RAIFFEISEN BANK INTERNATIONAL AG

ANNUAL FINANCIAL STATEMENTS 2011.

Raiffeisen Bank International

Accounting & Reporting

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Annual financial statements

Balance sheet as at 31 December 2011

Assets

		31/12/2011 in €	31/12/2010 in € 000
1.	Cash in hand and balances with central banks	7,114,977,051	588,709
2.	Treasury bills and other bills eligible for refinancing with central banks	2,329,835,256	4,662,197
3.	Loans and advances to credit institutions	28,176,733,742	23,959,622
	a) Repayable on demand	1,584,184,289	794,875
	b) Other loans and advances	26,592,549,453	23,164,748
4.	Loans and advances to customers	28,314,212,243	24,617,523
5.	Debt securities and other fixed-income securities	5,336,575,902	7,028,253
	a) issued by public bodies	38,662,217	59,289
	b) issued by other borrowers	5,297,913,685	6,968,964
	hereof: own debt securities	81,441,466	85,651
6.	Shares and other variable-yield securities	175,492,199	235,688
7.	Participating interests	30,128,098	27,930
	hereof: in credit institutions	0	0
8.	Shares in affiliated untertakings	7,429,054,495	6,381,168
	hereof: in credit institutions	3,304,010,830	5,382,507
9.	Intangible fixed assets	94,096,750	99,443
10.	Tangible assets	14,577,167	13,287
	hereof: land and buildings occupied by a credit insitution for its own activities	0	0
11.	Own shares	15,806,242	34,721
12.	Other assets	8,187,775,027	4,940,945
13.	Prepayments and accrued income	106,881,308	93,034
	Total assets	**87,326,145,479**	**72,682,520**

Liabilities

		31/12/2011 in €	31/12/2010 in € 000
1.	Liabilities to credit institutions	37,500,798,192	29,944,617
	a) Repayable on demand	2,283,825,931	2,511,185
	b) With agreed maturity dates or periods of notice	35,216,972,262	27,433,432
2.	Liabilities to customers (non-banks)	16,910,998,104	12,676,359
	a) Savings deposits	0	0
	b) Other liabilities	16,910,998,104	12,676,359
	aa) Repayable on demand	4,704,709,046	3,679,617
	bb) With agreed maturity dates or periods of notice	12,206,289,058	8,996,742
3.	Securitised liabilities	13,071,866,187	14,610,918
	a) Debt securities issued	10,476,102,946	13,217,478
	b) Other securitised liabilities	2,595,763,242	1,393,440
4.	Other liabilities	8,948,432,531	5,458,303
5.	Accruals and deferred income	208,345,549	169,488
6.	Provisions	242,412,495	201,155
	a) Provisions for severance payments	33,787,340	34,116
	b) Provisions for pensions	20,397,813	11,480
	c) Provisions for taxation	73,767,426	45,891
	d) Other Provisions	114,459,917	109,668
7.	Subordinated liabilities	2,367,796,945	2,211,843
8.	Supplementary capital	1,400,000,000	1,400,000
9.	Participation capital	2,500,000,000	2,500,000
10.	Subscribed capital	596,290,628	596,291
11.	Capital reserves	1,949,658,503	1,949,659
	a) Committed	1,852,592,104	1,852,592
	b) Uncommitted	97,066,399	97,067
12.	Retained earnings	1,040,485,081	404,485
	a) Legal reserve	5,500,000	5,500
	b) Other reserves	1,034,985,081	398,985
	hereof: reserves for own shares	15,806,242	34,721
13.	Liability reserve pursuant to Article 23 (6) BWG	383,015,000	351,442
14.	Net profit for the year	206,046,263	207,960
	Total liabilities	**87,326,145,479**	**72,682,520**

Income statement

		2011 in €	2010 in € 000
1.	Interest receivable and similar income	2,197,057,999	2,185,318
	hereof: from fixed-income securities	377,033,537	411,438
2.	Interest payable and similar expenses	(1,666,543,171)	(1,587,623)
I.	**NET INTEREST INCOME**	**530,514,827**	**597,695**
3.	Income from securities and participating interests	478,315,110	363,309
	a) Income from shares and other variable-yield securities	2,712,494	50,793
	b) Income from participating interests	361,970	783
	c) Income from shares in affiliated undertakings	475,240,646	311,733
4.	Commissions receivable	207,400,450	214,741
5.	Commissions payable	(50,563,301)	(66,143)
6.	Net profit or net loss on financial operations	89,867,958	39,057
7.	Other operating income	81,203,362	85,559
II.	**OPERATING INCOME**	**1,336,738,406**	**1,234,218**
8.	General administrative expenses		
	a) Staff costs	(270,693,165)	(249,141)
	aa) Wages and salaries	(214,673,800)	(189,600)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(40,019,553)	(38,202)
	cc) Other social expenses	(6,057,282)	(5,456)
	dd) Expenses für pensions and assistance	(4,460,993)	(4,341)
	ee) Allocation to provision for pensions	(1,190,563)	(372)
	ff) Expenses for severance payments and contributions to severance funds	(4,290,975)	(11,170)
	b) Other administrative expenses	(238,880,426)	(247,832)
9.	Value adjustments in respect of asset items 9 and 10	(30,719,940)	(31,127)
10.	Other operating expenses	(14,888,882)	(16,398)
III.	**OPERATING EXPENSES**	**(555,182,413)**	**(544,498)**
IV.	**OPERATING RESULT**	**781,555,993**	**689,720**
11./ 12.	Net income/expenses from the disposal and valuation of loans and advances and specific securities	(59,408,725)	(179,441)
13./ 14.	Net income/expenses from the disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests	(183,287,582)	(40,063)
V.	**PROFIT ON ORDINARY ACTIVITIES**	**538,859,686**	**470,216**
15.	Extraordinary income	665,612,413	0
16.	Extraordinary expenses	0	0
VI.	**EXTRAORDINARY RESULT**	**665,612,413**	**0**
17.	Tax on profit or loss	(39,460,436)	(62,442)
18.	Other taxes not reported under Item 17	(95,063,340)	(75)
VII.	**PROFIT FOR THE YEAR AFTER TAX**	**1,069,948,322**	**407,699**
19.	Changes in reserves	(667,573,000)	(500)
	hereof: allocation to liability reserve	(31,573,000)	(351,442)
VIII.	**NET INCOME BEFORE DISTRIBUTION ON PARTICIPATION CAPITAL**	**402,375,322**	**407,199**
20.	Distribution on participation capital	(200,000,000)	(200,000)
IX.	**NET INCOME AFTER DISTRIBUTION ON PARTICIPATION CAPITAL**	**202,375,322**	**207,199**
21.	Profit brought forward	3,670,940	761
X.	**NET PROFIT FOR THE YEAR**	**206,046,263**	**207,960**

Off-balance sheet items

	ASSETS	31/12/2011 in €	31/12/2010 in € 000
1.	Foreign assets	44,559,429,923	44,048,508

	LIABILITIES	31/12/2011 in €	31/12/2010 in € 000
1.	Contingent liabilities	10,827,027,106	9,922,556
	Guarantees and assets pledged as collateral security	10,827,027,106	9,922,556
2.	Commitments	12,179,519,177	11,415,054
3.	Commitments arising from agengy services	306,303,330	370,587
4.	Eligible capital pursuant to Article 23 (14) BWG	10,205,589,000	9,479,823
	hereof: own funds pursuant to Article 23 (14) no. 7 BWG	93,830,000	65,000
5.	Capital requirement pursuant to Article 22 (1) BWG	3,586,274,000	3,162,574
	hereof: capital requirement pursuant to Article 22 (1) nos. 1 and 4 BWG	3,168,619,000	2,926,689
6.	Foreign liabilities	31,408,682,466	22,702,010

Notes

Accounting and valuation methods

General principles

The annual financial statements for the year ending 31 December 2011 were prepared in accordance with the Austrian Commercial Code (UGB), taking into account the special provisions of the Austrian Banking Act (BWG). In accordance with the principles of proper accounting, and taking into account standard practice as described in Section 222 (2) of the Austrian Commercial Code (UGB), to the best of our knowledge the annual financial statements give a true and fair view of the company's net assets, financial position and earnings.

The consolidated financial statements were prepared in compliance with the principle of balance sheet continuity.

Assets and liabilities are valued on the principle of individual valuation and on the assumption that the company will continue to exist. The principle of prudence is applied, taking into account the special characteristics of the banking business.

Stock market prices are used to determine the fair value of listed products. If stock market prices are not available, prices for original financial instruments and forward transactions are determined based on the calculated present value. The prices for options are determined based on suitable option price models. The calculation of present value is based on a yield curve composed of money-market, futures and swap rates and does not include a credit spread. Option pricing formulas as described by Black-Scholes 1972, Black 1976 and Garman-Kohlhagen are used together with other common models for the valuation of structured options.

Amounts in foreign currencies

Assets and liabilities in foreign currencies are converted at the ECB's reference exchange rates as at 31 December 2011 pursuant to Section 58 (1) of the Austrian Banking Act (BWG).

Financial instruments in the banking book

Securities intended to serve business purposes on a permanent basis (investment portfolio) are valued as fixed assets. The difference between the purchase cost and repayment amount is written off or recognized pro rata over the residual term.

The securities under other current assets are recognized at fair value. Exchange-traded derivatives in the banking book are also recognized at fair value. These are recognized in item 11/12 of the income statement: "Net income/expenses from the disposal and valuation of loans and advances and specific securities".

Interest rate derivatives (interest rate swaps, options and forwards) and exchange rate derivatives (cross-currency interest rate swaps and forward foreign exchange transactions) are reported based on the accrued-interest method.

The banking book also includes portfolios that contain derivatives which do not meet the criteria of a trading book. The focus is not on short-term gains but on making profits through positioning based on medium- to long-term market opinion. Derivatives in this clearly-defined portfolio are valued on a mark-to-market basis.

Credit derivatives (credit default swaps) appear in the income statement as follows: The paid or received margins (including accruals/deferrals) are shown under fees and commissions; the valuations of these instruments (based on the clean present value method) are shown in item 11/12 of the income statement: "Net income/expenses from the disposal and valuation of loans and advances and specific securities".

Financial instruments in the trading book

The securities in the trading portfolio are valued on a mark-to-market basis. All derivatives transactions in the trading book are also recognized at fair value.

The capital-guaranteed products (guarantee funds and pension provisions) are reported as sold put options on the respective funds to be guaranteed. Their valuation is based on a Monte Carlo simulation.
Modifications were made to the model in 2011 to bring it in line with the amended statutory framework.

Risks in the lending business

When the loan portfolio is valued, appropriate value adjustments or provisions are made for all identifiable risks, and the principle of prudence is observed. In addition, a general loan loss provision (portfolio-based provision) is recorded on the basis of the respective averages of the historic default rates of the last five years in each rating category, with linear weighting for corporates. In the 2011 financial year, valuation reserves were released in full pursuant to Section 57 (1) of the Austrian Banking Act (BWG).

Investments and shares in affiliated companies

The investments and shares in affiliated companies are valued at the cost, provided sustained losses or reduced equity do not necessitate depreciation of the equity, income value or market price.

If there are exchange rate hedges for investments in the form of valuation units, the individual valuation principle is applied at the level of the valuation unit.

Tangible fixed assets

Intangible fixed assets and tangible fixed assets are valued at acquisition or production cost less scheduled depreciation. Scheduled depreciation is on a straight-line basis.

Scheduled depreciation is based on the following periods of use (in years):

Buildings	50	Software	4 to 10
Office equipment	5 to 8	Hardware	3 to 4
Office fixtures and fittings	5 to 10	Business equipment	5 to 10
Vehicles	5	Tenancy rights	10
Goodwill	5		

Low-value fixed assets are written off in full in the year of acquisition.

Own shares

Own shares are valued on a mark-to-market basis at the market price prevailing on the reporting date. These include own shares held in the trading portfolio and intended for the share incentive program (SIP) for members of the management boards of the bank's subsidiaries. Own shares for employees of RBI AG intended for the SIP are written down on a straight-line basis over the residual term of the respective program (the term is three years for the 2009 tranche and five years for the 2011 tranche), to the lower market price where necessary.

The Management Board of RBI decided, with the approval of the Supervisory Board, to introduce a share incentive program (SIP) in order to commit key employees to the company and to reward loyalty. Based on essentially similar agreements, a performance-based allocation of shares in the company to its top executives is planned after a qualifying period of three years or, for tranches as of 1 January 2011, after a period of five years.

The share incentive program applies for the Management Board of the former RI, as well as for members of the management boards of the bank's subsidiaries, and for selected executives of the former RI. Top executives had to make their own investment and purchase shares in RI in order to benefit from the program. Shares purchased in this way have to remain in the possession of the manager concerned for a period of three years or, for tranches as of 1 January 2011, for a period of five years.

Shares are allocated based on two equally weighted performance indicators. One is the performance of RBI compared to the ROE target, calculated as the average value over the qualifying period. The other is the total shareholder return of the RBI share compared to all banks included in the Dow Jones Euro Stoxx Banks index.

One tranche of the program (SIP tranche 2008) matured in the 2011 financial year. In accordance with the terms of the program, the maximum number of shares to be allocated was not reached because the performance criteria were not met.

Issue costs

Issue and management fees and premiums or discounts for bonds issued are distributed over the given term. Other issue costs are expensed immediately.

Pension and severance payment obligations

The provisions for pension and severance payment obligations are determined in accordance with IAS 19 (Employee Benefits) based on the projected unit credit method. The corridor method is not used.

The actuarial calculation of pension obligations for active employees is based on an interest rate of 4.5 per cent a year and an effective salary increase of 3.0 per cent a year. The parameters for retired employees are a capitalization rate of 4.5 per cent a year and an expected increase in retirement benefits of 2.0 per cent a year. The calculations are based on an assumed retirement age of 62 for women and 65 for men, subject to transitional statutory requirements and special arrangements contained in individual contracts.

The actuarial calculation of severance payment and long-service bonus obligations is also based on an interest rate of 4.5 per cent a year and an average salary increase of 3.0 per cent a year.

The basis for the calculation of provisions for pensions, severance payments and long-service bonuses is provided by *AVÖ 2008-P Rechnungsgrundlagen für die Pensionsversicherung* (Computational Framework for Pension Insurance) *by Pagler & Pagler*, using the variant for salaried employees.

Other provisions

Other provisions are recorded at the level at which they are likely to be required. They take into account all identifiable risks and liabilities, the level of which is not yet known.

For the first time, other provisions include provisions for bonuses for identified staff (pursuant to European Banking Authority CP 42, 46). RBI AG fulfills the obligations set forth in the Annex to Section 39b of the Austrian Banking Act (BWG) as follows: 60% of the annual bonus is paid out in part (50%) as an upfront payment and in part (50%) as a phantom share plan with a retention period of one year. 40% of the annual bonus is subject to a five-year deferral period and likewise paid out in part (50%) in accordance with the criteria of the phantom share plan. The phantom shares are converted using the average price of the preceding financial year.

30% of the bonus for three members of the Management Board who were paid a bonus in 2010 was paid out in cash as of 31 December 2011. The remainder was retained in accordance with the aforementioned system to be paid out in the form of deferred payments.

Liabilities

These are recognised at the higher of the nominal value or the repayment amount. Zero-coupon bonds, on the other hand, are recognized at their pro rata annual values.

Company

Raiffeisen Bank International AG (RBI) originated in October 2010 from the merger of Raiffeisen International with the main business segments of Raiffeisen Zentralbank Austria AG (RZB) – the corporate banking business together with the affiliated companies. The merger has further strengthened RBI's position as a leading bank in the CEE countries and in Austria. Even before the merger, Raiffeisen International had been able to raise equity capital as a listed company by issuing shares. The merger has provided RBI with access to the debt capital market, allowing the bank to raise debt also via bank-specific instruments, e.g. those traded on the interbank market. A further key advantage of the new Group structure is the optimization of risk management. The integration of service departments enables all markets that had previously been served separately by Raiffeisen International and RZB to be served by RBI from a single source in bundled fashion.

Service relationships between RZB and RBI

There are mutual service relationships between RZB and RBI that are covered by service level agreements (SLAs). On the basis of a framework agreement and an SLA template, which regulate the rights and obligations of the contracting parties and the settlement modalities between them, there are a variety of SLAs covering dealings between RZB and RBI in different areas. These are subject to an annual review process based on the services actually provided.

On the reporting date there were 24 SLAs regulating services provided by RBI. The most important of these are:

- Treasury
- Credit management
- Payment transfer business
- Information technology
- Risk controlling
- Accounting, Taxes
- Legal and Compliance

In return, RZB provides services that represent group guidelines, such as group management instruments. These are regulated in six SLAs concerning primarily RZB group corporate responsibility, risk strategy, public relations and marketing.

Notes on individual balance sheet items

Breakdown of maturities

The loans and advances to credit institutions and loans and advances to customers that are not due on a daily basis break down by their residual terms as follows:

values in € million	31/12/2011	31/12/2010
Loans and advances to credit institutions		
Up to 3 months	14,226.2	10,033.2
More than 3 months, up to 1 year	3,839.2	4,779.2
More than 1 year, up to 5 years	6,482.5	6,762.1
More than 5 years	2,044.6	1,590.3
Loans and advances to customers		
Up to 3 months	9,345.0	6,740.9
More than 3 months, up to 1 year	5,205.5	4,286.0
More than 1 year, up to 5 years	10,301.8	10,406.2
More than 5 years	2,266.8	2,055.4

The deposits from banks and deposits from customers that are not due on a daily basis break down by their residual terms as follows:

values in € million	31/12/2011	31/12/2010
Liabilities to credit institutions		
Up to 3 months	22,606.9	13,480.8
More than 3 months, up to 1 year	3,681.1	5,315.9
More than 1 year, up to 5 years	7,265.3	6,670.4
More than 5 years	1,663.7	1,966.3
Liabilities to customers (non-banks)		
Up to 3 months	6,206.2	4,739.9
More than 3 months, up to 1 year	3,297.0	1,809.4
More than 1 year, up to 5 years	705.4	477.2
More than 5 years	1,997.6	1,970.2

Bonds and other fixed-interest securities worth € 2,019.6 million (2010: € 1,967.3 million) will become due in the next financial year.

Bonds and notes issued worth € 3,651.1 million (2010: € 5,202.3 million) will become due in the next financial year.

Securities

The table below lists the securities approved for trading and treated as asset items, broken down into listed and unlisted securities (amounts incl. interest accrued).

Securities **values in € million**	**Listed** **31/12/2011**	**Unlisted** **31/12/2011**	**Listed** **31/12/2010**	**Unlisted** **31/12/2010**
Debt securities and other fixed-income securities	5,242.0	94.6	6,994.7	0.0
Shares and other variable-yield securities	141.0	0.0	190.2	0.0

Bonds and other fixed-interest securities that have the characteristics of financial investments and are therefore valued as fixed assets amount, including deferred interest, amount to € 3,807.9 million (2010: € 5,579.0 million).

RBI sold fixed asset securities in the nominal amount of € 2,551.1 million in the reporting year, realizing a net gain of € 108.6 million:

balance sheet item	**Nominal amount in € million**	**Net gain in € million**
Treasury bills and other bills eligible for refinancing with central banks	2,107.5	92.4
Debt securities and other fixed-income securities	443.6	16.2
Total	**2,551.1**	**108.6**

Difference between the acquisition cost and the repayment amount for securities (except zero-coupon bonds) in the investment portfolio (banking book):

The difference between the amortized costs and the repayment amounts is made up of € 38.3 million (2010: € 116.2 million) to be recognized in the future as expenditure and € 48.6 million (2010: € 84.7 million) to be recognized as income.

In the case of securities recognized at fair value that do not have the characteristics of financial investments, the difference between the higher of the acquisition cost and the fair value is € 13.2 million (2010: € 83.5 million).

The item "Loans and advances to credit institutions" contains own bonds that are not admitted for public trading worth € 19.1 million (2010: € 8.8 million).

Securities worth € 2.440,0 million (2010: € 4.178,3 million) are the subject of genuine repurchase transactions on the reporting date, whereby RBI is the seller and the securities continue to be recognised on the balance sheet.

The volume of RBI's trading book pursuant to Section 22q (2) of the Austrian Banking Act (BWG) is € 316,482.4 million (2010: € 230,303.3 million), with € 677.8 million (2010: € 978.1 million) accounted for by securities and € 315,804.6 million (2010: € 229,325.3 million) accounted for by other financial instruments.

Investments and shares in affiliated companies

The list of investments is shown separately in Note 3. There are no cross-shareholdings and no profit and loss transfer agreements as at 31 December 2011.

In the past, RI concluded exchange rate hedging transactions with RZB to hedge the currency risk represented by the equity of the following companies held in local currency:

- OAO Priorbank, Minsk
- Raiffeisen banka a.d., Belgrade
- Raiffeisenbank a.s., Prague
- Raiffeisenbank Austria d.d., Zagreb

- Raiffeisen Bank Polska S.A., Warsaw
- RI-RBHU Holding GmbH, Vienna (Raiffeisen Bank Zrt., Budapest)
- Tatra banka a.s., Bratislava
- Ukrainian Processing Center JSC, Kiev
- VAT Raiffeisen Bank Aval, Kiev
- ZAO Raiffeisenbank, Moscow

The hedging strategy was modified in 2011, as a result of which hedges still in place as of 31 December 2010 were closed out in the course of the 2011 reporting year. No additional valuation units were created following the close-out.

Loans and advances to and deposits from affiliated companies and companies linked by virtue of a participating interest:

values in € million	31/12/2011	31/12/2010
Loans and advances to credit institutions		
to affiliated companies	18,453.0	17,081.9
To companies linked by virtue of a participating interest	414.1	492.7
Loans and advances to customers		
to affiliated companies	6,039.8	6,347.9
To companies linked by virtue of a participating interest	664.2	738.6
Debt securities and other fixed-income securities		
from affiliated companies	81.4	4.5
from companies linked by virtue of a participating interest	165.0	183.1
Liabilities to credit institutions		
from affiliated companies	17,639.1	9,379.3
from companies linked by virtue of a participating interest	6,084.3	6,991.4
Liabilities to customers (non-banks)		
from affiliated companies	606.6	580.8
from companies linked by virtue of a participating interest	549.3	101.7

Fixed assets

The statement of fixed assets is shown separately in Note 1.

RBI was not directly involved in the leasing business as a lessor in 2011.

The obligations from the use of tangible assets not recognised in the balance sheet amount to € 27.7 million for the following financial year (2010: € 27.5 million). Total obligations for the following five years amount to € 147.8 million (2010: € 147.0 million).

The balance sheet item "Intangible fixed assets" includes goodwill worth € 17.3 million (2010: € 23.0 million). The historical cost of goodwill arising on the merger of the main business segments of RZB and RI stands at € 28.7 million.

The goodwill is written off over a period of five years. This is recognised under other operating expenses.

The balance sheet item "Intangible fixed assets" contains intangible assets worth € 3.9 million (2010: € 4.5 million) acquired from affiliated companies.

Own shares

The item "Own shares" amounting to € 15.8 million (2010: € 34.7 million) includes 943,771 (2010: 972,909) own shares (representing 0.483 per cent, or € 2,879 thousand of the total capital stock), of which 596,647 (2010: 473,018) are intended for the share incentive program (SIP). Of this amount, 357,775 shares were allocated to the SIP in 2009 and 238,872 shares in 2011. The shares required for the SIP are obtained from own shares included in the repurchase program. No SIP tranche was issued in 2010 on the occasion of the merger of RI with the main business segments of RZB.

29,138 own shares were required for the payout of the SIP in 2008, of which 10,894 were allocated to members of the Management Board and to selected executives of the former RI, and 18,244 were allocated to executives of network banks. These claims were serviced through suitable use of shares intended for the SIP. The sale of shares allocated to the executives of affiliated subsidiaries to the corresponding network companies and other companies affiliated with RBI AG resulted in a loss of € 86,305. A write-up of € 846,378 was allocated to the SIP in 2008.

The portfolio of own shares (654,965 shares) was written down by € 12,855,161 to the market price of € 20.063 as at 31 December 2011. Own shares for RBI employees intended for the SIP (288,806 shares) were additionally written down on an unscheduled basis by € 1,692,063 to the lower market price using the straight-line method.

Other assets

Breakdown of other assets:

As at 31 December 2011, other assets totaled € 8,187.8 million (2010: € 4,940.9 million). This item also contains loans and advances from treasury transactions (primarily positive market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book – refer to Annex 2 for details) in the amount of € 7,723.2 million (2010: € 4,426.3 million). This item also includes dividends receivable totaling € 118.4 million (2010: € 127.1 million), loans and advances for coined and uncoined precious metals in the amount of € 72.5 million (2010: € 16.0 million) and loans and advances from payroll amounting to € 38.0 million (2010: € 26.9 million).

Income that does not become available as cash until after the reporting date:

values in € million	31/12/2011	31/12/2010
Interest for interest-rate and cross-currency swaps	283.5	361.2
Participation income	118.4	127.1

Other liabilities

Breakdown of other liabilities:

As at 31 December 2011, other liabilities totaled € 8,948.4 million (2010: € 5,458.3 million). This item also contains liabilities from treasury transactions (primarily negative market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book – refer to Annex 2 for details) in the amount of € 8,366.8 million (2010: € 4,781.6 million) and interest for participation capital amounting to € 200.0 million (2010: € 200.0 million). It also includes liabilities from short positions in bonds in the amount of € 83.1 million (2010: € 33.9 million). Capital guarantees for funds are valued at € 44.6 million (2010: € 167.7 million).

Expenditure that does not become available as cash until after the reporting date:

values in € million	31/12/2011	31/12/2010
Interest for interest-rate and cross-currency swaps	119.8	153.1
Interest for supplementary capital of RBI	25.1	25.1
Expenditure for participations	17.7	9.5

Provisions

Provisions are valued at € 242.4 million, representing a year-on-year increase of € 41.2 million.

Provisions amount to € 33.8 million (2010: € 34.1 million) for severance payments, € 20.4 million (2010: € 11.5 million) for pensions, € 73.8 million (2010: € 45.9 million) for tax provisions and € 114.5 million (2010: € 109.7 million) for other provisions.

Tax provisions of € 73.8 million amount to € 52.7 million (2010: € 37.0 million) for corporate income tax, € 6.2 million for value-added tax, € 8.1 million for interest arrears and € 6.8 million (2010: € 8.9 million) for income tax at the Singapore branch.

The change in other provisions mainly resulted, on the one hand, from the lower need for provisions for operational and litigation risk and, on the other hand, from increased provisions for staff bonuses and premiums. This increase arises from a higher provision for the performance/deferred bonus. Due to the positive performance of RBI AG, a provision to cover the higher equity requirement was allocated to the share incentive program (SIP) in 2009.

Breakdown of other provisions in € million	31/12/2011	31/12/2010
Provisions for bonus payments	40.0	24.5
Provisions for participations	4.0	0.0
Provisions for process risks	11.5	16.1
Provisions for audit costs	0.9	0.8
Provisions for anniversary payments	8.2	7.8
Provisions for overdue vacation	13.0	13.0
Provisions for guarantee loans	15.3	15.6
Provisions for Supervisory Board fees	0.5	0.4
Provisions for other expenses/outstanding invoices	5.9	10.3
Provisions for operational risk/losses/other	15.2	21.2
Total	**114.5**	**109.7**

Equity

Subscribed capital

The company's capital stock as at 31 December 2011 remained unchanged from the previous balance sheet date and amounted to € 596,290,628.20, consisting of 195,505,124 no-par value shares (bearer shares).

By a resolution passed at the Annual General Meeting of 8 June 2011, the Management Board's authorization to increase the capital stock by up to € 217,724,250.00 was revoked and, at the same time, the Management Board was authorized, with the approval of the Supervisory Board, to increase the capital stock by a maximum of € 298,145,314.10 in total (authorized capital) within five years of the relevant amendment to the articles of association being recorded in the commercial register by issuing up to 97,752,562 new common bearer shares with voting rights against contributions in cash and/or in kind, while preserving shareholders' subscription rights.

No use was made of this authorization in the reporting year.

At the annual general meeting on 10 June 2008, the Management Board was authorized, pursuant to Section 174 (2) of the Austrian Stock Corporation Act (AktG), to issue, with the approval of the Supervisory Board and in one or more tranches, convertible bonds with a total nominal amount of up to € 2,000,000,000.00 within five years of the date of the resolution. The convertible bonds have associated conversion or subscription rights to up to 15,466,750 common bearer shares in the company with a proportionate share of the capital stock of up to € 47,173,587.50. Due to the guarantee for issues of a convertible bond, it can also be issued indirectly through a wholly-owned subsidiary (directly or indirectly) with conversion rights to shares in the company. The Management Board was also authorized to set all further conditions for the issue (including the issue currency) and the applicable conversion method for the convertible bonds. The subscription rights of shareholders are excluded.

At the same annual general meeting, the capital stock was increased on a conditional basis (contingent capital) by up to € 47,173,587.50 through the issue of up to 15,466,750 common bearer shares pursuant to Section 159 (2) 1 of the Austrian Stock Corporation Act (AktG). The contingent capital increase may only be carried out to the extent that the holders of convertible bonds make use of their right to convert such bonds into shares in the company. The issue amount and conversion ratio are to be determined by means of recognized financial methods and by means of the current price of the shares in the company in a recognized pricing method. The issue amount must not be under the proportionate amount of the capital stock. The newly issued shares of the contingent capital increase have a dividend entitlement that corresponds to that of the shares in the company traded at the time of the issue. The Management Board is authorized, with the approval of the Supervisory Board, to specify further details in relation to the execution of the conditional capital increase, and the Supervisory Board can approve corresponding amendments to the articles of association.

Participation rights

At the annual general meeting on 9 June 2009, the Management Board was authorized, pursuant to Section 174 of the Austrian Stock Corporation Act (AktG), to issue, with the approval of the Supervisory Board and in one or more tranches, participation rights with the characteristics of equity in a total nominal amount of up to € 2,000,000,000.00 within five years of the date of the resolution.

On 4 August 2009 and with the prior approval of the Supervisory Board, RI (now RBI) issued participation rights pursuant to Section 174 of the Austrian Stock Corporation Act with the nominal amount of € 600,000,000.00. The participation rights were subscribed in full by Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna. With effect from 31 December 2009, the participation rights were spun off from Raiffeisen Zentralbank to Cembra and were lost in the course of the merger.

Participation capital

Raiffeisen Zentralbank Österreich Aktiengesellschaft issued participation capital pursuant to Section 23 (4) and (5) of the Austrian Banking Act (BWG) with a nominal amount of € 2,500,000,000.00 with subscription rights of shareholders beeing excluded. The capital is available for as long as the company remains in existence and may not be terminated by the supplier of the participation capital. The capital was issued in two tranches. The first tranche with a nominal amount of € 750,000,000.00 was paid on 30 December 2008. The second tranche with a nominal amount of € 1,750,000,000.00 was paid on 6 April 2009. The participation certificates were issued for 100 per cent of the nominal value. The participation certificates are associated with a dividend entitlement of 8 per cent a year of their nominal value. For each of the financial years 2014 and 2015, the participation dividend will increase by 50 basis points, for the financial year 2016 by 75 basis points and for each subsequent financial year by 100 basis points. The upper limit is the 12-month EURIBOR plus 1,000 basis points.

The participation capital was transferred from Raiffeisen Zentralbank Österreich Aktiengesellschaft to Cembra in the course of the spin-off and subsequently to RBI in the merger by universal succession.

Capital reserves

The appropriated capital reserves amounting to € 1,852,592,104.11 and the unappropriated capital reserves totalling € 97,066,398.80 did not change at all during the financial year.

Retained earnings and liability reserves

Retained earnings consist of statutory reserves of € 5,500,000.00 (2010: € 5,500 thousand) and other free reserves amounting to € 1,034,985,080.83 (2010: € 398,985 thousand). € 15,806,242.17 of the other free reserves was reallocated to own shares.

Liability reserves

As at 31 December 2011, liability reserves stood at € 383,015,000.00 (2010: € 351,442 thousand).

Additional own funds from own issues in own inventory
Subordinated bonds

values in € million	31/12/2011	31/12/2010
6.625 % RBI Schuldverschreibung 2011(202)1	2.9	0.0
Raiffeisen FRN Medium Term Note 2006(2016)	0.0	1.0
0 % Raiffeisen Garant 2008(2020)/PP/10	0.0	1.1
0 % Raiffeisen Garant 2008(2020)/PP/11	0.0	0.5
0 % Raiffeisen Garant 2008(2018)/PP/14	0.0	0.9
0 % Raiffeisen Garant 2008(2020)/PP/15	0.0	0.1
0 % Raiffeisen Garant 2008(2023)/PP/16	0.0	0.4
0 % Raiffeisen Garant 2009(2020)/PP/19	0.0	0.7
0 % Raiffeisen Garant 2009(2023)/PP/20	0.0	0.2

Supplementary capital

values in € million	31/12/2011	31/12/2010
Raiffeisen FLR Medium Term Note 2007(2015)	1.3	0.2

Subordinated liabilities

List of subordinated loans that exceed 10 per cent of the total subordinated liabilities of € 3,767.8 million (i.e. that exceed € 376.8 million):

Name	Nominal value in € million	Maturity date	Interest rate
Subordinated Supplementary Capital Fixed FRCN Serie 74	600	29.10.2015	5,770%
Deposit of RZB Finance Jersey IV	500	16.5.2016	5,182%
Subordinated Capital Fixed FRCN Serie 54	500	05.3.2019	4,500%
Subordinated Notes 2021 Serie 4	500	18/5/2021	6.625%

The modalities for the listed subordinated liabilities and all other subordinated liabilities are in accordance with Section 23 (8) of the Austrian Banking Act (BWG).

Expenses for subordinated liabilities

The expenses for subordinated liabilities in the financial year amount to € 190.7 million (2010: € 227.2 million).

Additional information

Notes on liability arrangements:

In the government-promoted, subsidized forward private planning scheme, RBI has issued capital guarantee obligations in accordance with Section 108 (1) 3 of the Income Tax Act (EStG). In this context, the bank guarantees that in the event of transferring the capital into a perpetual annuity the payment amount available for this annuity is not less than the sum of the contributions made by the taxpayer plus the premiums credited to this taxpayer pursuant to Section 108g EStG. As at 31 December 2011, the volume of these guarantees was € 1,831 million (2010: € 1.583 million).

As at 31 December 2011, RBI also issued capital guarantees in connection with structured financial products, with a guarantee volume of € 279 million (2010: € 346 million). A modification was made to the valuation model in November 2011.

RBI is a member of the *Raiffeisen-Kundengarantiegemeinschaft Österreich* (Deposit Guarantee Association of Austria). Members of the Association assume contractual liability under which they jointly guarantee the timely honouring of all customer deposits and securities issues of an insolvent member of the Association up to an amount equalling the sum of the individual financial strength of the other member institutions. The individual financial strength of a member institution is determined based on its available reserves, taking into account the relevant provisions of the Austrian Banking Act (BWG).

The liability was met by inserting a noted below-the-line item of one euro on the balance sheet, as it is not possible to determine the exact amount of RBI's potential liability in connection with the cross-guarantee system.

As at 31 December 2011, the following soft letters of comfort had been issued:

Network bank	Eligible bank	Exchange	Outstanding amount in € million
Raiffeisen banka a.d., Belgrad	Europäische Bank für Wiederaufbau und Entwicklung, London	EUR	10.0
Raiffeisen Bank S.A., Bukarest	KfW Frankfurt am Main	EUR	30.0
Raiffeisenbank (Bulgaria) EAD	KfW Frankfurt am Main	EUR	20.0
Raiffeisen banka a.d., Belgrad	KfW Frankfurt am Main	EUR	10.0
Raiffeisen banka a.d., Belgrad	DEG - Deutsche Investitions- und EntwicklungsgmbH, Köln	EUR	30.0
Raiffeisen Leasing d.o.o., Sarajevo	DEG - Deutsche Investitions- und EntwicklungsgmbH, Köln	EUR	7.9
Raiffeisen Leasing d.o.o., Sarajevo	ABS Banka dd, Sarajevo	BAM	0.5
Raiffeisen Leasing d.o.o., Sarajevo	DZ Bank AG, Frankfurt	EUR	16.3
Raiffeisen Rent DOO, Belgrad	WGZ-Bank	EUR	7.5
Raiffeisen Rent DOO, Belgrad	LRP Landesbank Rheinland-Pfalz	EUR	8.8

Open capital commitments on share capital in the amount of € 4.0 million (2010: € 4.0 million) exist exclusively vis-ŕ-vis European Investment Fund S.A., Luxembourg.

As at 31 December 2011, € 10,827.0 million (2010: € 9,922.6 million) in contingent liabilities was reported below the line. Of this, € 8,008.4 million (2010: € 7,588.5 million) was attributable to guarantees and € 2,510.0 million (2010: € 2,250.4 million) to letters of credit.

As at 31 December 2011, € 12,179.5 million (2010: € 11,415.1 million) in credit risks was reported under liabilities below the line. In the reporting year, credit risks are fully attributable to unused, irrevocable credit lines.

There are no other transactions with considerable risks or benefits that are not reported in the balance sheet or in a below-the-line item.

Total assets and liabilities in foreign currency:

values in € million	31/12/2011	31/12/2010
Assets in foreign currency	21,426.2	17,672.5
Liabilities in foreign currency	16,042.7	12,393.7

Subordinated assets contained under assets:

values in € million	31/12/2011	31/12/2010
Loans and advances to credit institutions	1,003.6	1,056.6
hereof to affiliated companies	999.5	1,055.0
hereof to companies linked by virtue of a participating interest	1.6	1.6
Loans and advances to customers	17.5	9.3
hereof to affiliated companies	4.3	9.3
hereof to companies linked by virtue of a participating interest	0.0	0.0
Debt securities and other fixed-income securities	111.0	2.0
hereof from affiliated companies	0.0	0.0
hereof from companies linked by virtue of a participating interest	0.0	2.0
Shares and other variable-yield securities	21.9	1.0
hereof from affiliated companies	0.0	0.0
hereof from companies linked by virtue of a participating interest	0.0	1.0

Open forward transactions as at the balance sheet date are listed in Annex 2 to the Notes.

The derivative financial instruments listed in Annex 2 are recognized in the balance sheet at fair value:

Derivatives	Positive fair values		Negative fair values	
values in € million	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Derivatives in the trading book				
a) Interest rate contracts	6,347.3	3,155.9	6,295.0	3,246.2
b) Foreign exchange rate contracts	944.2	799.2	1,229.2	832.3
c) Share and index contracts	5.0	9.1	60.8	98.3
d) Credit derivatives	89.1	47.9	67.5	43.9
e) Other derivatives	12.4	19.0	13.9	18.8
Derivatives in the banking book				
a) Interest rate contracts	339.2	367.7	426.7	399.2
b) Foreign exchange rate contracts	0.0	0.0	0.0	0.0
c) Share and index contracts	0.0	0.9	24.2	43.2
d) Credit derivatives	75.1	6.2	14.3	6.0

As at the balance sheet date, there were restrictions related to asset availability (in accordance with Section 64 (1) 8 BWG):

values in € million	31/12/2011	31/12/2010
Indemnification for securities lending transactions	385.5	297.8
Loans assigned to OeKB	3,912.6	6,500.6
Indemnification for OeNB tender	0.0	0.0
Loans assigned to EIB	210.7	187.1
Arrangement deposit in favour of OeKB	1.9	0.0
Trust deposit for domestic credit institutions	21.1	21.2
Trust deposit for foreign credit institutions	22.8	77.0
Margin requirements	218.8	0.0
Cover pool for partial debentures issued	522.8	23.0
Treasury call deposits for contractual netting agreements	1,473.8	1,072.0
Total	**6,770.0**	**8,178.7**

For the following financial instruments within financial assets, the fair value is lower than the book value:

	Financial investments values in € million	Carrying amount 31/12/2011	Fair value 31/12/2011	Carrying amount 31/12/2010	Fair value 31/12/2010
1.	Treasury bills and other bills eligible for refinancing with centralbank	21.4	21.1	276.0	272.9
2.	Loans and advances to credit institutions	160.7	153.0	258.5	247.5
3.	Loans and advances to customers	368.1	365.7	252.5	251.7
4.	Debt securities and other fixed-income securities				
	a) issued by public bodies	6.9	6.7	4.7	4.6
	b) issued by other borrowers	2,061.7	1,983.1	2,737.5	2,650.6
5.	Shares and other variable-yield securities	20.0	16.8	20.0	17.8
Total		**2,638.8**	**2,546.4**	**3,549.2**	**3,445.1**

An unscheduled writedown (in accordance with Section 204 (2) 2 of the Austrian Commercial code [UGB]) is not accounted for as the assessment of the credit rating of the security borrower is such that scheduled interest payments and repayments are expected to be made.

Notes to the income statement

Breakdown of income by geographic market in accordance with Section 64 (1) 9 BWG:

A regional allocation to segments according to the business outlets' registered offices results in the following distribution:

values in € million	Total	Austria	Rest of Europe	Asia
Interest receivable and similar income	2,197.2	1,960.0	0.0	237.1
hereof: from fixed-income securities	377.1	368.8	0.0	8.3
Income from variable-yield securities and participations	478.3	478.3	0.0	0.0
Commissions receivable	207.4	170.3	0.0	37.1
Net profit or net loss on financial operations	89.9	63.9	0.1	25.8
Other operating income	81.2	76.2	0.5	4.5

A modification to the valuation model for capital guarantee obligations was made in the reporting year and resulted in a positive one-time impact of € 81.2 million on income/expenses from financial transactions.

Other operating income includes staff and administrative expenses passed on for other non-banking services in the amount of € 63.7 million (2010: € 24.3 million), as well as reimbursements for services provided to the sector totaling € 11.6 million (2010: € 57.1 million).

Expenses for severance payments and benefits for occupational employee pension funds include € 2.9 million. (2010: € 9.7 million) in expenses for severance payments.

The item net income/expenses from the disposal and revaluation of securities held as financial assets, as well as of shares in affiliated companies and investments, includes impairments on the investment carrying amounts of Raiffeisen Bank Aval JSC, Kiev, in the amount of € 181.8 million, of FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna, in the amount of € 70.5 million, of Raiffeisen Banka d.d., Maribor, in the amount of € 15.2 million and of RZB PE Handels- und Beteiligungs GmbH, Vienna, in the amount of € 14.5 million.

Extraordinary income of € 665.6 million results from the transfers of RBI's direct holdings in Raiffeisenbank a.s., Prague, as well as in Tatra banka a.s., Bratislava to its own subsidiary Raiffeisen RS Beteiligungs GmbH, Vienna, at market values, pursuant to Section 202 of the Austrian Commercial Code (UGB).

In addition, Raiffeisen CEE Region Holding GmbH, Vienna, was brought into Raiffeisen RS Beteiligungs GmbH, Vienna, at book values. This reorganization resulted in transfer acquisitions and divestitures in the amount of € 2,280.9 million.

The company has been a Group member of Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna in accordance with Section 9 of the Corporation Tax Act (KStG) since 2005.

Other

The company did not conclude any significant transactions with related companies or persons at unfair market conditions.

In the 2011 financial year the company had an average of 2,057 employees (2010: 1.998).

Expenses for severance payments and pensions can be broken down as follows:

Values in € 000	Pension expenditure		Severance payments	
	2011	2010	2011	2010
Members of the managing board and senior staff	3,288	1,157	2,113	1,800
Employees	4,369	3,309	1,997	9,370
Total	**7,656**	**4,466**	**4,110**	**11,170**

The Management Board of Raiffeisen Bank International AG is comprised as follows:

	First appointed	Mandate ends
Dr. Herbert Stepic, Chairman	14 June 2001	31 December 2015[1]
Dr. Karl Sevelda, Deputy Chairman	22 September 2010[3]	31 December 2015[1]
Aris Bogdaneris, M.A.	1 October 2004	31 December 2015[1]
Patrick Butler, M.A.	22 September 2010[3]	15 April 2012[2]
Mag. Martin Grüll	3 January 2005	31 December 2015[1]
Mag. Peter Lennkh	1 October 2004	31 December 2015[1]
Dr. Johann Strobl	22 September 2010[3]	31 December 2015[1]

[1] At the Supervisory Board meeting of 7 June 2011 it was resolved to extend all Management Board mandates until 31 December 2015.
[2] After Patrick Butler stepped down from his position at his own request, the Supervisory Board appointed Klemens Breuer to succeed in this post for the period from 16 April 2012 through 31 December 2015.
[3] Appointment with effect from the entry of the merger in the commercial register on 10 October 2010.

The Supervisory Board of Raiffeisen Bank International AG is comprised as follows:

	First appointed	Mandate ends
Dr. Walter Rothensteiner, Chairman	11 May 2001	Annual General Meeting in 2016
Mag. Erwin Hameseder, First Deputy Chairman	8 July 2010[1]	Annual General Meeting in 2015
Dr. Ludwig Scharinger, Second Deputy Chairman	8 July 2010[1]	Annual General Meeting in 2015
Mag. Markus Mair, Third Deputy Chairman	8 July 2010[1]	Annual General Meeting in 2015
Stewart D. Gager	24 January 2005	Annual General Meeting in 2014
Dr. Kurt Geiger	9 June 2009	Annual General Meeting in 2014
Dr. Hannes Schmid	8 July 2010[1]	Annual General Meeting in 2015
Dr. Johannes Schuster	8 July 2010[1]	Annual General Meeting in 2015
Dr. Friedrich Sommer	8 July 2010[1]	Annual General Meeting in 2015
Mag. Christian Teufl	8 July 2010[1]	Annual General Meeting in 2015
Martin Prater[2]	10 October 2010	Until further notice
Mag. Rudolf Kortenhof[2]	10 October 2010	Until further notice
Mag. Peter Anzeletti-Reikl[2]	10 October 2010	Until further notice
Sabine Chadt[2]	10 October 2010	Until further notice
Mag. Helge Rechberger[2]	10 October 2010	Until further notice

[1] Appointment with effect from 10 October 2010
[2] Delegated by the Works' Council

State commissioners:
- Senior Legal Secretary Mag. Alfred Lejsek, State Commissioner (from 1. January 2011)
- Senior Legal Secretary Dr. Anton Matzinger, Deputy State Commissioner (from 1. April 2011)

Remuneration of the Management Board
The following remuneration was paid to the Management Board of Raiffeisen Bank International *AG*:

Values in € 000	2011	2010
Fixed and performance-based remunerations	7,545	8,191
hereof remuneration from affiliated companies (SB remuneration)	144	732
Payments to pension funds and reinsurance policies	1,703	183
Share-based payments (performance-based)	373	156
Total	**9,621**	**8,530**

The table contains fixed and performance-related remuneration, including fees for performing executive functions at affiliated companies, and bonus payments, as well as severance payments and benefits in kind. The share of performance-related remuneration components in the reporting year was 10.0 per cent (2010: 1.9 per cent).

Performance-related components of the Management Board's remuneration usually consist of bonus payments for 2010 that are tied to the achievement of corporate objectives for after-tax profit, return on risk-adjusted capital (RORAC), cost/income ratio and the achievement of annually agreed personal goals, in addition to the value of an allocation of shares under the SIP (refer to share-based remuneration). The 2010 bonus for three board members who transferred from RZB to RBI was allocated on the basis of a (RZB) return on equity (ROE) criterion.

According to the contractual provisions applicable to these persons until the end of 2010, total bonus commitments in the amount of € 941 thousand were made; these are payable in 2012 (€ 297 thousand) and 2013 (€ 644 thousand). The actual payment is at the discretion of the RBI Personnel Committee.

Management Board members from RI who had waived their right to bonus payments for 2010 received a one-time voluntary benefit in the amount of € 1,400 thousand, which was processed in accordance with the aforementioned system (Notes on equity) for deferred bonus payments.

As at 31 December 2011, there were loan claims on a member of the Management Board amounting to € 765,000 (2010: € 765,000).

Share Incentive Program

The second tranche of the Share Incentive Program (2008 tranche) matured in 2011. Pursuant to the SIP's requirements (published by euro adhoc on 29 May 2008) the number of shares actually transferred is listed in the table below:

Share Incentive Program (SIP) 2008	Number of due shares	Amount with share price of € 39,00 at the allotment day (4/12/2011) in €	Number of effective distributed shares
Members of the Managing Board of RBI	11,839	461,721	7,866
Members of the managing boards of RBI bank subsidiaries affiliated with the company	21,348	832,572	18,244
Executives of RBI and other affiliated companies	5,515	215,085	3,028

In order to avoid legal uncertainties and in accordance with the program requirements, eligible employees in two countries received a cash settlement in lieu of a share transfer. In Austria, eligible employees were also given the option to receive a cash settlement in lieu of half of the mature shares, which could be used to settle the income tax at the time of the transfer. For these reasons, the number of shares actually transferred is lower than the number of mature shares. As a result, the number of own shares was reduced by the lesser amount of shares actually transferred.

To date, a new tranche has been issued every year under the SIP. However, due to the merger of RI with the main business areas of RZB, no new SIP tranche was issued in 2010. This means that as at the balance sheet date, contingent shares were only allotted to two tranches. As at 31 December 2011, the number of contingent shares amounted to 596,647 (of which 357,775 shares were allotted in 2009 and 238,872 were allotted in 2011).The originally announced number of contingent allotted shares changed as a result of various personnel changes in the Group units and the maturing of SIP tranche 2008, and is presented in the following table in aggregate form:

Share Incentive Program (SIP) 2009 and 2011	Number of contingently alloted shares as of 31/12/2011	Minimum of allotment of shares	Maximum allotment of shares
Members of the Managing Board of RI	184,818	55,445	227,227
Members of the managing boards of RI bank subsidiaries affiliated with the company	287,754	86,326	431,631
Executives of RI and other affiliated companies	124,075	37,223	186,113

No shares were repurchased for the SIP in 2011.

Remuneration of the Supervisory Board

The following remuneration was received by the Supervisory Board:

In € thousand	2011	2010
Remuneration of the Supervisory Board	423	380

On 8 June 2011 the annual general meeting authorized annual compensation for the Supervisory Board members amounting to € 423,000 and assigned its distribution to the Supervisory Board. At its meeting on 8 June 2011, the Supervisory Board decided on the following distribution: chairman € 70,000, deputy chairman € 60,000, Supervisory Board member € 50,000. Attendance fees were not paid.
Therefore, the Supervisory Board received remuneration of € 423,000 in 2011. In 2010, the Supervisory Board received remuneration of € 380,000.

In 2011, no agreements were concluded with members of the Supervisory Board which required approval in accordance with Section 95 (5) 12 of the Austrian Stock Corporation Act (AktG).

The company has a corporate group relationship with Raiffeisen-Landesbanken-Holding GmbH, Vienna (top-level parent company) and its affiliated companies and is a fully-consolidated member. The consolidated financial statements are stored at the company's registered office. In addition, the company is included in the consolidated financial statements of Raiffeisen Zentralbank Österreich AG, Vienna.

As shares in the company are traded on a regulated market as defined by Section 2. 37 BWG, Raiffeisen Bank International must also prepare consolidated financial statements in accordance with Section 245 (5) UGB, which comply with the International Financial Reporting Standards.

Vienna, 12. March 2012

The Management Board

Dr. Herbert Stepic

Dr. Karl Sevelda

Aris Bogdaneris, M. A.

Patrick Butler M. A.

Mag. Martin Grüll

Mag. Peter Lennkh

Dr. Johann Strobl

Annex 1: Statement of fixed assets in 2011 financial year

Values in € 000						Cost of acquisition or conversion						Writing up/depreciation/revaluation			Carrying amount	
Item	Description of fixed assets	As of 1/1/2011	Exchange differences	Additions	Disposals	Reclassification	As of 31/12/2011	Cumulative depreciaton and amortization as at 1/1/2011	Exchange differences	Cumulative depreciation and amortization disposal	Write-ups	Depreciation	Reclassification	Cumulative depreciaton and amortization as at 31/12/2011	31/12/2011	31/12/2010
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	Treasury bills and other bills eligible for refinancing with central banks	4,387,962	0	3,937	(2,291,571)	6,960	2,107,289	(10,516)	0	2,546	2,847	(10,503)	0	(15,625)	2,091,663	4,377,446
2.	Loans and advances to credit institutions	217,051	360	5,283	(97,679)	(9,980)	115,035	882	0	(877)	1	0	0	6	115,041	217,933
3.	Loans and advances to customers	157,120	4,289	128,373	(121,590)	0	168,192	(3,504)	0	2,967	228	(1,089)	0	(1,398)	166,794	153,616
4.	Debt securities and other fixed-income securities	5,723,149	29,098	350,563	(2,269,465)	3,020	3,836,365	(234,328)	0	115,479	12,633	(6,007)	0	(112,222)	3,724,141	5,488,819
a)	issued by public bodies	14,377	0	0	(957)	(6,960)	6,460	638	0	(345)	130	0	0	423	6,882	15,014
b)	own debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
c)	issued by other borrowers	5,708,772	29,098	350,563	(2,268,508)	9,980	3,829,905	(234,966)	0	115,824	12,503	(6,007)	0	(112,645)	3,717,259	5,473,805
5.	Shares and other variable-yield securities	20,000	0	0	0	0	20,000	0	0	0	0	0	0	0	20,000	20,000
6.	Participating interests	28,352	0	10,534	0	0	38,886	(423)	0	0	0	(8,336)	0	(8,758)	30,128	27,929
7.	Shares in affiliated untertakings	6,807,504	0	1,349,087	(47,307)	0	8,109,283	(426,336)	0	25,544	3,850	(283,287)	0	(680,229)	7,429,054	6,381,168
8.	Intangible fixed assets	249,928	4	25,743	(1,863)	0	273,812	(150,485)	(4)	1,208	0	(30,434)	0	(179,715)	94,097	99,442
9.	Tangible assets	62,878	380	7,513	(9,783)	0	60,989	(49,590)	(171)	9,383	3	(6,036)	0	(46,411)	14,578	13,288
10.	Other assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	**17,653,944**	**34,131**	**1,881,033**	**(4,839,258)**	**0**	**14,729,851**	**(874,300)**	**(175)**	**156,250**	**19,562**	**(345,692)**	**0**	**(1,044,352)**	**13,685,496**	**16,779,641**

Annex 2: Open forward transactions as at 31 December 2011

	Nominal amount by maturity in € 000					Market value	
Name	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	positive	negative
Total	**109,966,620**	**144,729,281**	**83,160,907**	**337,856,808**	**309,723,052**	**8,577,793**	**(8,377,573)**
a) Interest rate contracts	**65,338,839**	**132,171,352**	**80,183,060**	**277,693,251**	**253,128,399**	**7,440,823**	**(6,958,524)**
OTC products							
Interest rate swaps	55,357,841	126,776,631	75,150,393	257,284,865	233,331,511	7,246,098	(6,782,937)
Floating Interest rate swaps	0	0	0	0	0	0	0
Interest rate futures	6,660,976	167,154	0	6,828,130	6,828,129	4,136	(3,276)
Interest rate options - buy	809,522	2,525,730	2,187,139	5,522,391	5,157,161	181,433	0
Interest rate options - sell	1,137,239	2,701,837	2,695,528	6,534,604	6,288,337	0	(167,174)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Interest rate futures	1,110,761	0	0	1,110,761	1,110,761	5,494	(1,882)
Interest rate options	262,500	0	150,000	412,500	412,500	3,662	(3,255)
b) Foreign exchange rate contracts	**43,183,739**	**10,406,753**	**1,907,811**	**55,498,303**	**53,771,674**	**959,091**	**(1,242,387)**
OTC products							
Cross-currency interest rate swaps	3,307,417	9,492,986	1,904,647	14,705,050	13,146,531	434,795	(610,088)
Forward foreign exchange contracts	38,601,441	747,956	0	39,349,397	39,181,287	434,816	(542,894)
Currency options – purchased	606,947	83,528	1,519	691,994	691,994	89,480	0
Currency options – sold	667,934	82,283	1,645	751,862	751,862	0	(89,405)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Currency contracts (futures)	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0
c) Securities-related transactions	**346,049**	**3,000**	**316,810**	**665,859**	**83,356**	**1,462**	**(82,114)**
OTC products							
Securities-related forward transactions	0	0	0	0	0	0	0
Equity/Index options -buy	116,902	0	316,810	433,712	13,921	1,462	0
Equity/Index options -sell	229,147	3,000	0	232,147	69,435	0	(82,114)
Exchange-traded products	0	0	0	0	0	0	0
Exchange-traded products							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0

Name	Nominal amount by maturity in € 000 Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	Market value positive	negative
d) Commodity contracts	**80,556**	**20,889**	**0**	**101,445**	**101,445**	**12,486**	**(13,964)**
OTC products							
Commodity forward transactions	69,554	20,889	0	90,443	90,443	12,426	(13,889)
Exchange-traded products							
Commodity futures	11,002	0	0	11,002	11,002	60	(75)
e) Credit derivative contracts	**1,017,437**	**2,127,287**	**753,226**	**3,897,950**	**2,638,178**	**163,931**	**(80,584)**
OTC products							
Credit default swaps	1,017,437	2,127,287	753,226	3,897,950	2,638,178	163,931	(80,584)

Annex 3: List of investments of Raiffeisen Bank International Aktiengesellschaft

Affiliated companies

Company, registered office (country)	Total nominal value in currency		Direct share of RBI	Equity in € 000	Result in € 000[1]	From annual financial statements[2]
BAILE Handels- und Beteiligungsgesellschaft m.b.H., A(1030) Vienna	40,000	EUR	100%	161,677 [5]	19,860	31/12/2011
BUXUS Handels- und Beteiligungs GmbH, A(103)0 Vienna	35,000	EUR	100%	32	(3)	31/12/2011
Central Eastern European Finance Agency B.V., NL(107)6 AZ Amsterdam[4]	2,000,000	EUR	100%	2,538	78	31/12/2011
Centralised Raiffeisen International Services & Payments S.R.L., RO(020335) Bucharest 2[4]	19,800,000	RON	100%	1,175	(2,005)	31/12/2011
CP Projekte Muthgasse Entwicklungs GmbH, A(106)0 Vienna	40,000	EUR	0%	8,918	(116)	31/12/2010
Eastern European Invest Holding GmbH, A(103)0 Vienna	35,000	EUR	100%	62,136	(4)	31/12/2011
Extra Year Investments Limited, VG-Tortola[4]	50,000	USD	100%	0	0	31/12/2010
FARIO Handels- und Beteiligungsgesellschaft m.b.H., A(103)0 Vienna	40,000	EUR	100%	5,908 [5]	(59,815)	31/12/2011
Ferrokonstrukt-Bauerrichtungen Ges.m.b.H., A(102)0 Vienna	4,000,000	ATS	100%	(262)	(5)	31/12/2010
Golden Rainbow International Limited, VG-Tortola[4]	1	USD	100%	134,003	12,028	31/12/2011
Julius Baer Multiflex SICAV-SIF Verto Recovery Fund, L(166)1 Luxemburg[4]	42,829,975	EUR	100%	*		
Kathrein Privatbank Aktiengesellschaft, A(101)0 Vienna[3]	20,000,000	EUR	0%	29,947	3,265	31/12/2011
KIWANDA Handels- und Beteiligungs GmbH, A(103)0 Vienna	35,000	EUR	100%	32	(3)	31/12/2011
LOTA Handels- und Beteiligungs-GmbH, A(103)0 Vienna	35,000	EUR	100%	673	(2)	31/12/2011
NAURU Handels- und Beteiligungs GmbH, A(103)0 Vienna	35,000	EUR	100%	37	(8)	31/12/2011
P & C Beteiligungs Gesellschaft m.b.H., A(103)0 Vienna	36,336	EUR	100%	6,474	(7)	31/12/2011
Priorbank JSC, BY(220002) Minsk[4]	412,279,277,350	BYR	88%	168,742	3,562	31/12/2011
R.L.H. Holding GmbH, A(103)0 Vienna	35,000	EUR	100%	1,500	(3)	31/12/2011
Raiffeisen Bank Aval JSC, UA(010)11 Kiev[4]	3,002,774,908	UAH	96%	850,646	49,404	31/12/2011
Raiffeisen Bank d.d. Bosna i Hercegovina, BiH(710)00 Sarajevo[4]	237,388,000	BAM	97%	256,038	22,421	31/12/2011
Raiffeisen Bank Kosovo J.S.C., SRB(100)00 Pristina[4]	58,000,000	EUR	100%	98,947	12,500	31/12/2011
Raiffeisen Bank Polska S.A., PL(00,549) Warsaw[4]	1,250,893,080	PLN	100%	646,817	73,410	31/12/2011
Raiffeisen Bank S.A., RO(011857) Bucharest 1[4]	1,200,000,000	RON	99%	617,413	95,712	31/12/2011
Raiffeisen Bank Sh.a., AL-Tirana[4]	9,926,093,000	ALL	100%	216,153	48,925	31/12/2011
Raiffeisen banka a.d., SRB(110)70 Belgrade[4]	27,466,157,580	RSD	100%	526,026	48,399	31/12/2011
Raiffeisen Banka d.d., SLO(200)0 Maribor[4]	17,578,052	EUR	86%	74,176	(5,498)	31/12/2011
Raiffeisen International Invest Holding GmbH, A(103)0 Vienna	35,000	EUR	100%	99,930	(8)	31/12/2011
Raiffeisen Malta Bank plc., M-Sliema, SLM1607[4]	340,000,000	EUR	100%	426,985	59,505	31/12/2011
Raiffeisen Research GmbH, A(103)0 Vienna	55,000	EUR	51%	64	(45)	31/12/2011
Raiffeisen RS Beteiligungs GmbH, A(103)0 Vienna	35,000	EUR	100%	2,527,107	44	31/12/2011
RAIFFEISEN TRAINING CENTER LTD., HR(10,000) Zagreb[4]	20,000	HRK	20%	298	40	31/12/2011
Raiffeisenbank (Bulgaria) EAD, BG(150)4 Sofia[4]	603,447,952	BGN	100%	484,416	25,973	31/12/2011
Raiffeisenbank Austria d.d., HR(10,000) Zagreb[4]	3,621,432,000	HRK	75%	762,881	43,169	31/12/2011
Rail-Rent-Holding GmbH, A(103)0 Vienna	40,000	EUR	60%	182	(3)	31/12/2011
RB International Finance (Hong Kong) Ltd., HK-Hong Kong[4]	10,000,000	HKD	100%	10,307	8,393	31/12/2011
RB International Finance (USA) LLC, USA-NY 10036 New York[4]	1,510,000	USD	100%	37,399	18,731	31/12/2011
RB International Markets (USA) LLC, USA-New York, NY 10036[4]	3,000,000	USD	100%	2,128	(191)	31/12/2011
RBI LEA Beteiligungs GmbH, A(103)0-Vienna	70,000	EUR	100%	216	(4)	31/12/2011

Company, registered office (country)	Total nominal value in currency		Direct share of RBI	Equity in € 000	Result in € 000[1]	From annual financial statements[2]
Regional Card Processing Center s.r.o., SK(81106) Bratislava[4]	539,465	EUR	100%	2,283	836	31/12/2011
REH Limited, CY(303)6 Limassol[4]	45,453	USD	100%	45	(380)	31/8/2011
RI Eastern European Finance B.V., NL(107)6 AZ Amsterdam[4]	400,000	EUR	100%	11,059	636	31/12/2011
RIRE Holding B.V., NL(107)6 AZ Amsterdam[4]	2,000,000	EUR	100%	1,775	(80)	31/12/2011
RL Leasing Gesellschaft m.b.H., D(657)60 Eschborn[4]	50,000	DEM	25%	604	44	31/12/2010
RLI Holding Gesellschaft m.b.H., A(103)0 Vienna	40,000	EUR	75%	88,014	(7)	31/12/2011
RSC Raiffeisen Service Center GmbH, A(119)0 Vienna	2,000,000	EUR	52%	2,229	45	31/12/2010
RZB Consultants Pte. Ltd., SGP-Singapore (048624)[4]	30,000	SGD	100%	418	(28)	31/12/2010
RZB IB Beteiligungs GmbH, A(103)0 Vienna	35,000	EUR	0%	51	25,312	31/12/2011
RZB KI Beteiligungs GmbH, A(103)0 Vienna	48,000	EUR	100%	(3,977)	(8,318)	31/12/2011
RZB PE Handels- und Beteiligungs GmbH, A(103)0 Vienna	150,000	EUR	100%	53,431	(1,008)	31/12/2010
Tatra Leasing s r.o., SK(811) 06 Bratislava[4]	6,638,784	EUR	1%	27,231	2,711	31/12/2011
Ukrainian Processing Center PJSC, UA(040)73 Kiev[4]	180,000	UAH	100%	14,007	4,932	31/12/2011
ZHS Office- & Facilitymanagement GmbH, A(103)0 Vienna[3]	36,336	EUR	1%	184	54	31/12/2011

Companies linked by virtue of a participating interest

Company, registered office (country)	Total nominal value in currency		Direct share of RBI	Equity in € 000	Result in € 000[1]	From annual financial statements[2]
Unic-Beteiligungsgesellschaft m.b.H., A(8010) Graz	198,436	EUR	28%	32,414	(4)	31/12/2011

1 The result (in part from the consolidated financial statements) in € thousand corresponds to the annual profit/loss; equity is reported in accordance with Section 224 (3) lit a UGB, including untaxed reserves (lit b).

2 The 2011 annual financial statements are provisional financial statements.

3 For these fully consolidated domestic companies, the equity and annual profit figures are accounted for in accordance with the International Financial Reporting Standards (IFRS).

4 For the fully consolidated foreign companies, the equity and annual profit figures are accounted for in accordance with the International Financial Reporting Standards (IFRS).

5 For the values of the listed equity, proposed same-period distributions have already been deducted.

* Founded in 2011

Management Report

Market development

Sluggish growth in Europe and US

2011 started off well but from spring onwards the eurozone economy became increasingly sluggish. In the first quarter, real gross domestic product (GDP) was still rising at a rate of 0.8 per cent, while in each of the following two quarters it increased only by approximately 0.2 and 0.1 per cent, respectively. In the fourth quarter, the eurozone even slipped into recession. For 2011 as a whole, GDP growth of 1.5 per cent is expected. At an average 2.7 per cent, the inflation rate in 2011 was significantly higher than the ECB's official target. The main cause for the rise in inflation was an increase in energy prices.

The US economy had grown by 3 per cent in 2010, but in 2011 growth also here slowed down again. This was mainly due to the sharp rise in oil prices as a result of the Arab Spring, modest rises in wages and salaries and the exceptionally high unemployment relative to US standards; which dragged private consumption down, especially in the first half of the year. Moreover, the steps taken to consolidate the budget slowed the momentum down. However, thanks to the lower rise in prices and higher capital expenditure by companies, the economy recovered in the second half of the year, with real US GDP growing by 1.7 per cent in 2011.

Diverging developments in CEE

In the Central and Eastern European (CEE) countries, which in 2010 had already somewhat recovered from the financial crisis, achieving economic growth of 3.3 per cent, the positive trend continued in 2011. Exports continued to be the main engine of growth while domestic demand slowed considerably almost everywhere. Public sector expenditure contributed modestly towards economic output in light of the budgetary consolidation measures being introduced in many places. The drag on the economy generated by events in the eurozone, however, slowed the generally positive growth in 2011.

Poland and Slovakia reported the highest growth in Central Europe in 2011. While Poland benefited once more from robust domestic demand, achieving solid growth of 3.9 per cent, Slovakia generated a growth rate of 3.3 per cent thanks to its strong export sector. As a result of cost-cutting efforts, economic growth in the Czech Republic lost momentum somewhat in 2011, falling to 1.7 per cent. Slovenia's weak banking sector put a strain on its growth, which consequently amounted to minus 0.2 per cent. Hungary's strong export sector made up for its weak domestic demand, resulting in GDP growth of 1.7 per cent.

At 1.9 per cent, GDP growth in Southeastern European countries was positive in 2011 after having suffered noticeably from the crisis with figures of minus 0.8 per cent in 2010 and minus 5.4 per cent in 2009. Governments, however, could do little to boost the economy in view of the strenuous budgetary constraints. Even though domestic demand remained at a low level, it still contributed to the reduction of current account deficits. The main driving force behind a return to growth represented exports, although they also dropped.

In 2011, the economy continued to recover in the Commonwealth of Independent States (CIS). At 4.3 per cent, Russian economic growth remained at the previous year's level, mainly as a result of the persistently high prices for fuels and other commodities. Strong domestic demand, robust exports and a solid harvest accounted for economic growth of 5.2 per cent in

Ukraine. In contrast, economic growth in Belarus came to a virtual standstill in the second half of 2011 as a result of the country's economic problems.

Overall, a considerable slowdown in economic growth in Central and Eastern Europe is expected in 2012, mainly due to the significant deterioration of the situation in the eurozone as a result of the sovereign debt crisis. Thanks to Russia acting as its engine of growth, the CIS region is likely to continue to record the strongest growth. As a global recession is not expected, prices for commodities, especially oil, will probably remain stable, which will support the region's economic model which is based on exports of commodities. By contrast, Southeastern Europe is expected to record a significant drop in exports in view of its geographical proximity to the eurozone members in Southern Europe that are under serious pressure. Within Central Europe, Poland is forecasted to see positive economic growth in 2012, supported - as before - by largely stable domestic demand. The other economies in Central Europe are suffering from a drop in foreign demand from the eurozone, which will probably push them back into recession in the first half of 2012. Analysts do not expect a boost to the economy of the CEE region as a whole until the second half of the year when the situation in the eurozone is expected to improve.

Positive trends in Austria

After the 2009 collapse in economic output (real GDP: minus 3.8 per cent), the Austrian economy performed very well in 2010 (real GDP up 2.3 per cent) as well as in the first half of 2011. This economic expansion was driven by high growth in exports and an increase in investment. In the second half of 2011, however, growth slowed down considerably; in the fourth quarter real GDP even declined slightly year-on-year. Regardless, the good first half year ensured strong growth for the full year (real GDP: plus 3.1 per cent). These generally positive trends led to a further decline in unemployment, which, compared to the eurozone, was already very low. In contrast, inflation rose sharply to 3.5 per cent as a result of higher crude oil prices in the first half of 2011 and government measures, such as tax increases. Inflation, however, had passed its peak in September (Harmonized Index of Consumer Prices: 3.9 per cent p.a.).

Asia remains growth engine

Asia remained by far the most dynamic region in the world in 2011, although it was slowed down noticeably in the second quarter by the events in Japan. Investments and a credit expansion fueled domestic demand in China, leading to a GDP rise of 9.2 per cent in 2011 after a 10.4 per cent rise in 2010. Signs of overheating, however, led to a rapid rise in inflation which was countered by restrictive monetary policy measures. The Chinese government was equally restrictive in tackling the looming real estate bubble. The slowdown in economic growth that has been evident since the second half of 2011 is likely to continue in 2012. India also suffered from high inflation which stood on average at more than 9 per cent in 2011. Combined with a decrease in demand from Europe, this led to a slowdown in economic growth to 6.1 per cent in the fourth quarter of 2011, after 6.9 per cent in the third quarter and 7.7 per cent in the second quarter of 2011.

Sovereign debt crisis puts a strain on financial markets

The European sovereign debt crisis had already had a negative impact on the financial markets in 2010 but the situation only deteriorated in 2011. Following Greece and Ireland, Portugal became the third country in the eurozone forced to resort to help from the EFSF/IMF safety net as of April 2011. While Ireland and Portugal were largely successful in implementing the restructuring programs negotiated with the EU and the IMF, it became increasingly clear as 2011 progressed that Greece would come nowhere near to meeting the targets it had agreed on for the consolidation of its budget. It soon became evident that another "rescue package" would have to be put together to avoid a default. EU finance ministers approved this second rescue package for Greece in July; in addition to further official loans, it stipulated a "voluntary" agreement by private bondholders to give up 21 per cent of their claims.

The fear that participation by the private sector would lead to a wave of contagion spreading to countries like Spain and Italy became reality in August 2011. Measured by GDP, Italy is the second-most heavily indebted country in the eurozone after Greece and its government bonds came under particularly heavy pressure. Even intervention by the ECB, which added Italian and Spanish papers to the government bonds it was buying at the beginning of August, only gave short-term relief. By the time the contagion reached Italy and Spain, at the latest, the sovereign debt crisis had become systemic with major negative effects on the whole financial sector and, in turn, on the real economy. To stop this downward spiral, eurozone heads of state and government agreed on a package of measures at the end of October. However, the plans for a coordinated capitalization of the European banking sector, a leveraging of the EU safety net (the EFSF) and an increase of the amount of claims to be given up by the private sector as agreed in the second package for Greece only led to a brief interruption in the sell-off of bonds issued by European peripheral states. The ECB's decision at the end of 2011 to improve the European banks' liquidity supply by issuing triennial refinancing operations caused a more sustainable relief in the European bond markets.

Global currencies

The sovereign debt crisis in the eurozone continued to dominate movements in the euro and US dollar exchange rates in 2011, with the negative developments in the US (such as the downgrading of its credit rating and the blocking of the budget reforms) only playing a secondary role. At 1.31, the euro started the year at a relatively low level against the US dollar but gradually recovered in the first few months – in view of hopes for progress on the sovereign debt crisis – reaching the peak of 1.49 €/USD at the beginning of May. As the debt crisis then escalated, and especially when it extended to countries like Italy and Spain in the summer, the euro weakened noticeably in the second half of the year, hitting its low of 1.29 €/USD in December.

As a consequence of the euro debt crisis and the increased need for security by investors, the Swiss franc continued its upward trend against the euro that had started in the fall of 2007. The resulting strong franc increasingly became a problem for the Swiss export sector. In August the Swiss National Bank (SNB) initially tried to counter the franc's appreciation with a significant expansion in liquidity. When these attempts failed and the Swiss currency briefly came close to parity with the euro, the SNB decided at the beginning of September to introduce an exchange rate floor of 1.20 €/CHF. So far the SNB managed to defend this mark without any problems.

CEE currencies

CEE currencies had initially remained stable up to the middle of 2011, but lost ground as the sovereign debt crisis deteriorated from mid-August onwards. This particularly affected the liquid currencies in Central Europe (the Czech koruna, Hungarian forint and Polish zloty), which dropped heavily against the euro. The rise in risk aversion due to the lack of a solution to the eurozone's problems spilled over into CEE and, as during the financial crisis, induced investors to treat the whole region indiscriminately.

The Polish zloty has been subject to particularly heavy market pressure since the beginning of the sovereign debt crisis in the eurozone. The reason behind this is the very high liquidity in the Polish currency and bond markets. However, interventions in the markets by the Polish authorities in the course of 2011 temporarily stabilized the zloty. The Czech koruna also fell sharply against the euro from August onwards, but the Hungarian forint was most affected: Political decisions and a downgrading of Hungary's credit rating pushed it back to its 2009 lows against the euro. While the currencies of countries in Central Europe were subject to strong fluctuations, Southeastern European currencies did not fully reflect the uncertainties and increase in risk aversion on a direct basis. However, indirect effects, such as a decline in foreign investment, were certainly noticeable and led, in particular in the second half of 2011, to a depreciation of the Croatian kuna, Romanian leu and Serbian dinar. This trend is likely to continue in 2012.

Development of the banking sector

Continued banking sector growth in Central and Eastern Europe

The shortage and higher cost of external financing for banks and governments and the lower demand for credit – both due to banks' more restrictive lending policies – resulted in stagnant credit growth in CEE (minus 1.5 per cent year-on-year) in 2009. The situation recovered in 2010 with credit in CEE expanding by almost 14 per cent overall. In 2011, a 14 per cent credit growth is expected to be achievable once more. CEE credit expansion rates were, however, generally much lower in 2010 than in the years preceding the crisis from 2004 to 2008.

The positive trend continued in the first half of 2011 and lending increased slightly, above all for corporate customers. Faced with stricter lending standards, however, CEE credit growth weakened noticeably in the second half of 2011. This trend is likely to continue in 2012 in light of the challenging regulatory environment and economic trends, above all in the first half of the year. Current forecasts for 2012 expect lending to expand only by 5 to 10 per cent in Central Europe and the CIS, and by 1 to 3 per cent in Southeastern Europe.

After rising by only 0.6 per cent in 2009, the banking sector's total assets (expressed in euros) grew by 13 per cent in 2010 and 14 per cent in 2011. As with the credit growth, these growth rates were significantly lower than in the pre-crisis years of 2004 through 2008. Over the next few years, percentage increases in total assets throughout the CEE region are forecast to be in the low single digits but differing widely between the various countries. For instance, a low double-digit percentage increase in total assets should still be possible in Russia over the next few years, while it is likely to be in high single digits in Central European countries (except for Hungary). In view of the challenging environment (such as high ratios of loans to deposits and a high level of lending in relation to the strength of the economy), percentage growth in total assets in Southeastern European countries is likely to only be in low single digits.

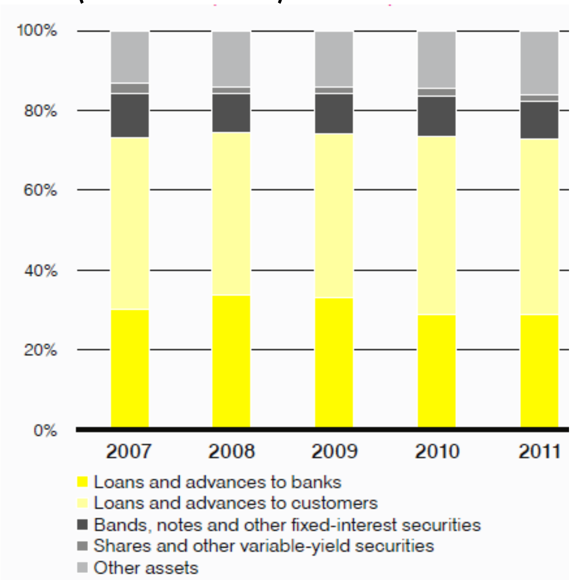
Governments and banks facing difficult financing environment

The financing environment for CEE states improved significantly in 2010 and the first half of 2011, securing both refinancing and new issues of sovereign debt on the local and global bond markets. Many countries took advantage of the favorable situation to pre-finance their requirements. Yields on local sovereigns trended sideways for a long time. This was partly due to the ongoing expansionary monetary policy in Western Europe and partly to the decline in risk premiums. At the same time, investors took a very differentiated view of the individual CEE countries on the debt market. Risk factors such as indebtedness, budget deficits and political uncertainty were all reflected in bond prices. This environment will continue to benefit the CEE countries promoting reforms. Risk premiums for many CEE countries are currently lower than those for a number of eurozone economies such as Italy, Portugal or Spain. The financing environment for CEE governments and banks, however, deteriorated significantly in the second half of 2011, which means that support measures (involving the IMF) for individual CEE countries cannot be ruled out for 2012.

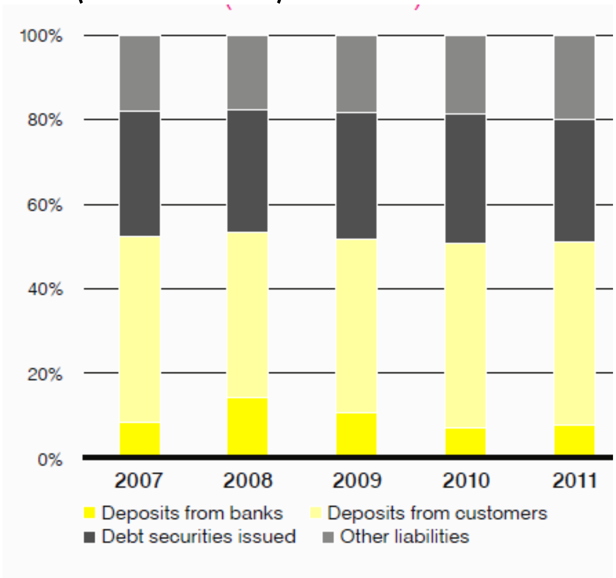
Development of the Austrian Banking sector

The non-consolidated business volume of the Austrian banks reached € 998.0 million at the end of 2011, thereby posting its first increase for two years. Year-on-year the total balance sheet increased by approximately 4.6 per cent. Loans and advances to non-banks increased by 3.8 per cent and, at 44.5 per cent, accounted for the largest proportion of the asset side of the Austrian banking sector. Liabilities with non-banks increased by 4.4% and, at 34.0 per cent, accounted for the largest proportion of the liabilities side. Due to this development the loans and advances to liabilities ratio (to non-banks) fell to 130.8 per cent, compared with a non-consolidated loan-deposit ratio in the client business of 110.2 per cent. The second-largest proportion on the balance sheet was on the assets side with approximately 28.6% from loans and advances to banks, and on the liabilities side with 28.1 per cent from liabilities in respect of banks. This gives, year-on-year, an increase in loans and advances of 4.2 per cent and an increase in liabilities of 6.7 per cent.

Development of assets in the Austrian banking sector (non-consolidated)



Development of libabilities in the Austrian banking sector (non-consolidated)



At the end of 2011 the non-consolidated operating profit for the Austrian banks was expected to be € 7.4 billion. This corresponds to a fall of slightly more than 3 per cent on the previous year. The reason for this change was a slight decline in operating income (- 0.2%), compared with an increase in operating expenses of 1.9%. The positive change in net interest income (5.8%), however, further strengthened the already great importance of this revenue stream. In 2011 the proportion of interest income in operating profits was more than 50 per cent.

The Austrian banks ended 2010 in a manifestly positive fashion with an annual profit of € 3.3 billion. Final figures for 2011 are not yet available but the banks forecast an annual profit for the year of approximately € 1.2 billion, down on the previous year. In respect of provision for risks (valuation allowances) the Austrian banks predict an increase of 48.4 per cent to € 5.7 billion for 2011, to which the increase in the balance from valuation allowances on securities and equity participations shows a clear effect in comparison with the corresponding income from their liquidation.

European stress tests, EBA core capital regulations and "Austrian Finish"

In 2011 the European banking supervisory authority again carried out stress tests on approximately 70 selected European banks, the results of which were published in detail in the summer. The Austrian banks tested included Bank Austria (their profit was incorporated in the UniCredit Group and was not published separately), Erste Group, the RZB subgroup RBI and the ÖVAG Group. Whereas the first three stress scenarios were successfully passed, ÖVAG posted an unsatisfactory capital ratio as a result of the stress assumptions made.

Due to the sovereign debt crisis the EBA also surveyed, in autumn 2011, what effects a market price evaluation of the sovereign exposure would have on the banks observed within the framework of the Europe-wide stress tests. For this a more than doubled "hard" core capital ratio of 9 per cent (Core Tier 1) was assumed to measure the capital requirement. This ratio was made a requirement for banks on 27 October 2011, to be complied with by 30 June 2012.

This meant a doubling of the core capital ratio to be complied with within a few months. Since the EBA does not recognise the previously recognised core capital components – in the same way as that of participation capital from Austrian banks invested with private investors – this meant additional hardship for many banks.

As a consequence the Austrian banking supervisory authority, the FMA and the OeNB were active and, on 20 November 2011 demanded, within the framework of the so-called "Austrian Finish" that those large Austrian banks which were operating in Central and Eastern Europe introduce Basel III early, by 1 January 2013. In addition, these banks must, from 1 January 2016, maintain a CEE capital buffer of up to 3 per cent. In addition, from 1 January 2012, the ratio of loans to local deposits in the individual CEE countries in new business of the subsidiary banks of Austrian groups was covered 110 per cent.

Business of Raiffeisen Bank International AG

Business development

Raiffeisen Bank International AG (RBI) regards Central and Eastern Europe (CEE), including Austria, as its home market and core region. RBI has been active in the CEE region for nearly 25 years, where today it operates a dense network of subsidiary banks, leasing companies and numerous specialised financial service providers in 17 markets. As a universal bank, it ranks as one of the top five banks in 13 countries, occupying a particularly strong position in Russia. The bank's strong position is supported by the Raiffeisen brand, which is one of the best-known brands in the region. Following a strategic realignment in 2010, RBI is positioned in the CEE region as a fully integrated corporate and retail banking group. It has good access to retail and corporate clients backed by an extensive range of products. The CEE markets enjoy higher economic growth than Western Europe. RBI benefits not only from this growth trend, but also from potential opened up by the region's catch-up demand in the banking business. At the end of 2011, 56,114 employees in Central and Eastern Europe served approximately 13.8 million clients in 2,915 branches.

RBI is one of the leading corporate and investment banks in Austria. It serves primarily Austrian but also international clients, as well as major multinational clients operating in Central and Eastern Europe. Moreover, RBI has a presence in global financial centres, with branches and representative offices in Asia as well. RBI has 2,113 employees and total assets of an estimated € 87 billion.

Corporates

A primary focus is to serve Austrian and international – notably Western European – corporate clients grouped within the Corporate Customers segment. These clients include the largest companies in Austria, which possess outstanding credit quality for the most part. This segment was restructured as part of the Corporate Banking strategy. In addition to the existing regional focus, the bank built teams with an industry focus. In 2011 the sales management was also significantly strengthened through the introduction of strategic planning instruments on a Group-wide basis. The appropriate measures have been successfully implemented. Thanks to the bank's regional and industry-specific focus, client-specific requirements can be identified more quickly and accommodated collectively. Group-wide strategic planning of client activities facilitates more efficient, comprehensive customer service and constitutes a key criterion for success in international Corporate Banking.

A second key focus includes the corporate business with the central and eastern European customers combined under Network Corporate Customers & Support. The existing Global Account Management System was further optimized here to provide the many RBI customers who do business across borders with coordinated support throughout the Group and - together with product specialists possessing the proper expertise - to be able to provide an even more extensive range of products (Group products) across borders throughout the entire network.

In addition, results from business with structured trade financing for commodities trading companies that operate worldwide as well as from documentary business, project financing and various types of co-financing are contributing to the sound performance of the corporate business. In Asia, the focus of the Bank business outlets in Singapore, China and Malaysia is on the trade financing business. Financing companies in the US and Hong Kong focus on niche business using selected products. Trade financing is of particular note here, along with corporate financing, primarily on a syndicate basis.

Corporate Customers assets fell 4 per cent to € 14.8 billion. This was due, in the main, to financing shifts, in particular, from Raiffeisen sector companies to RZB. Due to the higher-margin new business, profit from interest nevertheless rose 5 per cent, with net fee and commission income also rising 9 per cent. Due to halved risk provisions of € 43 million the profit for the year was up 49 per cent at € 128 Million.

Network Corporate Customers & Support increased its assets in FY 2011 by 26 per cent to € 4.9 billion. On the liabilities side, clearly higher customer deposits were also achieved. Net interest income rose 6 per cent, fee and commission income posted even higher growth rates at +25%, due in particular to capital market sales, payment transfers and trade financing. Due to slightly higher risk provisions and general administrative expenses, pre-tax profit was down on the previous year by 3 per cent.

Financial Institutions & Sovereigns

Financial Institutions & Sovereigns business in 2011 was characterized by an increasing degree of uncertainty on the international and, in particular, European financial markets in the second half of the year. This was due to rumours about Greece's debt restructuring and increasing pressure on other southern European countries based on a tense financial situation. The delayed implementation in increasing the European Financial Stability Facility (EFSF) also contributed to uncertainty and caution in the financial industry.

The traditional credit business continues to be characterized by a trend towards a strict focus on customer relationships with high cross-selling potential and the resulting selective range of transactions. Smaller transaction volumes and shorter loan maturities complete the present picture. In addition, a significant streamlining of business activities made allowances for the restrictive framework conditions and a focus was placed on selling products which preserve own funds.

The very positive market environment in the first half of the reporting period favoured the issuing business for institutional issuers, also benefitting Financial Institutions & Sovereigns which acquired a series of lead management mandates. In the second half of the year a marked slowdown was seen in the capital market activities of institutional customers due to framework conditions which had become noticeably more difficult.

Assets in Financial Institutions & Sovereigns rose year-on-year to € 8.14 billion, due primarily to the transfer of insurance customers. Whereas net interest income fell by 8 per cent to € 40 million, the net fee and commission income rose 18% to € 59 million. Due to revaluation gains, pre-tax profit rose by 5 per cent to € 49 million, despite higher general administration costs.

Capital Markets

The European debt crisis, the rise in the debt upper limit in the USA and political unrest in 2011 made for highly volatile markets and great uncertainty on the financial markets. In this difficult environment the Capital Markets business posted excellent profit with innovative solution strategies.

The "FX Raiffeisen" Internet platform was introduced for customers, providing a new level of service. Active advice in questions of foreign currency management enhanced both customer satisfaction and product sales. A clear rise in profit was achieved by the broadening of notes/coins and precious metal trade. Numerous foreign customers were gained by the securing of their interest-rate risks for the conclusion of interest rate swaps and caps.

The money market business also posted an increase in secured transactions and shorter maturities. As security ECB-eligible and blue chip equities were accepted, on the basis of which customers benefitted from the favourable financing costs in the repo business.

In the Fixed Income business products were offered to secure refinancing and special solutions for the restructuring of existing business. Inflation and foreign currency bonds showed heightened demand. In Asia several USD Multi Callable Notes were invested, thereby strengthening RBI's presence in this region.

The assets of the Capital Markets business fell by 27 per cent in the financial year, due to the sale of securities and shifts of assets into treasury. Net interest income remained down on the previous year by 11 per cent at € 175 million. This clear fall resulted, in addition to the volume reduction, from the change in the interest rate curve. More stable success was achieved in proprietary trading with active management with reduced volumes.

Treasury

Approximately 64 per cent of the medium- and long-term Wholesale Funding of the RBI Group was generated by the Group headquarters in 2011.

For medium- to long-term refinancing RBI uses two issue programs, the "EUR 25,000,000,000 Debt Issuance Program" and the "EUR 20,000,000,000" issue program of Raiffeisen Bank International AG. These programs offer bonds in various currencies and structures. The total volume of outstanding bonds from these programs must not exceed € 25 billion and € 20 billion respectively. At the end of FY 2011 a total of € 12 billion was outstanding in the two programs.

In view of the difficult market environment, RBI implemented its funding plan quickly in 2011, with two-thirds of the total funding requirement raised in the first quarter through wholesale funding, with the placement of the two senior benchmark bonds. In January, the first benchmark bond was issued as a senior fixed-rate bond with a total volume of € 1 billion and a three-year maturity. This issue makes RBI the first Austrian bank to issue an unsecured bond for over € 500 million since the start of the financial crisis. It was placed at 145 basis points over mid-swaps, with a coupon of 3.625 per cent.

Just a few weeks later RBI took advantage of the more friendly market environment in March 2011 to issue a second benchmark bond with a volume of € 1 billion. This issue was also significantly oversubscribed. The bond had a variable coupon with a premium of 90 basis points over the 3-month Euribor and a maturity of 2 years.

In May 2011 RBI was the only Austrian bank to place a subordinated bond for € 500 million with a ten-year maturity. This replaced an announced bond for € 366 million. It was placed at 325 basis points over mid-swaps, with a coupon of 6.625 per cent.

For short-term funding RBI used both the interbank market and its two programs for short-term issues (commercial paper), the European Commercial Paper Program and the US Commercial Paper Program. Under these two programs RBI can issue commercial paper in various currencies, enabling it to refinance outside the interbank market.

To diversify its funding sources RBI is also working actively on developing secured refinancing sources where longer-term funding can be secured by otherwise illiquid assets.

Branches and representative offices

RBI has a total of five branches in London, Singapore, Beijing, Xiamen and Labuan, Malaysia. RBI also has representative offices in Frankfurt, Paris, Milan, Stockholm, Madrid, Moscow, New York, Mumbai, Seoul, Ho Chi Minh City and China (Hong Kong, Zhuhai and Harbin).

The RBI branches in Asia – Beijing and Xiamen in China, Singapore and Labuan in Malaysia – recorded very good results above the budget for the year 2011 as a whole despite the economic crisis in Europe. Pre-tax profits in Asia amounted to around € 126 million. The Investment Banking business in Southeast Asia was also very successful. Operating functions, particularly risk management, were centralized in Asia to optimize governance.

Despite the difficult environment, the Asian RBI representative offices fared well, with Seoul and Zhuhai in particular continuing their profitable business. Preparations are currently being made to convert the Hong Kong representative office into a branch in order to expand cross-border transactions in the Chinese currency (renminbi). Operations are expected to begin in the second quarter of 2012.

As in previous years, the European representative offices are – in addition to their communication function – an important source of business for the entire network in CEE. The London branch no longer has any of its own business and from now on will support capital market sales for the entire Group.

Financial performance indicators

Balance sheet

Total assets of Raiffeisen Bank International AG (RBI) increased in the 2011 financial year by € 14.6 billion or 20 per cent to € 87.3 billion.

On the assets side, the cash reserve rose year-on-year by € 6.5 billion to € 7.1 billion due to a higher credit balance with the Austrian National Bank. Public-sector debt instruments decreased by 50 per cent to € 2.3 billion, mainly due to the decline of Republic of Austria government bonds. Loans and advances to banks increased by 18 per cent or € 4.2 billion to a total of € 28.2 billion. A large portion of the increase (€ 3.4 billion) is attributed to Austrian banks. Loans and advances to customers rose by 15 per cent or € 3.7 billion to € 28.3 billion and resulted almost exclusively from an increase in loans and advances to foreign customers. In total, the share of loans and advances to foreign customers was 73 per cent.

Bonds and other fixed-interest securities fell year-on-year to € 5.3 billion by 24 per cent or € 1.7 billion. The reduction was primarily due to the sale of securities. Equities and other variable-yield securities amounted to € 0.2 billion as in the previous year. Shares in affiliated companies rose by 16 per cent in total or € 1.0 billion to € 7.4 billion. The overwhelming majority of additions came from investor subsidies of € 0.5 billion and effects from reorganization measures of € 0.7 billion.

Under liabilities, *deposits from banks* rose 25 per cent to € 37.5 billion. These continue to represent the largest share of RBI's refinancing base, at 43 per cent of total liabilities. Deposits from banks were split between Austrian banks (59 per cent) and foreign banks (41 per cent). *Deposits from customers* amounted to € 16.9 billion as at the balance sheet date, an increase of € 4.2 billion. The share of deposits from foreign customers rose 67 per cent year-on-year.

Liabilities evidenced by paper, subordinated liabilities and supplementary capital fell by 8 per cent year-on-year or € 1.4 billion to € 16.8 billion. Placements of new issues in 2011 totaled € 3.9 billion (2010: € 1.2 billion) in contrast to disposals from debt securities of € 6.3 billion from repayments. In addition, short-term money market certificates of € 0.8 billion were issued. The *participation capital* balance sheet item amounted to € 2.5 billion as at 31 December 2011 and included the participation capital of € 1.75 billion subscribed by the Republic of Austria in 2009 under the Financial Market Stability Act.

The *equity capital requirement* as at 31 December 2011 was € 3.6 billion, of which € 3.0 billion was for credit risk. This represents a total increase year-on-year of € 0.4 billion or 13 per cent. The *eligible core capital (Tier I)* amounted to € 6.4 billion as at 31 December 2011, the same figure as in the previous year. The *eligible additional equity capital (Tier II)* totaled € 3.7 billion as at the same date. *Tier III capital* amounted to € 0.1 billion, and *equity capital* totaled € 10.2 billion. This resulted in *excess equity capital* of 185 per cent or € 6.6 billion (2010: 200 per cent or € 6.3 billion). The decline in excess cover resulted primarily from an in increase in the *equity capital requirement for market risk* by € 0.2 billion to € 0.4 billion. The *core capital ratio* in regard to the total risk amounted to 14.2 per cent in 2011 (2010: 14.3 per cent). The *equity ratio* as at 31 December 2011 was 22.8 per cent (31 December 2010: 24.0 per cent).

Earnings

In the 2011 financial year, Raiffeisen Bank International (RBI) reported a decrease in *net interest income* by 11 per cent or € 67.2 million to € 530.5 million. The interest expense rose faster than interest income in comparison with the previous year.

Income from securities and equity investments, which rose by € 115.0 million to € 478.3 million, was primarily a result of the increase in *income from shares in affiliated companies* by 52 per cent or € 163.5 million, which resulted from the dividends from affiliated companies in 2011.

Net fee and commission income recorded a modest improvement of € 8.2 million to € 156.8 million (2010: € 148.6 million), with the largest share (36 per cent) derived from income from the securities business (€ 57.0 million).

The *balance of income and expenses from financial transactions* showed positive net income of € 89.9 million, a year-on-year increase of 130 per cent which was largely due to the change in the valuation of capital guarantees.

Other net operating income fell by € 4.4 million to € 81.2 million. This includes income from various services to network banks (73 per cent) and the parent company RZB AG (8 per cent).

Operating expenses recorded a figure of € 1,336.7 million, which was an increase of 8 per cent year-on-year.

In contrast, total *operating expenses* experienced a slight increase from the previous year by 2 per cent to € 555.2 million.

Personnel expenses rose from € 249.1 million to € 270.7 million and resulted from the increase in the number of employees and generally higher salaries.

Other administrative expenses declined slightly by € 9.0 million or 4 per cent to € 238.9 million with most of the expenses going towards IT and communication (27 per cent) and fees for advisory services and audits (15 per cent).

Depreciation on tangible assets amounted to € 30.7 million, which was virtually unchanged from the previous year.

Other operating expenses at RBI fell by 9 per cent or € 1.5 million to € 14.9 million in 2011.

After deducting total operating expenses from operating income, RBI reported an *operating profit* of € 781.6 million for the 2011 financial year, which represented an increase of 13 per cent or € 91.8 million over the same period in 2010.

This resulted in a *cost/income ratio* of 41.5 per cent (previous year: 44.1 per cent).

The *net income/expense from the disposal and valuation of loans and advances and certain securities* showed a loss of € 59.4 million in 2011, which was an improvement of 67 per cent year-on-year (2010: loss of € 179.4 million). The key factors here were the reversal of the provision allocated according to Section 57 BWG and a lower net allocation for individual impairment loss provisions.

The negative figure for *net income/expenses from the disposal and valuation of financial investments* increased from € 40.1 million in 2010 to € 183.3 million in 2011, owing to higher write-downs on investments and affiliated companies. The loss was offset in part by the sale of securities of fixed assets.

This resulted in a *profit from ordinary activities* of € 538.9 million for the past financial year, which represented an increase of 14.6 per cent from the previous year.

The *extraordinary result* of € 665.5 million came from the transfer of the direct investment in Raiffeisenbank a.s. and Tatra banka a.s. at market values to the own subsidiary Raiffeisen RS Beteiligungs GmbH.

The result was a *return on equity before tax* of 19.0 per cent (2010: 8.1 per cent).

Income taxes fell from € 62.4 million to € 39.5 million. In the previous year higher, provisions were allocated for tax payments from previous periods.

Expenses for *other taxes* increased to € 95.1 million mainly due to the first-time stability charge for banks in the amount of € 82.8 million.

Return on equity after tax came in at 16.9 per cent (2010: 7.0 per cent).

Annual profit as at 31 December 2011 totaled € 1,069.9 million (2010: € 407.7 million). From this profit, liability reserves of € 31.6 million were allocated according to Section 23 (6) BWG. An amount of € 636.0 million was transferred to retained earnings.

Holders of participation certificates received a dividend of € 200.0 million from the remaining annual tax profit. Accounting for the profit brought forward of € 3.7 million leaves a distributable net income of € 206.0 million.

Proposed distribution of profit

The Management Board will propose the distribution of a dividend of € 1.05 per ordinary share to the Annual General Meeting. Based on the total issued shares, this means a maximum amount of € 205.3 million.

Capital, share, voting and control rights

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

(1) The Company's capital stock amounts to € 596,290,628.20 and is divided into 195,505,124 voting common bearer shares. Of those, 943,771 are own shares as of 31 December 2011, which means that 194,561,353 shares were outstanding as of the balance sheet date.

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

(3) RZB holds around 78.5 per cent of the shares in the Company indirectly through its wholly owned subsidiary Raiffeisen International Beteiligungs GmbH, Vienna. The remaining shares are free float, containing no direct or indirect participations in the capital amounting to 10 per cent or more.

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

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

(6) Pursuant to the articles of association, a person who is 68 years or older may not be appointed as a member of the Management Board or be reappointed for another term in office. The rule for the Supervisory Board is that a person who is 75 years or older may not be elected as a member of the Supervisory Board or be elected for another term in office. Furthermore, there are no regulations regarding the appointment and dismissal of members of the Management Board and the Supervisory Board or regarding amendments to the Company's articles of association beyond the provisions of the relevant laws.

(7) Pursuant to Section 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 8 June 2011 to increase the capital stock – in one or more tranches – by up to € 298,145,314.10 by issuing up to 97,752,562 new common bearer shares with voting rights against contributions in cash and/or in kind within five years after recording the relevant amendment to the articles of association in the commercial register, while preserving the right of subscription to which the law entitles shareholders, including the right of indirect subscription by way of a bank pursuant to Section 153 (6) of the Austrian Stock Corporation Act, and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Supervisory Board or a committee authorized for this purpose by the Supervisory Board is authorized to adopt amendments to the articles of association that arise upon issuing shares from the authorized capital.

Pursuant to Section 159 (2) 1 of the Austrian Stock Corporation Act, the capital stock has been increased contingently by up to € 47,173,587.50 through the issue of up to 15,466,750 common bearer shares (contingent capital). The contingent capital increase would only be carried out to the extent that holders of convertible bonds issued under the resolution of the Annual General Meeting of 10 June 2008 make use of their right to convert such bonds into shares of the Company. No convertible bonds have been issued to date, however.

The Annual General Meeting of 8 July 2010 authorized the Management Board to acquire own shares, under the provisions of Section 65 (1) 8 of the Austrian Stock Corporation Act, during a period of 30 months from the date of the resolution, up to a maximum of 10 per cent of the Company's respective capital stock and, if deemed appropriate, to retire them. This authorization may be exercised in one or more installments, for one or more purposes, by the Company, by affiliated enterprises or, for their account, by third parties. The Management Board was further authorized to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the exclusion of shareholders' subscription rights. This authorization replaces the authorization to buy back and use own shares that was granted at the Annual General Meeting of 10 June 2008. No own shares have been bought since the authorization was issued in July 2010.

The Annual General Meeting of 8 July 2010 also authorized the Management Board to acquire own shares for the purpose of securities trading, under the provisions of Section 65 (1) 7 of the Austrian Stock Corporation Act, during a period of 30 months from the date of the resolution, up to a maximum of 5 per cent of the Company's respective capital stock. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in one or several installments by the Company, by affiliated enterprises or, for their account, by third parties.

The Annual General Meeting of 9 June 2009 authorized the Management Board of the Company to issue, in one or more tranches, participation rights having equity characteristics pursuant to Section 174 of the Austrian Stock Corporation Act in a total nominal amount of up to € 2 billion within five years from the date of the resolution with the approval of the Supervisory Board in accordance with the terms for participation rights to be set by the Management Board and to the exclusion of shareholders' subscription rights. It should be noted that, under the provisions of the relevant laws, participation rights confer no voting rights or other membership rights. Issuing participation rights therefore entails no change of ownership structure from the standpoint of stock corporation law and shareholders' voting rights. The Company decided on 15 July 2009 to strengthen its capital by issuing participation rights in the amount of € 600 million based on the authorizing resolution of June 2009. In the course of the merger of RZB's principal business areas with Raiffeisen International to form RBI with effect from 10 October 2010, the mutual loans and liabilities of the receiving and transferring companies were wiped out. The same is true of the participatory rights in the amount of € 600 million, which had been subscribed in full by RZB. No further participation rights have been issued to date. Please consult the notes to this report (page no. 17) for more information.

In the course of the merger of the principal business areas of RZB with Raiffeisen International on 10 October 2010, the RZB issue "Raiffeisen-Partizipationskapital 2008/2009" in the amount of €2.5 billion was transferred to RBI on unchanged terms.

Pursuant to Section 102a of the Austrian Banking Act (BWG), the Annual General Meeting of 8 June 2011 authorized the Management Board of the Company, within five years of recording the relevant amendment to the articles of association in the commercial register, to retire either the participation capital in its entirety or the participation capital of individual tranches that were differentiated on issue, with the approval of the Supervisory Board and taking into account the terms of issue; partial retirement of participation capital of individual issues or tranches is permissible provided the equal treatment of eligible holders of participation capital is ensured.

(8) The following material agreements to which the Company is a party and which take effect upon a change of control in the Company as a result of a takeover bid exist:

- The following is provided in the context of the Company's D&O insurance:
  "If the insured, RBI, comes under new control due to a change in the management or control in respect to the management or control over a subsidiary or if it merges with another enterprise, the insurance will only cover events of loss due to wrongful acts occurring prior to the change in control and management and only for events of loss up to the end of the period of insurance."

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

- Furthermore, the syndicate agreements concluded by RBI in relation to individual subsidiaries with the relevant shareholders will automatically be terminated upon a change of control.

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

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

Non-financial performance indicators

Staff report

As at 31 December 2011, RBI AG had 2,113 employees (full-time equivalent, not including employees delegated to other Group companies), which represented an increase of 5.1 per cent compared with 2010 (2,054 employees, incl. 44 delegated to other Group companies). The traditionally very high proportion of female employees remained at 47.8 per cent. In the interest of an optimal life-work balance, RBI offers variable working hours without core time, as well as telecommuting and a range of part-time options. There is still strong demand for parental leave, so the share of employees in part-time employment as at the balance sheet date was 12.4 per cent in all.

Critical positions in particular had to be filled on account of normal staff turnover. During the reporting period, the staff turnover rate was 7.9 per cent (for 2010 it was 8.1 per cent).

Significant changes to remuneration

Changes to the Austrian Banking Act (section 39 b BWG) based on an EU directive (Capital Requirements Directive III, CRD III) meant that, since 2011, banks have had to put a number of requirements in place for their variable remuneration systems. The aim here is to motivate employees to act in a way that is oriented more towards sustainability and a long-term view. Against this backdrop, RBI adjusted its remuneration systems in 2011 and put in place special rules for senior executives, high-risk buyers, employees with control functions and employees belonging to the same remuneration category as senior executives and high-risk buyers and whose activity has a significant effect on the risk profile ("identified staff").

For all companies in the RZB Group, the effect of defined criteria (e.g. business model, assets, economic capital, etc.) on risk was examined, the application of the newly designed remuneration guidelines ("full", "limited" or "minimized") was determined, and identified staff were defined. Following on from this, much more detailed general remuneration principles were drawn up as a basis for the remuneration policy and practice at RBI AG. A framework was thereby created which ensures that employee remuneration will follow the new legal rules across the Group and thus also at RBI AG.

For identified staff, special additional principles were implemented, e.g. the deferral of parts of their variable remuneration over a defined period and payment in the form of instruments.

The harmonization and redesign of pay structures, which began in 2010 as a result of the merger between RZB and RI, was continued and completed in 2011. Because there was also further major restructuring in 2011 (in particular in IT/OPS), another revision of numerous job descriptions was carried out in summer 2011. These were then evaluated according to the Group standard (Towers Watson method). This process was completed at the end of November and the revised job structure now serves as the basis for a range of HR programs and standards.

One of the most extensive tasks undertaken in 2011 was the design of a new, uniform pay system (including a new bonus system) for the company, which is in line with the new regulatory framework. Over the course of the summer, the new system was explained in detail to all internal managers, and the system's logic is already being applied for the 2011 financial year. The base salary structures also underwent a market comparison and salary ranges were developed for a wide range of function groups. The new pay guidelines and systems were described in detail and published in the "Corporate Directive Total Rewards Management".

For the company's top management, a uniform company car policy was defined and the details of the existing share incentive program (SIP) were adjusted in line with the new regulatory requirements.

Continued organizational change in 2011

As a result of the merger in 2010, a number of units were combined, restructured or newly established. This process of developing the company's organizational structure was continued in 2011.

In the Corporate Customers segment, a new departmental structure was implemented which reflects both industry-specific and regional aspects. In a process managed by HR, all employees in this unit were invited to apply for a wide range of tasks, which created effective new teams. In these new teams, the managers immediately initiated team development processes in order swiftly to achieve a shared understanding with regard to collaboration and implementation of the new strategy.

The most far-reaching organizational change took place in the COO/Retail Banking executive department. The project ("Peacock") dealt with analysis and improvement in a wide range of areas: client satisfaction with IT services within the Group, internal procedures, project management, collaboration, management style, etc.

The aim of the project was to design more efficient IT management and IT architecture, alter the management and performance culture, and improve IT services on an ongoing basis. A project team of top managers defined the general direction in conjunction with advisors, and all employees in Operations and IT were involved in the process of change. The new organizational and operational structure is just one result of the work done so far. The budgeting process was also simplified, projects were prioritized or stopped, and new functionalities were put in place (e.g. Cost Management and Lean & Service Excellence). HR assisted in this process of change and will continue to support and drive the wide-ranging work under way.

Apart from various organizational changes, 2011 also saw a significant step forward being taken in the post-merger integration process at RBI: human resources, in conjunction with the Works Council, renegotiated and reformulated all existing RZB operational agreements. This both allowed outdated formulations that are no longer applicable to be eliminated, and ensured that the new circumstances following the merger were duly reflected. In redesigning employee benefits, the following aspects in particular were taken into account:

(1) Promotion of the economic, social, health-related and cultural interests of employees,
(2) Employees' attachment to the company,
(3) Promotion of commitment,
(4) Promotion of environmental protection,
(5) Promotion of a healthy work-life balance.

Employee survey

Another employee survey was conducted this year. The guiding principle of the survey this time was "employee commitment" rather than "employee satisfaction." Just over 70 per cent of all staff took part in the survey. In addition to the usual questions about employees' work situations, collaboration, information, communication and satisfaction, another focal point was the subject of management. This enabled all staff to give feedback on the quality of management as they experience it. After a busy period communicating the results, there is now work to implement about 50 short-term, departmental and selected cross-departmental improvement projects.

Career development

On the basis of similar projects in the past at some of the network banks, in 2011 RBI AG began revising and introducing a stronger structuring of specialist careers. The aim is to offer our employees an attractive alternative to management careers, and to point our most valuable experts in the direction of prospects for their professional development and thereby enhance their commitment to the company. In 2011, country job maps, career paths and development opportunities were drawn up in a number of selected pilot areas as a start. Based on this model, the project is to be implemented in all key specialist areas by the end of 2012.

Performance management

The adjustment of performance management (PM) processes in line with the requirements resulting from the CRD III directive formed the focus of the work in 2011 to further develop tools and guidelines in this area. Particular attention was paid to the comprehensible implementation of the corporate strategy through the individual performance targets of managers, to intensive training of managers and their staff, and to process improvements. For many employees, the integration of interpersonal skills into the Performance Agreement was a new aspect. The aim in this is to extend the assessment to include employees' conduct in agreement with Group values. To ensure that managers have the necessary skills for this, extensive training courses were provided.

Corporate Responsibility

Lasting values in dynamic times

The values which guide all Raiffeisen organizations to this day date back to the social reformer Friedrich Wilhelm Raiffeisen (1818–1888). He saw it as his duty to alleviate economic hardship and, in founding the first cooperative banking association in 1862, he laid the foundation for today's global organisation of Raiffeisen cooperatives. Principles such as the willingness to provide mutual assistance as well as the self-administration of the cooperative by its members have remained valid to this day. The Raiffeisen structure of values has consistently provided a stable foundation – even in times of change.

Creating sustainable success
Social and corporate responsibility form an integral and self-evident part of the way RBI perceives itself and conducts its business. True to the motto, "We create sustainable success," active commitment contributes towards a sustainable development of both the company and society alike. Thereby, the responsibility extends to all three pillars of sustainability: business, environment and society. Across all business divisions, RBI remains dedicated to its goal of being a responsible bank, fair partner and committed corporate citizen.

A review of key measures and current initiatives is set out below. Detailed information on RBI's activities and its sustainability goals may be found in the RZB Group's 2010 Sustainability Report, available for download at www.rzb.at/CorporateResponsibility/EN. The RZB Group publishes its Sustainability Reports every two years, with the content being based on the standards of the Global Reporting Initiative (GRI). The next report is scheduled to appear in 2013.

Responsible banker
RBI's core business and financial services are consciously oriented towards its future sustainability. RBI's investments, commitments and business dealings are structured in such a way that they positively contribute to sustainable development of all regions and economies in which RBI conducts its operations. This is, in RBI's view, the most effective lever for sustainable growth.

Code of Conduct ensures compliance with high ethical standards
RBI's pledge to conduct its business management in a transparent and responsible manner is disclosed in the Code of Conduct (CoC), which is binding Group-wide. It defines RBI's core values and builds the foundation for a legally compliant and ethically minded corporate culture. Moreover, it ensures that the highest ethical standards are maintained. By the same measure, the Compliance Department exercises a comprehensive control function in the banking group as a whole. Among other things, the CoC dictates that no business may be conducted which could have a negative effect on the environment. Business dealings in sensitive areas such as weapons or nuclear power are likewise off limits. RBI also strictly adheres to international specifications concerning embargoes and trade restrictions.

RBI is a member of the UN Global Compact and, in its capacity as a listed company, has committed itself to comply with the Austrian Corporate Governance Code.

Engaging in regular dialog with stakeholders

A central pillar of RBI's business practices is the respectful interaction with all stakeholders in the spirit of partnership. An active and open dialog with all stakeholders provides the essential basis, which also serves to broaden the perspectives of the company and its decision-makers. An open exchange thus not only broadens the perspective on relevant topics for stakeholders, but also on RBI's internal and external perception.

The goal of this dialog is to gain a deeper, more meaningful mutual understanding. To this effect, a stakeholder council of the banking group was held in autumn 2011 for the second time, at which selected internal and external stakeholders from different areas and organizations discussed their expectations regarding the company. At this event, a forward-looking development path for the company was jointly charted out.

Self-empowered consumers through improved financial knowledge

"Helping people to help themselves" – one of Raiffeisen's founding principles – involves not only material support, but also an educational mandate to improve the knowledge of customers and non-customers on financial aspects. In order to meet this challenge, RBI has taken extensive measures in all of its markets, which are either implemented by the relevant local bank on its own or in cooperation with specialized partners.

Environmental and climate protection

One declared objective of RBI is to promote environmental and climate protection and to take positive action against climate change. The creation of a meaningful connection between a profit-oriented business policy and climate protection represents a major ecological and economic challenge. In the environmental management of the company itself, the highest priority has been assigned to climate protection measures, a subject area that presents considerable risks, but also offers great opportunities.

Making a contribution through the conservation of resources

A major focus for the Group is the sparing use of resources and materials. This entails the use and acquisition of 'green' materials on the one hand, and the efficient use of resources combined with the best possible waste and emissions avoidance on the other. The most economical use of means of transport is just as much a priority as an efficient energy supply which primarily makes use of renewable resources.

Carbon Disclosure Leadership Index

The Carbon Disclosure Project (CDP), launched in 2000, is aimed at increasing transparency in the reporting of greenhouse gas emissions. Since 2011, RBI has voluntarily provided information on its CO_2 emissions, business-related climate risks and reduction targets as part of this program. The published data is compiled in the so-called Carbon Disclosure Leadership Index, which consists of input from the 30 highest scoring companies based on the criterion of completeness of reporting. With a score of 84 out of a possible 100 points, RBI ranks 13th and is thus the best ATX company. All of the information entered is available at www.cdproject.net.

Social commitment

As a major economic force in the markets in which it conducts business, RBI is committed to upholding the responsibility of serving society as is demonstrated by its extensive measures and support for various initiatives. Below is a brief description of a few of current RBI projects.

Community Day

In September 2011, RBI organized its first Community Day in cooperation with Caritas Vienna. A room for children and youths at the Caritas "House Amadou," a shelter for refugees and migrants, was redesigned on a Saturday. More than 30 employees – some of them with their children – voluntarily took part in "Project Rocking Horse," as the venture was called. The costs for the required materials were funded in part by RBI. The event was rounded off with a communal barbecue.

Children Protection Award MYKI59

The children protection organization "the seagull" was established in 1989. As the first social organization of its kind in Austria, it is dedicated to addressing the taboo topic of child abuse and mistreatment, offering help for mistreated and abused children and young people. The Austrian Children Protection Award MYKI, which is presented in five categories, was established in 2011 in order to contribute in this way to improving child protection and welfare. As the main sponsor, Raiffeisen presented the prize in the category of "Material security and social integration", two elements which RBI, as a financial service provider, regards as very essential.

H. Stepic CEE Charity

The H. Stepic CEE Charity, a non-profit association, was founded in 2006 to improve living conditions for children, youths and women in Central and Eastern Europe. The association collects donations, 100 per cent of which go to the aid projects initiated by the charity itself. These projects are realized together with partners such as Caritas, Hilfswerk, the Austrian Red Cross and the charity association "kleine herzen." In November 2011, the H. Stepic CEE Charity broke new ground by jointly hosting a fundraising dinner with "kleine herzen", at which € 106,000 was raised. In addition, the German-language cookbook "Herzensküche", featuring recipes from Central and Eastern Europe reinterpreted by 12 internationally renowned chefs who agreed to waive their fees, serves as a culinary vehicle for effectively channeling donations. Proceeds from the sale of the cookbook go to support construction of a family home for orphans in Ukraine. The integration of the Raiffeisen network ensures that all aid is received promptly and in an unbureaucratic way wherever it is needed.

Fair treatment of staff in the spirit of partnership

RBI employs 59,261 staff from over 50 countries. In view of such a high degree of diversity, equal opportunity and integration are as much a central component of corporate culture as is the fair treatment of all employees.

As an employer, RBI creates an environment in which it challenges its employees, while also promoting and supporting their individual skills and capabilities. RBI is firmly committed to the principle of merit while, however, also endorsing an open corporate culture in which employees are able to continue developing on both a professional and personal basis.

Detailed information relating to the area of Human Resources can be found in staff report.

Risikomanagement

2011 was marked by enormous market uncertainty. While the recovery of the global economy from 2010 continued in the first six months of the year, the second half of the year was another story. The sovereign debt crisis in the periphery EU member states and the lengthy negotiations, and in particular the political tensions regarding the countermeasures to be adopted, fuelled anxiety and caused enormous distrust on the European markets. During the summer, financial institutions started stockpiling their cash surpluses and placed them in "the safe haven" that is the European Central Bank rather than providing liquidity to the interbank market. Compared to previous years, the number and volume of new issues declined dramatically. The increased nervousness was also reflected on the stock markets, both by the enormous price volatility and some significant declines in value, especially of financial stocks.

In this environment, RBI Risk Management took into account the increased market volatility by using existing and new management tools and thus was able to respond in a timely fashion to the changes in economic conditions. Particular emphasis was placed on maintaining a strong liquidity position and on reducing existing exposure to countries and financial institutions especially in the markets affected by the national debt crisis. Furthermore, internal processes and structures were critically evaluated, both to ensure the desired efficiency of the risk control systems as well as to uncover potential risks from operational processes at an early stage and be able to manage them. All of these measures contributed towards further enhancing the robustness of the RBI loan portfolio.

Stresstests

In the first six months of 2011 the European Banking Authority (EBA) performed a stress test in which 90 European banks took part. The test analysed the impact of various economic development scenarios, using variables such as GDP growth rates, exchange rates and risk premiums, on future capital requirements, required loan loss provisioning as well as revenue and capital components. The direct and indirect influences of predetermined crisis scenarios were examined in detail.

The EBA in this case defined a core capital ratio of 5 per cent (i.e. a hard core capital ratio pursuant to CRD III) as a target over a two-year period after the onset of the crisis scenarios. The RBI clearly exceeded this level with 7.8 per cent. In addition, the minimal decline only in the capital ratio of 0.3 percentage points over the stress period showed RBI's ability to withstand the crisis compared to the scenarios presented.

Especially the detailed publication of loans and advances to banks compared to countries, provided the financial markets with fundamental information for risk assessment. RBI revealed only very little outstanding debt compared to the European periphery states and since publication has reduced it even further. Thus, risk management reduced both the limits as well as the outstanding risk exposure, to counteract negative consequences arising from the European sovereign debt crisis.

After analysing the results of the stress tests and in view of the macroeconomic developments in the fall of 2011, the EBA decided to re-examine the capital adequacy of banks. In this way it investigated the capital requirements necessary for the participating banks to achieve a capital ratio of 9 per cent. To shore up European financial institutions against the volatile market environment and to ensure the stability of the financial markets, banks must now attain this ratio by the end of June 2012. RBI only participated indirectly in this exercise as part of RZB; consequently there are no detailed results for RBI. Nevertheless, RBI developed a number of initiatives as part of RZB, to attain the prescribed ratio. The implementation of these measures had already started in 2011.

In addition to the hard core capital ratio of 9 per cent, EBA identified further capital requirements as a buffer for hidden encumbrances in the bank's portfolios of sovereign risk, arising from unrealised losses from loans and advances to countries whose market value has fallen during the sovereign debt crisis. For RZB, there was no additional capital requirement.

Besides the regulatory stress tests carried out by the regulatory authorities, RBI in 2011 also performed internal analyses for further scenarios and potential risk drivers. Through close cooperation with all areas of risk management and the involvement of other experts from the network banks and controlling, these internal stress tests took into account a large number of risk factors and their impact on solvency. Market risks, operational risks, increased funding costs and numerous other capital and income components were also included in the integrated approach, in addition to the increased capital requirement and high write-downs on the loan portfolio in case of stress. The Board was regularly informed of the stress test results and their analyses to enable the rapid introduction of countermeasures in any threatening situation.

Liquidity risk

Liquidity risk management was one of the hardest hit and challenged risk control units in 2011. In addition to the increased frequency of internal reporting and the enormous number of additional analytical tasks, especially since the new issues markets dried up, extraordinary measures were also taken, to ensure RBI maintained its strong liquidity buffer . At the same time, the crisis scenario analyses used for internal risk measurement and management were further developed and more closely integrated into the liquidity and the balance sheet management of the group entities with material business operations.

Even the cash flow modelling for the expected base case was revised in 2011 to include findings from past years, to adjust the resulting forecasts for capital commitment and refinancing needs. This should increase transparency with respect to actual costs and risks on the one hand , but naturally set a course for the correct management decisions on the other.

The planned implementation of the liquidity requirements according to the Basel III regime in 2011 was another topic tied in with liquidity risk. Although there is still no final draft of the regulatory requirements and these can therefore be interpreted very differently, calculations have already been conducted for RBI and individual group entities . The implementation of the required data landscape and of the corresponding calculation applications was also already introduced and will constitute a key areas of activity in 2012.

The Liquidity Contingency Committee (LCC) is a committee that concerns itself with liquidity management and measures in the case of difficult market situations or crises. Due to the difficult market situation , the LCC was convened in the second half of 2011 and had met multiple times by year-end.

Simulation of net interest income

RBI's interest income represents a significant earnings factor and thus makes a material contribution towards stabilising the capital base and to the success of the business model. To do justice to this significance, risk management of interest flows in a single entity regardless of the liquidity risk was realised. Here, the impact of different interest rate scenarios on interest income in particular, is simulated. In close cooperation with the front-office units, RBI thus prepares for various developments on the market and can react quickly in the case of negative trends. The emphasis in this area in 2011 was on further developing the available analytical and reporting tools on the one hand and on harmonising these innovative systems within the group on the other.

Market Risk

Since January 2010 market risk management has been based on figures from an internal model. This is calculated using a hybrid approach; in other words, a combination of historical and Monte Carlo simulation with 5,000 scenarios, the value-at-risk (VaR) for the change in risk factors of foreign currencies, interest rate development, credit spreads from bonds and credit default swaps as well as equity indices. To better illustrate the risk factors where the probability of extreme rate changes is higher than in a normal distribution, numerous approaches were integrated into the model. These include the enhancement of the scenarios to include extreme events or the consideration of the current volatility levels in generating scenarios and different time horizons in the volatility estimate. This choice of model access already today forms the basis for putting in place the strict Basel-III requirements in internal models. The model was additionally expanded to include a stressed-VaR module that meets the regulatory requirements that have been in effect since 31 December 2011.

Having passed the FMA/OeNB's assessment process , the model has been used since 30 August 2010 for calculating capital requirements of foreign currency and the general interest rate risk in the trading book for the corporate headquarters. The daily scope of management includes the RBI trading and banking books based on the VaR on a holding period of 1 day and a confidence interval of 99 per cent as well as sensitivity limits. The market risk position, the limit process and the presentation of all capital market activities in the income statement are among the items on the fixed agenda for the weekly market risk committee meeting.

To ensure the quality of the model, daily back testing is performed. The results of these tests were always within the limits of the model expectations and have featured no significant deviations in recent months. Based on these encouraging results, the internal model should be allocated to the best class ("green status") from a regulatory perspective.

Management of non-performing loans

2011 was a difficult year for RBI's core markets, but non-performing loans at RBI AG were reduced by 22 per cent or € 254 million through restructuring and disposals. RBI also focused in 2011 on significant procedural improvements in the early identification of troubled loans and in dealing with them, which helped in preventing a further build-up of non-performing loans. Key achievements here are the larger number of portfolios examined and the enhanced effectiveness of the procedures, the further development of reporting, and regular comparison of notes between members of the banking group.

Basel II and III – regulatory environment

The RBI was also intensively involved in 2011 with current and pending regulatory developments. Much of the expected change results from the EU CRD III guidelines on capital requirements and the even more extensive CRD IV/CRR legislation proposed by the EU Commission. The potential impact on RBI of new and amended legislation has been analysed in detail. The corresponding internal guidelines were adopted where necessary, for example , in relation to the remuneration policy and the appropriateness of remuneration.

In addition to the measures already taken in connection with the new Basel-III regulations, risk management focused in 2011 on the on-going implementation of the advanced Basel-II. The Basel-II-related activities included the implementation of the internal ratings-based approach (IRB) in the retail- and non-retail sector in the subsidiaries in the CEE region, further development of the internal market risk model as well as the introduction of the standard approach to operational risk throughout the group. The following table gives an overview about the current status of these projects. The implementation of the IRB approach in subsidiaries in the CEE region will continue in 2012.

Risks arising from financial instruments (Risk report)

Active risk management is a core competency of Raiffeisen Bank International AG (RBI). In order to identify, categorize and manage risks effectively, the Bank develops its comprehensive risk management system on an ongoing basis. Risk management is an integral part of managing the bank as a whole and, as well as taking on board legal and supervisory requirements, looks at the type, size and complexity of transactions and the risks resulting from them. The risk report explains the principles and organizational structure of risk management and sets out the current risk position for all material risks.

Principles of risk management

RBI has a system of risk principles and risk measurement and monitoring procedures aimed at keeping a careful eye on and managing the risks of all banks and all the Bank's specialist companies. Risk policy and the principles of risk management are decided on by the Management Board of RBI; the Bank's risk principles include the following:

- Integrated risk management
  Credit and country risk, market and liquidity risk, equity holding risk and operational risks are managed across the Group as principal risks. In doing so, these risks are measured, limited, aggregated and set against the available risk coverage amounts.

- Uniform methods
  In order to ensure a consistent and coherent risk management approach, uniform methods are applied to assessing and limiting risk across the Group. This manner of acting is efficient in terms of developing risk management methods and forms the basis for unified Group management across all countries and business segments of RBI.

- Ongoing planning
  Risk strategies and risk capital are reviewed and approved as part of the annual budgeting and planning process. In this, a great deal of attention is paid to avoiding a concentration of risk.

- Independent control
  There is a clear division in terms of staffing and functions between transaction activity and all risk management and risk controlling activities.

- Pre- and post-calculation
  Risks are consistently taken into account in product distribution and in risk-adjusted performance measurement. This ensures that transactions in principle are concluded only after due consideration of the risk-reward relationship and that incentives to enter into high levels of risk are avoided.

Organization of risk management

The Management Board of RBI ensures an appropriate organizational structure and ongoing development of risk management. It decides on the procedures used to identify, measure and monitor risk and makes risk management decisions on the basis of the evaluations and analyses produced. In performing these duties, the Management Board is assisted by independent risk management units and specific committees.

Risk management fundamentally takes place at several levels within the Group. RBI develops and implements the appropriate concepts in coordination with RZB as the parent credit institution and in collaboration with the individual Group subsidiary units. The risk management units at RBI often have a dual responsibility: they ensure appropriate execution of the risk management processes across the entire Group, while also implementing the risk policy in the different risk categories and managing the business at RBI within the approved risk budgets.

Central and independent risk controlling as required by the Austrian Banking Act is carried out by the Risk Controlling organizational unit. The responsibilities of this unit include the drawing up of Group-wide and cross-risk-category rules for Group risk management, and independent and neutral reporting on the risk profile to the Management Board as a whole and to the individual divisional heads.

Risk committees

The Risk Management Committee is responsible for the ongoing development and implementation of the methods and parameters used in risk measurement and for fine-tuning the management tools. This committee also assesses the current risk situation, taking account of the need for suitable capital backing and the applicable risk limits. It approves the various risk management and control activities (e.g. the allocation of risk budgets) and assists the Management Board in these activities.

The Market Risk Committee manages market risk arising from trading book and banking book transactions at RBI and determines the relevant limits and procedures. Its management is based in particular on business results, the risks ascertained, the measured limit utilization and the results of scenario analyses and stress tests with regard to market risks.

The Credit Committees are made up of representatives from the market and back office operations, with the staffing of the committees divided up according to client groups for commercial clients, financial institutions and the public sector. They determine specific lending criteria for individual client segments and countries, and they make all relevant credit decisions within the framework of the credit approval process and of the rating and volume-based division of responsibilities.

The Group Asset/Liability Committee assesses and manages balance sheet structure risk and liquidity risk and determines the methods for the internal transfer pricing system. It performs major duties in this context concerned with long-term refinancing planning and the determination of hedging measures for structural interest rate and currency risk.

The Credit Portfolio Committees define the relevant credit portfolio strategy for different client segments. On these committees, representatives of the market and risk management units work together to evaluate the risks and potential of different client groups (e.g. branches of industry, countries, client segments). On this basis, the credit portfolio management develops lending guidelines and limits for shaping the credit portfolio going forward.

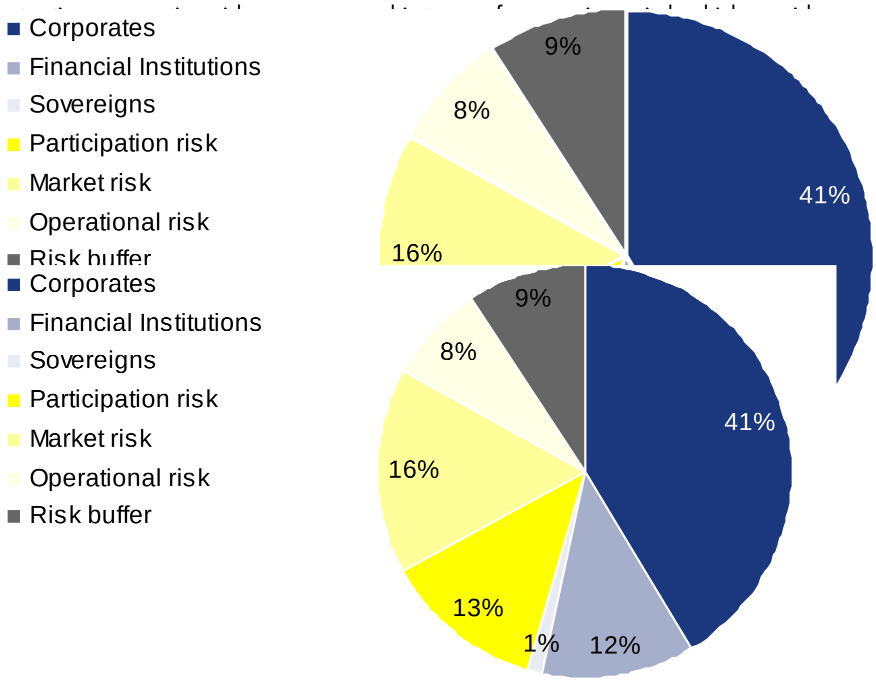
Risk management for the Bank as a whole

Ensuring appropriate capital backing is one of the key aims of risk management at RBI. In doing so, the required capital is regularly assessed on the basis of the risk ascertained by internal models, whereby the significance of the risk is taken into account when selecting the models to be used. This Group risk management approach considers capital requirements from both a regulatory perspective (sustainability and going concern perspective) and an economic point of view (target rating perspective). This puts it in line with the quantitative procedure for assessing the suitability of internal capitalization (ICAAP), as required by Pillar 2 of Basel II. The entire ICAAP process at RBI is checked annually by the Austrian Financial Market Authority as part of the supervisory evaluation of the RZB banking group.

Objective	Description of risk	Measurement technique	Confidence level
Target rating perspective	Risk of not being able to satisfy claims of the Group's senior debt holders	Unexpected losses on an annual basis (economic capital) must not exceed the present value of equity and subordinated liabilities	99.95 per cent as derived from the target rating
Going concern perspective	Risk of not meeting the regulatory capital requirement	Risk taking capacity (projected earnings plus capital exceeding regulatory requirements) must not fall below the annualized value-at-risk of the Group	99 per cent reflecting the owners' willingness to inject additional own funds
Sustainability perspective	Risk of falling short a sustainable core capital ratio over a full business cycle	Capital and loss projection for the three-year planning period based on a severe macroeconomic downturn scenario	70-90 per cent based on the management decision that the Group might be required to temporarily reduce risks or raise additional core capital

Target rating perspective

parable risk number for
categories (credit, equity
s a controlling stake are
entire bank for other risk



In order to calculate economic capital, RBI applies a confidence level of 99.95 per cent, which is derived from the probability of default for the RBI rating aimed at. The aim in calculating economic capital is to ascertain the level of capital that would be required to meet the claims of clients and creditors even in the event of such a rare loss event.

The economic capital shows the greatest risk as being in credit risk for the commercial clients debt category. This makes up 41 per cent of total risk, while credit risk as a whole accounts for 54 per cent of economic capital. The share for market risk is 16 per cent, while a general buffer for other risks is allocated in addition. The contribution to risk from Group subsidiaries is shown under equity holding risk. However, their transactions and risks are considered in a way that is integrated into RBI and managed in the different risk categories according to Group guidelines.

Economic capital serves as an important tool in managing risk at the Bank as a whole and is used when allocating risk budgets. Limits for economic capital are also allocated to the individual divisions in the annual budgeting process, while volume, sensitivity or value-at-risk limits are added to them for the purpose of operational management. This planning takes place on a revolving basis at RBI for periods of three years and takes on board both future changes in economic capital and the internal capital available. Thus, economic capital has a significant effect on the planning of future lending and on the overall limit for market risks.

The risk-adjusted performance measurement is also based on this standard of risk. In it, the income of a business unit is set against the economic capital attributable to this unit (ratio of risk-adjusted income to risk-adjusted capital, RORAC). This provides a comparable performance figure for all of the Bank's business units, which is then also used in the overall bank management, future capital allocation in this respect and the remuneration of senior executives.

Going concern perspective

In parallel with the above perspective, appropriate capital backing is also assessed with a focus on the continued existence of the Bank on the basis of the going concern principle. Here, too, risk is set against corresponding risk-bearing capacity – with a view to meeting regulatory capital and equity requirements.

In pursuit of the objective of covering risk, expected earnings, expected risk provisions and excess equity (taking into account the different limits on counting them in) are added up to form a total for risk-bearing capacity. This is set against a value-at-risk figure (including expected losses), the calculation of which is based on procedures (with a lower confidence level of 99 per cent) comparable to those used in the target rating perspective. Through this approach, the Bank ensures it is adequately capitalized from a regulatory perspective (going concern) with the desired confidence level. The internal objectives for regulatory capital ratios are consciously set higher than the legal requirements, in order to ensure the Bank meets legal minimum equity requirements at all times and, in addition, to cover other risks that are not quantified for supervisory purposes.

Sustainability perspective

The aim of the sustainability perspective is to ensure that RBI would maintain a sufficiently high core capital ratio at the end of the multi-year planning horizon, even in the event of an unexpected downturn in the macroeconomic environment. The analysis of the sustainability perspective is based on a multi-year macroeconomic stress test which simulates hypothetical market developments in a severe but realistic economic downturn scenario. The risk parameters include interest rate curves, exchange rates and securities prices, or even changes in default probabilities and rating migrations in the credit portfolio.

The main focus of this integrated stress test is the resulting core capital ratio at the end of the multi-year period. A minimum sustainable level is set for this figure which will ensure that there is no need for substantial capital increases or wide-ranging restrictions on business volumes. The minimum amount of core capital is thus determined by the size of the potential economic downturn. The need to allocate loan loss provisions, potential procyclical effects that increase regulatory capital requirements, the impact of foreign exchange fluctuations as well as other valuation and earnings effects resulting from the downturn scenario are incorporated in this analysis.

This perspective therefore complements traditional risk measurement based on the value-at-risk concept, which is largely based on historic data. Therefore it can incorporate exceptional market situations that have not been observed in the past and estimate the potential impact of such developments. The stress test also enables the analysis of risk concentrations (e.g. in individual exposures, industries, or geographical regions) and gives insight into the bank's profitability, liquidity and solvency under extreme conditions. RBI's risk management actively manages portfolio diversification on the basis of these stress tests, for example via limits for the total exposure to individual industry segments and countries and through ongoing updates to its lending standards.

Credit risk

Credit risk within RBI stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. It is by far the most important risk category at RBI, as is indicated by the internal and regulatory capital requirements. Credit risks are therefore analyzed and monitored both on an individual loan and customer-by-customer basis as well as on a portfolio basis. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and corresponding tools and processes that have been developed for this purpose. The internal control system for credit risks includes different types of monitoring measures, which are integrated directly into the work flow from the customer's initial credit application, through to the bank's credit approval, and finally to the repayment of the loan.

No loans are extended in the non-retail segments without first being run through the limit application process. This process is also consistently applied – in addition to new lending – to increases in existing limits, extensions, overdrafts, and in the event of changes to the risk profile of a borrower (e.g. with respect to the financial situation of the borrower, the purpose for which the loan is being used, or collateral) compared to the time the original lending decision was made. In addition, it is also used when setting counterparty limits in trading and issue transactions, for other credit limits subject to credit risk, and for equity participations.

Credit decisions are made on the basis of a hierarchical chain of authority depending on the type and size of a loan. The approval of the business and credit risk management divisions is always required for individual limit decisions or when performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction is escalated to the next decision-making level.

Credit portfolio management

RBI's portfolio strategy is one of the main methods used to manage the credit portfolio. This strategy limits the exposure in different countries, industries or product types and thus prevents undesirable concentration of risk. In addition, the long-term potential of the different markets is analyzed on a regular basis. This allows for an early strategic repositioning of future lending activities.

RBI's credit portfolio is well diversified both in terms of geographical region and industry. The regional breakdown of credit exposure reflects the broad diversification in European markets. The breakdown of lending by region based on the customer's home country is as follows (countries with a maximum credit exposure of over € 2 billion are shown separately):

in € 000	2011	Percentage	2010	Percentage
Austria	43,160,721	39.8 %	37,452,772	39.8 %
Far East	10,195,644	4.8 %	4,543,899	4.8 %
Great Britain	6,874,440	3.8 %	3,596,069	3.8 %
Germany	6,564,952	5.2 %	4,904,336	5.2 %
Netherlands	3,532,012	3.2 %	3,013,764	3.2 %
Russia	3,427,942	4.2 %	3,987,371	4.2 %
USA	3,413,901	3.8 %	3,569,132	3.8 %
Romania	2,687,040	2.5 %	2,352,522	2.5 %
Poland	2,511,336	2.3 %	2,144,293	2.3 %
Siwss	2,100,721	2.2 %	2,037,187	2.2 %
Ukraine	1,988,852	2.7 %	2,549,181	2.7 %
Others	20,719,299	19.3 %	23,874,699	25.4 %
Total	**107,176,859**	**100.0 %**	**94,025,226**	**100.0 %**

Risk policies and credit assessments at RBI also take the customer's industry into account. Lending accounts for the largest exposure by industry; this is mostly attributable to the Austrian Raiffeisen sector as a result of its liquidity balancing function. Exposure to the public sector mostly reflects securities holdings with the Republic of Austria as an issuer. The table below shows the credit exposure by the customer's industry classification:

in € 000	2011	Percentage	2010	Percentage
Financial Intermediation	64,278,615	60.0%	51,115,979	54.4 %
Real estate, renting and business activities	12,282,700	11.5%	13,251,409	14.1 %
Wholesale and retail trade; repair of motor vehicles, motorcyles and personal and household goods	8,622,820	8.0%	6,910,234	7.3 %
Manufacturing	8,062,563	7.5%	7,184,988	7.6 %
Public administration and defence, compulsory social sPerecurity	3,991,714	3.7%	6,360,135	6.8 %
Construction	1,891,164	1.8%	1,152,369	1.2 %
Electricity, gas and water supply	1,463,583	1.4%	1,567,290	1.7 %
Agriculture, hunting and forestry; fishing; mining and quarrying	1,247,712	1.2%	922,491	1.0 %
Transport, storage and communication	1,179,118	1.1%	1,616,917	1.7 %
Education; health and social work; other community, social and personal service activities	1,014,157	0.9%	701,226	0.7 %
Others	3,142,715	2.9%	3,242,189	3.4 %
Total	**107,176,859**	**100.0 %**	**94,025,226**	**100.0 %**

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings are tailored to the customer and are therefore performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organization unit. Rating models in the main non-retail asset classes – corporates, financial institutions and sovereigns – rank creditworthiness in ten classes. Customer rating as well as validation is supported by specific software tools (e.g. business valuation, rating and default database).

Collateralization is one of the main strategies used to reduce potential credit risk and is pursued actively. The value of the collateral and the effect of other risk mitigation techniques are determined within each limit application. The risk mitigation effect taken into account is the value that RBI expects to receive when selling the collateral within a reasonable liquidation period. The recognized types of collateral are defined in the collateral catalogue and the valuation guidelines for collateral that go with it. The collateral value is calculated according to specified methods, which include standardized calculation formulas based on market values, predefined minimum discounts, and expert assessments.

Default and workout process

The credit portfolio and individual borrowers are subject to constant monitoring. The main purpose of monitoring is to ensure that the borrower meets the terms and conditions of the contract and to keep abreast of the borrower's financial situation. A review of this type is conducted at least once annually in the non-retail asset classes of corporates, financial institutions and sovereigns. This includes a rating review and the re-evaluation of financial and real estate collateral.

Problem loans (where borrowers might run into material financial difficulties, or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees in the individual Group units make decisions on problematic exposures. If the need for intensified treatment and workout is identified, problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Early involvement of the staff in this department can help reduce losses resulting from problem loans.

According to the internal definition given, default occurs and therefore a loan is deemed non-performing when it is clear that a customer cannot meet the full terms of their credit obligations to the bank or is overdue with a material financial obligation to the bank for more than 90 days. At RBI, twelve separate indicators are used for non-retail customers to determine a debt default. For example, it is deemed a debt default if the customer is involved in an insolvency or similar process, if an impairment provision has been allocated or a direct write-down has been carried out on a customer account receivable, or if the Credit Risk Management has considered a customer account receivable to be not wholly recoverable and the Work-out Unit is considering stepping in to help a company regain its financial strength.

During the course of the Basel II project, a company-wide default database was created to register and document customer defaults. In this database, defaults and default reasons were also recorded, thus making the calculation and validation of default probabilities easier. Risk provisions are created in line with defined guidelines, which are based on IFRS accounting rules, and cover all identifiable credit risks. In the non-retail sector, problem loans are decided on the make-up of individual lending related credit risk provisions.

Country Risk

Country risk covers transfer and convertibility risk as well as political risk. It arises from cross-border transactions or direct investment in third-party countries. RBI is exposed to this risk through its operations in the convergence markets of Central and Eastern Europe, in which some of the political and economic risks are still viewed as significant.

The active country risk management of RBI is based on the country risk policy determined by the board, which as part of the credit portfolio limit system sets a well-defined upper limit for cross-border transactions for individual countries. In day-to-day work, the business units have to submit limit applications for the respective countries for all cross-border transactions in addition to the limit applications for the counterparties. The definitive upper limit for the various countries is determined using models, which contain the internal country rating and size of the country as well as the capital backing of RBI.

Country risk also influences the internal transfer price system for product calculation and risk-adjusted performance measurement. The Bank therefore offers an incentive for the business units to hedge third-party country risk through insurance (e.g. with export credit insurance agencies) or guarantees. Assessments gained from country risk analysis are not just used to set the upper limit for total volume of cross-border transactions; their application also limits the overall exposure in certain countries (also those that are refinanced by local deposits). In this way, RBI aligns its business operations with the expected economic development in various markets and accelerates the broad diversification of the credit portfolio.

Counterparty default risk

A counterparty default for derivate, pension or securities lending transactions can cause losses through the replacement costs of an equivalent contract. This risk is measured by RBI using the market valuation method, which takes into consideration the current market value and a predefined add-on for any possible changes to the exposure value in the future. The total volume of the potential, expected credit liabilities from derivatives transactions can be found in the tables for the customer segments. For internal control, potential price changes, which influence the fair value of these instruments, are ascertained in an instrument category-specific manner on the basis of historic market value fluctuations.

A prerequisite for the conclusion of derivative contracts is observance of the credit approval process, for which the same risk classification, limitation and monitoring processes apply as in the conventional credit business. A fundamental strategy for the reduction of this risk is the use of credit risk mitigation techniques, e.g. netting agreements and collateralization. In general, RBI strives to establish a standardized ISDA master agreement for all material derivative transactions with market participants related to bilateral netting and a corresponding Credit Support Annex (CSA) to provide risk coverage for current market values on a daily basis.

Investment risk

As a portion of the banking book will also contain risks arising from listed and unlisted investments, they are shown separately in this risk category. The majority of direct or indirect investments by RBI are fully consolidated in the group balance sheet (e.g. network banks, leasing companies) and their risk is recorded in detail. For the risks arising from these investments, the control, measurement and monitoring methods described in the other risk categories are employed.

Investment risk and default risk have similar roots: a deterioration of the financial position of an investment is usually followed by a rating downgrade (or default) on the entity. However, the method used for value-at-risk calculations and internal risk capital calculations for investments is comparable with the method used for price risks on equity holdings. On the other hand, due to the long-term strategic character of investments, annual volatility (rather than daily changes) calculated over several years of observation is used.

The investments by RBI are managed by the investments business unit. This business unit monitors the risks arising from the long-term orientated equity investment and is also responsible for the performance that results. The board of RBI only enters into new investments on the basis of a separate due diligence process.

Market risk

RBI defines market risk as the potential negative change in the market price of trading and investment positions. Market risk is affected by the volatility of exchange rates, interest rates, credit spreads, equity prices and commodity prices as well as other relevant market parameters, e.g. implicit volatilities.

Market risk in the retail sector is transferred to the treasury business unit through the transfer pricing method. Treasury is responsible for the management of these structural risks as well as compliance with total bank limits. The capital markets business unit incorporates proprietary trading, market making and retail operations for money and capital market products.

Organization of market risk management

RBI measures, monitors and controls all market risks at the level of the bank as a whole.

The strategic market risk management role is performed by the Market Risk Committee, which is responsible for the management and control of all market risks. The combined bank limit is set by the board and takes in to consideration risk bearing-capacity and income budget. This limit is apportioned to sub-limits in accordance with the respective company business units according to strategy, business model and risk appetite.

The Market Risk Management department ensures that the transaction volume and product range stay within the defined and agreed strategy and risk appetite. It is responsible for the development and advancement of the risk management process, policies, methods of measurement, risk management infrastructure and systems for all market risk categories and the market risk-induced derivative transaction credit risks. Furthermore, this department carries out the daily independent measurement and reporting of all market risks.

All products in which open positions are held are set out in the product catalogue. New products are first recorded in this list once they have successfully passed the product introduction process. Product applications are subjected to thorough risk analysis and only approved if mapping in the front and back office as well as risk management systems is guaranteed.

Limit system

RBI follows a comprehensive risk management approach for trading and banking books (total-return approach). Control of market risk is consistently applied to all trading and banking books. The following variables are measured and limited in the market risk management system on a daily basis:

- Value at risk (VAR) confidence interval 99 per cent over one-day horizon
  The VaR limit restricts the maximum loss to a confidence interval of 99 per cent, which will not be exceeded within one day. It is the main control instrument in liquid markets in normal market situations.

- Sensitivities (to changes in currency rates and interest rates, gamma, vega, share and commodities prices)
  Sensitivity limits should avoid concentrations in normal market situations and are the main control instrument in distressed situations or in illiquid or structurally difficult-to-measure markets.

- Stop loss
  This limit aids the discipline of the trader when managing proprietary positions, as potential losses are not allowed to mount and instead are quickly closed out.

This multi-stage limit system is supplemented by a comprehensive stress testing environment, in which the potential changes in value for the total portfolio are investigated through the application of various scenarios. The risk concentrations revealed by these stress tests are reported in the Market Risk Committee and the limits are set. Stress test reports for every portfolio are part of daily market risk reporting.

Value-At-Risk (VAR)

The measurement of VAR is based on a hybrid simulation approach in which 5,000 scenarios are simulated and which combines the advantages of historical simulation with those of Monte Carlo simulation The market parameters used are based on historical time series covering 500 days. The distribution assumptions implement modern properties such as volatility declustering, random time change and extreme event containers, in order to well simulate heavy tailed and asymmetric distributions. The model is approved by the Austrian Financial Market Authority as an internal model for measuring equity capital requirements. The VAR results are used not only in risk limitation, but also in economic capital allocation. As at the end of 2011, VAR has been joined by stressed VAR as a regulatory requirement in reporting.

RBI's VAR is dominated by the structural interest risks and spread risks from bond books held as a liquidity buffer.

Trading book VaR 99% 1d	31/12/2011	Avg 2011	Maximum 2011	Minimum 2011
Currency risk	1,005	703	2,001	337
Interest rate risk	4,633	5,852	11,878	2,363
Credit spread risk	812	2,412	8,273	743
Total	**2,665**	**7,813**	**12,673**	**2,665**

Trading book VaR 99% 1d	31/12/2010	Avg 2010	Maximum 2010	Minimum 2010
Currency risk	2,523	1,050	5,714	420
Interest rate risk	4,694	4,612	7,612	934
Credit spread risk	2,049	3,784	13,390	2,029
Total	**7,263**	**8,692**	**16,040**	**4,953**

Banking book VaR 99% 1d	31/12/2011	Avg 2011	Maximum 2011	Minimum 2011
Interest rate risk	9,384	17,315	31,550	6,918
Credit spread risk	10,293	27,700	44,282	7,909
Total	**8,704**	**28,118**	**51,358**	**8,704**

Bankbuch VaR 99% 1d	31/12/2010	Avg 2010	Maximum 2010	Minimum 2010
Interest rate risk	23,121	17,429	38,949	6,466
Credit spread risk	29,949	43,373	100,502	24,996
Total	**28,129**	**43,275**	**96,432**	**27,634**

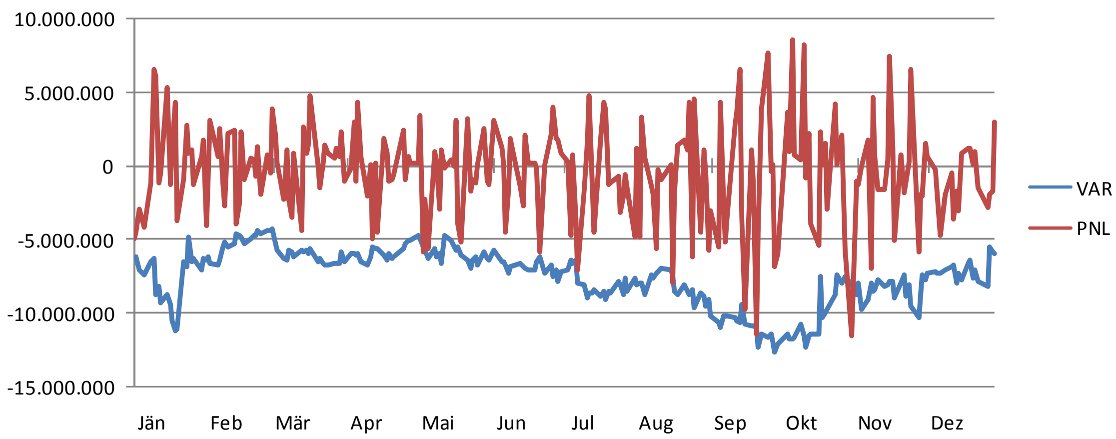
Total VaR 99% 1d	31/12/2011	Avg 2011	Maximum 2011	Minimum 2011
Currency risk	1,005	703	2,001	337
Interest rate risk	6,494	12,635	27,301	5,007
Credit spread risk	10,618	29,088	44,599	7,824
Total	**7,955**	**28,431**	**48,908**	**7,955**

Gesamt VaR 99% 1d	31/12/2010	Avg 2010	Maximum 2010	Minimum 2010
Currency risk	2,523	1,042	5,714	418
Interest rate risk	19,611	13,106	31,853	3,135
Credit spread risk	31,065	45,868	108,503	25,989
Total	**28,668**	**45,955**	**109,718**	**27,802**

In addition to qualitative analyses of profitability, the risk measurement methods used are continuously monitored using back-testing and statistical validation techniques and are modified if modeling weaknesses are identified. Last year there were four cases of overshooting in the RBI trading book. The following graphic shows VAR (99 per cent, 1d) for the market risk pitted against the hypothetical gains and losses for the RBI trading book on a daily basis. The blue line is the VAR, showing the maximum loss within one day which will not be exceeded with a confidence level of 99 per cent. The red line shows the associated hypothetical gain or loss on the following day, given the actual movement of the market. It is clear that the model correctly captures the market volatility regime and reacts very quickly to changing circumstances.

Value-at-risk and hypothetical market value changes for the RBI trading book for 2011

€ thousand



Interest rate risk in the trading book

The following table shows the biggest present value changes in the RBI trading book for a parallel increase of one basis point in interest rates (separately for the major currencies with sensitivity greater than € 10,000). There have been only insignificant changes in the relevant risk factors in the reporting period.

Present value change 31/12/2011	total	0 - 3 months	3 - 6 months	6 -12 months	1 - 2 years	2 - 3 years	3 - 5 years	5 - 7 years	7 - 10 years	10 - 15 years	15 - 20 years	> 20 years
CHF	12	- 1	13	- 2	2	4	- 3	3	- 3	1	- 1	- 1
CZK	1	0	1	0	0	0	0	0				
EUR	461	- 4	27	51	4	12	170	133	142	- 52	5	- 27
GBP	- 2	- 1	0	0	0	0	0	0	- 1			
HUF	1	0	1	0	1	0	- 1	0				
JPY	- 1	- 1	0	0	0	0	0	0	0	0	0	0
NOK	1	1	0	0	0	- 1	1					
PLN	0	0	0	1	0	0	0	- 1	0			
SGD	0	0	0									
USD	120	13	- 45	25	6	- 40	14	- 9	32	- 65	- 18	207

Present value change 31/12/2010	total	0 - 3 months	3 - 6 months	6 -12 months	1 - 2 years	2 - 3 years	3 - 5 years	5 - 7 years	7 - 10 years	10 - 15 years	15 - 20 years	> 20 years
CHF	1	3	0	- 1	2	- 1	3	0	- 3	- 1	0	- 1
CZK	- 1	0	0	- 1	2	- 2	0	0	0			
EUR	478	12	- 22	- 7	- 56	37	199	167	212	9	21	- 94
GBP	- 18	0	0	0	- 1	0	0	0	- 5	0	- 1	- 11
HUF	- 3	- 1	2	1	- 1	- 1	- 2	1	- 2			
JPY	- 1	- 1	0	0	0	0	0	- 1	1	0	0	0
NOK	1	1	0	0	0	0	0					
PLN	5	- 1	0	1	1	0	3	1	0			
SGD	0	- 1	0	1	0							
USD	- 13	0	- 3	- 3	- 3	1	- 4	1	- 1	0	0	- 1

Interest rate risks in the banking book

Different maturities and interest rate adjustment conditions for the products offered as well as refinancing from customer deposits and the money and capital markets result in interest rate exposure at RBI. This arises primarily from the incomplete offsetting of interest rate sensitivity of anticipated payments, their interest rate adjustment periodicity and other optional features. Interest rate risks in the banking book exist primarily in the main currencies EUR and USD and in the local currencies of Group subsidiaries in Central and Eastern Europe.

This risk is fundamentally secured by a combination of on-balance-sheet and off-balance-sheet transactions, using primarily interest rate swaps and (to a lesser extent) interest rate futures transactions and interest rate options. Balance sheet management is a core function of the Treasury department, which is assisted in this by the Group Asset/Liability Committee. This uses scenarios and analyses to simulate net interest income for the purpose of ensuring optimal positioning in line with the view of interest rates and in the scope of risk appetite.

To quantify the interest rate change risk in the banking book, the VAR calculation is supplemented by classical methods of capital and interest rate commitment analysis. The present value change in the RBI banking book with a parallel interest rate increase of one basis point is presented separately in the following table for the key currencies. The reduction of interest rate exposure in the banking book is due primarily to the decrease in sovereign bond holdings.

Present value change 31/12/2011	total	0 - 3 months	3 - 6 months	6 -12 months	1 - 2 years	2 - 3 years	3 - 5 years	5 - 7 years	7 - 10 years	10 - 15 years	15 - 20 years	> 20 years
AUD	- 2	- 2	0	0	0	0	0					
CAD	- 1	0	- 1	0	0							
CHF	- 77	7	0	- 1	1	- 1	- 7	- 14	- 25	- 24	- 13	
CNY	37	- 10	15	32								
EUR	- 536	61	82	141	130	51	- 92	- 573	- 165	- 100	- 1	- 70
GBP	- 3	- 1	0	0	0	0	0	0	0	- 1	0	- 1
JPY	- 3	- 2	- 1	0	0	0	0					
PLN	- 2	1		0	- 1	0	- 1	- 1	0			
SEK	- 1	1	- 2	0	0	0	1	- 1	0	0		
SGD	- 8	- 1			- 1	- 3	- 3					
USD	- 70	26	- 19	- 5	- 20	- 11	- 8	- 32	- 1	2	0	- 2

Present value change 31/12/2010	total	0 - 3 months	3 - 6 months	6 -12 months	1 - 2 years	2 - 3 years	3 - 5 years	5 - 7 years	7 - 10 years	10 - 15 years	15 - 20 years	> 20 years
AUD	- 4	- 4	0	0	0	0	0					
CAD	- 2	- 1	- 1	0	0	0						
CHF	- 76	- 6	- 1	0	- 2	3	- 2	- 14	- 16	- 22	- 16	
CNY	24	- 14	3	35								
EUR	- 1814	133	152	41	- 75	193	- 96	- 712	- 1184	- 205	35	- 96
GBP	- 3	- 2	0	0	0	0	0	0	0	0	0	- 1
JPY	- 4	- 2	- 2	0	0	0	0					
PLN	- 1	- 1	0	0	0	0	0					
SEK	2	0	- 1	0	0	0	- 1	- 1	4	1		
SGD	- 8	- 4	- 1	0	- 1	1	- 3					
USD	- 90	- 43	- 11	6	3	- 6	- 4	- 15	- 12	6	- 6	- 8

Credit spread risk

The market risk management system takes into account time-related bond and CDS spread curves as risk factors in determining credit spread risks. This market risk category accordingly reflects the specific interest rate risk for all the capital market instruments in the trading and banking book.

Liquidity risk

Liquidity maturity transformation plays a key role for banks in the international finance market. This is the result of investors' desire to be able to access their investments in the short term and the contrasting desire of borrowers for long-term financing. Performing this function constantly involves surpluses or shortfalls in liquidity, which banks balance under normal market conditions by exchanging liquidity with other financial market participants.

Liquidity management and thus ensuring the bank's solvency at all times is carried out by *Treasury*. An internal monitoring system calculates and analyses payment flows daily by currency. Based on this information, the Bank draws up liquidity balance sheets and carries out analyses to ensure compliance with statutory requirements for liquidity and defined liquidity limits. Other analyses include specifically market and bank-specific crisis situations in scenario-based cash flow forecasts, which are also a matter for the Group Asset/Liability Committee.

Short-term liquidity risk

The following report shows the liquidity surplus and the ratio of anticipated inflows of funds and additional potential liquidity (counterbalancing capacity) to fund outflows (liquidity ratio) on a cumulated basis for selected maturities, including all balance sheet accounts and off-balance-sheet transactions. The calculation is based on expert opinions and statistical analyses, allowing for country-specific differences, and includes assumptions of the prolongation of defined assets, the deposit base for customer deposits, and the acquisition of additional liquidity (particularly through assets eligible for refinancing at central banks and collateral in the securities lending business). The constant effort to maintain stable customer deposits and careful management of available liquidity is reflected in the high liquidity ratio.

in € Tausend		**31/12/2011**	
Maturity	**1 week**	**1 month**	**1 year**
Liquidity gap	10,935,914	8,934,745	1,665,197
Liquidity ratio	165%	122%	102%

in € 000		**31/12/2010**	
Maturity	**1 week**	**1 month**	**1 year**
Liquidity gap	6,353,883	4,201,575	656,282
Liquidity ratio	145%	113%	101%

In order to limit the liquidity risk, limits are used which require a positive liquidity gap in the short term for the liquidity positions modeled. To ensure liquidity in the various currencies, the Bank also maintains extensive liquid holdings of securities and gives preference to tenderable assets in lending. In the event of a liquidity shortage, contingency plans are used.

Structural liquidity risk

Structural liquidity risks are triggered primarily by a change in lenders' risk appetite or a deterioration of a refinancing bank's rating. Refinancing costs and opportunities rise and fall with the risk premiums demanded, which vary depending on the specific market and institution.

The long-term refinancing potential accordingly depends on general restoration of trust in banks and the increased effort to bring in savings. RBS refinances through money and capital market transactions, and also acts as a central liquidity balancing entity for the various local group companies in Central and Eastern Europe.

The RBI refinancing plan pays special attention to a balanced financing structure in order to contain the structural liquidity risk. Funds are accepted within the Group not only by RBI as the parent company but also by many subsidiary banks, then coordinated and optimized under a common concept. RBI also enables its subsidiaries to borrow in the medium and long term through syndicated loans, bilateral bank refinancing and global loans by supranational institutions. These refinancing sources are utilized on the basis of long-standing business relationships.

Operational risks

Operational risk is the risk of losses due to the inadequacy or failure of internal procedures, people and systems or external events, including litigation risk. Within this risk category, both internal risk factors – e.g. unauthorized actions, theft and fraud, processing and procedural errors, business or system outages – and external risk factors – including damage to physical assets and fraud – are monitored and managed.

The analysis and management of these risks is based on an internal historical collection of data on losses and the results of risk evaluation. Another element in management is an incentive system for internal capital allocation which rewards high data quality and low anticipated losses by individual business units.

Analogously with the other risk categories, the RBI applies the principle of separation of functions in risk management and controlling for operational risk as well. The risk controlling units for operational risk in the individual Group units are responsible for implementing and improving operational risk management (e.g. carrying out self-assessment, defining and monitoring early warning indicators) and reporting to central operational risk controlling. The segment management implements management and reduction measures for operational risk. It decides on the use of management instruments, e.g. taking out insurance or other risk reduction procedures.

Risk identification

A key step in managing operational risks is the identification and evaluation of risks that would endanger the continuing operations of the Group (although these have a very low probability) and other segments where losses are more frequent (although involving only minor losses).

OOperational risks are evaluated in a structured and uniform manner throughout the Group using a two-dimensional matrix for generic business processes and types of events (depending on the area of business or product group) and are evaluated for all new products. All Group units evaluate the effect of probable events with small losses (high probability/low impact) and improbable events with major loss potential (low probability/high impact) for a time horizon of one year or ten years in relation to earnings. The low probability/high impact events are measured using standardized scenarios. Group units also apply other scenarios customized for their risk profile and local situations. RBI also participated in an exchange of scenario definitions in the internationally recognized data pool ORX Consortium, of which it has been a member since 2010.

Monitoring

Early warning (key risk) indicators are used to monitor operational risks, making prompt recognition and lower of losses possible. Operational losses are recorded in the central ORCA (Operational Risk Controlling Application) database, broken down by business area and type of event. Such a collection of data on losses will make it possible in the future to implement statistical loss distribution models, and is a requirement for applying the standard approach. This data on losses (together with documentation of losses that ultimately fail to materialize) also provides a basis for scenarios for risk identification and sharing with international loss databases for developing more advanced measurement techniques.

The results of the analyses and cases of operational risk are reported regularly and comprehensively to the Risk Management Committee.

Measurement and risk reduction

RBI currently uses the standard approach (STA) for capital backing for operational risk in accordance with Basel II. In order to reduce operational risk, segment managers use primarily preventive measures to reduce and transfer risk, the progress and effectiveness of which are monitored by risk controlling. The management also develops crisis plans and identifies individuals or departments to initiate the necessary measures if losses actually occur. In addition, a number of specialist units support the segments in avoiding operational risks. Fraud Management plays a key role in this, using monitoring and preventative measures to combat fraud. RBI also carries out extensive staff training on an ongoing basis, and has a wide range of emergency plans and backup systems.

Internal control and risk management system for accounting

For Raiffeisen Bank International AG (RBI), establishing and structuring an appropriate internal control and risk management system for accounting is a matter of crucial importance. The annual financial statements of RBI are prepared in the Financial Accounting department, which is in the CFO's executive department. Foreign branches supply financial statements to Head Office, for which they are directly responsible.

The Group's annual financial statements are drawn up on the basis of Austrian laws governing the preparation of consolidated financial statements, primarily the Austrian Banking Act (BWG) and Business Enterprise Code (UGB).

At RBI the general ledger is kept on the core bank system GEBOS, which also handles the sub-ledger function of credit and deposit processing (GIRO). There are also a number of other sub-ledgers, specifically:

- Wall Street Systems (Treasury)
- GEOS (securities processing)
- NIKOS (nostro securities management)
- Payment transfer business
- Banktrade (guarantees and L/Cs)
- UBIX (securities derivatives)
- SAP (debtors, creditors, investment accounting)

The accounting process can be described as follows:

- Current accounting: The accounting records are entered both directly in GEBOS (loan and deposits processing) and indirectly through various sub-ledgers (subsystems), the entries of which are aggregated and passed through interfaces to the general ledger (GEBOS).
- RBI's individual financial statements are compiled in accordance with UGB/BWG and IFRS. Based on the raw balance sheet from GEBOS, a large number of supplementary accounting entries are made. This is then the basis used to prepare the balance sheet and income statements in accordance with UGB/BWG.

Control system

The RZB Group Directive Database can be used to call up all instructions. For accounting purposes the Group Accounts Manual is particularly important, which includes a description of the following:

- General accounting rules
- Valuation methods
- Necessary (quantitative) information in the Notes
- Accounting rules for special transactions (e.g. leasing, ABS, tax issues, etc)

In addition, there are guidelines which only affect RBI or intradepartmental functions. As examples for accounting, guidelines can be cited which govern the process for settling incoming invoices or managing clearing accounts.

Risk assessment

The assessment of risks of incorrect financial reporting are based on various criteria. Valuations of complex financial instruments can lead to an increased risk of error. In addition, the assets and liabilities must be measured in preparing the annual financial statements, where there is a risk in the impairment testing of receivables, securities and equity investments based on estimates of future developments.

Control measures

The key control measures cover a number of reconciliation processes. In addition to the cross-check principle, there are automated controls and monitoring instruments related to the degree of risk. Examples include reconciliations between the general ledger and sub-ledgers and the reconciliation of results between Financial Accounting and Midoffice Treasury. The functions assigned to the individual offices are documented in writing and continuously updated. Particular attention is paid to ensuring functional deputization arrangements to avoid problems with appointments if a staff member is absent.

The annual financial statements and management report are reviewed by the Supervisory Board Audit Committee and are also adopted by the Supervisory Board. They are published in the Wiener Zeitung and entered in the commercial register.

Information and communication
There is an ongoing exchange of information between the departments about the booking and accounting of products. In the Capital Market segment, for example, there are regular monthly meetings where the accounting of complex products is covered. Regular departmental meetings ensure that staff constantly receives training on new features in UGB/BWG and IFRS accounting.

As part of the reporting procedure, the Management Board receives monthly and quarterly reports analyzing RBI's results. The Supervisory Board also receives reports on results at its regular meetings, ensuring monitoring of the internal control system.

External reporting is largely limited to the consolidated results of RZB. Reports are half-yearly. In addition to the consolidated financial statements, a half-year financial report is also published for the Group. There are also ongoing regulatory reporting requirements for the FMA.

Monitoring
The Management Board and the mid-office departments are responsible for ongoing company-wide internal monitoring. The quality of the ongoing monitoring is ensured by the activities of the Internal Audit department. This reports regularly to the Management Board and Supervisory Board Audit Committee.

The consolidated financial statements for publication are submitted to senior managers of the Accounting & Reporting department and the CFO for final approval and then submitted to the Supervisory Board's Audit Committee.

Events after the balance sheet date

Acquisition of Polbank

RBI signed an agreement with the Greek EFG Eurobank Ergasias S.A. (Eurobank EFG) on February 3, 2011 for the acquisition of a majority 70 percent share in its operating unit Polbank EFG (Polbank) as a first step. With its strong focus on private clients, Polbank would be a good addition to Raiffeisen Bank Polska, which mainly focuses on corporate clients.

Significant steps towards acquiring Polbank – for example the approvals by the European Commission and the transition to an independently licensed bank – as well as the preparations for the future organizational structure of the merged bank were successfully carried out in the 2011 financial year. Closing the transaction now depends on the regulatory approval in Poland.

Strengthening the tier-1 capital

The tender floating period for buying back several RBI bonds ended on March 5, 2012. In total, RBI bought back securities with a total nominal value and at a liquidation preference amount of € 358 million. The buyback increased the core tier-1 capital by the difference between the nominal and redemption amount, which strengthened the capital structure accordingly against the backdrop of the changes in the regulatory requirements.

RBI optimizes structure of participations to prepare for Basel III

In the course of its measures to prepare for the Basel III guidelines that will be in force as of 2013, Raiffeisen Bank International AG (RBI) is currently optimizing its structure of participations. The European implementation of Basel III will limit the recognition of the capital contributions provided by minority shareholders. In order to avoid this effect, RBI will acquire the minority shareholdings that Raiffeisen Zentralbank Österreich AG (RZB) holds in Tatra banka a.s. and the Czech Republic's Raiffeisenbank a.s. By doing so, RBI will increase its already existing majority shareholdings in these network banks and will further simplify the shareholder structure.

On the completion of this measure – which is still subject to approval from the relevant regulatory authorities – RBI’s equity share in Tatra banka in Slovakia will increase from 65.77 per cent to 78.57 per cent and from 51.00 per cent to 75.00 per cent in Raiffeisenbank in the Czech Republic. The purchase price for the shares will total approximately € 344 million, which will initially impact RBI's Core Tier 1 Ratio by around 0.35 percentage points.

Outlook

Economic prospects

Central and Eastern Europe

Central Europe

Having benefited from stable growth in export markets in 2011, Central Europe’s economic forecast for 2012 is significantly gloomier. In this climate, Poland’s GDP growth is likely to drop from 4.3 per cent in 2011 to 2.8 per cent in 2012. The situation is similar in Slovakia, which was still reporting growth of 3.3 per cent in 2011, but is likely to suffer a drop in economic output in real terms of 0.5 per cent in 2012. With domestic demand remaining weak and exports falling as a result of the expected recession in the eurozone, total economic output in the Czech Republic is expected to fall by 0.2 per cent in 2012. Similar developments are expected in Slovenia where the heavy dependence on exports, a fragile banking sector and a delay in political reforms generate grim prospects. The latest political decisions in Hungary have had an impact on investor confidence. Combined with low domestic demand, the forecast here in 2012 is for economic output to fall by 0.5 per cent.

Southeastern Europe

The renewed slowdown in the eurozone’s economy, combined with persistently weak investment activity, is, as in the case of Central Europe, likely to have a dampening effect on Southeastern Europe and could lead to stagnation or even recession in some countries. Tighter lending, persistently high unemployment and a drop in transfers from Southeastern Europeans working abroad are impairing consumer spending. Governments there also have limited resources to significantly increase consumption or finance investments. Consequently, GDP is expected to rise only marginally by around 0.3 per cent in 2012.

CIS

Even though oil prices are expected to remain high, lower growth is forecasted for the Russian Federation in 2012. Russia is increasingly struggling to transform its export price level into significant economic growth. Nevertheless, at 3.7 per cent it should still be well within positive territory and above the average eurozone level. Domestic factors boosting the economy – through both private demand and investments – are likely to be somewhat weaker year-on-year. Similar developments are expected in Ukraine. Like Russia, it is heavily dependent on the volatile prices of commodities and, as such, is particularly exposed to risk in the current global environment. Growth in the economy is likely to drop from 5.2 per cent to 3.5 per cent. Domestic consumption remains high, while exports are decreasing slightly. Belarus will still have to struggle with the consequences of the economic crisis in 2012. With pressure from inflation and depreciation still high, GDP growth of 3.0 per cent is expected.

Eurozone

Current forecasts predict a distinctive economic downturn at the end of 2011/beginning of 2012. Owing to the high financing costs, fiscal counter steering is nearly impossible in most countries. On the contrary, persistent restrictive fiscal policies are to be expected for the majority of eurozone countries in 2012. Furthermore, the political environment will remain turbulent. Budget cutbacks and structural changes on the national, as well as bail-out packages on the European level will most likely be accompanied by criticism and protests. In light of these circumstances, a noticeable recession is anticipated from year-end 2011 until mid-2012. On the eurozone demand side this will be characterized by a decline in the demand for investments and public consumption. It is likely that some eurozone countries will experience a decline in their economic performance: Austria (0.3 per cent), Belgium (minus 0.2 per cent), Finland (0.0 per cent), France (0.1 per cent), Germany (0.0 per cent), Ireland (minus 0.7 per cent), Italy (minus 1.8 per cent) and Spain (minus 1.2 per cent). The largest GDP declines are forecast for Greece (minus 5.5 per cent) and Portugal (minus 3.8 per cent).

Asia

China will remain the motor for growth in Asia in 2012, even though economic growth will be noticeably slower due to the worldwide decline in demand for exports, as well as internal imbalances in the real estate market. Decreasing inflation enables monetary countermeasures. At the same time, it is expected that fiscal policy will not interfere quite as strongly as it did in 2009 (strong increase in investments), but that smaller measures, geared towards stimulating consumption and supporting low income households, will be taken. In general, the government's targeted growth of 7.5 per cent in 2012 will be exceeded. India also faces a significant slow-down in economic growth that will reach its low in the first half of 2012. For 2012 the growth forecast stands at an average of 7.0 per cent.

Outlook for RBI

In the context of expected overall economic developments, particularly in CEE, we are aiming, with the inclusion of the acquisition of Polbank, for a return on equity before tax of around 15 per cent in the medium term. This is excluding future acquisitions, any capital increases, as well as unexpected regulatory requirements from today's perspective.

In 2012, we expect a stable business volume due to the economic environment and restrictive regulatory requirements. From the customer standpoint, we plan to retain our Corporate Customers division as the backbone of our business and in the medium term to expand the proportion of business volume accounted for by our Retail Customers division.

Against the backdrop of a permanently changing regulatory environment and further strengthening of our balance sheet structure we are continuously evaluating the level and structure of our regulatory capital to be able to act promptly and flexibly. Depending on market developments, a capital increase also continues to be a possible option.

Despite the cautious economic growth forecast, we expect to see a stabilization of the net provisioning ratio along with only a marginal increase in non-performing loan volumes. Due to current developments on the economic and political fronts, it is not possible to accurately predict when we will reach a turning point as far as non-performing loans are concerned.

In 2012, we expect higher bank levies than in the previous year. In Austria and CEE this will presumably result in a negative earnings effect of some € 160 million (of which approximately € 100 million in Austria, € 40 million in Hungary and € 20 million in Slovakia).

We plan to raise around € 4.6 billion in long-term wholesale funding (maturity of more than one year) for the RBI Group in 2012. In the capital markets we intend to raise € 2.1 billion in wholesale funding, of which around € 1.2 billion had already been placed as of the beginning of March.

In 2012 we will once again pay increased attention to cost development. Therefore, we have implemented Group-wide cost efficiency programs in order to achieve a flat cost development. The number of Group outlets is to remain fairly stable in 2012 (excluding Polbank), although there may continue to be some optimization of our network in some countries.

Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of

Raiffeisen Bank International AG,
Vienna, Austria

for the **year from 1 January 2011 to 31 December 2011**. These financial statements comprise the balance sheet as of 31 December 2011, the income statement for the year ended 31 December 2011 and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 December 2011 and of its financial performance for the year from 1 January 2011 to 31 December 2011 in accordance with Austrian Generally Accepted Accounting Principles.

Report on Other Legal Requirements (Management Report)

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 12 March 2012

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Rainer Hassler
Wirtschaftsprüfer

Mag. Bernhard Mechtler
Wirtschaftsprüfer

(Austrian Chartered Accountants)

This report is a translation of the original report in German, which is solely valid.

Publication of the financial statements together with our auditor's opinion may only be made if the financial statements and the management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

Statement of the board of Management pursuant to Art. 82 (4) Austrian Stock Exchange Act

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

Vienna, 12 March 2012

The Managing Board

Herbert Stepic
Chief Executive Officer responsible for Internal Audit, Legal & Compliance, Human Resources, Management Secretariat, Organization & Internal Control System, Group Strategy and PR, Marketing and Event Management

Karl Sevelda
Deputy to the Chief Executive Officer responsible for Corporate Customers, Group Products, Network Corporate Customers & Support and Corporate Sales Management & Develeopment

Aris Bogdaneris
Chief Operating Officer responsible for Credit Services, Collections, Consumer Banking, Group & Austrian IT, Group Project Management Office, International Operations & IT, IT - Markets & Treasury, Lean & Service Excellence, Small Business & Premium Banking and Transaction Services

Patrick Butler
Member of the Management Board responsible for Credit Markets, Raiffeisen Research, Capital Markets and Institutional Clients

Martin Grüll
Chief Financial Officer responsible for Tax Management, Treasury, Planning and Finance and Investor Relations

Peter Lennkh
Member of the Management Board responsible for International Business Units and Participations

Johann Strobl
Chief Risk Officer responsible for Risk Controlling, Financial Institutions and Country Risk & Group Portfolio, Management, Retail Risk Management, Credit Management Corporates, Workout and Risk Excellence & Projects