financial position

Assets in € million	Notes	30/6/2014	31/12/2013	Change
Cash reserve		5,315	6,674	(20.4)%
Loans and advances to banks	[12, 36]	19,776	22,243	(11.1)%
Loans and advances to customers	[13, 36]	80,826	80,635	0.2%
Impairment losses on loans and advances	[14]	(5,754)	(5,605)	2.7%
Trading assets	[15, 36]	7,834	7,581	3.3%
Derivatives	[16, 36]	1,085	982	10.5%
Financial investments	[17, 36]	13,602	13,483	0.9%
Investments in associates	[36]	0	5	(100.0)%
Intangible fixed assets	[18]	1,192	1,249	(4.5)%
Tangible fixed assets	[19]	1,607	1,595	0.8%
Other assets	[20, 36]	1,796	1,799	(0.2)%
Total assets		**127,279**	**130,640**	**(2.6)%**

Equity and liabilities in € million	Notes	30/6/2014	31/12/2013	Change
Deposits from banks	[21, 36]	28,711	30,105	(4.6)%
Deposits from customers	[22, 36]	64,386	66,437	(3.1)%
Debt securities issued	[23]	10,847	11,533	(5.9)%
Provisions for liabilities and charges	[24, 36]	739	733	0.8%
Trading liabilities	[25, 36]	5,715	5,204	9.8%
Derivatives	[26, 36]	446	384	15.9%
Other liabilities	[27, 36]	1,531	1,753	(12.6)%
Subordinated capital	[28, 36]	4,058	4,128	(1.7)%
Equity	[29]	10,846	10,364	4.6%
Consolidated equity		10,024	9,322	7.5%
Consolidated profit		344	557	(38.3)%
Non-controlling interests		477	485	(1.5)%
Total equity and liabilities		**127,279**	**130,640**	**(2.6)%**

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/decreases	297	(1,750)	2,429	0	0	7	984
Transferred to retained earnings	0	0	0	59	(59)	0	0
Dividend payments	0	0	0	0	(498)	(42)	(541)
Total comprehensive income	0	0	0	(343)	344	18	20
Own shares/share incentive program	0	0	(7)	7	0	0	0
Other changes	0	0	(6)	16	0	9	19
Equity as at 30/6/2014	**892**	**750**	**4,992**	**3,391**	**344**	**477**	**10,846**

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/decreases	0	0	0	0	0	8	8
Transferred to retained earnings	0	0	0	302	(302)	0	0
Dividend payments	0	0	0	0	(429)	(56)	(485)
Total comprehensive income	0	0	0	(293)	277	32	16
Own shares/share incentive program	0	0	0	0	0	0	0
Other changes	0	0	0	32	0	(15)	17
Equity as at 30/6/2013	**595**	**2,500**	**2,574**	**3,795**	**277**	**688**	**10,428**

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

Statement of cash flows

in € million	1/1-30/6/2014	1/1-30/6/2013
Cash and cash equivalents at the end of previous period	**6,674**	**6,557**
Net cash from operating activities	(1,743)	(1,383)
Net cash from investing activities	(166)	(152)
Net cash from financing activities	706	(444)
Effect of exchange rate changes	(156)	(127)
Cash and cash equivalents at the end of period	**5,315**	**4,451**

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

Following signals from the Ukrainian government that they intend to leave CIS, the “CIS Other” segment was renamed “CEE Other”.

1/1-30/6 2014 in € million	Central Europe	Southeastern Europe	Russia	CEE Other	Group Corporates
Net interest income	524	418	403	206	248
Net fee and commission income	262	172	140	97	69
Net trading income	9	32	26	(45)	2
Sundry net operating income	(1)	18	10	(7)	0
Operating income	**793**	**641**	**579**	**251**	**319**
General administrative expenses	(492)	(332)	(242)	(145)	(94)
Operating result	**302**	**309**	**337**	**107**	**226**
Net provisioning for impairment losses	(128)	(134)	(70)	(186)	(45)
Other results	(115)	6	(1)	77	(2)
Profit/loss before tax	**59**	**180**	**266**	**(2)**	**178**
Income taxes	(41)	(26)	(55)	(1)	(33)
Profit/loss after tax	**18**	**154**	**212**	**(3)**	**146**
Profit attributable to non-controlling interests	(24)	(1)	(1)	(2)	0
Profit/Loss after non-controlling interests	**(6)**	**153**	**211**	**(4)**	**146**
Risk-weighted assets (credit risk)	20,076	12,191	9,349	4,130	12,893
Risk-weighted assets (total)	23,588	14,763	11,407	4,980	13,635
Total capital requirement	1,887	1,181	913	398	1,091
Assets	38,593	20,885	16,041	4,560	20,596
Liabilities	35,062	17,940	13,778	3,752	15,373
Net interest margin (average interest-bearing assets)	2.89%	4.31%	5.58%	8.98%	2.40%
NPL ratio	11.7%	14.5%	5.5%	27.0%	6.2%
NPL coverage ratio	65.5%	63.6%	75.5%	80.4%	51.7%
Cost/income ratio	62.0%	51.8%	41.8%	57.6%	29.3%
Provisioning ratio (average loans and advances to customers)	0.88%	1.94%	1.37%	8.97%	0.44%
Average equity	3,687	2,322	1,727	854	2,038
Return on equity before tax	**3.2%**	**15.5%**	**30.8%**	**–**	**17.5%**
Business outlets	816	1,094	201	810	8

1/1-30/6 2014 in € million	Group Markets	Corporate Center	Reconciliation	Total
Net interest income	74	726	(646)	1,954
Net fee and commission income	58	(8)	(26)	765
Net trading income	33	(30)	(18)	9
Sundry net operating income	11	62	(74)	19
Operating income	**176**	**750**	**(764)**	**2,747**
General administrative expenses	(128)	(153)	67	(1,519)
Operating result	**49**	**597**	**(697)**	**1,228**
Net provisioning for impairment losses	2	(6)	(1)	(568)
Other results	(4)	(327)	223	(142)
Profit before tax	**46**	**264**	**(474)**	**518**
Income taxes	(13)	22	0	(147)
Profit after tax	**33**	**286**	**(474)**	**371**
Profit attributable to non-controlling interests	0	(2)	2	(27)
Profit after non-controlling interests	**33**	**284**	**(472)**	**344**
Risk-weighted assets (credit risk)	3,951	17,579	(15,817)	64,351
Risk-weighted assets (total)	4,592	19,611	(14,653)	77,922
Total capital requirement	367	1,569	(1,172)	6,234
Assets	18,351	32,703	(24,451)	127,279
Liabilities	19,293	27,584	(16,350)	116,433
Net interest margin (average interest-bearing assets)	1.07%	–	–	3.33%
NPL ratio	8.5%	–	–	10.7%
NPL coverage ratio	65.7%	–	–	65.3%
Cost/income ratio	72.5%	20.4%	–	55.3%
Provisioning ratio (average loans and advances to customers)	(0.10)%	–	–	1.41%
Average equity	543	2,827	(1,965)	12,032
Return on equity before tax	**16.8%**	**18.7%**	**–**	**8.6%**
Business outlets	4	1	–	2,934

1/1-30/6/2013 in € million	Central Europe	Southeastern Europe	Russia	CEE Other	Group Corporates
Net interest income	534	424	365	195	239
Net fee and commission income	270	161	155	101	74
Net trading income	(1)	28	55	(1)	3
Sundry net operating income	17	22	0	(3)	0
Operating income	**820**	**635**	**575**	**293**	**316**
General administrative expenses	(517)	(343)	(265)	(180)	(96)
Operating result	**303**	**293**	**311**	**113**	**220**
Net provisioning for impairment losses	(170)	(149)	7	(57)	(103)
Other results	(63)	10	27	39	0
Profit before tax	**71**	**154**	**345**	**94**	**118**
Income taxes	(36)	(9)	(88)	(19)	(25)
Profit after tax	**34**	**145**	**257**	**75**	**93**
Profit attributable to non-controlling interests	(25)	(5)	(1)	(5)	0
Profit after non-controlling interests	**9**	**139**	**256**	**70**	**93**
Risk-weighted assets (credit risk)	21,209	12,990	10,217	5,492	12,612
Risk-weighted assets (total)	24,822	15,697	12,392	6,621	13,259
Total capital requirement	1,986	1,256	991	530	1,061
Assets	38,358	21,330	16,208	6,213	19,529
Liabilities	34,820	18,347	13,915	5,096	14,588
Net interest margin (average interest-bearing assets)	2.87%	4.28%	4.90%	6.86%	2.41%
NPL ratio	11.7%	13.4%	4.5%	26.8%	4.1%
NPL coverage ratio	63.9%	62.1%	100.5%	70.4%	65.0%
Cost/income ratio	63.0%	53.9%	46.0%	61.4%	30.3%
Provisioning ratio (average loans and advances to customers)	1.15%	2.06%	(0.14)%	2.41%	1.04%
Average equity	3,311	2,069	1,645	856	1,811
Return on equity before tax	**4.3%**	**14.9%**	**41.9%**	**22.1%**	**13.0%**
Business outlets	807	1,124	190	921	9

1/1-30/6/2013 in € million	Group Markets	Corporate Center	Reconciliation	Total
Net interest income	69	540	(530)	1,836
Net fee and commission income	63	(9)	(30)	785
Net trading income	52	(8)	11	140
Sundry net operating income	9	67	(62)	51
Operating income	**193**	**591**	**(610)**	**2,813**
General administrative expenses	(128)	(155)	66	(1,617)
Operating result	**65**	**436**	**(545)**	**1,197**
Net provisioning for impairment losses	1	1	0	(469)
Other results	7	(259)	(21)	(260)
Profit before tax	**74**	**177**	**(566)**	**467**
Income taxes	(14)	36	0	(156)
Profit after tax	**60**	**213**	**(566)**	**311**
Profit attributable to non-controlling interests	0	(3)	5	(35)
Profit after non-controlling interests	**60**	**210**	**(561)**	**277**
Risk-weighted assets (credit risk)	3,753	16,001	(14,457)	67,816
Risk-weighted assets (total)	5,049	16,146	(10,576)	82,762
Total capital requirement	404	1,292	(846)	6,621
Assets	19,486	34,120	(30,689)	130,306
Liabilities	22,116	26,209	(15,214)	119,877
Net interest margin (average interest-bearing assets)	0.87%	–	–	3.06%
NPL ratio	6.9%	–	–	9.9%
NPL coverage ratio	93.1%	–	–	67.3%
Cost/income ratio	66.3%	26.2%	–	57.5%
Provisioning ratio (average loans and advances to customers)	(0.08)%	(0.03)%	–	1.13%
Average equity	651	2,285	(1,718)	10,910
Return on equity before tax	**22.7%**	**15.5%**	**–**	**8.6%**
Business outlets	4	1	–	3,056

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 30 June 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.

The interim report as at 30 June 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 half of 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 30/6	2014 Average 1/1-30/6	2013 As at 31/12	2013 Average 1/1-30/6
Albanian lek (ALL)	140.260	140.179	140.200	140.124
Belarusian rouble (BYR)	13,890.000	13,511.429	13,080.000	11,345.714
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)	7.576	7.621	7.627	7.560
Czech koruna (CZK)	27.453	27.442	27.427	25.658
Hungarian forint (HUF)	309.300	306.810	297.040	296.553
Kazakh tenge (KZT)	249.920	239.423	211.170	197.999
Malaysian Ringgit (MYR)	4.386	4.479	4.522	4.058
Polish zloty (PLN)	4.157	4.178	4.154	4.195
Romanian leu (RON)	4.383	4.452	4.471	4.397
Russian rouble (RUB)	46.378	47.850	45.325	40.847
Serbian dinar (RSD)	115.785	115.571	114.642	112.160
Singapore dollar (SGD)	1.705	1.729	1.741	1.630
Turkish lira (TRY)	2.897	2.963	2.961	2.392
Ukrainian hryvnia (UAH)	16.087	14.069	11.042	10.472
US-Dollar (USD)	1.366	1.372	1.379	1.312

Consolidated group

Number of units	Fully consolidated 30/6/2014	Fully consolidated 31/12/2013	Equity method 30/6/2014	Equity method 31/12/2013
As at beginning of period	**143**	**137**	**1**	**1**
Included for the first time in the financial period	4	14	0	0
Merged in the financial period	0	(1)	0	0
Excluded in the financial period	(16)	(7)	(1)	0
As at end of period	**131**	**143**	**0**	**1**

Of the four entities firstly integrated in the Group, two are special financing companies from leasing and two from investment business. Ten entities were excluded due to immateriality and one due to bankruptcy. Further five entities were sold.

Changes in consolidated group

in € million	ELSNER-Group	RBMT	Others	Total
Assets	70	103	78	251
Liabilities	58	1	79	137
Total identifiable net assets	**12**	**102**	**(1)**	**114**
Non-controlling interests	0	0	0	0
Net assets after non-controlling interests	**12**	**102**	**(1)**	**114**
Goodwill	0	0	0	0
Goodwill/Badwill from exchange differences	0	0	0	0
Selling price/carrying amount	1	102	0	103
Net income from disposal of group assets	**(11)**	**(1)**	**1**	**(11)**

ELSNER-Group: Commodity trading group F.J. Elsner, Vienna
RBMT: Raiffeisen Malta Bank plc, Sliema

Notes to the income statement

(1) Income statement according to measurement categories

in € million	1/1-30/6/2014	1/1-30/6/2013
Net income from financial assets and liabilities held-for-trading	305	(3)
Net income from financial assets and liabilities at fair value through profit or loss	104	172
Net income from financial assets available-for-sale	12	40
Net income from loans and advances	1,840	2,100
Net income from financial assets held-to-maturity	83	97
Net income from financial liabilities measured at acquisition cost	(923)	(1,215)
Net income from derivatives (hedging)	66	6
Net revaluations from exchange differences	(57)	187
Other operating income/expenses	(912)	(917)
Total profit before tax from continuing operations	**518**	**467**

(2) Net interest income

in € million	1/1-30/6/2014	1/1-30/6/2013
Interest and interest-like income, total	**2,878**	**3,052**
Interest income	2,851	3,031
from balances at central banks	16	25
from loans and advances to banks	94	120
from loans and advances to customers	2,194	2,319
from financial investments	214	257
from leasing claims	92	95
from derivative financial instruments (non-trading), net	241	213
Current income	15	11
Interest-like income	12	10
Current income from associates	**0**	**0**
Interest expenses and interest-like expenses, total	**(924)**	**(1,216)**
Interest expenses	(897)	(1,195)
on deposits from central banks	(5)	(1)
on deposits from banks	(166)	(212)
on deposits from customers	(495)	(694)
on debt securities issued	(127)	(191)
on subordinated capital	(103)	(96)
Interest-like expenses	(28)	(21)
Total	**1,954**	**1,836**

(3) Net provisioning for impairment losses

in € million	1/1-30/6/2014	1/1-30/6/2013
Individual loan loss provisions	**(555)**	**(456)**
Allocation to provisions for impairment losses	(864)	(900)
Release of provisions for impairment losses	333	433
Direct write-downs	(55)	(26)
Income received on written-down claims	31	36
Portfolio-based loan loss provisions	**(15)**	**(21)**
Allocation to provisions for impairment losses	(199)	(217)
Release of provisions for impairment losses	184	196
Gains from loan termination or sale	**2**	**7**
Total	**(568)**	**(469)**

(4) Net fee and commission income

in € million	1/1-30/6/2014	1/1-30/6/2013
Payment transfer business	355	348
Loan and guarantee business	104	122
Securities business	63	74
Foreign currency, notes/coins, and precious metals business	180	171
Management of investment and pension funds	16	15
Sale of own and third party products	23	23
Other banking services	24	32
Total	**765**	**785**

(5) Net trading income

in € million	1/1-30/6/2014	1/1-30/6/2013
Interest-based transactions	39	13
Currency-based transactions	(26)	108
Equity-/index-based transactions	29	15
Credit derivatives business	0	1
Other transactions	(33)	3
Total	**9**	**140**

The refinancing expenses for trading assets that are included in net trading income amounted to € 26 million (comparable period: € 27 million).

(6) Income from derivatives and liabilities

in € million	1/1-30/6/2014	1/1-30/6/2013
Net income from hedge accounting	6	(2)
Net income from credit derivatives	0	0
Net income from other derivatives	58	(162)
Net income from liabilities designated at fair value	(108)	(24)
Income from repurchase of liabilities	1	0
Total	**(43)**	**(187)**

(7) Net income from financial investments

in € million	1/1-30/6/2014	1/1-30/6/2013
Net income from securities held-to-maturity	**0**	**1**
Net valuations of securities	0	0
Net proceeds from sales of securities	0	1
Net income from equity participations	**(4)**	**29**
Net valuations of equity participations	(5)	(11)
Net proceeds from sales of equity participations	1	40
Net income from securities at fair value through profit and loss	**80**	**34**
Net valuations of securities	76	26
Net proceeds from sales of securities	4	8
Net income from available-for-sale securities	**2**	**0**
Total	**78**	**64**

(8) General administrative expenses

in € million	1/1-30/6/2014	1/1-30/6/2013
Staff expenses	(776)	(815)
Other administrative expenses	(582)	(615)
Depreciation of tangible and intangible fixed assets	(161)	(186)
Total	**(1,519)**	**(1,617)**

(9) Other net operating income

in € million	1/1-30/6/2014	1/1-30/6/2013
Net income arising from non-banking activities	9	22
Sales revenues from non-banking activities	205	290
Expenses arising from non-banking activities	(195)	(268)
Net income from additional leasing services	(1)	10
Revenues from additional leasing services	30	35
Expenses from additional leasing services	(30)	(25)
Rental income from operating lease (vehicles and equipment)	16	16
Rental income from investment property incl. operating lease (real estate)	22	16
Net proceeds from disposal of tangible and intangible fixed assets	8	1
Other taxes	(140)	(156)
hereof bank levies	(100)	(128)
Impairment of goodwill	0	(3)
Net expense from allocation and release of other provisions	(7)	(2)
Sundry operating income	39	36
Sundry operating expenses	(94)	(20)
Total	**(148)**	**(79)**

(10) Income taxes

in € million	1/1-30/6/2014	1/1-30/6/2013
Current income taxes	(151)	(206)
Austria	(26)	(16)
Foreign	(126)	(190)
Deferred taxes	4	51
Total	**(147)**	**(156)**

Notes to the statement of financial position

(11) Statement of financial position according to measurement categories

Assets according to measurement categories in € million	30/6/2014	31/12/2013[1]
Cash reserve	5,315	6,674
Trading assets	8,195	7,990
Financial assets at fair value through profit or loss	7,005	8,440
Investments in associates	0	5
Financial assets available-for-sale	2,008	823
Loans and advances	96,644	99,071
Financial assets held-to-maturity	4,590	4,220
Derivatives (hedging)	723	573
Other assets	2,799	2,843
Total assets	**127,279**	**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 as well as non fixed-interest and fixed-interest securities. Loans and advances are reported on a net basis after provisions for impairment losses. Other assets comprise intangible and tangible fixed assets.

Equity and liabilities according to measurement categories in € million	30/6/2014	31/12/2013
Trading liabilities	6,038	5,456
Financial liabilities	106,841	111,342
Liabilities at fair value through profit and loss	2,692	2,612
Derivatives (hedging)	123	133
Provisions for liabilities and charges	739	733
Equity	10,846	10,364
Total equity and liabilities	**127,279**	**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	30/6/2014	31/12/2013
Austria	7,038	8,297
Foreign	12,737	13,946
Total	**19,776**	**22,243**

Loans and advances to banks include € 5,801 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	30/6/2014	31/12/2013
Sovereigns	1,612	1,648
Corporate customers – large corporates	49,560	49,320
Corporate customers – mid market	3,080	3,089
Retail customers – private individuals	23,731	23,756
Retail customers – small and medium-sized entities	2,844	2,822
Total	**80,826**	**80,635**

Loans and advances to customers include € 1,216 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	30/6/2014	31/12/2013
Austria	7,329	7,224
Foreign	73,497	73,410
Total	**80,826**	**80,635**

(14) Impairment losses on loans and advances

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

in € million	30/6/2014	31/12/2013
Banks	112	118
Sovereigns	1	6
Corporate customers – large corporates	3,054	2,837
Corporate customers – mid market	363	531
Retail customers – private individuals	1,883	1,777
Retail customers – small and medium-sized entities	342	337
Total	**5,754**	**5,605**

(15) Trading assets

in € million	30/6/2014	31/12/2013
Bonds, notes and other fixed-interest securities	3,864	3,954
Shares and other variable-yield securities	384	408
Positive fair values of derivative financial instruments	3,585	3,219
Total	**7,834**	**7,581**

(16) Derivatives

in € million	30/6/2014	31/12/2013
Positive fair values of derivatives in fair value hedges (IAS 39)	700	544
Positive fair values of derivatives in cash flow hedges (IAS 39)	0	6
Positive fair values of derivatives in net investment hedge (IAS 39)	24	23
Positive fair values of other derivatives	361	409
Total	**1,085**	**982**

(17) Financial investments

in € million	30/6/2014	31/12/2013
Bonds, notes and other fixed-interest securities	13,130	12,862
Shares and other variable-yield securities	29	150
Equity participations	443	470
Total	**13,602**	**13,483**

(18) Intangible fixed assets

in € million	30/6/2014	31/12/2013
Goodwill	534	544
Software	529	545
Other intangible fixed assets	129	159
Total	**1,192**	**1,249**

(19) Tangible fixed assets

in € million	30/6/2014	31/12/2013
Land and buildings used by the Group for own purpose	660	712
Other land and buildings (investment property)	324	208
Office furniture, equipment and other tangible fixed assets	348	399
Leased assets (operating lease)	275	277
Total	**1,607**	**1,595**

(20) Other assets

in € million	30/6/2014	31/12/2013
Tax assets	559	601
Current tax assets	82	112
Deferred tax assets	476	489
Receivables arising from non-banking activities	84	93
Prepayments and other deferrals	367	232
Clearing claims from securities and payment transfer business	556	388
Lease in progress	37	80
Assets held for sale (IFRS 5)	59	56
Inventories	72	147
Valuation fair value hedge portfolio	28	16
Any other business	34	188
Total	**1,796**	**1,799**

(21) Deposits from banks

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

in € million	30/6/2014	31/12/2013
Austria	13,907	16,775
Foreign	14,804	13,330
Total	**28,711**	**30,105**

Deposits from banks include € 1,204 million (31/12/2013: € 1,220 million) from repo transactions.

(22) Deposits from customers

Deposits from customers break down as follows:

in € million	30/6/2014	31/12/2013
Sovereigns	1,512	820
Corporate customers – large corporates	28,748	31,439
Corporate customers – mid market	2,453	2,419
Retail customers – private individuals	27,077	27,059
Retail customers – small and medium-sized entities	4,122	4,280
Other	473	420
Total	**64,386**	**66,437**

Deposits from customers include € 8 million (31/12/2013: € 743 million) from repo transactions.

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

in € million	30/6/2014	31/12/2013
Austria	5,040	5,619
Foreign	59,346	60,818
Total	**64,386**	**66,437**

(23) Debt securities issued

in € million	30/6/2014	31/12/2013
Bonds and notes issued	9,617	11,061
Money market instruments issued	1,194	428
Other debt securities issued	36	44
Total	**10,847**	**11,533**

(24) Provisions for liabilities and charges

in € million	30/6/2014	31/12/2013
Severance payments and other	69	69
Retirement benefits	26	25
Taxes	100	93
Current	64	64
Deferred	36	29
Contingent liabilities and commitments	98	119
Pending legal issues	62	54
Overdue vacation	55	57
Bonus payments	184	231
Restructuring	7	9
Other	138	77
Total	**739**	**733**

(25) Trading liabilities

in € million	30/6/2014	31/12/2013
Negative fair values of derivative financial instruments	**4,462**	**4,027**
Interest-based transactions	2,800	2,453
Currency-based transactions	504	592
Equity-/index-based transactions	1,002	841
Credit derivatives business	9	8
Other transactions	147	133
Short-selling of trading assets	**572**	**551**
Certificates issued	**682**	**626**
Total	**5,715**	**5,204**

(26) Derivatives

in € million	30/6/2014	31/12/2013
Negative fair values of derivatives in fair value hedges (IAS 39)	105	104
Negative fair values of derivatives in cash flow hedges (IAS 39)	18	28
Negative fair values of credit derivatives	0	0
Negative fair values of other derivative financial instruments	323	252
Total	**446**	**384**

(27) Other liabilities

in € million	30/6/2014	31/12/2013
Liabilities from non-banking activities	71	98
Liabilities from insurance contracts	318	320
Accruals and deferred items	230	267
Liabilities from dividends	2	1
Clearing claims from securities and payment transfer business	456	552
Valuation fair value hedge portfolio	67	39
Any other business	389	476
Total	**1,531**	**1,753**

(28) Subordinated capital

in € million	30/6/2014	31/12/2013
Hybrid tier 1 capital	441	451
Subordinated liabilities	3,617	3,371
Supplementary capital	0	305
Total	**4,058**	**4,128**

(29) Equity

in € million	30/6/2014	31/12/2013
Consolidated equity	10,024	9,322
Subscribed capital	892	595
Participation capital	750	2,500
Capital reserves	4,992	2,575
Retained earnings	3,391	3,652
Consolidated profit	344	557
Non-controlling interests	477	485
Total	**10,846**	**10,364**

The subscribed capital of RBI AG as defined by the articles of incorporation amounts to € 894 million. After deduction of 604,517 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	30/6/2014	Share	31/12/2013	Share
Credit risk corporate customers	2,417	31.0%	2,433	30.9%
Credit risk retail customers	1,998	25.6%	2,060	26.2%
Market risk	741	9.5%	630	8.0%
Operational risk	724	9.3%	682	8.7%
Credit risk sovereigns	479	6.1%	487	6.2%
Credit risk financial institutions	268	3.4%	267	3.4%
Other tangible fixed assets	242	3.1%	263	3.3%
Participation risk	200	2.6%	185	2.3%
Macroeconomic risk	189	2.4%	189	2.4%
Liquidity risk	122	2.4%	297	3.8%
CVA risk	49	0.6%	0	0.0%
Risk buffer	372	4.8%	375	4.8%
Total	**7,802**	**100.0%**	**7,868**	**100.0%**

Regional allocation of economic capital according to booking Group unit:

in € million	30/6/2014	Share	31/12/2013	Share
Central Europe	2,859	36.6%	2,959	37.6%
Southeastern Europe	1,674	21.5%	1,652	21.0%
Austria	1,298	16.6%	1,276	16.2%
Russia	1,082	13.9%	1,121	14.2%
CEE Other	579	7.4%	660	8.4%
Rest of World	311	4.0%	199	2.5%
Total	**7,802**	**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	30/6/2014	31/12/2013
Cash reserve	3,172	4,166
Loans and advances to banks	19,776	22,243
Loans and advances to customers	80,826	80,635
Trading assets	7,834	7,581
Derivatives	1,085	982
Financial investments	13,130	12,862
Other assets	202	243
Contingent liabilities	10,871	10,990
Commitments	9,329	10,279
Revocable credit lines	16,255	16,727
Description differences	538	(3,384)
Total	**163,020**	**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. good credit standing 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		30/6/2014	Share	31/12/2013	Share
1	Minimal risk	6,971	8.9%	6,534	8.3%
2	Excellent credit standing	9,422	12.1%	8,950	11.4%
3	Very good credit standing	7,730	9.9%	8,575	10.9%
4	Good credit standing	11,362	14.6%	10,624	13.5%
5	Sound credit standing	13,993	18.0%	13,338	17.0%
6	Acceptable credit standing	11,932	15.3%	12,623	16.1%
7	Marginal credit standing	6,956	8.9%	7,304	9.3%
8	Weak credit standing / sub-standard	2,113	2.7%	2,605	3.3%
9	Very weak credit standing / doubtful	1,539	2.0%	1,973	2.5%
10	Default	5,403	6.9%	5,268	6.7%
NR	Not rated	483	0.6%	724	0.9%
Total		**77,902**	**100.0%**	**78,518**	**100.0%**

Compared to year-end 2013, total credit exposure for corporate customers decreased € 616 million to € 77,902 million. At the end of the second quarter, the largest segment in terms of corporate customers was Group Corporates with € 31,271 million, followed by Central Europe with € 17,503 million, Russia with € 10,156 million and Southeastern Europe with € 9,842 million. The rest is divided between Group Markets with € 5,148 million, CEE Other with € 3,113 million and Corporate Center with € 868 million.

The share of loans with good to minimum risk credit profiles slightly increased to 45.5 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 13.6 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 6.9 per cent or € 5,403 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	30/6/2014	Share	31/12/2013	Share
Central Europe	21,236	24.6%	21,394	24.5%
Austria	16,986	19.6%	16,758	19.2%
Southeastern Europe	10,222	11.8%	10,285	11.8%
Western Europe	10,977	12.7%	9,741	11.2%
Russia	11,541	13.4%	11,520	13.2%
Asia	5,196	6.0%	5,956	6.8%
CEE Other	3,246	3.8%	3,896	4.5%
Other	7,042	8.1%	7,717	8.8%
Total	**86,445**	**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	30/6/2014	Share	31/12/2013	Share
Wholesale and retail trade	20,536	23.8%	20,689	23.7%
Manufacturing	18,661	21.6%	18,362	21.0%
Real estate	9,538	11.0%	9,865	11.3%
Financial intermediation	9,104	10.5%	8,006	9.2%
Construction	6,453	7.5%	6,346	7.3%
Transport, storage and communication	3,783	4.4%	3,736	4.3%
Electricity, gas, steam and hot water supply	3,818	4.4%	4,124	4.7%
Freelance/technical services	4,628	5.4%	5,217	6.0%
Other industries	9,922	11.5%	10,921	12.5%
Total	**86,445**	**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		30/6/2014	Share	31/12/2013	Share
6.1	Excellent project risk profile – very low risk	3,241	37.9%	3,388	38.7%
6.2	Good project risk profile – low risk	2,943	34.5%	2,971	34.0%
6.3	Acceptable project risk profile – average risk	1,010	11.8%	1,225	14.0%
6.4	Poor project risk profile – high risk	771	9.0%	616	7.0%
6.5	Default	541	6.3%	539	6.2%
NR	Not rated	37	0.4%	10	0.1%
Total		**8,542**	**100.0%**	**8,749**	**100.0%**

The credit exposure in project finance amounted to € 8,542 million at the end of the second 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 72.4 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 0.4 per cent or € 37 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 the retail credit exposure:

in € million	30/6/2014	Share	31/12/2013	Share
Retail customers – private individuals	25,977	87.7%	26,194	89.1%
Retail customers – small and medium-sized entities	3,628	12.3%	3,208	10.9%
Total	**29,605**	**100.0%**	**29,402**	**100.0%**
hereof non-performing loans	2,910	10.0%	2,923	9.9%
hereof individual loan loss provision	2,016	6.9%	1,928	6.6%
hereof portfolio-based loan loss provision	211	0.7%	186	0.6%

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

30/6/2014 in € million	Central Europe	Southeastern Europe	Russia	CEE Other	Group Markets
Retail customers – private individuals	13,223	6,626	4,884	1,230	14
Retail customers – small and medium-sized entities	2,394	874	122	238	0
Total	**15,618**	**7,500**	**5,006**	**1,468**	**14**
hereof non-performing loans	1,535	606	187	577	1
hereof individual loan loss provision	998	371	144	464	0
hereof portfolio-based loan loss provision	87	42	55	22	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 increased € 203 million to € 29,605 million in the second quarter of 2014. The highest volume amounting to € 15,618 million was booked in the segment Central Europe. Compared to year-end 2013, this represented an increase of € 72 million mainly resulting from currency effects in Hungary. Southeastern Europe ranked second with a credit exposure of € 7,500 million. Compared to year-end 2013, this represents an increase of € 88 million. The segment Russia showed an increase of € 279 million due to the expansion of loan volumes in the retail business. The segment CEE Other reported a decline of € 236 million mainly caused by currency devaluation of Ukrainian hryvnia.

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

in € million	30/6/2014	Share	31/12/2013	Share
Mortgage loans	14,105	47.6%	14,055	47.8%
Personal loans	5,984	20.2%	6,660	22.7%
Credit cards	2,876	9.7%	2,351	8.0%
Car loans	2,451	8.3%	2,617	8.9%
Overdraft	2,163	7.3%	2,103	7.2%
SME financing	2,026	6.8%	1,616	5.5%
Total	**29,605**	**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	30/6/2014	Share	31/12/2013	Share
Swiss franc	4,395	47.6%	4,560	50.4%
Euro	3,950	42.8%	3,557	39.3%
US-Dollar	870	9.4%	915	10.1%
Other foreign currencies	11	0.1%	11	0.1%
Loans in foreign currencies	**9,227**	**100.0%**	**9,043**	**100.0%**
Share of total loans	31.2%		30.8%	

Compared to year-end 2013, foreign currency loans in Swiss francs and US-Dollar declined, while Euro loans 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		30/6/2014	Share	31/12/2013	Share
A1	Excellent credit standing	360	1.3%	245	0.9%
A2	Very good credit standing	1,149	4.1%	974	3.6%
A3	Good credit standing	11,184	39.6%	13,368	48.8%
B1	Sound credit standing	9,973	35.4%	8,040	29.4%
B2	Average credit standing	2,338	8.3%	1,769	6.5%
B3	Mediocre credit standing	1,346	4.8%	1,733	6.3%
B4	Weak credit standing	751	2.7%	518	1.9%
B5	Very weak credit standing	413	1.5%	304	1.1%
C	Doubtful/high default risk	161	0.6%	187	0.7%
D	Default	197	0.7%	213	0.8%
NR	Not rated	337	1.2%	18	0.1%
Total		**28,211**	**100.0%**	**27,370**	**100.0%**

Total credit exposure amounted to € 28,211 million in the second quarter of 2014, which represents an increase of € 841 million compared to the year-end 2013. At € 11,184 million, or 39.6 per cent, the bulk of this customer group was in the A3 rating class, which decreased € 2,184 million compared to year-end 2013. This resulted from the decline of loans to banks, repo and money market business. Compared to year-end 2013, the highest increases are accounted by rating class B1 with € 1,933 million and rating class B2 with € 569 million. This mainly resulted from increased repo and money market business.

At € 21,602 million or 76.6 per cent, the segment Group Markets had the largest share of the loan portfolio with financial institutions, followed by the segment Group Corporates with € 1,995 million, or 6.9 per cent.

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

in € million	30/6/2014	Share	31/12/2013	Share
Derivatives	7,651	27.1%	7,270	26.6%
Money market	7,123	25.2%	7,521	27.5%
Repo	6,201	22.0%	4,002	14.6%
Loans	3,334	11.8%	2,960	10.8%
Bonds	3,046	10.8%	4,683	17.1%
Other	855	3.0%	933	3.4%
Total	**28,211**	**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		30/6/2014	Share	31/12/2013	Share
A1	Excellent credit standing	2,206	11.8%	1,660	8.6%
A2	Very good credit standing	1,513	8.1%	1,350	7.0%
A3	Good credit standing	2,824	15.1%	3,144	16.3%
B1	Sound credit standing	2,686	14.3%	2,844	14.8%
B2	Average credit standing	2,651	14.1%	1,076	5.6%
B3	Mediocre credit standing	1,864	9.9%	4,061	21.1%
B4	Weak credit standing	3,776	20.1%	3,683	19.1%
B5	Very weak credit standing	818	4.4%	1,403	7.3%
C	Doubtful/high default risk	404	2.2%	5	0.0%
D	Default	1	0.0%	37	0.2%
NR	Not rated	16	0.1%	21	0.1%
Total		**18,759**	**100.0%**	**19,284**	**100.0%**

Compared to year-end 2013, the credit exposure to sovereigns sank € 525 million to € 18,759 million in the second quarter of 2014, which represents 11.5 per cent of the bank's total credit exposure.

The rating class excellent credit standing (A1 rating) reported an increase of € 546 million. This mainly resulted from a rise in the portfolio of German and Austrian government bonds (plus € 361 million) and an increase of loans to the Swiss National Bank (plus € 72 million).

The intermediate rating classes good credit standing (A3 rating) to mediocre credit standing (B3 rating) accounted for the highest share with 53.4 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 € 4,594 million, or 24.5 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	30/6/2014	Share	31/12/2013	Share
Bonds	12,872	68.6%	12,471	64.7%
Loans	4,730	25.2%	5,555	28.8%
Derivatives	714	3.8%	726	3.8%
Other	443	2.4%	532	2.8%
Total	**18,759**	**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	30/6/2014	Share	31/12/2013[1]	Share
Hungary	2,069	30.1%	2,068	22.5%
Albania	844	12.3%	844	9.2%
Croatia	828	12.0%	941	10.2%
Serbia	611	8.9%	557	6.0%
Romania	118	1.7%	2,168	23.5%
Other	2,408	35.0%	2,633	28.6%
Total	**6,878**	**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 € 2,332 million to € 6,878 million. This decrease mainly resulted from rating improvement in Romania from B3 to B2.

The credit exposure is mainly based on 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	30/6/2014	31/12/2013	30/6/2014	31/12/2013	30/6/2014	31/12/2013
Corporate customers	5,735	5,707	10.9%	10.9%	59.5%	59.0%
Retail customers	2,907	2,922	10.9%	11.0%	76.6%	72.3%
Sovereigns	0	29	0.0%	1.8%	0.4%	17.6%
Total non-banks	**8,643**	**8,657**	**10.7%**	**10.7%**	**65.3%**	**63.1%**
Banks	139	153	0.7%	0.7%	75.8%	72.6%
Total	**8,782**	**8,811**	**8.7%**	**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	**30/6/2014**	**31/12/2013**	**30/6/2014**	**31/12/2013**	**30/6/2014**	**31/12/2013**
Central Europe	3,432	3,509	11.0%	11.4%	65.5%	64.3%
Southeastern Europe	1,997	1,944	12.3%	12.1%	59.1%	58.4%
Russia	565	482	4.1%	3.9%	75.4%	77.7%
CEE Other	1,044	1,108	25.5%	23.3%	80.4%	72.2%
Group Corporates	1,267	1,373	6.0%	6.5%	51.9%	47.2%
Group Markets	421	351	2.5%	2.1%	69.8%	84.7%
Corporate Center	56	44	1.0%	0.7%	198.6%	215.4%
Total	**8,782**	**8,811**	**8.7%**	**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 30/6/2014**
Corporate customers	5,707	0	(60)	987	(899)	5,735
Retail customers	2,922	0	(53)	435	(397)	2,907
Sovereigns	29	0	(1)	0	(28)	0
Total non-banks	**8,657**	**0**	**(114)**	**1,423**	**(1,323)**	**8,643**
Banks	153	0	0	5	(20)	139
Total	**8,811**	**0**	**(114)**	**1,428**	**(1,343)**	**8,782**

In Corporate Customers, total non-performing loans increased € 28 million to € 5,735 million at the end of the second quarter of 2014. The ratio of non-performing loans to total credit exposure remained unchanged at 10.9 per cent, the NPL coverage ratio increased 0.5 percentage points to 59.5 per cent. In the retail porfolio, non-performing loans declined 0.5 per cent, or € 15 million, to € 2,907 million. The ratio of non-performing loans to total credit exposure decreased 0.1 percentage points to 10.9 per cent, the NPL coverage ratio rose 4.3 percentage points to 76.6 per cent. Non-performing loans for financial institutions amounted to € 139 million at the end of the second quarter of 2014, thus representing a decrease of € 14 million compared to year-end 2013 and the NPL coverage ratio rose 3.2 percentage points to 75.8 per cent.

In Group Corporates, non-performing loans sank significantly by 7.8 per cent, or € 106 million, to € 1,267 million, which mainly resulted from the regrouping of a non-performing loan exposure of € 63 million. Here, the NPL ratio sank 0.5 percentage points to 6.0 per cent, while the NPL coverage ratio increased 4.7 percentage points to 51.9 per cent. In the segment CEE Other, non-performing loans sank 5.7 per cent, or € 64 million, to € 1,044 million. Here, the NPL ratio increased 2.3 percentage points to 25.5 per cent and also the NPL coverage ratio went up 8.2 percentage points to 80.4 per cent. In Central Europe, non-performing loans decreased 2.2 per cent, or € 76 million, to € 3,432 million. The ratio of non-performing loans to total credit exposure sank 0.4 percentage points to 11.0 per cent, while the NPL coverage ratio went up 1.2 percentage points to 65.5 per cent. In the segment Russia, non-performing loans increased 17.3 per cent, or € 83 million, to € 565 million. The ratio of non-performing loans to credit exposure rose 0.2 percentage points to 4.1 per cent, while the NPL coverage sank 2.3 percentage points to 75.4 per cent. In the segment Group Markets, non-performing loans increased 19.9 per cent, or € 70 million, to € 421 million (regrouping of a non-performing loan exposure of € 63 million). At the same time, the ratio of non-performing loans to total credit exposure increased 0.4 percentage points to 2.5 per cent, while the NPL coverage ratio sank 14.9 percentage points to 69.8 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 30/6/2014
Individual loan loss provision	5,195	(1)	888	(333)	(323)	(84)	5,342
Portfolio-based loan loss provisions	529	0	199	(184)	0	(33)	511
Total	**5,725**	**(1)**	**1,087**	**(517)**	**(323)**	**(118)**	**5,853**

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	30/6/2014	Share	31/12/2013	Share
Austria	**27,795**	**17.0%**	**27,976**	**18.1%**
Central Europe	**46,285**	**28.4%**	**46,350**	**28.1%**
Poland	14,578	8.9%	14,181	8.6%
Slovakia	11,788	7.2%	11,706	6.7%
Czech Republic	10,374	6.4%	10,700	6.5%
Hungary	8,001	4.9%	8,034	5.1%
Other	1,544	0.9%	1,728	1.2%
European Union	**23,591**	**14.5%**	**20,890**	**13.5%**
Germany	7,020	4.3%	5,546	3.6%
Great Britain	6,414	3.9%	4,294	4.1%
France	3,989	2.4%	5,106	3.1%
Netherlands	1,791	1.1%	1,600	0.8%
Other	4,378	2.7%	4,344	1.9%
Southeastern Europe	**24,428**	**15.0%**	**24,562**	**14.5%**
Romania	8,643	5.3%	8,597	4.7%
Croatia	5,312	3.3%	5,351	3.3%
Bulgaria	3,818	2.3%	3,914	2.5%
Serbia	2,167	1.3%	2,217	1.2%
Other	4,488	2.8%	4,482	2.7%

in € million	30/6/2014	Share	31/12/2013	Share
Russia	**20,476**	**12.6%**	**20,440**	**11.7%**
Asia	**8,045**	**4.9%**	**9,033**	**5.7%**
China	3,421	2.1%	4,208	2.4%
Singapore	1,442	0.9%	1,516	1.0%
Other	3,182	2.0%	3,308	2.2%
CEE Other	**6,389**	**3.9%**	**7,509**	**4.4%**
Ukraine	4,411	2.7%	5,545	3.3%
Other	1,978	1.2%	1,964	1.0%
North America	**3,635**	**2.2%**	**4,134**	**2.1%**
Rest of World	**2,376**	**1.5%**	**2,429**	**2.0%**
Total	**163,021**	**100.0%**	**163,323**	**100.0%**

The Group does not own any banking subsidiaries that are incorporated in the so-called European periphery countries. Nonetheless, some of the bank's loans and advances are to customers domiciled in 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 30/6/2014	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2013
Currency risk	58	65	35	122	41
Interest rate risk	8	14	8	31	9
Credit spread risk	12	15	10	24	22
Share price risk	1	1	1	2	1
Vega risk	1	1	0	1	0
Total	69	78	47	132	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	30/6/2014			31/12/2013		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	13,512	13,565	14,781	15,223	12,372	13,124
Liquidity ratio	143%	129%	114%	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	30/6/2014	31/12/2013
Contingent liabilities	**10,871**	**10,990**
Acceptances and endorsements	43	38
Credit guarantees	6,424	6,199
Other guarantees	2,598	2,504
Letters of credit (documentary business)	1,650	2,189
Other contingent liabilities	157	60
Commitments	**9,329**	**10,279**
Irrevocable credit lines and stand-by facilities	9,329	10,279
Up to 1 year	3,161	2,798
More than 1 year	6,168	7,481

(32) Derivatives

30/6/2014	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	31,380	59,164	40,681	131,224	3,964	(3,150)
Foreign exchange rate and gold contracts	54,758	10,965	2,356	68,079	591	(600)
Equity/index contracts	1,405	1,629	383	3,417	96	(1,002)
Commodities	148	206	9	362	8	(120)
Credit derivatives	69	1,455	0	1,524	9	(9)
Precious metals contracts	49	24	14	87	1	(27)
Total	**87,809**	**73,442**	**43,442**	**204,693**	**4,670**	**(4,908)**

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

30/6/2014 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	5,315	0	5,315	5,315	0
Loans and advances to banks	0	14,725	5,023	19,748	19,664	84
Loans and advances to customers	0	20,832	53,475	74,306	75,184	(877)
Financial investments	4,114	592	374	5,080	5,028	52
Liabilities						
Deposits from banks	0	25,224	3,585	28,809	28,711	98
Deposits from customers	0	32,130	32,493	64,623	64,386	237
Debt securities issued	392	4,087	974	5,453	5,928	(475)
Subordinated capital	0	3,902	7	3,909	3,592	317

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	30/6/2014 Level I	Level II	Level III	31/12/2013 Level I	Level II	Level III
Trading assets	**4,011**	**4,040**	**145**	**4,070**	**3,755**	**165**
Positive fair values of derivatives[1]	98	3,785	63	59	3,481	88
Shares and other variable-yield securities	383	1	0	403	4	0
Bonds, notes and other fixed-interest securities	3,529	254	81	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	**3,831**	**3,138**	**36**	**4,788**	**3,639**	**12**
Shares and other variable-yield securities	23	1	5	43	103	5
Bonds, notes and other fixed-interest securities	3,807	3,137	31	4,746	3,537	7
Financial assets available-for-sale	**1,436**	**146**	**55**	**346**	**25**	**49**
Other interests	4	25	43	4	25	37
Bonds, notes and other fixed-interest securities	1,432	121	11	341	0	12
Shares and other variable-yield securities	0	1	0	0	0	0
Derivatives (hedging)	**0**	**700**	**24**	**0**	**550**	**23**
Positive fair values of derivatives from hedge accounting	0	700	24	0	550	23

in € million	30/6/2014 Level I	Level II	Level III	31/12/2013 Level I	Level II	Level III
Trading liabilities	**625**	**5,390**	**23**	**631**	**4,801**	**24**
Negative fair values of derivative financial instruments[1]	121	4,648	16	129	4,133	17
Call/time deposits from trading purposes	0	0	0	0	0	0
Short-selling of trading assets	504	68	0	502	50	0
Certificates issued	0	675	7	0	618	7
Liabilities at fair value through profit and loss	**0**	**2,692**	**0**	**0**	**2,612**	**0**
Debt securities issued	0	2,227	0	0	2,122	0
Subordinated capital	0	466	0	0	491	0
Derivatives (hedging)	**0**	**123**	**0**	**0**	**133**	**0**
Negative fair values of derivatives from hedge accounting	0	123	0	0	133	0

1 Including other derivatives.

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

Movements between Level I and Level II

Compared to year-end 2013, the share of financial assets according to Level II increased slightly. The increase resulted primarily from higher fair values of derivative financial instruments. Regarding bonds, notes and other fixed-interest securities, there was a slight shift from Level II to Level I (€ 33 million).

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 half 2014, there was no material reclassification in Level III.

in € million	As at 1/1/2014	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	165	0	1	10	(31)
Financial assets at fair value through profit or loss	12	8	0	26	(12)
Financial assets available-for-sale	12	0	0	0	0
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 30/6/2014
Trading assets	1	0	0	0	145
Financial assets at fair value through profit or loss	2	0	0	0	36
Financial assets available-for-sale	0	0	0	0	11
Derivatives (hedging)	0	0	1	(1)	24

in € million	As at 1/1/2014	Change 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 30/6/2014
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	Approximati on method	–	–
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	124	Discounted cash flow method	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	87	Discounted cash flow method	Interest rate	10 - 30%
Total		**216**			

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) Transferred financial assets

Transferred financial assets not entirely derecognized

30/6/2014	Transferred assets		Associated liabilities	
in € Millionen	Carrying amount	hereof repurchase agreements	Carrying amount	hereof repurchase agreements
Trading assets	345	345	321	321
Financial assets at fair value through profit or loss	525	525	506	506
Financial assets available-for-sale	0	0	0	0
Loans and advances	863	0	760	0
Financial assets held-to-maturity	11	11	11	11
Total	**1,745**	**881**	**1,497**	**839**

31/12/2013	Transferred assets		Associated liabilities	
in € Millionen	Carrying amount	hereof repurchase agreements	Carrying amount	hereof repurchase agreements
Trading assets	252	251	206	206
Financial assets at fair value through profit or loss	579	573	424	423
Financial assets available-for-sale	0	0	0	0
Loans and advances	673	0	110	0
Financial assets held-to-maturity	68	57	65	54
Total	**1,572**	**881**	**804**	**682**

(36) Offsetting of financial assets and liabilities

30/6/2014		Gross amount	Net amount	Related amounts not set off in the statement of financial position		Net amount
in € million	of recognized assets set off in the statement of financial position	of recognized liabilities set off in the statement of financial position	of recognized assets set off in the statement of financial position	Financial instruments	Cash collateral received	
Derivatives	3,944	27	3,917	3,409	33	475
Reverse repurchase, securities lending & similar agreements	7,596	0	7,596	6,560	1	1,035
Other financial instruments	0	0	0	0	0	0
Total	**11,540**	**27**	**11,513**	**9,969**	**34**	**1,510**

30/6/2014		Gross amount	Net amount	Related amounts not set off in the statement of financial position		Net amount
in € million	of recognized liabilities set off in the statement of financial position	of recognized assets set off in the statement of financial position	of recognized liabilities set off in the statement of financial position	Financial instruments	Cash collateral pledged	
Derivatives	3,532	27	3,505	3,815	75	(384)
Repurchase, securities lending & similar agreements	1,217	0	1,217	291	0	926
Other financial instruments	0	0	0	0	0	0
Total	**4,749**	**27**	**4,722**	**4,106**	**75**	**542**

31/12/2013 in € million	Gross amount of recognized assets set off in the statement of financial position	of recognized liabilities set off in the statement of financial position	Net amount of recognized assets set off in the statement of financial position	Related amounts not set off in the statement of financial position Financial instruments	Cash collateral received	Net amount
Derivatives	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 in € million	Gross amount of recognized liabilities set off in the statement of financial position	of recognized assets set off in the statement of financial position	Net amount of recognized liabilities set off in the statement of financial position	Related amounts not set off in the statement of financial position Financial instruments	Cash collateral pledged	Net amount
Derivatives	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)**

(37) 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 with related parties that are natural persons, especially large banking business transactions, 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:

30/6/2014 in € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	5,278	147	211	94
Loans and advances to customers	0	1,266	74	75
Trading assets	0	45	1	1
Financial investments	0	373	0	72
Investments in associates	0	0	0	0
Other assets (incl. derivatives)	51	33	0	0
Deposits from banks	5,836	328	3,446	113
Deposits from customers	7	296	355	118
Provisions for liabilities and charges	0	0	0	0
Trading liabilities	0	101	17	0
Other liabilities including derivatives	0	7	0	0
Subordinated capital	0	0	0	0
Guarantees given	0	154	1	7
Guarantees received	878	1,241	204	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

(38) 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	30/6/2014
Paid-in capital	6,483
Earned capital	3,392
Non-controlling interests	419
Common equity tier 1 (before deductions)	**10,295**
Intangible fixed assets/goodwill	(857)
Provision shortage for IRB positions	(15)
Deduction securitizations	(10)
Deduction deferred tax assets	0
Deduction insurance and other investments	0
Common equity tier 1 (after deductions)	**9,412**
Additional tier 1	353
Deduction securitizations	0
Intangible fixed assets/goodwill	(330)
Provision shortage for IRB positions	(31)
Deduction insurance and other investments	0
Non-controlling interests	8
Tier 1	**9,412**
Provision excess of internal rating approach positions	223
Hidden reserve	236
Long-term subordinated capital	3,252
Deduction securitizations	0
Deduction insurance and other investments	0
Non-controlling interests	(9)
Tier 2 (after deductions)	**3,702**
Total capital	**13,114**
Total capital requirement	**6,234**
Common equity tier 1 ratio (transitional)	12.1%
Tier 1 ratio	12.1%
Total capital ratio	16.8%

in € million	30/6/2014
Risk-weighted assets (total)	**77,922**
Total capital requirement for credit risk	5,148
Internal rating approach	2,979
Standardized approach	2,119
CVA risk	50
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	314
Own funds requirement for operational risk	772
Total capital requirement	**6,234**

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**

(39) Average number of staff

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

Full-time equivalents	1/1-30/6/2014	1/1-30/6/2013
Austria	2,650	2,646
Foreign	54,754	56,747
Total	**57,404**	**59,393**

Statement of legal representatives

We confirm to the best of our knowledge that the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the semi-annual group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions.

Vienna, 11 August 2014

The Management Board

Karl Sevelda

Chief Executive Officer responsible for Group Communications, Group Strategy, Human Resources, Internal Audit, International Banking Units, Legal & Compliance, Management Secretariat, Marketing & Event Management, Organization & Internal Control System and Participations

Johann Strobl

Deputy to the Chief Executive Officer responsible for Credit Management Corporates, Financial Institutions, Country & Portfolio Risk Management, Retail Risk Management, Risk Controlling, Risk Excellence & Projects and Workout

Aris Bogdaneris

Member of the Management Board responsible for Consumer Banking, Group & Austrian IT, Group Project Management Office, International IT, Lean, Operations, Procurement & Cost Management and Small Business & Premium Banking

Klemens Breuer

Member of the Management Board responsible for Business Management & Development, Group Capital Markets, Trading & Sales, Institutional Clients, Investment Banking Products and Raiffeisen Research

Martin Grüll

Member of the Management Board responsible for Investor Relations, Planning & Finance, Tax Management and Treasury

Peter Lennkh

Member of the Management Board responsible for Corporate Customers, Corporate Sales Management & Development, Group Products and Network Corporate Customers & Support

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