Consolidated financial statements

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Statement of comprehensive income

Income statement

€ 000	Notes	2011	2010	Change
Interest income		6,614,417	6,364,799	3.9%
Current income from associates		89	200	(55.5)%
Interest expenses		(2,947,356)	(2,786,831)	5.8%
Net interest income	**[2]**	**3,667,150**	**3,578,168**	**2.5%**
Net provisioning for impairment losses	[3]	(1,063,551)	(1,194,084)	(10.9)%
Net interest income after provisioning		**2,603,599**	**2,384,084**	**9.2%**
Fee and commission income		1,795,257	1,753,233	2.4%
Fee and commission expense		(305,330)	(262,441)	16.3%
Net fee and commission income	**[4]**	**1,489,927**	**1,490,792**	**(0.1)%**
Net trading income	[5]	363,261	328,121	10.7%
Net income from derivatives and designated liabilities	[6]	412,828	(84,185)	–
Net income from financial investments	[7]	(141,077)	137,223	–
General administrative expenses	[8]	(3,120,440)	(2,979,745)	4.7%
Other net operating income	[9]	(232,167)	6,297	–
Net income from disposal of group assets	[10]	(2,575)	4,734	–
Profit before tax		**1,373,355**	**1,287,322**	**6.7%**
Income taxes	[11]	(399,243)	(110,161)	262.4%
Profit after tax		**974,113**	**1,177,161**	**(17.2)%**
Profit attributable to non-controlling interests		(6,449)	(89,685)	(92.8)%
Consolidated profit		**967,663**	**1,087,475**	**(11.0)%**

Transition to total comprehensive income

	Total		Group equity		Non-controlling interests	
€ 000	2011	2010	2011	2010	2011	2010
Consolidated profit	**974,113**	**1,177,161**	**967,663**	**1,087,475**	**6,449**	**89,685**
Exchange differences	(349,606)	188,893	(302,230)	180,388	(47,376)	8,506
hereof unrealized net gains (losses) of the period	(349,606)	188,893	(302,230)	180,388	(47,376)	8,506
Capital hedge	31,321	(11,332)	31,321	(11,332)	0	0
Hyperinflatin	95,152	0	83,486	0	11,666	0
Net gains (losses) on derivatives hedging fluctuating cash flows	(45,951)	38,578	(45,951)	38,578	0	0
hereof unrealized net gains (losses) of the period	(46,904)	38,578	(46,904)	38,578	0	0
hereof net gains (losses) reclassified to income statement	953	0	953	0	0	0
Changes in equity of companies valued at equity	39	0	39	0	0	0
Net gains (losses) on financial assets available-for-sale	150,824	10,140	150,824	10,140	0	0
hereof unrealized net gains (losses) of the period	153,967	10,140	153,967	10,140	0	0
hereof net gains (losses) reclassified to income statement	(3,143)	0	(3,143)	0	0	0
Deferred taxes on income and expenses directly recognized in equity	(44,556)	(7,680)	(44,556)	(7,680)	0	0
Other comprehensive income	**(162,777)**	**218,599**	**(127,066)**	**210,094**	**(35,711)**	**8,506**
Total comprehensive income	**811,336**	**1,395,760**	**840,597**	**1,297,569**	**(29,262)**	**98,191**

Other comprehensive income

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

The item fair value reserve (available-for-sale financial assets) contains net valuations of financial investments.

Due to changed intentions regarding a part of the held-to-maturity portfolio, a volume of € 3,165,000 thousand of held-to-maturity securities was reclassified as available-for-sale. This reclassification caused an increase in other comprehensive income in the amount of income recognized of € 116,917 thousand (after tax).

Through the application of IAS 29 (hyperinflation accounting) in Belarus € 95,152 thousand was recognized directly in other comprehensive income.

Due to a change in hedging strategy some cash flow hedging was ended in the second quarter 2011 and replaced by portfolio hedging. The valuation losses on the termination of cash flow hedges amounted to € 36 million (after deferred tax).

Retained earnings

Items recognized directly in retained earnings developed as follows:

€ 000	Exchange differences	Capital hedge	Cash flow hedge	Fair value reserve (afs financial assets)	Hyper-inflation	Deferred tax
As of 1/1/2010	**(1,336,732)**	**52,703**	**7,316**	**38,006**	**0**	**309,404**
Unrealized net gains (losses) of the period	180,388	(11,332)	38,578	10,140	0	(7,680)
As of 31/12/2010	**(1,156,344)**	**41,371**	**45,894**	**48,146**	**0**	**301,723**
Unrealized net gains (losses) of the period	(302,230)	31,321	(46,904)	153,967	83,486	(44,556)
Net gains (losses) reclassified to income statement	0	0	953	(3,143)	0	0
As of 31/12/2011	**(1,458,574)**	**72,692**	**(57)**	**198,970**	**83,486**	**257,167**

Earnings per share

In €	Notes	2011	2010	Change
Earnings per share	[12]	3.95	4.56	(0.62)

Earnings per share are obtained by dividing adjusted consolidated profit (less dividend for participation capital in the reporting period and participation rights in the previous year) by the average number of common shares outstanding.
In the fiscal year 2011, the number of common shares outstanding was 194,552 thousand compared with 194,530 thousand in the previous year.

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

Quarterly results

The quarterly results are as follows:

€ 000	Q1/2011	Q2/2011	Q3/2011	Q4/2011
Net interest income	884,252	896,934	942,574	943,390
Net provisioning for impairment losses	(208,197)	(196,820)	(376,587)	(281,947)
Net interest income after provisioning	**676,055**	**700,114**	**565,988**	**661,443**
Net fee and commission income	357,108	379,835	387,560	365,423
Net trading income	123,425	132,767	36,786	70,283
Net income from derivatives and designated liabilities	2,798	37,841	108,412	263,776
Net income from financial investments	25,067	(13,085)	(157,706)	4,646
General administrative expenses	(753,016)	(761,300)	(772,372)	(833,753)
Other net operating income	(23,902)	(2,609)	(15,415)	(190,240)
Net income from disposal of group assets	(2,494)	(91)	6	4
Profit before tax	**405,042**	**473,472**	**153,258**	**341,583**
Income taxes	(99,684)	(101,388)	(70,895)	(127,276)
Profit after tax	**305,358**	**372,084**	**82,363**	**214,307**
Profit attributable to non-controlling interests	(35,346)	(26,944)	47,962	7,879
Consolidated profit	**270,012**	**345,140**	**130,326**	**222,186**

€ 000	Q1/2010	Q2/2010	Q3/2010	Q4/2010
Net interest income	858,629	921,476	927,182	870,881
Net provisioning for impairment losses	(324,942)	(282,697)	(305,746)	(280,700)
Net interest income after provisioning	**533,687**	**638,779**	**621,436**	**590,181**
Net fee and commission income	336,882	378,111	373,272	402,527
Net trading income	126,157	66,198	65,814	69,951
Net income from derivatives and designated liabilities	(45,209)	(86,338)	4,596	42,766
Net income from financial investments	140,521	(87,853)	83,542	1,013
General administrative expenses	(699,961)	(724,872)	(727,773)	(827,139)
Other net operating income	(4,591)	2,986	(2,942)	10,846
Net income from disposal of group assets	4,659	211	(155)	19
Profit before tax	**392,145**	**187,221**	**417,791**	**290,165**
Income taxes	(33,202)	(30,584)	(80,422)	34,048
Profit after tax	**358,943**	**156,637**	**337,369**	**324,213**
Profit attributable to non-controlling interests	(25,238)	(18,157)	(26,368)	(19,923)
Consolidated profit	**333,705**	**138,480**	**311,001**	**304,290**

Statement of financial position

Assets € 000	Notes	31/12/2011	31/12/2010	Change
Cash reserve	[14, 35]	11,401,747	4,806,891	137.2%
Loans and advances to banks	[15, 35, 36]	25,748,044	21,532,406	19.6%
Loans and advances to customers	[16, 35, 36]	81,576,235	75,657,061	7.8%
Impairment losses on loans and advances	[17, 35]	(5,053,212)	(4,755,872)	6.3%
Trading assets	[18, 35, 36]	10,616,671	8,068,393	31.6%
Derivatives	[19, 35, 36]	1,404,809	1,488,036	(5.6)%
Financial investments	[20, 35, 36]	16,534,964	19,630,902	(15.8)%
Investments in associates	[21, 35, 36]	5,017	4,961	1.1%
Intangible fixed assets	[22, 24, 35]	1,065,548	1,219,816	(12.6)%
Tangible fixed assets	[23, 24, 35]	1,511,477	1,453,630	4.0%
Other assets	[25, 35, 36]	2,173,703	2,066,890	5.2%
Total assets		**146,985,003**	**131,173,114**	**12.1%**

Equity and liabilities € 000	Notes	31/12/2011	31/12/2010	Change
Deposits from banks	[26, 35, 36]	37,991,809	33,659,182	12.9%
Deposits from customers	[27, 35, 36]	66,747,234	57,633,113	15.8%
Debt securities issued	[28, 35, 36]	14,366,814	16,555,382	(13.2)%
Provisions for liabilities and charges	[29, 35, 36]	770,957	671,908	14.7%
Trading liabilities	[30, 35, 36]	9,714,926	5,741,591	69.2%
Derivatives	[31, 35, 36]	791,720	1,263,528	(37.3)%
Other liabilities	[32, 35, 36]	1,515,024	1,243,387	21.8%
Subordinated capital	[33, 35, 36]	4,150,733	4,001,098	3.7%
Equity	[34, 35]	10,935,786	10,403,925	5.1%
Consolidated equity		8,825,228	8,250,760	7.0%
Consolidated profit		967,663	1,087,475	(11.0)%
Non-controlling interests		1,142,894	1,065,690	7.2%
Total equity and liabilities		**146,985,003**	**131,173,114**	**12.1%**

Statement of changes in equity

€ 000	Subscribed capital	Participation capital/ Participation rights	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as of 31/12/2009	**468,733**	**600,000**	**2,569,132**	**2,152,598**	**212,181**	**997,538**	**7,000,182**
Effects due to the merger	124,555	1,900,000	(1,951)	299,757	0	2,898	2,325,259
Equity as of 1/1/2010	**593,288**	**2,500,000**	**2,567,181**	**2,452,355**	**212,181**	**1,000,436**	**9,325,441**
Capital increases	0	0	0	0	0	3,013	3,013
Transferred to retained earnings	0	0	0	182,044	(182,044)	0	0
Dividend payments	0	0	0	(304,700)	(30,136)	(49,305)	(384,141)
Total comprehensive income	0	0	0	210,094	1,087,475	98,191	1,395,760
Own shares/share incentive program	35	0	693	0	0	0	729
Other changes	0	0	0	49,769	0	13,355	63,124
Equity as of 31/12/2010	**593,323**	**2,500,000**	**2,567,874**	**2,589,562**	**1,087,475**	**1,065,690**	**10,403,925**
Capital increases	0	0	0	0	0	168,930	168,930
Transferred to retained earnings	0	0	0	683,186	(683,186)	0	0
Dividend payments	0	0	0	0	(404,289)	(58,498)	(462,788)
Total comprehensive income	0	0	0	(127,066)	967,663	(29,262)	811,336
Own shares/share incentive program	89	0	2,904	0	0	0	2,993
Other changes	0	0	0	15,356	0	(3,966)	11,390
Equity as of 31/12/2011	**593,412**	**2,500,000**	**2,570,778**	**3,161,038**	**967,663**	**1,142,894**	**10,935,786**

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

Other changes in equity are due to currency differences between the income statement and the statement of financial position and changes in shares in Group units.

The effects due to the merger of the principal business areas of RZB with Raiffeisen International in the year 2010 amounted to € 2,325,259 thousand and consist of the participation capital amounting to € 2,500,000 thousand and retained earnings of € 299,757 thousand, which were transferred and a capital increase of € 124,555 thousand against a contribution in kind. In the course of the merger, receivables and liabilities of the target and the acquiring company were offset. This was also the case for the participation rights of € 600,000 thousand, which were fully held by RZB AG.

Statement of cash flows

€ 000	2011	2010
Profit after tax	**974,113**	**1,177,161**
Non-cash positions in profit and transition to net cash from operating activities:		
Write-downs/write-ups of tangible fixed assets and financial investments	671,303	341,948
Net provisioning for liabilities and charges and impairment losses	1,316,152	1,503,170
Gains (losses) from disposals of tangible fixed assets and financial investments	(98,695)	(11,505)
Other adjustments (net)	611,542	132,854
Subtotal	**3,474,415**	**3,143,628**
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:		
Loans and advances to banks and customers	(9,666,520)	13,332,712
Trading assets/trading liabilities (net)	1,576,554	1,829,844
Other assets/other liabilities (net)	(4,629,542)	(1,894,152)
Deposits from banks and customers	13,046,255	(13,256,519)
Debt securities issued	(1,933,292)	(3,366,047)
Net cash from operating activities	**1,867,870**	**(210,534)**
Proceeds from sale of:		
Financial investments	8,156,189	4,253,340
Tangible and intangible fixed assets	87,840	70,471
Proceeds from disposal of group assets	3	0
Payments for purchase of:		
Financial investments	(2,536,354)	(4,147,648)
Tangible and intangible fixed assets	(580,305)	(618,706)
Net cash from investing activities	**5,127,373**	**(442,543)**
Capital increases	168,930	3,013
Inflows/outflows of subordinated capital	149,635	(312,759)
Dividend payments	(462,788)	(384,141)
Net cash from financing activities	**(144,223)**	**(693,887)**

€ 000	2011	2010
Cash and cash equivalents at the end of previous period	**4,806,891**	**4,179,572**
Effects due to the merger	0	1,913,574
Net cash from operating activities	1,867,870	(210,534)
Net cash from investing activities	5,127,373	(442,543)
Net cash from financing activities	(144,223)	(693,887)
Effect of exchange rate changes	(256,163)	60,709
Cash and cash equivalents at the end of period	**11,401,747**	**4,806,891**

Payments for taxes, interest and dividends	2011	2010
Interest received	6,517,369	6,486,758
Dividends received	19,320	1,172
Interest paid	(2,848,428)	(2,496,266)
Income taxes paid	(190,806)	(118,789)

The statement of cash flows shows the structure and changes in cash and cash equivalents during the financial year and is broken down into three sections: net cash from operating activities, from investing activities and from financing activities.

Net cash from operating activities comprises inflows and outflows from loans and advances to banks and customers, from deposits from banks and customers as well as debt securities issued. Inflows and outflows from trading assets and liabilities, from derivatives, as well as from other assets and other liabilities are also shown in operating activities. The interest, dividend and tax payments from operating activities are separately stated.

Net cash from investing activities shows inflows and outflows from financial investments, tangible and intangible assets, proceeds from disposal of group assets, and payments for acquisition of subsidiaries.

Net cash from financing activities consists of inflows and outflows of equity and subordinated capital. This covers capital increases, dividend payments, and changes in subordinated capital.

Cash and cash equivalents include the cash reserve recognized in the statement of financial position, which consists of cash in hand and balances at central banks due at call. It does not include loans and advances to banks that are due at call, which belong to operating activities.

Segment reporting

Division of the segments

Segmentation principles

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

Markets in Central and Eastern Europe are thereby grouped together into regional segments in which countries with comparable economic profiles and similar long-term economic growth expectations are bundled into the same segment. Business activities outside the CEE region that have been newly added as a result of the merger with the principal business areas of RZB are divided according to business area.

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

The following segments resulted thereof:

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

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

Russia

Raiffeisenbank is one of the leading foreign banks in Russia and services both corporate and retail customers. The national branch network also offers products tailored for affluent private individuals. The product range in Russia is rounded off by leasing business. In view of the size of the banking market and its high natural and industrial potential, the Russia segment is of key significance for RBI.

CIS Other

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

Group Corporates

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

Group Markets

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

Corporate Center

The Corporate Center segment encompasses all of the services provided by Group headquarters in various divisions that serve to implement the Group's overall strategy and that are allocated to this segment to ensure comparability. Moreover, this segment includes the following areas: Liquidity management and balance sheet structure management as part of proprietary trading, participations (in particular those of subsidiaries in CEE), income from banking operations carried out by Group headquarters and by the Maltese subsidiary for refinancing Group units, the Austrian transaction services business operated by Raiffeisen Daten Service Center GmbH, which offers a wide range of order processing products and services for financial services providers, as well as income from the holding and other companies that do not fall directly under another segment.

Assessment of segment profit and loss

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

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

The performance of the CGUs is evaluated as follows:

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

- **Growth**
  Growth is a very important indicator. Within the risk management certain limits are set for each segment. For this measurement growth rates for the profit after non-controlling interests and total revenues are considered. The diversification of the result is very crucial for the quality and the accordance with the strategic targets.

- **Efficiency**
  The cost/income ratio represents the cost efficiency of the segment. The cost/income ratio shows the proportion of the administrative expenses and the operating income, meaning the sum of net interest income, net fee and commission income, net trading income and the other net operating income.

- **Constraints**
  In accordance with Basel II framework, specific determining factors have to be considered. The proportion of core tier 1 capital to risk-weighted assets (core tier 1 ratio) is an important indicator if the capital underlying for the business volume is adequate. The industry sector specifics are tending to different risk weights within the calculation of risk-weighted assets according to the Austrian Banking Act (based on Basel II). These factors are crucial for the calculation of the regulatory minimum own funds requirements. Moreover the efficient use of the available capital is calculated internally, whereby the actual usage is brought in proportion to the theoretical available risk coverage capital. The long-term liquidity ratios are additionally restrictive and they are defined in accordance with the regulatory guidelines. The performance is also measured with the risk/earning ratio.

- **Business Mix**
  The following key performance indicators are relevant for a reasonable and effective business structure, whereby the composition of the results and the indicators are significant. The structure of the prime funding basis for loans and advances to customers are measured using the loan/deposit ratio (proportion of loans and advances to customer to deposits from customers). The share of the result derived from the core business is relevant as well. The proportion of the net fee and commission income to the operating income is also a key performance indicator, which is included in the target setting for the business mix.

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

Financial year 2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Corporates
Net interest income	1,102,442	919,084	590,101	415,451	429,344
Net fee and commission income	490,576	364,937	237,692	175,546	177,798
Net trading income	76,670	41,448	38,155	(511)	21,062
Other net operating income	(1,731)	40,098	(12,595)	(6,578)	5,952
Operating income	**1,667,957**	**1,365,567**	**853,353**	**583,909**	**634,156**
General administrative expenses	(938,370)	(746,465)	(487,695)	(335,975)	(140,992)
Operating result	**729,587**	**619,102**	**365,658**	**247,935**	**493,164**
Net provisioning for impairment losses	(646,147)	(257,872)	42,062	(127,685)	(115,520)
Other results	(50,487)	(9,967)	25,989	(14,626)	(3,966)
Profit/loss before tax	**32,953**	**351,263**	**433,708**	**105,624**	**373,678**
Income taxes	(65,676)	(46,552)	(112,129)	(51,611)	(75,950)
Profit/loss after tax	**(32,723)**	**304,710**	**321,579**	**54,013**	**297,727**
Profit attributable to non-controlling interests	21,819	(15,937)	163	(3,202)	0
Profit/Loss after deduction of non-controlling interests	**(10,904)**	**288,773**	**321,742**	**50,811**	**297,727**
Share of profit before tax	2.2%	23.4%	28.9%	7.0%	24.9%
Risk-weighted assets (credit risk)	21,510,076	16,324,786	10,516,501	5,489,957	15,732,909
Total own funds requirement	1,965,168	1,524,020	1,032,772	532,183	1,333,051
Assets	34,851,819	22,827,461	14,217,958	6,760,777	22,842,660
Liabilities	31,798,430	19,829,743	12,135,402	5,723,562	15,377,841
Net interest margin	3.16%	4.07%	4.47%	6.10%	1.97%
NPL ratio	9.8%	11.3%	5.8%	29.7%	3.0%
Coverage ratio	60.7%	58.6%	100.2%	68.2%	66.7%
Cost/income ratio	56.3%	54.7%	57.2%	57.5%	22.2%
Net provisioning ratio (average risk-weighted assets, credit risk)	2.76%	1.56%	0.29%	2.38%	0.31%
Average equity	2,739,633	2,008,833	1,274,757	699,066	1,667,298
Return on equity before tax	**1.2%**	**17.5%**	**34.0%**	**15.1%**	**22.4%**
Business outlets	552	1,161	191	1,011	8

Financial year 2011 € 000	Group Markets	Corporate Center	Reconciliation	Total
Net interest income	229,251	362,936	(381,459)	3,667,150
Net fee and commission income	114,603	(64,740)	(6,485)	1,489,927
Net trading income	176,015	37,648	(27,226)	363,261
Other net operating income	27,855	19,670	(304,838)	(232,167)
Operating income	**547,723**	**355,514**	**(720,008)**	**5,288,171**
General administrative expenses	(263,594)	(317,693)	110,345	(3,120,440)
Operating result	**284,128**	**37,821**	**(609,663)**	**2,167,731**
Net provisioning for impairment losses	(13,544)	55,157	(2)	(1,063,551)
Other results	(4,337)	(157,640)	484,209	269,175
Profit/loss before tax	**266,293**	**(64,663)**	**(125,501)**	**1,373,355**
Income taxes	(71,629)	24,353	(49)	(399,243)
Profit/loss after tax	**194,664**	**(40,309)**	**(125,548)**	**974,113**
Profit attributable to non-controlling interests	(879)	(17)	(8,396)	(6,449)
Profit/Loss after deduction of non-controlling interests	**193,784**	**(40,326)**	**(133,943)**	**967,663**
Share of profit before tax	17.8%	(4.3)%	–	100.00%
Risk-weighted assets (credit risk)	5,128,754	19,595,510	(17,148,006)	77,150,488
Total own funds requirement	841,134	1,682,990	(1,287,189)	7,624,128
Assets	25,731,849	53,835,243	(34,082,764)	146,985,003
Liabilities	29,357,601	43,818,972	(21,992,334)	136,049,217
Net interest margin	0.85%	0.80%	–	2.61%
NPL ratio	6.5%	0.0%	–	8.6%
Coverage ratio	107.8%	0.0%	–	68.4%
Cost/income ratio	48.1%	89.4%	–	57.0%
Net provisioning ratio (average risk-weighted assets, credit risk)	0.19%	(0.47)%	–	1.38%
Average equity	1,363,455	1,917,504	(1,638,511)	10,032,035
Return on equity before tax	**19.5%**	**–**	**–**	**13.7%**
Business outlets	4	1	–	2,928

Financial year 2010 **€ 000**	**Central Europe**	**Southeastern Europe**	**Russia**	**CIS Other**	**Group Corporates**
Net interest income	1,111,026	897,698	507,164	423,575	370,949
Net fee and commission income	473,413	387,627	214,076	183,272	155,350
Net trading income	41,862	56,228	74,381	23,158	18,934
Other net operating income	(57,777)	37,245	(28,390)	(7,875)	2,009
Operating income	**1,568,524**	**1,378,798**	**767,231**	**622,131**	**547,240**
General administrative expenses	(883,347)	(737,901)	(414,943)	(346,301)	(141,772)
Operating result	**685,178**	**640,898**	**352,287**	**275,830**	**405,468**
Net provisioning for impairment losses	(408,211)	(335,319)	(76,929)	(213,575)	(129,055)
Other results	(7,824)	(885)	(8,405)	26,903	18,872
Profit/loss before tax	**269,143**	**304,694**	**266,954**	**89,157**	**295,285**
Income taxes	(65,305)	(39,157)	(53,215)	(7,169)	(65,431)
Profit/loss after tax	**203,838**	**265,536**	**213,739**	**81,988**	**229,855**
Profit attributable to non-controlling interests	(54,393)	(17,212)	(234)	(8,443)	(7)
Profit/Loss after deduction of non-controlling interests	**149,445**	**248,324**	**213,505**	**73,545**	**229,848**
Share of profit before tax	17.0%	19.2%	16.9%	5.6%	18.6%
Risk-weighted assets (credit risk)	22,885,702	16,698,004	8,692,338	5,671,068	15,644,778
Total own funds requirement	2,099,495	1,562,652	890,931	558,895	1,301,410
Assets	33,928,326	22,696,524	12,177,759	7,130,917	23,477,902
Liabilities	31,087,480	19,850,740	10,276,908	6,114,129	16,148,276
Net interest margin	3.29%	3.90%	4.14%	6.19%	1.63%
NPL ratio	9.1%	9.0%	8.8%	26.9%	4.3%
Coverage ratio	53.3%	68.2%	94.3%	69.6%	65.2%
Cost/income ratio	56.3%	53.5%	54.1%	55.7%	25.9%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.86%	2.07%	0.96%	4.00%	0.86%
Average equity	2,583,387	1,941,597	1,079,227	664,146	1,593,673
Return on equity before tax	**10.4%**	**15.7%**	**24.7%**	**13.4%**	**18.5%**
Business outlets	555	1,167	198	1,028	8

Financial year 2010 € 000	Group Markets	Corporate Center	Reconciliation	Total
Net interest income	284,250	290,873	(307,367)	3,578,168
Net fee and commission income	106,806	(17,376)	(12,376)	1,490,792
Net trading income	93,165	20,231	162	328,121
Other net operating income	29,513	132,772	(101,199)	6,297
Operating income	**513,734**	**426,499**	**(420,778)**	**5,403,379**
General administrative expenses	(240,704)	(306,826)	92,049	(2,979,745)
Operating result	**273,031**	**119,673**	**(328,731)**	**2,423,634**
Net provisioning for impairment losses	(30,995)	0	0	(1,194,084)
Other results	7,106	(10,601)	32,606	57,772
Profit/loss before tax	**249,141**	**109,073**	**(296,125)**	**1,287,322**
Income taxes	(62,039)	183,051	(896)	(110,161)
Profit/loss after tax	**187,103**	**292,123**	**(297,021)**	**1,177,161**
Profit attributable to non-controlling interests	(795)	(29)	(8,572)	(89,685)
Profit/Loss after deduction of non-controlling interests	**186,308**	**292,095**	**(305,595)**	**1,087,475**
Share of profit before tax	15.7%	6.9%	–	100.0%
Risk-weighted assets (credit risk)	5,273,302	16,128,878	(15,392,757)	75,601,313
Total own funds requirement	1,086,617	1,366,356	(1,281,505)	7,584,851
Assets	27,217,880	32,878,590	(28,334,784)	131,173,114
Liabilities	26,647,480	40,820,712	(30,176,536)	120,769,189
Net interest margin	0.70%	0.79%	–	2.51%
NPL ratio	5.7%	0.0%	–	9.0%
Coverage ratio	88.9%	0.0%	–	66.3%
Cost/income ratio	46.9%	71.9%	–	55.1%
Net provisioning ratio (average risk-weighted assets, credit risk)	0.43%	0.00%	–	1.66%
Average equity	1,613,915	2,043,176	(2,119,140)	9,399,981
Return on equity before tax	**15.4%**	**5.3%**	**–**	**13.7%**
Business outlets	4	1	–	2,961

Notes

Reporting entity

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

Raiffeisen Bank International (RBI) is a universal bank focusing on corporates and private customers in Central and Eastern Europe (CEE) and exclusively on corporates in Austria. In CEE, RBI consists of a closely-knit network of banks, leasing companies and numerous specialized financial service providers with 2,928 business outlets. In Austria, RBI concentrates on the top 1,000 corporate customers and it is one of Austria's most prominent corporate finance and export and trade finance banks. Cash and asset management, treasury operations and investment banking are further fields of activity. RBI's focus as a highly specialized financial engineer is on serving Austrian and foreign key accounts, multinationals and providers of financial services. RBI has branches, subsidiaries and representative offices in the world's major financial centers and in Asia, which have selective business with corporate customers and financial institutions.

The consolidated financial statements were signed by the Management Board on 12 March 2012 and subsequently submitted to the Supervisory Board for review and notice.

Principles underlying the consolidated financial statements

Policies

The consolidated financial statements for the financial year 2011 and the comparative figures for the financial year 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as far as they were adopted by the EU on the basis of IAS Regulation (EC) 1606/2002. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC) that were already applicable have been considered. All standards published by the IASB as International Accounting Standards to be applied to financial statements for 2011 and adopted by the EU, have been applied. The consolidated financial statements satisfy the requirements of Section 245a of the Austrian Commercial Code (UGB) and Section 59a of the Austrian Banking Act (BWG) regarding exempting consolidated financial statements that comply with internationally accepted accounting principles. IAS 20, IAS 31, IAS 41, IFRS 4 and IFRS 6 have not been applied as there were no relevant business transactions in the Group.

Application of new and revised standards

Since the beginning of 2011 the application of the revised IAS 24 became mandatory (Related party transactions; entered into force on January 1st, 2011). On the one hand it provides a partial exemption from disclosure requirements for businesses under the control, joint control or where there is significant influence by the public sector and on the other hand contains a clarification of the definition of a related party. RBI AG and its subsidiaries are not companies that are under the control, joint control or are significantly influenced by the public sector. Therefore, these changes have no material impact on the consolidated financial statements for 2011

The amendments to IAS 32 (Classification of rights issues; entered into force on 1st February 2010) relating to the classification of granted rights, options or warrants to acquire a fixed number of own shares at a fixed price in any currency. These rights should be recognized as equity if they are granted on a pro rata to all existing shareholders of the same class of share. The changes in IAS 24 have no material impact on the consolidated financial statements for 2011

Changes in IFRS 1 have been added (indicating relief concerning the statements for first time adoption of IFRS) which bring relief for the initial implementation of those additional disclosure requirements which were adopted in IFRS 7 in March 2009 for the first time. Since RBI is not a first time adopter of IFRS, IFRS 1 has had no effect on the consolidated financial statements for 2011.

IFRIC 14 (The limit on a defined benefit asset, minimum funding requirements and their interaction; entered into force on January 1st, 2011) specifies additional criteria which limits the recognition of plan assets determined under IAS 19. The company must have use of excess assets for reducing future payments, to be able to recognize these as an asset. These changes have no effect on the consolidated financial statements for 2011.

IFRIC 19 (Repayment of financial liabilities with equity instruments; entered into force July 1st, 2010) now clarifies that equity instruments issued to creditors to extinguish a financial liability are part of the consideration paid pursuant to IAS 39.41 and the equity instruments should be measured at fair value. If this cannot be reliably determined, the equity instruments should be shown at the fair value of the extinguished liability. These changes have no effect on the consolidated financial statements for 2011

Furthermore, in the framework of the "Improvements Project - 2010" the following standards and interpretations were amended.

- The changes to IFRS 1 (Content of an interim report, exemption rules as deemed cost or cost of production, price controls; entered into force January 1st, 2011) bring relief from the initial application of IFRS. Since RBI is not a first timeadopter of IFRS, the IFRS 1 changes have no effect on the consolidated financial statements for 2011.

- The revised IFRS 3 clarifies on the one hand that the requirements in IAS 39, IAS 32 and IFRS 7 are not applicable for conditional purchase agreements on corporate mergers, whose acquisition date is before the date of adoption of the revised IFRS, and on the other hand, how non-controlling interests are to be measured. Furthermore the loophole in IFRS 3 concerning how share-based payment arrangements are accounted for in a business combination has been closed. These changes have no effect on the consolidated financial statements for 2011.

- IFRS 7 (changes in the necessary disclosures; came into force on January 1st, 2011) now includes clarification for the quantification of the financial impact of any collateral held on the risk of default. These changes have no material impact on the consolidated financial statements for 2011.

- The amendment to IAS 1 (Presentation of financial statements; entered into force on January1st, 2011) clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. These changes have no material impact on the consolidated financial statements for 2011.

- The revised IAS 27 (Consolidated and separate financial statements; into force July 1st, 2010) now clarifies that the consequential amendments from to IAS 21, IAS 28 and IAS 31, which result from former amendments to IAS 27, are to be applied at the same time as the new regulation of IAS 27. 'These changes have no material impact on the consolidated financial statements for 2011.

- The amendment to IAS 34 (Interim financial reporting; entered into force on January 1st, 2011) now highlights that it is necessary to disclose relevant transactions and events in the interim reporting. There are additional provisions regarding data on changes in the fair value and the updating of relevant information from the most recent annual report. These changes have no material impact on the consolidated financial statements for 2011.

No early adoption of other new and amended standards and interpretations that have been adopted, but whose use is not mandatory, was made. This applies to IFRS 9 (Financial instruments; entry into force January 1st, 2015), IFRS 10 (Consolidated financial statements; entry into force on January 1st, 2013), IFRS 11 (Joint arrangements; entry into force January 1st, 2013), IFRS 12 (Details of shareholdings in other companies; entry into force on January 1st, 2013), IAS 27 Separate financial statements;entry into force on January 1st, 2013), IAS 28 (Investments in associates and joint ventures; entry into force January 1st, 2013), IFRS 13 (Assessment of fair value; entry into force on January 1st, 2013), IFRS 1 (First-time adoption of International Financial Reporting Standards; entry into force on July 1st, 2011), IAS 1 (Presentation of financial statements; entry into force July 1st, 2011), IAS 12 (Income tax, entry into force on January 1st, 2012) and IFRS 7 (Financial instruments: transfer of financial asset values; entry into force July 1st, 2011).

The consolidated financial statements are based on the reporting packages of all fully consolidated Group members, which are prepared according to IFRS rules and uniform Group standards. With the exception of five subsidiaries – with a year end reporting date on 30 June and which are therefore accounted for with interim financial statements – all fully consolidated companies prepare their annual financial statements as of 31 December. The deviating reporting dates are due to dividend policy reasons and because of seasonal business transactions. Figures in these financial statements are stated in thousands of euros. The following tables may include rounding differences.

The consolidated financial statements are based on the principle of going concern. A financial asset is recognized when it is probable that the future economic benefits will flow to the enterprise and the acquisition or conversion costs or another value can be reliably measured. A financial liability is recognized when it is probable that an outflow of resources embodying economic benefits will result from the settlement of the obligation and the amount at which the settlement will take place can be measured reliably.

If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, they are made in accordance with the respective standards. They are based on past experience and other factors such as planning and expectations or forecasts of future events that appear likely from our current perspective. Basically, this applies to impairment losses on loans and advances, fair value and impairment of financial instruments, deferred taxes, provisions for retirement and similar benefits, the recoverability of goodwill and intangible fixed assets that are recognized in the course of business combinations. The actual figures may deviate from the estimated values.

Deferred taxes were not separately shown in the income statement and on the statement of financial position. Details are provided in the statement of comprehensive income and the notes (11) income taxes, (25) other assets and (29) provisions for liabilities and charges.

Consolidation methods

All material subsidiaries, in which RBI AG directly or indirectly, holds either more than 50 per cent of the voting rights or otherwise has control over the financial and operating policies are fully consolidated. In principle, these subsidiaries are firstly integrated in the consolidated group on the date when RBI obtains control of the company and are excluded when it no longer has control of the company. The Group reviews the adequacy of previously made decisions on which companies to consolidate at least every quarter. Accordingly, any organizational changes are immediately taken into account. These include, apart from changes in ownership, also changes due to existing or newly signed contractual obligations by a unit of the Group. . Subsidiaries with deviating reporting dates are accounted for with their interim financial statements. The results from subsidiaries that were acquired or disposed of during the year are recorded, in the consolidated income statement, either from the actual date of acquisition or up to the actual date of disposal.

Special purpose entities (SPE) which are controlled by the group from an economic point of view, are integrated according to SIC 12. To determine whether a special purpose entity is controlled from an economic perspective, a number of factors are to be taken into consideration. These include an investigation into whether the activities carried out by the SPE in favor of the Group are in accordance with its specific business needs so that it can take advantage of the activities of the SPE, whether the Group has the decision-making powers to achieve the majority of the benefits from the SPE, whether in fact the Group receives the majority of the benefits of the activities of the SPE, or whether the Group retains the majority of the assets associated with the residual or ownership risks in order to benefit from its activities.

In the case that further shares are acquired under existing control or shares are sold without loss of control, such transactions are recognized directly in equity during the course of continuing consolidation.

Intra-group business combinations (transactions under common control) are accounted for by carrying over book values.

Non-controlling interests are shown in the consolidated statement of financial position as part of equity, but separately from Raiffeisen Bank International shareholders' equity. The profit attributable to non-controlling interests is shown separately in the consolidated income statement.

Material interests in associated companies – where the Group exerts a significant influence on financial and operating polices of these companies – are valued at equity and reported under the item "investments in associates." Profit or losses occurring in companies valued at equity are shown net in "current income from associates." The same rules apply to companies valued at equity (offsetting acquisition costs against proportional fair net asset value) as apply to fully consolidated companies. On principle, IFRS financial statements of associated companies are used. Changes in equity of companies valued at equity are shown in the consolidated accounts in other comprehensive income.

Shareholdings in subsidiaries not included in the consolidated financial statements because of their minor significance and shareholdings in companies that have not been valued at equity are shown under the item "financial investments" and are measured at acquisition cost.

In the scope of debt consolidation, intra-group balances between parent company and subsidiaries and intra-group balances between subsidiaries are eliminated in the consolidated accounts. Remaining temporary differences are recognized under "other assets/other liabilities."

Intra-group income and expenses are eliminated and temporary differences resulting from bank business transactions are shown partly in net interest income and partly in net trading income. Other differences were shown in the item "other net operating income."

Intra-group results are eliminated insofar as they had a material effect on the items of the income statement. Bank business transactions between Group members are usually executed in arm's length transaction.

Business combinations

In the course of capital consolidation, all identifiable assets, liabilities and contingent liabilities of the subsidiary are measured at their fair values on the acquisition date according to IFRS 3. The acquisition costs are offset with the proportional net assets. The resulting positive differences are capitalized as goodwill. The goodwill is tested annually for impairment. Negative differences arising within initial consolidation will be recognized immediately in profit.

Impairment test for goodwill

On each reporting date, goodwill is examined with a view to their future economic utility on the basis of cash generating units. A cash generating unit is defined by the management and represents the smallest identifiable group of assets of a company that generates cash inflows from operations. Within RBI, all segments according to segment reporting are determined as cash generating units and within the segments, the legal entities form the cash generating unit for impairment testing of goodwill. The carrying value of the cash generating unit (including any allocated goodwill) is compared with its recoverable value. The recoverable value represents the higher of an item's value in use and the fair value less cost to sell. It is based on the expected profits of the units. They are discounted at an interest rate reflecting the risk involved. The estimation of future earnings requires judgment of the past and actual performance and the expected development in the respective markets and overall macro-economic environment.

The estimation of the future development of the cash generating units starts with macroeconomic facts (gross domestic product, inflation expectations) and considers specific market conditions and the business policy. The data is then used to capture the terminal value on a going concern concept. Discounting of the earnings relevant for the measurement (expected dividends) is made on different country-specific equity capital cost rates, which are based on the capital asset pricing model. The individual components (risk-free interest rate, inflation difference, market risk premium, country-specific risks and beta factors) are defined by using external information sources. It was used to calculate the recoverable amount of a planning horizon of 10 years assumed to represent the medium-term developments in the CEE region better. The planning period is divided into two phases, whereby phase I covers the first ten years, phase II covers the period over ten years.

During 2011 impairment charges of € 187 million were made against goodwill on RBI Group level. The largest impairment charge (€ 183 million) arose in the Ukrainian Raiffeisen Bank Aval JSC due to the changed macro-economic outlook (GDP, growth rate, CPI, banking assets development). The recovery of the Ukrainian economy was slower than was forecasted in 2010. As a result the targeted market share and ROE were lower than last year's assumptions. The discount rate used for the impairment test for goodwill of Raiffeisen Bank Aval JC was between 21.7per cent and 13.7 per cent, depending on parameter. There were minor goodwill impairment charges amounting to € 3.4 million for the Hungarian Raiffeisen Bank Zrt. and € 0.6 million for the Slovenian Raiffeisen Bank Sh.a...

The material goodwill resulted from the following cash generating units: Raiffeisen Bank Aval JSC, Kiev (AVAL), Ukrainian Processing Center PJSC, Kiev (UPC), ZAO Raiffeisenbank, Moscow (RBRU), Raiffeisen Bank Sh.a., Tirane (RBAL) and Raiffeisenbank a.s, Prague (RBCZ).

Cash generating units In € million	**AVAL**	**RBRU**	**RBCZ**	**RBAL**	**UPC**
Goodwill	29	257	40	53	15
Group equity	96.2%	100.0%	51.0%	100.0%	100.0%
Method used to calculate the fair value	FV less cost to sell	FV less cost to sell	FV less cost to sell	FV less cost to sell	FV less cost to sell
Discount rates (after tax)	13.7% – 21.7%	13.8% – 15.1%	9.3% – 9.9%	11.2% – 14.8%	13.7% – 21.7%
Growth rates in phase II	6.5%	7.0%	3.0%	4.0%	0.0%
Planning period	10 years	10 years	10 years	10 years	10 years
Impairment	Yes	No	No	No	No

Sensitivity Analysis

A sensitivity analysis was used to test the robustness of the impairment test for goodwill which was based on the above given assumptions. From a number of options for this analysis, two parameters were selected, namely, the cost of equity and the reduction in earnings. The table below shows to what extent an increase in the cost of equity or a reduction in earnings could be made without the fair value of the cash-generating units sinking below the carrying value (equity plus goodwill):

Maximum sensitivity[1]	**AVAL**	**RBRU**	**RBCZ**	**RBAL**	**UPC**
Increase in discount rate	–	7.3 PP	9.6 PP	15.4 PP	13.4 PP
Reduction in earnings	–	(48.0)%	(58.0)%	(76.0)%	(53.0)%

[1] Only change in terminal value assumptions.

Impairment test for intangible fixed assets

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

The value of brands was determined using the comparable historical cost approach, because neither immediately comparable transactions nor a market with observable prices were available at the time of purchase price allocation. Documentation of brand-related marketing expenses in the previous years was taken as the data base for the historical cost approach.

If customer contracts and associated customer relationships are acquired in a business combination, they must be recognized separately from goodwill, if they are based on contractual or other rights. The acquired companies meet the criteria for a separate recognition of non-contractual customer relationships for existing customers. The customer base is valued using the multi-period excess earnings method based on projected future income and expenses allocable to the respective customer base. The projections are based on planning figures for the corresponding years.

Consolidated group

The number of fully consolidated companies and companies valued at equity changed as follows:

Number of units	Fully consolidated		Equity method	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
As of beginning of period	**132**	**135**	**1**	**1**
Included in the course of merger	0	38	0	0
Included for the first time in the financial period	8	6	0	0
Excluded in the financial period	(5)	(47)	0	0
As of end of period	**135**	**132**	**1**	**1**

Of the 135 entities in the Group, 29 are domiciled in Austria (2010: 27) and 106 abroad (2010: 105). They comprise 21 banks, 60 financial institutions, 19 companies rendering bank-related ancillary services, 10 financial holding companies and 25 other companies. Because of their minor importance in giving a view of the Group's assets, financial and earnings position 231 subsidiaries were not included in the consolidated financial statements (2010: 173). They are recognized at cost under financial investments. The total assets of the companies not included came to less than 1 per cent of the Group's aggregated total assets.

A list of fully consolidated companies, companies valued at equity and other equity participations may be found on page 258 ff.

Included units

In the financial year 2011, the following companies were included into the consolidated financial statements for the first time:

Name	Share	Included as of	Reason
Financial institutions			
Raiffeisen Investment Financial Advisory Services Ltd. Co., Istanbul (TR)	78.11 %	1/6	Start of operations
Financial holding companies			
Raiffeisen CIS Region Holding GmbH, Vienna (AT)	100.0 %	1/12	Start of operations
Raiffeisen RS Beteiligungs GmbH, Vienna (AT)	100.0 %	1/11	Materiality
RIRE Holding GmbH, Vienna (AT)	100.0 %	1/3	Materiality
Companies rendering banking-related ancillary services			
OOO "R3", Novosibirsk (RUS)	100.0 %	1/3	Materiality
S.C. PLUSFINANCE ESTATE 1 S.R.L., Bucharest (RO)	100.0 %	1/9	Materiality
Other companies			
Julius Baer Multiflex SICAV-SIF Verto Recovery Fund, Vienna (AT)	100.0 %	1/12	Start of operations
Viktor Property, s.r.o., Praha (CZ)	65.15 %	1/4	Materiality

Excluded units

In the financial year 2011, the following companies were excluded from the consolidated group:

Name	Share	Excluded as of	Reason
Financial institutions			
ICS Raiffeisen Leasing s.r.l, Chisinau (MD)	75.22 %	28/2	Immaterial
MOVEO Raiffeisen-Leasing GmbH, Vienna (AT)	51.00 %	28/2	Immaterial
OOO "Vneshleasing", Moscow (RUS)	100,0 %	28/2	Immaterial
Financial holdings			
R.L.H. Holding GmbH, Vienna (AT)	100,0 %	28/2	Immaterial
Other companies			
REH Limited, Limassol (CY)	100,0 %	31/3	End of operations

In the reporting period, there was no effect on cash flow resulting from disposal of group assets, as the disposal was mainly due to reasons of immateriality.

Foreign currency translation

Financial statements of fully consolidated companies prepared in foreign currencies were translated into euros employing the modified current rate method in accordance with IAS 21. Equity was translated at its historical exchange rates while all other assets, liabilities and the notes were translated at the prevailing foreign exchange rates as of the reporting date. Differences arising from the translation of equity (historical exchange rates) were offset against retained earnings.

The items of the income statement were translated at the average exchange rates during the year calculated on the basis of month-end rates. Differences arising between the exchange rate as of the reporting date and the average exchange rate applied in the income statement were offset against equity.

In the case of four subsidiaries not headquartered in the euro-area, the US-Dollar was the reporting currency for measurement purposes given the economic substance of the underlying transactions and because both the transactions and the refinancing were undertaken in US-Dollars.

The following exchange rates were used for currency translation:

Rates in units per €	2011		2010	
	As of 31/12	Average 1/1-31/12	As of 31/12	Average 1/1-31/12
Albanian lek (ALL)	138.930	140.498	138.770	138.041
Belarusian rouble (BYR)	10.800.000	7.056.431	3.972.600	3.953.672
Bosnian marka (BAM)	1.956	1.956	1.956	1.956
Bulgarian lev (BGN)	1.956	1.956	1.956	1.379
Croatian kuna (HRK)	7.537	7.444	7.383	0.858
Czech koruna (CZK)	25.787	24.635	25.061	10.550
Great Britain Pound (GBP)	0.835	0.870	0.861	1.956
Hungarian forint (HUF)	314.580	280.460	277.950	276.039
Kazakh tenge (KZT)	191.720	204.444	195.230	25.356
Lithuanian Litas (LTL)	3.453	3.453	3.453	276.039
Moldovan leu (MDL)	15.074	16.421	16.105	16.436
Polish zloty (PLN)	4.458	4.125	3.975	196.093
Romanian leu (RON)	4.323	4.242	4.262	16.436
Russian rouble (RUB)	41.765	41.022	40.820	4.013
Serbian dinar (RSD)	104.641	102.306	105.498	40.447
Singapore Dollar (SGD)	1.682	1.751	1.714	1.812
Swedish Krona (SEK)	8.912	9.004	8.966	4.218
Swiss Franc (CHF)	1.216	1.233	1.250	102.903
Turkish lira (TRY)	2.443	2.333	2.069	2.333
Ukrainian hryvnia (UAH)	10.298	11.092	10.573	10.550
US-Dollar (USD)	1.294	1.395	1.336	1.330

Accounting in highly inflationary economies - IAS 29

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

The application of the relevant provisions in IAS 29 in connection with IFRIC 7 (Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies) impacts the financial statements of RBI on 31 December 2011, as well as the financial statements of subsequent periods. Previously published consolidated financial statements of previous periods are not restated.

The application of IAS 29 (financial reporting in hyperinflationary countries) has the following effects on RBI:

On 31 December 2011 all non-monetary assets were subjected to a one-off inflation adjustment starting from the date of purchase, or starting from the end of the last application of IAS 29 in 2006. This led to a revaluation of non-monetary balance sheet items, and, as a result thereof, to higher depreciation charges. In subsequent periods, these non-monetary items will be continued to be adjusted by the inflation factor for the reporting period.

All items in the profit and loss account as of 1 January 2011 will be adjusted for inflation with retroactive effect and converted into EUR using the exchange rate. Gains and losses resulting from the inflation adjustment of monetary assets and liabilities are shown separately.

The application of IAS 29 is made in Belarusian roubles, that is, before foreign currency translation.

Recognition and measurement principles

Financial instruments: Recognition and measurement (IAS 39)

According to IAS 39, all financial assets, financial liabilities and derivative financial instruments are to be recognized on the statement of financial position. A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Measurement of financial instruments is effected according to the measurement categories to which they belong. They are defined as follows:

1. Financial assets or liabilities at fair value through profit and loss
   a. Trading assets/liabilities
   b. Designated financial instruments at fair value
2. Financial assets held-to-maturity
3. Loans and advances
4. Financial assets available-for-sale
5. Financial liabilities

1. Financial assets or liabilities at fair value through profit and loss

a. Trading assets/liabilities
Trading assets/liabilities are acquired or incurred principally for the purpose of generating profit from short-term fluctuations in market prices. Securities (including short selling of securities) and derivative financial instruments held-for-trading are recognized at their fair values. If securities are listed, the fair value is based on stock exchange prices. Where such prices are not available, internal prices based on present value calculations for originated financial instruments and futures or option pricing models for options are applied. Present value calculations are based on an interest curve which consists of money market rates, future rates and swap rates and does not include risk premium. As option price formulas Black-Scholes 1972, Black 1976 or Garman-Kohlhagen are applied depending on the kind of option.

Derivative financial instruments held-for-trading are also shown under the item "trading assets" or "trading liabilities." Positive fair values including accrued interest (dirty price) are shown under trading assets. Negative fair values are recorded under trading liabilities. Positive and negative fair values are not netted. Changes in dirty prices are recognized in net trading income. Derivatives that are used neither for trading purposes nor for hedging purposes are recorded under the item "derivatives." Furthermore, any liabilities from the short selling of securities are shown in trading liabilities.

In 2011, the valuation methodology for capital-guaranteed products was adapted to the changed legal framework. The capital-guaranteed products (guarantee funds and pension plans) are shown as sold put options on the respective funds to be guaranteed. The valuation is based on a Monte-Carlo simulation. The RBI has provided capital guarantee obligations as part of the government-funded state-sponsored pension plans according to Section 108h (1) Z 3 EStG. The bank guarantees the retirement annuity, available for the payment amount, is not less than the sum of the amounts paid by the taxpayer plus credited for such taxable premiums within the meaning of the -Section 108g EStG.

b. Designated financial instruments at fair value

This category comprises mainly all those financial assets that are irrevocably designated as financial instrument at fair value (so-called fair value option) upon initial recognition in the statement of financial position independent of the intention to trade. An entity may use this designation only when doing so results in more relevant information for the user of the financial statements. This is the case for those financial assets, which belong to a portfolio, which is managed and its performance evaluated on a fair value basis.

These instruments are bonds, notes and other fixed-interest securities or shares and other variable-yield securities. These financial instruments are valued at fair value under IAS 39. In the statement of financial position, they are shown under the item "financial investments," current income is shown under net interest income, valuation results and proceeds from disposals are shown in net income from financial investments.

On the other hand, financial liabilities are designated as financial instruments at fair value to avoid valuation discrepancies with related derivatives. The fair value of financial obligations under the fair value option contains all market risk factors, including those related to the credit risk of the Group of the issuers.

In the fourth quarter of 2011 the worsening financial crisis led to inactivity in the markets to the extent that for the valuation of the credit risk the observable market prices were no longer available. Therefore, the valuation method was changed. A weighted credit spread was determined to assess own creditworthiness composed of the credit spreads from private placement volumes of the last 12 months and market indications for own benchmark issues. The weighting was made in proportion to the volumes placed. The calculation of the credit spread of subordinated emissions is based on the average observable subordinated spreads for the last 12 months in the iTraxx Senior Financials. The financial liabilities are mostly structured bonds. The fair value of these financial liabilities is calculated by discounting the contractual cash flows with a credit-risk-adjusted yield curve, which reflects the level at which the Group could issue similar financial instruments at the balance sheet date. The market risk parameters are evaluated according to similar financial instruments that are held as financial asssets. Valuation results for liabilities that are designated as a financial instrument at fair value are recognized in income from derivative financial instruments.

2. Financial assets held-to-maturity

Non-derivative financial assets (securities with fixed or determinable payments and fixed maturities) purchased with the intention and ability to hold them to maturity are reported in the item "financial investments." They are recognized at amortized cost and differences are amortized over the term to maturity and recognized in the income statement under net interest income. If impairment occurs it is taken account of when determining the amortized cost and impairment is shown in net income from financial investments. Coupon payments are also recognized under net interest income. A sale of these financial instruments is only allowed in cases explicitly stated in IAS 39.

3. Loans and advances

Non-derivative financial assets with fixed or determinable payment for which there is no active market are allocated to this category. They are measured at amortized cost. If impairment occurs it is taken account of when determining the amortized cost. If there is a difference between the amount paid and face value – and this has interest character – the effective interest method is used and the amount is accrued as profit or loss. Profits from the sale of impaired loans are recognized in the income statement in the item "net provisioning for impairment losses." Moreover, debt instruments are also stated here if there is no active market for them. Derecognition of financial assets within the framework of securitizations is – after checking if the securitized special purpose entity has to be integrated into the consolidated accounts – done on a risk and rewards or control test according to IAS 39 after identifying loss of control over the contractual rights arising from the financial asset.

4. Financial assets available-for-sale

The category of financial assets available-for-sale contains equity participations and those financial instruments that did not qualify for any of the other three categories. They are stated at fair value, if a fair value is reliably measurable. Valuation differences are shown in other comprehensive income and only recognized in the income statement under net income from financial investments if there is an objective indication of impairment. For equity instruments impairment exists, among other things, if the fair value is either significantly or for a prolonged period of time below cost.

In the Group, equity instruments classified as available-for-sale are written-off when the fair value over the last six months before the reporting date was consistently more than 20 per cent below carrying value, or in the last twelve months, on average, more than 10 per cent below carrying value. In addition to these quantitative indications (trigger events), qualitative indications from IAS 39.59 are considered. It is not permitted to include the appreciation in value in the income statement for equity instruments classified as available for sale, but rather this should be recognized in other comprehensive income under the item fair value reserve (available-for-sale financial assets). This means that only impairments or disposals are to be shown in the income statement.

Unquoted equity instruments, for which reliable fair values cannot be assessed regularly, are valued at cost less impairment losses and it is not possible to show an appreciation in value.

This kind of financial instruments is reported under the item "financial investments."

5. Financial liabilities
Liabilities are predominantly recognized at amortized cost. Discounted debt securities and similar obligations are measured at their present value. Financial liabilities measured at fair value are shown in the category "liabilities at fair value through profit and loss."

Reclassification

In accordance with IAS 39.50, non-derivative financial instruments classified as trading assets and available-for-sale financial instruments can be reclassified as financial assets held-to-maturity and loans and advances in exceptional circumstancesThe effects resulting from such reclassifications are shown in the notes under (20) financial investments.

Fair value

The fair value is the amount for which an asset could be exchanged and liability settled between knowledgeable, willing parties in an arm's length transaction.

Quotation on an active market (level I)
If market prices are available, the fair value is reflected best by the market price. This category contains equity instruments traded on the stock exchange, debt instruments traded on the interbank market, and derivatives traded on the stock exchange.

Measurement techniques based on observable market data (level II)
When current bid and asking prices for financial instruments are unavailable, the prices of similar financial instruments provide evidence of the current fair value or are determined by accepted measurement methods enclosing observable prices or parameters (in particular present value calculation or option price model). These methods concern the majority of the OTC-derivates and non-quoted debt instruments.

Measurement techniques not based on observable market data (level III)
If no observable stock exchange prices or prices are available, the fair value will be measured by adequate measurement models. The utilization of these models requires assumptions and estimates of the management. The scope of assumptions and estimates depend on the price transparency of the financial instrument, the market and the complexity of the instrument.

Categories of financial instruments according to IFRS 7

As the nature of the financial instruments is already shown by the classification of the items of the statement of financial position, the formation of categories is built in line with these items, which include financial instruments. Categories of financial instruments on the asset side are primarily cash reserve, loans and advances to banks, loans and advances to customers, trading assets, derivative financial instruments, derivatives for hedge accounting, and financial investments (among this category are separately financial assets not traded on an active market and which are shown at cost). Categories of financial instruments on the liability side are most notably liabilities from trading activities, derivative financial instruments, derivatives for hedge accounting, deposits from banks, deposits from customers, debt securities issued and subordinated capital.

Classes	Measurement			Category according to IAS 39
	Fair Value	Amortized Cost	Others	
Asset classes				
Cash reserve			Nominal value	n/a
Trading assets	X			Held-for-trading
Derivatives	X			Held-for-trading
Loans and advances to banks		X		Loans and advances
Loans and advances to customers		X		Loans and advances
of which finance lease business		X		n/a
Financial investments	X			At fair value through profit and loss
Financial investments	X			Available-for-sale
Financial investments		X		Held-to-maturity
of which not traded on an active market			At Cost	Available-for-sale
Positive fair values of derivatives for hedge accounting (IAS 39)	X			n/a
Liability classes				
Trading liabilities	X			Held-for-trading
Derivatives	X			Held-for-trading
Deposits from banks		X		Financial liabilities
Deposits from customers		X		Financial liabilities
Subordinated capital		X		Financial liabilities
Debt securities issued		X		Financial liabilities
Debt securities issued	X			At fair value through profit and loss
Negative fair values of derivatives for hedge accounting (IAS 39)	X			n/a

Derivatives

The Group uses derivates including swaps, standardized forward contracts, futures, credit derivatives, options and similar contracts. Within the operating activity, the Group carries out different transactions with derivative financial instruments for trading and hedging purposes. The Group applies derivatives in order to meet the requirements of the clients concerning their risk management, to manage and secure risks and to generate profit in proprietary trading. Derivatives are initially recognized at the time of the transaction at fair value and subsequently revalued to fair value. The resulting valuation gain or loss is recognized immediately in net income from derivatives, unless the derivative is designated as a hedging instrument for hedge accounting purposes and the hedge is effective. Here the timing of the recognition will depend on the type of hedging relationship.

Derivatives, which are used for hedging against market risk (excluding trading assets/liabilities) for a non-homogeneous portfolio, do not meet the conditions for IAS 39 hedge accounting. These are recognized as follows: the dirty price is booked under "derivatives" in the statement of financial position (positive fair values on the asset side and negative fair values on the liability side). The change in value of these derivatives, on the basis of the clean price, is shown in net income from derivatives and interest is shown in net interest income.

Credit derivatives, the value of which is dependent on future specified credit (non-) events are shown under "derivatives" (positive fair values on the asset side and negative fair values on the liability side). Changes in valuation are recognized under net income from derivatives.

Hedge Accounting

If derivates are held for the purpose of risk management and if the respective transactions meet specific criteria, the Group uses hedge accounting. The Group designates certain hedging instruments as fair value hedges, cash flow hedges or capital hedges. Most of these are derivatives. At the beginning of the hedging relationship, the relationship between underlying and hedging instrument, including the risk management objectives, is documented. Furthermore, it is necessary to regularly document from the beginning and during the hedging relationship that the fair value or cash flow hedge is effective to a large degree.

a. Fair value hedge

Hedge Accounting according to IAS 39 applies for those derivatives that are used to hedge the fair values of financial assets and liabilities. The credit business is especially subject to such fair value risks if it deals with fixed-interest loans. Interest-rate swaps that satisfy the prerequisites for hedge accounting are contracted to hedge against the interest-rate risks arising from individual loans or refinancing. Thus, hedges are formally documented, continuously assessed, and rated to be highly effective. In other words, throughout the term of a hedge, it can be assumed that changes in the fair value of a hedged item will be nearly completely offset by a change in the fair value of the hedging instrument and that the actual outcome will lie within a band of 80 to 125 per cent.

Derivative instruments held to hedge the fair values of individual items in the statement of financial position (except trading assets/liabilities) are recognized at their fair values (dirty prices) under "derivatives" (on the assets side: positive dirty prices; on liabilities side: negative dirty prices). Changes in the carrying amounts of hedged items (assets or liabilities) are allocated directly to the corresponding items of the statement of financial position and reported separately in the notes.

Both the effect of changes in the carrying values of positions requiring hedging and the effects of changes in the clean prices of the derivative instruments are recorded under net income from derivatives (net income from hedge accounting).

For the first time in 2011, in RBI the hedging of interest rate risk has been made on the portfolio level. Individual transactions or groups of transactions with similar risk structures, divided into maturities according to the expected repayment and interest rate adjustment date in a portfolio were hedged. Portfolios can be assets only, liabilities only or both. For hedge accounting, the change in the value of the hedged asset or liability is shown as a separate item in other assets/liabilities. The hedged amount of the hedged items is determined in the consolidated financial statements excluding sight or savings deposits (the rules of the EU carve-out are thereby not applied).

b. Cash flow hedge

Cash flow hedge accounting according to IAS 39 applies for those derivatives that are used to hedge against the risk of fluctuating future cash flows. Variable-interest liabilities are especially subject to such cash flow risks. Interest rate swaps used to hedge against the risk of fluctuating cash flows arising from specific variable interest-rate items, are recognized as follows: The hedging instrument is recognized at fair value, changes in its clean price are recorded as separate item in other comprehensive income. The ineffective portion is recognized in profit or loss on the other hand, in the position derivative financial instruments and designated liabilities.

c. Hedge of a net investment in a foreign operation (capital hedge)

In the Group, hedges of investments in economically independent sub-units (IAS 39.102) are made in order to reduce differences arising from the translation of equity. Liabilities in foreign currency, currency options, currency futures and currency swaps are mainly used as hedging instruments. Where the hedge is effective the resulting gains or losses from foreign currency translation are recognized and shown separately in other comprehensive income. Any ineffective part of this hedge relation is recognized in net trading income. The related interest components are shown in net interest income. There are no deferred taxes calculated for the income from capital hedge due to the applied exception regulations according to IAS 12.39.

Offsetting

In the case of identity of borrower and lender, offsetting of loans and liabilities with matching maturities and currencies occurs only if a legal right, by contract or otherwise, exists and offsetting is in line with the actually expected course of the business.

Cash reserve

The cash reserve includes cash in hand and balances at central banks that are due on call. They are shown with their nominal value.

Impairment losses on loans and advances

At each reporting date an assessment is made as to whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, when:

- there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset until the reporting date (a 'loss event');
- that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets and
- the amount can be reliably estimated.

Credit risk is accounted for by making individual impairment provisions and portfolio-based impairment provisions. The latter comprise impairment provisions for portfolios of loans with identical risk profiles that are compiled under certain conditions. In the retail segment, provisions are built according to product portfolio and past due days. Individual and portfolio-based impairment provisions are not netted against corresponding receivables but are stated separately in the statement of financial position.

For credit risks related to loans and advances to customers and banks, provisions are made in the amount of expected loss according to homogeneous Group-wide standards. Risk of loss is deemed to exist if the discounted projected repayment amounts and interest payments are below the carrying value of the loans, taking collateral into account. Portfolio-based impairments are calculated according to valuation models that estimate expected future cash flows for the loans in the respective loan portfolio based on loss experience history. This is carried out regularly by considering economic conditions. For non-retail portfolios without a documented loss history of their own, peer group benchmark figures serve as a comparative base.

The entirety of the provision for impairment losses arising from loans reported in the statement of financial position (individual loan loss provisions and portfolio-based loan loss provisions) is shown as a separate item on the assets side, below loans and

advances to banks and customers. The provision for impairment losses arising from transactions outside the statement of financial position is recorded under provisions for liabilities and charges.

Derecognition of financial assets and liabilities

Derecognition of financial assets
A financial asset is derecognized when the contractual rights to the cash flows arising from a financial asset expire or when the Group has transferred the rights or if the Group has the obligation in case that certain criterion occurs to transfer the cash flows to one or more receivers. A transferred asset is also derecognized if all material risks and rewards of ownership of the assets are transferred.

Securitization transactions
The Group securitizes several financial assets from transactions with private customers and business customers by selling them to a special purpose entity that issues securities to investors. The assets transferred are derecognized fully or partly. Rights to securitized financial assets can be retained in the form of junior or subordinated tranches, interest claims or other remaining claims (retained rights).

Derecognition of financial liabilities
The Group derecognizes a financial liability if the obligations of the Group have been paid, expired or revoked.

Genuine sale and repurchase agreements

In a genuine sale and repurchase transaction, the Group sells assets to a third party and agrees at the same time to repurchase these assets at an agreed price and time. The assets remain on the statement of financial position of the Group and are measured like the item in the statement of financial position where they are shown. Cash inflows arising from a sale and repurchase transaction are recognized in the statement of financial position as deposits from banks or deposits from customers depending on the counterparty.

Under reverse repurchase agreements, assets are acquired with the obligation to sell them in the future. Cash outflows arising from reverse repurchase agreements are recorded in the statement of financial position under "loans and advances to banks" or "loans and advances to customers."

Interest expense from sale and repurchase agreements and interest income from reverse sale and repurchase agreements are accrued in a straight line over their term to maturity and are shown under net interest income.

Securities lending

Securities lending transactions are shown in the same way as genuine sale and repurchase agreements. This means loaned securities continue to remain in the securities portfolio and are valued according to IAS 39. Borrowed securities are not recognized and not valued. Cash collateral provided for securities-lending transactions are shown as a claim and collateral received are shown as a liability.

Leasing

Leases are classified according to their contractual structure as follows:

Finance leases
When nearly all the risks and rewards of a leased asset are transferred to the lessee, the Group as lessor recognizes a loan to banks or customers. The loan amount is the amount of the net investment. The proceeds from the finance lease are distributed at a constant periodic rate of the outstanding net investment in the leases. Under a finance lease the lessee holds assets that are shown under the relevant tangible fixed asset item, which corresponds to a lease liability.

Operating leases
An operating lease occurs when the risks and rewards of ownership remain with the lessor. The leased assets are allocated to the Group under tangible fixed assets and depreciated in accordance with the principles applicable to the type of fixed assets. Rental income from the corresponding lease object is amortized on a straight-line basis over the term of the leasing contract and reported in other net operating income. Expenses for operating leases are generally amortized on a straight-line basis over the term of leasing contract and reported as administrative expenses.

Equity participations

Shareholdings in subsidiaries not included in the consolidated financial statements because of their minor significance and shareholdings in companies that are not valued at equity are shown under financial investments and are measured at amortized cost if no shares prices are available.

Other shareholdings are categorized as “financial assets available-for-sale” upon initial recognition. Changes in value are therefore recognized in other comprehensive income. Impairment is shown in net income from financial investments.

Intangible fixed assets

Under this item, internally developed and acquired software, brand rights, acquired customer bases and especially goodwill are stated. Intangible fixed assets acquired in a business combination are reported separately from goodwill and measured at fair value. Goodwill and other intangible fixed assets (e.g. brand rights) without definite useful lives are tested for impairment at each reporting date and also during the year whenever trigger events occur. Whenever events or changes in circumstances indicate that the expected benefit no longer exists, impairment must be made pursuant to IAS 36.

Acquired intangible fixed assets (software, customer base) with determinable useful lives are capitalized at acquisition cost and amortized over their estimated useful lives.

Internally developed intangible fixed assets comprise exclusively of software. Software is capitalized if it is probable that the future economic benefits attributable to the asset will accrue to the enterprise and the cost of the asset can be measured reliably. Expenses for research are recognized as an expense when they are incurred. The useful life of software is between four and six years and may be longer for major software projects. The useful life of the acquired customer base was set at seven years for corporate customers and for the acquired customer base in the retail segment of Raiffeisen Bank Aval JSC at 20 years and for OAO Impexbank (meanwhile merged with ZAO Raiffeisenbank) and eBanka a.s. (meanwhile merged with Raiffeisenbank a.s.) at five years.

Tangible fixed assets

Tangible fixed assets are measured at cost of acquisition or conversion less scheduled depreciation. The straight-line method is used for depreciation and is based on the following useful life figures:

Useful life	Years
Buildings	25 – 50
Office furniture and equipment	5 – 10
Hardware	3 – 5

Land is not subject to scheduled depreciation.

Expected useful lives, residual values and depreciation methods are reviewed annually and any necessary future change of estimates are taken into account. If a permanent impairment is to be expected, extraordinary write-downs are carried out. In the event that the reason for the write-down no longer applies, a write-up will take place up to the amount of the amortized cost of the asset.

The resulting gain or loss from the sale of any asset is determined as the difference between the proceeds and the carrying value of the asset and is recognized in other net operating income. When assets are retired, the remaining carrying amount is also recognized there.

Investment property

This means property that is held to earn rental income and/or for capital appreciation. Investment property is reported at amortized cost using the cost model permitted by IAS 40 and is shown under tangible fixed assets because of minor importance. Income resulting from investment property is shown in other net operating income.

Inventory

Inventories are measured at the lower of cost or net realizable value. Write-downs are made if the acquisition cost is above the net realizable value as of the reporting date or if limited usage or longer storage periods have impaired the value of the inventory.

Non-current assets held for sale and discontinued operations

Non-current assets and discontinued operations are classified as held for sale when the related carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is only considered met if the sale is highly probable and the asset (or discontinued operation) is immediately available for sale and furthermore that the management has committed itself to a sale. Moreover, the sale transaction must be completed within 12 months.

Non-current assets and discontinued operations classified as held for sale are valued at the lower amount of their original carrying value or fair value less costs to sell and are reported under other assets.

Provisions for liabilities and charges

Provisions are recognized when the Group has a present obligation from a past event, where it is likely that it will be obliged to settle, and a reliable estimate of the amount is possible. The level of provisions is the best possible estimate of expected outflow of economic benefits at the reporting date while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. Risks and uncertainties are taken into account in the estimate. Long-term provisions are recognized at their present value.

Provisions for pensions and similar obligations

All defined benefit plans relating to so-called social capital (provisions for pensions, provisions for severance payments and provisions for anniversary bonuses) are measured using the Projected Unit Credit Method in accordance with IAS 19 – Employee Benefits.

The actuarial calculation of pension obligations for active employees is based on the following assumptions:

Per cent	2011	2010
Interest rate	4.5	4.25
Effective salary increase for active employees	3.0	2.5
Individual career trend for active employees	–	2.5
Expected increase in retirement benefits	2.0	2.0
Expected return on plan assets	4.5	4.25

Calculations are based on an assumed retirement accession age of 65 years for men and 62 years for women and are subject to transitional statutory regulations and special arrangements in individual contracts.

Actuarial gains or losses calculated for pension obligations are recognized immediately in profit. No use was made of the corridor method according to IAS 19.92.

The actuarial computation of severance payments and anniversary bonuses is based on the following assumptions:

Per cent	2011	2010
Interest rate	4.5	4.25
Average increase in salary	3.0	2.5
Individual career trend	–	2.5

The biometrical basis for the calculation of provisions for pensions, severance payments and anniversary bonuses of Austrian companies is provided by AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance) – Pagler & Pagler, using the variant for salaried employees. In other countries, comparable actuarial parameters are used for calculation.

Defined contribution plans

Under defined contribution plans, the company pays fixed contributions into a separate entity (a fund). These payments are recognized as staff expenses in the income statement.

Employee compensation plans

Variable Remuneration - special remuneration policies

In RBI variable compensation is based on bonus pools on the bank or profit center level. Every variable pay system has fixed minimum and maximum levels and thus defines maximum payout values.
For the fiscal year 2010, the bonus pools were based on the ratios net profit after tax, the cost/income ratio and return on risk adjusted capital (RORAC) where a comparison of the budget with the year-end figures was made. The bonus of all board members of affiliated banks in Central and Eastern Europe was already in2010 treated as a deferred payment where 30 percent of the annual bonus will be deferred over 3 years. The payout at the beginning of 2014 is dependent on the average annual target achievement (comparison of the budget with the year-end figures) of the ratios net profit after tax and RORAC of the respective Group's unit.

As of the fiscal year 2011, the general and specific principles, as represented on page (general HR part) for the allocation, for the claim and for the payment of variable remuneration (including the payment of the deferred portion of the bonus) for board members of RBI AG and certain Group units and identified staff ("personnel with an impact on the risk profile") are applied:

- 60 per cent of the annual bonus will be paid out on a proportional basis as 50 per cent cash immediately (up-front), and 50 per cent through a phantom share plan, which will pay out after a holding period (retention period) of one year. An exception to this are the banks in Bulgaria, 40 percent up-front portion and a retention period of two years, and the Czech Republic with a holding period of 1.5 years.
- 40 per cent of the annual bonus will be deferrred over a period of three (in Austria, five) years. Payment will be made on a proportional basis, 50 per cent cash and 50 per cent based on the phantom share plan.

The allocation, the claim and the payment of the variable remuneration (including the payment of a portion of the deferred bonus) depend on the following criteria:

- earning a net profit,
- the achievement of the legally required hard core capital ratio of the RBI Group.
- additionally, in Group units on the local level from achieving the legally required local minimum 'core tier 1 ratio excluding buffers," and
- the performance of the business areas and the affected person.

The obligation from number 11 of the annex to Section 39b of the Austrian Banking Act, under which a proportion of at least 50 per cent of variable compensation for risk personnel should take the form of shares or equivalent non-cash payment instruments, is covered in the RBI Group by a stock phantom plan. Proportionally 50 per cent of the "Up-front" and "deferred" bonus section will be divided by the average closing price of RBI's shares on the Vienna Stock Exchange for that year serving as the basis for calculating the bonus. Thereby, a certain amount of phantom shares will be determined. This amount will be fixed for the entire duration of the deferral period. After the expiration of the respective retention period the amount of specified phantom shares will be multiplied by RBI's share price for the previous fiscal year. The resulting cash will be paid when the next available monthly salary is paid.

These rules are valid unless any applicable local laws prescribe a different procedure.

Further details of the employee compensation plans are described in the management report.

Share based compensation

The Management Board, with approval by the Supervisory Board, of RBI AG has approved the existence of a share incentive program (SIP) which offers performance based allotments of shares to eligible employees at home and abroad for a given period. Eligible employees are current board members and selected executives of RBI AG, as well as executives of its affiliated bank subsidiaries and other affiliated companies.

The number of ordinary shares of RBI AG which will ultimately be transferred depends on the achievement of two performance criteria: the targeted return on equity (ROE) and the performance of the share of the RBI AG compared to the total shareholder return of the shares of companies in DJ EURO STOXX Banks index after a three-year holding period. Furthermore, an employment contract must exist with RBI. Participation in the SIP is voluntary.

Expenses related to the share incentive program in accordance with IFRS 2 (share-based payment) are charged to equity.

Subordinated capital

This item comprises subordinated capital and supplementary capital. Liabilities documented or undocumented are subordinated if, in the event of liquidation or bankruptcy, they can only be met after the claims of the other – not subordinated – creditors have been satisfied. Supplementary capital contains all paid-in own funds which are available for the company for at least eight years, for which interest is paid only from the profit and which can be repaid in the case of solvency only after all other debtors are satisfied.

Net interest income

Interest and interest-like income mainly includes interest income on loans and advances to banks and customers and from fixed-interest securities. In addition, current income from shares and other variable-yield securities (especially dividends), income from equity participations and from investments accounted for at equity, and similar income calculated as interest are also reported under net interest income. Dividend income is recognized if the entitlement of the owner for payment exists. Interest expenses and interest-like expenses mainly include interest paid on deposits from banks and customers and on debt securities issued and subordinated capital. Interest income and interest expenses are accrued in the reporting period.

Net fee and commission income

Net fee and commission income mainly includes income and expenses arising from payment transfer business, foreign exchange business and credit business. Fee and commission income and expenses are accrued in the reporting period.

Net trading income

Net trading income comprises the trading margins resulting from the foreign exchange business, results due to foreign exchange revaluations and all realized and unrealized gains and losses from financial assets and liabilities at fair value. In addition, it includes all interest and dividend income attributable to trading activities and related refinancing costs.

General administrative expenses

General administrative expenses include staff and other administrative expenses as well as amortization/depreciation and impairment losses for tangible and intangible fixed assets.

Income taxes

Current taxes are calculated on the basis of taxable income of the current year. The taxable income deviates from the profit of the statement of comprehensive income due to expenses and income which are taxable or tax-deductible in the following years or which are never taxable or tax-deductible. The liability of the Group for current taxes is recognized on the basis of the actual tax rate or the future tax rate which is enacted by the end of the reporting period.

Deferred taxes are recognized and calculated in accordance with IAS 12 applying the liability method. Deferred taxes are based on all temporary differences that result from comparing the carrying amounts of assets and liabilities in the IFRS accounts with the tax bases of assets and liabilities, and which will reverse in the future. Deferred taxes are calculated by using tax rates applicable in the countries concerned. A deferred tax asset should also be recognized on tax loss carry-forwards if it is probable that sufficient taxable profit will be achieved against which the tax loss carry-forwards can be utilized within the same entity. On each reporting date, the carrying amount of the deferred tax assets is reviewed and impaired if it is no longer probable that sufficient taxable income is available in order to partly or fully realize the tax assets. Deferred tax assets and deferred tax liabilities within the same entity are netted.

Income tax credits and income tax obligations are recorded separately under the item "other assets" and "tax provisions" respectively.

Current and deferred taxes are recognized as profit or loss. In case that they are linked to items which are recognized in other comprehensive income, current and deferred taxes are also directly recognized in other comprehensive income.

Other comprehensive income

Other comprehensive income comprises all income and expenses directly recognized in equity according to IFRS standards. Other comprehensive income contains currency differences resulting from the translation of equity held in foreign currency, changes resulting from the hedging of net investments in a foreign entity (capital hedge), the effective part of a cash flow hedge, changes resulting from valuation of available-for-sale financial assets as well as deferred taxes on the mentioned items.

Fiduciary business

Transactions arising from the holding and placing of assets on behalf of third parties are not shown in the statement of financial position. Fees arising from these transactions are shown under net fee and commission income.

Financial guarantees

According to IAS 39, a financial guarantee is a contract under which the guarantor is obliged to make payments that compensate the party to whom the guarantee is issued for a loss arising in the event that a particular debtor does not fulfill payment obligations on time as stipulated in the original terms of the debt instrument. At the date of recognition of a financial guarantee, the initial fair value corresponds under market conditions to the premium at the date of signature of the contract. For subsequent valuations the credit commitment has to be presented as provision according to IAS 37.

Contingent liabilities and commitments

The Group has contingent liabilities from guarantees, credit guarantees, letters of credit and loan commitments recognized at face value. Guarantees are used in situations in which the Group guarantees payment to the creditor to fulfill the obligation of a third party. Irrevocable credit lines must be reported when a credit risk may occur. These include commitments to provide loans, to purchase securities or to provide guarantees and acceptances. Loan loss provisions for contingent liabilities and irrevocable loan commitments are reported under provisions for liabilities and charges.

Own shares

Own shares of RBI AG at the balance sheet date, are deducted directly from equity. Gains and losses on own shares have no impact on the income statement.

Statement of cash flows

The cash flow statement reports the change in the cash and cash equivalents of the company through the net cash from operating activities, investing and financing activities. Cash flows for investing activities mainly include proceeds from the sale, or payments for the acquisition of financial investments and tangible fixed assets. The net cash from financing activities shows all cash flows from equity capital, subordinated capital, and participation capital. All other cash flows are – according to international practices for financial institutions – assigned to operating activities.

Segment reporting

Notes on segment reporting are to be found in the chapter segment reports.

Notes to the nature and extent of risks

Information about risks arising from financial instruments is disclosed in the explanatory notes. The risk report in particular contains detailed information on the issue of credit risk, country risk, concentration risk, market risk and liquidity risk.

Capital management

Information on capital management, regulatory own funds and risk-weighted assets are disclosed under note (53) capital management and regulatory own funds according to the Austrian Banking Act.

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Notes to the income statement

(1) Income statement according to measurement categories

The following table shows income statement according to IAS 39 measurement categories:

€ 000	2011	2010
Net gains (losses) on financial assets and liabilities held-for-trading	**778,573**	**304,784**
Financial assets and liabilities at fair value through profit or loss	**378,787**	**364,155**
Interest income	330,247	252,385
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	48,540	111,770
Financial assets available-for-sale	**(49,875)**	**20,638**
Interest income	48,439	9,666
Net realized gains (losses) on financial assets available-for-sale	13,752	15,728
Impairment on financial assets available-for-sale	(112,066)	(4,756)
Loans and advances	**4,430,597**	**4,134,392**
Interest income	5,494,091	5,342,692
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	8,147	2,879
Impairment on financial assets not measured at fair value through profit and loss	(1,071,641)	(1,211,179)
Financial assets held-to-maturity	**534,990**	**452,050**
Interest income	442,795	445,896
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	94,364	5,010
Impairment on financial assets not measured at fair value through profit and loss	(2,169)	1,144
Financial liabilities	**(2,937,351)**	**(2,784,131)**
Interest expenses	(2,937,351)	(2,784,131)
Derivatives (hedging)	**23,729**	**(10,324)**
Net interest income	(6,104)	(9,718)
Net gains (losses) from hedge accounting	29,834	(606)
Net revaluations from exchange differences	**79,072**	**283,481**
Other operating income/expenses	**(1,865,166)**	**(1,477,723)**
Profit before tax from continuing operations	**1,373,355**	**1,287,322**

(2) Net interest income

The net interest income position includes interest income and expenses from items of banking business, dividend income, and fees and commissions with interest-like characteristics.

€ 000	2011	2010
Interest and interest-like income, total	**6,614,417**	**6,364,799**
Interest income	6,529,231	6,334,282
from balances at central banks	61,796	84,969
from loans and advances to banks	441,781	447,943
from loans and advances to customers	4,743,939	4,571,885
from financial investments	770,497	696,577
from leasing claims	222,377	221,448
from derivative financial instruments (non-trading), net	288,841	311,460
Current income	50,983	11,369
from shares and other variable-yield securities	2,544	1,703
from shares in affiliated companies	44,853	5,474
from other interests	3,586	4,192
Interest-like income	34,203	19,148
Current income from associates	**89**	**200**
Interest expenses and interest-like expenses, total	**(2,947,356)**	**(2,786,831)**
Interest expenses	(2,905,336)	(2,740,480)
on deposits from central banks	(10,004)	(2,700)
on deposits from banks	(649,222)	(678,759)
on deposits from customers	(1,410,681)	(1,251,006)
on debt securities issued	(616,433)	(610,492)
on subordinated capital	(218,995)	(197,523)
Interest-like expenses	(42,020)	(46,351)
Net interest income	**3,667,150**	**3,578,168**

The interest margin on the respective averages of the stated base has developed as follows:

Per cent	2011	2010
Interest margin (total assets)	2.61	2.51
Interest margin (risk-weighted assets, credit risk)	4.77	4.97

Interest income includes interest income (unwinding) from impaired loans to customers and impaired loans to banks in the amount of € 204,960 thousand (2010: € 234,803 thousand). Interest income from impaired loans and advances to customers and banks is recognized with the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

(3) Net provisioning for impairment losses

Net provisioning for impairment losses on items reported on and off the statement of financial position is as follows:

€ 000	2011	2010
Individual loan loss provisions	**(1,176,630)**	**(1,196,101)**
Allocation to provisions for impairment losses	(1,678,462)	(1,681,809)
Release of provisions for impairment losses	558,700	530,848
Direct write-downs	(132,780)	(90,047)
Income received on written-down claims	75,912	44,907
Portfolio-based loan loss provisions	**104,932**	**(862)**
Allocation to provisions for impairment losses	(280,577)	(390,664)
Release of provisions for impairment losses	385,510	389,802
Gains from loan termination or sale	**8,147**	**2,879**
Total	**(1,063,551)**	**(1,194,084)**

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

Ratios	2011	2010
Net provisioning ratio (average risk-weighted assets, credit risk)	1.38%	1.66%
Net provisioning ratio (total loans outstanding)	0.57%	0.71%
Loss rate	0.38%	0.41%
Portfolio rate (total loans outstanding)	2.80%	2.90%

(4) Net fee and commission income

€ 000	2011	2010
Payment transfer business	611,021	599,023
Loan and guarantee business	280,453	281,567
Securities business	118,790	134,553
Foreign currency, notes/coins, and precious-metals business	329,765	329,909
Management of investment and pension funds	26,550	26,337
Sale of own and third party products	41,323	47,176
Credit derivatives business	1,462	2,804
Other banking services	80,563	69,423
Total	**1,489,927**	**1,490,792**

(5) Net trading income

The position net trading income includes interest and dividend income, refinancing costs, commissions and any changes in fair value of trading portfolios.

€ 000	2011	2010
Interest-based transactions	170,643	211,076
Currency-based transactions	107,334	121,171
Equity-/index-based transactions	4,583	9,570
Credit derivatives business	2,132	(700)
Other transactions	78,569	(12,996)
Total	**363,261**	**328,121**

In the year 2011 there was a change in the method of valuation used for given capital guarantees due to legislative changes. This adjustment had an effect on earnings in the amount of € 81,224 thousand in other transactions. The effect on the previous year's figures cannot be quantified.

Currency-based transactions contained an effect due to the application of IAS 29 hyperinflation in Belarus in the amount of € 84,345 thousand.

(6) Net income from derivatives and designated liabilities

€ 000	2011	2010
Net income from hedge accounting	3,373	(605)
Net income from credit derivatives	31,669	2,348
Net income from other derivatives	194,231	(63,384)
Net income from liabilities designated at fair value	183,555	(22,544)
Total	**412,828**	**(84,185)**

Net income from hedge accounting includes on the one hand, a valuation gain from derivatives of € 87,529 thousand (2010: minus € 15,312 thousand) and on the other hand, changes in the carrying amount of the fair value hedged items of minus € 84,156 thousand (2010: plus € 14,707 thousand).

Net income from other derivatives includes valuation results from those derivatives, which are held to hedge against market risks (except trading assets/liabilities). They are, however, based on an inhomogeneous portfolio and do not satisfy the requirements for hedge accounting according to IAS 39.

Net income from liabilities designated at fair value comprises a profit from changes in own credit risk amounting to € 248,491 thousand (2010: € 33,000) and a negative effect from changes in market interest rates.

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(7) Net income from financial investments

The position net income from financial investments comprises valuation results and net proceeds from securities of the financial investment portfolio (held-to-maturity), from securities at fair value through profit and loss, and equity participations which include shares in affiliated companies, companies valued at equity, and other companies.

€ 000	2011	2010
Net income from financial investments held-to-maturity	**92,195**	**6,153**
Net valuations of financial investments held-to-maturity	(2,169)	1,143
Net proceeds from sales of financial investments held-to-maturity	94,364	5,010
Net income from equity participations	**(97,844)**	**11,024**
Net valuations of equity participations	(111,595)	(4,704)
Net proceeds from sales of equity participations	13,752	15,728
Net income from securities at fair value through profit and loss	**(135,430)**	**120,046**
Net valuations of securities at fair value through profit and loss	(124,630)	57,869
Net proceeds from sales of securities at fair value through profit and loss	(10,800)	62,177
Total	**(141,077)**	**137,223**

As a result of the material increase in regulatory own capital required by the European Banking Authority (EBA) use was made of IAS 39 AG22e in 2011 which allowed for the sale of parts of the held-to-maturity portfolio in the amount of € 2,551,102 thousand without triggering the sanctions concerning the premature sale of securities from the held-to-maturity-portfolio. As a result a gain of € 94,364 thousand was realized. Due to the requirements set by the EBA, the RZB credit institute group is required to have a 9 per cent core tier 1 capital ratio as at 30 June 2012.

(8) General administrative expenses

General administrative expenses of the Group contain staff expenses, other administrative expenses and depreciation on tangible and intangible fixed assets. They break down as follows:

€ 000	2011	2010
Staff expenses	**(1,539,615)**	**(1,452,948)**
Wages and salaries	(1,192,361)	(1,115,001)
Social security costs and staff-related taxes	(281,294)	(265,055)
Other voluntary social expenses	(42,928)	(40,656)
Expenses on severance payments, retirement benefits and anniversary payments	(15,822)	(26,761)
Expenses on share incentive program (SIP)	(7,210)	(5,475)
Other administrative expenses	**(1,209,106)**	**(1,186,515)**
Office space expenses	(331,113)	(332,055)
IT expenses	(222,533)	(202,026)
Communication expenses	(92,992)	(94,886)
Legal, advisory and consulting expenses	(118,699)	(117,535)
Advertising, PR and promotional expenses	(112,967)	(109,662)
Deposit insurance fees	(84,994)	(73,422)
Office supplies	(31,668)	(32,605)
Car expenses	(20,848)	(20,724)
Security expenses	(50,530)	(45,382)
Traveling expenses	(25,200)	(25,080)
Training expenses for staff	(18,803)	(17,915)
Sundry administrative expenses	(98,760)	(115,223)
Depreciation of intangible and tangible fixed assets	**(371,718)**	**(340,282)**
Tangible fixed assets	(194,297)	(180,354)
Intangible fixed assets	(142,934)	(128,093)
Leased assets (operating lease)	(34,488)	(31,835)
Total	**(3,120,440)**	**(2,979,745)**

Legal, advisory and consulting expenses include audit fees of the Group companies which comprise expenses for the audit of financial statements amounting to € 8,018 thousand (2010: € 7,345 thousand) and tax advisory as well as other additional consulting services provided by the auditors amounting to € 5,035 thousand (2010: € 2,977 thousand). Thereof, € 2,312 thousand (2010: € 1,651 thousand) are accounted for the group auditor for the audit of the consolidated financial statement and the individual financial statement and € 346 thousand (2010: € 670 thousand) is accounted for the other consulting services.

Amortization of intangible fixed assets capitalized in the course of initial consolidation amounted to € 5,854 thousand (2010: € 5,994 thousand). This relates to scheduled amortization of the acquired customer base.

The depreciation of tangible and intangible fixed assets includes an impairment of € 20,040 thousand (2010: € 5,332 thousand).

(9) Other net operating income

The position other net operating income contains, among other things, sales revenues and expenses from non-banking activities, income and expenses from disposal as well as income from the revaluation of tangible and intangible fixed assets.

€ 000	2011	2010
Net income arising from non-banking activities	30,730	35,232
Sales revenues from non-banking activities	715,015	834,260
Expenses arising from non-banking activities	(684,285)	(799,028)
Net income from additional leasing services	(6,438)	(2,607)
Revenues from additional leasing services	82,958	91,823
Expenses from additional leasing services	(89,396)	(94,430)
Rental income from operating lease (vehicles and equipment)	38,086	36,468
Rental income from investment property incl. operating lease (real estate)	21,037	12,616
Net proceeds from disposal of tangible and intangible fixed assets	(9,421)	(9,233)
Other taxes	(130,883)	(73,810)
hereof special bank levies	(93,429)	(41,439)
Impairment of goodwill	(187,318)	0
Income from release of negative goodwill	299	0
Net expense from allocation and release of other provisions	(11,558)	(27,208)
Sundry operating income	69,628	77,174
Sundry operating expenses	(46,329)	(42,335)
Total	**(232,167)**	**6,297**

The other net operating income includes impairment of goodwill amounting to € 187,318 thousand from the Ukraine, Hungary and Slovenia.

(10) Net income from disposal of group assets

In the reporting period, four subsidiaries were excluded from the consolidated group due to materiality reasons. One subsidiary was excluded due to the end of operations. Net income from this disposal of group assets amounted to minus € 2,575 thousand (2010: € 4,734 thousand).

(11) Income taxes

Income taxes break down as follows:

€ 000	2011	2010
Current income taxes	(340,730)	(357,066)
Austria	(24,519)	(41,338)
Foreign	(316,211)	(315,728)
Deferred taxes	(58,512)	246,905
Total	**(399,243)**	**(110,161)**

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

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

€ 000	2011	2010
Profit before tax	**1,373,355**	**1,287,322**
Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent	**(343,339)**	**(321,830)**
Effect of divergent foreign tax rates	92,334	60,901
Tax decrease because of tax-exempted income from equity participations and other income	156,585	102,649
Tax increase because of non-deductible expenses	(132,282)	(55,781)
Other tax deductions and tax increases	(172,540)	103,900
Effective tax burden	**(399,243)**	**(110,161)**
Tax rate in per cent	**29.1**	**8.6**

Other tax deductions and tax increases include mainly deferred tax assets built on tax loss carry-forwards and belated tax payments.

(12) Earnings per share

€ 000	2011	2010
Consolidated profit	967,663	1,087,475
Less dividend for participation capital	(200,000)	(200,000)
Adapted consolidated profit	**767,663**	**887,475**
Average number of ordinary shares outstanding in thousand	194,552	194,530
Earnings per share in €	**3.95**	**4.56**

There were no conversion or option rights outstanding, so undiluted earnings per share are equal to diluted earnings per share. The capital increase of 40.837.624 ordinary shares issued, due to the merger of the prinical business areas of the RZB with Raiffeisen International in the year 2010, was considered retrospectively with regard to the calculation of the average number of outstanding common shares.

Notes to the statement of financial position

(13) Statement of financial position according to measurement categories

The following table shows the statement of financial position according to IAS 39 measurement categories:

Assets according to measurement categories € 000	2011	2010
Trading assets	**11,595,130**	**8,631,020**
Positive fair values of derivative financial instruments	8,271,215	4,187,176
Shares and other variable-yield securities	209,935	430,428
Bonds, notes and other fixed-interest securities	3,107,108	4,013,416
Call/time deposits from trading purposes	6,872	0
Financial assets at fair value through profit or loss	**7,359,794**	**8,070,267**
Shares and other variable-yield securities	254,094	279,787
Bonds, notes and other fixed-interest securities	7,105,700	7,790,480
Investments in associates	**5,017**	**4,961**
Financial assets available-for-sale	**3,866,077**	**393,620**
Investments in other affiliated companies	291,473	233,011
Other interests	152,535	160,609
Bonds, notes and other fixed-interest securities	3,422,069	0
Loans and advances	**115,807,124**	**99,267,608**
Loans and advances to banks	37,148,037	26,338,989
Loans and advances to customers	81,538,596	75,617,601
Other non-derivative financial assets	2,173,703	2,066,890
Impairment losses on loans and advances	(5,053,212)	(4,755,872)
Financial assets held-to-maturity	**5,348,485**	**11,206,783**
Bonds, notes and other fixed-interest securities	5,309,092	11,167,015
Purchased loans	39,393	39,768
Derivatives (hedging)	**426,350**	**925,409**
Positive fair values of derivatives (hedging)	426,350	925,409
Other assets	**2,577,025**	**2,673,446**
Intangible and tangible fixed assets	2,577,025	2,673,446
Total assets	**146,985,003**	**131,173,114**

Equity and liabilities according to measurement categories € 000	2011	2010
Trading liabilities	**10,463,944**	**6,528,355**
Negative fair values of derivative financial instruments	9,154,948	5,317,680
Short-selling of trading assets	565,628	425,730
Certificates issued	743,369	784,945
Financial liabilities	**121,425,703**	**110,534,766**
Deposits from banks	37,991,809	33,659,182
Deposits from customers	66,747,234	57,633,113
Debt securities issued	11,020,903	13,997,986
Subordinated capital	4,150,733	4,001,098
Other non-derivative financial liabilities	1,515,024	1,243,387
Liabilities at fair value through profit and loss	**3,345,911**	**2,557,396**
Debt securities issued	3,345,911	2,557,396
Derivatives (hedging)	**42,702**	**476,763**
Negative fair values of derivatives (hedging)	42,702	476,763
Provisions for liabilities and charges	**770,957**	**671,909**
Equity	**10,935,786**	**10,403,925**
Total equity and liabilities	**146,985,003**	**131,173,114**

(14) Cash reserve

€ 000	2011	2010
Cash in hand	2,054,026	1,639,507
Balances at central banks	9,347,721	3,167,384
Total	**11,401,747**	**4,806,891**

(15) Loans and advances to banks

€ 000	2011	2010
Giro and clearing business	2,482,117	1,516,736
Money market business	19,177,856	14,789,329
Loans to banks	3,079,250	3,766,415
Purchased loans	120,374	34,510
Leasing claims	414	754
Claims evidenced by paper	888,032	1,424,662
Total	**25,748,044**	**21,532,406**

Of the purchased loans amounting to € 120,374 thousand, € 118,620 thousand are assigned to the measurement category loans and advances (2010: € 34,203 thousand) and € 1,754 thousand to held-to-maturity (2010: € 307 thousand).

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

€ 000	2011	2010
Austria	13,126,727	10,794,273
Foreign	12,621,316	10,738,133
Total	**25,748,044**	**21,532,406**

Loans and advances to banks break down into the following bank segments:

€ 000	2011	2010
Central banks	1,817,016	1,483,988
Commercial banks	23,925,437	20,038,435
Multilateral development banks	5,591	9,983
Total	**25,748,044**	**21,532,406**

(16) Loans and advances to customers

€ 000	2011	2010
Credit business	53,945,245	48,763,542
Money market business	4,883,948	5,000,582
Mortgage loans	17,944,342	16,887,910
Purchased loans	1,234,357	1,138,650
Leasing claims	3,064,394	3,108,925
Claims evidenced by paper	503,949	757,452
Total	**81,576,235**	**75,657,061**

Purchased loans amounting to € 1,196,718 thousand (2010: € 1,099,190 thousand) are assigned to the measurement category loans and advances. Purchased loans classified as held-to-maturity totaled € 37,639 thousand (2010: € 39,460 thousand).

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

€ 000	2011	2010
Sovereigns	1,356,087	1,493,464
Corporate customers – large corporates	55,222,286	49,201,202
Corporate customers – mid market	3,674,424	3,828,783
Retail customers – private individuals	19,004,397	18,548,815
Retail customers – small and medium-sized entities	2,291,056	2,441,270
Other	27,986	143,527
Total	**81,576,235**	**75,657,061**

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

€ 000	2011	2010
Austria	7,854,741	7,913,930
Foreign	73,721,494	67,743,131
Total	**81,576,235**	**75,657,061**

(17) Impairment losses on loans and advances

Provisions for impairment losses are formed in accordance with uniform Group standards and cover all recognizable credit risks. A table with the development of the impairment losses on loans and advances can be found in the risk report on page 209. Provisions for impairment losses are allocated to the following asset classes according to the Basel II definition:

€ 000	2011	2010
Banks	227,643	255,020
Sovereigns	5,912	996
Corporate customers – large corporates	2,619,090	2,431,647
Corporate customers – mid market	427,176	407,459
Retail customers – private individuals	1,524,426	1,417,968
Retail customers – small and medium-sized entities	248,965	242,782
Total	**5,053,212**	**4,755,872**

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

31/12/2011 € 000	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	25,499,535	25,748,044	231,069	208,591	19,052	25,520,401
Sovereigns	1,263,107	1,356,087	11,277	5,912	0	1,350,175
Corporate customers – large corporates	51,244,569	55,250,272	4,075,045	2,245,407	373,682	52,631,183
Corporate customers – mid market	3,277,301	3,674,424	643,956	394,552	32,624	3,247,248
Retail customers – private individuals	18,080,500	19,004,397	2,306,586	1,281,724	242,701	17,479,972
Retail customers – small and medium-sized entities	2,117,024	2,291,056	333,803	217,414	31,551	2,042,091
Total	**101,482,036**	**107,324,280**	**7,601,736**	**4,353,600**	**699,610**	**102,271,070**

31/12/2010 € 000	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	21,270,497	21,532,406	271,087	236,579	18,440	21,277,387
Sovereigns	1,404,555	1,493,464	12,489	996	0	1,492,468
Corporate customers – large corporates	46,229,254	49,344,729	3,597,547	2,025,674	405,973	46,913,082
Corporate customers – mid market	3,468,804	3,828,783	670,167	375,802	31,657	3,421,324
Retail customers – private individuals	17,918,352	18,548,815	1,789,377	1,115,494	302,474	17,130,847
Retail customers – small and medium-sized entities	2,379,029	2,441,270	319,913	192,749	50,033	2,198,488
Total	**92,670,491**	**97,189,467**	**6,660,580**	**3,947,294**	**808,577**	**92,433,596**

Impaired assets

The following table shows the carrying amount of individually impaired assets, the amount of individually allocated provisions and the corresponding net value of available collaterals:

31/12/2011	Impairments and collaterals				
€ 000	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
Banks	231,069	208,591	22,478	0	1,514
Sovereigns	11,277	5,912	5,365	5,224	118
Corporate customers – large corporates	4,075,045	2,245,407	1,829,638	1,272,792	110,715
Corporate customers – mid market	643,956	394,552	249,404	221,291	24,752
Retail customers – private individuals	2,306,586	1,281,724	1,024,862	800,645	58,958
Retail customers – small and medium-sized entities	333,803	217,414	116,389	80,951	8,902
Total	**7,601,736**	**4,353,600**	**3,248,136**	**2,380,903**	**204,960**

ILLP: individual loan loss provisions

31/12/2010	Impairments and collaterals				
€ 000	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
Banks	271,087	236,579	34,508	0	4,623
Sovereigns	12,489	996	11,493	32	853
Corporate customers – large corporates	3,597,547	2,025,675	1,571,872	1,114,480	104,469
Corporate customers – mid market	670,167	375,802	294,365	288,731	26,233
Retail customers – private individuals	1,789,377	1,115,494	673,883	638,964	87,960
Retail customers – small and medium-sized entities	319,913	192,749	127,164	95,020	10,664
Total	**6,660,580**	**3,947,295**	**2,713,285**	**2,137,228**	**234,803**

ILLP: individual loan loss provisions

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(18) Trading assets

The trading assets consist of the following securities and derivative instruments held-for-trading:

€ 000	2011	2010
Bonds, notes and other fixed-interest securities	**3,107,108**	**4,013,416**
Treasury bills and bills of public authorities eligible for refinancing	889,762	1,083,173
Other securities issued by the public sector	430,402	870,387
Bonds and notes of non-public issuers	1,786,944	2,059,856
Shares and other variable-yield securities	**209,935**	**430,428**
Shares	155,296	267,613
Mutual funds	41,818	72,323
Other variable-yield securities	12,821	90,492
Positive fair values of derivative financial instruments	**7,292,755**	**3,624,549**
Interest-based transactions	6,391,197	2,818,894
Currency-based transactions	717,528	642,939
Equity-/index-based transactions	81,985	95,885
Credit derivatives business	89,123	47,789
Other transactions	12,923	19,042
Call/time deposits from trading purposes	**6,872**	**0**
Total	**10,616,671**	**8,068,393**

Pledged securities ready to be sold or repledged by transferee are allocated to the appropriate securities category in the table above. Further details are shown under note (40) genuine sale and repurchase agreements.

(19) Derivatives

€ 000	2011	2010
Positive fair values of derivatives in fair value hedges (IAS 39)	**426,350**	**360,827**
Interest-based transactions	426,350	360,827
Positive fair values of derivatives in cash flow hedges (IAS 39)	**0**	**564,583**
Interest-based transactions	0	564,583
Positive fair values of credit derivatives	**74,723**	**9,472**
Positive fair values of other derivatives	**903,736**	**553,154**
Interest-based transactions	724,937	453,263
Currency-based transactions	178,682	98,547
Equity-/index-based transactions	117	1,344
Total	**1,404,809**	**1,488,036**

As long as the conditions for hedge accounting according to IAS 39 are fulfilled, derivative financial instruments are measured at their fair values (dirty prices) in their function as hedging instruments. The hedged items in connection with fair value hedges are loans and advances to customers and debt securities issued which are to be hedged against interest rate risks. The changes in carrying amount of the hedged underlying transactions in IAS 39 fair value hedges are included in the respective items of the statement of financial position.

This item also includes the positive fair values of derivative financial instruments that are neither held for trading nor constitute fair value hedging instruments under IAS 39.

(20) Financial investments

This position consists of securities available-for-sale, financial assets at fair value through profit or loss, and securities held-to-maturity as well as strategic equity participations held on a long-term basis.

€ 000	2011	2010
Bonds, notes and other fixed-interest securities	**15,836,862**	**18,957,495**
Treasury bills and bills of public authorities eligible for refinancing	7,675,075	9,886,294
Other securities issued by the public sector	3,856,656	3,687,021
Bonds and notes of non-public issuers	4,284,813	5,363,862
Other	20,318	20,318
Shares and other variable-yield securities	**254,094**	**279,787**
Shares	85,302	93,917
Mutual funds	165,452	182,532
Other variable-yield securities	3,340	3,338
Equity participations	**444,008**	**393,620**
Interest in affiliated companies	291,474	233,012
Other interests	152,535	160,608
Total	**16,534,964**	**19,630,902**

Pledged securities ready to be sold or repledged by the transferee are allocated to the appropriate securities category in the table above. Further details are shown under note (40) genuine sale and repurchase agreements.

The carrying amount of the securities reclassified into the category held-to-maturity amounted at the date of reclassifications to € 452,188 thousand. Thereof, reclassifications in 2008 amounted to € 371,686 thousand and in 2011 to € 80,502 thousand. As of 31 December 2011, the carrying amount was € 304,247 thousand and the fair value totaled € 305,775. In 2011, a result from the reclassified securities of € 13,955 thousand (2010: € 16,343 thousand) was shown in the income statement. If the reclassification had not been made, a gain of € 4,812 thousand (2010: € 9,042 thousand) would have arisen.

The carrying amount of the securities reclassified into the category loans and advances amounted to € 1,559,682 thousand at the date of reclassification in 2008. The carrying amount as of 31 December 2011 totaled € 806,491 thousand and the fair value was € 795,978 thousand. In 2011, a result from the reclassified securities of € 27,306 thousand (2010: € 41,306) was shown in the income statement. If the reclassification had not been made, a loss of € 36,298 thousand (2010: € 69,648) would have arisen.

The carrying amount of the securities that were reclassified from held-to-maturity into the category of financial assets available-for-sale at 31 December 2011 was € 3,193,708 thousand.

Equity participations valued at amortized cost for which fair values could not be measured reliably amounted to € 87,946 thousand (2010: € 80,549 thousand).

For the following subsidiaries syndicate contracts between RBI AG and the respective shareholders exist: Raiffeisenbank a.s. (Czech Republic), Tatra banka a.s. (Slovakia), Raiffeisen Bank Zrt. (Hungary), and Raiffeisen-RBHU Holding GmbH (Austria), and Raiffeisen Banka d.d. (Slovenia), respectively, as well as Raiffeisenbank Austria d.d. (Croatia). These syndicate contracts regulate especially purchase options between direct and indirect shareholders.

The syndicate contracts expire automatically if control over the company changes – also in the case of a takeover bid. The following agreement has been made with the European Bank for Reconstruction and Development (EBRD) regarding Priorbank, OAO (Belarus): If control over the company changes, EBRD has the option to sell all shares held in Priorbank to the company.

(21) Investments in associates

The shares in companies valued at equity are as follows:

€ 000	2011	2010
Investments in associates	5,017	4,961

Financial information on associated companies is as follows:

€ 000	Total assets	Total revenues	Profit/loss after taxes	Shareholders´ equity
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	75,112	4,168	102	15,054

Further information regarding associated companies is stated on page 260.

(22) Intangible fixed assets

€ 000	2011	2010
Goodwill	408,456	613,681
Software	530,859	479,826
Other intangible fixed assets	126,234	126,309
Total	**1,065,548**	**1,219,816**

The item "software" comprises acquired software amounting to € 471,627 thousand (2010: € 424,611 thousand) and developed software amounting to € 59,232 thousand (2010: € 55,215 thousand).

The carrying amount of goodwill breaks down on the following cash generating units as follows:

€ 000	2011	2010
ZAO Raiffeisenbank, Moscow	257,171	263,124
Raiffeisen Bank Sh.a., Tirane	52,650	52,711
Raiffeisenbank a.s., Prague	39,697	42,443
Raiffeisen Bank Aval JSC, Kiev	29,138	220,606
Ukrainian Processing Center PJSC, Kiev	15,377	14,977
Other	14,424	19,820
Total	**408,456**	**613,681**

Goodwill impairment of € 187,318 thousand was made at the Group units in the Ukraine, Hungary and Slovenia. Information about the impairment tests can be found in the chapter business combinations on page 153.

(23) Tangible fixed assets

€ 000	2011	2010
Land and buildings used by the Group for own purpose	610,056	553,590
Other land and buildings (investment property)	121,006	112,730
Office furniture, equipment and other tangible fixed assets	448,876	507,331
Leased assets (operating lease)	331,539	279,979
Total	**1,511,477**	**1,453,630**

The fair value of investment property totaled € 122,804 thousand (2010: € 110,630 thousand).

(24) Development of fixed assets

Tangible and intangible fixed assets developed in the financial year 2011 as follows:

	Cost of acquisition or conversion						
€ 000	As of 1/1/2011	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As of 31/12/2011
Intangible fixed assets	**1,836,783**	**(1,360)**	**(31,801)**	**215,748**	**(19,407)**	**21**	**1,999,984**
Goodwill	639,234	0	(2,355)	0	(1,624)	0	635,255
Software	1,017,529	60	(30,576)	200,914	(16,450)	10,952	1,182,429
Other intangible fixed assets	180,020	(1,420)	1,130	14,834	(1,333)	(10,931)	182,300
Tangible fixed assets	**2,443,714**	**29,579**	**(34,124)**	**364,557**	**(215,749)**	**(21)**	**2,587,956**
Land and buildings used by the Group for own purpose	737,325	0	(12,731)	102,208	(32,472)	16,206	810,536
Other land and buildings	119,812	29,482	2,355	44,569	(1,714)	(56,306)	138,198
of which land value of developed land	13,901	0	146	7	(384)	0	13,670
Office furniture, equipment and other tangible fixed assets	1,234,854	97	(15,861)	141,490	(111,856)	(18,287)	1,230,437
Leased assets (operating lease)	351,723	0	(7,887)	76,290	(69,707)	58,366	408,785
Total	**4,280,497**	**28,219**	**(65,925)**	**580,305**	**(235,156)**	**0**	**4,587,940**

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	Write-ups, amortization, depreciation, impairment			Carrying amount
€ 000	Cumulative	hereof Write-ups	hereof Depreciation	31/12/2011
Intangible fixed assets	**(934,436)**	**0**	**(330,149)**	**1,065,548**
Goodwill	(226,799)	0	(187,215)	408,456
Software	(651,570)	0	(135,436)	530,859
Other intangible fixed assets	(56,066)	0	(7,498)	126,234
Tangible fixed assets	**(1,076,479)**	**1,395**	**(228,785)**	**1,511,477**
Land and buildings used by the Group for own purpose	(200,480)	643	(31,653)	610,056
Other land and buildings	(17,192)	0	(13,444)	121,006
of which land value of developed land	(6)	0	(7)	13,664
Office furniture, equipment and other tangible fixed assets	(781,561)	226	(149,200)	448,876
Leased assets (operating lease)	(77,246)	526	(34,488)	331,539
Total	**(2,010,915)**	**1,395**	**(558,934)**	**2,577,025**

Intangible and tangible fixed assets developed in the financial year 2010 as follows:

	Cost of acquisition or conversion						
€ 000	As of 1/1/2010	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As of 31/12/2010
Intangible fixed assets	**1,337,153**	**273,842**	**46,985**	**203,413**	**(28,322)**	**3,713**	**1,836,783**
Goodwill	611,140	22	29,152	0	(1,080)	0	639,234
Software	573,774	268,071	7,132	182,583	(25,852)	11,822	1,017,529
Other intangible fixed assets	152,239	5,749	10,701	20,830	(1,390)	(8,109)	180,020
Tangible fixed assets	**2,032,101**	**120,079**	**37,011**	**415,293**	**(157,057)**	**(3,713)**	**2,443,714**
Land and buildings used by the Group for own purpose	673,711	19,167	17,255	38,625	(15,536)	4,103	737,325
Other land and buildings	32,669	4,757	1,445	83,923	(1,222)	(1,760)	119,812
of which land value of developed land	8,826	4,617	421	37	0	0	13,901
Office furniture, equipment and other tangible fixed assets	1,054,926	96,155	19,493	170,601	(102,628)	(3,693)	1,234,854
Leased assets (operating lease)	270,795	0	(1,182)	122,144	(37,671)	(2,363)	351,723
Total	**3,369,254**	**393,921**	**83,996**	**618,706**	**(185,379)**	**0**	**4,280,497**

€ 000	Write-ups, amortization, depreciation, impairment Cumulative	hereof Write-ups	hereof Depreciation	Carrying amount 31/12/2010
Intangible fixed assets	**(616,967)**	**1,258**	**(128,093)**	**1,219,816**
Goodwill	(25,553)	0	0	613,681
Software	(537,703)	0	(118,977)	479,826
Other intangible fixed assets	(53,711)	1,258	(9,115)	126,309
Tangible fixed assets	**(990,084)**	**636**	**(212,189)**	**1,453,630**
Land and buildings used by the Group for own purpose	(183,735)	0	(33,304)	553,590
Other land and buildings	(7,082)	0	(4,923)	112,730
of which land value of developed land	0	0	0	13,901
Office furniture, equipment and other tangible fixed assets	(727,523)	432	(142,127)	507,331
Leased assets (operating lease)	(71,744)	204	(31,835)	279,979
Total	**(1,607,051)**	**1,894**	**(340,282)**	**2,673,446**

Additions to intangible and tangible assets did not include major individual investments.

(25) Other assets

€ 000	2011	2010
Tax assets	417,630	494,235
Current tax assets	59,608	31,547
Deferred tax assets	358,021	462,688
Receivables arising from non-banking activities	107,529	140,216
Prepayments and other deferrals	260,535	263,197
Clearing claims from securities and payment transfer business	457,827	356,015
Lease in progress	51,340	82,319
Assets held for sale (IFRS 5)	26,564	5,293
Inventories	174,278	146,973
Valuation fair value hedge portfolio	6,987	0
Any other business	671,014	578,641
Total	**2,173,704**	**2,066,889**

Deferred taxes break down as follows:

€ 000	2011	2010
Deferred tax assets	358,021	462,688
Provisions for deferred taxes	(17,358)	(8,368)
Net deferred taxes	**340,663**	**454,320**

The net deferred taxes result from the following items:

€ 000	2011	2010
Loans and advances to customers	71,701	97,391
Impairment losses on loans and advances	123,428	120,723
Tangible and intangible fixed assets	14,137	20,339
Other assets	26,333	5,079
Provisions for liabilities and charges	53,904	56,852
Trading liabilities	18,111	4,684
Other liabilities	62,021	77,922
Tax loss carry-forwards	240,419	269,811
Other items of the statement of financial position	48,858	43,715
Deferred tax assets	**658,912**	**696,516**
Loans and advances to banks	209	3,170
Loans and advances to customers	30,541	37,397
Impairment losses on loans and advances	56,219	23,326
Trading assets	6,360	17,690
Tangible and intangible fixed assets	71,925	67,451
Deposits from customers	13,527	887
Provisions for liabilities and charges	43	9,808
Other liabilities	11,799	12,236
Other items of the statement of financial position	127,627	70,231
Deferred tax liabilities	**318,249**	**242,196**
Net deferred taxes	**340,663**	**454,320**

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry-forwards which amounted to € 240,419 thousand (2010: € 269,811 thousand). The tax loss carry-forwards are mainly without any time limit. The Group did not recognize deferred tax assets of € 78,414 thousand (2010: € 22,074 thousand) because from a current point of view there is no prospect of realizing them within a reasonable period of time.

(26) Deposits from banks

€ 000	2011	2010
Giro and clearing business	2,290,776	2,326,285
Money market business	26,923,561	21,168,107
Long-term refinancing	8,777,471	10,164,790
Total	**37,991,809**	**33,659,182**

RBI refinances itself periodically with international commercial banks and multinational development banks. These credit contracts contain ownership clauses normally used in business. These clauses give permission to an exceptional termination in the case of change in direct or indirect control over RBI AG, e.g. if Raiffeisen Zentralbank Österreich Aktiengesellschaft loses the majority shareholding in RBI AG. This can lead to increased refinancing costs for RBI in the future.

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

€ 000	2011	2010
Austria	20,648,519	16,046,386
Foreign	17,343,289	17,612,796
Total	**37,991,809**	**33,659,182**

Deposits from banks break down into the following bank segments:

€ 000	2011	2010
Central banks	837,458	1,399,269
Commercial banks	35,236,763	30,948,498
Multilateral development banks	1,917,587	1,311,415
Total	**37,991,809**	**33,659,182**

(27) Deposits from customers

€ 000	2011	2010
Sight deposits	27,472,114	23,780,971
Time deposits	37,994,210	32,382,372
Savings deposits	1,280,910	1,469,770
Total	**66,747,234**	**57,633,113**

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

€ 000	2011	2010
Sovereigns	1,318,407	1,722,770
Corporate customers – large corporates	33,187,082	26,924,075
Corporate customers – mid market	2,438,661	2,489,184
Retail customers – private individuals	25,422,490	22,122,522
Retail customers – small and medium-sized entities	3,722,779	3,672,733
Other	657,814	701,829
Total	**66,747,234**	**57,633,113**

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

€ 000	2011	2010
Austria	6,102,123	5,718,613
Foreign	60,645,111	51,914,500
Total	**66,747,234**	**57,633,113**

(28) Debt securities issued

€ 000	2011	2010
Bonds and notes issued	12,761,801	15,917,240
Money market instruments issued	828,722	51
Other debt securities issued	776,291	638,091
Total	**14,366,814**	**16,555,382**

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

Issuer	ISIN	Type	Currency	Nominal value in € 000	Coupon	Due
RBI AG	XS0412067489	senior government guaranteed	EUR	1,500,000	3.6%	5/2/2014
RBI AG	XS0417093753	senior government guaranteed	EUR	1,250,000	3.0%	13/3/2012
RBI AG	XS0584381544	senior public placements	EUR	1,000,000	3.6%	27/1/2014
RBI AG	XS0597215937	senior public placements	EUR	1,000,000	2.4%	4/3/2013
RBI AG	XS0305474461	senior public placements	EUR	500,000	4.8%	15/6/2012
RBI AG	XS0284781431	senior public placements	GBP	440,180	1.1%	2/2/2012
RBI AG	XS0307006436	senior public placements	EUR	350,000	1.5%	25/6/2012
RBI AG	QOXDBA005028	senior private placements	PLN	213,728	0.0%	30/11/2015
RBI AG	AT000B011804	senior private placements	EUR	200,000	3.1%	30/1/2012
RBI AG	AT000B012000	senior private placements	EUR	200,000	5.0%	16/10 /2012
RBI AG	XS0341159316	senior public placements	EUR	200,000	2.3%	21/1/2013

(29) Provisions for liabilities and charges

€ 000	As of 1/1/2011	Change in consolidated group	Allocation	Release	Usage	Transfers, exchange differences	As of 31/12/2011
Severance payments	60,770	0	13,557	(12,021)	(2,325)	(14)	59,968
Retirement benefits	13,879	0	9,202	(2)	(25)	259	23,313
Taxes	107,131	(238)	128,489	(11,957)	(49,291)	(682)	173,451
Current	98,763	0	116,135	(9,307)	(49,134)	(363)	156,093
Deferred	8,368	(238)	12,354	(2,650)	(157)	(319)	17,358
Contingent liabilities and commitments	132,419	0	96,020	(66,977)	(2,839)	(7,639)	150,984
Pending legal issues	107,755	0	13,681	(15,243)	(14,443)	(1,305)	90,446
Overdue vacation	50,236	(10)	7,680	(5,311)	0	(840)	51,756
Bonus payments	148,413	(15)	141,443	(11,661)	(97,485)	(3,646)	177,050
Restructuring	5,037	0	0	(2,643)	(469)	(273)	1,653
Other	46,270	(1,075)	31,229	(14,167)	(21,514)	1,595	42,337
Total	**671,910**	**(1,338)**	**441,303**	**(139,981)**	**(188,391)**	**(12,546)**	**770,957**

RBI is involved in pending legal issues, which may occur in the banking business. RBI does not expect that these legal cases will have a material impact on the financial position of the Group.

In the reporting period, provisions for pending legal issues amounted to € 90,446 thousand (2010: € 107,755 thousand). In a Russian network unit, a provison of € 15,834 thousand was built in connection with the cancellation of a rent agreement by Raiffeisenbank Moscow. In RBI AG, a provision of € 12,000 thousand was built for a legal issue regarding the law suit of customers of a funds management company in connection with the payment transfer done by the former RZB. Beyond that, there were no single cases exceeding € 10,000 thousand.

Provisions for severance payments and similar obligations developed as follows:

€ 000	2011	2010
Defined benefit obligation (DBO) as of 1/1	60,770	9,404
Exchange differences	10	(285)
Changes in consolidated group	0	42,464
Service cost	3,934	3,107
Interest cost	2,333	1,915
Payments	(5,950)	(4,378)
Actuarial gain/loss	(1,129)	8,543
Defined benefit obligation (DBO) as of 31/12 (=provision)	**59,968**	**60,770**

Provisions for retirement benefits developed as follows:

€ 000	2011	2010
Defined benefit obligation (DBO) as of 1/1	24,873	4,960
Change in consolidated group/transfer	8,956	16,798
Current service cost	1,044	886
Past service costs	500	0
Interest cost	1,080	1,039
Benefit payments	(120)	(31)
Actuarial gain/loss	(346)	1,221
Defined benefit obligation (DBO) as of 31/12	**35,986**	**24,873**

Plan assets developed as follows:

€ 000	2011	2010
Plan assets at fair value as of 1/1	10,994	0
Change in consolidated group/transfer	1,952	9,945
Expected return on plan assets	476	433
Contributions to plan assets	446	483
Plan payments	(63)	0
Actuarial gain/loss	(1,132)	133
Plan assets at fair value as of 31/12	**12,673**	**10,994**

The reconciliation of DBO to provision is as follows:

€ 000	2011	2010
Defined benefit obligation (DBO)	35,986	24,873
Plan assets at fair value	12,673	10,994
Provision as of 31/12	**23,313**	**13,879**

The structure of plan assets breaks down as follows:

Per cent	2011	2010
Bonds	55%	46%
Equities	26%	38%
Alternative investments	7%	9%
Property	4%	1%
Cash	8%	6%

Actual return on plan assets was as follows:

€ 000	2011	2010
Actual return on plan assets	(656)	566

The partition of DBO into wholly/partly funded or wholly unfunded is as follows:

€ 000	2011	2010
Wholly funded	11,585	10,122
Partly funded	17,624	9,066
Wholly unfunded	6,776	5,685
Defined benefit obligation (DBO)	**35,986**	**24,873**

(30) Trading liabilities

€ 000	2011	2010
Negative fair values of derivative financial instruments	**8,405,930**	**4,530,916**
Interest-based transactions	6,390,887	3,019,044
Currency-based transactions	1,366,865	923,460
Equity-/index-based transactions	566,323	525,677
Credit derivatives business	67,530	43,920
Other transactions	14,325	18,815
Short-selling of trading assets	**565,628**	**425,730**
Certificates issued	**743,369**	**784,945**
Total	**9,714,926**	**5,741,591**

(31) Derivatives

€ 000	2011	2010
Negative fair values of derivatives in fair value hedges (IAS 39)	**37,315**	**23,487**
Interest-based transactions	37,315	23,487
Negative fair values of derivatives in cash flow hedges (IAS 39)	**5,387**	**453,276**
Interest-based transactions	5,387	453,276
Negative fair values of credit derivatives	**12,967**	**18,332**
Negative fair values of derivative financial instruments	**736,050**	**768,433**
Interest-based transactions	653,304	479,373
Currency-based transactions	58,437	245,169
Equity-/index-based transactions	24,309	43,891
Total	**791,720**	**1,263,528**

As long as the conditions for hedge accounting according to IAS 39 are fulfilled, derivative financial instruments are measured at their fair values (dirty prices) in their function as hedging instruments. The hedged items in connection with fair value hedges are loans and advances to customers,deposits from banks and debt securities issued, which are taken to hedge against interest rate risk.

Due to a change in the hedging strategy, cash-flow hedging was ended in the second quarter 2011 and replaced by portfolio hedges.

(32) Other liabilities

€ 000	2011	2010
Liabilities from non-banking activities	123,942	114,581
Accruals and deferred items	187,569	189,719
Liabilities from dividends	478	541
Clearing claims from securities and payment transfer business	416,961	405,518
Valuation fair value hedge portfolio	22,432	0
Any other business	763,641	533,028
Total	**1,515,024**	**1,243,387**

(33) Subordinated capital

€ 000	2011	2010
Hybrid tier 1 capital	819,010	819,077
Subordinated liabilities	2,729,183	2,576,374
Supplementary capital	602,540	605,647
Total	**4,150,733**	**4,001,098**

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

Issuer	ISIN	Type	Currency	Nominal value in € 000	Coupon[1]	Due
RBI AG	XS0619437147	Subordinated capital	EUR	500,000	6.625%	18/5/2021
RFJ4	XS0253262025	Hybrid tier 1 capital	EUR	500,000	5.169%	–
RBI AG	XS0289338609	Subordinated capital	EUR	500,000	4.500%	5/3/2019
RBI AG	XS0326967832	Supplementary capital	EUR	600,000	5.770%	29/10/2015

[1] Current interest rate, interest clauses are agreed.
RFJ4 … RZB Finance (Jersey) IV Limited, St. Helier

In the reporting period, expenses on subordinated capital totaled € 215,149 thousand (2010: € 193,147 thousand).

(34) Equity

€ 000	2011	2010
Consolidated equity	8,825,228	8,250,759
Subscribed capital	593,412	593,323
Participation capital	2,500,000	2,500,000
Capital reserves	2,570,778	2,567,874
Retained earnings	3,161,038	2,589,562
Consolidated profit	967,663	1,087,475
Non-controlling interests	1,142,894	1,065,690
Total	**10,935,786**	**10,403,925**

The statement of changes in equity is shown on page 139.

Subscribed capital

As of 31 December 2011, the subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 596,291 thousand. The subscribed capital consists of 195,505,124 non-par bearer shares. After deduction of own shares of 943,771, the stated subscribed capital totaled € 593,412 thousand.

Participation capital

The participation capital according to Section 23 (4) and (5) of the Austrian Banking Act (BWG) issued by Raiffeisen Zentralbank Österreich Aktiengesellschaft and transferred during the merger into Raiffeisen Bank International AG amounted to € 2,500,000 thousand. The participation capital is available for the life of the corporation and the participation issuer may not request redemption. The payment of the first tranche amounting to € 750,000 thousand was made as of 30 December 2008. The payment of the second tranche amounting to € 1,750,000 thousand was carried out as of 6 April 2009. The participation certificates were issued at 100 per cent of par value. The participation certificates are linked to an 8 per cent profit entitlement from par value per year. For the business years 2014 and 2015, the profit entitlement will be raised by 50 basis points each year, for the business year 2016 by 75 basis points and for every following business year by 100 basis points. The upper limit is 12 month EURIBOR plus 1,000 basis points.

Own shares

The Annual General Meeting held on 8 July 2010 authorized the Management Board to acquire own shares, pursuant to Section 65 (1), item 8 of the Austrian Joint Stock Companies Act (AktG), during a period of 30 months as of the date of the resolution, of up to 10 per cent of the subscribed capital of the company and to withdraw if applicable. This authorization may be exercised in one or several installments by the company, by affiliated companies 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 excluding the subscription rights of shareholders. This authorization replaces the authorization to buy back and use own shares that was granted in the Annual General Meeting of 10 June 2008.

The acquisition of own shares mainly serves to cover the obligation of RBI within the framework of the share incentive program (SIP) towards the members of the Management Board and executive employees. These bonus payments are carried out in the form of company shares. In fiscal year 2011 29,138 own shares were allocated to eligible executives and board members on 12 April 2011.

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

Authorized capital

The Management Board was authorized by the Annual General Meeting held on 8 June 2011, within 5 years after registration of the respective change in the articles of incorporation in the Company Register, to increase the share capital up to € 298,145 thousand against contribution in cash and/or in kind by issuing 97,752,562 new common bearer shares with voting rights while preserving the subscription rights of the shareholders, including the indirect subscription by way of a bank pursuant to Section 153 (6) of the Austrian Joint Stock Companies Act (AktG), and to determine the offering price and terms of the issue with the approval of the Supervisory Board. The Supervisory Board or a committee authorized for this purpose by the Supervisory Board is entitled to adopt amendments to the articles of association that arise upon issuing shares from the authorized capital.

Convertible bonds

In the Annual General Meeting held on 10 June 2008, the Management Board was given the authorization pursuant to Section 174 (2) of the Austrian Joint Stock Companies Act (AktG) to issue – with the approval of the Supervisory Board – convertible bonds, also in several tranches, within 5 years as of the date of the resolution, for a maximum total nominal amount of € 2,000,000 thousand, to which attaches a conversion or subscription right to obtain a maximum of 15,466,750 ordinary bearer shares of the company with a corresponding pro-rata share in the subscribed capital of a maximum of € 47,174 thousand – and to do so also indirectly by means of a guarantee for an issue of convertible bonds by a subsidiary company, of which the company holds 100 per cent directly, or indirectly, that entails conversion rights to obtain shares of that company – as well as to determine all further conditions (including the currency of the issue), the issue and the conversion procedure for the convertible bonds. The subscription right of shareholders is excluded.

Contingent capital

Pursuant to Section 159 (2) item 1 of the Austrian Joint Stock Companies Act (AktG), the subscribed capital has been increased contingently by a maximum of € 47,174 thousand by issuing a maximum of 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.

Participation rights

The Annual General Meeting of 9 June 2009 authorized the Management Board of the Company to issue, in one or more tranches, participation rights having equity characteristics pursuant to Section 174 of the Austrian Joint Stock Corporation Act (AktG) in a total nominal amount of up to € 2 billion within 5 years as of 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 with effect from 10 October 2010, the mutual loans and liabilities of the receiving and the transferring company were wiped out. The same is true of the participatory rights in the amount of € 600 million, which had been subscribed in full by RZB. No further participation rights have been issued to date.

Dividend proposal

The Management Board intends to propose at the Annual General Meeting that a dividend of € 1.05 per share be distributed from Raiffeisen Bank International AG's profit for the financial year 2011, which represents a maximum distribution of € 205,280 thousand, and the remaining amount be carried forward.

The number of shares outstanding developed as follows:

Number of shares	2011	2010
Number of shares issued as of 1/1	195,505,124	154,667,500
New shares issued	0	40,837,624
Number of shares issued as of 31/12	**195,505,124**	**195,505,124**
Own shares as of 1/1	(972,909)	(984,511)
Purchase of own shares	0	0
Sale of own shares	29,138	11,602
Less own shares as of 31/12	**(943,771)**	**(972,909)**
Number of shares outstanding as of 31/12	**194,561,353**	**194,532,215**

Share-based remuneration

In 2011, the third allotment of the share incentive program (SIP – SIP allotment 2008) matured. In accordance with the terms and conditions (published in euro adhoc on 29 May 2008) the number of shares shown in the table below was actually transferred:

Share incentive program (SIP) 2008 Group of persons	Number of due shares	Amount with share price of € 39.00 at the allotment day (12/4/2011)	Number of effective distributed shares
Members of the management board of the company	11,839	461,721	7,866
Members of the management boards of bank subsidiaries affiliated with the company	21,348	832,572	18,244
Executives of the company and other affiliated companies	5,515	215,085	3,028

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In order to avoid legal uncertainties and in accordance with the program's terms and conditions, eligible employees in 2 countries were given a cash settlement instead of an allotment of shares. In Austria the eligible parties were granted the option of accepting a cash settlement instead of half of the matured shares in order to offset the wage tax payable at the time of transfer. Therefore, the number of actually transferred shares is lower than the number of due shares. The portfolio of own shares was subsequently reduced by the lower number of actually transferred shares.

Under the SIP, a new tranche was previously issued each year – so also in 2011. However, because of the merger of Raiffeisen International with the principal business areas of RZB, no SIP tranche was issued in 2010. This means that on the reporting date contingent shares for 2 allotments were assigned. As of 31 December 2011, the contingent allotment of shares came to 608,964 shares (of which 370,092 shares were attributable to the 2009 allotment and 238,872 shares to the 2011 allotment). The originally announced number of contingently allotted shares changed due to various personnel changes within Group units and due to the maturation of the SIP allotment 2008. This is shown on an aggregated level in the following table:

Share incentive program (SIP) 2009 (2011) **Group of persons**	**Number of contingently alloted shares as of 31/12/2011**	**Minimum of allotment of shares**	**Maximum of allotment of shares**
Members of the management board of the company	197,135	59,141	295,703
Members of the management boards of bank subsidiaries affiliated with the company	287,754	86,326	431,631
Executives of the company and other affiliated companies	124,075	37,223	186,113

In the financial year 2011, no own shares were bought back for the share incentive program.

(35) Breakdown of remaining terms to maturity

31/12/2011 € 000	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash reserve	11,401,747	0	0	0	0
Loans and advances to banks	2,918,155	17,467,034	2,246,951	2,074,937	1,040,966
Loans and advances to customers	7,149,662	15,713,952	14,023,158	28,383,105	16,306,358
Impairment losses on loans and advances	(5,053,212)	0	0	0	0
Trading assets	285,826	585,897	1,103,401	4,416,329	4,225,218
Financial investments	628,842	3,494,911	2,569,972	7,170,697	2,670,542
Investments in associates	5,017	0	0	0	0
Sundry assets	3,047,575	1,239,553	502,560	806,366	559,483
Total assets	**20,383,612**	**38,501,348**	**20,446,043**	**42,851,433**	**24,802,567**
Deposits from banks	2,180,314	20,490,714	4,179,972	8,769,752	2,371,055
Deposits from customers	26,688,689	22,323,240	11,200,812	4,302,527	2,231,966
Debt securities issued	0	3,282,638	2,495,268	8,238,888	350,020
Trading liabilities	506,363	904,648	628,585	3,683,967	3,991,363
Subordinated capital	0	5,364	9,243	822,521	3,313,605
Sundry liabilities	1,842,399	669,463	72,870	182,570	310,400
Subtotal	**31,217,765**	**47,676,067**	**18,586,749**	**26,000,225**	**12,568,410**
Equity	10,935,786	0	0	0	0
Total equity and liabilities	**42,153,551**	**47,676,067**	**18,586,749**	**26,000,225**	**12,568,410**

31/12/2010 € 000	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash reserve	4,806,891	0	0	0	0
Loans and advances to banks	2,370,629	14,035,006	2,004,712	2,266,223	855,836
Loans and advances to customers	6,843,035	12,583,218	13,704,026	26,393,446	16,133,336
Impairment losses on loans and advances	(4,755,872)	0	0	0	0
Trading assets	472,371	898,824	1,479,581	3,194,900	2,022,717
Financial investments	651,756	2,947,111	2,383,399	8,040,134	5,608,501
Investments in associates	4,961	0	0	0	0
Sundry assets	3,100,924	1,080,104	562,630	1,120,381	364,334
Total assets	**13,494,695**	**31,544,263**	**20,134,348**	**41,015,084**	**24,984,724**
Deposits from banks	2,160,974	14,808,693	6,290,949	7,954,354	2,444,212
Deposits from customers	24,396,045	19,402,108	8,648,147	3,115,763	2,071,050
Debt securities issued	0	1,637,796	4,958,046	9,134,666	824,874
Trading liabilities	412,115	495,096	510,551	2,381,893	1,941,936
Subordinated capital	0	193,923	4,607	790,090	3,012,478
Sundry liabilities	223,768	812,496	245,627	770,423	1,126,509
Subtotal	**27,192,902**	**37,350,112**	**20,657,927**	**24,147,189**	**11,421,059**
Equity	10,403,925	0	0	0	0
Total equity and liabilities	**37,596,827**	**37,350,112**	**20,657,927**	**24,147,189**	**11,421,059**

(36) Related parties

Companies can carry out business with related parties that may affect the entity's asset, financial and earnings position. Information about related parties refers to the top ot the consolidated group of Raiffeisen-Landesbanken-Holding GmbH. Parent companies are Raiffeisen-Landesbanken-Holding GmbH, Vienna, and Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna. Disclosures on Raiffeisen Bank International's relations to key management are reported under note (53) relations to key management.

As of 31 December 2011, the transactions with related parties were as follows:

31/12/2011 € 000	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	11,017,455	222,519	234,676	213,899
Loans and advances to customers	0	1,237,346	406,106	356,152
Trading assets	0	29,249	16,861	3,229
Financial investments	0	292,440	2,477	300,771
Investments in associates	0	0	5,017	0
Other assets including derivatives	842	9,270	177	616
Deposits from banks	13,005,726	3,027	6,002,400	156,443
Deposits from customers	942	442,173	243,325	562,534
Debt securities issued	51,779	391	0	0
Provisions for liabilities and charges	0	64	0	51
Trading liabilities	0	16,197	37,355	2,178
Other liabilities including derivatives	3,573	770	636	95
Guarantees given	0	61,451	70,789	23,019
Guarantees received	0	414,494	145,720	2,605

As of 31 December 2010, the transactions with related parties were as follows:

31/12/2010 € 000	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	7,892,302	224,153	274,313	243,860
Loans and advances to customers	0	1,113,360	437,453	353,544
Trading assets	0	17,113	20,260	18,554
Financial investments	0	233,975	2,483	351,572
Investments in associates	0	0	4,961	0
Other assets including derivatives	4,943	19,497	28	52
Deposits from banks	7,151,497	3,386	6,908,279	115,182
Deposits from customers	1,038	527,263	1,950	112,294
Debt securities issued	0	974	0	0
Provisions for liabilities and charges	0	345	0	10
Trading liabilities	0	23,476	25,840	17,756
Other liabilities including derivatives	0	57,305	25	42
Guarantees given	0	73,637	264,031	4,937
Guarantees received	0	389,086	142,505	998

(37) Foreign currency volumes

The consolidated financial statements consist of the following volumes of assets and liabilities denominated in foreign currencies:

€ 000	2011	2010
Assets	63,743,917	59,512,105
Liabilities	53,369,512	45,622,385

(38) Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria are as follows:

€ 000	2011	2010
Assets	107,453,372	105,181,063
Liabilities	86,575,711	75,992,302

(39) Securitization

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

In the financial year 2011 no new securitizations were made. Both true sale transactions (Warehousing) ROOF Bulgaria 2008-1 and ROOF Romania 2008-1 already closed in 2008 have not yet been transferred to final securitization. The reason for this is the developments on the international capital markets, and the resulting narrow liquidity. Instead, the warehousing has been prolonged and the current warehousing structures kept alive by the placement of notes to Group internal investors until further notice. Hence, the portfolio's significant chances and risks remain within the Group as well. At year-end 2011 the non-derecognized loans of ROOF Bulgaria 2008-1 amounted to € 73,099 thousand (2010: € 104,031 thousand), those of ROOF Romania 2008-1 came to € 103,899 thousand (2010: € 140,747 thousand).

Regarding true sale transaction ROOF Poland 2008-1 consisting of car leasing contracts, the total volume of the loans amounts to € 84,574 thousand as of 31 December 2011 (2010: € 195,020 thousand). The decline in volume is due to the maturing of the portfolio and to fluctuating exchange rates.

From a Group view, the non-derecognized loans arising from the true sale transaction ROOF Russia 2007-1 amounted to € 18,764 thousand at year-end 2011 (2010: € 53,178 thousand). In this case, the decrease of the carrying value is mainly explained by the maturity of the consumer loan volume in original currency as well as the currency translation effect resulting from conversion from USD to euro. Within the space of a year, the consumer loan volume in original currency matured by € 34.414 thousand. The possibility to replenish already redeemed volumes were no longer perceived.

Within the scope of synthetic securitizations ROOF CEE 2006-1, the non-derecognized loans amounted to € 162,480 thousand at year-end 2011 (2010: € 392,616 thousand). The differences compared to the volumes at the beginning of the transactions are due to maturing volumes and to changes in currency exchange rates.

Up to now the following transactions have been executed with external contractual partners (the indicated amounts represent the transaction volumes at the closing date):

€ 000	Seller of claims or secured party	Date of contract	End of maturity	Volume	Portfolio	Junior tranche
True sale transaction ROOF Poland 2008(1)	Raiffeisen-Leasing Polska S.A., Warsaw (PL)	January 2008	December 2014	290,000	Car leasing contracts	1.3%
True sale transaction ROOF Russia 2007(1)	ZAO Raiffeisenbank, Moscow (RUS)	May 2007	May 2017	297,000	Car loans	1.9%
Synthetic transaction ROOF CEE 2006(1)	Raiffeisen Bank Polska S.A., Warsaw (PL) Raiffeisenbank a.s., Prague (CZ)	March 2006	March 2019	450,000	Company loans	1.8%

RBI as investor

Besides the above-mentioned refinancing and packaging of designated portfolios of loans or leasing claims, RBI also acts as an investor in ABS-structures. Essentially, this is about investments in Structured Credit Products. During the financial year 2011 market value changes led to a negative valuation result of about € 2 million (2010: positive valuation result of € 9 million).

As of 31 December 2011, RBI reported the following investment exposure (excluding CDS):

€ 000	Outstanding notional amount	Carrying amount
Asset-backed securities (ABS)	88,081	88,070
Mortgage-backed securities (MBS)	255,093	250,939
Collateralized debt obligation (CDO)	143,843	26,243
Other	29,504	1,004
Total	**516,521**	**366,255**

As of 31 December 2010 the corresponding exposure of Structured Credit Products composed as stated in the below table:

€ 000	Outstanding notional amount	Carrying amount
Asset-backed securities (ABS)	145,907	145,725
Mortgage-backed securities (MBS)	190,193	180,618
Collateralized debt obligation (CDO)	394,519	148,477
Other	29,203	1,466
Total	**759,821**	**476,285**

(40) Genuine sale and repurchase agreements

The following repurchase and redelivery commitments are shown as of 31 December:

€ 000	2011	2010
Genuine repurchase agreements as borrower		
Deposits from banks	1,548,670	4,976,815
Deposits from customers	3,719,912	1,342,934
Total	**5,268,582**	**6,319,750**

€ 000	2011	2010
Genuine repurchase agreements as lender (reverse repurchase agreement)		
Loans and advances to banks	3,577,362	1,457,117
Loans and advances to customers	1,468,720	110,791
Total	**5,046,083**	**1,567,908**

€ 000	2011	2010
Securities sold in genuine sale and repurchase agreement	**4,801,503**	**5,415,578**
hereof sold or repledged	4,742,840	5,355,684
hereof bonds, notes and other fixed-interest securities	4,607,688	5,355,684
Securities purchased in a genuine sale and repurchase agreement	**4,851,646**	**1,483,131**
hereof sold or repledged	1,485,715	57,059
hereof bonds, notes and other fixed-interest securities	1,453,894	56,433
hereof shares and other variable-yield securities	31,326	0
hereof loans and advances	495	626

Within the framework of securities lending, borrowed securities amounted to € 1,053,999 thousand (2010: € 973,283 thousand) and loaned securities amounted to € 2,335,047 thousand (2010: 3,912,527 thousand).

(41) Assets pledged as collateral

The following liabilities are secured by assets shown in the statement of financial position:

€ 000	2011	2010
Deposits from banks	5,092,553	8,145,418
Deposits from customers	157,652	111,290
Debt securities issued	0	21,802
Other liabilities	154,992	157,208
Contingent liabilities and commitments	1,266	2,232
Total	**5,406,464**	**8,437,949**

The following assets are provided as collateral for the obligations:

€ 000	2011	2010
Loans and advances to banks	3,569,940	4,126,775
Loans and advances to customers	1,366,315	2,632,093
Trading assets	285,047	647,692
Financial investments	2,581,263	2,032,816
Total	**7,802,565**	**9,439,376**

(42) Finance leases

€ 000	2011	2010
Gross investment value	**3,469,649**	**3,466,303**
Minimum lease payments	3,469,649	3,463,930
Up to 3 months	425,202	437,505
More than 3 months, up to 1 year	840,204	882,153
More than 1 year, up to 5 years	1,852,608	1,769,251
More than 5 years	351,635	375,021
Non-guaranteed residual value	0	2,373
Unearned finance income	**476,184**	**407,330**
Up to 3 months	48,394	49,796
More than 3 months, up to 1 year	116,918	114,246
More than 1 year, up to 5 years	249,014	203,685
More than 5 years	61,858	39,603
Net investment value	**2,993,465**	**3,058,973**

As of 31 December 2011, write-offs on unrecoverable minimum lease payments outstanding totaled € 61,205 thousand (2010: € 39,958 thousand).

Assets under finance leases break down as follows:

€ 000	2011	2010
Vehicles leasing	1,791,830	1,814,022
Real estate leasing	581,392	587,099
Equipment leasing	620,242	657,852
Total	**2,993,465**	**3,058,973**

(43) Operating leases

Operating leases from view of lessor
Future minimum lease payments under non-cancelable operating leases are as follows:

€ 000	2011	2010
Up to 1 year	41,670	46,961
More than 1 year, up to 5 years	66,907	64,388
More than 5 years	66,499	84,068
Total	**175,075**	**195,417**

Operating leases from view of lessee
Future minimum lease payments under non-cancelable operating leases are as follows:

€ 000	2011	2010
Up to 1 year	81,047	92,936
More than 1 year, up to 5 years	163,769	167,327
More than 5 years	14,618	22,356
Total	**259,434**	**282,619**

Risk report

(44) Risks arising from financial instruments

Active risk management is a core competency of RBI. In order to effectively identify, measure, and manage risks the Group continues to develop its comprehensive risk management system. Risk management is an integrated part of overall bank management. In particular, in addition to legal and regulatory requirements, it takes into account the nature, scale, and complexity of the business activities and the resulting risks. The risk report describes the principles and organization of risk management and explains the current risk exposures in all material risk categories.

Risk Management Principles

RBI has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at controlling and managing material risks at all banks and specialist companies in the Group. The risk policies and risk management principles are laid out by the Management Board of RBI. The principles include the following risk policies:

- Integrated risk management: Credit, country, market, liquidity, and operational risks are managed as main risks on a Group-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies: Risk measurement and risk limitation methods are standardized Group-wide in order to ensure a consistent and coherent approach to risk management. This is efficient for the development of risk management methods andit forms the basis for consistent overall bank management across all countries and business segments in RBI.
- Continuous planning: Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to preventing risk concentrations.
- Independent control: A clear personnel and organizational separation is maintained between business operations and any risk management or risk controlling activities.

Ex ante and ex post control: Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

Individual risk management units of the Group create detailed risk strategies, which set more concrete risk targets and specific standards in compliance with these general principles. The overall Group risk strategy is derived from the Group's business strategy and adds risk relevant aspects to the planned business structure and strategic development. These aspects include e.g. structural limits and capital ratio targets which have to be met in the budgeting process and which frame upcoming business decisions. More specific targets for individual risk categories are set in detailed risk strategies. The credit risk strategy of RBI, for instance, sets credit portfolio limits for individual countries and segments and defines the credit approval authority for limit applications.

Organization of risk management

The Management Board of RBI ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the created risk reports and analyses. The Management Board is supported in implementing these tasks by independent risk management units and special committees.

Risk management functions are performed on different levels in the Group. RBI AG develops and implements the relevant concepts in coordination with RZB AG as the parent credit institution and in cooperation with its subsidiaries. The central risk management functions are responsible for the adequate and appropriate implementation of the Group's risk management processes. In particular, they establish common group directives and set business-specific standards, tools, and practices for all Group entities.

In addition, local risk management units are established in the different Group entities of RBI. They implement the risk policies for specific risk types and take active steering decisions within the approved risk budgets in order to achieve the targets set in the business policy. For this purpose, they monitor resulting risks using standardized measurement tools and report them to central risk management units via defined interfaces.

The central Risk Controlling division assumes the independent risk controlling function required by banking law. Amongst others, this division is responsible for developing the Group-wide framework for overall bank risk management (integrating all risk types) and preparing independent reports on the risk profile for the Management Board and the heads of individual business units. It also measures required risk coverage capital for different business units and calculates the utilization of the allocated risk capital budgets in the internal capital adequacy framework,.

Risk committees

The Risk Management Committee is responsible for ongoing development and implementation of methods and parameters for risk quantification models and for refining steering instruments. The committee also analyzes the current risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and controlling activities (like the allocation of risk capital) and advises the Management Board in these matters.

The Market Risk Committee controls market risks of trading and banking book transactions of RBI and establishes corresponding limits and processes. In particular, it relies on profit and loss reports, the amount of risks taken and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks for controlling.

The Credit Committees are staffed by front office and back office divisions with different participants depending on the customer segment (corporate customers, financial institutions and sovereigns, and retail). They decide upon the specific lending criteria for different customer segments and countries. And they approve all credit decisions concerning them according to the credit approval authority (depending on rating and exposure size).

The Group Asset/Liability Committee assesses and manages balance sheet and liquidity risks and defines the standards for internal funds transfer pricing. In this context it plays an important role for the Group's long-term funding planning and the hedging of structural interest rate and foreign exchange risks.

The Credit Portfolio Committees define the credit portfolio strategies for different customer segments. In these committees, representatives from business and risk management divisions together discuss the risks and opportunities of different customer segments (e.g. industries, countries, retail products). Based on the discussion, credit portfolio management then develops lending policies and sets limits steering the future credit portfolio.

Quality assurance and auditing

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

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

Two very important functions in assuring independent oversight are performed by the divisions Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Audit periodically assesses all business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board of RBI which discusses them on a regular basis in its board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements. It is supplementary to and at the same time an integral part of the internal control system and helps to prevent any shortcomings in daily operations.

Moreover, an independent and objective audit, free of potential conflicts, is carried out during the audit of the annual financial statements by the auditing companies. Finally, RBI is continuously supervised by the Austrian Financial Markets Authority and by local supervisors in those countries, where RBI is represented by branches or banking subsidiaries.

Overall bank risk management

Maintaining an adequate level of capital is a core objective of risk management at RBI. Capital requirements are monitored regularly based on the actual risk level as measured by internal models, and inchoosing appropriate models the materiality of risks is taken into account. This concept of overall bank risk management provides for capital requirements from a regulatory point of view (sustainability and going concern perspective) and from an economic point of view (target rating perspective). Thus it covers the quantitative aspects of the internal capital adequacy assessment process (ICAAP) as required by Basel II (Pillar 2) regulations. The full ICAAP process of RBI is audited during the supervisory review process for RZB Group of Credit Institutions by the Austrian Financial Markets Authority on an annual basis.

Objective	Description of risk	Measurement technique	Confidence level
Target rating perspective	Risk of not being able to satisfy claims of the Group's senior debt holders	Unexpected losses on an annual basis (economic capital) must not exceed the present value of equity and subordinated liabilities	99.95 per cent as derived from the default probability implied by the target rating
Going-Concern-Perspektive	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 of a sustainable core capital ratio over a full business cycle	Capital and loss projection for a three-year planning period based on a severe macroeconomic downturn scenario	70-90 per cent based on the management decision that the Group might be required to temporarily reduce risks or raise additional core capital

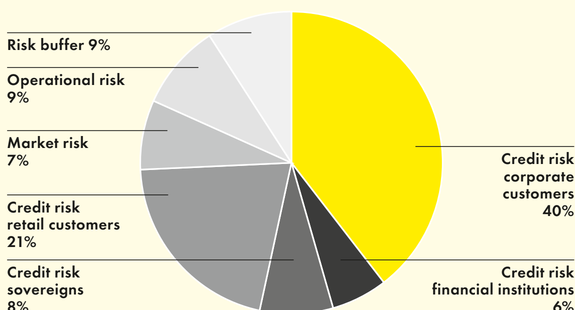
Target rating perspective

Risks in the target rating perspective are measured based on economic capital which represents a comparable measure across all types of risks. It is calculated as the sum of unexpected losses stemming from different Group units and different risk categories (credit, participation, market, and operational risk). In addition, a general buffer for other risks not explicitly quantified is held on Group level.

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

In total, economic capital has been reduced by 6 per cent compared to last year. It shows – as in the previous year – that credit risk of asset class corporate customers remains the dominant risk category for RBI. Its share in total risk is 39 per cent; credit risks in total accounts for 74 per cent of economic capital. Market risk accounts for 7 per cent and operational risk for 9 per cent. In addition a general risk buffer is allocated for other risks as well.

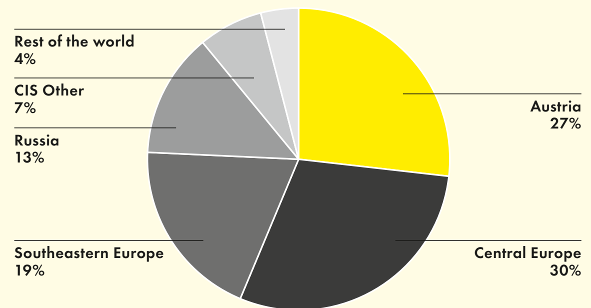
Risk contribution of indvidual risk types to economic capital as of 31/12/2011



The economic capital is compared to internal capital, which mainly denotes equity and subordinated capital of the Group. This capital form serves as a primary provision for risk coverage, for servicing claims of senior debtors if the bank should incur losses. Total utilization of available risk capital (the ratio of economic capital to internal capital) was 62.7 per cent at year end (2010: 74.2 per cent).

In the regional break down of economic capital as of 31 Decmber 2011 the largest share, at around 30 per cent (2010: 26 per cent), is allocated to Group units located in Central Europe. Network units in the Czech Republik and Slovakia contribute most to this total risk potential, due to their high credit exposure.

Regional allocation of economic capital according to booking unit



Economic capital is an important instrument in overall bank risk management. Economic capital limits are allocated to individual business segments during the annual budgeting process and are complemented for day-to-day management by volume, sensitivity, or value-at-risk limits. In RBI this planning is done on a revolving basis for the upcoming three years and incorporates the future development of economic capital as well as available internal capital. Economic capital thus substantially influences the plans for future lending activities and the overall limit for taking market risks.

Risk-adjusted performance measurement also is based on this risk measure. The profitability of business units is set in relation to the amount of economic capital attributed to these units (risk-adjusted return on risk-adjusted capital, RORAC), which yields a comparable performance measure for all business units of the Group. This measure is used in turn as a key figure for overall bank management, for future capital allocations to business units, and influences the compensation of the Group's executive management.

Going concern perspective

Parallel to that procedure, internal capital adequacy also is assessed with focus on the uninterrupted operation of the Group on a going concern basis. In this perspective, risks again are compared to risk taking capacity – now with a focus on regulatory capital and minimum capital requirements.

In line with this target, risk taking capacity is calculated as the amount of planned profits, expected risks costs, and the excess of own funds (taking into account various limits on eligible capital). This capital amount is compared to the overall value-at-risk (including expected losses). Quantitative models used in the calculation thereof are mostly comparable to the target rating perspective, (albeit on a lower 99 per cent confidence level). Using this perspective the Group ensures adequate regulatory capitalization (going concern) with the given probability.

Internal targets for regulatory capital ratios consequently are intentionally set higher than the legal minimum, in order to be able to fulfill regulatory capital requirements at all times and to account for other risks, which are not considered in the regulatory requirements. In this process, regulatory capital requirements are calculated on Group level according to Austrian regulations. Additional local regulatory capital requirements for individual Group units can be met by adequate structural balance sheet measures.

In the year 2011 this objective has been continuously met on Group level. The slight reduction of the risk taking capacity during the first three quarters is mainly explained by the regulatory treatment of accrued profits. They are counted (net of planned dividend payments) to eligible own funds only after the annual report has been audited and thus only increase risk taking capacity as of December. Regulatory capital requirements, on the other hand, have increased already during the year, in particular due to higher lending volumes.

Sustainabiltiy perspective

The main goal of the sustainability perspective is to ensure that RBI can maintain a sufficiently high core capital ratio at the end of a multi-year planning period also in a severe macroeconomic downturn scenario. This analysis is based on a multi-year macroeconomic stress test where hypothetical market developments in a severe but realistic economic downturn scenario are simulated. The risk parameters considered are amongst others: interest rates, foreign exchange rates and securities prices, as well as changes in default probabilities and rating migrations in the credit portfolio.

The main focus of this integrated stress test is the resulting core capital ratio at the end of the multi-year period. It should not fall below a sustainable level and thus neither require the bank to substantially increase capital nor to significantly reduce business activities. The current minimum amount of core capital thus is determined by the size of the potential economic downturn. In this downturn scenario the need for allocating loan loss provisions, potential procyclical effects that increase minimum regulatory capital requirements, the impact of foreign exchange fluctuations as well as other valuation and earnings effects are incorporated.

This perspective thus also complements traditional risk measurement based on the value-at-risk concept (which is in general based on historic data). Therefore it can incorporate exceptional market situations that have not been observed in the past and it is possible to estimate the potential impact of such developments. The stress test also allows for analyzing risk concentrations (e.g. individual positions, industries, or geographical regions) and gives insight into the profitability, liquidity situation, and solvability under extreme situations. Based on these analyses risk management in RBI enhances portfolio diversification, for example via limits for the total exposure of individual industry segments and countries and through ongoing updates to its lending standards.

Credit risk

In RBI, credit risk stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. It is by far the most important risk category in RBI, as also indicated by internal and regulatory capital requirements. Credit risk thus is analyzed and monitored both on an individual loan and customer basis as well as on a portfolio basis in the Group. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and the corresponding tools and processes which have been developed for this purpose.

The internal control system for credit risks includes different types of monitoring measures, which are tightly integrated into the work flow – from the customer's initial credit application, to the bank's credit approval, and finally to the repayment of the loan.

Limit application process

No lending transaction is performed in the non-retail segments without running through the limit application process beforehand. This process is also consistently applied – besides new lending – to increases in existing limits, roll-overs, overdrafts, and if changes in the risk profile of a borrower occur (e.g. with respect to the financial situation of the borrower, the terms and conditions, or collateral) compared to the time the original lending decision was made. In addition it is used when setting counterparty limits in treasury and investment banking operations, other credit limits, and for equity participations.

Credit decisions are made within the context of a hierarchical competence authority scheme depending on the type and size of a loan. It always requires the approval of the business and the credit risk management divisions for individual limit decisions or when performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction will have to be decided upon by the next higher-ranking credit authority.

The whole limit application process is based on defined uniform principles and rules. Account management for multinational customers, who do business simultaneously with more than one member of RBI, is supported by the Global Account Management System, for example. This is made possible by Group-wide unique customer identification in non-retail asset classes.

The limit application process in the retail segment is stronger automated due to the high number of applications and lower exposure amounts. Limit applications often are assessed and approved in central processing centers based on credit score cards. This process is facilitated by the respective IT systems.

Credit portolio management

Credit portfolio management in RBI is, amongst others, based on the credit portfolio strategy. This strategy limits the exposure amount in different countries, industries or product types and thus prevents undesired risk concentrations. On top of that, analyzing the long-term potential of different markets is a routine activity. This allows for an early strategic repositioning of future lending activities.

The following table translates balance sheet items (bank and trading book positions) into the maximum credit exposure, which is used in portfolio management. It includes on-balance exposures and off-balance sheet exposures before the application of credit-conversion factors and thus represents the total credit exposure. It is not reduced by the effects of credit risk mitigation like for example guarantees and physical collateral, effects that are, however, considered in the total assessment of credit risks. The total credit exposure is used – if not explicitly stated otherwise – for showing exposures in all subsequent charts in the risk report. The reasons for different values used for internal portfolio management and external financial accounting are the different scope of consolidation (regulatory vs. accounting rules according to IFRS), other definitions for the loan exposure and different valuation rules.

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

€ 000	2011	2010[1]
Cash reserve	9,347,721	4,806,891
Loans and advances to banks	25,748,044	21,532,406
Loans and advances to customers	81,576,235	75,657,061
Trading assets	10,616,671	8,068,393
Derivatives	1,404,809	1,488,036
Financial investments	15,836,862	19,246,754
Other assets	239,822	227,152
Contingent liabilities	13,280,487	11,855,528
Commitments	12,624,734	11,755,884
Revocable credit lines	14,847,947	11,992,462
Valuation and disclosure differences	1,176,923	1,683,746
Total	**186,700,256**	**168,314,313**

[1] Adjustments of previous year figures due to different mapping.
[2] Balance positions containing only credit risk parts

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings are performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organization unit. Default probabilities assigned to individual rating grades are estimated for each asset class separately. As a consequence the default probability of the same ordinal rating grade (e.g. corporates 1.5, financial institutions A3, and sovereigns A3) is different between these asset classes.

Rating models in the main non-retail asset classes – corporates, financial institutions, and sovereigns – are uniform in all Group units and rank creditworthiness in 10 classes. For retail asset classes, country specific scorecards are developed based on uniform Group standards. Customer rating, as well as validation is supported by specific software tools (e.g. for business valuation, rating and default database).

Credit portfolio – Corporates

The internal rating model for corporates takes into account qualitative factors as well as several business and performance figures (e.g. interest cover, EBT margin, EBTDA margin, equity ratio, return on assets, debt amortization period), which are tailored to the various industries and financial reporting standards.

The following table provides a breakdown of the maximum credit exposure according to the internal rating of corporates (large corporates and small business) in € thousand. In the overall assessment of credit risk collateral and recovery rates must also be taken into account:

€ 000		2011	Share	2010	Share
0.5	Minimal Risk	1,266,170	1.4%	1,171,229	1.4%
1.0	Excellent credit standing	7,899,653	8.9%	7,642,774	9.4%
1.5	Very good credit standing	8,938,731	10.0%	7,729,205	9.6%
2.0	Good credit standing	12,745,701	14.3%	9,959,642	12.3%
2.5	Sound credit standing	15,629,626	17.5%	11,205,972	13.8%
3.0	Acceptable credit standing	14,551,590	16.3%	12,313,993	15.2%
3.5	Marginal credit standing	12,505,943	14.0%	13,182,943	16.3%
4.0	Weak credit standing/sub-standard	6,384,399	7.2%	7,663,581	9.5%
4.5	Very weak credit standing/doubtful	3,803,250	4.3%	4,282,039	5.3%
5.0	Default	4,609,661	5.2%	4,287,339	5.3%
NR	Not rated	831,022	0.9%	1,472,076	1.8%
Total		**89,165,748**	**100.0%**	**80,910,794**	**100.0%**

The maximum credit exposure to corporates in 2011 amounted to € 89.165.748 thousand. Group Corporates (€ 37.283.636 thousand) is the largest segment, followed by Central Europe (€ 18.649.280 thousand) and Southeastern Europe (€ 11.230.092 thousand). Russisa (€ 10.795.370 thousand), CIS Other (€ 4.093.986 thousand), Group Markets (€ 6.185.496 thousand) and Corporate Center at € 927.888 thousand complete the picture.

The average credit portfolio quality in the corporate credit book improved significantly during the reporting period. The share of loans with weak or lower credit standing has been reduced by 5.6 percentage points to 25.5 per cent. Vice versa loans with good credit standing up to minimal risk increased from 32.8 per cent to 34.6 per cent. On the one hand, this improvement resulted from rating upgrades of existing customers, where the positive economic development compared to the previous year (e.g. in the Ukraine) lead to an improvement in the internal rating. On the other hand, this also reflects active credit portfolio management, which directs credit growth mainly to economically successful markets like e.g. Russia or Asia; and the high lending standards demand that new loans are extended mainly to customers with good credit ratings. Segment Group Corporates shows the highest exposure increase compared to last year and at the same time has the lowest average default probability. Due to the economic and political development in Hungary (bank tax and foreign currency conversion) the exposure of corporate customers in Hungary decreased by € 282.051 thousand.

All in all the credit exposure in targeted industries (e.g. consumer non-cyclical, energy) increased strongly whereas credit growth in restricted industries such as real estate and construction was much weaker in comparison.

Defaulted exposures according to Basel II (rating 5.0) amounted to 5.2 per cent of the total credit exposure (€ 4,609,661 thousand), with the segment Central Europe affected most with € 1,234,996 thousand. Slightly less than half of the unrated credit exposure is due to small loans. The share of unrated exposure against corporates, which increased in 2010 due to the merger, has been strongly reduced again.

The following table provides a breakdown by county of risk of the maximum credit exposure for corporate customers structured by regions:

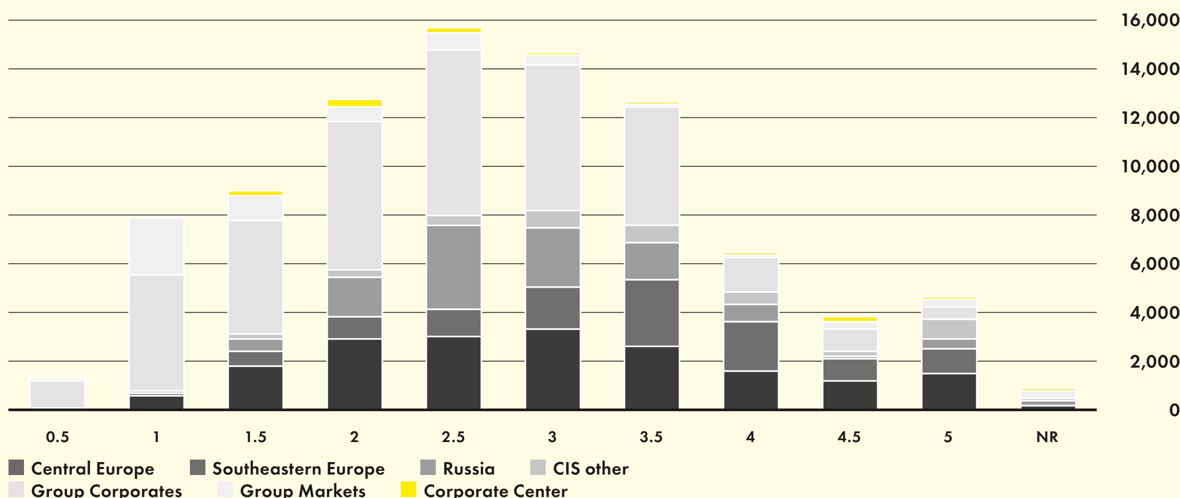
€ 000	2011	Share	2010	Share
Central Europe	18,649,280	20.9%	18,410,566	20.6%
Western Europe	11,658,129	13.1%	10,911,767	12.2%
Southeastern Europe	11,230,092	12.6%	11,330,339	12.7%
Russia	10,795,370	12.1%	9,614,875	10.8%
Austria	17,215,202	19.3%	16,332,452	18.3%
CIS Other	4,093,986	4.6%	4,398,099	4.9%
Asia	8,547,278	9.6%	5,690,192	6.4%
Other	6,976,412	7.8%	4,222,704	4.7%
Total	**89,165,748**	**100.0%**	**80,910,994**	**90.7%**

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

€ 000	2011	Share	2010	Share
Wholesale and retail trade	23,672,410	24.2%	20,892,193	24.0%
Manufacturing	21,157,256	21.7%	19,552,703	22.4%
Real estate	10,417,753	10.7%	12,387,219	14.2%
Financial intermediation	9,300,475	9.5%	6,832,519	7.8%
Construction	7,323,572	7.5%	4,906,941	5.6%
Transport, storage and communication	3,680,616	3.8%	4,799,418	5.5%
Other industries	22,079,483	22.6%	17,739,102	20.4%
Total	**97,631,564**	**100.0%**	**87,110,094**	**100.0%**

Corporates: maximum credit exposure by internal rating and segment

in € million



The rating model for project finance has five different grades which provide both individual default probabilities and collateral. The project finance volume is composed as shown in the table below:

€ 000		2011	Share	2010	Share
6.1	Excellent project risk profile – very low risk	2,846,811	33.6%	2,459,758	39.7%
6.2	Good project risk profile – low risk	3,265,276	38.6%	2,035,163	32.8%
6.3	Acceptable project risk profile – average risk	1,241,476	14.7%	912,439	14.7%
6.4	Poor project risk profile – high risk	675,624	8.0%	369,901	6.0%
6.5	Default	419,125	5.0%	365,215	5.9%
NR	Not rated	17,504	0.2%	56,824	0.9%
Total		**8,465,817**	**100.0%**	**6,199,300**	**100.0%**

The maximum credit exposure in project finance amounted to € 8,465,817 thousand at year end 2011. Projects rated either in categories Excellent project risk profile – very low risk (rating 6.1) or Good project risk profile – low risk (rating 6.2) account for 72 per cent and thus represent the highest share of the portfolio. This reflects mainly the high level of collateralization in specialized lending transactions. Unrated projects decreased to 0.2 per cent (€ 17,504 thousand) year-on-year.

Credit portfolio – Retail-customers

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

€ 000	31.12.2011	Share	31.12.2010	Share
Retail customers – private individuals	20,778,317	89.0%	20,301,385	88.3%
Retail customers – small and medium-sized entities	2,567,762	11.0%	2,687,265	11.7%
Total	**23,346,079**	**100.0%**	**22,988,650**	**100.0%**
hereof non-performing loans	2,451,979	10.5%	2,399,036	10.4%
hereof individual loan loss provision	1,498,552	6.4%	1,308,243	5.7%
hereof portfolio based loan loss provision	274,839	1.2%	353,230	1.5%

The total credit exposure of retail customers breaks down by RBI segments as follows:

2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Retail customers – private individuals	9,659,418	6,614,983	2,781,432	1,710,895	11,589
Retail customers – small and medium-sized entities	1,527,542	845,700	48,052	146,376	92
Total	**11,186,960**	**7,460,683**	**2,829,484**	**1,857,271**	**11,681**
hereof non-performing loans	929,489	576,045	211,753	729,067	1,403
hereof individual loan loss provision	457,106	371,882	184,542	480,336	126
hereof portfolio based loan loss provision	173,915	65,334	7,433	28,156	0

2010 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Retail customers – private individuals	9,793,983	6,292,846	2,092,568	2,061,706	9,651
Retail customers – small and medium-sized entities	1,673,386	802,226	20,035	190,823	0
Total	**11,467,369**	**7,095,072**	**2,112,603**	**2,252,529**	**9,651**
hereof non-performing loans	918,913	544,086	212,068	717,988	196
hereof individual loan loss provision	332,314	346,625	177,951	445,441	196
hereof portfolio based loan loss provision	198,742	100,996	8,846	44,646	0

Compared to year end 2010 the retail credit portfolio increased by € 357,429 thousand to € 23,346,079 thousand. The highest amount (€ 11,186,960 thousand) is booked in segment Central Europe. This is a reduction by € 280,409 thousand compared to last year, mainly caused by negative exchange rate developments of the Hungarian forint and the Polish zloty. The second largest segment is Southeastern Europe with € 7,258,423 thousand. Compared to the previous year the exposure increased by € 163,351 thousand in this segment. This is mainly due to higher exposure against private individuals in Romania.

Another strong increase was achieved in the asset class private individuals in Russia which rose by approximately one third mainly due to consumer loans. On the other hand in segment CIS Other, the retail credit portfolio declined due to hyperinflation in Belarus..

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

€ 000	2011	Share	2010	Share
Mortgage loans	10,678,823	46%	11,308,761	49%
Personal loans	5,708,251	24%	5,217,686	23%
Car loans	2,149,028	9%	2,055,963	9%
Credit cards	2,036,026	9%	1,635,330	7%
Overdraft	1,754,043	8%	1,922,619	8%
SME financing	1,019,907	4%	848,291	4%
Total	**23,346,079**	**100%**	**22,988,650**	**100%**

2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Mortgage loans	6,063,036	2,770,691	935,647	909,450	0
Personal loans	1,589,928	2,651,948	900,104	564,619	1,653
Car loans	1,116,266	477,156	466,680	88,926	0
Overdraft	1,098,658	524,903	75,607	54,875	0
Credit cards	682,203	696,144	451,446	206,233	0
SME financing	636,869	339,842	0	33,168	10,028
Total	**11,186,960**	**7,460,684**	**2,829,484**	**1,857,271**	**11,681**

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2010 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Mortgage loans	6,716,428	2,538,609	665,593	1,373,135	160
Personal loans	1,500,020	2,610,339	739,796	330,943	0
Car loans	942,930	452,550	438,858	221,624	0
Overdraft	1,362,217	536,725	42	16,637	6,998
Credit cards	649,646	548,257	255,602	179,332	2,493
SME financing	296,128	408,593	12,713	130,857	0
Total	**11,467,369**	**7,095,072**	**2,112,603**	**2,252,529**	**9,651**

The share of foreign currency loans in retail portfolios provides an indication for the potential change in default rates if the exchange rate of the domestic currency changes. The internal risk assessment thus takes into account the share of foreign currency loans but also the usually stricter lending criteria at loan distribution and – in several countries – the customers' matching foreign currency income.

€ 000	2011	Share	2010[1]	Share
Euro	3,321,774	42.3%	3,011,385	35.3%
Swiss franc	2,903,199	37.0%	3,539,300	41.4%
US-Dollar	1,444,798	18.4%	1,740,966	20.4%
Other foreign currencies	187,252	2.4%	250,566	2.9%
Loans in foreign currencies	**7,857,024**	**100.0%**	**8,542,217**	**100.0%**
Share of total loans	**33.7%**		**37.2%**	

[1] Adjustments of previous year figures due to different mapping

While loans in Swiss franc and US-Dollar decreased, euro loans showed a slight increase.

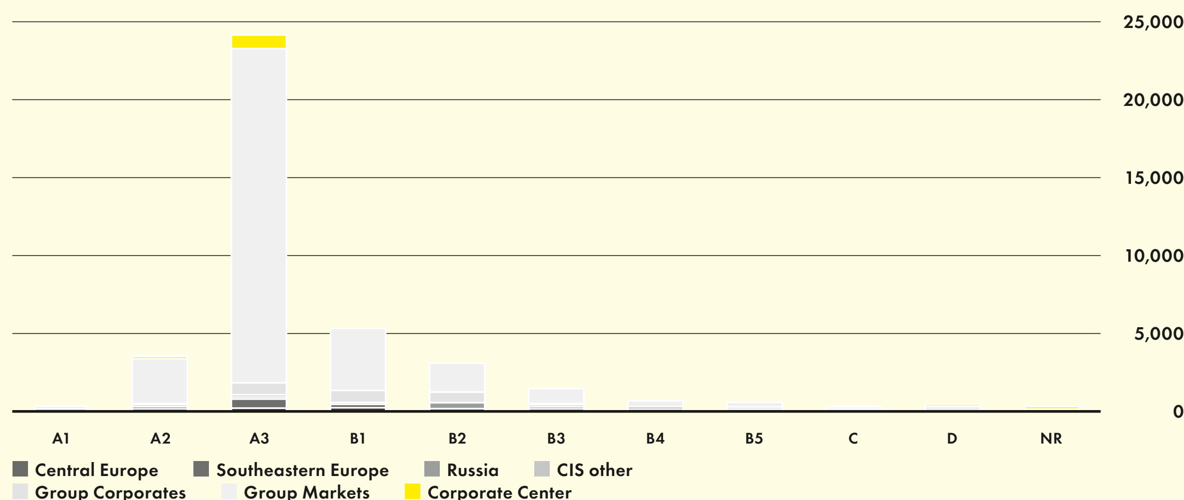
The following table shows the maximum credit exposure of this asset class by segment:

2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Euro	378,652	2,926,908	5,503	10,711	0
Swiss franc	1,923,962	978,616	0	9	613
US-Dollar	7,131	4,251	313,059	1,119,376	981
Other foreign currencies	17,640	164,017	0	156	5,440
Loans in foreign currencies	**2,327,386**	**4,073,791**	**318,562**	**1,130,252**	**7,034**
Share of total loans	**20.8%**	**56.1%**	**11.3%**	**60.9%**	**60.2%**

2010 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Euro	317,662	2,423,713	10,143	14,298	0
US-Dollar	5,007	2,122	382,613	1,348,334	435
Swiss franc	2,410,560	638,081	0	104	1,273
Other foreign currencies	27,701	222,612	0	248	0
Loans in foreign currencies	**2,760,930**	**3,286,528**	**392,756**	**1,362,984**	**1,708**
Share of total loans	**24.1%**	**46.3%**	**18.6%**	**60.5%**	**17.7%**

Financial Institutions: maximum credit exposure by internal rating and segment

in € million



Credit porftolio – Financial Institutions

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

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

€ 000		2011	Share	2010	Share
A1	Excellent credit standing	85,187	0.2%	245,698	0.8%
A2	Very good credit standing	3,409,172	8.8%	2,172,623	6.7%
A3	Good credit standing	24,221,051	62.4%	18,250,722	56.4%
B1	Sound credit standing	5,233,225	13.5%	4,497,943	13.9%
B2	Average credit standing	2,992,969	7.7%	3,526,746	10.9%
B3	Mediocre credit standing	1,276,922	3.3%	1,603,434	5.0%
B4	Weak credit standing	620,881	1.6%	892,881	2.8%
B5	Very weak credit standing	370,186	1.0%	474,075	1.5%
C	Doubtful/high default risk	184,310	0.5%	128,145	0.4%
D	Default	352,391	0.9%	383,262	1.2%
NR	Not rated	83,273	0.2%	184,876	0.6%
Total		**38,829,566**	**100.0%**	**32,360,405**	**100.0%**

The maximum credit exposure of these customers was € 38,829,566 thousand at year end 2011. With respect to the rating distribution in this asset class, the rating class A3 contributed € 24,221,051 thousand or 62.4 per cent. The strong increase in this rating class results mainly from segment Group Markets. Taking all rating classes together, segment Group Markets accounts for the largest portfolio share (€ 32,490,734 thousand or 83.7 per cent) followed by the segment Group Corporates at € 2,444,968 thousand or 6.3 per cent.

The share of not rated financial institutions was 0.2 per cent at year end 2011. This exposure was mainly caused by short-term loans to small banks, where the rating process had not yet been completed.

Part of this credit exposure is held against financial institutions that are indirect shareholders of RBI. Due to the multi-layered structure of the Austrian Raiffeisen Banking Group, exposure resulting from liquidity management within the Austrian Banking Group is shown in this asset class as well. Bilateral netting-agreements and joint risk monitoring systems are used as risk mitigation techniques by the Group.

Time deposits, repurchase agreements, potential future exposures from derivatives, sight deposits, and bonds are the main product categories in this asset class. These exposures therefore have high collateralization grades (e.g. in repo transactions or through netting-agreements) depending on the type of product.

RBI continues to reduce the unsecured exposure in this asset class according to its strategy. New business in this asset class thus mainly stems from repurchase agreements, counterparty credit exposure from derivatives and short-term money market deposits. Credit business with other financial institutions in the Raiffeisen Banking Group which are participating in a joint risk monitoring system of course is not restricted.

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

€ 000	2011	Share	2010	Share
Money market	13,126,781	33.8%	11,301,592	34.9%
Derivatives	12,464,006	32.1%	6,307,713	19.5%
Loans	4,984,158	12.8%	5,010,547	15.5%
Bonds	4,450,385	11.5%	6,166,179	19.1%
Repo	2,681,168	6.9%	589,936	1.8%
Other	1,123,069	2.9%	2,984,437	9.2%
Total	**38,829,566**	**100.0%**	**32,360,405**	**100.0%**

Credit exposure – Sovereigns

Another asset class is formed by central governments, central banks, and regional municipalities as well as other public sector entities. The table below provides a breakdown of the credit exposure to sovereigns (including central banks) by internal rating. Since defaults in this asset class are historically very rare, default probabilities are estimated using full data sets provided by external rating agencies.

€ 000		31.12.2011	Share	31.12.2010	Share
A1	Excellent credit standing	9,567,285	35.6%	8,386,362	32.4%
A2	Very good credit standing	465,012	1.7%	624,248	2.4%
A3	Good credit standing	4,518,891	16.8%	3,927,021	15.2%
B1	Sound credit standing	1,785,503	6.6%	1,639,803	6.3%
B2	Average credit standing	758,451	2.8%	1,398,508	5.4%
B3	Mediocre credit standing	5,513,313	20.5%	5,951,377	23.0%
B4	Weak credit standing	2,253,625	8.4%	2,097,273	8.1%
B5	Very weak credit standing	1,658,844	6.2%	1,691,510	6.5%
C	Doubtful/high default risk	155,561	0.6%	39	0.0%
D	Default	139,390	0.5%	60,035	0.2%
NR	Not rated	77,172	0.3%	78,988	0.3%
Total		**26,893,046**	**100.0%**	**25,855,164**	**100.0%**

The maximum credit exposure to sovereigns amounted to € 26,893,046 thousand at year-end and represents 14.4 per cent of the bank's total credit exposure. The highest portfolio share with 35.6 per cent is held in rating class Minimal Risk (rating A1), which results mainly from new securities investments in government bonds.

The medium rating grades Good credit standing (rating A3) to Mediocre credit standing (rating B3) form 46.7 per cent of the portfolio. The high exposure in these rating categories mainly results from deposits of network banks at local central banks in Central and Southeastern Europe. They were mandatory for meeting the respective minimum reserve requirements or used in order to manage excess liquidity on a short-term basis and therefore were intrinsically linked to the banking business in these countries. The exposure in rating class B4 remained stable compared to the previous year, at € 2,253,625 thousand or 8.4 per cent and results mainly from short-term deposits at the central banks in the Russia and in CIS Other segments.

The lower credit rating grades (rating C and D) has increased, due to local government financing in Hungary and higher exposures at the central bank in Belarus.

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

€ 000	2011	Share	2010	Share
Bonds	13,105,606	48.7%	15,633,532	60.5%
Loans	9,023,119	33.6%	8,038,685	31.1%
Derivatives	1,028,086	3.8%	979,587	3.8%
Other	3,736,234	13.9%	1,203,361	4.7%
Total	**26,893,046**	**100%**	**25,855,164**	**100.0%**

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

€ 000	2011	Share	2010	Share
Romania	2,000,334	20.4%	2,242,595	22.7%
Hungary	1,911,614	19.5%	2,016,987	20.4%
Croatia	1,303,903	13.3%	1,226,787	12.4%
Albania	1,218,253	12.4%	1,144,440	11.6%
Ukraine	992,915	10.1%	1,072,953	10.9%
Other	2,370,885	24.2%	2,175,459	22.0%
Total	**9,797,904**	**100.0%**	**9,879,222**	**100.0%**

The credit exposure to the public sector in non-investment grade (rating B3 and below) was to year end 2011 with € 9,809,234 thousand virtually unchanged from 2010 and resulted primarily from deposits of group units with the local central banks in Central and Southeastern Europe. They were used for completion of the minimum reserve requirements, and the short-term investment of excess liquidity, and were therefore inextricably linked to the business activities in these countries.

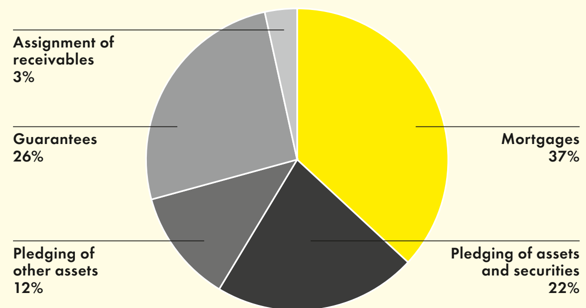
Credit risk mitigation

Collateralization is one of the main strategies and an actively pursued measure for reducing potential credit risks. The value of collateral and the effect of other risk mitigation techniques are determined within each limit application. The risk mitigation effect taken into account is the value that RBI expects to receive when selling the collateral within a reasonable liquidation period. Eligible collaterals are defined in the Group's collateral catalog and evaluation guidelines for collateral. The collateral value is calculated according to specified methods which include standardized calculation formulas based on market values, predefined minimum discounts, and expert assessments.

Collateral is divided into pledges (e.g. guarantees) and physical collateral. In RBI liens on residential or commercial properties are the main types of collateral used.

Loans and advances to banks and customers net of allocated loan loss provisions (net exposure), the additional off-balance sheet exposure (contingent liabilities, commitments, and revocable credit lines), and the the market prices (fair value) of collateral pledged in favor of RBI are shown in the following table:

Collateral types as of 31/12/2011



31/12/2011	Maximum credit exposure		Fair value of collateral
€ 000	Net exposure	Commitments/ guarantees issued	
Banks	25,520,401	2,020,872	5,292,895
Sovereigns	1,350,175	257,206	275,271
Corporate customers – large corporates	52,631,182	34,804,357	42,004,417
Corporate customers – mid market	3,247,248	898,882	2,610,682
Retail customers – private individuals	17,479,971	2,402,307	11,078,089
Retail customers – small and medium-sized entities	2,042,090	369,784	1,424,577
Total	**102,271,067**	**40,753,408**	**62,685,931**

31/12/2010	Maximum credit exposure		Fair value of collateral
€ 000	Net exposure	Commitments/ guarantees issued	
Banks	21,277,387	1,926,281	4,126,777
Sovereigns	1,492,468	260,259	577,893
Corporate customers – large corporates	46,913,082	29,969,898	35,232,395
Corporate customers – mid market	3,421,324	898,743	2,683,142
Retail customers – private individuals	17,130,847	2,201,819	11,294,349
Retail customers – small and medium-sized entities	2,198,479	347,148	1,553,402
Total	**92,433,587**	**35,604,148**	**55,467,958**

Collateral ready to be sold or repledged in the absence of default of the debtor amounted to € 24,047,224 thousand (2010: € 16,820,440 thousand).

Problem loan management

The credit portfolio and individual borrowers are subject to constant monitoring. The main purpose of monitoring is to ensure that the borrower meets the terms and conditions of the contract, as well as following the obligor's economic development. Such a review is conducted at least once annually in the non-retail asset classes corporates, financial institutions, and sovereigns. This includes a rating review and the re-evaluation of financial and tangible collateral.

Problem loans (where debtors might run into material financial difficulties or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees in individual Group units make decisions on problematic exposures. If the need for intensified treatment and workout is identified, then problem loans are assigned either to a designated specialist

or to a restructuring unit (workout department). Employees of the workout units are specially trained and have extensive experience. They typically handle medium-sized to large cases and are assisted by in-house legal departments and/or by external specialists as well. Work-out units play a decisive role in accounting and analyzing as well as booking provisions for impairment losses (write-offs, value adjustments, provisioning). Their early involvement can help reduce losses resulting from problem loans.

Problem loan management standards in the retail area comprise the whole restructuring and collection process for private individuals and small enterprises. A restructuring guideline defines the Group's restructuring framework including uniform strategy, organization, methods, monitoring and controlling. In the workout process customers are classified into three categories "early," "late," and "recovery," for which a standardized customer handling process is defined.

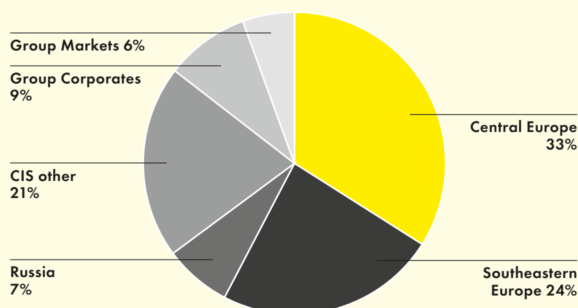
The assessment of the expected recovery value is heavily influenced by the number of days payments are late. The following table shows the amount of overdue – not impaired – credit exposure of banks and customers for different time bands.

31/12/2011	Current	Overdue					Collaterals
€ 000		Up to 31 days	More than 31 days, up to 90 days	More than 91 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	received for assets which are past due
Banks	25,511,384	5,567	12	11	0	0	0
Sovereigns	1,227,571	113,325	2,318	1,090	409	97	1,945
Corporate customers – large corporates	49,266,382	1,386,511	384,682	35,783	32,085	69,784	771,902
Corporate customers – mid market	2,796,533	138,788	65,798	7,724	5,878	15,747	165,846
Retail customers – private individuals	14,903,347	1,273,137	272,541	126,934	22,331	99,520	791,279
Retail customers – small and medium-sized entities	1,667,764	203,741	47,978	16,979	9,385	11,405	217,041
Total	**95,372,981**	**3,121,068**	**773,329**	**188,522**	**70,088**	**196,554**	**1,948,012**

31/12/2010	Current	Overdue					Collaterals
€ 000		Up to 31 days	More than 31 days, up to 90 days	More than 91 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	received for assets which are past due
Banks	21,258,320	235	5	0	0	2,759	37
Sovereigns	1,468,988	5,967	5,734	177	0	109	498
Corporate customers – large corporates	44,258,902	1,002,845	401,880	17,470	30,215	35,871	696,622
Corporate customers – mid market	2,850,135	182,714	91,671	10,287	6,401	17,408	207,729
Retail customers – private individuals	14,659,312	1,446,949	337,421	198,674	39,278	77,804	1,107,656[1]
Retail customers – small and medium-sized entities	1,778,858	231,361	63,091	21,500	12,034	14,513	255,929
Total	**86,274,515**	**2,870,071**	**899,802**	**248,108**	**87,928**	**148,464**	**2,268,470**[1]

[1] Adjustments of previous year figures due to different mapping.

Breakdown of non-performing loans by segment



Restructuring of loans

As of 31 December 2011 the carrying amount of loans for which terms were renegotiated in connection with a substantial and immediate loss that would otherwise be past due or impaired amounted to € 811,108 thousand (2010: € 588,276 thousand). Split by asset classes € 317,269 thousand is attributable to corporate customers and € 493,213 thousand to retail customers.-

Non-performing loans and provisioning

A default and thus non-performing loan (NPL) is internally defined as the event where a specific debtor is unlikely to pay its credit obligations to the bank in full, or the debtor is overdue more than 90 days on any material credit obligation. RBI has defined twelve default indicators which are used to identify a default event in the non-retail segment. These include the insolvency or similar proceedings of a customer, if an impairment provision has been allocated or a direct write-off has been carried out, if credit risk management has judged a customer account receivable to be not wholly recoverable, or the workout unit is considering stepping in to help a company restore its financial soundness.

Within the RBI a Group-wide default database has been created for collecting and documenting customer defaults. The database tracks defaults and the reasons for defaults, which enables the calculation and validation of own default probabilities.

Provisions for impairment losses are formed on the basis of Group-wide standards according to IFRS accounting principles and cover all identifiable credit risks. In the non-retail segments, problem loan committees from each Group unit decide on allocating individual loan loss provisions. In the retail area, provisioning is performed by retail risk departments in individual Group units. They compute loan loss provisions according to defined calculation schemes on a monthly basis. The provisioning amount is then approved by local accounting departments.

The following table shows the exposure of non-performing loans in the defined asset classes loans and advances to banks and loans and advances to customers (excluding off-balance sheet positions) as reported in the statement of financial position for the reporting period:

€ 000	As of 1/1/2011	Change in consolidated group	Exchange differences	Additions	Disposals	As of 31/12/2011
Corporate customers	4,381,436	(335)	(88,103)	1,667,432	(1,369,134)	4,591,296
Retail customers	2,396,213	(73)	(56,706)	891,115	(778,570)	2,451,979
Sovereigns	12,098	0	(215)	3,935	(3,544)	12,274
Total nonbanks	**6,789,747**	**(408)**	**(145,025)**	**2,562,483**	**(2,151,248)**	**7,055,549**
Banks	267,834	0	1,904	97,172	(125,634)	241,276
Total	**7,057,581**	**(408)**	**(143,121)**	**2,659,655**	**(2,276,882)**	**7,296,825**

€ 000	As of 1/1/2010	Change in consolidated group	Exchange differences	Additions	Disposals	As of 31/12/2010
Corporate customers	2,576,245	938,592	124,761	1,698,860	(957,021)	4,381,436
Retail customers	1,850,220	5,434	62,691	981,084	(503,215)	2,396,213
Sovereigns	15,898	0	(136)	19,921	(23,585)	12,098
Total nonbanks	**4,442,363**	**944,026**	**187,316**	**2,699,864**	**(1,483,821)**	**6,789,747**
Banks	4,233	572,507	3,470	18,772	(331,147)	267,834
Total	**4,446,596**	**1,516,533**	**190,785**	**2,718,636**	**(1,814,968)**	**7,057,581**

The following table shows the share of non-performing loans in the defined asset classes from financial statement of position items loans and advances to banks and loans and advances to customers (excluding off-balance sheet positions), as well as the corresponding collateraland loan loss provisions provided:

2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Corporates	Group Markets
Corporate customers						
Non-performing loans	1,536,008	1,149,787	312,359	776,591	648,651	167,900
of which collateralized	592,362	631,340	75,893	226,813	103,671	14,977
Impairment losses on loans and advances	867,863	571,833	332,971	518,713	510,998	174,929
Loans	14,962,818	7,799,131	6,533,679	3,371,684	21,745,289	3,727,457
NPL ratio	10.3%	14.7%	4.8%	23.0%	3.0%	4.5%
Coverage ratio	56.5%	49.7%	106.6%	66.8%	78.8%	104.2%
Retail customers						
Non-performing loans	929,489	576,045	211,753	729,067	4,222	1,403
of which collateralized	411,722	162,724	22,144	401,603	500	100
Impairment losses on loans and advances	631,021	437,216	191,975	508,492	4,480	126
Loans	10,041,331	6,916,882	2,533,061	1,704,574	0	42,594
NPL ratio	9.3%	8.3%	8.4%	42.8%	–	3.3%
Coverage ratio	67.9%	75.9%	90.7%	69.7%	106.1%	9.0%
Sovereigns						
Non-performing loans	12,210	0	0	64	0	0
of which collateralized	720	0	0	0	0	0
Impairment losses on loans and advances	5,848	0	0	64	0	0
Loans	376,738	605,089	5,842	273	0	147
NPL ratio	3.2%	–	–	23.6%	–	–
Coverage ratio	47.9%	–	–	99.4%	–	–
Banks						
Non-performing loans	2,627	596	1,149	191	1,065	235,648
of which collateralized	0	0	0	0	0	55,671
Impairment losses on loans and advances	2,164	598	967	191	1,951	212,506
Loans	2,045,995	2,334,777	2,824,827	626,994	1,810,243	19,204,697
NPL ratio	0.1%	0.0%	0.0%	0.0%	0.1%	1.2%
Coverage ratio	82.4%	100.3%	84.2%	99.7%	183.2%	90.2%

2010 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Corporates	Group Markets
Corporate customers						
Non-performing loans	1,356,775	785,401	450,382	709,630	872,866	206,382
of which collateralized	496,324	442,635	128,265	232,683	238,920	0
Impairment losses on loans and advances	687,381	458,922	443,391	502,867	563,264	183,281
Loans	14,762,049	7,305,091	5,620,499	3,247,838	20,156,890	3,583,612
NPL ratio	9.2%	10.8%	8.0%	21.8%	4.3%	5.8%
Coverage ratio	50.7%	58.4%	98.4%	70.9%	64.5%	88.8%
Retail customers						
Non-performing loans	916,596	543,776	217,852	717,988	0	0
of which collateralized	422,755	165,987	62,240	406,271	0	0
Impairment losses on loans and advances	530,350	447,609	186,797	490,083	5,716	196
Loans	10,158,568	6,713,652	1,942,586	2,058,060	2,032	42,271
NPL ratio	9.0%	8.1%	11.2%	34.9%	–	–
Coverage ratio	57.9%	82.3%	85.7%	68.3%	–	–
Sovereigns						
Non-performing loans	11,917	0	182	0	0	0
of which collateralized	0	0	0	0	0	0
Impairment losses on loans and advances	958	0	38	0	0	0
Loans	296,344	762,106	38,339	0	331	294
NPL ratio	4.0%	–	0.5%	–	–	–
Coverage ratio	8.0%	–	20.9%	–	–	–
Banks						
Non-performing loans	2,759	0	1,175	187	1,031	262,682
of which collateralized	0	0	0	0	0.0%	0.0%
Impairment losses on loans and advances	2,275	9	421	187	762	251,366
Loans	1,386,771	2,587,424	1,821,233	861,178	2,596,822	14,124,823
NPL ratio	0.2%	0.0%	0.1%	0.0%	0.0%	1.9%
Coverage ratio	82.5%	–	35.8%	100.0%	73.9%	95.7%

In asset class corporate customers, non-performing loans increased by 5 per cent (€ 209,860 thousand) to € 4,591,296 thousand. Segment Southeastern Europe where NPLs increased by 46 per cent and Central Europe where NPLs increased by 13 per cent were especially affected. In contrast NPLs have been reduced in Russia by 31 per cent and in Group Corporates by 26 per cent. Loan loss provisions have been stocked up by 7 per cent (€ 207,160 thousand) to € 3,046,266 thousand which increased the coverage ratio by 1.6 percentage points to 66.3 per cent.

In the retail portfolio, non-performing loans grew by 2 per cent (€ 55,767 thousand) to € 2,451,979 thousand. The main increase took place in Southeastern Europe by 6 per cent, whereas Russsia reported a decline by 3 per cent. The total NPL ratio in the retail asset class increased by 0.1 percentage points to 11.5 per cent. Loan loss provisions have been increased for retail customers to € 1,773,391 thousand which improves the coverage ratio by 3.0 percentage points to 72.3 per cent.

In the asset class financial institutions non-performing loans amount to € 241,276 thousand at year-end, for which loan loss provisions of € 227,643 thoausand were allocated.

The following table summarizes the development of impairment losses on loans and advances and off-balance sheet transactions during the fiscal year and the corresponding items from the statement of financial position:

€ 000	As of 1/1/2011	Change in consolidated group	Allocation[1]	Release	Usage [2]	Transfers, Exchange differences	As of 31/12/2011
Individual loan loss provisions	**4,000,292**	**(182)**	**1,735,331**	**(558,699)**	**(653,749)**	**(81,575)**	**4,441,418**
Loans and advances to banks	236,579	0	(3,666)	(4,540)	(21,540)	1,758	208,591
Loans and advances to customers	3,710,716	(182)	1,673,030	(531,357)	(629,370)	(77,827)	4,145,010
Off-balance sheet obligations	52,997	0	65,966	(22,802)	(2,839)	(5,506)	87,817
Portfolio-based loan loss provisions	**887,999**	**(15)**	**280,577**	**(385,510)**	**0**	**(20,275)**	**762,777**
Loans and advances to banks	18,440	0	634	(41)	0	19	19,052
Loans and advances to customers	790,137	(15)	249,889	(341,293)	0	(18,160)	680,558
Off-balance sheet obligations	79,422	0	30,054	(44,176)	0	(2,134)	63,167
Total	**4,888,291**	**(197)**	**2,015,908**	**(944,209)**	**(653,749)**	**(101,849)**	**5,204,195**

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

€ 000	As of 1/1/2010	Change in consolidated group	Allocation[1]	Release	Usage [2]	Transfers, Exchange differences	As of 31/12/2010
Individual loan loss provisions	**2,383,348**	**983,277**	**1,726,950**	**(530,849)**	**(687,742)**	**125,308**	**4,000,292**
Loans and advances to banks	3,430	403,133	7,932	(4,733)	(177,363)	4,180	236,579
Loans and advances to customers	2,354,579	568,304	1,665,236	(507,066)	(491,432)	121,095	3,710,716
Off-balance sheet obligations	25,339	11,840	53,782	(19,050)	(18,947)	33	52,997
Portfolio-based loan loss provisions	**770,512**	**88,880**	**390,664**	**(389,803)**	**0**	**27,746**	**887,999**
Loans and advances to banks	8	0	18,438	(76)	0	71	18,440
Loans and advances to customers	726,006	88,880	315,170	(367,013)	0	27,094	790,137
Off-balance sheet obligations	44,498	0	57,056	(22,714)	0	581	79,422
Total	**3,153,860**	**1,072,157**	**2,117,614**	**(920,652)**	**(687,742)**	**153,054**	**4,888,291**

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

The following table shows the breakdown of loan loss provisions according to business segments:

€ 000	As of 1/1/2011	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, Exchange differences	As of 31/12/2011
Individual loan loss provisions	**4,000,292**	**(182)**	**1,735,331**	**(558,699)**	**(653,749)**	**(81,575)**	**4,441,418**
Central Europe	979,605	1,249	880,668	(210,113)	(233,327)	(91,687)	1,326,396
Southeastern Europe	722,948	(117)	436,869	(121,623)	(146,507)	(9,734)	881,836
Russia	536,126	0	106,810	(115,988)	(65,290)	(10,411)	451,247
CIS Other	858,566	0	184,505	(22,471)	(105,571)	16,891	931,920
Group Corporates	664,733	(1,315)	111,005	(26,166)	(80,756)	(19,229)	648,272
Group Markets	238,314	0	15,377	(4,847)	(21,870)	(41,936)	185,039
Corporate Center	0	0	97	(57,491)	(430)	74,533	16,709
Portfolio-based loan loss provisions	**887,999**	**(15)**	**280,577**	**(385,510)**	**0**	**(20,275)**	**762,777**
Central Europe	286,415	0	128,239	(149,428)	0	(10,802)	254,424
Southeastern Europe	205,800	(15)	39,117	(93,136)	0	(993)	150,773
Russia	134,771	0	32,953	(64,264)	0	(2,484)	100,976
CIS Other	142,795	0	35,398	(69,746)	0	(6,777)	101,670
Group Corporates	100,118	0	39,619	(8,936)	0	1,361	132,162
Group Markets	18,100	0	3,014	0	0	(580)	20,534
Corporate Center	0	0	2,237	0	0	0	2,237
Total	**4,888,291**	**(197)**	**2,015,908**	**(944,209)**	**(653,749)**	**(101,849)**	**5,204,195**

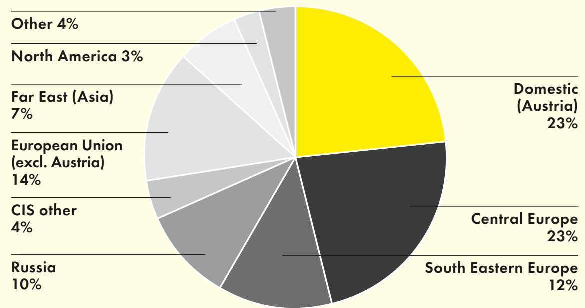
[1] Allocation including direct write-downs and income on written down claims.
[2] Usage including direct write-downs and income on written down claims.

€ 000	As of 1/1/2010	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, Exchange differences	As of 31/12/2010
Individual loan loss provisions	**2,383,348**	**983,277**	**1,726,950**	**(530,849)**	**(687,742)**	**125,308**	**4,000,292**
Central Europe	759,283	(743)	628,490	(222,897)	(199,275)	14,747	979,605
Southeastern Europe	485,439	(43)	437,706	(102,020)	(100,793)	2,659	722,948
Russia	481,877	0	229,929	(143,368)	(59,711)	27,399	536,126
CIS Other	656,749	0	240,763	(4,547)	(84,817)	50,418	858,566
Group Corporates	0	583,457	173,182	(54,035)	(55,243)	17,372	664,733
Group Markets	0	400,606	16,878	(3,982)	(187,903)	12,715	238,314
Corporate Center	0	0	0	0	0	0	0
Portfolio-based loan loss provisions	**770,512**	**88,880**	**390,664**	**(389,803)**	**0**	**27,746**	**887,999**
Central Europe	274,395	0	165,388	(161,973)	0	8,605	286,415
Southeastern Europe	198,561	(26)	69,906	(69,015)	0	6,374	205,800
Russia	136,492	0	67,113	(76,746)	0	7,912	134,771
CIS Other	161,064	0	57,456	(79,275)	0	3,550	142,795
Group Corporates	0	88,906	12,701	(2,794)	0	1,305	100,118
Group Markets	0	0	18,100	0	0	0	18,100
Corporate Center	0	0	0	0	0	0	0
Total	**3,153,860**	**1,072,157**	**2,117,614**	**(920,652)**	**(687,742)**	**153,054**	**4,888,291**

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

Country risk

Country risk includes transfer and convertibility risks as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. RBI is exposed to this risk due to its strong business activities in the Central and Eastern European markets. In these markets political and economic risks to some extent are still seen as comparatively significant.



Active country risk management in RBI is based on the country risk policy which is set by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries. Consequently. in day-to-day work, business units have to submit limit applications for the respective countries for all cross-border transactions in addition to the limit applications for a customer. The limit size for individual countries is set by using a model which takes into account the internal rating for the sovereign, the size of the country, and RBI's own capitalization.

Country risk also is reflected via the internal funds transfer pricing system in product pricing and in risk-adjusted performance measurement. Business units therefore can benefit from country risk mitigation by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries. The insights gained from country risk analysis are not only used for limiting the total cross border exposure, but also for limiting the total credit exposure in each individual country (i.e. including the exposure that is funded by local deposits). Thereby RBI realigns its business activities according to the macro-economic development within different markets and enhances the broad diversification of its credit portfolio.

Concentration risk

The credit portfolio of RBI is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence portfolio granularity is high. The sum of the ten largest corporate credit exposures of the corporate customer division (before taking into account risk mitigation effects) corresponds to 62.7 per cent of core capital. In line with the credit risk policy these customers all have excellent ratings or – in exceptional cases and given high collateralization (and high fungibility of collateral) – acceptable credit standing.

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The regional breakdown of the loans reflects the broad diversification of credit business in RBI's markets. The following table shows the regional distribution of the credit exposure of all asset classes by the borrower's home country grouped by regional segments.

€ 000	2011	Share	2010[1]	Share
Austria	**43,686,612**	**23.4%**	**39,318,974**	**23.4%**
Central Europe	**42,629,955**	**22.8%**	**41,525,314**	**23.8%**
Slovakia	11,862,258	6.4%	11,833,966	7.0%
Czech Republic	10,936,576	5.9%	10,031,591	6.0%
Hungary	8,882,980	4.8%	9,938,056	5.9%
Poland	8,807,810	4.7%	8,232,270	4.9%
Other	2,140,331	1.1%	1,489,432	0.0%
European Union	**26,501,393**	**14.2%**	**20,392,970**	**12.1%**
Germany	7,492,208	4.0%	5,708,349	3.4%
Great Britain	7,365,436	3.9%	3,999,797	2.4%
Netherlands	2,951,067	1.6%	2,137,477	1.3%
Other	8,692,683	4.7%	8,547,347	5.1%
Southeastern Europe	**23,186,616**	**12.4%**	**25,436,398**	**15.1%**
Romania	8,558,494	4.6%	8,046,808	4.8%
Croatia	6,163,001	3.3%	6,189,578	3.7%
Bulgaria	4,327,667	2.3%	3,958,753	2.4%
Serbia	2,549,271	1.4%	2,557,240	1.5%
Other	1,588,183	0.9%	4,684,019	2.8%
Russia	**18,484,518**	**9.9%**	**14,452,671**	**8.6%**
Far East	**12,277,528**	**6.6%**	**7,721,888**	**4.6%**
China	6,555,672	3.5%	3,348,754	2.0%
Other	5,721,856	3.1%	4,373,134	2.6%
CIS Other	**7,787,066**	**4.2%**	**7,882,562**	**4.7%**
Ukraine	4,657,059	2.5%	6,156,235	3.7%
Other	3,130,008	1.7%	1,726,327	1.0%
USA	**5,230,635**	**2.8%**	**4,368,637**	**2.6%**
Rest of the world	**6,915,932**	**3.7%**	**7,214,900**	**5.1%**
Total	**186,700,256**	**100.0%**	**168,314,313**	**100.0%**

[1] Adjustments of previous year figures due to different mapping.

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

Risk policies and credit portfolio management in RBI take into account the industry class of customers as well. Banking and insurance represents the largest industry class, which, however, is mostly attributed to exposures to members of the Austrian Raiffeisen Sector (central liquidity balancing function). The second largest industry class is private households, primarily consisting of loans to retail customers in Central and Eastern European countries. The following table shows the maximum credit exposure of the Group by the customers' industry classification:

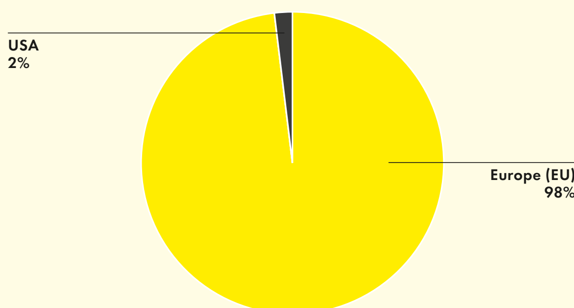
€ 000	2011	Share	2010[1]	Share
Banking and insurance	60,073,254	32.2%	48,146,001	28.6%
Private households	21,922,149	11.7%	22,554,206	13.4%
Wholesale trade and commission trade (except car trading)	17,893,915	9.6%	15,217,496	9.0%
Other manufacturing	13,651,445	7.3%	11,900,352	7.1%
Public administration and defence and social insurance institutions	13,267,030	7.1%	16,182,139	9.6%
Real estate activities	10,875,944	5.8%	12,346,591	7.3%
Construction	7,280,578	3.9%	4,949,963	2.9%
Other business activities	6,355,789	3.4%	6,708,734	4.0%
Retail trade except repair of motor vehicles	5,315,068	2.8%	4,087,343	2.4%
Manufacture of basic metals	3,643,075	2.0%	2,939,420	1.7%
Electricity, gas, steam and hot water supply	3,448,995	1.8%	3,516,158	2.1%
Manufacture of food products and beverages	2,535,234	1.4%	2,986,865	1.8%
Land transport, transport via pipelines	2,218,839	1.2%	2,231,069	1.3%
Other transport	1,998,082	1.1%	2,606,332	1.5%
Extraction of crude petroleum and natural gas	1,580,433	0.8%	1,277,371	0.8%
Sale of motor vehicles	1,577,151	0.8%	1,796,372	1.1%
Manufacture of machinery and equipment	1,547,073	0.8%	1,729,813	1.0%
Other industries	11,516,203	6.2%	7,138,089	4.2%
Total	**186,700,256**	**100.0%**	**168,314,313**	**100.0%**

[1] Adaption of previous year figures due to a new codex for industries (ÖNACE 2008)

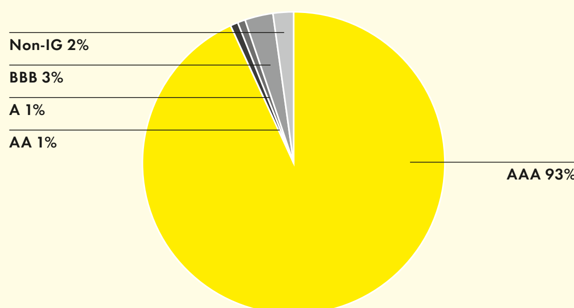
Structered credit portfolio

RBI's strategy for the structured credit portfolio is to reduce these investments step-by-step. This will be achieved either through repayment at maturity date or through assest sales depending on the market situation. The size of the structured credit portfolio is shown on page 206. Around 95 per cent of this portfolio is rated A or better by external rating agencies. The pools mainly contain exposures to European customers.

Breakdown of structered credit portfolio by region



Breakdown of structered credit portfolio by rating



Counterparty credit risk
The default of a counterparty in a derivative, repurchase, securities or commodities lending or borrowing transaction can lead to losses from re-establishing the contract with another counterparty. In RBI this risk is measured by the mark-to-market approach where a predefined add-on is added to the current positive fair value of the contract in order to account for potential future changes. For internal management purposes potential price changes, which affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts the standard limit approval process applies, where the same risk classification, limitation, and monitoring process is used as for traditional lending. In doing so, the weighted nominal exposure of derivative contracts is added to the customers' total exposure in the limit application and monitoring process as well as in the calculation and allocation of internal capital.

An important strategy for reducing counterparty credit risk is credit risk mitigation techniques such as netting agreements and collateralization. In general, RBI strives to establish standardized ISDA master agreements with all major counterparties for derivative transactions in order to be able to perform close-out netting and credit support annexes (CSA) for full risk coverage for positive fair values on a daily basis.

Market risk

RBI defines market risk as the risk of possible losses arising from changes in market prices of trading and banking book positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters (e.g. like implied volatilities).

Market risks are transferred to the Treasury division by closing internal contracts with customer divisions. Treasury is responsible for managing structural market risks and for complying with the Group's overall limit. The Capital Markets division comprises proprietary trading, market making, and customer business with money market and capital market products.

Organization of market risk management
RBI measures, monitors, and manages all market risks on Group level.

The Market Risk Committee is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks in the Group. The Group's overall limit is set by the Management Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to the strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined and enacted strategy of the Group. It is responsible for implementing and enhancing risk management processes, manuals, measurement techniques, risk management infrastructure and systems for all market risk categories and secondary credit risks arising from market price changes in derivative transactions. Furthermore this department independently measures and reports market risks on a daily basis.

All products in which open positions can be held are listed in the product catalog. New products are added to this list only after completing the product approval process successfully. Product applications are investigated thoroughly for any risks. They are approved only if the new products can be implemented in the bank's front- and back-office (and risk management) systems respectively.

Limit system

RBI uses a comprehensive risk management approach for both the trading and banking book (total-return approach). Market risks are managed consistently in the trading and banking book. The following values are measured and limited on a daily basis in the market risk management system:

- Value-At-Risk (confidence level 99%, risk horizon 1 day)
  Value-at-risk (VaR) is the main steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach, where 5000 scenarios are calculated. The approach combines the advantages of a historical simulation and a Monte Carlo simulation and derives market parameters from 500 days historical data. Distribution assumptions include modern features like volatility declustering, random time change, and extreme event containers. This helps in reproducing fat-tailed and asymmetric distributions accurately. The Austrian Financial Market Authority has approved this model such that it can be used for calculating own funds requirements for market risks. Value-at-risk results are not only used for limiting risk but also in the internal capital allocation.

- Sensitivities (to changes in exchange rates, interest rates, gamma, vega, equity and commodity prices)
  Sensitivity limits shall ensure that concentrations are avoided in normal market situations and are the main steering instrument under extreme market situations, in illiquid markets, and in markets that are structurally difficult to measure.

- Stop loss
  This limit strengthens the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The results on market risk concentrations shown by these stress tests are reported to the Market Risk Committee and taken into account when setting limits. Stress test reports for individual portfolios are included in daily market risk reporting.

Value-at-Risk (VaR)

The following table shows the VaR (99%, 1d, in € thousand) for individual markets risk categories of the trading and banking book. RBI's VaR mainly results from exchange rate risk out of long-termed equity positions, structural interest rate risks, and credit spread risks of bonds, which are held as liquidity buffer.

Trading book VaR 99% 1d € 000	VaR as of 31/12/2011	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2010
Currency risk[1]	63,564	53,959	37,119	82,891	53,021
Interest rate risk	6,715	8,154	5,656	16,022	11,187
Credit spread risik	877	3,369	845	9,145	2,049
Share price risk	2,328	1,973	1,345	2,958	1,399
Total	48,039	56,623	40,817	81,800	60,073

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

Banking book VaR 99% 1d € 000	VaR as of 31/12/2011	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2010
Interest rate risk	46,571	53,717	27,884	112,909	69,753
Credit spread risik	10,613	29,263	9,894	47,608	29,949
Total	29,756	55,982	29,756	113,502	66,081

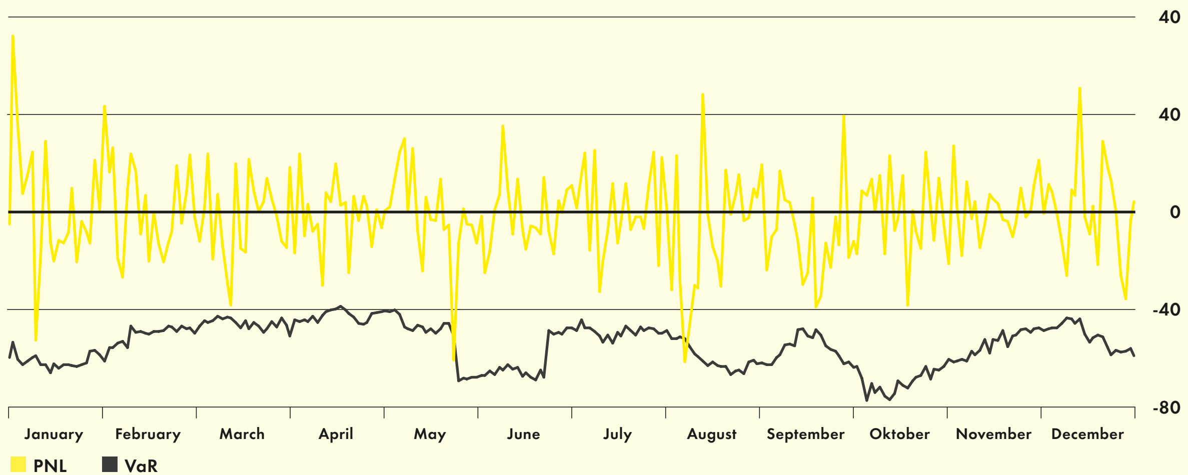
Total VaR 99% 1d € 000	VaR as of 31/12/2011	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2010
Currency risk[1]	63,564	53,961	37,119	82,891	53,021
Interest rate risk	46,284	54,191	26,462	116,618	70,163
Credit spread risik	10,662	31,336	9,417	47,787	31,065
Share price risk	2,328	1,973	1,345	2,958	1,399
Total	51,278	81,158	49,800	125,988	86,932

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

The risk measurement approaches employed are verified – besides analyzing returns qualitatively – on an ongoing basis through backtesting and statistical validation techniques. If model weaknesses are identified, then they are improved accordingly. In the reporting period, there were two backtesting violations for RBI's trading book (including equity positions in network banks) as shown in the backtesting chart. This chart compares VaR and theoretical profits and losses on a daily basis. VaR denotes the maximum loss that will not be exceeded with 99 per cent confidence level on the next day. It is compared to the theoretical profits and losses, which shows the hypothetical returns that the bank would have realized due to the actual changes in market parameters on the next day. It is possible to see that the model correctly reproduces market volatility regimes and quickly reacts to changed market conditions. Starting with the year 2012, the Stressed VaR as defined by regulatory requirements will be reported in addition to the VaR.

Value-at-Risk and theoretical market price changes of RBI's trading book

in € million



Exchange rate risk and capital (ratio) hedge

Market risk in RBI results primarily from exchange rate risk, which stems from foreign-currency denominated equity investments made in non-domestic Group units and the corresponding hedging positions entered into by the Group Asset/Liability Committee. The following table shows all material open foreign exchange rate positions as of 31 December 2011 and the corresponding values for the previous year. Those numbers include both trading positions as well as equity stakes in subsidiaries with foreign currency denominated statements of financial position.

€ 000	31/12/2011	31/12/2010
ALL	244,810	187,135
BAM	217,268	167,305
BGN	(59,632)	90,655
BYR	109,977	137,443
CNY	97,353	94,341
CZK	678,626	133,831
HRK	755,662	811,689
HUF	290,401	526,303
PLN	765,891	781,200
RON	636,767	538,897
RSD	518,498	475,253
RUB	2,280,107	2,132,097
UAH	1,733,777	1,537,677
USD	(616,156)	(707,173)

In a narrow sense, exchange rate risk denotes the risk that one suffers losses due to open foreign exchange positions. Exchange rate fluctuations also influence current revenues and expenses. However, they also influence regulatory capital requirements of assets denominated in foreign currencies, even if they are refinanced in the same currency and thus do not create an open foreign exchange position.

RBI holds several large participations located outside of the European Monetary Union with their equity denoted in the corresponding local currency. Also, a significant share of risk weighted assets in RBI is denominated in foreign currencies. Changes in foreign exchange rates thus lead to a change of consolidated capital in RBI and they influence own funds requirement for credit risks as well.

Basically, there are two different approaches for managing exchange rate risks:

- Preserve equity: With this hedging strategy an offsetting capital position is held on Group level for local currency denominated equity positions. However, the necessary hedging positions cannot be established in all currencies due to the required high volume. Moreover, these hedges might be inefficient for some currencies if they carry a high interest rate differential.
- Stable capital ratio: The goal of this hedging strategy is to balance core capital and risk-weighted assets in all currencies according to the targeted core capital ratio (i.e. reduce excess capital or deficits in relation to risk-weighted assets for each currency) such that the core capital ratio remains stable even if foreign exchange rates change.

RBI aims at stabilizing its core capital ratio when managing exchange rate risks. Changes in foreign exchange rates thus lead to changes in the consolidated equity amount; however, the regulatory capital requirement for credit risks stemming from assets denoted in foreign currencies also changes correspondingly. This risk is managed on a monthly basis in the Group Asset/Liability Committee based on historical foreign exchange volatilities, exchange rate forecasts, and the sensitivity of the core capital ratio to changes in individual foreign exchange rates.

Interest rate risk in the trading book

The following two tables show the largest present value changes for the trading book of RBI given a one-basis-point interest rate increase for the whole yield curve in € thousand for the reporting dates 31 December 2011 and 31 December 2010. Currencies where the total interest rate sensitivity exceeds € 10 thousand are shown separately. There are only minor changes in the risk factors compared to the previous year.

31/12/2011 € 000	Total	> 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>20y
ALL	(31)	0	(1)	(8)	(10)	(10)	(1)	0	0	0	0	0
BGN	(10)	(1)	0	0	(2)	(1)	(4)	0	0	0	0	0
CHF	17	4	12	(2)	2	4	(3)	3	(3)	1	(1)	(1)
CZK	(27)	(1)	1	(3)	(8)	(11)	16	(14)	(1)	(6)	0	0
EUR	426	1	11	39	12	(8)	181	132	130	(50)	5	(27)
HRK	(14)	0	0	0	0	(1)	(10)	(2)	0	0	0	0
RUB	(185)	(1)	(14)	(22)	(38)	(59)	(28)	(21)	(2)	0	0	0
USD	87	9	(45)	26	(2)	(44)	(5)	(9)	32	(65)	(18)	207
Other	1	7	(11)	9	(2)	(3)	7	(2)	(3)	0	0	0

[1] The representation of currencies has changed year on year depending on the absolute value of the interest rate sensitivity

31/12/2010 € 000	Total	> 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>20y
ALL	(30)	(1)	(1)	(10)	(4)	(11)	(4)	0	0	0	0	0
BGN	(10)	(1)	0	0	(1)	(1)	(5)	0	0	0	0	0
EUR	453	6	(7)	(7)	(95)	35	208	161	219	7	21	(94)
GBP	(19)	0	0	0	(1)	0	0	0	(5)	(1)	(1)	(11)
HUF	5	4	(1)	24	(23)	10	(15)	(8)	13	3	0	0
RUB	(177)	(4)	(5)	(16)	(38)	(25)	(88)	(1)	(1)	0	0	0
USD	(32)	0	(9)	(4)	(7)	(6)	(4)	1	(1)	0	0	(1)
Other	(11)	(2)	(1)	(7)	2	(5)	9	0	(10)	(1)	0	0

Interest rate risk in the banking book

Different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and refinancing on debt and capital markets) cause interest rate risk in RBI. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book is material for euro and US-dollar as major currencies as well as for local currencies of Group units located in Central and Eastern Europe.

This risk is mainly hedged by a combination of on- and off-balance sheet transactions where in particular interest rate swaps and – to a smaller extend – also interest rate forwards and interest rate options are used. Balance sheet management is a core task of the central Treasury division and of individual network banks, which are supported by asset/liability management committees. They base their decisions on various interest income analyses and simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the banking book is not only measured in a value-at-risk framework but also managed by the traditional tools of nominal and interest rate gap analyses. Since 2002, interest rate risk is subject to quarterly reporting in the context of the interest rate risk statistic submitted to the banking supervisor. This report shows the change in the present value of the banking book as a percentage of own funds in line with the requirements of Basel II. Maturity assumptions needed in this analysis are defined as specified by regulatory authorities or based on internal statistics and empirical values. In 2011, the changes in present value of banking book positions after an interest rate shock of 200 basis points were always lower than the regulatory reporting threshold of 20 per cent of eligible own funds.

The following table shows the change in the present value of RBI's banking book given a one-basis-point interest rate increase for the whole yield curve in € thousand for reporting dates 31 December 2011 and 31 December 2010. Currencies with total interest rate sensitivity exceeding € 10 thousand are shown separately. Interest rate risk in the banking book decreased mainly due to a reduction of holdings in government bonds.

31/12/2011 € 000	Total	> 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>20y
ALL	(45)	3	(4)	6	(33)	(13)	(1)	(4)	0	0	0	0
BGN	16	0	3	9	0	5	(1)	0	0	0	0	0
CHF	(154)	8	(5)	(1)	(16)	(2)	(11)	(19)	(37)	(49)	(23)	0
CNY	37	(10)	16	32	0	0	0	0	0	0	0	0
CZK	12	8	(4)	19	0	(2)	3	(10)	(4)	2	(1)	0
EUR	(607)	84	121	177	185	12	(130)	(629)	(202)	(118)	(8)	(98)
HRK	(16)	(1)	0	4	(5)	(4)	(3)	(4)	(3)	0	0	0
HUF	(88)	(5)	(7)	(8)	(7)	(21)	(25)	(11)	(5)	1	0	0
RON	(108)	1	(2)	2	(8)	(31)	(11)	(35)	(23)	0	0	0
RSD	(25)	(1)	(1)	(5)	(7)	(7)	(3)	(1)	0	0	0	0
RUB	66	(36)	2	(7)	13	68	113	(6)	(28)	(40)	(13)	0
UAH	(248)	(6)	(5)	(26)	(60)	(57)	(65)	(11)	(10)	(6)	(1)	0
USD	(755)	26	(12)	24	(25)	(98)	(115)	(157)	(151)	(211)	(32)	(4)
Other	(7)	(9)	(1)	(8)	2	5	9	(1)	(3)	0	0	(1)

[1] The representation of currencies has changed year on year depending on the absolute value of the interest rate sensitivity

31/12/2010 € 000	Total	> 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>20y
BGN	17	2	3	13	(1)	2	(1)	0	0	0	0	0
BYR	30	(2)	(11)	6	1	1	34	0	0	0	0	0
CHF	(101)	2	(14)	(20)	(2)	3	(1)	(14)	(16)	(22)	(16)	0
CNY	25	(14)	3	36	0	0	0	0	0	0	0	0
CZK	(42)	(12)	9	39	(82)	(34)	55	16	(17)	(16)	0	0
EUR	(2,026)	189	177	33	(38)	50	(155)	(767)	(1,244)	(210)	35	(96)
HUF	(88)	(22)	(1)	6	2	(12)	(36)	(29)	2	2	0	0
PLN	(17)	(14)	5	(5)		(2)		(1)	0	0	0	0
RON	(167)	5	(4)	(10)	(22)	(29)	(72)	(24)	(11)	0	0	0
RUB	58	(4)	(20)	14	51	45	43	(12)	(16)	(22)	(14)	(7)
UAH	(123)	(1)	5	7	(38)	(31)	(40)	(11)	(7)	(6)	(1)	0
USD	(288)	(23)	30	27	(6)	99	(87)	(98)	(56)	(124)	(35)	(14)
Other	(34)	(18)	(13)	16	(22)	(22)	(28)	47	3	1	1	(1)

Credit spread risk

The market risk management framework uses time-dependent bond and CDS-spread curves as risk factors in order to measure credit spread risks. This market risk category thus captures the specific interest rate risk of all securities in the trading and banking book. The value-at-risk report covers RBI AG in this risk category, where a major part of securities positions of the Group are booked. The rollout of this system to all Group units is being planned.

Liquidity risk

Banks perform maturity transformation as an important role for international financial markets. The need for maturity transformation arises from the needs of depositors to access their funds within short notice and the opposite need of borrowers for long-term loans. This function constantly results in positive or negative liquidity gaps for different maturities that are managed through transactions with other market participants under normal market conditions.

Liquidity management, i.e. ensuring that the Group maintain its ability to pay at all times, is performed both centrally by the Treasury division in Vienna and on a decentralized basis by local banking subsidiaries. Cash flows are calculated and analyzed by currency on a weekly basis in an internal monitoring system. Based on this data, the Group creates liquidity balances, and analyzes whether the Group conforms to legal regulations on liquidity positions and defined internal liquidity limits. Liquidity analyses also include simulations on defined market or name specific liquidity crises in scenario-based cash flow forecasts. All these analyses are discussed in the Group Asset/Liability Committee of the bank.

The Austrian liquidity risk management directive, which implements the principles developed by the Committee of European Banking Supervision (CEBS) in Austria, became effective on 31 December 2010. RBI had already established the now mandatory instruments for liquidity risk management (amongst others a sufficiently large liquidity buffer, stress tests based on different scenarios, and liquidity contingency plans). Additional regulatory changes in the liquidity risk area will be defined in Basel III. As far as it is possible to estimate the new liquidity ratios based on the still preliminary rules, RBI appears to be well prepared for the new regulations.

Short-term liquidity risk

The following table shows excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for select maturities on a cumulative basis, taking into account balance sheet items and off-balance-sheet transactions. Based on expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates on the prolongation of defined assets, the so-called sediment of customer deposits, and the liquidity counterbalancing capacity (in particular, assets that are eligible for refinancing at central banks and that can be used as collateral in repo transactions). Excess liquidity has been further increased in all maturity buckets. In particular the ongoing effort to acquire stable customer deposits and the prudential management of available liquidity lead to the high liquidity ratio.

€ 000	2011			2010		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	20,692,286	17,937,132	7,093,711	15,996,552	13,132,935	5,994,321
Liquidity ratio	175%	130%	105%	172%	126%	105%

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

Funding liquidity risk

Funding liquidity risk is mainly driven by changes in the risk strategy of lenders or by a rating downgrade of a bank that needs external funding. Funding rates and supply rise and fall with credit spreads, which change due to the market- or bank-specific situation.

As a consequence, long-term funding depends on restoring confidence in banks and the increased effort in collecting customer deposits. RBI's banking activities are refinanced by combining wholesale funding and the retail franchise of deposit-taking network banks. RBI is the central liquidity balancing agent for the local Group units in Central and Eastern Europe.

In RBI's funding plans, special attention is paid to a diversified structure of funding to mitigate funding liquidity risk. In the Group, funds are not only raised by RBI as the Group's parent institution, but also individually by different banking subsidiaries. Those efforts are coordinated and optimized through a joint funding plan. Moreover, RBI arranges medium-term and long-term

funding for its subsidiaries through syndicated loans, bilateral funding agreements with banks, and financing facilities of supra-national institutions. These funding sources are based on long-term business relationships.

For managing and limiting liquidity risks, the targets for loan-/deposit ratios (the ratio of customer loans to customer deposits) have been revised for individual network banks taking into account expected Basel III regulations. The limits incorporate planned future business volumes as well as the feasibility for increasing customer deposit in different countries. On the one hand, this initiative reduces external funding requirements. On the other hand, it also reduces the need for internal funding operations and the risk associated with such liquidity transfers.

The following table shows a breakdown of cash flows according to the contractual maturity of financial liabilities:

31/12/2011 € 000	Carrying amount	Contractual cash flows	Up to 3 months	3-12 months	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**126,080,611**	**137,989,157**	**77,555,375**	**20,574,411**	**26,714,055**	**13,145,319**
Deposits from banks	37,991,809	42,071,887	22,361,668	5,482,472	11,368,842	2,858,906
Deposits from customers	66,747,234	70,263,681	48,917,920	12,265,438	4,602,652	4,477,671
Debt securities issued	14,366,814	17,010,194	3,504,640	2,562,491	9,404,260	1,538,805
Other liabilities	2,824,021	3,862,737	2,747,897	188,588	809,046	117,206
Subordinated capital	4,150,733	4,780,658	23,250	75,422	529,255	4,152,731
Derivative liabilities	**9,197,649**	**17,903,100**	**7,568,858**	**2,878,354**	**6,152,849**	**1,303,039**
Derivatives in the trading book	8,405,930	15,818,157	6,605,117	2,610,327	5,449,666	1,153,048
Hedging derivatives	42,702	49,372	541	4,782	13,065	30,984
Other derivatives	736,050	1,979,476	959,303	242,754	658,502	118,917
Credit derivatives	12,967	56,095	3,897	20,491	31,616	90

31/12/2010 € 000	Carrying amount	Contractual cash flows	Up to 3 months	3-12 months	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**114,302,837**	**126,753,218**	**65,467,730**	**22,721,280**	**26,830,333**	**11,733,874**
Deposits from banks	33,659,182	38,603,453	17,055,997	7,762,122	10,830,875	2,954,459
Deposits from customers	57,633,113	60,580,197	43,865,734	9,123,427	3,736,599	3,854,435
Debt securities issued	16,555,382	18,891,313	1,486,420	5,551,382	9,741,404	2,112,107
Other liabilities	2,454,062	4,193,176	3,009,533	181,791	853,683	148,170
Subordinated capital	4,001,098	4,485,079	50,046	102,558	1,667,772	2,664,703
Derivative liabilities	**5,794,444**	**13,341,347**	**6,259,396**	**2,671,943**	**2,924,899**	**1,485,107**
Derivatives in the trading book	4,530,916	10,751,156	5,200,176	2,130,544	2,320,808	1,099,627
Hedging derivatives	476,764	574,063	12,979	19,907	219,898	321,278
Other derivatives	768,432	1,998,047	1,044,143	516,696	373,679	63,529
Credit derivatives	18,332	18,081	2,098	4,796	10,514	673

Operational risk

Operational risk is defined as the risk of unexpected losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers like unauthorized activities, fraud or theft, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or consciously conducted human fraud are managed and controlled as well.

This risk category is analyzed and managed on the basis of own historical loss data and the results of self assessments. Another management tool is the incentive system implemented in internal capital allocation. This system rewards high data quality and low expected operational risk costs of individual business units. Generally speaking, RBI implements a centralized - decentralized system for operational risk management. In this process, a central operational risk management function defines all basic principles and minimum requirements, which then are implemented risk type specific in the individual local units.

As with other risk types the principle of firewalling between risk management and risk controlling is also applied to operational risk in RBI. Operational risk controlling units are mainly responsible for the implementation and refinement of methods for operational risk management in different Group units (e.g. performing self assessment, defining and monitoring key risk indicators, etc.) and for reporting to the central operational risk controlling function. Business line managers are responsible for controlling and mitigating operational risks. They decide on pro-active operational risk steering actions, such as buying insurance, and the use of further risk mitigating instruments.

Risk identification

Identifying and evaluating risky areas that might endanger the Group's existence if a loss occurs (but where losses are highly unlikely to be realized) and also areas where losses are more likely to happen frequently (but cause only smaller losses) are important tasks for controlling operational risks.

Operational risk self-assessment is executed in a structured and Group-wide uniform manner, where all operational risk categories and business functions are assessed in a two–dimensional matrix by generic business processes and event types (per business line or product group). This applies to new products as well. All Group units grade the impact of high probability/low impact events and low probability/high impact incidents according to their estimation of the loss potential for the next year and in the next ten years in relation to profits. Low probability/high impact events are quantified by a Group-wide analytical tool with specific scenarios. Individual Group units furthermore run additional scenarios depending on their individual risk profile and local specifics. In 2011 RBI also participated in an exchange of scenario definitions within the ORX consortium, of which it is a member since 2010.

Monitoring

In order to monitor operational risks, key risk indicators (KRIs) are used that allow promptly identifying and mitigating operational risks. These are also specifically tailored to individual Group units.A common cataloge of key risk indicators, which is defined by the head office for internal benchmarking purposes, is mandatory for all Group units.

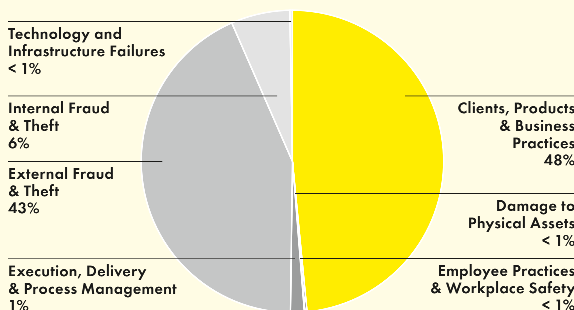
Loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner and on a Group-wide basis according to the event type and the business line. Collecting losses stemming from operational risks is a prerequisite for implementing a statistical loss distribution model and a minimum requirement for implementing the regulatory Standardized Approach. Furthermore, loss data (and near misses) is used to create and validate operational risk scenarios and for exchange with international data pools to further develop advanced operational risk management tools.
The results of analyses as well as loss events resulting from operational risks are reported in a comprehensive manner to the Group Risk Committee on a regular basis. The distribution of losses in the Group by event type shows an increase in category Clients, Products & Business Practices in the year 2011, which is mainly caused by losses stemming from foreign currency loan conversions in Hungary.

Quantification and mitigation

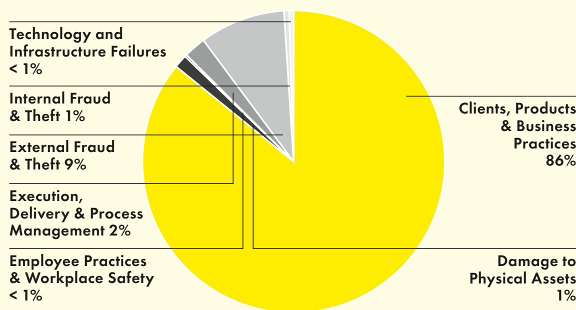
RBI currently calculates regulatory capital requirements for operational risks according to Basel II using the Standardized Approach. This approach applies to all major Group units.

Operational risk reduction is initiated by business managers who decide on preventive actions like risk mitigation or risk transfer. Progress and success of these actions is monitored by risk controlling. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if losses in fact occur. In addition, several dedicated organizational units provide support to business units for reducing operational risks. An important roleis taken on by fraud management which reduces potential fraud related losses through proactive monitoring and preventive actions. RBI also executes an extensive staff training program and has different emergency plans and back-up systems in place.

Breakdown of operational loss events by loss amount (before risk mitigation)



Breakdown of operational loss events by number of events



Other disclosures

(45) Derivative financial instruments

The total volume of unsettled financial instruments as of 31 December 2011 breaks down as follows:

	Nominal amount by maturity				Fair values	
€ 000	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive	Negative
Total	**122,281,901**	**145,038,007**	**82,455,387**	**349,775,296**	**8,697,565**	**(9,197,650)**
Interest rate contracts	**67,754,329**	**132,690,032**	**79,386,786**	**279,831,147**	**7,542,484**	**(7,086,893)**
OTC products						
Interest rate swaps	54,278,011	126,661,289	74,347,901	255,287,201	7,334,004	(6,901,548)
Interest rate futures	10,138,796	824,586	0	10,963,382	17,509	(12,836)
Interest rate options – purchased	799,522	2,536,276	2,188,593	5,524,391	181,485	0
Interest rate options – sold	1,137,239	2,667,881	2,689,606	6,494,726	0	(167,279)
Products trading on stock exchange						
Interest rate futures	1,138,261	0	10,686	1,148,947	5,824	(1,975)
Interest rate options	262,500	0	150,000	412,500	3,662	(3,255)
Foreign exchange rate and gold contracts	**51,886,998**	**8,971,521**	**1,894,690**	**62,753,209**	**896,210**	**(1,425,303)**
OTC products						
Cross-currency interest rate swaps	2,533,555	7,584,615	1,867,979	11,986,149	267,410	(593,889)
Forward foreign exchange contracts	46,624,332	1,187,839	0	47,812,171	578,005	(682,160)
Currency options – purchased	1,247,261	60,005	1,519	1,308,785	48,138	0
Currency options – sold	1,311,728	132,279	1,645	1,445,652	0	(120,046)
Other similar currency contracts	10	0	0	10	10	0
Gold commodity contracts	8,305	6,783	23,547	38,635	930	(25,154)
Products trading on stock exchange						
Currency contracts (futures)	161,807	0	0	161,807	1,717	(4,054)
Equity/index contracts	**1,453,433**	**1,144,659**	**382,450**	**2,980,542**	**82,102**	**(590,632)**
OTC products						
Equity-/index-based options - purchased	177,063	344,239	201,960	723,262	33,306	0
Equity-/index-based options - sold	233,653	321,498	57,226	612,377	0	(172,634)
Other similar equity/index contracts	181,165	405,559	121,965	708,689	4,980	(369,640)
Products trading on stock exchange						
Equity/index futures - forward pricing	596,579	458	1,299	598,336	26,881	(31,793)
Equity/index futures	264,973	72,905	0	337,878	16,935	(16,565)
Commodities	**155,274**	**83,595**	**24,645**	**263,514**	**12,924**	**(9,623)**
Credit derivatives	**1,017,437**	**2,127,287**	**753,226**	**3,897,950**	**163,845**	**(80,498)**
Precious metals contracts	**14,430**	**20,913**	**13,590**	**48,934**	**0**	**(4,701)**

The surplus of negative market values for security-based transactions is offset by shares purchased for hedging purposes. These shares are recorded under trading assets and are not shown in the above table.

The total volume of unsettled financial instruments as of 31 December 2010 breaks down as follows:

€ 000	Nominal amount by maturity				Fair values	
	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive	Negative
Total	**89,949,792**	**109,694,268**	**70,929,143**	**270,573,203**	**5,112,586**	**(5,794,443)**
Interest rate contracts	**44,859,461**	**98,821,793**	**67,760,699**	**211,441,953**	**4,197,567**	**(3,975,179)**
OTC products						
Interest rate swaps	37,810,244	93,944,351	62,697,041	194,451,636	4,106,879	(3,866,061)
Interest rate futures	4,980,163	269,833	0	5,249,996	4,726	(5,330)
Interest rate options – purchased	743,393	2,236,711	1,738,547	4,718,651	81,841	0
Interest rate options – sold	672,707	2,107,298	2,170,300	4,950,306	0	(103,388)
Products trading on stock exchange						
Interest rate futures	652,954	263,600	1,154,811	2,071,364	4,121	(400)
Foreign exchange rate and gold contracts	**42,618,739**	**7,734,681**	**1,794,526**	**52,147,948**	**741,486**	**(1,168,629)**
OTC products						
Cross-currency interest rate swaps	2,992,522	6,362,482	1,766,434	11,121,439	263,086	(654,385)
Forward foreign exchange contracts	36,965,659	932,590	0	37,898,249	436,796	(446,719)
Currency options – purchased	1,150,438	197,053	1,476	1,348,968	39,095	0
Currency options – sold	1,318,885	238,606	1,599	1,559,091	0	(42,389)
Other similar currency contracts	0	0	0	0	1	0
Gold commodity contracts	5,290	3,950	25,017	34,256	899	(23,982)
Products trading on stock exchange						
Currency contracts (futures)	185,945	0	0	185,945	1,609	(1,154)
Equity/index contracts	**1,550,606**	**699,170**	**240,233**	**2,490,007**	**97,230**	**(569,568)**
OTC products						
Equity-/index-based options - purchased	135,052	333,586	125,799	594,437	72,764	0
Equity-/index-based options - sold	132,693	138,419	37,224	308,336	0	(148,200)
Other similar equity/index contracts	376,439	186,508	75,912	638,858	3,803	(408,641)
Products trading on stock exchange						
Equity/index futures - forward pricing	498,142	0	1,298	499,439	11,316	(1,319)
Equity/index futures	408,280	40,657	0	448,937	9,347	(11,408)
Commodities	**404,694**	**100,657**	**15,276**	**520,627**	**17,398**	**(3,024)**
Credit derivatives	**495,178**	**2,337,967**	**1,102,740**	**3,935,885**	**57,261**	**(62,252)**
Precious metals contracts	**21,114**	**0**	**15,669**	**36,783**	**1,644**	**(15,791)**

(46) Fair value of financial instruments not reported at fair value

Fair values which are different from the carrying amount are calculated for fixed-interest loans and advances to and deposits from banks or customers, if the remaining maturity is more than 1 year. Variable-interest loans and advances and deposits are taken into account if they have an interest rollover period of more than 1 year. The fair value of loans and advances is calculated by discounting future cash flows and using interest rates at which similar loans and advances with the same maturities could have been granted to customers with similar creditworthiness. Moreover, the specific credit risk and collaterals are considered for the calculation of fair values for loans and advances.

€ 000	2011 Fair value	2011 Carrying amount	2011 Difference	2010 Fair value	2010 Carrying amount	2010 Difference
Assets						
Cash reserve	11,401,747	11,401,747	0	4,806,891	4,806,891	0
Loans and advances to banks	25,499,535	25,520,401	(20,866)	21,270,497	21,532,406	(6,890)
Loans and advances to customers	75,982,501	76,750,667	(768,165)	71,399,994	71,156,209	243,785
Financial investments	5,849,430	5,693,528	155,902	11,641,567	11,485,536	156,032
Intangible and tangible fixed assets	2,578,823	2,577,025	1,798	2,671,347	2,673,446	(2,100)
Other assets	2,173,704	2,173,704	0	2,066,890	2,066,890	0
Liabilities						
Deposits from banks	37,908,510	37,991,809	(83,298)	33,774,445	33,659,182	115,263
Deposits from customers	66,699,404	66,747,234	(47,830)	57,934,072	57,633,113	300,959
Debt securities issued	14,032,278	14,366,814	(334,536)	16,646,729	16,555,382	91,347
Subordinated capital	3,677,219	4,150,733	(473,514)	3,866,338	4,001,098	(134,760)
Other liabilities	1,515,024	1,515,024	0	1,243,387	1,243,387	0

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

€ 000	2011 Level I	2011 Level II	2011 Level III	2010 Level I	2010 Level II	2010 Level III
Trading assets	**2,861,986**	**8,630,262**	**102,882**	**3,599,448**	**5,031,317**	**255**
Positive fair values of derivatives[1]	166,781	8,001,726	102,707	69,408	4,117,769	0
Shares and other variable-yield securities	198,196	11,739	0	320,380	110,048	0
Bonds, notes and other fixed-interest securities	2,497,009	609,924	175	3,209,660	803,501	255
Call/time deposits from trading purposes	0	6,872	0	0	0	0
Financial assets at fair value through profit or loss	**5,056,336**	**2,268,679**	**34,780**	**5,613,367**	**2,301,548**	**155,352**
Shares and other variable-yield securities	130,371	118,978	4,745	146,778	131,714	1,294
Bonds, notes and other fixed-interest securities	4,925,965	2,149,701	30,035	5,466,589	2,169,834	154,058
Financial assets available-for-sale	**3,486,659**	**0**	**0**	**80,060**	**0**	**0**
Other interests[2]	64,589	0	0	80,060	0	0
Bonds, notes and other fixed-interest securities	3,422,069	0	0	0	0	0
Derivatives (hedging)	**0**	**426,350**	**0**	**0**	**925,409**	**0**
Positive fair values of derivatives from hedge accounting	0	426,350	0	0	925,409	0

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

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

€ 000	2011 Level I	2011 Level II	2011 Level III	2010 Level I	2010 Level II	2010 Level III
Trading liabilities	**670,907**	**9,680,705**	**112,332**	**1,575,769**	**4,952,538**	**48**
Negative fair values of derivatives financial instruments[1]	105,421	8,992,319	57,208	555,680	4,761,952	48
Short-selling of trading assets	565,486	142	0	424,912	818	0
Certificates issued	0	688,244	55,125	595,177	189,769	0
Liabilities at fair value through profit and loss	**0**	**3,345,911**		**0**	**2,557,396**	**0**
Debt securities issued	0	3,345,911	0	0	2,557,396	0
Derivatives (hedging)	**0**	**42,702**	**0**	**0**	**476,764**	**0**
Negative fair values of derivatives from hedge accounting	0	42,702	0	0	476,764	0

[1] Including other derivatives.

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

Movements in Level 3 rated financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose valuation models are based on unobservable parameters.

€ 000	As of 1/1/2011	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	255	0	7	0	(4,251)
Financial assets at fair value through profit or loss	155,352	0	(1,090)	697	(126,089)

€ 000	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As of 31/12/2011
Trading assets	103,843	0	3,027	0	102,882
Financial assets at fair value through profit or loss	2,565	0	3,507	(161)	34,780

€ 000	As of 1/1/2011	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading liabilities	48	0	0	2,236	0

€ 000	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As of 31/12/2011
Trading liabilities	2,678	0	107,418	(48)	112,332

Gains and losses resulting from financial instruments of the level III fair value hierarchy amounted to a gain of € 106,408 thousand (2010: € 20,196 thousand).

(48) Contingent liabilities and commitments

€ 000	2011	2010
Contingent liabilities	**13,280,487**	**11,855,528**
Acceptances and endorsements	43,693	32,119
Credit guarantees	7,417,798	6,662,119
Other guarantees	2,698,867	2,266,742
Letters of credit (documentary business)	3,072,307	2,875,765
Other contingent liabilities	47,821	18,782
Commitments	**12,624,734**	**11,992,462**
Irrevocable credit lines and stand-by facilities	12,624,734	11,992,462
Up to 1 year	4,842,840	4,546,505
More than 1 year	7,781,894	7,445,957

The following table contains revocable credit lines which are unweighted according to Basel II:

€ 000	2011	2010
Revocable credit lines	**14,847,947**	**11,755,884**
Up to 1 year	11,965,514	9,686,820
More than 1 year	2,882,434	2,069,064

RBI AG is a member of Raiffeisen-Kundengarantiegemeinschaft Austria. The members of this association have a contractual obligation to guarantee jointly the punctual fulfillment of the entirety of an insolvent association member's commitments arising from customer deposits and its own issues up to the limit of the sum of the individual capacities of the remaining association members. The individual capacity of an association member is measured on the basis of its freely available reserves subject to the pertinent provisions of the Austrian Banking Act (BWG).

(49) Fiduciary business

Fiduciary business not recognized in the statement of financial position was concluded with the following volumes on the balance sheet date:

€ 000	2011	2010
Loans and advances to banks	9,509	9,442
Loans and advances to customers	342,863	385,666
Financial investments	7,262	31,285
Other fiduciary assets	45,741	48,891
Fiduciary assets	**405,374**	**475,284**
Deposits from banks	113,085	143,303
Deposits from customers	239,457	276,545
Other fiduciary liabilities	52,832	55,436
Fiduciary liabilities	**405,374**	**475,284**

Fiduciary income and expenses break down as follows:

€ 000	2011	2010
Fiduciary income	7,019	8,723
Fiduciary expenses	827	1,489

The following table contains the funds managed by RBI:

€ 000	2011	2010
Retail investment funds	**4,976,007**	**5,148,417**
Equity-based and balanced funds	3,004,068	3,031,164
Bond-based funds	1,700,639	1,684,183
Money market funds	232,330	373,362
Other	38,970	59,708
Special funds	**992,300**	**922,181**
Property-based funds	**69,699**	**63,286**
Total	**6,038,006**	**6,133,884**

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

Capital was and is an integral part of bank management. RBI as an international Group considers several control parameters. From a regulatory view, RBI is part of the RZB credit institution group. Moreover, RBI – on an individual basis – has to adhere to the legal own funds regulations.

Regulatory values are defined for RBI on a partly consolidated and on an individual basis by the Austrian Banking Act based on adequate guidelines of the EU. There are also – often deviating with regard to content – guidelines in the several countries in which RBI operates. Such guidelines have to be adhered to by the local Group units.

RBI uses target values for internal regulation, which comprise all risk types (including trading book, currency risk and operational risk). The current planning/budgeting is shaped by the developments in Basel and Brussels regarding the advancement and harmonising of own funds regulations. Parallel to the development of these regulations, RBI will introduce new target values, which are sufficiently above the 7 per cent tier 1 capital (full expansion stage Basel 3) in order to avoid regulatory limitations regarding management decisions (e.g. amount of dividend). An additional dimension has been added with the requirements of the European Banking Authority (EBA). Here the underlying rules differ from the previously valid BWG, as well as from the draftscontained in the CRR/CRD 4.

Control on a Group level is exerted in cooperation between the departments Treasury, Planning & Finance and Group Strategy. The individual Group units are responsible for the observation of the targets in coordination with central departments responsible for the participation management of the respective unit.

The main focus in the control is on the core tier 1 ratio (common-equity Tier 1). Besides that, the risk taking capacity is calculated in the framework of regulatory limits. It is defined as the maximum loss, which the bank or the banking group may encounter during the current calendar year without falling short of the regulatory minimum capital values. Accordingly, the mixture of capital instruments (several kinds of tier-1, tier-2 andtier 3 capitals) has an important role due to the complex mutual consideration limits. Tier 3 capital, however, plays a minor role, since this kind of capital will no longer be eligible under Basel 3 and CRR I/CRD IV. Furthermore the use of Tier 2 under the regulations becoming effective in 2013 (Basel 3) will be more limited than under Basel 2.

The current regulatory discussions and publications of the Basel Committee, EU Committees and the Austrian Regulatory Authority in connection with the new regulatory guidelines (Basel 3) are demonstrated in scenario calculations by Planning & Finance and Risk Controlling. The effects are immediately considered in planning and control in case of a certain occurrence probability.

The determination of the target values in relation to the compulsory minimum requirements needs additional internal control calculations. The department Risk Controlling calculates the value-at-risk in comparison with the above defined risk taking capacity. Moreover, a balance between economic capital and the respective cover is drawn. The economic capital is integral part of the planning and control of RBI. Further details regarding this calculation are stated in the risk report.

RBI is no credit institution group on its own according to the Austrian Banking Act (BWG) and is thus not subject to regulatory provisions on a consolidated basis, as it is part of the RZB credit institution group. The following figures are for information purposes only.

The own funds of RBI according to Austrian Banking Act (BWG) 1993/Amendment 2006 (Basel II) break down as follows:

€ 000	2011	2010
Paid-in capital	4,933,077	4,913,878
Earned capital	3,031,101	2,958,229
Non-controlling interests	1,171,016	1,003,313
Hybrid tier 1 capital	800,000	800,000
Intangible fixed assets	(501,178)	(469,346)
Core capital (tier 1 capital)	**9,434,016**	**9,206,074**
Deductions from core capital	(18,591)	(14,845)
Eligible core capital (after deductions)	**9,415,426**	**9,191,229**
Supplementary capital according to Section 23 (1) 5 BWG	598,742	599,792
Provision excess of internal rating approach positions	233,696	230,555
Hidden reserves	0	55,400
Long-term subordinated capital	2,535,571	2,480,171
Additional own funds (tier 2 capital)	**3,368,009**	**3,365,918**
Deduction items: participations, securitizations	(18,591)	(14,845)
Eligible additional own funds (after deductions)	**3,349,419**	**3,351,073**
Deduction items: insurance companies	(7,075)	(3,817)
Tier 2 capital available to be redesignated as tier 3 capital	100,079	69,078
Total own funds	**12,857,848**	**12,607,563**
Total own funds requirement	**7,624,128**	**7,584,851**
Excess own funds	5,233,720	5,022,712
Excess cover ratio	68.6%	66.2%
Core tier 1 ratio, total	9.0%	8.9%
Tier 1 ratio, credit risk	12.2%	12.2%
Tier 1 ratio, total	9.9%	9.7%
Own funds ratio	13.5%	13.3%

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The total own funds requirement is as follows:

€ 000	2011	2010
Risk-weighted assets according to section 22 BWG	**77,150,488**	**75,601,318**
of which 8 per cent minimum own funds for the credit risk according to sections 22a to 22 h BWG	6,172,039	6,048,105
Standardized approach	3,056,099	2,974,035
Internal rating approach	3,115,940	3,074,070
Settlement risk	7	27
Own funds requirement for position risk in bonds, equities and commodities	519,912	326,655
Own funds requirement for open currency positions	140,139	385,622
Own funds requirement for operational risk	792,031	824,442
Total own funds requirement	**7,624,128**	**7,584,851**

Risk-weighted assets for the credit risk according to asset classes break down as follows:

€ 000	2011	2010
Risk-weighted assets according to section 22 BWG on standardized approach	**38,201,238**	**37,175,443**
Central governments and central banks	3,518,188	3,712,388
Regional governments	99,000	95,175
Public administration and non-profit organizations	22,250	41,638
Banks	699,488	1,013,263
Corporate customers	21,186,063	18,800,172
Retail customers	9,443,875	10,088,583
Covered bonds	1,313	0
Mutual funds	117,575	124,513
Securitization position	0	18,050
Other positions	3,113,488	3,281,663
Risk-weighted assets on internal rating approach	**38,949,250**	**38,425,875**
Central governments and central banks	38,838	878,513
Banks	4,378,813	5,047,688
Corporate customers	32,097,350	29,586,425
Retail customers	2,170,575	2,464,663
Equity exposures	225,725	313,500
Securitization position	37,950	135,088
Total	**77,150,488**	**75,601,318**

(51) Average number of staff

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

Full-time equivalents	2011	2010
Salaried employees	59,046	58,148
Wage earners	975	1,040
Total	**60,021**	**59,188**

Full-time equivalents	2011	2010
Austria	2,709	2,637
Foreign	57,312	56,551
Total	**60,021**	**59,188**

(52) Expenses on severance payments and retirement benefits

€ 000	2011	2010
Members of the management board and senior staff	7,033	4,129
Other employees	14,267	20,624
Total	**21,299**	**24,753**

The same regulations for employees are in principle valid for six members of the Management Board. These regulations provide a basic contribution to a pension fund from the company and an additional contribution if the employee pays own contributions of the same amount. One member of the Management Board has a defined benefit plan. Four members of the Management Board additionally have individual retirement benefits, which are funded by a reinsurance policy. For one member of the Management Board a further individual retirement benefit which is being funded by a single premium, in the amount of € 1,500 thousand m under a reinsurancepolicy thausand was made.

In the event of termination of function or employment contract and retirement from the company, two members of the Management Board are in principle entitled to severance payments according to the Salaried Employees Act (Angestelltengesetz) or Bank Collective Agreement (Bankenkollektivvertrag), two members of the Management Board according to contractual agreements and three members of the Management Board according to the Company Retirement Plan Act (Betrieblichen Mitarbeitervorsorgegesetz). The entitlement to receive severance payments according to the Salaried Employee Act or according to contractual agreements lapses with the exemption of one member of the Management Board in case of termination by the employee. For one member of the Management Board entitlement to severance payments has been converted in the course of merger-related changes of existing contracts. Corresponding payments are made in the years 2011 and 2012, in the financial year 2011 these amounted to € 2,022 thousand.

Moreover, protection against the risk of occupational invalidity exists which is covered by a pension fund and/or by individual pension agreements secured through reinsurance. The contracts are concluded for the functional duration or limited to a maximum of five years. The severance payments in case of premature termination of office without good cause shall not exceed more than two years total remuneration.

(53) Relations to key management

Group relations of key management

Key management refers to the members of the Management Board and the Supervisory Board of Raiffeisen Bank International AG, the parent company and Raiffeisen Zentralbank Österreich Aktiengesellschaft, the major shareholder. Relations of key management to Raiffeisen Bank International are as follows (respective fair values):

€ 000	2011	2010
Sight deposits	155	26
Bonds	1,184	1,291
Shares	4,250	6,032
Time deposits	54	101
Leasing claims	71	67

The following table shows relations of close family members of key management to Raiffeisen Bank International:

€ 000	2011	2010
Shares	45	92
Time deposits	25	0

Moreover, as of 31 December 2011 guarantees for a loan granted to a member of the Management Board amounted to € 765 thousand (2010: € 765 thousand). There is no compensation agreed between the company and their members of the Management Board and Supervisory Board or employees in the case of a takeover bid.

Remuneration of members of the Management Board

The members of the Management Board of Raiffeisen Bank International AG are remunerated as follows:

€ 000	2011	2010
Fixed and performance-based remunerations	7,545	8,191
Payments to pension funds and business insurances	1,703	183
Share-based payments (performance-based)	373	156
Total	**9,621**	**8,530**

The table contains fixed and performance-based remuneration, remunerations for membership of boards of affiliated subsidiaries, bonus payments, and benefits in kind. In the financial year, the share of performance-based remuneration components was 10.0 per cent (2010: 1.9 per cent).

Performance-based remuneration components of the Management Board normally consist of bonus payments of the year 2010 that are linked to the achievement of the Group objectives regarding profit after tax, return on risk adjusted capital (RORAC), cost/income ratio, to the personal objectives that are agreed upon annually and to the amount of allotment regarding SIP (see page 168 share-based remuneration). For three members of the Management Board who changed from RZB to RBI the bonus calculation for 2010 was performed according to RZB return on equity (ROE). According to the contractual provisions applicable to these persons until the end of 2010 bonus payments were granted in the amount of € 941 thousand, which will be due in 2012 (€ 297 thousand) and 2013 (€ 644 thousand). The actual payment is at the discretion of the Personel Committee of RBI.

The members of the RI Management Board that had waived their rights to the bonus payments in 2010 were awarded a one-time voluntary gratuity in the amount of € 1,400 thousand which was processed by the system according to displaced bonus payments described in note (34) Equity.

It should be noted that the figures of the remuneration of the Management Board for 2011 are not directly comparable with those of 2010, because two board members resigned during the year 2010.

For one member of the Management Board liabilities existed as of 31 December 2011 in the amount of € 765 thousand (2010: € 765 thousand).

Remuneration of members of the Supervisory Board
The members of the Supervisory Board are remunerated as follows:

€ 000	2011	2010
Remunerations supervisory board	423	380

The Annual General Meeting held on 8 June 2011 decided an annual remuneration for the members of the Supervisory Board of € 423 thousand and transferred the distribution to the Board itself. The members of the Supervisory Board settled the distribution in their meeting on 8 June 2011 as follows: Chairman € 70 thousand, Deputy Chairman € 60 thousand, members of the Supervisory Board € 50 thousand. Session fees are not paid.

Thus, in the financial year, € 423 thousand was paid to the members of the Supervisory Board. In the previous year, the members of the Supervisory Board received remunerations of € 380 thousand.

Moreover, no contracts subject to approval in the meaning of Section 95 (5) items 12 Austrian Joint Stock Company Act (AktG) were concluded with members of the Supervisory Board in the financial year 2011.

(54) Boards

Management Board

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

	First assignment	End of period
Herbert Stepic, Chairman	14 June 2001	31 December 2015[1]
Karl Sevelda, Deputy Chairman	22 September 2010	31 December 2015[1]
Aris Bogdaneris	1 October 2004	31 December 2015[1]
Patrick Butler	22 September 2010	15 April 2012[2]
Martin Grüll	3 January 2005	31 December 2015[1]
Peter Lennkh	1 October 2004	31 December 2015[1]
Johann Strobl	22 September 2010[3]	31 December 2015[1]

[1] In the board meeting on 7 June 2011 the renewal ot mandates of the board was decided to 31 December 2015.
[2] After the retirment of Patrick Butler – at his own request – the Management Board appinted Klemens Breuer as successor for this function for the duration from 16 April 2012 until 31 December 2015.
[3] Assignment effective with registration of the merger in the Companies Register as of 10 October 2010.

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The members of the Management Board had mandates in the Supervisory Board or similar functions, board functions, business management mandates and interest in companies at home and abroad which are not included in the consolidated group:

- Herbert Stepic: OMV AG, Österreichische Kontrollbank AG, "NONUSDECIMUS" FRANKE IMMOBILIEN HANDEL KG, "SEPTIMUS" FRANKE IMMOBILIEN HANDEL KG, H. Stepic F.C. GmbH
- Karl Sevelda: Bene Privatstiftung, BestLine Privatstiftung, Bene AG, Milletertius Kreihsler Immobilienhandel KG, SECUNDUS FRANKE IMMOBILIEN HANDEL KG, Michael Stranz Immobilienverwaltung Gamma KG
- Johann Strobl: Raiffeisen Leasing Management GmbH, Raiffeisen Zentralbank Österreich AG, Österreichische Raiffeisen-Einlagensicherung eGen
- Patrick Butler: CEESEG AG, Wiener Börse AG
- Aris Bogdaneris: Visa Global Advisory Board
- Martin Grüll: Stefan Stolitzka Privatstiftung

Supervisory Board

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

	First assignment	End of period
Walter Rothensteiner, Chairman	11 May 2001	AGM 2016
Erwin Hameseder, 1st Deputy Chairman	8 July 2010[1]	AGM 2015
Ludwig Scharinger, 2nd Deputy Chairman	8 July 2010[1]	AGM 2015
Markus Mair, 3rd Deputy Chairman	8 July 2010[1]	AGM 2015
Stewart D. Gager	24 January 2005	AGM 2014
Kurt Geiger	9 June 2009	AGM 2014
Hannes Schmid	8 July 2010[1]	AGM 2015
Johannes Schuster	8 July 2010[1]	AGM 2015
Friedrich Sommer	8 July 2010[1]	AGM 2015
Christian Teufl	8 July 2010[1]	AGM 2015
Martin Prater[2]	10 October 2010	Until further notice
Rudolf Kortenhof[2]	10 October 2010	Until further notice
Peter Anzeletti-Reikl[2]	10 October 2010	Until further notice
Sabine Chadt[2]	10 October 2010	Until further notice
Helge Rechberger[2]	10 October 2010	Until further notice

[1] Assignment effective as of 10 October 2010
[2] Staff council delegates

The members of the Supervisory Board had further mandates in the Supervisory Board or similar functions in quoted companies at home and abroad:

- Walter Rothensteiner: UNIQA Versicherungen AG
- Erwin Hameseder: AGRANA Beteiligungs-AG, STRABAG SE, UNIQA Versicherungen AG, Südzucker AG, Flughafen Wien AG
- Ludwig Scharinger: voestalpine AG, Austria Metall AG
- Christian Teufl: AGRANA Beteiligungs-AG, VK Mühlen AG
- Hannes Schmid: UNIQA Versicherungen AG
- Kurt Geiger: Demir Bank OJSC

Committees of the Supervisory Board

The committees of the Supervisory Board of Raiffeisen Bank International AG are as follows:

Members of the Supervisory Board	Working Committee	Audit Committee	Personnel Committee
Walter Rothensteiner	Chairman	Chairman	Chairman
Erwin Hameseder	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman
Ludwig Scharinger	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman
Markus Mair	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman
Johannes Schuster	Member	Member	Member
Martin Prater	Member	Member	–
Rudolf Kortenhof	Member	Member	–
Peter Anzeletti-Reikl	Member	Member	–

(55) Subsequent events

Acquisition of Polbank

RBI signed an agreement with the Greek EFG Eurobank Ergasias S.A. (Eurobank EFG) on 3 February 2011 for the acquisition of a majority share of 70 per cent in its business unit Polbank EFG (Polbank) as a first step. With its strong focus on private customers, Polbank would complement Raiffeisen Bank Polska ideally, which mainly focuses on corporate customers.

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 core capital

The tender offer period for buying back several RBI hybrid bonds ended on 5 March 2012. In total, RBI bought back securities with a total nominal value and at a liquidation preference amount of € 358 million. The buyback increases the core tier 1 capital by approximately € 113 million (the difference between the nominal and redemption amount) or the core tier 1 ratio by 0.12 percentage points. This strengthens 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 the Slovak 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 65.8 per cent to 78.6 per cent and from 51.0 per cent to 75.0 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.

(56) List of fully consolidated companies

The following table shows a selection of companies of the consolidated group. The complete list of the equity participations of RBI AG is deposited with the Group parent's headquarters.

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	19,800,000	RON	100.0%	BR
Centrotrade Chemicals AG, Zug (CH)	5,000,000	CHF	100.0%	OT
Centrotrade Deutschland GmbH, Eschborn (DE)	1,000,000	EUR	100.0%	OT
Centrotrade Minerals & Metals Inc., Chesapeak (US)	3,002,000	USD	100.0%	OT
Centrotrade Singapore Pte. Ltd., Singapore (SG)	500,000	SGD	100.0%	OT
F.J. Elsner & Co. Gesellschaft mbH, Innsbruck (AT)	436,037	EUR	100.0%	OT
F.J. Elsner Trading Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	OT
Golden Rainbow International Limited, Tortola (VG)	1	USD	100.0%	FI
JLLC "Raiffeisen-leasing", Minsk (BY)	4,300,250,000	BYR	83.9%	FI
Kathrein & Co. Vermögensverwaltung GmbH, Vienna (AT)	125,000	EUR	80.0%	FI
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	20,000,000	EUR	100.0%	BA
OOO Raiffeisen-Leasing, Moscow (RU)	1,071,000,000	RUB	87.5%	FI
Priorbank JSC, Minsk (BY)	412,279,277,350	BYR	87.7%	BA
Raiffeisen Bank Aval JSC, Kiev (UA)	3,002,774,908	UAH	96.2%	BA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	237,388,000	BAM	97.0%	BA
Raiffeisen Bank Kosovo J.S.C., Pristina (RS)	58,000,000	EUR	100.0%	BA
Raiffeisen Bank Polska S.A., Warsaw (PL)	1,250,893,080	PLN	100.0%	BA
Raiffeisen Bank S.A., Bucharest (RO)	1,200,000,000	RON	99.5%	BA
Raiffeisen Bank Sh.a., Tirana (AL)	9,926,093,000	ALL	100.0%	BA
Raiffeisen Bank Zrt., Budapest (HU)	165,023,000,000	HUF	70.3%	BA
Raiffeisen banka a.d., Belgrade (RS)	27,466,157,580	RSD	100.0%	BA
Raiffeisen Banka d.d., Maribor (SI)	17,578,052	EUR	86.4%	BA
Raiffeisen Centrobank AG, Vienna (AT)	47,598,850	EUR	100.0%	BA
Raiffeisen Compulsory Pension Fund Management d.d., Zagreb (HR)	110,000,000	HRK	75.0%	FI
Raiffeisen Energy Service Ltd., Budapest (HU)	20,000,000	HUF	72.7%	OT
Raiffeisen Equipment Leasing Kft., Budapest (HU)	50,400,000	HUF	69.0%	FI
Raiffeisen Factoring Ltd., Zagreb (HR)	15,000,000	HRK	75.0%	FI
Raiffeisen Insurance Agency Sp.z.o.o, Warsaw (PL)	200,000	PLN	87.5%	BR

[1] Company type: BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT…Other companies

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
RAIFFEISEN INSURANCE BROKER EOOD, Sofia (BG)	5,000	BGN	100.0%	BR
Raiffeisen Investment Aktiengesellschaft, Vienna (AT)	730,000	EUR	100.0%	FI
Raiffeisen Leasing Aval LLC, Kiev (UA)	180,208,527	UAH	93.4%	FI
Raiffeisen Leasing Bulgaria OOD, Sofia (BG)	5,900,000	BGN	81.1%	FI
Raiffeisen Leasing d.o.o., Belgrade (RS)	226,389,900	RSD	87.5%	FI
Raiffeisen Leasing d.o.o., Ljubljana (SI)	3,738,107	EUR	75.0%	FI
Raiffeisen Leasing d.o.o., Sarajevo (BA)	17,191,063	BAM	85.8%	FI
Raiffeisen Leasing IFN S.A., Bucharest (RO)	14,935,400	RON	87.2%	FI
Raiffeisen Leasing Kosovo LLC, Pristina (RS)	642,857	EUR	92.5%	FI
Raiffeisen Leasing sh.a., Tirana (AL)	208,031,014	ALL	93.8%	FI
Raiffeisen Lizing Zrt., Budapest (HU)	50,600,000	HUF	72.7%	BA
Raiffeisen Malta Bank plc., Sliema (MT)	340,000,000	EUR	100.0%	BA
Raiffeisen Property International GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	603,447,952	BGN	100.0%	BA
Raiffeisenbank a.s., Prague (CZ)	7,511,000,000	CZK	51.0%	BA
Raiffeisenbank Austria d.d., Zagreb (HR)	3,621,432,000	HRK	75.0%	BA
Raiffeisen-Leasing d.o.o., Zagreb (HR)	30,000,000	HRK	75.0%	FI
Raiffeisen-Leasing Polska S.A., Warsaw (PL)	150,003,800	PLN	87.5%	FI
Raiffeisen-Leasing Real Estate, s.r.o., Prague (CZ)	10,000,000	CZK	69.0%	FI
Raiffeisen-Leasing, spolecnost s.r.o., Prague (CZ)	50,000,000	CZK	63.0%	FI
RB International Finance (Hong Kong) Ltd., Hong Kong (HK)	10,000,000	HKD	100.0%	FI
RB International Finance (USA) LLC, New York (US)	1,510,000	USD	100.0%	FI
Regional Card Processing Center s.r.o., Bratislava (SK)	539,465	EUR	100.0%	BR
RI Eastern European Finance B.V., Amsterdam (NL)	400,000	EUR	100.0%	FI
RSC Raiffeisen Service Center GmbH, Vienna (AT)	2,000,000	EUR	51.9%	BR
RZB Finance (Jersey) II Ltd, St. Helier (JE)	100,000,002	EUR	*[2]	FI
RZB Finance (Jersey) III Ltd, St. Helier (JE)	200,001,000	EUR	*[2]	FI
RZB Finance (Jersey) IV Limited, GBJ-St. Helier JE4 8PX, St. Helier (GBJ)	500,002,000	EUR	*[2]	FI
Tatra Asset Management sprav.spol., a.s., Bratislava (SK)	1,659,700	EUR	65.8%	FI
Tatra banka a.s., Bratislava (SK)	64,326,228	EUR	65.8%	BA
Tatra Leasing s r.o., Bratislava (SK)	6,638,784	EUR	70.6%	FI
TOO Raiffeisen Leasing Kazakhstan, Almaty (KZ)	85,800,000	KZT	75.0%	FI
Ukrainian Processing Center PJSC, Kiev (UA)	180,000	UAH	100.0%	BR
ZAO Raiffeisenbank, Moscow (RU)	36,711,260,000	RUB	100.0%	BA
ZUNO BANK AG, Vienna (AT)	5,000,000	EUR	100.0%	BA

[1] Company type: BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT… Other companies
[2] Companies, that are consolidated based on the economic control according to the IFRS framework

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(57) List of equity participations

The following tables show a selection of equity participations. The complete list of the equity participations of Raiffeisen Bank International AG is deposited with the Group parent's headquarters.

Companies valued at equity

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	131,074,560	RON	33.3%	BA

[1] Company type: BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT…Other companies, , VV… Insurance, WP … Securities firms

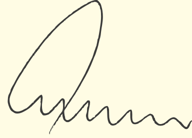
Other non-consolidated subsidiaries and equity participations

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
CEESEG Aktiengesellschaft, Vienna (AT)	18,620,720	EUR	7.0%	SC
ELIOT, s. r. o., Bratislava (SK)	1,613,556	EUR	100.0%	BR
Fondul de Garantare a Creditului Rural S.A., Bucharest (RO)	10,930,530	RON	33.3%	FI
LLC "Insurance Company 'Raiffeisen Life", Moscow (RU)	60,000,000	RUB	25.0%	VV
OOO "Raiffeisen Capital", Moscow (RU)	225,000,000	RUB	100.0%	FI
Österreichische Raiffeisen-Einlagensicherung eGen, Vienna (AT)	3,100	EUR	9.7%	OT
Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG)	250,000	BGN	100.0%	FI
Raiffeisen Capital & Investment S.A., Bucharest (RO)	1,600,000	RON	100.0%	FI
Raiffeisen consulting d.o.o., Zagreb (HR)	14,900,000	HRK	100.0%	FI
Raiffeisen Factoring Ltd., Sofia (BG)	1,000,000	BGN	100.0%	FI
Raiffeisen Financial Services Polska Sp. z o.o., Warsaw (PL)	3,847,500	PLN	100.0%	FI
RAIFFEISEN FUTURE AD, Belgrade (RS)	143,204,921	RSD	100.0%	FI
Raiffeisen Insurance and Reinsurance Broker S.R.L, Bucharest (RO)	180,000	RON	100.0%	BR
Raiffeisen Invest a.d., Belgrade (RS)	56,207,706	RSD	100.0%	FI
Raiffeisen Invest d.o.o., Zagreb (HR)	8,000,000	HRK	100.0%	FI
Raiffeisen Investment (Bulgaria) EOOD, Sofia (BG)	60,050	BGN	100.0%	FI
Raiffeisen Investment Fund Management JSC, Budapest (HU)	100,000,000	HUF	100.0%	FI
Raiffeisen Non-Government Pension Fund, Moscow (RU)	353,000,000	RUB	100.0%	FI
Raiffeisen Pension Insurance d.o.o., Zagreb (HR)	14,400,000	HRK	100.0%	FI
Raiffeisen Pensions Sh.A., Tirana (AL)	90,000,000	ALL	100.0%	FI
Raiffeisen Research GmbH, Vienna (AT)	55,000	EUR	51.0%	BR
Raiffeisen stavebni sporitelna, a.s., Prague (CZ)	650,000,000	CZK	10.0%	BA
RAIFFEISEN TRAINING CENTER LTD., Zagreb (HR)	20,000	HRK	100.0%	BR
Raiffeisen Voluntary Pension Funds Management d.o.o., Zagreb (HR)	33,445,300	HRK	100.0%	FI
RLKG Raiffeisen-Leasing GmbH, Vienna (AT)	40,000	EUR	12.5%	FI
Tatra Group Servis, s.r.o., Bratislava (SK)	12,281,750	EUR	100.0%	BR
The Zagreb Stock Exchange joint stock company, Zagreb (HR)	40,408,000	HRK	3.3%	SC

[1] Company type: BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT…Other companies, , VV… Insurance, WP … Securities firms

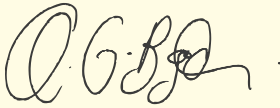
Vienna, 12 March 2012

The Management Board



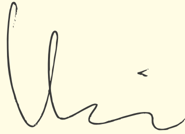
Herbert Stepic

Karl Sevelda



Aris Bogdaneris

Patrick Butler



Martin Grüll

Peter Lennkh

Johann Strobl

Auditor's report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Raiffeisen Bank International AG, Vienna, for the year from 1 January 2011 to 31 December 2011. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2011, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2011 and a summary of significant accounting policies and other explanatory notes.

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

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

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

Opinion

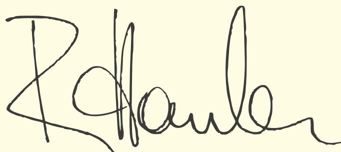
Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2011 and of its financial performance and its cash flows for the year from 1 January to 31 December 2011 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on the Management Report for the Group

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

Vienna, 12 March 2012

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Mag. Rainer Hassler
Wirtschaftsprüfer

Mag. Bernhard Mechtler
Wirtschaftsprüfer

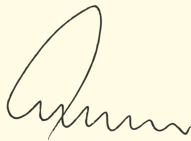
(Austrian Chartered Accountants)

Statement of the Management Board

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

Vienna, 12 March 2012

The Management Board

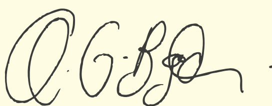


Herbert Stepic

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

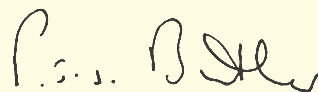
Karl Sevelda

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



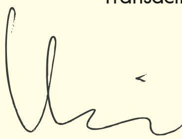
Aris Bogdaneris

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

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Raiffeisen Bank International