RAIFFEISEN BANK INTERNATIONAL. ANNUAL FINANCIAL STATEMENT 2010.

Raiffeisen Bank International

Content

Please note that minor differences may occur if the rounded amounts are added or subtracted. Changes in rates (percentages) are based on the actual figures and not on the rounded figures presented.

As a result of the merger of Cembra Beteiligungs AG with Raiffeisen International Bank-Holding AG (RI) with effect from 31 December 2009, it is not possible to compare the figures for the year under review with those for the previous year. The figures for the previous year are for RI before the merger."

Annual financial statements

Balance sheet

	ASSETS	31/12/2010 in €	31/12/2009[1] in € 000
1.	Cash in hand and balances with central banks	588,708,851	2
2.	Treasury bills and other bills eligible for refinancing with central banks	4,662,197,227	0
3.	Loans and advances to credit institutions	23,959,622,463	446,776
	a) Repayable on demand	794,874,530	244,596
	b) Other loans and advances	23,164,747,933	202,180
4.	Loans and advances to customers	24,617,522,873	0
5.	Debt securities and other fixed-income securities	7,028,253,064	0
	a) issued by public bodies	59,289,219	0
	b) issued by other borrowers	6,968,963,845	0
	hereof: own debt securities	85,650,617	0
6.	Shares and other variable-yield securities	235,687,753	60
7.	Participating interests	27,929,756	680
	hereof: in credit institutions	0	0
8.	Shares in affiliated untertakings	6,381,168,277	5,392,356
	hereof: in credit institutions	5,382,507,227	5,004,042
9.	Intangible fixed assets	99,442,711	1,033
10.	Tangible assets	13,287,543	1,365
	hereof: land and buildings occupied by a credit insitution for its own activities	0	0
11.	Own shares	34,721,265	37,348
12.	Other assets	4,940,944,726	47,570
13.	Prepayments and accrued income	93,033,889	7,122
	Total assets	**72,682,520,397**	**5,934,312**

[1] 2009 figures for Raiffeisen International Bank-Holding AG before the merger

	LIABILITIES	31/12/2010 in €	31/12/2009[1] in € 000
1.	Liabilities to credit institutions	29,944,617,281	818,210
	a) Repayable on demand	2,511,184,868	86,092
	b) With agreed maturity dates or periods of notice	27,433,432,413	732,118
2.	Liabilities to customers (non-banks)	12,676,359,400	0
	a) Savings deposits	0	0
	a) Other liabilities	12,676,359,400	0
	aa) Repayable on demand	3,679,617,635	0
	bb) With agreed maturity dates or periods of notice	8,996,741,765	0
3.	Securitised liabilities	14,610,917,992	0
	a) Debt securities issued	13,217,478,225	0
	b) Other securitised liabilities	1,393,439,767	0
4.	Other liabilities	5,458,303,289	115,857
5.	Accruals and deferred income	169,487,635	6,805
6.	Provisions	201,154,878	35,119
	a) Provisions for severance payments	34,116,340	2,352
	b) Provisions for pensions	11,479,957	4,960
	c) Provisions for taxation	45,890,724	0
	d) Other Provisions	109,667,858	27,807
7.	Subordinated liabilities	2,211,843,350	0
8.	Supplementary capital	1,400,000,000	1,150,000
9.	Participation capital/ Participation rights	2,500,000,000	600,000
10.	Subscribed capital	596,290,628	471,736
11.	Capital reserves	1,949,658,503	1,949,658
	a) Committed	1,852,592,104	1,852,592
	b) Uncommitted	97,066,399	97,066
12.	Retained earnings	404,485,081	755,427
	a) Legal reserve	5,500,000	5,000
	b) Other reserves	398,985,081	750,427
	hereof: reserves for own shares	34,721,265	0
13.	Liability reserve pursuant to Article 23 (6) BWG	351,442,000	0
14.	Net profit for the year	207,960,361	31,500
15.	Untaxed reserves	0	0
	a) Valuation reserve due to special depreciation	0	0
	b) Other untaxed reserves	0	0
	Total liabilities	**72,682,520,397**	**5,934,312**

[1] 2009 figures for Raiffeisen International Bank-Holding AG before the merger

Income statement

		2010 in €	2009[1] in € 000
1.	Interest receivable and similar income	2,185,317,594	1,309
	hereof: from fixed-income securities	411,438,479	0
2.	Interest payable and similar expenses	(1,587,623,343)	(86,517)
I.	**NET INTEREST INCOME**	**597,694,251**	**(85,208)**
3.	Income from securities and participating interests	363,309,440	277,798
	a) Income from shares and other variable-yield securities	50,793,091	2
	b) Income from participating interests	782,767	10
	c) Income from shares in affiliated undertakings	311,733,581	277,786
4.	Commissions receivable	214,740,752	7,790
5.	Commissions payable	(66,143,090)	(1,787)
6.	Net profit or net loss on financial operations	39,057,567	12,983
7.	Other operating income	85,559,322	95,097
II.	**OPERATING INCOME**	**1,234,218,242**	**306,673**
8.	General administrative expenses		
	a) Staff costs	(249,140,609)	(50,310)
	aa) Wages and salaries	(189,599,489)	(39,579)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(38,202,216)	(7,195)
	cc) Other social expenses	(5,456,139)	(1,077)
	dd) Expenses für pensions and assistance	(4,341,096)	(783)
	ee) Allocation to provision for pensions	(371,553)	(30)
	ff) Expenses for severance payments and contributions to severance funds	(11,170,116)	(1,646)
	b) Other administrative expenses	(247,832,229)	(105,926)
9.	Value adjustments in respect of asset items 9 and 10	(31,126,853)	(1,164)
10.	Other operating expenses	(16,398,299)	0
III.	**OPERATING EXPENSES**	**(544,497,989)**	**(157,400)**
IV.	**OPERATING RESULT**	**689,720,253**	**149,273**
11./ 12.	Net income/expenses from the disposal and valuation of loans and advances and specific securities	(179,440,981)	18,144
13./ 14.	Net income/expenses from the disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests	(40,062,986)	(270,425)
V.	**PROFIT ON ORDINARY ACTIVITIES**	**470,216,286**	**(103,008)**
15.	Extraordinary income	0	0
16.	Extraordinary expenses	0	0
VI.	**EXTRAORDINARY RESULT**	**0**	**0**
17.	Tax on profit or loss	(62,441,649)	10,750
18.	Other taxes not reported under Item 17	(75,358)	0
VII.	**PROFIT FOR THE YEAR AFTER TAX**	**407,699,279**	**(92,258)**
19.	Changes in reserves	(500,000)	182,353
	hereof: allocation to liability reserve	(351,442,000)	0
VIII.	**NET INCOME BEFORE DISTRIBUTION ON PARTICIPATION CAPITAL/PARTICIPATION RIGHTS**	**407,199,279**	**90,095**
20.	Interest cost for Participation rights	0	(60,000)
21.	Distribution on participation capital	(200,000,000)	0
IX.	**NET INCOME AFTER DISTRIBUTION ON PARTICIPATION CAPITAL/PARTICIPATION RIGHTS**	**207,199,279**	**30,095**
22.	Profit brought forward	761,082	1,405
X.	**NET PROFIT FOR THE YEAR**	**207,960,361**	**31,500**

[1] 2009 figures for Raiffeisen International Bank-Holding AG before the merger

Off-balance sheet items

	ASSETS	31/12/2010 in €	31/12/2009[1] in € 000
1.	Foreign assets	44,048,507,680	5,145,178

	LIABILITIES	31/12/2010 in €	31/12/2009[1] in € 000
1.	Contingent liabilities	9,922,556,077	2,352,457
	Guarantees and assets pledged as collateral security	9,922,556,077	2,352,457
2.	Commitments	11,415,053,872	404,416
	hereof: commitments arising from repurchase transactions	0	0
3.	Commitments arising from agengy services	370,586,857	0
4.	Eligible capital pursuant to Article 23 (14) BWG	9,479,823,000	0
	hereof: own funds pursuant to Article 23 (14) no. 7 BWG	65,000,000	0
5.	Capital requirement pursuant to Article 22 (1) BWG	3,162,574,000	0
	hereof: capital requirement pursuant to Article 22 (1) nos. 1 and 4 BWG	2,926,689,000	0
6.	Foreign liabilities	22,702,010,246	1,184,604

[1] 2009 figures for Raiffeisen International Bank-Holding AG before the merger

Notes

Company

Restructuring (spin-off and merger)

At the annual general meeting on 7 July 2010 of Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB), the transferring company, and Cembra Beteiligungs AG (Cembra), the acquiring company, it was decided to spin off RZB's corporate banking business together with the affiliated companies and participations prior to a merger. The spin-off took place by universal succession with the tax advantages conferred by Article VI of the Reorganization Tax Act (UmgrStG) with effect from 31 December 2009.

The corporate banking division that was spun off was allocated all of the receivables and liabilities associated with the banking activities of RZB, as well as the rights, obligations, contractual relationships and legal positions, including all charges and obligations of a non-contractual nature that were not part of the sector business division or the investment management division. The assets transferred were entered in the transfer balance sheet as of 1 January 2010 and described in detail in the spin-off and takeover agreement.

At the Annual general meetings on 7 July 2010 and 8 July 2010 of Cembra, the transferring company, and Raiffeisen International Bank-Holding AG (RI), the acquiring company, the merger was authorized with effect from 31 December 2009 by universal succession. RI took over the assets of Cembra (including the assets transferred to Cembra in the spin-off) with the tax advantages conferred by Article I of the Reorganization Tax Act (UmgrStG) at their book values.

When the merger took effect in civil law on 10 October 2010 (when it was entered in the commercial register), RI changed its name to Raiffeisen Bank International AG (RBI). It received a banking license at the same time.

For the merger, RI (now RBI) increased its capital stock by € 124,554,753.20 from € 471,735,875.00 to € 596,290,628.20 by issuing 40,837,624 new common bearer shares. The capital was increased as compensation for the transfer of Cembra's assets to RI in the merger.

As at 31 December 2010, RZB holds 153,509,225 shares (78.52 per cent of the total capital) indirectly through Raiffeisen International Beteiligungs GmbH. The rest of the shares are free floating (20.98 per cent) or own shares (0.50 per cent).

Service relationships between RZB and RBI

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

On the reporting date there were 23 SLAs regulating services provided by RBI. The most important of these are:

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

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

Accounting and valuation methods

General principles

The annual financial statements for the year ending 31 December 2010 were prepared in accordance with the Austrian Commercial Code (UGB), taking into account the special provisions of the Austrian Banking Act (BWG). In accordance with the principles of proper accounting, and taking into account standard practice as described in Section 222 (2) of the Austrian Commercial Code (UGB), to the best of our knowledge the annual financial statements give a true and fair view of the company's net assets, financial position and earnings.

As a result of the transfer of RZB's principal business areas to RI (since renamed RBI), the company's business model has changed significantly, which limits the comparability of the figures in the current annual financial statements with those for the previous year. Furthermore, the balance sheet and income statement are structured in accordance with the forms contained in Annex 2 to Section 43 of the Austrian Banking Act (BWG), with the dividend on participation capital shown as a separate item in the income statement.

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

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

Amounts in foreign currencies

Assets and liabilities in foreign currencies are converted at the ECB's reference exchange rates as at 31 December 2010 pursuant to Section 58 (1) of the Austrian Banking Act (BWG).

Financial instruments in the banking book

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

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

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

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

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

Financial instruments in the trading book

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

Risks in the lending business

When the loan portfolio is valued, appropriate value adjustments or provisions are made for all identifiable risks, and the principle of prudence is observed. In addition, a general loan loss provision (portfolio-based provision) is recorded on the basis of the respective averages of the historic default rates of the last five years in each rating category, with linear weighting for corporates. In the 2010 financial year, no use was made of the scope for valuation as per Section 57 (1) of the Austrian Banking Act (BWG) for loans and advances to banks or customers or for securities with the exception of those that are valued as fixed assets or are part of the trading portfolio. In the course of the merger, € 55.4 million was transferred from RZB to Raiffeisen Bank International.

Investments and shares in affiliated companies

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

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

Tangible fixed assets

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

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

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

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

Own shares

These are essentially valued at acquisition cost less depreciation if the market price on the reporting date is below the acquisition cost. Own shares intended for the share incentive program (SIP) are written off on a straight-line basis over the residual term of the program (the term is three years in each case).

To bind key employees to the company and reward loyalty, the Management Board of RBI, with the approval of the Supervisory Board, has decided to introduce a share incentive program (SIP). Based on essentially similar agreements, a performance-based allocation of shares in the company to its top executives is planned after a qualifying period of three years in each case.

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

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

One tranche of the program (SIP tranche 2007) matured in the 2010 financial year. In accordance with the terms of the program, the maximum number of shares to be allocated was not reached because the performance criteria were not met.

The shares required for the SIP are obtained from own shares included in the repurchase program. As at 31 December 2010 a total of 972,909 (31/12/2009: 984,511) own shares were held (worth € 2,967,000 and representing 0.498 per cent of the total capital stock), of which 473,018 (31/12/2009: 536,736) were used for the SIP. 79,909 shares were allocated in 2008 and 393,109 in 2009. A write-up of € 727,076.50 was allocated to the SIP in 2007. As a result of the merger of RI with the principal business areas of RZB, however, a SIP tranche was not issued in 2010.

Issue costs

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

Pension and severance payment obligations

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

The actuarial calculation of pension obligations for active employees is based on an interest rate of 4.25 per cent a year and an effective salary increase of 2.5 per cent a year or an individual career trend of 2.5 per cent a year. The parameters for retired employees are a capitalization rate of 4.25 per cent a year and an expected increase in retirement benefits of 2.0 per cent a year. The calculations are based on an assumed retirement age of 60 for women and 65 for men, subject to transitional statutory requirements and special arrangements contained in individual contracts.

The actuarial calculation of severance payment and long-service bonus obligations is also based on an interest rate of 4.25 per cent a year, an average salary increase of 2.5 per cent a year and an individual career trend of 2.5 per cent a year.

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

Other provisions

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

Liabilities

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

Notes on individual balance sheet items

Breakdown of maturities

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

values in € million	31/12/2010	31/12/2009
Loans and advances to credit institutions		
Up to 3 months	10,033.2	0.0
More than 3 months, up to 1 year	4,779.2	202.2
More than 1 year, up to 5 years	6,762.1	0.0
More than 5 years	1,590.3	0.0
Loans and advances to costumers		
Up to 3 months	6,740.9	0.0
More than 3 months, up to 1 year	4,286.0	0.0
More than 1 year, up to 5 years	10,406.2	0.0
More than 5 years	2,055.4	0.0

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

values in € million	31/12/2010	31/12/2009
Liabilities to credit institutions		
Up to 3 months	13,480.8	0.0
More than 3 months, up to 1 year	5,315.9	168.2
More than 1 year, up to 5 years	6,670.4	650.0
More than 5 years	1,966.3	0.0
Liabilities to customers		
Up to 3 months	4,739.9	0.0
More than 3 months, up to 1 year	1,809.4	0.0
More than 1 year, up to 5 years	477.2	0.0
More than 5 years	1,970.2	0.0

Bonds and other fixed-interest securities worth € 1,967.3 million (31/12/2009: € 0.0 million) will become due in the next financial year.

Bonds and notes issued worth € 5,202.3 million (31/12/2009: € 0.0 million) will become due in the next financial year.

Securities

Bonds and other fixed-interest securities that have the characteristics of financial investments and are therefore valued as fixed assets amount, including deferred interest, amount to € 5,579.0 million (31/12/2009: € 0.0 million).

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

The difference between the amortized costs and the repayment amounts is made up of € 116.2 million (31/12/2009: € 0.0 million) to be recognized in the future as expenditure and € 84.7 million (31/12/2009: € 0.0 million) to be recognized as income.

In the case of securities recognized at fair value that do not have the characteristics of financial investments, the difference between the higher of the acquisition cost and the fair value is € 83.5 million (31/12/2009: € 0.0 million).

The item "Loans and advances to credit institutions" contains own bonds that are not admitted for public trading worth € 8.8 million (31/12/2009: € 0.0 million).

Securities worth € 4,178.3 million (31/12/2009: € 0.0 million) are the subject of genuine repurchase transactions on the reporting date, whereby RBI is the seller and the securities continue to be recognised on the balance sheet.

The volume of RBI's trading book pursuant to Section 22q (2) of the Austrian Banking Act (BWG) is € 230,303.3 million (31/12/2009: € 0.0 million), with € 978.1 million (31/12/2009: € 0.0 million) accounted for by securities and € 229,325.3 million (31/12/2009: € 0.0 million) accounted for by other financial instruments.

All shares and other variable-yield securities admitted for public trading and all bonds and other fixed-interest securities admitted for public trading are listed as at 31 December 2010.

Investments and shares in affiliated companies

The list of investments is shown separately in Note 3. There are no cross-shareholdings and no profit and loss transfer agreements as at 31 December 2010.

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

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

In 2010, following a change to the hedging strategy, the currency risk was hedged only for Raiffeisenbank a.s., Prague.

Valuation units were created for the relevant participations, with the result that the contrary movement of the relevant foreign currency between the hedged transaction (participation) and the hedge is compensated. The review of hedge efficiency takes local currency movements into account. Highly correlated currencies can also be used for the hedge. The changes in value are recorded, on the one hand, for the participating interest (for the hedged transaction) and, on the other, in the deposits (for hedges from spot transactions) and under other assets or other liabilities (for hedges with derivatives). After the hedge is completed, the book value of the participation, including the booked change from the valuation unit, is used.

As long as a hedge is effective, there is no impact on the income statement.

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

values in € million	31/12/2010	31/12/2009
Loans and advances to credit institutions		
to affiliated companies	17,081.9	446.8
to companies linked by virtue of a participating interest	492.7	0.0
Loans and advances to costumers		
to affiliated companies	6,347.9	0.0
to companies linked by virtue of a participating interest	738.6	0.0
Bonds, notes and other fixed-interest securities		
to affiliated companies	4.5	0.0
to companies linked by virtue of a participating interest	183.1	0.0
Liabilities to credit institutions		
from affiliated companies	9,379.3	818.2
from companies linked by virtue of a participating interest	6,991.4	0.0
Liabilities to customers		
from affiliated companies	580.8	0.0
from companies linked by virtue of a participating interest	101.7	0.0

Fixed assets

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

RBI was not directly involved in the leasing business as a lessor in 2010.

The obligations from the use of tangible assets not recognised in the balance sheet amount to € 27.5 million for the following financial year (31/12/2009: € 4.8 million). Total obligations for the following five years amount to € 147.0 million (31/12/2009: € 26.1 million).

The balance sheet item "Intangible fixed assets" contains goodwill worth € 28.7 million (31/12/2009: € 0.0 million), which was created as follows: In the course of the merger of the principal business areas of RZB with RI, the compensation (the capital increase of € 124.5 million used to complete the merger) exceeded the assets and liabilities brought into RI at amortized book values by € 246.8 million. Pursuant to Section 202 (2) 3 of the Austrian Commercial Code (UGB), the difference was allocated as restructuring added value to the participations in the amount of € 8.5 million and to the shares in affiliated companies in the amount of € 209.6 million. A residual amount of € 28.7 million was recognized as goodwill.

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

The balance sheet item "Intangible fixed assets" contains intangible assets worth € 4.5 million (31/12/2009: € 0.0 million) acquired from affiliated companies.

Own shares

The item "Own shares" in the amount of € 34.7 million (31/12/2009: € 37.3 million) contains 972,909 (31/12/2009: 984,511) own shares, of which 473,018 (31/12/2009: 536,736) are used for the share incentive program (SIP).

11,602 own shares were required for the payout of the SIP in 2007, of which 5,325 were allocated to members of the Management Board and selected executives of the former RI, and 6,277 were allocated to executives of network banks. These claims were fulfilled by the use of shares intended for the SIP (11,602 shares). The sale of the shares allocated to the executives of subsidiaries (6,277 shares) to the corresponding network companies resulted in a loss of € 49,130.07.

Own shares (972,909 shares, representing 0.498 per cent of the capital stock) increased in value by € 727,076.50 and was recognized at the lower of the market price as at 31 December 2010 of € 41.00 or the amortized value based on the SIP terms and conditions.

Other assets

Breakdown of other assets:

Other assets amounted to € 4,940.9 million (31/12/2009: € 47.5 million) as at 31 December 2010. This item contains receivables from treasury transactions in the amount of € 4,426.3 million (31/12/2009: € 0.3 million). Receivables from capital guarantees for funds in the amount of € 98.7 million (31/12/2009: € 0.0 million) were recognised. This item also contains dividends receivable in the amount of € 127.1 million (31/12/2009: € 0.0 million) and receivables from payroll accounting in the amount of € 26.9 million (31/12/2009: € 0.7 million).

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

values in € million	31/12/2010	31/12/2009
Interest for interest-rate and cross-currency swaps	361.2	0.3
Participation income	127.1	0.1

Other liabilities

Breakdown of other liabilities:

Other assets amounted to € 5,458.3 million (31/12/2009: € 96.6 million) as at 31 December 2010. This item also contains liabilities from treasury transactions in the amount of € 4,781.6 million (31/12/2009: € 21.2 million) and interest for participation capital in the amount of € 200.0 million (31/12/2009: € 0.0 million). Capital guarantees for funds are valued at € 167.7 million (31/12/2009: € 0.0 million).

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

values in € million	31/12/2010	31/12/2009
Interest for interest-rate and cross-currency swaps	153.1	0.6
Interest for supplementary capital of RBI	25.1	0.0
Expenditure for participations	9.5	0.0

Provisions

Provisions are valued at € 201.2 million, a year-on-year increase of € 166.1 million.

The provisions amount to € 34.1 million for severance payments (an increase of € 31.7 million), € 11.5 million for pensions (an increase of € 6.6 million), € 37.0 million for corporation tax (an increase of € 37.0 million), € 8.9 million for income tax at the Singapore branch and € 109.7 million for other provisions (an increase of € 81.9 million).

The increase in provisions for personnel is primarily due to the increase in the number of employees as a result of the merger. The increase in other provisions is primarily the result of increased provisions for staff bonuses and – also as a result of the merger – a need for guarantee loan provisions, process risk provisions and provisions for operational risk.

Breakdown of other provisions in € million	31/12/2010
Provisions for bonus payments	24.5
Provisions for process risks	16.1
Provisions for audit costs	0.8
Provisions for anniversary payments	7.8
Provisions for overdue vacation	13.0
Provisions for guarantee loans	15.6
Provisions for Supervisory Board fees	0.4
Provisions for other expenses/outstanding invoices	10.3
Provisions for operational risk/losses/other	21.2
Total	**109.7**

Equity

Subscribed capital
For the merger, the company's capital stock was increased by € 124,554,753.20 from € 471,735,875.00 to € 596,290,628.20 through the issue of 40,837,624 new no-par value shares (bearer shares). Subscription rights pursuant to Section 153 of the Austrian Stock Corporation Act (AktG) are not applicable pursuant to Section 223 (1) AktG. Thus as at 31 December 2010, the capital stock consists of 195,505,124 no-par value shares (bearer shares).

At the annual general meeting of 5 June 2007, the Management Board was authorized, with the approval of the Supervisory Board, to increase the capital stock by a total of no more than € 217,724,250.00 within five years of the relevant amendment to the articles of association being recorded in the commercial register by issuing up to 71,385,000 new common bearer shares with voting rights against contributions in cash and/or in kind (authorized capital). In a capital increase on 5 October 2007 (secondary public offering), € 36,287,375.00 (11,897,500 no-par value shares) of this was used. As at 31 December 2010, the unused authorized capital amounts to € 181,436,875.00.

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

At the same annual general meeting, the capital stock was increased on a conditional basis (contingent capital) by up to € 47,173,587.50 through the issue of up to 15,466,750 common bearer shares pursuant to Section 159 (2) 1 of the Austrian

Stock Corporation Act (AktG). The contingent capital increase may only be carried out to the extent that the holders of convertible bonds make use of their right to convert such bonds into shares in the company. The issue amount and conversion ratio are to be determined by means of recognized financial methods and by means of the current price of the shares in the company in a recognized pricing method. The issue amount must not be under the proportionate amount of the capital stock. The newly issued shares of the contingent capital increase have a dividend entitlement that corresponds to that of the shares in the company traded at the time of the issue. The Management Board is authorized, with the approval of the Supervisory Board, to specify further details in relation to the execution of the conditional capital increase, and the Supervisory Board can approve corresponding amendments to the articles of association.

The name of the Raiffeisen International Bank-Holding AG (RI) share was changed to Raiffeisen Bank International AG (RBI) at the Vienna Stock Exchange on 13 October 2010.

Participation rights

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

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

Participation capital

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

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

Capital reserves

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

Retained earnings and liability reserves

The retained earnings consist of statutory reserves of € 5,500,000.00 (31/12/2009: € 5,000,000.00) and other free reserves amounting to € 398,985,080.83 (31/12/2009: € 750,427,000). The free retained earnings amounting to € 351.4 million were released during the financial year and used to form the liability reserves as required by Section 23 (6) of the Austrian Banking Act (BWG) for the first time.

Additional own funds from own issues in own inventory

Subordinated bonds

values in € million	31/12/2010	31/12/2009
Raiffeisen FRN Medium Term Note 2006-2016	1.0	0
0 % Raiffeisen Garant 2008-2020/PP/10	1.1	0
0 % Raiffeisen Garant 2008-2020/PP/11	0.5	0
0 % Raiffeisen Garant 2008-2018/PP/14	0.9	0
0 % Raiffeisen Garant 2008-2020/PP/15	0.1	0
0 % Raiffeisen Garant 2008-2023/PP/16	0.4	0
0 % Raiffeisen Garant 2009-2020/PP/19	0.7	0
0 % Raiffeisen Garant 2009-2023/PP/20	0.2	0

Supplementary capital

values in € million	31/12/2010	31/12/2009
Raiffeisen FLR Medium Term Note 2007-2015	0.2	0

Subordinated liabilities

List of subordinated loans that exceed 10 per cent of the total subordinated liabilities of € 3,611.8 million (i.e. that exceed € 361.2 million):

Name	Nominal value in € million	Maturity date	Interest rate
Subordinated Supplementary Capital Fixed FRCN Serie 74	600	29/10/2015	5,770%
Deposit of RZB Finance Jersey IV	500	16/05/2016	5,182%
Callable Subordinated Capital FRN Serie 38	365	22/06/2016	1,352%
Subordinated Capital Fixed FRCN Serie 54	500	05/03/2019	4,500%

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

Expenses for subordinated liabilities

The expenses for subordinated liabilities in the financial year amount to € 227.2 million (2009: € 36.0 million).

Additional information

Notes on liability arrangements:

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

As at 31 December 2010, the volume of these guarantees was € 1,583 million (2009: € 0.0 million).

Furthermore, as at 31 December 2010 RBI issued capital guarantees in connection with structured financial products with a guarantee volume of € 346 million (2009: € 0.0 million).

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

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

As at 31 December 2010, the following soft letters of comfort had been issued:

Network bank	Eligible bank	Exchange	Outstanding amount in € million
Raiffeisen-Leasing, spolecnost s.r.o., Prag	RLB OÖ	CZK	500.0
Raiffeisen banka a.d., Belgrad	Europäische Bank für Wiederaufbau und Entwicklung, London	EUR	22.5
Raiffeisen Leasing d.o.o.,Belgrad	International Finance Corporation, Washington	EUR	30.0
Raiffeisen Bank S.A., Bukarest	KfW Frankfurt am Main	EUR	30.0
Raiffeisenbank (Bulgaria) EAD	KfW Frankfurt am Main	EUR	21.7
Raiffeisen banka a.d., Belgrad	KfW Frankfurt am Main	EUR	10.0
Raiffeisen banka a.d., Belgrad	DEG - Deutsche Investitions- und EntwicklungsgmbH, Köln	EUR	30.0
Raiffeisen Leasing d.o.o., Sarajevo	DEG - Deutsche Investitions- und EntwicklungsgmbH, Köln	EUR	10.2
Raiffeisen Leasing d.o.o., Sarajevo	ABS Banka dd, Sarajevo	BAM	1.1
Raiffeisen Leasing d.o.o., Sarajevo	DZ Bank AG, Frankfurt	EUR	18.8
Raiffeisen Rent DOO, Belgrad	WGZ-Bank	EUR	13.5
Raiffeisen Rent DOO, Belgrad	LRP Landesbank Rheinland-Pfalz	EUR	17.5

Open capital commitments on share capital in the amount of € 4.0 million (31/12/2009: € 1.6 million) essentially consist of € 4.0 million (31/12/2009: € 1.6 million) vis-a-vis European Investment Fund S.A., Luxembourg.

As at 31 December 2010, € 9,918.3 million (31/12/2009: € 2,350.8 million) in contingent liabilities was reported below the line. Of this, € 7,588.5 million was attributable to guarantees and € 2,250.4 million to letters of credit. As at 31 December 2009, contingent liabilities consisted of guarantees to affiliated companies in the amount of € 2,070.0 million and guarantees to third parties in the amount of € 280.8 million.

As at 31 December 2010, € 11,415.1 million (31/12/2009: € 404.4 million) in credit risks was reported under liabilities below the line. In the reporting year, credit risks are fully attributable to unused, irrevocable credit lines.

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

Total assets and liabilities in foreign currency:

values in € million	31/12/2010	31/12/2009
Assets in foreign currency	17,672.5	52.3
Liabilities in foreign currency	12,393.7	110.7

Subordinated assets contained under assets:

values in € million	31/12/2010	31/12/2009[1]
Loans and advances to credit institutions	1,056.6	-
hereof to affiliated companies	1,055.0	-
hereof to companies linked by virtue of a participating interest	1.6	-
Loans and advances to costumers	9.3	-
hereof to affiliated companies	9.3	-
hereof to companies linked by virtue of a participating interest	0.0	-
Debt securities and other fixed-income securities	2.0	-
hereof to affiliated companies	0.0	-
hereof to companies linked by virtue of a participating interest	2.0	-
Shares and other variable-yield securities	1.0	-
hereof to affiliated companies	0.0	-
hereof to companies linked by virtue of a participating interest	1.0	-

[1] As the BWG structure was not applicable last year, no previous-year values are available for this chart.

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

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

Derivatives	Positive fair values		Negative fair values	
values in € million	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Derivatives in the trading book				
a) Interest rate contracts	3,155.9	0.0	3,246.2	0.0
b) Foreign exchange rate contracts	799.2	0.0	832.3	0.0
c) Share and index contracts	9.1	0.0	98.3	0.0
d) Credit derivatives	47.9	0.0	43.9	0.0
e) Other derivatives	19.0	0.0	18.8	0.0
Derivatives in the banking book				
a) Interest rate contracts	367.7	3.5	399.2	0.0
b) Foreign exchange rate contracts	0.0	0.0	0.0	0.0
c) Share and index contracts	0.9	0.0	43.2	0.0
d) Credit derivatives	6.2	0.2	6.0	0.0

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

values in € million	**31/12/2010**	**31/12/2009[1]**
Indemnification for securities lending transactions	297.8	-
Loans assigned to OeKB	6,500.6	-
Indemnification for OeNB tender	0.0	-
Loans assigned to EIB	187.1	-
Trust deposit for domestic credit institutions	21.2	-
Trust deposit for foreign credit institutions	77.0	-
Cover pool for partial debentures issued	23.0	-
Treasury call deposits for contractual netting agreements	1,072.0	-
Total	**8,178.7**	**-**

[1] As the BWG structure was not applicable last year, no previous-year values are available for this chart.

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

	Financial investments **values in € million**	**Carrying amount** **31/12/2010**	**Fair value** **31/12/2010**	**Carrying amount** **31/12/2009**	**Fair value** **31/12/2009**
1.	Treasury bills and other bills eligible for refinancing with centralbank	276.0	272.9	0.0	0.0
2.	Loans and advances to credit institutions	258.5	247.5	0.0	0.0
3.	Loans and advances to costumers	252.5	251.7	0.0	0.0
4.	Debt securities and other fixed-income securities				
	a) issued by public bodies	4.7	4.6	0.0	0.0
	b) issued by other borrowers	2,737.5	2,650.6	0.0	0.0
5.	Shares and other variable-yield securities	20.0	17.8	0.0	0.0
Total		**3,549.2**	**3,445.1**	**0.0**	**0.0**

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

Notes to the income statement

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

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

values in € million	Total	Austria	Asia
Interest receivable and similar income	2,185.3	**2,021.6**	**163.7**
Hereof: from fixed-income securities	411.5	**401.6**	**9.9**
Income from variable-yield securities and participations	363.3	**363.3**	**0.0**
Commissions receivable	214.7	**186.0**	**28.7**
Net profit or loss in financial operations	39.1	**33.7**	**5.4**
Other operating income	85.5	**84.0**	**1.5**

Other net operating income includes reimbursements for services provided to the sector in the amount of € 57.1 million as well as staff and administrative expenses passed on for other non-banking services totalling € 24.3 million.

Expenses for severance payments and benefits for occupational employee pension funds include € 9.7 million. (2009: € 1.2 million) in expenses for severance payments.

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

In the reorganization process, tax losses that may be carried forward were transferred from RZB to RBI amounting to € 1,098 million. As a result of Group taxation, these transferred losses less the 2010 annual tax profit were attributed to RBI amounting to € 74 million and as at 31 December 2010 were reallocated to RZB in the amount of € 1,024 million.

The allocation agreement between RZB and RBI was amended so that RBI does not receive a negative tax assessment in connection with the losses that may be carried forward which were transferred during the reorganization – provided they are not non-Group-related losses – and that these losses are recognized as an "internal loss carryforward". This means that RBI does not need to pay any tax assessments as long as its tax profits are covered by the internal loss carryforward.

Other

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

In the 2010 financial year the company had an average of 1,989 employees (2009: 351).

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

Values in € 000	Pension expenditure		Severance payments	
	2010	2009	2010	2009
Members of the managing board and senior staff	1,157	97	1,800	1,122
Employees	3,309	721	9,370	524
Total	**4,466**	**818**	**11,170**	**1,646**

The company's **Management Board** consisted of the following members in 2010:

- Dr. Herbert Stepic, chairman
- Dr. Karl Sevelda, deputy chairman (from 10 October 2010)
- Aris Bogdaneris
- Patrick Butler (from 10 October 2010)
- Martin Grüll
- Peter Lennkh
- Dr. Johann Strobl (from 10 October 2010)
- Heinz Wiedner (until 1 December 2010)
- Rainer Franz (until 30 June 2010)

The **Supervisory Board** consisted of the following elected members in 2010:

- Dr. Walter Rothensteiner, chairman
- Erwin Hameseder, first deputy chairman (from 10 October 2010)
- Manfred Url, deputy chairman (until 10 October 2010)
- Dr. Ludwig Scharinger, second deputy chairman (from 10 October 2010)
- Markus Mair, third deputy chairman (from 10 October 2010)
- Patrick Butler (until 10 October 2010)
- Stewart Gager
- Dr. Kurt Geiger
- Dr. Hannes Schmid (from 10 October 2010)
- Dr. Johannes Schuster (from 10 October 2010)
- Dr. Karl Sevelda (until 10 October 2010)
- Dr. Friedrich Sommer (from 10 October 2010)
- Dr. Johann Strobl (until 10 October 2010)
- Christian Teufl (from 10 October 2010)
- Martin Prater[1] (from 10 October 2010)
- Rudolf Kortenhof[1] (from 10 October 2010)
- Peter Anzeletti-Reikl[1] (from 10 October 2010)
- Sabine Chadt[1] (from 10 October 2010)
- Helge Rechberger[1] (from 10 October 2010)

[1] Delegated by the Works Council.

The following remuneration was paid to the Management Board of RBI:

Values in € 000	2010	2009
Fixed and performance-based remunerations	8,191	4,610
hereof remuneration from affiliated companies (SB remuneration)	732	0
Payments to pension funds and reinsurance policies	183	97
Share-based payments (performance-based)	156	267
Total	**8,530**	**4,974**

The table contains fixed and performance-related remuneration, including fees for performing executive functions at affiliated companies, bonus payments and benefits in kind. The share of performance-related remuneration components in the reporting year was 1.9 per cent (2009: 5.5 per cent).

Performance-related components of the Management Board's remuneration usually consist of bonus payments that are tied to the achievement of corporate objectives for after-tax profit, return on risk-adjusted capital, cost/income ratio and the achievement of annually agreed personal goals, in addition to the value of an allotment of shares under the SIP. As in the previous year, the value of allotted shares in 2010 corresponded to 100 per cent of the performance-related components of the Management Board's remuneration. There were no significant changes to the principles of profit sharing compared to the previous year. A commitment was made to give retention bonuses, i.e. bonuses designed to retain managers in view of the merger, to the former Management Board of Raiffeisen International amounting to € 768,000, payable in 2013. The amount of the payment is tied to the RBI share price.

It should be noted that the figures for the Management Board's remuneration in 2010 are not directly comparable with those in 2009, because the merger of Raiffeisen International Bank-Holding AG with the main business areas of RZB and the fact that individuals left the company during the year resulted in a change in the composition of the Management Board.

As at 31 December 2010, there were loan claims on a member of the Management Board amounting to € 765,000 (31/12/2009: € 765,000).

Share Incentive Program

The second tranche of the Share Incentive Program (2007 tranche) matured in 2010. Pursuant to the SIP's requirements (published in the Wiener Zeitung's official journal on 30 May 2007) the number of shares actually transferred is listed in the table below:

Share Incentive Program (SIP) 2007	Number of due shares	Amount with share price of € 31,91 at the allotment day (3/9/2010) in €	Number of effective distributed shares
Members of the Managing Board of RBI	4,899	156,327	3,971
Members of the managing boards of RBI bank subsidiaries affiliated with the company	7,163	228,571	6,277
Executives of RBI and other affiliated companies	2,189	69,851	1,354

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

To date, a new tranche has been issued every year under the SIP. However, due to the merger of RI with the main business areas of RZB, no new SIP tranche was issued in 2010. This means that as at the balance sheet date, contingent shares were only allotted to two tranches. As at 31 December 2010, the number of contingent shares amounted to 473,018 (of which 79,909 shares were allotted in 2008 and 393,109 were allotted in 2009).

The originally announced number of contingent allotted shares changed as a result of various personnel changes in the Group units and the maturing of SIP tranche 2007, and is presented in the following table in aggregate form:

Share Incentive Program (SIP) 2008 - 2009	Number of contingently alloted shares as of 31/12/2010	Minimum of allotment of shares	Maximum allotment of shares
Members of the Managing Board of RI	147,611	43,061	221,417
Members of the managing boards of RI bank subsidiaries affiliated with the company	252,269	73,399	378,404
Executives of RI and other affiliated companies	73,138	21,449	109,707

No shares were repurchased for the SIP in 2010.

Supervisory Board remuneration

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

Therefore, the Supervisory Board received remuneration of € 380,000 in 2010. In 2009, the Supervisory Board received remuneration of € 305,000.

In 2010, no agreements were concluded with members of the Supervisory Board which required approval in accordance with Section 95 (5) 12 of the Austrian Stock Corporation Act (AktG).

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

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

Vienna, 9 March 2011

The Management Board

Dr. Herbert Stepic

Dr. Karl Sevelda

Aris Bogdaneris, M. A.

Patrick Butler M. A.

Mag. Martin Grüll

Mag. Peter Lennkh

Dr. Johann Strobl

Annex 1: Statement of fixed assets in 2010 financial year

Each column contains the amount of all assets valued as fixed assets in € thousands.

								Cost of acquisition or conversion
		Merger As of 1/1 financial year[1]						
Item	Description of fixed assets	As of 1/1 financial year[1]	As of 1/1 financial year[2]	Exchange differ-ences	Additions	Disposals	Reclassifi-cation	As of 31/12 of financial year
			1	2	3	4	5	6
1.	Treasury bills and other bills eligible for refinancing with central banks	0	4,294,204	0	127,480	(33,722)	0	4,387,962
2.	Loans and advances to credit institutions	0	613,669	9,755	33,466	(394,879)	(44,961)	217,051
3.	Loans and advances to costumers	0	405,817	55,479	1,252,873	(1,557,049)	0	157,120
4.	Debt securities and other fixed-income securities	0	7,449,248	98,673	392,909	(2,262,644)	44,961	5,723,149
a)	issued by public bodies	0	15,161	219	0	(1,004)	0	14,377
b)	own debt securities	0	0	0	0	0	0	0
c)	issued by other borrowers	0	7,434,087	98,454	392,909	(2,261,640)	44,961	5,708,772
5.	Shares and other variable-yield securities	68	23,200	0	0	(3,268)	0	20,000
6.	Participating interests	680	25,456	0	2,216	0	0	28,352
7.	Shares in affiliated untertakings	5,712,568	946,330	0	150,265	(1,659)	0	6,807,504
8.	Intangible fixed assets	3,380	230,116	5	20,023	(3,597)	0	249,928
9.	Tangible assets	2,367	68,295	755	4,564	(13,103)	0	62,878
10.	Other assets	0	0	0	0	0	0	0
	Total	**5,719,063**	**14,056,335**	**164,667**	**1,983,796**	**(4,269,921)**	**0**	**17,653,944**

[1] RI acquisition costs
[2] Acquisition costs of Cembra and spin-off of RZB

	Writing up/depreciation/revaluation							Carrying amount	
	Merger								
Item	Cumulative depreciaton and amortization as at 1 January[2]	Cumulative depreciaton and amortization as at 1 January[3]	Exchange differences	Cumulative depreciation and amortization disposal	Write-ups	Depreciation	Cumulated depreciation as of 31/12	As of 31/12 of financial year	As of 31/12 of last year
	7		8	9	10	11	13	14	15
1.	0	6,468	0	(722)	4,014	(20,275)	(10,516)	4,377,446	0
2.	0	(19,933)	0	20,442	373	0	882	217,933	0
3.	0	(4,475)	0	1,709	229	(966)	(3,504)	153,616	0
4.	0	(221,519)	0	1,783	19,935	(34,528)	(234,328)	5,488,819	0
a)	0	373	0	4	260	0	638	15,014	0
b)	0	0	0	0	0	0	0	0	0
c)	0	(221,892)	0	1,779	19,675	(34,528)	(234,966)	5,473,805	0
5.	(8)	0	0	8	0	0	0	20,000	60
6.	0	(423)	0	0	0	0	(423)	27,930	680
7.	(384,797)	(31,425)	0	0	0	(10,113)	(426,336)	6,381,168[1]	5,392,356[1]
8.	(2,347)	(120,555)	(5)	2,313	0	(29,890)	(150,485)	99,443	1,033
9.	(1,002)	(54,156)	(470)	12,925	99	(6,987)	(49,590)	13,288	1,365
10.	0	0	0	0	0	0	0	0	0
	(388,154)	**(446,018)**	**(475)**	**38,458**	**24,650**	**(102,759)**	**(874,300)**	**16,779,643**	**5,395,494**

[1] After accounting for the effects of valuation units
[2] Cumulative depreciation and amortization RI
[3] Cumulative depreciation and amortization Cembra and RZB disposal

Annex 2: Open forward transactions as at 31 December 2010

	Nominal amount by maturity in € 000					Market value	
Name	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	positive	negative
Total open forward transactions	**77,227,356**	**110,829,554**	**72,248,281**	**260,305,191**	**225,104,443**	**5,157,432**	**(5,125,974)**
a) Interest rate contracts	40,745,056	98,094,147	68,196,829	207,036,032	175,529,140	4,191,366	(3,857,139)
OTC products							
Interest rate swaps	37,436,747	93,489,432	63,146,356	194,072,535	164,053,014	4,101,949	(3,749,939)
Floating Interest rate swaps	0	0	0	0	0	0	0
Interest rate futures	1,195,949	0	0	1,195,949	1,195,949	3,332	(3,386)
Interest rate options - buy	793,651	2,256,711	1,738,547	4,788,909	4,718,909	82,095	0
Interest rate options - sell	669,526	2,120,304	2,171,826	4,961,656	4,744,285	0	(103,414)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Interest rate futures	649,183	227,700	1,140,100	2,016,983	816,983	3,990	(400)
Interest rate options	0	0	0	0	0	0	0
b) Foreign exchange rate contracts	35,436,900	10,327,090	1,702,365	47,466,355	45,140,915	880,036	(1,050,284)
OTC products							
Cross-currency interest rate swaps	2,929,176	9,332,568	1,699,290	13,961,034	11,906,457	499,244	(639,926)
Forward foreign exchange contracts	31,249,170	710,022	0	31,959,192	31,688,327	363,523	(389,301)
Currency options – purchased	594,401	121,479	1,476	717,356	717,357	17,269	0
Currency options – sold	664,153	163,021	1,599	828,773	828,774	0	(21,057)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Currency contracts (futures)	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0
c) Securities-related transactions	193,437	0	1,246,347	1,439,784	1,282,054	9,786	(137,515)
OTC products							
Securities-related forward transactions	0	0	0	0	0	0	0
Equity/Index options -buy	55,042	0	555,149	610,191	573,002	9,786	0
Equity/Index options -sell	138,395	0	691,198	829,593	709,052	0	(137,515)
Exchange-traded products	0	0	0	0	0	0	0
Exchange-traded products							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0

Name	Nominal amount by maturity in € 000 Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	Market value positive	negative
d) Commodity contracts	356,785	70,350	0	427,135	427,134	18,983	(18,784)
OTC products							
Commodity forward transactions	356,613	70,350	0	426,963	426,962	18,983	(18,783)
Exchange-traded products							
Commodity futures	172	0	0	172	172	0	(1)
e) Credit derivative contracts	495,178	2,337,967	1,102,740	3,935,885	2,725,200	57,261	(62,252)
OTC products							
Credit default swaps	495,178	2,337,967	1,102,740	3,935,885	2,725,200	57,261	(62,252)

Annex 3: List of investments of Raiffeisen Bank International Aktiengesellschaft

Affiliated companies

Company, registered office (country)	Total nominal value in currency		Direct share of RBI	Additio-nal indirect[1]	Equity in € 000[2]	Result in € 000[2]	From annual financial statements[3]
Kathrein & Co. Privatgeschäftsbank Aktiengesellschaft, A(1010) Vienna	20,000,000	EUR	0%	79%	28,297	5,112	31/12/2010
BAILE Handels- und Beteiligungsgesellschaft m.b.H., A(1030) Vienna	40,000	EUR	100%	0%	89,547	(7)	31/12/2010
RSC Raiffeisen Daten Service Center GmbH, A(1190) Vienna	2,000,000	EUR	72%	0%	2,229	44	31/12/2010
Raiffeisen Malta Bank plc., M-Sliema, SLM1607[4]	340,000,000	EUR	100%	0%	354,261	60,719	31/12/2010
RB International Finance (USA) LLC, USA-NY 10036 New York[4]	1,510,000	USD	100%	0%	12,164	14,188	31/12/2010
R.L.H. Holding GmbH, A(1030) Vienna	35,000	EUR	100%	0%	6,503	6,015	31/12/2009
RZB IB Beteiligungs GmbH, A(1030) Vienna	35,000	EUR	0%	79%	49	29,312	31/12/2010
RZB KI Beteiligungs GmbH, A(1030) Vienna	48,000	EUR	100%	0%	4,765	(22)	31/12/2009
EUGENIA Bay Group Limited (in Liquidation), VG-Tortola, British Virgin Islands[4]	1	USD	100%	0%	0	0	31/12/2009
RL Leasing Gesellschaft m.b.H., D(65760) Eschborn[4]	50,000	DEM	25%	18%	561	(50)	31/12/2009
Extra Year Investments Limited, VG-Tortola[4]	50,000	USD	100%	0%	2,030	(5,247)	31/12/2010
RB International Finance (Hong Kong) Ltd., HK-Hong Kong[4]	10,000,000	HKD	100%	0%	1,543	6,023	31/12/2010
Golden Rainbow International Limited, VG-Tortola[4]	1	USD	100%	0%	118,510	15,024	31/12/2010
RLI Holding Gesellschaft m.b.H., A(1030) Vienna	40,000	EUR	75%	0%	80,921	(8)	31/12/2010
Eastern European Invest Holding GmbH, A(1030) Vienna	35,000	EUR	100%	0%	37,139	(7)	31/12/2010
Raiffeisen International Invest Holding GmbH, A(1030) Vienna	35,000	EUR	100%	0%	45,368	(49)	31/12/2010
RI-RBHU Holding GmbH, A(1030) Vienna	35,000	EUR	100%	0%	215,369	(7)	31/12/2010
Tatra Leasing spol. s r.o., SK(811) 06 Bratislava[4]	6,638,784	EUR	1%	61%	23,904	616	31/12/2010
Raiffeisen Bank Polska S.A., PL(00,549) Warsaw[4]	1,218,687,210	PLN	100%	0%	620,321	59,520	31/12/2010
Raiffeisenbank a.s., CZ(140) 78 Prague 4[4]	6,564,000,000	CZK	51%	0%	487,933	70,326	31/12/2010
Raiffeisenbank (Bulgaria) EAD, BG(1504) Sofia[4]	603,447,952	BGN	100%	0%	450,979	22,471	31/12/2010
Raiffeisenbank Austria d.d., HR(10,000) Zagreb[4]	3,698,932,000	HRK	73%	0%	740,207	44,689	31/12/2010
ZAO Raiffeisenbank, RUS-Moscow[4]	36,711,260,000	RUB	100%	0%	1,661,254	170,122	31/12/2010
Raiffeisen Bank d.d. Bosna i Hercegovina, BiH(71000) Sarajevo[4]	237,388,000	BAM	97%	0%	228,985	6,581	31/12/2010
Raiffeisen Bank S.A., RO(011857) Bucharest 1[4]	1,196,258,639	RON	99%	0%	484,911	82,615	31/12/2010
Raiffeisen Bank Sh.a., AL-Tirana[4]	9,926,092,686	ALL	100%	0%	166,423	38,346	31/12/2010
Raiffeisen Bank Aval JSC, UA(01011) Kiev[4]	3,002,774,908	UAH	96%	0%	742,636	29,936	31/12/2010
Priorbank JSC, BY(220002) Minsk[4]	412,279,277,350	BYR	88%	0%	176,605	47,502	31/12/2010
Raiffeisen Bank Kosovo J.S.C., SRB(10000) Pristina[4]	58,000,000	EUR	100%	0%	81,025	10,277	31/12/2010
Raiffeisen banka a.d., SRB(11070) Belgrade[4]	27,466,157,580	RSD	100%	0%	447,125	27,175	31/12/2010
Raiffeisen Banka d.d., SLO(2000) Maribor[4]	16,355,847	EUR	86%	0%	72,043	2,131	31/12/2010
Central Eastern European Finance Agency B.V., NL(1076) AZ Amsterdam[4]	2,000,000	EUR	100%	0%	268	192	31/12/2010
Centralised Raiffeisen International Services & Payments S.R.L., RO(020335) Bucharest 2[4]	6,800,000	RON	100%	0%	(801)	(1,060)	31/12/2010
RCR Ukraine LLC, UA-Kiev 01011[4]	282,699	UAH	100%	0%	16	(8)	31/12/2009
REH Limited, CY(3036) Limassol[4]	45,453	USD	100%	0%	24,602	(3,726)	31/12/2010
RI Eastern European Finance B.V., NL(1076) AZ Amsterdam[4]	400,000	EUR	100%	0%	14,271	5,718	31/12/2009
Regional Card Processing Center s.r.o., SK(81106) Bratislava[4]	539,465	EUR	100%	0%	(11,198)	643	31/12/2010
RAIFFEISEN TRAINING CENTER LTD., HR(10,000) Zagreb[4]	20,000	HRK	20%	52%	174	30	31/12/2009
Tatra banka a.s., SK(811) 06 Bratislava 1[4]	54,554,928	EUR	66%	0%	711,390	91,307	31/12/2010
Ukrainian Processing Center PJSC, UA(04073) Kiev[4]	180,000	UAH	100%	0%	(5,408)	3,650	31/12/2010
ZHS Office- & Facilitymanagement GmbH, A(1030) Vienna[4]	36,336	EUR	1%	99%	115	34	31/12/2010

Company, registered office (country)	Total nominal value in currency		Direct share of RBI	Additional indirect[1]	Equity in € 000[2]	Result in € 000[2]	From annual financial statements[3]
Raiffeisen Research GmbH, A(1030) Vienna	55,000	EUR	51%	0%	66	46	31/12/2009
FARIO Handels- und Beteiligungsgesellschaft m.b.H., A(1030) Vienna	40,000	EUR	100%	0%	4,831	(3)	31/12/2009
Ferrokonstrukt-Bauerrichtungen Ges.m.b.H., A(1020) Vienna	4,000,000	ATS	100%	0%	(256)	(5)	31/12/2009
Kuredu Handels- und Beteiligungs GmbH, A(1030) Vienna	35,000	EUR	100%	0%	30	(3)	31/12/2009
LOTA Handels- und Beteiligungs-GmbH, A(1030) Vienna	35,000	EUR	100%	0%	687	(2,204)	31/12/2009
CP Projekte Muthgasse Entwicklungs GmbH, A(1010) Vienna	40,000	EUR	0%	79%	(566)	(294)	31/12/2009
P & C Beteiligungs Gesellschaft m.b.H., A(1030) Vienna	36,336	EUR	100%	0%	6,461	(3,816)	31/12/2010
RZB PE Handels- und Beteiligungs GmbH, A(1030) Vienna	150,000	EUR	100%	0%	44,438	(780)	31/12/2009
RZB Consultants Pte. Ltd., SGP-Singapore (048624)	30,000	SGD	100%	0%	379	(9)	31/12/2009
RPP Holding GmbH, A(1030) Vienna	35,000	EUR	100%	0%	35	(4)	31/12/2009
Rail-Rent-Holding GmbH, A(1030) Vienna	40,000	EUR	60%	8%	170	156	31/12/2009
RIRE Holding B.V., NL(1076) AZ Amsterdam	2,000,000	EUR	100%	0%	1,859	(128)	31/12/2010

[1] The indirect share in per cent corresponds to the indirect holding in the company (the share attributable to the RZB Group).
[2] The result (in part from the consolidated financial statements) in € 000 corresponds to the annual profit/loss; equity is reported in accordance with Section 224 (3) lit a UGB including untaxed reserves (lit b).
[3] The 2010 annual financial statements are provisional financial statements.
[4] For the fully consolidated foreign companies, the equity and annual profit figures are accounted for in accordance with the International Financial Reporting Standards (IFRS).

Management Report

Economic conditons

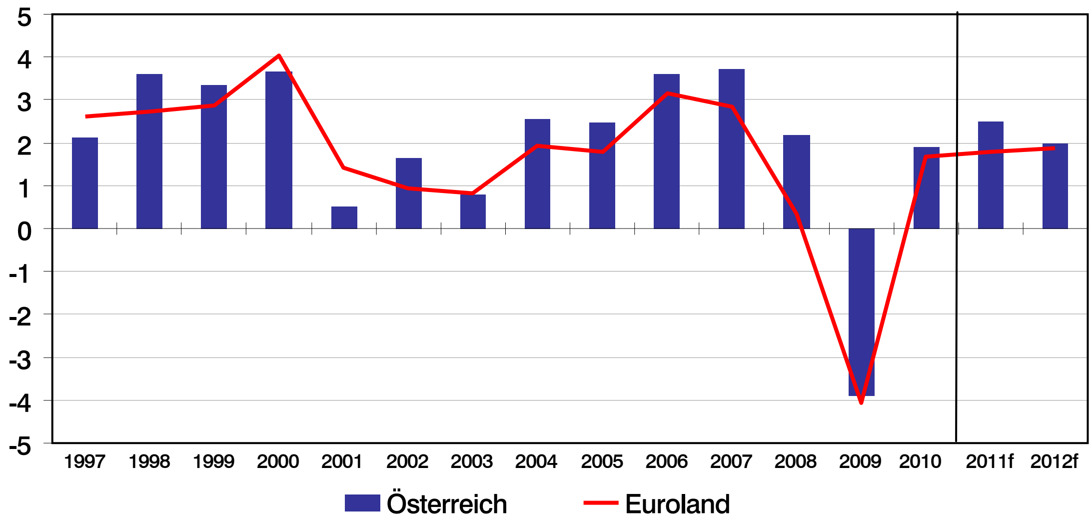
Gradual recovery in global economy

After the global economy suffered its worst recession in 2009 since 1945, the economy began to recover in 2010. Economic activity picked up all around the world, often supported by massive fiscal and monetary policy measures. In the USA the recession ended in June 2009. By the end of 2009 and the first quarter of 2010, the US economy was already staging an impressive recovery, although its pace slowed somewhat over the course of the year.

Europe's economies display different trends

Full-year GDP (gross domestic product) growth in the eurozone was 1.7 per cent. Economic performance varies from one member state to another. While Germany, Austria and Finland moved into recovery mode, Spain, Greece and Ireland were still deep in recession, as shown by their unemployment rates, which ranged from 4.8 to 8.0 per cent in the first group, rising to 12.2 to 20.7 per cent in the latter. Unemployment averaged 10.1 per cent for the eurozone as a whole. At 1.6 per cent, inflation remained below the long-term average in 2010 and started to rise in the second half-year due to rising taxes on consumption in some member states.

Economic growth in Austria vs. the eurozone (real, % p.a.)



Austrian economy growing again

The mood in Austria improved in the course of the year. In the third quarter of 2010 the Austrian economy grew 0.9 per cent, above its long-term average. Much of this growth came from the sharp rise in exports (3.4 per cent a quarter) and investment (0.9 per cent a quarter). Capacity utilization for the economy as a whole also returned to its long-term average at 82 per cent.

The economy will continue to grow in 2011 as will the activity rate, while inflation remains moderate. Despite the cuts from budgetary measures for 2011 to 2014, private consumption should stabilize.

Tax increases and expenditure cuts are likely to be very minor compared to the rest of Europe. After an initial recovery driven particularly by exports, the Austrian economy should move into a sustainable growth phase in 2011, supported by investment and private consumption. The debt situation in Austria is less dramatic than the average for the rest of the eurozone.

Stabilization in CEE

While the dependence on exports of the countries of Central and Eastern Europe (CEE) had been a serious problem during the crisis, in some cases producing significant decreases in GDP, it proved to be an advantage in 2010. The CEE nations benefited from the clear upturn in growth, particularly in Germany, with the export sector functioning as a significant driver.

Even though much of the current growth is derived from exports, increasing support can be expected in the coming months from domestic demand. Even so, the CEE countries remain dependent on capital imports from Western Europe. After a sharp decrease during the crisis, capital inflows to CEE are recovering, although they are still significantly below their previous level.

Poland already had a dynamic economy during the crisis, and it outperformed the other Central European EU member states again in 2010. The only nation to top this was Slovakia, which rebounded from a decrease in GDP of 4.7 per cent in 2009 to growth of 4.2 per cent in the reporting period. In contrast to Slovakia, however, growth in Poland came mainly from consumption and gross fixed capital formation, rather than from exports.

The sharpest decrease in GDP in the 2009 crisis year was in the Community of Independent States (CIS), falling 8.2 per cent. However, commodity prices rose once again, exports increased and the positive baseline effect enabled the CIS to generate economic growth of 4.2 per cent in 2010.

China as Asia's motor for growth

According to current estimates, the Asian economy grew 7.9 per cent in 2010. During this year, almost all Asian countries made the transition from public-sector growth stimulus to firming up private demand. China was the country driving growth as the country's spending programs and credit expansion fuelled domestic demand. Rising retail sales and solid industrial production are boosting consumer demand. Real GDP growth is likely to be 10.2 per cent in 2010. This vigorous growth also benefited countries exporting commodities and capital goods.

In 2010, the Asian currencies gained ground over the US dollar, mainly as a result of the expansionary monetary policy in the USA, which led to large capital inflows to the region. The resulting currency appreciation – unwanted by the respective governments – prompted a range of countermeasures.

Sovereign debt crisis

The main topic for the international financial markets in 2010 was the rise in sovereign borrowing by a number of eurozone countries. It all started with Greece, which had to admit at the start of the year that the figures for deficits and sovereign debt it had been reporting to Brussels were significantly understated. This was followed by growing doubts in the financial markets that Greece was in any position to service its debt. The risk premium for Greek sovereigns compared with German bonds rose sharply, making it increasingly difficult for the country to refinance in the capital markets.

Concerns about Greek solvency spilled over to the euro leading to a significant depreciation, particularly against the US dollar and the Swiss franc.

When the situation threatened to get out of hand at the end of April and start of May, the EU and International Monetary Fund (IMF) intervened. First of all, Greece was given a credit line of € 110 billion, which meant that it does not have to borrow further on the capital markets until the start of 2012. In addition, the European Financial Stability Facility (EFSF) was created to provide a rescue package to assist countries with financing problems in future.

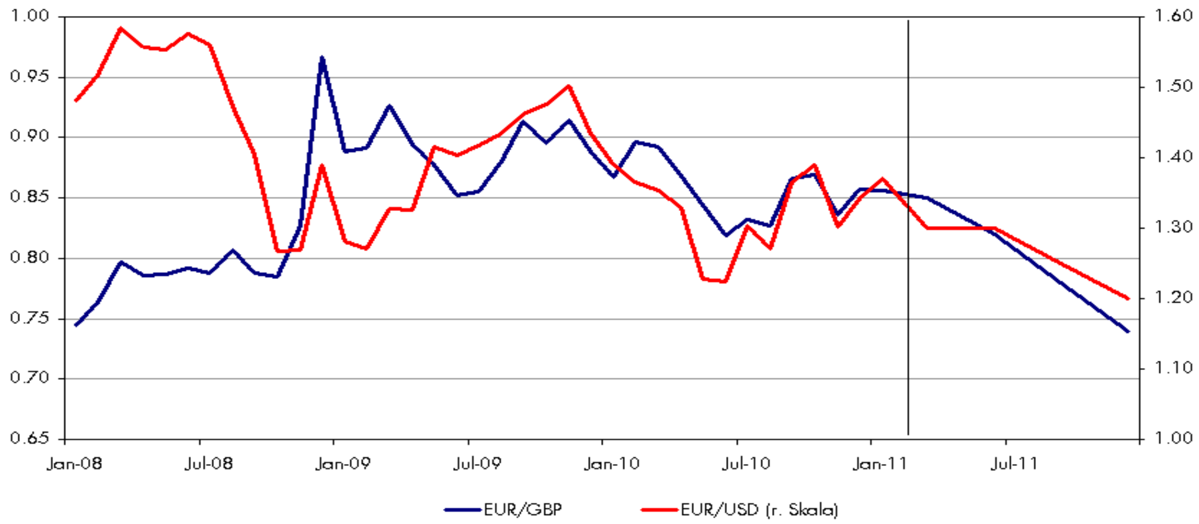
The fund has a total volume of € 750 billion, contributed by the eurozone member states and the IMF. However, despite the politicians' hopes, this step has not brought lasting calm to the markets. By November, Ireland had become the second country to run into difficulties. Here, it was the collapse of the banking system that brought the nation to the brink of insolvency. The financial injections required to save domestic banks boosted the country's budget deficit for 2010 to an enormous 32 per cent of GDP.

After suffering a massive deterioration in refinancing terms, Ireland requested assistance from the EFSF at the end of November. It is due to receive € 85 billion in aid up to 2013.

Global currencies

The euro exchange rate in 2010 was dominated by the eurozone debt crisis. After starting the year at around USD 1.45, the euro tumbled rapidly as a result of the Greek situation, only stabilizing when the EU and IMF agreed the € 750 billion rescue package for troubled eurozone countries in May. By then the euro had lost 17 per cent against the US dollar, reaching a low for the year at just under USD 1.20 per euro.

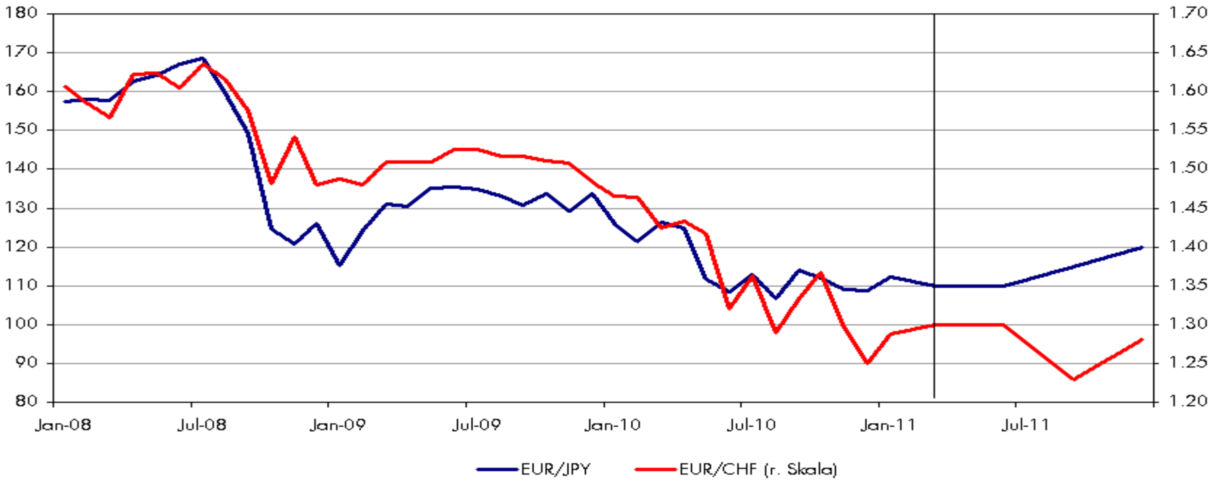
Exchange rates USD and GBP vs. EUR



Source: Thomson Reuters, Raiffeisen RESEARCH

Between June and October the focus shifted somewhat from the debt problems in the eurozone. The US Federal Reserve loosened its monetary policy again by purchasing additional US souvereign bonds.

Exchange rates JPY and CHF vs EUR



Source: Thomson Reuters, Raiffeisen RESEARCH

As a result of these measures, the US dollar came under significant pressure with the effect that the euro recovered to USD 1.42 by the start of November, when the focus returned to the eurozone debt crisis. After Ireland was forced to seek financial aid, concern grew that the problems could spread to Spain, and the euro duly slid back to USD 1.30.

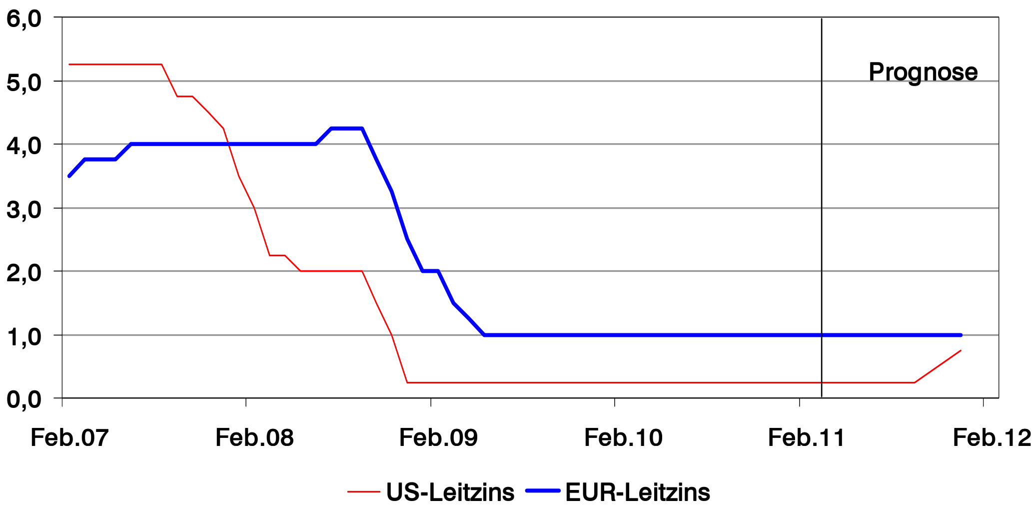
The refinancing problems of Greece and Ireland clearly showed in 2010 that the Swiss franc is an alternative to investing in the euro for many investors, primarily European ones. As a result, the Swiss franc gained more than 12 per cent against the euro from the start of 2010, as investors became increasingly skeptical.

CEE currencies

While the EUR key interest rate has remained steady at 1.0 per cent over the past several months, the CEE countries' central banks have tried to counter the depreciation from recent years with what were to some extent massive key rate hikes. Several countries also approached the IMF and EU for financial assistance.

The delayed recovery in southeastern Europe was also reflected in the movements of local currencies. In some cases, they experienced strong volatility against the euro, driven by the shifts in global risk movements.

Key interest rates



Development of the banking sector in Austria

The second quarter of 2010 was particularly affected by concerns regarding the default of individual eurozone countries and the possible impact on the stability of the banking sector. The combination of these fears and regulatory changes in US money market funds led to new tensions in the interbank market in May and June. There was also a shift in market focus back to the adequate capitalization of banks. This is why the London-based Committee of European Banking Supervisors (CEBS) was commissioned to carry out expanded stress tests for the banking system in the EU. The results published in July showed that almost all the banks included in the tests are adequately capitalized for the various stress scenarios.

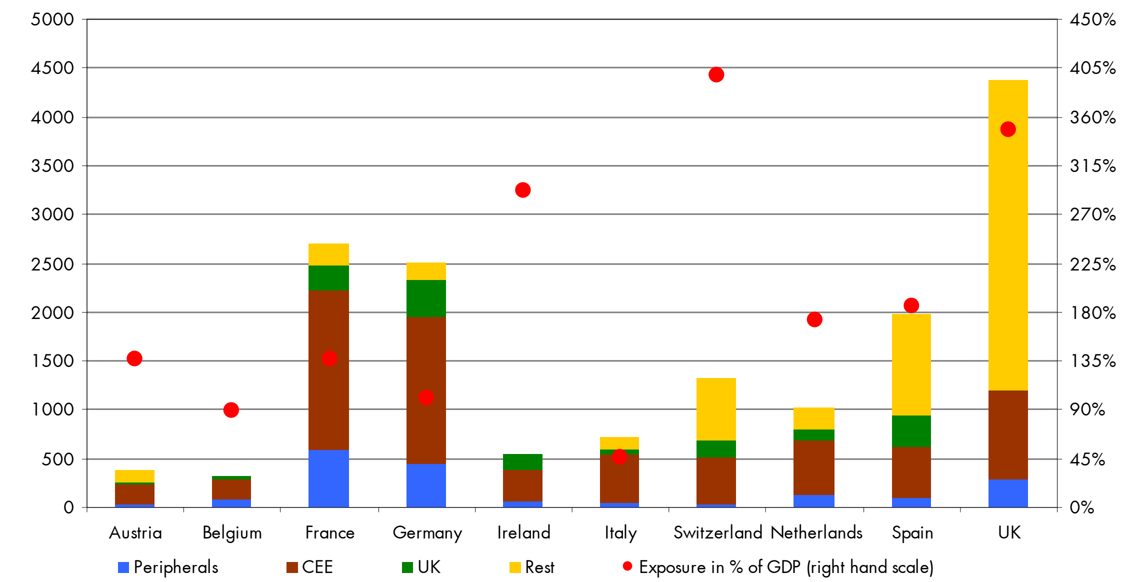
Operating business also suffered from concerns over sovereign insolvencies. In May, for example, the Bank's trading activities were significantly affected. By contrast, provisions for impairment losses continued to decline in the second quarter. It is likely that credit defaults are at or past their peak in many national banking markets.

Low external exposure of the Austrian banking sector

Foreign lending by the Austrian banking sector is equivalent to 137 per cent of Austria's GDP (2010: € 285 billion). This is in line with the European average, so the Austrian banking sector is not more heavily committed abroad than the French or Dutch banking sector for example.

In strongholds of the financial industry like Ireland (292 per cent), the UK (348 per cent) and Switzerland (398 per cent), loans and advances from banks to foreign borrowers are at least twice as high. As a result, the domestic market accounts for a larger share of the core business of Austrian banks than is the case for British or Irish banks.

Exposure of European banks (€ billion)



Slower credit growth in CEE

The shortage and higher cost of external financing for banks and governments and the lower demand for credit, both due to the banks' tighter lending policy, resulted in flat credit growth in the CEE during the crisis. Total assets of the banking sector in local currencies grew significantly more slowly in 2009 throughout the CEE region than before the crisis. Only in the reporting year there was a return to significant growth, although at around 7 per cent it was still slower than in the period before the crisis.

Growth in total assets of the banking sector is expected to remain moderate at around 6 to 8 per cent a year for the next few years. In Southeastern Europe (SEE), where total assets of banks had risen even faster before the crisis at over 30 per cent a year, growth in 2009 was only 7 per cent as a result of the crisis, and probably fell again to 5 per cent in 2010 due to a further slowdown in growth. In SEE the recovery in the banking sector is somewhat sluggish, just like the economy as a whole, and so a return to growth of around 10 per cent is not expected until 2012.

The CIS region had the fastest growth in total assets in the years 2004 to 2008, averaging almost 40 per cent a year. However, as in the other regions, growth here fell in 2009 to 4 per cent, although the economic recovery in 2010 probably led to a return to at least 17 per cent.

Non-performing loans rose further in 2010 as a result of the economic crisis. The main reasons for this were the increase in unemployment and the weakness of many CEE currencies, which posed an additional burden on many borrowers due to the high share of foreign currency loans in the region.

The situation in the banking sector stabilized again in the closing months of 2010. However, conditions remain difficult in some countries, particularly Ukraine and Romania, but also – and specifically due to the bank levy – in Hungary. The positive trend in Poland resulted in growth in total lending, a trend also reflected in the Czech Republic. By contrast, lending fell compared to 2009 in Romania, Russia and Ukraine as a result of the weak economies in these countries.

Bank levy in Austria

In December 2010 the Austrian parliament adopted a bank levy as part of the Stability Levy Act. The levy was introduced on 1 January 2011 and is intended to bring in € 500 million a year to improve the budget. The graduated taxation of total assets is expected to generate € 340 million, with € 160 million from the tax on derivatives business. This weakens the banks' ability to build up the required regulatory capital from current earnings.

Financing environment for CEE states and banks

The financing climate for CEE countries had already significantly improved in the second half of 2009, ensuring access to both refinancing and new issues of sovereign debt on the local and global bond markets (Eurobonds). This positive trend continued in 2010. Yields on local sovereigns trended sideways in this period, due to the continuing expansionary monetary policy and the decline in risk premiums. At the same time, the market took a very different view of the individual countries, with bond prices reflecting risk factors such as indebtedness, budget deficits and political uncertainty.

Business of Raiffeisen Bank International AG

Capital, share, voting and control rights

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

- The Company's capital stock amounts to € 596,290,628 and is divided into 195,505,124 voting common bearer shares. Of those, 972,909 are own shares, which means that 194,532,215 shares were outstanding as of the balance sheet date. Please consult the notes to this report (page 18 onwards) for more information.

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

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

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

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

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

- The Management Board has been authorized since the annual general meeting of 5 June 2007 to increase the capital stock by up to € 181,436,875 by issuing up to 59,487,500 new common bearer shares with voting rights against contributions in cash and/or in kind within five years after recording the relevant amendment to the articles of association in the commercial register, while preserving the right of subscription to which the law entitles shareholders, including the right of indirect subscription by way of a bank pursuant to Section 153 (6) of the Austrian Stock Corporation Act (AktG), and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Supervisory Board or a committee authorized for this purpose by the Supervisory Board is authorized to adopt amendments to the articles of association that arise upon issuing shares from the authorized capital.

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

The annual general meeting of 8 July 2010 authorized the Management Board to acquire own shares, under the provisions of Section 65 (1) 8 of the Austrian Stock Corporation Act, during a period of 30 months from the date of the resolution, up to a maximum of 10 per cent of the Company's respective capital stock and, if deemed appropriate, to retire them. This authorization may be exercised in one or several installments by the Company, by affiliated enterprises or, for their account, by third parties. The Management Board was further authorized to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the exclusion of shareholders' subscription rights.

This authorization replaces the authorization to buy back and use own shares that was granted in the annual general meeting of 10 June 2008. No own shares have been bought since the authorization was issued in July 2010.

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

The annual general meeting of 9 June 2009 authorized the Management Board of the Company to issue, in one or more tranches, participation rights having equity characteristics pursuant to Section 174 of the Austrian Stock Corporation Act in a total nominal amount of up to € 2 billion within five years from the date of the resolution with the approval of the Supervisory Board in accordance with the terms for participation rights to be set by the Management Board and to the exclusion of shareholders' subscription rights. It should be noted that, under the provisions of the relevant laws, participation rights confer no voting rights or other membership rights. Issuing participation rights therefore entails no change of ownership structure from the standpoint of stock corporation law and shareholders' voting rights. The Company decided on 15 July 2009 to strengthen its capital by issuing participation rights in the amount of € 600 million based on the authorizing resolution of June 2009. In the course of the merger with effect from 10 October 2010, the mutual loans and liabilities of the receiving and transferring companies were wiped out. The same is true of the participatory rights in the amount of € 600 million, which had been subscribed in full by RZB. No further participation rights have been issued to date. Please consult the notes to this report on page 18 for more information.

In the course of the merger, the RZB issue "Raiffeisen-Partizipationskapital 2008/2009" in the amount of € 2.5 billion was transferred to RBI on unchanged terms.

- The following material agreements to which the company is a party and which take effect upon a change of control in the company as a result of a takeover bid exist in the context of the D&O insurance and the Share Incentive Program (SIP) of the company:

  "If the insured, RBI, comes under new control due to a change in the management or control in respect to the management or control over a subsidiary or if it merges with another enterprise, the insurance will only cover events of loss due to wrongful acts occurring prior to the change in control and management and only for events of loss up to the end of the period of insurance."

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

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

Business development

The 2010 financial year was dominated by the merger of Raiffeisen International Bank-Holding AG (RI) with the principal business areas of Raiffeisen Zentralbank Österreich AG AG (RZB) to form Raiffeisen Bank International AG (RBI).
As the acquiring company RBI entered by universal succession into all rights and obligations of the spun-off principal business areas of RZB, and at the same time received a banking licence, there was no change in the business relationships with customers.

As in the past, the key factor for the good performance in 2010 was RBI's ability to offer its customers banking products of all kinds in a focused, solution-oriented manner. The solid risk result also made a substantial contribution to this good performance.

Gross profit (total of net interest income, net fee and commission income and net trading income) on RBI customers served from Vienna (not including profit from financing network banks) was around € 525 million in 2010. This year was characterized by improved margins while we also generated higher sales in individual service areas, e.g. arranging and placing corporate bonds of Austrian and international issuers.

Outstanding loans and advances to customers as of 31 December 2010 totalled around € 24.6 billion.

Corporate Customers 2010

The merger enabled the development of a joint corporate banking strategy for Head Office and the network banks, with a particular focus on optimizing customer service throughout the entire network.

In addition, as part of the new corporate banking strategy a new structure was created in the "Corporate" executive division at Head Office, clearly distinguishing between areas with group functions focusing on support functions and know-how transfer, and an operating business division for which a selective industry focus was introduced. The "Austrian Corporate Customers" and "Multinational Corporate Customers" areas were also merged in a "Corporate Customers" segment.

Key elements of the new strategy:

- group-wide introduction of a differentiated service model, depending on the size and need of the customer segment in question;
- continuation and further development of relationship banking, with a special focus on a holistic and cross-border approach to customers and cross selling;
- improved and structured know-how transfer throughout the Group;
- boosting efficiency by continuing with process optimization measures.

On the customer side, there was a positive turnaround in broad areas in 2010. Sales generally improved significantly in most sectors, particularly in Austria and Germany, but also in Poland, the Czech Republic, Slovakia, Russia, Ukraine and Asia. In addition, many companies used the crisis to improve their cost structure, whilst responding rapidly to changing market conditions. At the same time, the risk situation eased in the areas listed above, resulting in reversals (some of them considerable) of individual impairment loss provisions recorded in earlier years.

All together this resulted in a further improvement in gross earnings in the Corporate Customers segment, totalling € 369 million at year-end.

Treasury

The small amount of long-term financing needed at RBI in 2010 was easily covered through private placements of various maturities in the first two quarters of 2010.

At the short end RBI used the existing short-term issuing programme (commercial paper) to raise funds in Europe and the USA. After the merger of RZB and RI, both the short-term and long-term issue programmes at RZB were transferred to the new entity RBI.

Interbank trading with short-term liquidity continued to improve by comparison with the previous year, but remained volatile. Besides the good supply of liquidity through short-term and longer-term secured money market transactions, increasing use was made of unsecured funds at the short end.

Investment banking

Despite volatile markets and the debt crisis among European peripheral nations, the Markets business division reported strong earnings in 2010.

Customers took advantage of the favourable financing conditions in repo transactions with RBI. In the FX business, demand for hedging by customers rose at the start of the year, resulting in demand for FX options. In the second quarter of 2010 there was increased demand for gold as a result of the challenging economic situation. The recovery in the economy from the third quarter had a positive effect on banknotes trading through the increase in tourism. The reorientation of bond trading was continued with a clear focus on trading on behalf of customers and the core markets. Austrian and state-guaranteed bonds were in particular demand during bond trading.

While concerns about the US economy were largely soothed by the stimulus measures and the significant upward revision of growth forecasts, the eurozone debt crisis continues to trouble and will remain one of the main themes in 2011 as well. Equities markets showed strong gains in 2010 worldwide, in both established and emerging markets. One exception was the peripheral European stock exchanges, which suffered significant losses as a result of the debt crisis and lower growth prospects. There were record volumes registered in segments of the market for European corporate bonds. All in all, issues totalled € 191 billion in 2010. Particularly impressive was the high volume of high-yield corporate bonds, which reached some € 41 billion in 2010.

In an environment characterized by high volatility, RBI succeeded in arranging major transactions in all areas of investment banking. In the capital market, RBI was mandated by the Republic of Slovakia as lead manager for its € 2 billion government bond and by KA Finanz AG for its € 1 billion state-guaranteed Eurobond. In the corporate bond segment, Eurobonds were managed for OMV (€ 500 million), Heidelberg Cement (€ 650 million) and Phoenix Group (€ 506.2 million). RBI has a reputation as an experienced credit arranger for both developed and emerging markets, and proved its competence again in 2010. Outstanding deals included the € 2 billion guaranteed credit line for STRABAG SE and the USD 900 million export financing for SUEK – Siberian Coal Energy Co.

Notable deals in the Mergers & Acquisitions segment were advising Kosovo's privatization board on the sale of "Sharr Cement" to the multinational cement company Titan Group, and the merger of Danone and Unimilk, one of the biggest Russian dairy groups where the buyer was advised by Lazard and Raiffeisen Investment AG (RIAG), with a transaction volume of roughly € 2 billion.

Although there were no IPOs in Austria in 2010, there were four capital increases for cash on the domestic primary market with a total transaction volume of around € 1.3 billion. Raiffeisen Centrobank maintained its leading position through its involvement in all four of these transactions, and made a major contribution to their success.

Dominated by the sovereign debt crisis, 2010 also posed great challenges for analysis, and further increased the need for solid information. In 2010 Raiffeisen Research published 1,086 analyses and 655 current briefings on capital market developments and gave 776 presentations for internal and external customers.

Branches and representative offices

RBI has 5 branches in London, Singapore, Beijing and Xiamen and (new in 2010) Labuan, Malaysia.

RBI also has representative offices in Frankfurt, Paris, Milan, Stockholm, Madrid, Moscow, New York, Teheran, Mumbai, Seoul, Ho Chi Minh City, Hong Kong, Zhuhai and Harbin.

The RBI branches in Asia – Beijing and Xiamen (China), Singapore and Labuan (Malaysia) – were extremely successful again in 2010, and significantly improved results on the previous year. Profit before tax in Asia amounted to approximately € 91.0 million. There were extensive organisational and operational innovations, such as the centralization of the functions of internal audit and compliance in Asia and the start of investment banking.

Cross-border business between China and Russia was further strengthened through the representative office in Harbin and cooperation with the CEE network banks. The RBI representative offices in Seoul, Hong Kong and Zhuhai also arranged a number of profitable transactions.

Besides their communication function, the European representative offices continued to be an important source of business for the entire network in CEE, while the Asian representative offices primarily served the Asian branches. As part of the treasury strategy, the London branch supports capital market sales.

Merger of Raiffeisen International with the principal business areas of RZB

On 22 February 2010, Raiffeisen International Bank-Holding AG (RI) and Raiffeisen Zentral Bank AG (RZB) announced that a merger of RI with RZB's principal business areas was a possible strategic option. On 19 April 2010, the boards of the two companies announced their decision to present a resolution proposing a merger to the two companies' shareholders. At the annual general meetings of Raiffeisen Zentral Bank AG and its 100 per cent subsidiary Cembra Beteiligungs AG (Cembra) on 7 July and the annual general meeting of Raiffeisen International Bank-Holding AG on 8 July, the shareholders approved the spin-off preceding the merger and the merger itself with the requisite three-quarters majority. The spin-off was recorded in the commercial register on 9 October and the merger on 10 October. The spin-off and the merger were carried out with retrospective effect on the target date 31 December 2009, 12 o'clock p.m. (contractual spin-off- and merger-due-day); the transaction was made effective with the entry into the commercial register. With effect from this registration Raiffeisen International Bank-Holding AG was renamed Raiffeisen Bank International AG (RBI). The Vienna Stock Exchange changed the share's ticker symbol from RIBH to RBI on 13 October.

The merger brought together RI, which is focused on the markets of Central and Eastern Europe, with RZB's principal business areas. These include the corporate banking business, i.e. significant portions of its banking operations, together with related participations. RZB's activities relating to its function as the central institution of the Raiffeisen Banking Group Austria (RBG), such as liquidity balancing, were excluded from the merger. The benefits of the merger range from unrestrained access to the capital markets to the up-to-date streamlined product range in the Central and Eastern European markets to the ability to allocate resources selectively to the most attractive market opportunities.

The stages of the merger

In the first stage the business segments of RZB that were to be merged were spun off and transferred to Cembra in preparation for the merger. Immediately after this transfer Cembra was merged with RI, which was renamed RBI once the merger took effect.

RZB received 40.8 million new common shares in RBI through its wholly-owned subsidiary Raiffeisen International Beteiligungs GmbH – together with the shares in RI previously held by Cembra – as compensation for the transfer of assets by Cembra in the merger. The issue of these shares increased RBI's share capital by € 124.6 million to € 596.3 million.

The exchange ratio for the merging companies was fixed as follows: 30.701845 bearer shares in RI were granted for each bearer share in Cembra. The exchange ratio was based on the valuation of the companies RI and Cembra on 8 July 2010. These valuations were confirmed by two independent auditing companies who were appointed by the two companies as independent assessors.

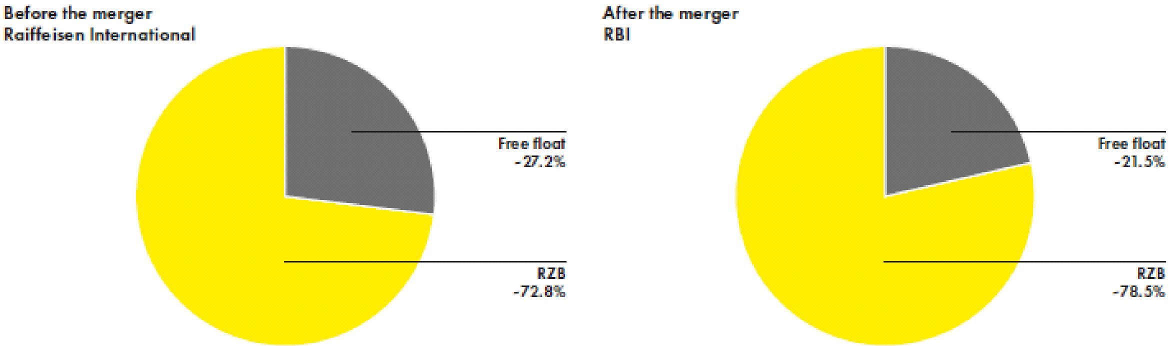
The court-appointed merger auditor TPA Horwath Wirtschaftsprüfung GmbH also produced a report under Section 220b of the Austrian Stock Corporation Act on the methods used to calculate the exchange ratio and the appropriateness of the proposed exchange ratio. To increase transparency further three international investment banks were requested to deliver reports on the fairness of the proposed exchange ratio, which they confirmed (so-called fairness opinions).

Ownership structure of the new bank

Like Raiffeisen International before, RBI is listed on the Vienna Stock Exchange. While Raiffeisen International's pre-merger free float was around 27.2 per cent, RBI's free float amounted to around 21.5 per cent after the transaction[1]. The 72.8 per cent which RZB indirectly held in RI before the merger therefore increased to around 78.5 per cent. This reflected the fact that 40.8 million new shares were granted to Cembra's sole shareholder Raiffeisen International Beteiligungs GmbH, a 100% subsidiary of RZB, in compensation for the transfer of Cembra's assets to RI in the merger.

[1] figures including proprietary possession

Shareholder structure before and after the merger



RBI's Management Board and Supervisory Board

RBI's Management Board contains members of both the pre-merger RI and RZB boards and there is therefore a high degree of continuity in terms of its composition and personnel. Herbert Stepic remains Chairman. Karl Sevelda, responsible for Corporate Banking, was appointed Deputy Chairman following the merger. Martin Grüll remains Chief Financial Officer and Johann Strobl was appointed Chief Risk Officer. Aris Bogdaneris and Patrick Butler also continue to exercise their previous board responsibilities in Retail banking and Markets respectively. Peter Lennkh is responsible for Network management.

The Supervisory Board was expanded in the merger. Walter Rothensteiner, who was Chairman of the Raiffeisen International Supervisory Board will stay on as Chairman of the new Supervisory Board. While Patrick Butler, Karl Sevelda, Johann Strobl and Manfred Url stepped down from the Supervisory Board with the entry of the merger in the commercial register, new members were elected to replace them and the number of shareholder representatives on RBI's Supervisory Board was increased from seven to ten.

Financial performance indicators

In light of the reorganisation measures and the change of business structure the significance of comparisons with the previous year is much reduced, and therefore trends since the previous year are not presented.

Balance sheet

Notes to the balance sheet

Total assets of Raiffeisen Bank International AG (RBI) at the balance sheet date of 31 December 2010 were € 72.7 billion.

Cash in hands and balances with central banks were carried at € 0.6 billion at year-end, including an amount of roughly € 0.3 billion with the Austrian National Bank.

As of 31 December 2010 *treasury bills and other bills eligible for refinancing with centralbanks* were recognised at roughly € 4.7 billion, primarily comprising Republic of Austria government bonds totalling € 3.8 billion.

Loans and advances to credit institutions amounted to € 24.0 billion, of which 60 per cent were to foreign banks.

Loans and advances to customers were shown as of the balance sheet date at € 24.6 billion, representing the largest share of total assets at around 34 per cent, of which 70 per cent were to foreign customers.

Debt securities and other fixed-income securities amounted to roughly € 7.0 billion as at 31 December 2010, divided between banks (€ 4.9 billion) and corporates (€ 2.0 billion).

Shares and other variable-yield securities totalled € 0.2 billion as at the balance sheet date.

Shares in affiliated undertakings amounted to € 6.4 billion as of 31 December 2010, and included investments in network banks in CEE of € 5.3 billion, while the total value of investments from the corporate banking business spun off by RZB AG was € 0.2 billion.

Under *liabilities to credit institutions* totalled € 29.9 billion. These represent the largest share of RBI's refinancing base, at 41 per cent of the balance sheet total. Deposits from banks were split between Austrian banks (53 per cent) and foreign banks (47 per cent).

Liabilities to customers (non-banks) amounted to € 12.7 billion as at the balance sheet date, with a 59 per cent share of deposits from foreign customers.

Securitised liabilities, subordinated liabilities and supplementary capital together amounted to € 18.3 billion in the reporting year, while placements of new issues in 2010 totalled € 1.2 billion.

The balance sheet item *participation capital /participation rights* amounted to € 2.5 billion as at 31 December 2010 and included the participation capital of € 1.75 billion subscribed by the Republic of Austria in 2009 under the Financial Market Stability Act.

The *own funds requirement* as of 31 December 2010 was € 3.2 billion, of which € 2.8 billion was for credit risk.

Eligible core capital (Tier I) amounted to € 5.7 billion as at 31 December 2010, while *eligible additional own funds (Tier II)* totalled € 3.8 billion as of the same date.

Deducting bank and insurance company participations leaves *total own funds* of € 9.5 billion, resulting in *excess own funds* of 200 per cent or € 6.3 billion.

The *core capital ratio* related to total risk was 14.3 per cent in 2010, while the *own funds ratio* as at 31 December 2010 was 24.0 per cent.

Earnings

In the 2010 financial year Raiffeisen Bank International AG (RBI) reported *net interest income* of € 597.7 million, where total interest and similar income of € 2,185.3 million includes income from fixed-interest securities of € 411.4 million.

Income from securities and participating interests of € 363.3 million was primarily from income from shares in affiliated companies (€ 311.7 million).

The balance of commissions receivable and commissions payable showed a net income of € 148.6 million, with the largest share (43 per cent) derived from income from the securities business (€ 63.7 million).

The *net profit in financial positions* as of the balance sheet date showed net income of € 39.1 million.

Other operating income amounted to € 85.6 million, including income from services to network units (73 %) and the holding company RZB AG (11 per cent)

RBI *operating income* totalled € 1,234.2 million.

Total *operating expense* was € 544.5 million.

Staff costs were reported at € 249.1 million.

Other administrative expenses of € 247.8 million comprised mainly on IT expenses (27 per cent) and fees for legal and other advisory services and audits (21 per cent).

Value adjustments of asset (depreciation on tangible assets) amounted to € 31.1 million.

Other operating expenses at RBI in 2010 totalled € 16.4 million, of which € 5.7 million was for impairment on the goodwill of the Cembra investment, created in the course of the merger.

After deducting operating expense from operating income, RBI reported an *operating result* of € 689.7 million for the 2010 financial year.
This resulted in a *cost/income ratio* of 44.1 per cent.

Net income from the disposal and valuation of loans and advances and specific securities showed a loss of € 179.4 million in 2010; the total expense of € 227.2 million was largely resulted from impairments on loans and advances of € 190.7 million.

Net income from the disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests showed a loss of € 40.1 million, with the revaluation loss on securities totalling € 41.4 million, or 78 per cent of the total expense of € 52.9 million.

This resulted in a *profit on ordinary acitivities* of € 470.2 million for the past financial year, giving a *return on equity before tax* of 8.1 per cent.

Tax on profit amounted to € 62.5 million, including a provision for the current tax office audit.
The *segment's return on equity after tax* came in at 7.0 per cent.

The *profit for the year after tax* as of 31 December 2010 totalled € 407.7 million. Holders of participation certificates received a dividend from this amount of € 200.0 million.

Proposed distribution of profit

The Management Board will propose the distribution of a dividend of € 1.05 per ordinary share to the annual general meeting, or € 205.3 million.

Non-financial performance indicators

Staff

Raiffeisen Bank International AG (RBI) was created by a merger between Raiffeisen International Bank-Holding AG (RI) and the principal business activities of Raiffeisen Zentralbank AG (RZB). All the following figures relate to the new company, for which there are no comparable figures from the previous year.

As at 31 December 2010 RBI had 2,054 employees (full-time equivalent). The traditionally very high proportion of female employees remained at 45.6 per cent. In the interests of an optimal life-work balance, RBI offers variable working hours without core time, telecommuting and a range of part-time options. There is still strong demand for parental leave and so the share of employees in part-time employment as of the balance sheet date was 11.3 per cent in all.

Despite the staff reassignments during the merger, critical positions still had to be filled on account of normal staff turnover. During the reporting period the staff turnover rate was 8.1 per cent.

Merger, an opportunity for the future

The change processes instigated by mergers always represent a particular challenge for organizations. In addition to getting to grips with these organizational hard facts, there was and is a need to work on the so-called soft issues, in particular on combining the different cultures of RI and RZB. This is why the Management Board decided to set up a change process. Its main aims were to

- involve all employees to obtain their consent to the planned changes to establish a new, common corporate culture, and

- support managers who in the course of the integration process have to deal with new management responsibilities.

The merger process was therefore designed and overseen by a team of internal and external change experts.

At the beginning of the change process, a comprehensive diagnosis was carried out using an employee survey and a large number of focus groups. The findings from the survey were presented and discussed in workshops of various compositions. In this context special attention was paid to differences in corporate culture. The initial cornerstones of the new culture were then worked out in dialogue with employees at various levels, based on the new leadership principles worked out by the Board. Organizational units particularly affected by the changes were supported with tailor-made workshops. At the same time, targeted support measures such as team building, conflict mediation and coaching were also implemented. Strong emphasis was placed on communicating with employees in numerous meetings, dialogue sessions with the management and information events on specific topics, as well as an Integration Newsletter published on a regular basis.

Although employees and managers had to cope with many changes and the resulting strains and stresses – as in the case of every merger – a feeling of optimism regarding the merger set in relatively early coupled with tangible confidence in the company. At the start of October, for example, shortly before the official merger date, more than 80 per cent of participating employees responded positively in an employee survey to the question: "How confident are you that RBI/the new RZB is heading towards a successful future?"

Potential for the future – training and human resource development

A high level of staff qualification is a key requirement for RBI's successful business development. As a result, hiring activities have focused primarily on graduates, resulting in an overall share of 58.5 per cent. In addition there were measures implemented for the ongoing training and further training of existing employees. On average, each of them spent 4.3 days on training and further training events in the reporting year. Following the successful introduction of a Group-wide leadership training architecture, many programmes were adapted or newly created in Vienna too. They all build on shared values and competencies and meet the development needs of all management levels.

Performance management

As a result of the merger, the performance management systems for the Vienna-based organizational units were also standardized within the space of just a few months, so that since early 2010 there has been a common, automation-supported performance management process. This change was accompanied by a major training initiative to further increase the quality and sustainability of the goal-setting process.

Structured job evaluation

Besides working on these employee-related issues, Human Resources also implemented fundamental measures relating to the organizational structure of the new bank. As part of a job evaluation project, an objective and systematic evaluation of all positions within the company was conducted, based on the internationally proven Watson Wyatt Global Grading System, which in the future will form the basis for standard personnel management processes and tools. Among other things a market-based and objective wage and title structure as well as development plans and career paths will be drawn up on the basis of each position evaluation. Another project to introduce a new remuneration structure was started as early as the fourth quarter of 2010. This project will include salary ranges and bonus systems being drawn up and implemented that already meet the new guidelines of the Banking Act on the principles of remuneration policies and practices. The project is set to be completed within the first quarter of 2011.

Corporate Responsibility

Corporate responsibility in a time of change

The basis of today's corporate responsibility (i.e. the social responsibility) of the Raiffeisen family can be found in Friedrich Wilhelm Raiffeisen's concept of "helping people to help themselves", embodying a balance of economic, social and environmental needs. RBI builds upon this and is a responsible and reliable partner for clients, investors and staff.

For RBI, corporate responsibility is a central part of its self-image as well as an actively practiced element of the corporate culture. In essence, it is a commitment to social responsibility and environmental sustainability. At the same time, the general aim is a responsible form of corporate action that extends above and beyond individual measures.

Raiffeisen principles

The following five principles have been laid down at RBI in order to define and communicate the term "corporate responsibility":

- A future always needs a past
  This principle is dedicated to the company's own history and tradition. If nothing else, the strength of RBI is based on Raiffeisen's excellent reputation and values. It is easy to have trust in a partner with a history of success stretching back over 100 years.

- We are here to stay
  This principle expresses RBI's responsibility to the regions of Central and Eastern Europe and their people. It also attests to a long-term strategy that is geared towards sustainability.

- The best become better with us

This approach emphasizes the interaction between the staff's commitment to performance and the social involvement of the employer.

- Our clients' success defines our own success
  A successful business is the primary aim of RBI and the basis for responsible dealings with its customers.

- A strong cultural mix
  RBI's commitment to diversity is aimed towards a strong cultural mix. An extensive presence in Central and Eastern Europe produces economic and social benefits and creates new opportunities.

Embedding corporate responsibility into the organization

The importance of sustainability in the Raiffeisen Group has been strengthened in 2010. This has been achieved with the further development of strategic and organizational measures in the area of corporate responsibility. Decision-making powers for the agendas in this field continue to rest with the Management Board. However since January 2010, strategic and organizational planning has rested with a newly created team that supports the decision makers in corporate responsibility issues.

In 2010, the so-called Extended Corporate Responsibility Committee (CR Committee) held its meetings on a half-yearly basis. The body is composed of important stakeholder representatives, including owners, non-profit organizations and network banks. The CR Committee has the task of informing the Management Board about current corporately relevant trends from the respective business areas of its members which are of relevance to the company. Consequently, it makes an important contribution to RBI's commitment to social responsibility in CEE including Austria.

Compliance and Code of Conduct
The topic of compliance is a part of daily business at RBI. At the same time, the entire RZB Group not only adheres to the statutory requirements but with its Best Practice approach has been consciously going above and beyond them for over 15 years.

The foundation of sustainable business policy
The Group's Code of Conduct forms a framework for implementing statutory requirements and represents the key basis for corresponding measures and ethical attitudes in the course of banking business. In particular, this also defines the correct way to deal with customers, business partners and staff.

In addition, the Code of Conduct contains provisions for handling market-sensitive information and preventing money laundering, the financing of terrorism, fraud and corruption.

As the rules affecting the reputation of the company as a whole have to be adhered to as uniformly as possible, the Code of Conduct and the key compliance rules are obligatory for the whole Group.

The Code of Conduct can be accessed on the RBI homepage.

The first RZB Group Stakeholder Council
As part of its structured sustainability management, the RZB Group has made open dialog one of its goals. In this spirit, on 27 October 2010 it convened a multi-stakeholder dialog with representatives from all key stakeholders for the first time. The result was an active and equitable exchange of opinions.

RBI's social commitment

As a company that is conscious of its responsibility, RBI is also actively involved in areas that are not directly related to its original business purpose.

Help for the earthquake victims of Haiti
On 12 January 2010, Haiti was struck by a devastating earthquake. After this, polluted drinking water, catastrophic hygienic conditions and the acute lack of medical supplies threatened the health of the earthquake region's inhabitants. As a result, the RZB Group set up a donation account with the Austrian Red Cross (ÖRK) and invited all colleagues, including those in CEE, to make a donation to this account. This call for donations raised over € 90,000.

H. Stepic CEE Charity – opportunity for a better life
Together with its cooperation partners – including Caritas, Hilfswerk Austria International and ÖRK – the H. Stepic CEE Charity carries out numerous social aid projects in the CEE region.

Thanks to the dedicated work of many volunteers, it was possible to achieve these projects in a relatively short period. Examples include a home for orphans in Charkov (Ukraine), holiday accommodation for children in Jablunitsa (Ukraine), a home for war widows and their children in Illijas (Bosnia) as well as the procurement of a handicapped accessible minibus for a children's hospice in Minsk (Belarus).

In 2010 another project was started in Albania with the help of Caritas. Here, the H. Stepic CEE Charity is involved in converting a former health center into a daycare center for disabled people aged between 8 and 25, who will then benefit from living space and professional care.

At the moment, a new project is just taking shape in the Ukraine: Together with "Kleine Herzen" and Caritas, the H. Stepic CEE Charity is setting up an orphanage for ten children in Pnikut. It is expected to open in 2011.

Information about all of H. Stepic CEE Charity's projects can be found at www.stepicceecharity.org.

Dealing with staff responsibly

Even during the merger and the related reorientation, handling staff fairly is something that is very important to RBI. In addition to initiatives that address the issue of a healthy work-life balance, a focus is put on comprehensive diversity management. This pursues the aim of having positive intercultural cooperation across the entire Group.

As a result of the merger, further emphasis was put on structured communication about the new bank. This primarily addressed the differences in corporate culture that had been dealt with in workshops. Further details regarding this can be found in the chapter: Human resources.

Detailed information concerning corporate responsibility at RBI will be published in the next corporate responsibility report. It is anticipated that it will be published in the second quarter of 2011.

Risk management

The start of 2010 was still dominated by uncertainty due to the continuing financial and economic crisis that started in 2008. Markets were suffering from the combination of low economic growth and a continuing high level of defaults, as well as high volatility in risk premiums and exchange rates. However, the trend finally turned during the reporting year and the global economy picked up more and faster than originally anticipated. Even so, the general uncertainty and the gap between countries in terms of the sustainability of the economic recovery remain. Risk premiums also widened further as a result of the sovereign debt crises in Greece and Ireland.

In this environment, risk management at Raiffeisen Bank International AG (RBI) used a combination of new and existing instruments to deal with the increased market volatility and make it possible to respond early to changes in general economic circumstances. At the same time, business activity was expanded in non-cyclical sectors, existing loans to governments and financial institutions in the affected markets were scaled back, and lending policies were modified, particularly for foreign currency loans. These measures helped to bolster the resilience of the RBI credit portfolio in the face of the prevailing market volatility.

Despite the continuing difficult market situation, newly formed provisions for impairment losses in 2010 were kept low as a result. Even so, managing non-performing loans was one of the core functions of risk management in 2010. Besides the reorganization of the area involved, further progress was made with introducing minimum standards for the restructuring process. The standards were introduced at all network banks and leasing companies, and now ensure sustainable and comprehensive management with adequate resources throughout the entire Group. The early recognition of problem loans means that more time is available to assign them to experienced restructuring managers with their extensive portfolio of measures.

Risk management integration through the merger

The creation of a fully integrated risk management system was always a compelling argument in favour of the merger during the reporting year of Raiffeisen International Bank-Holding AG (RI) and the spun-off principal business areas of Raiffeisen Zentralbank AG (RZB). All risk management functions were consolidated under the Chief Risk Officer, who is also a Member of the Management Board, and partly reorganized. In the context of this partial reorientation, the concept of risk committees with decision-making authority was modified for the new structure. These committees were upgraded with the addition of a number of board members. In addition, the risk management processes of RI and RZB were consolidated.

The resulting structure with its new elements forms the basis for risk management – identifying, measuring, aggregating, limiting and reporting – for both individual types of risk and the overall risk for RBI.

The departments in both companies for credit risk management for large customers were consolidated, with a realignment on industry lines. The newly created Credit Management Corporates area was given four departments dealing with specific target industries (construction & real estate, cyclical industries & manufacturing, noncyclical industries, energy & commodities). The goal of the alignment by industry is to establish the individual departments as competence centres for industry know-how. As a result, the departments in credit risk management for major customers also analyze the potential and risks for the individual industries, in close cooperation with internal and external specialists such as economists, industry consultants and trend analysts.

In combination with the reorganization of credit risk management for major customers by industry, Credit Portfolio Management was given a regional dimension by consolidating country risk and credit portfolio management in a new department. This has the function of enabling uniform risk assessment for both RBI countries and portfolios. The conclusions and resulting measures are determined in close consultation with the responsible customer segments, and are being implemented within the existing management instruments (lending guidelines, portfolio limits, etc.).

In view of the problems facing many customers as a result of the economic crisis – particularly in Central and Eastern Europe – a unit was established at Group Head Office for managing problem loans to corporate customers and financial institutions. Its staff have many years of experience in restructuring management in both Western Europe and CEE, and are directly involved in the decision-making processes where key non-performing loans are involved. The emphasis is on central management of complex problem cases, advising local restructuring management departments and ongoing monitoring of recoveries. In addition, this unit handles all the RBI problem loans and negotiates with its customers, bank syndicates and potential investors. Particular attention is paid to coordinating international problem cases affecting a number of RBI units, by developing and implementing strategies to optimize results on a group basis.

Market risk

The market risk management system developed since March 2008 on the basis of an internal model was implemented at the start of 2010. Since then, market risk management has been based on the figures from this internal model.

The model uses a hybrid approach, i.e. a combination of historical and Monte Carlo simulation with around 5,000 scenarios to calculate value at risk (VaR) for changes in the risk factors of foreign exchange, interest changes, credit spreads for bonds, credit default swaps and equity indices. To improve the modeling of risk factors where the probability of extreme price changes is higher than under normal distribution, the model incorporates numerous add-ins, such as adding extreme events to the scenarios, or taking current volatility into account in scenario generation, together with various time horizons in volatility estimation. This model approach offers a suitable basis for implementing the strict Basel III requirements in internal models.

The model passed the review process of both the Austrian Financial Market Authority (FMA) and Oesterreichische Nationalbank (OeNB), and has been used since 30 August 2010 to calculate capital requirements for the foreign currency and general interest rate risk in the trading book for RBI. Daily management includes RBI's trading and bank books based on VaR for a one-day holding period, a 99 per cent confidence interval, and sensitivity limits. The market risk position, limit process and presentation of all capital market activities in the income statement are some of the regular items on the agenda for the weekly Market Risk Committee meetings.

To ensure the quality of the model, it is subjected to an ex post daily comparison, or backtesting. The results of these tests have always been within the range of model expectations, and have not shown any material flaw even in the last few months. Based on these good results, the internal model should be placed in the best regulatory category ("green status").

RBI's net interest income is a significant component in earnings and makes a material contribution towards strengthening its capital. To reflect this importance, a separate unit was established in risk management to simulate this earnings component in various scenarios. In close cooperation with the market units, RBI is preparing itself for various developments in the markets so that it can respond rapidly to adverse trends.

Liquidity risk

Within liquidity risk management, the crisis scenario analyses used in risk measurement and management were further refined. Besides results from recent years, the initial assumptions of Basel III have been integrated into the underlying scenarios, and the associated measures have focused primarily on reducing liquidity and transfer risks. Other initiatives in the reporting year were aimed at diversifying the refinancing basis.

Basel II and Basel III

In the reporting year RBI worked closely on the impending regulatory changes in capital requirements under the Basel III rules. The potential influence of the new and modified statutory regulations on RBI was analyzed in detail. In addition, the Group participated in the Quantitative Impact Study, organized and analyzed by the CEBS and the Bank for International Settlements (BIS).

Besides the preparations already initiated in connection with the new Basel III regulations, RBI risk management focused on the ongoing implementation of the advanced Basel II approach. The activities related to Basel II include implementing the Internal Rating-Based approach (IRB) in the retail and non-retail segments of the subsidiaries in CEE, further developing the internal market risk model, and the Group-wide introduction of the Standard Approach for operational risk. The activities in individual Group subsidiaries were coordinated and assisted by the RBI risk management units.

The supervisory authorities approved the modification of the IRB approach for RZB in the reporting year, which was necessary because of the merger-related transfer of assets from RZB to RI. As a newly created bank, RBI successfully completed the mandatory IRB approval process with a very low number of new requirements.

Risks arising from financial instruments (Risk report)

Active risk management is one of the core competencies of Raiffeisen Bank International AG (RBI). In order to effectively identify, measure, and manage risks the bank already implemented a comprehensive risk management system in the past and continues to develop it. In doing so risk management constitutes 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. Risk management in Raiffeisen Bank International controls the exposure to and ensures professional management of all material risks.

Risk Management Principles

RBI has a system of risk principles and procedures in place for measuring and monitoring risks, with the aim to control and manage risks at all banking and specialist subsidiaries of the bank. The risk policies and risk management principles are laid down by the Managing Board of Raiffeisen Bank International. The following risk policies highlight some of these principles:

- Integrated risk management
  Credit, country, market, liquidity, participation and operational risks are managed as main risks throughout the Group. For this purpose, risks are measured, limited, aggregated, and compared to available risk coverage capital.

- Standardized methodologies
  Risk measurement and risk limitation methods are standardized in order to ensure a consistent and coherent approach to risk management. This is efficient for the implementation of risk management methods. And it is 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 risk concentrations.

- Independent control
  Clear personal and functional firewalls are in place 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 done under risk-return considerations and that there are no incentives for taking high risks.

Organization of risk management

The Managing Board of RBI ensures the proper organisation 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. For implementing these tasks, the Managing Board is supported by independent risk management units and specially appointed committees.

Basically, risk management functions are performed on different levels in the Group. RBI develops and implements the relevant concepts in coordination with RZB as as the parent credit institution of the Group and in cooperation with its subsidiaries. Risk management functions in RBI thus often carry two sets of responsibilities: on the one hand they ensure the adequate and appropriate implementation of risk management processes in the Group; on the other hand, they implement the risk policies for specific risk types and take active steering decisions within the approved risk budgets for RBI itself.

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 Managing Board and the heads of individual business units.

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 of the Group 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 Managing 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 uses treasury results, the amount of risks taken and the limit utilization, as well as the results from scenario analyses and stress tests for market risk 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 approve limit applications according to the credit approval authority (depending on rating and exposure size) and vote on all credit decisions.

The Group Asset/Liability Committee assesses and manages balance sheet and liquidity risks. In this context it plays an important role for the Group's long term funding planning and the hedging of structural risk positions.

Credit Portfolio Committees finally 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, customer segments). Based on that, credit portfolio management then develops lending policies and sets limits steering the future credit portfolio.

Overall bank risk management

Maintaining an adequate level of capital is a core objective of risk management at RBI. Capital adequacy is monitored on a quarterly basis based on the actual risk level which is measured by internal models, taking into account the materiality of risks for choosing appropriate models. This capital adequacy framework incorporates both, capital requirements from a regulatory point of view (sustainability and going concern perspective) and from an economic point of view (target rating perspective).

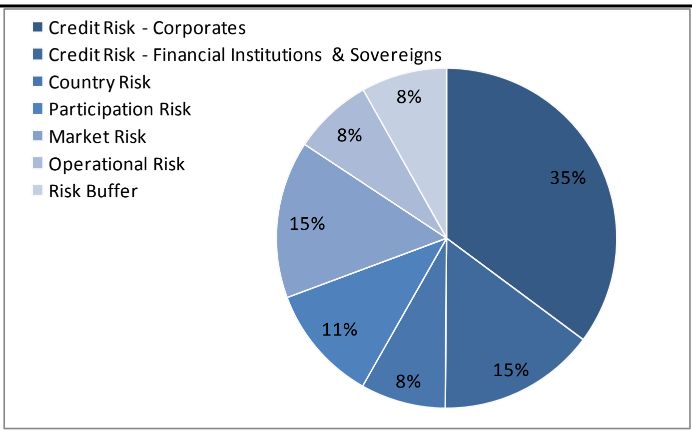
Objective	Description of risk	Measurement technique	Confidence level
Target rating perspective	Risk of not being able to satisfy claims of the Group's senior debt holders	Unexpected losses on an annual basis (economic capital) must not exceed the present value of equity and subordinated liabilities	99.95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

This concept for overall bank risk management also satisfies the requirement for an internal capital adequacy assessment process (ICAAP) as required by Basel II (Pillar 2) regulations.

Target rating perspective

Risks in the target rating perspective are measured as economic capital presenting a comparable measure across all types of risks. It is calculated as the sum of unexpected losses stemming from different risk categories (credit incl. country risk, market, participation, and operational risk). Risks of all subsidiaries that are operatively controlled by RBI are shown separately in participation risk as well. In addition, a separate buffer for other risks not explicitly quantified is held on overall bank level.

Risk contribution of individual risk types to economic capital for Raiffeisen Bank International as of 31/12/2010



RBI uses a confidence level of 99.95 per cent for calculating unexpected losses for a 1 year horizon. This confidence level is based on the probability of default implied by the target rating of RBI. The purpose of calculating economic capital is to determine the amount of capital that would be required for servicing the claims of customers and creditors even in the case of such an extremely rare event.

Economic capital shows that credit risk of asset class corporate customers remains the dominant risk category. Its share in total risk is 35 per cent; credit risks in total account for 50 per cent of economic capital. Market risk accounts for 15 per cent and in addition a general risk buffer is allocated for other risks as well. The risk contribution of subsidiaries is shown in participation risk. Their operations and risks, however, are managed using a look-through approach and are controlled in each individual risk category based on Group standards.

Economic capital is an important instrument in overall bank risk management and is used for allocating risk budgets. Economic capital budgets are allocated to business segments during the an-nual budgeting process and are complemented for day-to-day management by volume, sensitivity, or value-at-risk limits. In RBI this sort of 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 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 bank. This measure it is used in turn as a key figure for overall bank management, for future capital allocations to business units, and influences performance-oriented compensation of executive management.

Going concern perspective

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

According to 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 mostly are comparable to the target rating perspective, (albeit on a lower 99 per cent confidence level). Using this perspective the bank ensures adequate regulatory capitalization (going concern) with the given probability. Internal targets for regulatory capital ratios 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.

Sustainability perspective

The main goal of the sustainability perspective is to ensure that RBI can maintain a sufficiently high core capital ratio for the three year planning period also in a severe macroeconomic downturn scenario. This analysis of the sustainability perspective 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, 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 for a multi-year period. The minimum amount of core capital thus is determined by the size of the potential economic downturn. In this analysis 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 resulting from the downturn scenario 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 analyzing risk concentrations (e.g. individual items, industries, or geographical regions) and gives insight into the profitability, liquidity situation, and solvability under extreme situations.

Credit risk

Credit risk within Raiffeisen Bank International AG (RBI) stems mainly from default risk that arises from business with corporate customers, other banks and sovereign borrowers. Default risk is defined as the risk that a customer will not be able to fulfill contractually agreed financial obligations. Also migration risks (caused by deteriorations in customers' creditworthiness), concentration risks of creditors, risks in credit risk mitigation techniques, and country risk are considered.

Credit risk is analyzed and monitored both on an individual loan and customer-by-customer basis as well as on a portfolio basis. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and 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.

No lending transaction is performed without running through the limit application process beforehand in the non-retail segments. This process is also consistently applied – besides new lending – to increases in existing limits, extensions, 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 an 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 decision-making level.

Credit portfolio management

Credit portfolio manaagement 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, analysing the long-term potential of different markets is a routine acticity. This allows for an early strategic repositioning of future lending activities.

The credit portfolio of RBI is well diversified in terms of geographical region and industry. The regional breakdown of the maximum credit exposure reflects the broad diversification in European markets. The following table shows the regional distribution of the maximum credit exposure by the borrower's home country (countries with exposure larger than € 2 billion are shown as separate items).

in € 000	2010	Percentage
Austria	37,452,772	39.8%
Germany	4,904,336	5.2%
Far East	4,543,899	4.8%
Russia	3,987,371	4.2%
Great Britain	3,596,069	3.8%
USA	3,569,132	3.8%
Netherlands	3,013,764	3.2%
Ukraine	2,549,181	2.7%
Romania	2,352,522	2.5%
Poland	2,144,293	2.3%
Swiss	2,037,187	2.2%
Others	23,874,699	25.4%
Total	**94,025,226**	**100.0%**

Risk policies and credit assessments in RBI take into account the industry class of customers as well. The banking and insurance industry represents the largest industry class which is to a large extent attributed to exposures against members of the Raiffeisen Sector (liquidity balancing function). The exposure in industry class is public sector is mainly explained by bond positions with the Republic of Austria as issuer. The following table shows the maximum credit exposure by industry class:

in € 000	2010	Percentage
Financial Intermediation	51,115,979	54.4%
Real estate, renting and business activities	13,251,409	14.1%
Manufacturing	7,184,988	7.6%
Wholesale and retail trade; repair of motor vehicles, motorcyles and personal and household goods	6,910,234	7.3%
Public administration and defence, compulsory social serecurity	6,360,135	6.8%
Transport, storage and communication	1,616,917	1.7%
Electricity, gas and water supply	1,567,290	1.7%
Construction	1,152,369	1.2%
Agriculture, hunting and forestry; fishing; mining and quarrying	922,491	1.0%
Education; health and social work; other community, social and personal service activities	701,226	0.7%
Others	3,242,189	3.4%
Total	**94,025,226**	**100.0%**

A 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. It should be noted that default probabilities assigned to individual rating grades are estimated for each asset class separately. Rating models in the main non-retail asset classes – corporates, financial institutions, and sovereigns – are uniform in all Group members and rank creditworthiness in ten classes. Customer rating as well as validation is supported by specific software tools (e.g. for business valuation, rating and default database).

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 collateral catalogue and evaluation guidelines for collateral. The collateral value is calculated via specified methods, which include standardized calculation formulas based on market values, predefined minimum discounts, and expert assessments.

Default and workout process

The credit portfolio and individual borrowers are subject to constant monitoring. The main purposes of monitoring are to ensure that the borrower is meeting the terms and conditions of the contract as well as following the obligor's economic development. 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 collaterals.

Problem loans (where debtors might to run into material financial difficulties or a delayed payment is expected) need special handling. In non-retail divisions, problem loan committees of each Group member make decisions on problematic exposures. If a need for intensified handling and workout is identified, then problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Employees of workout units are specially trained and experienced. 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 analysing as well as booking provisions for impairment losses (write-offs, value adjustments, provisioning). Their early involvement can help reducing losses resulting from problem loans.

Default is internally defined as the event where a specific debtor is unlikely to pay its credit obligations to the bank from primary sources, or the debtor is overdue more than 90 days on any material credit obligation. Raiffeisen Bank International has defined twelve default indicators which are used to identify a default event including 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 restructuring unit is considering stepping in to help a company restore its financial soundness.

Within the scope of the Basel II project a default database has been created for recording and documenting customer defaults. The database tracks defaults and the reasons for defaults, which makes it suitable for calculating and validating 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 of each Group member decide on building individual loan loss provisions.

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 convergence markets. In these markets political and economic risks to some extent still are seen as significant.

As country risk is closely associated with the risk of sovereign institutions, it is measured based on the same ten-class rating model. This rating model includes a quantitative analysis of the macro-economic risk of a particular country and a qualitative analysis of the political risk in a particular country. Country risk management in RBI is based on the country risk policy which is approved semi-annually by the Managing Board. This policy sets a strict limitation of risk exposure to foreign countries.

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. Country risk also is reflected in product pricing as well as in risk-adjusted performance management. Business units therefore can benefit from country risk mitigation by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries.

Stress tests finally simulate the impact of severe crises in selected countries and regions on the bank's financial performance. These stress tests underline the special importance of this topic in risk management in RBI.

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 can 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 like 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.

Participation risk

The banking book also contains risks arising from listed and unlisted equity participations. They are described separately under this risk heading. Most of the direct and indirect participations of RBI are fully consolidated in the Group's balance sheet (e.g. network banks, network leasing companies) and therefore subject to the 'look through' approach. Risks arising from such participations are managed by applying controlling-, measurement-, and monitoring-tools as described for the other risk categories.

Participation risk and counterparty credit risk have similar roots: a deteriorating financial situation on equity participations is mostly reflected in a rating downgrade (or default) of the respective entity. The methodology used for measuring value-at-risk and internal capital requirements of equity participations nonetheless is comparable to the methodology used to measure price risk arising from positions in stocks. However, in the light of the longer-term strategic nature of equity participations, annual volatilities based on observation periods of several years (instead of daily price changes) are used in the calculation.

Participations of Raiffeisen Bank International are managed by the Participations division. This division is responsible for controlling risks arising from long-term equity investments and for returns generated by these investments as well. New investments are made only by the Managing Board of Raiffeisen Bank International on the basis of individual due diligence.

Market risk

Raiffeisen Bank International 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 Group Treasury division by closing internal contracts with customer divisions. Global Treasury is responsible for managing structural market risks and for complying with the overall limit. The Capital Markets division is responsible for proprietary tading, market making, and for customer business with money market and capital market products.

Organisation of market risk management

RBI measures, monitors and manages market risks on total bank level.

The Market Risk Committee is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks. The overall limit is set by the Managing Board on the basis of the risk taking capacity and income budget. This limit is apportioned to sublimits 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 and risk appetite. 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 catalogue. 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 of central importance in the design of the instrument used. It 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. Distibution assumptions include modern features like volatiliy declustering, random time change, and extreme event containers. This helps 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 illiquity 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 Commmittee and taken into account when setting limits. Stress test resports for individual portfolios are included in daily market risk reporting.

Value-at-risk (VaR)

The following table shows risk figures (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.

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

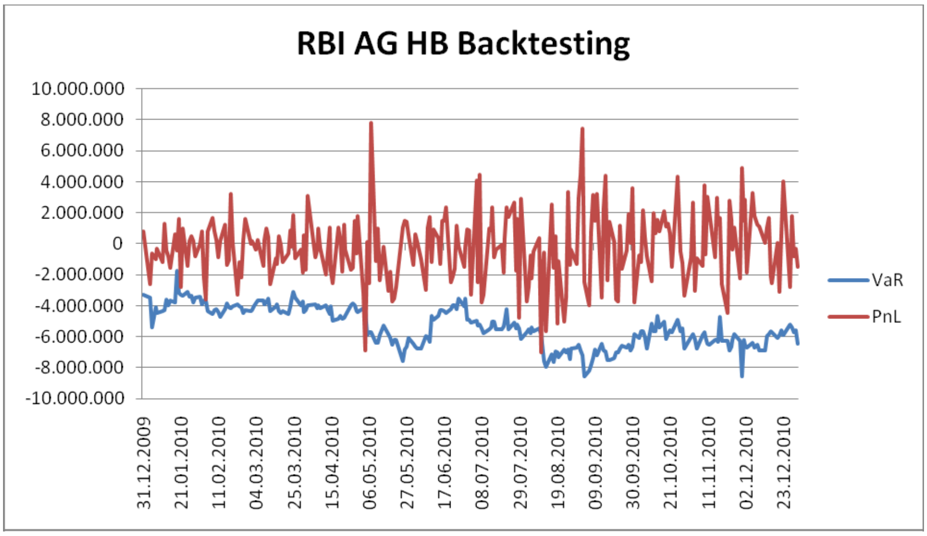
Trading book VaR 99% 1d	31/12/2010	Avg 2010	Maximum 2010	Minimum 2010
Currency risk	2,523	1,050	5,714	420
Interest rate risk	4,694	4,612	7,612	934
Credit spread risik	2,049	3,784	13,390	2,029
Total	**7,263**	**8,692**	**16,040**	**4,953**

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

The following chart compares VaR and theoretical profits and losses on a daily basis for the trading book of RBI. VaR is shown as blue line and denotes the maximum loss that will not be exceeded with 99 per cent confidence level on the next day. Theoretical profits and losses are shown as red line indicatig theoretical returns that the bank would have realized according to the actual changes in market parameters.

It is possible to see that the model correctly reproduces market volatility regimes and quickly reacts to changed market conditions. Risk measurement approaches in use are verified – besides analysing returns qualitatively – permanently through backtesting and statistical validation techniques. If model weaknesses are be identified, they are fixed accordingly. There were 3 backtesting violations for RBI's trading book (in this analysis the portfolio of RZB contributed as result of the merger is being used). They are mostly explained by large jumps in the euro yield curve.

Value-at-risk and theoretical market price changes of Raiffeisen Bank International's trading book



Interest rate risk in the trading book

The following two tables show the largest present value changes for the trading book given a one-basis-point interest rate increase for the whole yield curve in € thousand.

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

Interest rate 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 members 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 Global Treasury division, which receive assistance from the Group Asset/Liability Committee. It bases its 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 traditional tools for nominal and interest rate gap analyses. Since 2002, interest rate risk has been the subject of quarterly reporting within the scope of the interest rate risk statistics submitted to the banking supervisor. These reports show 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 2010, 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 date 31/12/2010.

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

Credit spread risk

The market risk management system takes into account time-dependent bond and CDS-spread curves as market 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.

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 bank keeps is ability to pay at all times, is performed by the Global Treasury division in Vienna. Cash flows are calculated and analysed by currency on a daily basis in an internal monitoring system. Based on this data, the bank creates liquidity balances, and analyses whether it always 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.

Short-term liquidity risk

The following table shows excess liquidity and the ratio of 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).

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

Internal limits have been established in order to limit liquidity risk. They require a positive short-term liquidity gap based on the internal liquidity model. In addition the bank holds sizeable positions in 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, contingency plans would come into force.

Funding liquidity risk

Funding liquidity risk is mainly driven by changes in the risk appetite 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 it acts as the central liquidity balancing agent for the local Group members 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 enables medium-term and long-term borrowing activities of its subsidiaries through syndicated loans, bilateral funding agreements with banks, and financing facilities of supranational institutions. These funding sources are based on long-term business relationships.

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.

As with other risk types the principle of firewalling between risk management and risk controlling is also applied to operational risk in RBI. The operational risk controlling unit is mainly responsible for the implementation and refinement of methods for operational risk management (e.g. performing self assessment, defining and monitoring key risk indicators, etc.). 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

An important task for controlling operational risks is identifying and evaluating risky areas which might endanger the bank'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).

Operational risk self-assessment is executed in a structured manner, where all operational risk categories and business functions are assessed in a two-dimensional matrix (per business line or product group). This applies to new products as well. All business 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 scenario analysis framework that includes the simulation of up to ten specific scenarios.

Monitoring

In order to monitor operational risks, key risk indicators (KRIs) are used as measurable indicators that allow promptly identifying and mitigating operational risks.

Loss data is collected in a central database called ROCO (Raiffeisen Operational Risk Controlling) in a structured manner according to the event type for each 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 develop advanced operational risk management tools. In 2010 Raiffeisen Bank International has become member of the ORX consortium, a reputable international data pool.

Operational risks are reported in a comprehensive manner to the Group Risk Committee on a quarterly basis.

Quantification and mitigation

RBI currently calculates regulatory capital requirements for operational risks according to Basel II using the Standardized Approach.

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 these events occur. In addition, several dedicated organizational units provide support to business units for reducing operational risks. An important role, for instance, plays fraud

management which reduces potential fraud related losses through proactive monitoring and preventive actions. Raiffeisen Bank International also executes an extensive staff training program and has different emergency plans and back-up systems in place.

Internal control and risk management system for accounting

Introduction

For Raiffeisen Bank International AG (RBI), establishing and structuring an appropriate internal control and risk management system for accounting is a matter of crucial importance.

The annual financial statements of RBI are prepared in the Financial Accounting department, which is in the CFO's executive department. Foreign branches supply financial statements to Head Office, for which they are directly responsible.

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

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

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

The accounting process can be described as follows:

- Current accounting The accounting records are entered both directly in GEBOS (loan and deposits processing) and indirectly through various sub-ledgers (subsystems). In the latter case, the (aggregated) entries are forwarded through interfaces to the general ledger (GEBOS).

- Individual financial statements for RBI in accordance with the Austrian Commercial Code (UGB), Austrian Banking Act (BWG) and IFRS: based on the trial balance from GEBOS, a large number of supplementary entries are made. This is then the basis used to prepare the balance sheet and income statements in accordance with UGB/BWG.

Control system

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

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

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

Risk assessment

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

Control measures

The key control measures cover a number of reconciliation processes. Examples include reconciliations between the general ledger and sub-ledgers and the reconciliation of results between Financial Accounting and Midoffice Treasury.

The functions assigned to the individual offices are documented in writing and continuously updated. Particular importance is given to efficient deputization and ensuring that an individual absence does not lead to a failure to keep an appointment.

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

Information and communication

There is an ongoing exchange of information between the departments about the booking and accounting of products. In Treasury, for example, there are regular monthly meetings where the accounting of complex products is covered. Regular departmental meetings ensure that staff constantly receive training on new features in UGB accounting.

As part of the reporting procedure, the Management Board receives a monthly report analysing RBI's results.

Monitoring

The Management Board and the mid-office departments are responsible for ongoing company-wide internal monitoring. The quality of the ongoing monitoring is ensured by the activities of the Internal Audit department.

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

Material events after the balance sheet date

Acquisition of a majority stake in Polbank

On 3 February 2011, Raiffeisen Bank International AG (RBI) closed an agreement with the Greek EFG Eurobank Ergasias S.A. (Eurobank EFG) concerning the acquisition of a majority 70 per cent stake in its business unit Polbank EFG (Polbank). Polbank is the Polish banking network of Eurobank EFG, which, prior to implementation of the acquisition, is set to be converted into an independent legal entity with a Polish banking license. RBI will pay € 490 million for the 70 per cent stake when the agreement is closed. The acquisition is still dependent on the successful closing of the agreement and the approval of the EU Commission as well that of the Greek and Polish regulatory authorities. The transaction is expected to close in the fourth quarter of 2011 or the first quarter of 2012.

It has been agreed that RBI shall, in a first stage, acquire a 70 per cent stake in Polbank and, in a second transaction stage immediately afterwards, Eurobank EFG and RBI shall invest their respective shares (Eurobank EFG: 30 per cent, RBI: 70 per cent) in Raiffeisen Bank Polska S.A in exchange for new shares of Raiffeisen Bank Polska. As a result, Eurobank EFG will retain a 13 per cent stake in the Polish Raiffeisen Bank. The purchase price is based on guaranteed equity of at least € 400 million for Polbank and € 750 million for Raiffeisen Bank Polska. The implicit price-book value ratio stands at 1.7 but may change when the agreement is closed because of the equity requirements which are yet to be definitively determined. In addition both parties agreed, on the one hand, on a put option for Eurobank EFG permitting it to sell its stake in the merged Polish unit to RBI at a price that is dependent on business developments, but for a figure of at least € 175 million plus interest, at any time. On the other hand, RBI shall receive a call option which will be exercisable from 31 March 2016 to ambient terms.

With its keen focus on private customers, Polbank ideally complements Raiffeisen Bank Polska, which is very well positioned in business with corporate customers. Consequently, RBI expects to see a marked strengthening of its position in Poland as a result of the acquisition of Polbank. The merged unit consisting of Raiffeisen Bank Polska and Polbank will likely be Poland's sixth largest universal bank based on assets; measured against customer loans it may even occupy fourth place. In addition, thanks to the merger, the strategically perfect add-on not only involves estimated cost synergies of € 60 million annually but also substantial revenue synergies.

Outlook

Now that the crisis is tailing off and amidst mounting signs of an overall economic recovery, in our group we are aiming in the medium term, with the inclusion of the acquisition of Polbank, for a return on equity before tax of 15 to 20 per cent. This is excluding future acquisitions, any capital increases, as well as unexpected regulatory requirements from today's perspective.

In 2011, we plan to notably increase growth in customer lending volumes relative to the previous year (2010: 4.3 per cent). In terms of regions, we are seeking the highest absolute growth in lending to customers in CEE.

From the customer standpoint, we plan to retain our Corporate customers division as the backbone of our business and in the medium term to expand the proportion of Group lending to customers accounted for by our Retail customers division. Following the successful conclusion of the acquisition of Polbank, the Central European segment will continue to gain importance in terms of customer lending volumes.

In terms of credit risk, we expect to witness a further decline in the net provisioning ratio (provisioning for impairment losses in relation to the average credit risk-weighted assets) over the medium term. Based on current market forecasts, we assume that the non-performing loan ratio at Group level will peak in the second half of 2011.

The bank levies in Austria and Hungary will lead to an anticipated reduction in our 2011 result of some € 130 million (approximately € 90 million for Austria and € 40 million for Hungary).

In 2011, we plan to raise around € 6.5 billion in long-term wholesale funding in the capital markets, of which € 2.3 billion had already been successfully placed as of beginning of March.

The number of Group outlets is to remain fairly stable in 2011, although there may continue to be some optimization of our network in some countries.

Auditor's Report

Report on the Financial Statements

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

Raiffeisen Bank International AG, Vienna, Austria,

for the year from **1 January 2010 to 31 December 2010**. These financial statements comprise the balance sheet as of 31 December 2010, the income statement for the year ended 31 December 2010 and the notes.

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

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

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

Opinion
Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance for the year from 1 January 2010 to 31 December 2010 in accordance with Austrian Generally Accepted Accounting Principles.

Report on Other Legal Requirements (Management Report)

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

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

Vienna, 10. March 2011

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Wilhelm Kovsca
Wirtschaftsprüfer

Mag. Bernhard Mechtler
Wirtschaftsprüfer

(Austrian Chartered Accountants)

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

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

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

We confirm to the best of our knowledge that the 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.

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

Vienna, March 2011

The Managing Board

Herbert Stepic
Chief Executive Officer responsible for Internal Audit, Legal & Compliance, Human Resources, Management Secretariat, Organisation & 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 Information Technology, Operations & Productivity Management, Credit Services, Transaction Services, Retail CRM, Premium & Private Banking, Lending & Cards, Sales, Distribution & Service and SME Banking

Patrick Butler
Member of the Managing Board for Global Markets 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 Managing Board for Network Management responsible for International Business Units and Participations

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