Semi-Annual Financial Report as of 30 June 2011

Raiffeisen Bank International

Survey of key data

Raiffeisen Bank International Group Monetary values in € million	2011	Change	2010
Income statement	**1/1-30/6**		**1/1-30/6**
Net interest income	1,781	0.1%	1,780
Net provisioning for impairment losses	(405)	(33.3)%	(608)
Net fee and commission income	737	3.1%	715
Net trading income	256	33.2%	192
General administrative expenses	(1,514)	6.3%	(1,425)
Profit before tax	879	51.6%	579
Profit after tax	677	31.4%	516
Consolidated profit	615	30.3%	472
Statement of financial position	**30/6**		**31/12**
Loans and advances to banks	24,972	16.0%	21,532
Loans and advances to customers	79,431	5.0%	75,657
Deposits from banks	34,829	3.5%	33,659
Deposits from customers	63,625	10.4%	57,633
Equity	10,483	0.8%	10,404
Total assets	137,556	4.9%	131,173
Key ratios	**1/1-30/6**		**1/1-30/6**
Return on equity before tax	17.1%	4.9 PP	12.2%
Return on equity after tax	13.2%	2.3 PP	10.8%
Consolidated return on equity	13.3%	2.3 PP	11.1%
Cost/income ratio	55.1%	2.1 PP	53.0%
Return on assets before tax	1.29%	0.50 PP	0.79%
Net interest margin	2.62%	0.19 PP	2.43%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.09%	(0.61) PP	1.70%
Bank-specific information[1]	**30/6**		**31/12**
Risk-weighted assets (credit risk)	76,502	1.2%	75,601
Total own funds	12,496	(0.9)%	12,608
Total own funds requirement	7,702	1.5%	7,585
Excess cover ratio	62.2%	(4.0) PP	66.2%
Core tier 1 ratio, total	8.5%	(0.3) PP	8.9%
Tier 1 ratio, credit risk	11.8%	(0.4) PP	12.2%
Tier 1 ratio, total	9.4%	(0.3) PP	9.7%
Own funds ratio	13.0%	(0.3) PP	13.3%
Stock data	**30/6**		**30/6**
Earnings per share in €	2.65	38.4%	1.91
Price in €	35.54	12.9%	31.49
High (closing prices) in €	40.00	(6.4)%	42.75
Low (closing prices) in €	32.53	7.8%	30.19
Number of shares in million	195.51	–	195.51
Market capitalization in € million	6,947	12.8%	6,156
Resources	**30/6**		**31/12**
Number of employees as of reporting date	59,895	0.2%	59,782
Business outlets	2,935	(0.9)%	2,961

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

Contents

In this report RBI denotes the RBI Group. If RBI AG is used it denotes Raiffeisen Bank International AG. For reasons of transparency and comparison the figures for the first half of 2010 are comparable figures for the RBI structure after applying the merger retrospectiviely to 1 January 2010.

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

Overview of RBI

Raiffeisen Bank International (RBI) is active as a universal bank in 17 markets in Central and Eastern Europe (CEE) through a closely knit network of subsidiaries, leasing companies and specialist financial services providers. Approximately 57,000 staff in around 3,000 business outlets serve around 13.5 million customers in this region. In Austria RBI is one of the top corporate and investment banks. It is also the only Austrian bank to be represented not only in the world's financial centers, but also in the growth markets of Asia with its own branches and representative offices. In all, RBI has some 60,000 employees.

The markets of RBI

In € million	Total assets	Change[1]	Business outlets	Number of staff
Czech Republic	8,714	10.2%	121	3,092
Hungary	8,857	3.8%	144	3,230
Poland	7,173	3.5%	117	3,134
Slovakia	9,149	2.0%	157	3,768
Slovenia	1,679	4.3%	17	357
Reconciliation	(30)	21.2%	–	–
CE segment	**35,542**	**4.8%**	**556**	**13,581**
Albania	2,094	4.2%	103	1,364
Bosnia and Herzegovina	2,147	4.6%	98	1,621
Bulgaria	3,752	(1.0)%	189	3,249
Croatia	5,640	(3.7)%	84	2,112
Kosovo	667	(0.8)%	52	713
Romania	6,172	(0.9)%	544	6,054
Serbia	2,050	(3.7)%	84	1,776
Reconciliation	(52)	22.5%	–	–
SEE segment	**22,471**	**(1.0)%**	**1,154**	**16,889**
Russia segment	**13,196**	**6.1%**	**190**	**8,628**
Belarus	1,282	(15.2)%	99	2,220
Kazakhstan	72	(3.3)%	1	11
Ukraine	5,168	(6.8)%	922	15,467
Reconciliation	(1)	–	–	–
CIS other segment	**6,523**	**(8.5)%**	**1,022**	**17,698**
Group corporates segment	**20,689**	**(11.9)%**	**8**	
Group markets segment	**24,577**	**(9.7)%**	**4**	**3,099**[2]
Corporate center segment	**45,956**	**69.1%**	**1**	
Reconciliation	(31,398)	37.1%	–	–
Total	**137,556**	**4.9%**	**2,935**	**59,895**

[1] Change expressed in total assets in local currency versus 31 December 2010.

[2] Allocation of staff to Group corporates, Group markets and Corporate center is not possible.

RBI has been listed on the Vienna stock exchange since 25 April 2005 (until 12 October 2010 as Raiffeisen International). It is represented in several leading national and international indices, including the ATX and the EURO STOXX Banks. Raiffeisen Zentralbank Österreich AG (RZB) holds 78.5 per cent of RBI's shares, with the remaining shares in free float.

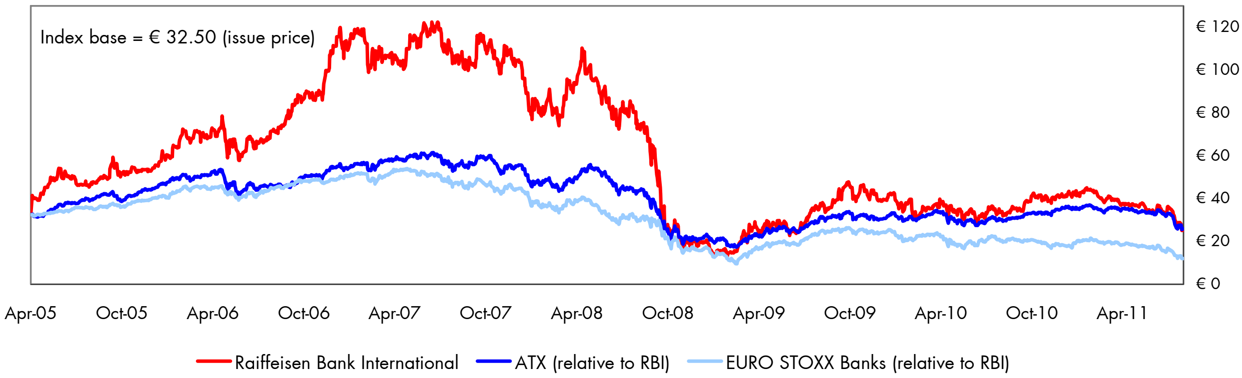
RBI in the capital markets

Uncertainty weighs on capital markets

While many European companies reported predominantly good results for the first quarter, discussions over the debt levels of Greece, Ireland, Portugal, Spain and finally also Italy intensified further in the reporting period, putting pressure on the European equity markets. This was compounded by disappointing economic and unemployment data from the US and a downgrade of the US by Standard & Poor's in August. The obvious split in the EU regarding another bailout for Greece and the terms of any participation by private creditors had a negative impact on European stock markets and in particular on the financial sector.

Against this backdrop the yield spreads between government bonds for borrowers with the highest credit ratings and for bonds from the European peripheral countries continued to rise. The exchange rate of the euro against the US dollar, the Swiss franc and other currencies was also heavily influenced by the discussions surrounding the public finances of a number of eurozone member states.

Price performance since 25 April 2005 compared with the ATX and EURO STOXX Banks

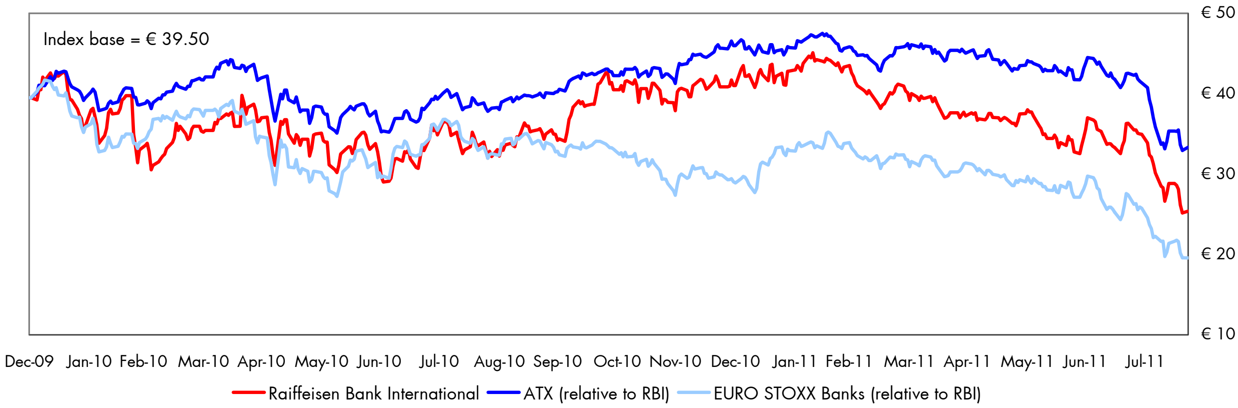


Changes in the RBI share price

In spite of the positive response to the results for the first quarter from analysts and investors, the RBI share price reversed its upward trend after posting gains in the second quarter 2011 and fell in line with the market, reflecting the negative market influences and the expectations of a capital increase. The high for the quarter was € 40.00 on 1 April, with a low of € 32.53 on 27 June. This fall was in line with the performance of other European bank stocks.

With closing prices of € 39.16 on 31 March and € 35.54 on 30 June the share price fell by 9.2 per cent overall in the second quarter of 2011. The ATX and the EURO STOXX Banks lost 4.0 per cent and 6.8 per cent respectively over the same period. After 30 June the RBI share price continued to fall, ending at € 25.39 by the editorial deadline for this report on 22 August. This represents a decline of 28.6 per cent between the beginning of the second quarter and 22 August, due to the overall weak performance of the stock markets.

Price performance since 1 January 2010 compared with the ATX and EURO STOXX Banks



Active capital market communication

Communications with the capital markets in the second quarter of 2011 were focused on a dialogue with bond investors, mainly on the placement of a € 500 million lower tier 2 issue. RBI held roadshows in Paris, London, Stockholm, Helsinki, Amsterdam, Milan and Bologna to market the issue. On the equity side RBI introduced itself at the UBS conference in New York with a presentation on the company in front of over 100 investors and held a large number of one-on-ones afterwards.

A milestone in connection with the announcement of the results for the financial year 2010 was the RBI Investor Presentation in London on 11 April 2011. Members of the Management Board and the Investor Relations team answered numerous questions from over 110 equity, debt and rating analysts as well as equity and debt investors.

Another important event in the second quarter – in addition to direct meetings with analysts and investors – was the telephone conference to announce the results for the first quarter of 2011, with more than 130 participants.

RBI strives to keep market participants well-informed. In the interest of ongoing optimization of its communications, it has made teleconference presentations and other important events available as online webcasts since the beginning of 2010. These can be viewed at any time at www.rbinternational.com → Investor Relations → Reports & Presentations → Presentations & Webcasts.

The Annual General Meeting as an event for private investors

While investor conferences usually address institutional investors, the Annual General Meeting gives private investors the opportunity to be briefed by and ask questions to the Management Board. Around 700 people – mostly private investors – attended this year's Annual General Meeting in the Austria Center Vienna on 8 June 2011, making it one of the best-attended Annual General Meetings in recent Austrian financial history.

For the financial year 2010 a dividend of € 1.05 per share was approved and paid out to shareholders on 16 June 2011. That implies considering the company's own treasury shares, which are not entitled to dividends, a total dividend disbursement amount of € 204.3 million.

The Annual General Meeting voted to revoke the Management Board's authorisation, granted in 2007, regarding the not yet utilised portion of the authorized capital (section 169 of the Austrian Stock Corporation Act). In this context, the shareholders granted a new authorized capital issuable in return for cash and/or a contribution in kind while safeguarding the statutory subscription rights. In addition, the Management Board received the authorisation to redeem the participation capital either in tranches or in its entirety.

The reports and presentations relating to the 2011 Annual General Meeting and a video recording of the Management Board presentations are available at www.rbinternational.com → Investor Relations → Events → Annual General Meeting.

Stock data

Price as of 30 June 2011	*€ 35.54*
High/low (closing prices) in second quarter 2011	*€ 40.00 / € 32.53*
Earnings per share from 1 January to 30 June 2011	*€ 2.65*
Market capitalization as of 30 June 2011	*€ 6.947 billion*
Avg. daily volume (single counting) in second quarter 2011	*210,293 shares*
Stock exchange trading (single counting) in second quarter 2011	*€ 463 million*
Free float as of 30 June 2011	*21.5%*

Stock details

ISIN	*AT0000606306*
Ticker symbols	*RBI (Vienna Stock Exchange)*
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	*Prime Market*
Number of shares issued as of 30 June 2011	*195,505,124*

Rating details

Rating agency	Long-term rating	Short-term rating	Outlook	Individual rating
Moody's Investors Service	A1	P-1	stable	D+
Standard & Poor's	A	A-1	negative	n/a
Fitch Ratings	A	F1	stable	bbb

Financial calender 2011 and 2012

10 November 2011	Start of quiet period
24 November 2011	Third quarter report, conference call

1 March 2012	Start of quiet period
29 March 2012	2011 annual report, analyst conference, conference call
30 March 2012	RBI Investor Presentation, London
10 May 2012	Start of quiet period
24 May 2012	First quarter report, conference call
20 June 2012	Annual General Meeting
27 June 2012	Ex-dividend date and dividend payment date
15 August 2012	Start of quiet period
29 August 2012	Semi-annual report, conference call
14 November 2012	Start of quiet period
28 November 2012	Third quarter report, conference call

Group Investor Relations

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Semi-annual group management report

General economic environment

Return to convergence

The economic recovery following the financial crisis continued in the first quarter of 2011. Large parts of Europe had already shown a return to growth in 2010 after a phase of recession. However, there were significant differences in trends both within the eurozone and in Central and Eastern Europe (CEE). A continuing improvement in growth is expected for both of 2011 and 2012 in CEE, with a forecast difference of around 2 percentage points a year between CEE and the eurozone.

The most developed economies in CEE (the Czech Republic, Hungary, Poland, Slovakia and Slovenia) reported annualized growth of 3.0 per cent in 2010. Poland, one of the few countries to report growth during the economic crisis, continued to act as a growth driver in Central Europe with annual growth of 3.8 per cent, while growth was significantly weaker in Hungary, Slovenia and, in part, in the Czech Republic. This was due to government savings measures and continuing weak domestic demand. Wihile a slight improving growth in Central Europe of 3.2 per cent in 2011 is expected. For 2012 a slowdown in growth in the eurozone could lead to a cooling down of the development in CE of 2.7 per cent.

Southeastern Europe as a region showed an annual decline of 0.5 per cent in economic output in 2010, with a continuing decline in Croatia and Romania and minimal growth in Bulgaria as well as Bosnia and Herzegovina. Albania, which avoided a recession during the financial crisis, was alone in showing substantial annual growth of 3.9 per cent. According to forecasts, Southeastern Europe should finally emerge from the recession in 2011, although its growth of 1.8 per cent will be significantly below its growth potential. An improvement to growth of 2.5 per cent for the eurozone is expected in 2012, marking a return to convergence.

Thanks to rising oil and commodity prices, Russia reported a strong recovery in 2010 with annual economic growth of 4.0 per cent. The other CIS countries – Belarus and Ukraine – also reported growth of 7.6 per cent and 4.2 per cent respectively. However, the growth in Ukraine includes a large baseline effect, following the economy's contraction of 14.8 per cent in 2009. The apparently strong growth in Belarus also has to be seen in context, as the drop in foreign exchange reserves pose challenges to the country’s solvency. Even so, a further robust growth between 3.5 and 4.5 per cent in 2011 and 2012 respectively is expected.

Annual GDP growth in per cent compared to the previous year

Country		2009	2010	2011e	2012f
CE	Czech Republic	(4.0)	2.2	1.9	1.9
	Hungary	(6.7)	1.2	2.0	1.5
	Poland	1.7	3.8	4.0	3.4
	Slovakia	(4.8)	4.0	4.0	3.0
	Slovenia	(8.1)	1.2	2.0	2.0
	CE	**(1.8)**	**3.0**	**3.2**	**2.7**
SEE	Albania	3.3	3.9	3.8	4.0
	Bosnia and Herzegovina	(2.9)	0.7	1.9	1.5
	Bulgaria	(5.5)	0.2	2.5	2.5
	Croatia	(6.0)	(1.2)	1.0	2.0
	Kosovo	2.9	4.0	4.0	3.5
	Romania	(7.1)	(1.3)	1.5	2.7
	Serbia	(3.5)	1.0	2.5	2.0
	SEE	**(5.7)**	**(0.5)**	**1.8**	**2.5**
CIS	Belarus	0.2	7.6	6.0	4.0
	Russia	(7.9)	4.0	3.5	4.5
	Ukraine	(14.8)	4.2	4.0	4.2
	CIS	**(8.2)**	**4.1**	**3.6**	**4.5**
CEE		**(5.9)**	**3.2**	**3.3**	**3.7**
Austria		**(3.9)**	**2.1**	**3.2**	**1.2**
Germany		**(5.1)**	**(3.6)**	**2.9**	**1.5**
Eurozone		**(4.1)**	**(1.7)**	**1.6**	**1.1**

Effects on the banking sector

The situation in the banking sector in CEE remains difficult in view of the continuing high default rate. While bank assets grew rapidly during the boom before the crisis, they were static or declined slightly in 2010. This applied particularly to loans, with banks cutting back significantly on lending. Even so, the banking sector should also return to its long-term growth path in the coming years, although growth rates are likely to remain below the boom years. This is, however, a positive factor in terms of sustainable development in the medium to long term, as it makes overheating less likely.

Performance and financials

RBI further improved key earnings components and ratios in the first half of 2011. Against the backdrop of slightly stronger economic conditions in the core market Central and Eastern Europe, the result was once again marked by a reduction in provisioning for impairment losses combined with a higher operating income. The market environment led to valuation gains on derivative financial instruments used for hedging. The rise in general administrative expenses and the bank levies in Austria in 2011 and in Hungary in the mid of 2010 had a negative impact on profit. Taxes in the first half year were disproportionately high due to deferred tax expenses.

The figures in this report for the first half of 2010 are the comparable figures for the RBI structure after applying the merger retrospectively to 1 January 2010.

Slight decline in operating result due to bank levies

Despite stable net interest income, a strong net trading income and a slight plus on net fee and commission income, the operating result declined in the first half of 2011 by 2 per cent or € 28 million to € 1,233 million. Reasons for the decrease were the 6 per cent rise in general administrative expenses (particularly as a result of salary adjustments in several markets) and the bank levies in Austria and Hungary totalling € 68 million (previous year's comparable period: € 18 million).

Net provisioning for impairment losses down by a third

The further decrease in net provisioning for impairment losses of 33 per cent to € 405 million reflected significantly improved levels, primarily in the segments Russia and CIS other, but also in Group corporates. The decline was mainly a result of the improved environment for corporate customers, with net provisioning for impairment losses down by half in Corporate customers to € 129 million, compared with the drop of 23 per cent to € 262 million for retail customers.

NPL ratio improved by 0.5 percentage points

While the growth in non-performing loans slowed over the last quarters, the level of non-performing loans decreased only by € 32 million to € 6,758 million, also due to exchange effects virtually unchanged from the year-end figure. Although there were decreases in some segments, non-performing loans rose significantly by 14 per cent in Southeastern Europe, reflecting high levels in all countries in that region. The largest increases were in Serbia and Croatia, due to several NPL cases involving large corporates.

The non-performing loan ratio (ratio of non-performing loans to total customer loans) fell by 0.5 percentage points compared with the end of 2010 to 8.5 per cent. The coverage ratio (ratio of provisioning to NPLs) rose by 2.2 percentage points to 68.5 per cent.

Profit before tax up by more than half

Overall, profit before tax year-on-year was up by € 299 million to € 879 million. Net income from derivatives (plus € 172 million) and lower net provisioning for impairment losses (minus € 203 million) were the key factors in this growth. The increase was slightly reduced by lower net income from financial investments (minus € 41 million).

Consolidated profit reduced by deferred taxes

Besides higher profit, a number of one-time effects were responsible for the significant increase in income taxes, which rose by € 137 million to € 201 million. This was primarily due to deferred tax expenses on valuation gains, which contrasted with deferred tax income in 2010. After deducting the profit attributable to non-controlling interests the consolidated profit came to € 615 million, a rise of 30 per cent or € 143 million compared with the first quarter of 2010. Earnings per share amounted to € 2.65 in the first half of 2011, compared with € 1.91 in the previous year's comparable period.

Return on equity before tax over 17 per cent

The significant rise in profit before tax also led to growth in the return on equity figures, with return on equity before tax of 17.1 per cent at the end of the first half of 2011, up 4.9 percentage points from 12.2 per cent in the comparable period in 2010. Average equity underlying the return on equity calculation rose by 8 per cent as a result of transfers from retained earnings to € 10.3 billion.

Total assets up 5 per cent

Total assets rose 5 per cent or € 6.4 billion from the start of the year to € 137.6 billion. In all, currency effects reduced total assets by around 1 per cent. The growth in assets reflected a rise in short-term loans to banks, particularly as a result of repo transactions, leading to an increase of € 3.4 billion in loans and advances to banks. Loans and advances to customers after provisions rose by € 3.7 billion, largely as a result of loans to large customers and repo transactions with non-banks. On the liabilities side, the increase was due mainly to two balance sheet items. Deposits from customers rose by € 6.0 billion, half of which was due to repo transactions and € 1.0 billion private individuals. While deposits from banks rose by € 1.2 billion due to short-term deposits. Conversely, debt securities issued decreased by € 1.2 billion as a result of the redemption of several issues, particularly a € 1.5 billion state-guaranteed bond issued in 2009. The loan/deposit ratio, i.e. loans and advances to customers divided by customer deposits, improved by 6 percentage points compared with the end of 2010 to 125 per cent.

Equity slightly up by 1 per cent

Equity including non-controlling interests rose by 1 per cent or € 79 million, compared with the beginning of the year to € 10,483 million. An increase of € 677 million due to profit after tax was offset by a decrease of € 459 million for dividend payments for the financial year 2010 and other comprehensive income of minus € 142 million. Other comprehensive income was impacted by a negative foreign currency difference of € 104 million and net valuations on a cash flow hedge of minus € 36 million (after adjustment for deferred tax).

Comparison of results year-on-year

Five subsidiaries were deconsolidated in the reporting period due to non-materiality. However, the data remains comparable between the two periods since these changes did not have a material effect on any of the items in the income statement. The average exchange rates used in the income statement changed as follows: the Czech koruna appreciated by 5 per cent, the Hungarian forint and Polish zloty both gained 1 per cent. By contrast, the Belarusian rouble lost 29 per cent, the Ukrainian hryvnia 6 per cent and the Serbian dinar 2 per cent. The US dollar also lost 6 per cent over the year.

Operating result

In € million	1/1-30/6/2011	1/1-30/6/2010	Change absolute	Change in %
Net interest income	1,781	1,780	1	0.1%
Net fee and commission income	737	715	22	3.1%
Net trading income	256	192	64	33.2%
Other net operating income	(27)	(2)	(25)	>500.0%
Operating income	**2,748**	**2,686**	**62**	**2.3%**
Staff expenses	(756)	(699)	(57)	8.1%
Other administrative expenses	(587)	(569)	(18)	3.1%
Depreciation	(172)	(156)	(15)	9.6%
General administrative expenses	**(1,514)**	**(1,425)**	**(89)**	**6.3%**
Operating result	**1,233**	**1,261**	**(28)**	**(2.2)%**

Net interest income

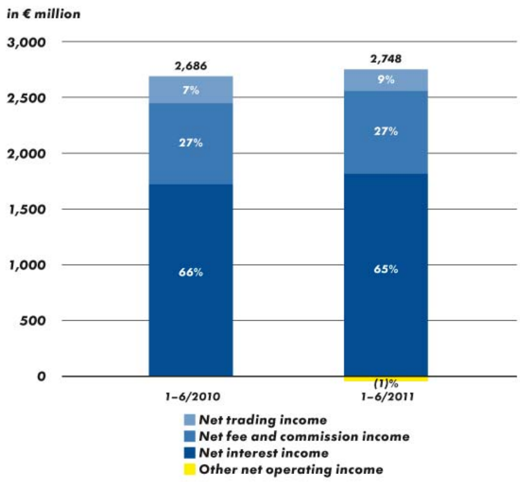
Net interest income in the first six months of 2011 was almost unchanged on the prior year period at € 1,781 million, and was the biggest element in operating income at 65 per cent.

The net interest margin (the ratio of net interest income to average total assets) rose by 19 basis points to 2.62 per cent. Interest margins rose in all segments with the exception of CIS other (minus 134 basis points). Net interest income in Ukraine decreased, partly due to a change in the method of calculating interest on impaired loans, partly to a decrease in the volume of lending, and partly to depreciation of the currency. Thanks to improved refinancing conditions, Southeastern Europe showed the largest increase in margin, rising 23 basis points due to better refinancing conditions. The net interest margin in Russia improved by 27 basis points, again partly due to more favorable refinancing. Higher customer volumes also lead to an increase in net interest income in Russia. Loans and advances to customers rose by 4 per cent or € 2,933 million across the Group compared with a year ago.

Net fee and commission income

Net fee and commission income improved by 3 per cent or € 22 million over the prior year period to € 737 million. The largest contribution and biggest increase was in net income from the payment transfer business of € 294 million, up € 11 million on the same period last year. The decisive elements here were increased transactions volume and a change in pricing policy in the Czech Republic. Net income from the loan and guarantee business also grew, rising by 5 per cent or € 7 million. The biggest increase in net income was in Russia, due to a change at the beginning of 2011 in the method of calculating commissions, while the largest decrease was in Romania, as a result of lower volume. Net income from the foreign currency, notes/coins and precious-metals business fell by 2 per cent or € 2 million on the prior year period to € 155 million. The main reasons for this were a reduction in margins on foreign currency transactions in Hungary, and the depreciation of the Belarusian rouble. Net income from the securities business also fell by 5 per cent or € 3 million to € 62 million. Conversely, net income from the management of investment and pension funds rose by 8 per cent. Net income from agency services for own and third-party products also rose by 3 per cent or € 1 million, largely due to growth in Hungary. By contrast, net income from the credit derivatives business fell by € 2 million due to lower commissions on securities business. Finally, net income from other banking services rose by € 10 million to € 43 million, mainly due to increased earnings in Russia and at the Group head office in Vienna.

Structure of operating income



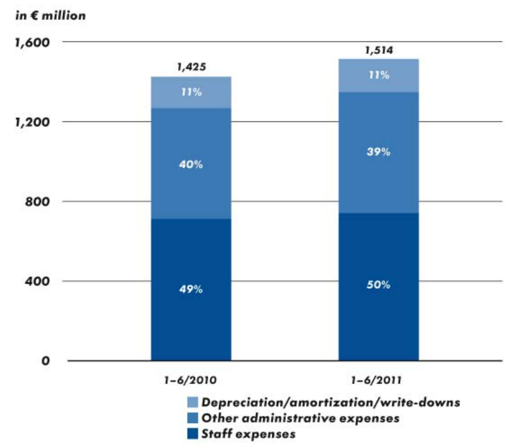
Net trading income

Net trading income improved by 33 per cent or € 64 million on the year-ago period to € 256 million. Net income from currency based transactions doubled to € 134 million. The steepest rise was in Russia (plus € 34 million), the result of net income from currency transactions. Net income also rose in Belarus by € 32 million, thanks to the sharp devaluation of the Belarusian rouble, leading to valuation gains arising from a strategic currency position, taken in part to hedge equity. Net income from interest-based transactions fell by € 58 million, due to lower net valuations from interest rate swaps as a result of the rise in short-term interest rate levels. The decrease in net income was particularly marked in the Group markets and Group corporates segments, because of the narrower margins due to the rise in short-term interest rates. The net income in Russia was down by € 15 million on the previous year's comparable period, which was unusually strong as a result of recoveries on interest-rate products. Net income from the credit derivatives business fell by € 12 million due to net loss on credit default swaps. Net income from other business rose by € 59 million to € 15 million, largely due to net income from capital guarantees as a result of the higher interest rate level.

Other net operating income

The main reason for the decrease in other net operating income from minus € 2 million in the first half of 2010 to minus € 27 million in the reporting period were the special bank levies totaling € 68 million (Austria: € 46 million, Hungary: € 22 million). By contrast, net income from non-banking activities made a positive contribution to results, rising from € 7 million to € 23 million. Expenses for allocations to provisions were € 5 million lower than in the previous year's comparable period.

Structure of general administrative expenses



General administrative expenses

General administrative expenses rose by 6 per cent or € 89 million compared with the first half of 2010 to € 1,514 million. The cost/income ratio rose as a result by 2.1 percentage points to 55.1 per cent.

Staff expenses, which were the largest item in general administrative expenses, accounting for 50 per cent, rose by 8 per cent or € 57 million on the previous year's comparable period. This increase was mainly due to market-induced salary adjustments (e.g. Russia, Romania).In the Czech Republic, Romania and Ukraine, the reason for the increase was the rise in the number of staff (due in the Czech Republic to the expansion of the branch network). Staff expenses also rose in Slovakia and Russia due to changes in social security laws. The average number of staff was 59,980, a rise of 1,003 persons compared to the first half of 2010.

Other administrative expenses rose by 3 per cent or € 18 million on the previous year's comparable period. The largest increases were in advertising, PR and promotional expenses (plus 30 per cent), deposit insurance fees (plus 17 per cent), and IT expenses (plus 10 per cent). By contrast, legal, advisory and consulting expenses fell by € 15 million, after significantly higher expenses in the previous year in connection with the merger of Raiffeisen International with the principal business areas of RZB. The number of business outlets as of 30 June 2011 was 2,935, a decrease of 35 on the prior-year period. The largest reductions were in Serbia (minus 14), Russia (minus 12), Ukraine (minus 11), and Poland (minus 8). By contrast, there were increases in the Czech Republic (plus 11), Belarus (plus 3), and Romania (plus 2).

Depreciation of tangible and intangible fixed assets rose by 10 per cent or € 15 million compared with the prior-year period to € 172 million. The rise in the depreciation of intangible assets of € 9 million to € 67 million was largely due to the installation of new software, which led to a shortening of the useful lives of the systems they were replacing.

Consolidated profit

In € million	1/1-30/6/2011	1/1-30/6/2010	Change absolute	Change in %
Operating result	**1,233**	**1,261**	**(28)**	**(2.2)%**
Net provisioning for impairment losses	(405)	(608)	203	(33.3)%
Other results	50	(74)	124	–
Profit before tax	**879**	**579**	**299**	**51.6%**
Income taxes	(201)	(64)	(137)	215.2%
Profit after tax	**677**	**516**	**162**	**31.4%**
Profit attributable to non-controlling interests	(62)	(43)	(19)	43.5%
Consolidated profit	**615**	**472**	**143**	**30.3%**

Net provisioning for impairment losses

The net provisioning for impairment losses for the first half of 2011 amounted to € 405 million. This represents a decline of precisely one third or € 203 million from the level in the first half of 2010 (€ 608 million). As in the preceding quarters, the reasons for the decrease in net provisioning for impairment losses are chiefly to be found in the ongoing economic recovery in most markets, leading to an improvement in credit standing and so to lower non-performing loans. Moreover, active measures, such as loan restructuring where necessary, had already been taken during the financial and economic crisis to stabilize and improve the quality of RBI's loan portfolio.

Of the overall net provisioning for impairment losses, € 432 million were accounted for by individual loan loss provisions, representing a year-on-year fall of € 87 million. In particular, lower provisions were needed for corporate customers than in the same period last year. € 23 million of portfolio-based loan loss provisions were released, mainly relating to retail customers. By contrast, a net amount of € 90 million was newly allocated to portfolio-based loan loss provisions in the comparable period for the previous year. € 4 million were released as a result of the sale of loans.

This positive trend was reflected in the net provisioning ratio (the ratio of net provisioning for impairment losses to average credit risk-weighted assets), which declined by 0.61 percentage points year-on-year to 1.09 per cent. The ratio at 31 December 2010 stood at 1.70 per cent.

Non-performing loans as of the half-year reporting date amounted to € 6,758 million. Including currency movements, this was € 32 million lower than the figure as of 31 December 2010. The NPL ratio, the ratio of non-performing loans to loans and advances to customers, improved by 0.5 percentage points to 8.5 per cent. Non-performing loans were matched by provisions of € 4,630 million. This produced a coverage ratio of 68.5 per cent, an improvement of around 2.2 percentage points on the end of 2010.

Other results

Other results turned around year-on-year in the first six months of 2011 from minus € 74 million to € 50 million. This item consists of net income from derivatives and designated liabilities, net income from financial investments and net income from disposal of group assets. Net income from derivatives and designated liabilities saw the sharpest rise, from minus € 132 million to € 41 million, due to the revaluation gains arising from derivatives used by Group headquarters for hedging purposes. By contrast, net income from financial investments fell by 77 per cent or € 41 million, chiefly as a result of lower net income from the revaluation and disposal of securities reported at fair value. After the crisis years, the recovery in the markets led to higher net income here from revaluations in the first half of 2010.

Net income from the disposal of group assets – five subsidiaries ceased to be consolidated for immateriality reasons – was € 3 million in the first half of 2011. In the first half of 2010 the deconsolidation of 40 subsidiaries due to a change in the materiality thresholds generated net income of € 5 million.

Income taxes

There were taxes of € 201 million during the reporting period, compared with € 64 million in the first half of 2010. The tax rate as of 30 June 2011 was 23 per cent (compared to 11 per cent in the previous year). This significant increase is mainly due to deferred tax expenses which were €°32 million in the first half year. These have to be reported to offset differences between IFRS and tax accounts. In the first half of 2010 deferred tax income was recognized on valuation differences of derivatives and own issues while in the first half of 2011 a deferred tax expense was recognized on valuation gains, primarily from liabilities measured at fair value. The rise in current tax expense was caused by tax payments in Austria resulting from previous periods.

Comparison of results with the previous quarter

Operating result

In € million	Q2/2011	Q1/2011	Change absolute	Change in %
Net interest income	897	884	13	1.4%
Net fee and commission income	380	357	23	6.4%
Net trading income	133	123	9	7.6%
Other net operating income	(3)	(24)	21	(89.1)%
Operating income	**1,407**	**1,341**	**66**	**4.9%**
Staff expenses	(376)	(380)	4	(1.0)%
Other administrative expenses	(300)	(287)	(13)	4.4%
Depreciation	(86)	(86)	0	(0.6)%
General administrative expenses	**(761)**	**(753)**	**(8)**	**1.1%**
Operating result	**646**	**588**	**58**	**9.8%**

Net interest income

Quarter-on-quarter, net interest income increased by 1 per cent or € 13 million. Southeastern Europe reported the sharpest rise due to improved refinancing conditions and a slight increase in volume in Romania. Across the Group, the interest margin fell by 2 basis points to 2.59 per cent. This fall is the result of an increase in the volume of repo transactions leading to higher average total assets.

Net fee and commission income

Net fee and commission income rose by 6 per cent or € 23 million. Net income from the payment transfer business improved above all in Russia as a result of an increase in the number of transactions, and in the Czech Republic due to larger volumes and changes in pricing policies. In addition, net income from the securities business rose in Group markets.

Net trading income

Net trading income improved by 8 per cent to € 9 million. Thanks to the sharp devaluation of the Belarusian rouble net income in Belarus rose on the valuation gains arising from a strategic currency position taken to hedge equity. But on the other hand, net income from equity- and index-based transactions fell by € 14 million as a result of valuation losses in Group markets in the wake of the negative performance by the EURO STOXX Banks index and the ATX.

Other net operating income

Other net operating income improved quarter-on-quarter from minus € 24 million to minus € 3 million. This was affected by a positive net contribution from non-banking activities and lower allocations to provisions in the second quarter. Capitalization of borrowing costs for internally developed software also produced a positive contribution from Group headquarters.

General administrative expenses

General administrative expenses rose only slightly in the second quarter (by € 8 million to € 761 million).

Whereas staff expenses, at € 376 million, dropped by € 4 million, other administrative expenses rose by € 13 million or 4 per cent to € 300 million. The main reasons for this were advertising, PR and promotional expenses (up € 8 million), and security expenses (up € 6 million). Depreciation and amortization of tangible and intangible fixed assets, at € 86 million, stayed at the level of the previous quarter.

Consolidated profit

In € million	Q2/2011	Q1/2011	Change absolute	Change in %
Operating result	**646**	**588**	**58**	**9.8%**
Net provisioning for impairment losses	(197)	(208)	11	(5.5)%
Other results	25	25	(1)	(2.4)%
Profit before tax	**474**	**405**	**69**	**16.9%**
Income taxes	(101)	(100)	(2)	1.7%
Profit after tax	**372**	**305**	**67**	**21.8%**
Profit attributable to non-controlling interests	(27)	(35)	8	(23.8)%
Consolidated profit	**345**	**270**	**75**	**27.8%**

Net provisioning for impairment losses

Non-performing loans remained virtually unchanged, with a slight organic increase more than offset by currency movements. Overall, however, the performance of RBI's various markets was mixed. Whereas there was a currency-adjusted increase of € 152 million in the second quarter, primarily as a result of growth in Hungary, Serbia and Croatia, the significant downward trend in non-performing loans continued in Russia. Improved repayment ratios due to the generally more favorable economic conditions resulted, however, in an overall lower requirement for provisioning for imapriment losses.

Net provisioning for impairment losses fell slightly in the second quarter of 2011 (by € 11 million to € 197 million). Individual loan loss provisioning remained virtually unchanged (minus € 1 million). € 16 million of portfolio based loan loss provisions were released in the second quarter compared to € 6 million in the prior quarter.

Other results

At € 25 million, other results were unchanged quarter-on-quarter, with individual items, however, performing differently. Net income from derivatives and designated liabilities, for instance, rose by € 35 million to € 38 million as a result of valuation gains on banking book derivatives at Group headquarters.

By contrast, net income from financial investments dropped by € 38 million to minus € 13 million as a result of lower net income from the revaluation and disposal of securities reported at fair value compared to the first quarter of 2011.

Income taxes

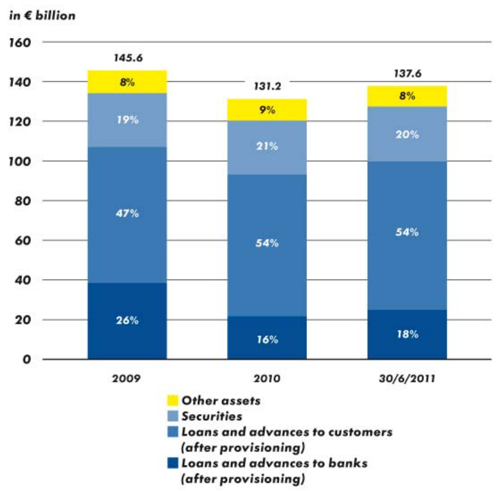
There were hardly any changes quarter-on-quarter in income taxes. RBI reported tax expenses of € 101 million in the second quarter of 2011 (compared to € 100 million in the first quarter). As a result of tax provisions in Austria, there was an increase of € 19 million in income taxes, but there was a decrease in deferred taxes in the second quarter owing to the smaller difference in the valuation of derivative instruments. The tax rate in the second quarter of 2011 stood at 23 per cent (compared with 25 per cent in the first quarter).

Statement of financial position

As of 30 June 2011, total assets at RBI amounted to € 137.6 billion. This was 5 per cent or € 6.4 billion above the comparable figure for the end of 2010. On the assets side, the increase was caused by growth in loans to banks and customers. On the liabilities side the increase came from deposits from banks and customers.

The closing rates forming the basis of the balance sheet have not developed uniformly since the start of the year: The Belarusian rouble (down 80 per cent), the Ukrainian hryvnia (9 per cent) and the US dollar (8 per cent) all devalued. By contrast, the Hungarian forint appreciated by 4 per cent, and both the Czech koruna and Serbian dinar appreciated by 3 per cent. In all, currency movements reduced total assets by around 1 per cent.

Structure of balance sheet assets



Assets

The assets side is dominated by loans and advances to customers. Compared to the end of 2010, these increased by € 3.8 billion or 5 per cent to € 79.4 billion. Corporate customers accounted for the increase in loans (primarily attributable to repo transactions) with a credit volume of € 56.2 billion. At € 21.4 billion, the volume of loans to retail customers remained virtually unchanged. Compared to the end-of-year figure, the ratio of customer loans to customer deposits improved by 6 per cent to 125 per cent. The impairment losses on loans and advances rose only marginally to € 4.9 billion and related primarily to loans to customers.

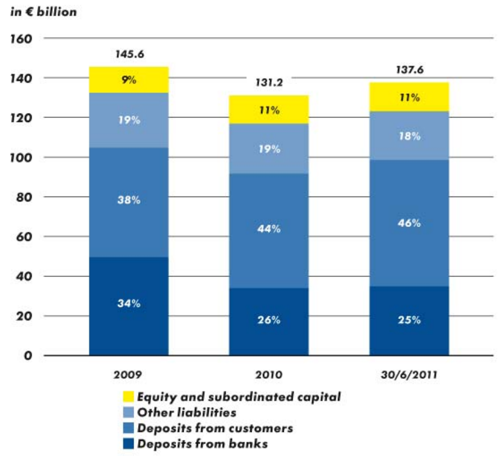
Loans and advances to banks grew by € 3.4 billion or 16 per cent to € 25.0 billion. The increase was due primarily to short-term loans to commercial banks and here, mostly repo transactions.

Since the end of 2010, financial investments decreased by € 0.2 billion or 1 per cent to € 19.4 billion. This drop was primarily due to securities in the held-for-trading category at RBI AG as well as in Slovakia and Hungary.

The remaining asset items, comprising cash reserves, tangible and intangible fixed assets, derivatives and the items posted as 'other assets' fell from € 11 billion to € 10.3 billion.

Liabilities

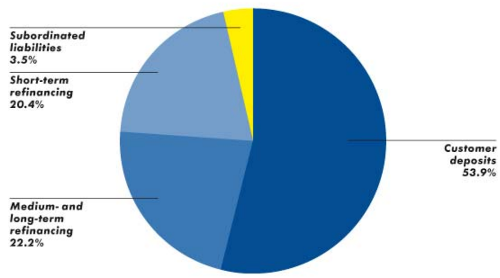
Breakdown of equity and liabilities on the balance sheet



Customer deposits increased by 10 per cent or € 6.0 billion from the end of 2010 and, as such, grew more strongly than loans and advances to customers. Customer deposits amounted to € 63.6 billion, € 34.7 billion of which was attributable to corporate customers, who were primarily responsible for the rise in deposits. Half of this rise was attributable to repo transactions.

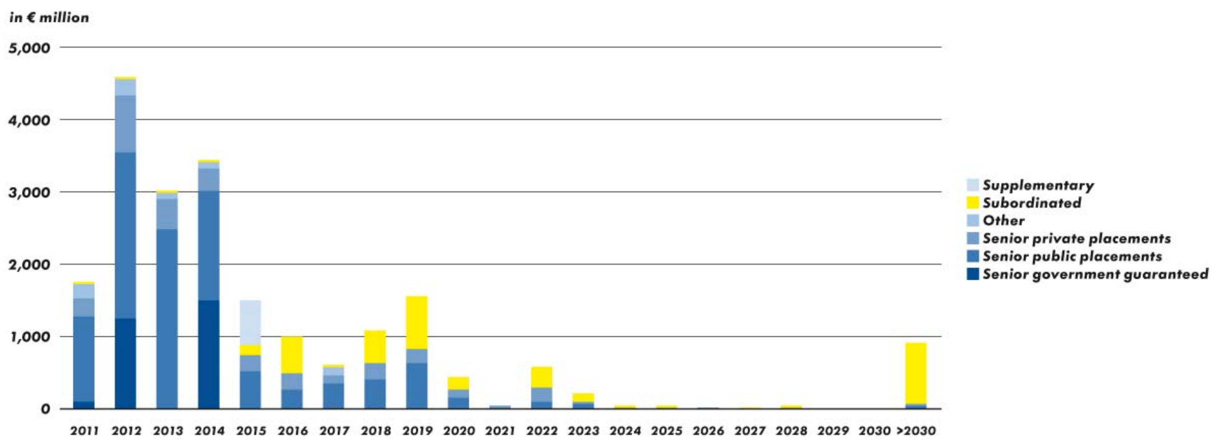
The refinancing volume via banks amounted to € 34.8 billion. This represents an increase of € 1.2 billion or 3 per cent compared to the end of 2010. The refinancing mainly took place by means of short-term deposits from commercial banks.

Funding Structure



Other liabilities, including debt securities issued, provisions for liabilities and charges, trading liabilities, derivatives, as well as the other liability items amounted to € 24.5 billion. Debt securities issued fell by € 1.2 billion to € 15.4 billion. May 2011 saw the repayment of the first of a total of three state-guaranteed bonds issued in 2009, in an amount of € 1.5 billion.

Maturity profile of the debt securities issued



Equity

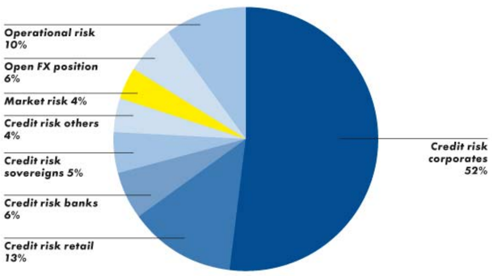
Compared to year-end 2010, the bank's balance sheet equity (consisting of the consolidated equity, consolidated net profit and non-controlling interests) increased by 1 per cent or € 79 million to € 10,483 million.

Consolidated equity, consisting of subscribed capital, participation capital, capital reserves and retained earnings, increased by € 522 million to € 8,773 million. The increase in retained earnings was mainly put down to the transfer from retained earnings amounting to € 683 million. Other comprehensive income reduced this by € 143 million. At minus € 104 million, the key component here was exchange differences (including capital hedging). Valuation losses on cash flow hedges amounted to € 36 million (after taking deferred taxes into account). RBI AG's Annual General Meeting approved the payment of a dividend of € 1.05 per share in June 2011, which involved a distribution totaling € 204 million. A dividend on the participation capital amounting to € 200 million was also distributed. Consolidated profit amounted to € 615 million.

The non-controlling interests increased to € 1,095 million due to the rise in net profit and capital increases. In addition, dividends amounting to € 55 million were distributed to non-controlling interests.

Own funds pursuant to the Austrian Banking Act (BWG)

Composition of the own funds requirement



RBI does not form a credit institution group on its own according to the Austrian Banking Act (BWG) and is therefore not subject to regulatory provisions on a consolidated basis, as it is part of the RZB credit institution group. The consolidated figures (shown below) have been determined according to the provisions of the BWG and are assumed in the calculation of the RZB credit institution group.

Consolidated own funds pursuant to BWG fell from year-end 2010 by € 111 million to € 12,496 million as of 30 June 2011. This does not include profit from the current reporting period, as this is not allowed to be considered in calculations during the financial year due to legal regulations in force in Austria.

In the first half-year, core capital (tier 1) fell by € 189 million to € 9,017 million. This drop was mainly due to currency devaluations and dividend distributions to non-controlling interests, in particular the Belarusian rouble and Ukrainian hryvnia.

Additional own funds (tier 2) fell by € 22 million to € 3,344 million as a result of maturing tier 2 issues at Group headquarters and in the Czech Republic. RBI AG issued a new subordinated bond of € 500 million maturing in 2021 in May 2011.

The eligible additional own funds (tier 3) increased by € 118 million to € 187 million as a result of tier 2 issues approaching maturity.

Available own funds faced a slight increase in the own funds requirement (of € 117 million to € 7,702 million). At 80 per cent, the own funds requirement for credit risk – it rose by € 72 million to € 6,120 million – accounted for most of this. The requirement calculated under the standard approach rose, as did that based on internal ratings, by € 36 million. The requirement for market risks increased by € 18 million to € 345 million and the requirement for open currency positions increased by € 45 million to € 430 million. The requirement for operational risks decreased by € 18 million to € 806 million.

The excess cover for own funds fell accordingly by € 229 million to € 4,794 million, with the resulting excess cover ratio coming to 62.2 per cent.

The tier 1 ratio (total risk) fell by 0.3 percentage points to 9.4 per cent, and the core tier 1 ratio by 0.4 percentage points to 8.5 per cent. Finally, the own funds ratio fell by 0.3 percentage points to 13.0 per cent.

Risk management

Active risk management represents a core competence for RBI. In order to recognize, assess and manage risks effectively, the Group has developed a comprehensive program of risk management and controlling. This is an integral component of managing the bank as a whole and is being constantly refined. RBI's risk management is oriented towards ensuring that credit and country risks, market and liquidity risks, risks arising from holdings and operational risks are dealt with conscientiously and managed professionally.

Current risk management initiatives

Managing non-performing loans was once again a risk management priority in the first half of 2011. Measures and objectives here included improving early recognition of potential troubled loans, reporting on the progress in restructuring management at Group level and a rapid and efficient reduction in the portfolio of non-performing loans. Despite the higher rate of defaults when viewed over the long term, the volume of non-performing loans fell slightly for the first time in several years in the period under review.

To actively manage the loan portfolios, internal Credit Portfolio Committees were set up in 2009. Their purpose is to direct the respective credit risk policies and credit portfolio strategies for various groups of customers. Lending guidelines and limits for directing the loan portfolio are defined on the basis of analyses by internal research departments and portfolio management. Monitoring and constantly fine-tuning the respective limits continued to be intensively followed up in the period under review.

The success of this management can be seen in the fact that RBI has virtually no direct receivables from counterparties in Greece, Portugal or Ireland. However, the sustainability of our customer business in these countries, which is based on the financing of international corporate customers and on capital markets business, is constantly being monitored for the potential effects of the sovereign debt of the respective countries. This also applies to the political and economic risk in North Africa and the Middle East. RBI is only exposed here to a limited degree (e.g. through export finance). By contrast, the assessment of the economic policies of the EU accession countries in Central and Eastern Europe is mainly positive. Following the substantial devaluation of the Belarusian rouble in May, experts are continuing to keep a close eye on risk development in Belarus.

Detailed loan portfolio simulations based on a number of economic scenarios were the focus of the most recent stress tests across Europe for banks, which the European Banking Authority (EBA) coordinated for the first time. The stress test, in which 91 European banks took part, was considered passed if the core tier 1 ratio (in accordance with the EBA definition) was at least 5 percent after an economic downturn. A simulated economic downturn over a two-year period, i.e. for 2011 and 2012, was used as the basis for the stress test scenarios. For this purpose, RBI employed internal models in both the retail and non-retail areas of business. These models are for the assessment of the direct and indirect effects of prescribed crisis scenarios (e.g. GDP growth rates, foreign exchange rates, credit spreads) on the loan book. RBI passed this stress test without any difficulty, as confirmed in the publication of the results by the EBA on 15 July 2011.

Independently of the stress tests, risk management also made increasing use of statistical methods to assess credit risks. This applies both to the ongoing development of the corporate rating models and the calculation of economic capital for credit risks relating to retail customers. By taking advantage of the experience gained from the financial and economic crisis, major improvements in validation and modeling were achieved.

Besides these developments in credit risk management, the focus remains on measures to reduce liquidity and transfer risks. For instance, the first quarter of 2011 saw the rollout of a new Fund Transfer Pricing (FTP) concept at RBI. The purpose of the FTP is to determine internal netting rates of interest between groups of customers and Treasury in order to correctly calculate the profitability of credit and deposit business, as well as proprietary business. It also influences the pricing of loans to customers by ensuring that the bank's liquidity costs are correctly passed on to the cost center responsible for them.

Low exposure in the peripheral EU countries

RBI's risks vis-á-vis the peripheral European countries (Greece, Ireland, Italy, Portugal and Spain) are limited due to the marginal direct risk portfolio. The macroeconomic development of these countries, as well as other countries economically dependent on them, is being continuously monitored. Various initiatives were started in the first quarter of 2011 with the aim of lessening the potential effects of one or more negative scenarios. For instance, the outstanding direct and indirect loans to these countries were reduced significantly. The internal limits for business with financial institutions in these countries were also lowered, both for medium-term loan business and short-term secured re-financing (repo business). In addition, the direct effects on the portfolio and the profitability of RBI, as well as possible second-round effects are being analyzed in regular scenario analyses and stress tests.

	Corporate Exposure			FI Exposure			Sovereign Exposure			Total
	BB	TB	Sub-total	BB	TB	Sub-total	BB	TB	Sub-total	
Greece	30	-	30	88	-	88	-	-	-	118
Ireland	2	10	12	10	37	47	-	-	-	59
Italy	292	31	322	1,148	317	1,465	357	117	474	2,262
Portugal	0	-	0	139	-	139	2	-	2	141
Spain	62	41	103	882	52	934	5	-	5	1,043
Total	**386**	**82**	**468**	**2,266**	**406**	**2,673**	**365**	**117**	**482**	**3,622**

BB = Banking book; TB = Trading book

Capital adequacy (Basel II)

Throughout the Group, great importance is attached to the application and widespread implementation of advanced approaches under Basel II. RBI uses the parameters and results determined for these approaches for internal management information purposes and control measures. In addition, RBI is continuing to invest in improving its risk management systems. This applies, for instance, to building up the data warehouse that is used jointly in risk management, to the migration of the reporting platform for a daily overview of the liquidity position and to the replacement of the technical solution for collecting data on losses arising from operational risks. Each of the new systems was selected with a view to them also being able to meet the expected requirements under Basel III.

To determine the capital requirements for credit risks under Basel II, RBI mainly uses the internal ratings-based approach (IRB). In recent years, regulatory authorities approved the use of the IRB approach by RBI AG and several of its network banks for calculating the credit risk of corporate customers, banks and sovereigns. Within the retail area, this method is being used in both Slovakia and Hungary. It is planned to gradually introduce the IRB approach in other countries and for other classes of receivables.

	Credit risk		Market risk	Operational risk
Unit	Non-Retail	Retail		
Raiffeisen Bank International AG, Wien (Austria)	IRB[1]	n.a.	Internal model[2]	STA
RBI Finance (USA) LLC, New York (USA)	IRB	STA[3]	STA	STA
Raiffeisenbank a.s., Prag (Czech Republic)	IRB	STA	STA	STA
Raiffeisen Bank Zrt., Budapest (Hungary)	IRB	IRB	STA	STA
Raiffeisen Malta Bank plc., Sliema (Malta)	IRB	STA	STA	STA
Tatra banka a.s., Bratislava (Slovakia)	IRB	IRB	STA	STA
Raiffeisen Bank S.A., Bukarest (Romania)	IRB	STA	STA	STA
Raiffeisenbank Austria d.d., Zagreb (Croatia)	IRB[4]	STA	STA	STA
All other units	STA	STA	STA	STA

[1] IRB = internal ratings-based approach

[2] Only for risks of open foreign-exchange positions and general interest-rate risk on trading book

[3] STA = standard approach

[4] Only at consolidated level

The own funds requirement under Basel II for RBI AG's market risk for the trading book and foreign currency risks is determined using an internal value-at-risk model (VaR). The standard approach is used for all other units and the consolidated foreign currency position. To measure and limit the interest rate risk in the banking book, for regulatory reasons a change in the present value of the banking book is simulated based on the assumption of a simultaneous increase in interest rates for all maturities and all currencies. For estimating interest rate gaps, essential key assumptions are made in compliance with regulatory provisions and based on internal statistics and figures gained through experience.

RBI's liquidity position is subject to a regular monitoring process and is included in the RZB Group's declaration in its weekly reports to the Austrian banking supervisory authority. This regulatory report presents details of the expected cash in- and outflows and the additional realizable liquidity for various maturities and currencies.

The standard approach is currently being used to calculate capital requirements for operational risk under Basel II. This applies to all the main Group units.

Outlook

Based on current economic developments, especially in CEE, we are aiming for a return on equity before tax of 15 to 20 per cent in the medium term, with the inclusion of the acquisition of Polbank. 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.

Against the backdrop of our anticipated growth, further strengthening of our capital structure and preparation for the changing regulatory requirements, we are, in our capital planning, evaluating whether a strengthening of our equity is advisable. Depending on market developments, a capital increase may be a possible option within the next 12 months.

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 € 5.0 billion had already been successfully placed by mid August.

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.

Segment reports

Division of the segments

Internal management reporting at RBI is based on the current organizational structure. The matrix structure means that each member of the Management Board is responsible both for individual countries and specific business activities (country and functional responsibility model). Within the Group, a cash generating unit is either a country or a business activity. The RBI management bodies – the Management Board and Supervisory Board – take decisions that determine the resources allocated to each segment in accordance with its financial strength and profitability. Consequently, the reporting criteria are an essential component in the decision-making process. The segments are also defined in accordance with the International Financial Reporting Standards (IFRS) - in particular IFRS 8.

In Central and Eastern Europe (CEE) geographical aspects are used to define segments, with each Group unit being allocated to a segment in accordance with its location. Countries that are expected to achieve comparable long-term economic performance and that have similar economic profiles are grouped together in regional segments. Business outside the CEE area that has recently been added as a result of the merger with the principal business areas of RZB is defined by business activity. The segments therefore correspond to the Group's organizational structure are reflected in the internal management reports and are in line with the management approach required under IFRS 8.

In order to achieve maximum transparency and in consideration of the IFRS 8 thresholds, seven segments were defined, which ensures clear reporting. IFRS 8 establishes a threshold of 10 per cent of key figures, namely operating income, profit after tax and segment assets.

The Group comprises the following segments:

Cental Euope

This segment is made up of five countries: the Czech Republic, Hungary, Poland, Slovakia and Slovenia. These constitute the most mature banking markets in the CEE region. They are also the markets in which RBI has been operating longest. In Poland, Raiffeisen Bank Polska S.A. provides services to corporate customers, small and medium-sized entities and a growing number of affluent customers. Tatra banka a.s. in Slovakia is primarily involved in corporate and retail activities, but also has a strong emphasis on affluent customers. In Slovenia, the Group is represented by Raiffeisen Banka d.d.. This bank concentrates in particular on business with local corporate customers. The Czech Raiffeisenbank a.s. provides traditional banking services together with building society and insurance products in its local market. Raiffeisen Bank Zrt. has an extensive branch network in Hungary which serves retail customers, small and medium-sized entities and a large number of corporate customers. RBI also has a presence in Slovakia and the Czech Republic through ZUNO BANK AG, a direct bank. Separate leasing companies also operate in each country.

Southeastern Europe

The Southeastern Europe segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia. The Albanian Raiffeisen Bank Sh.a. provides financial services across all business activities. Raiffeisen Leasing Sh.a. rounds off the product offering. Raiffeisen Bank Kosovo J.S.C. and Raiffeisen Leasing LLC Kosovo represent RBI in Kosovo and offer a comprehensive product range. In Bosnia and Herzegovina, Raiffeisen Bank d.d. Bosna i Hercegovina and Raiffeisen Leasing d.o.o. Sarajevo focus on small and medium-sized entities but also have a broad range of products for retail customers. In Bulgaria, the Group is represented by Raiffeisen (Bulgaria) EAD and Raiffeisen

Leasing Bulgaria OOD. The Croatian Raiffeisenbank Austria d.d. specializes in large and medium-sized corporate customers and also has a substantial retail business. RBI also operates Raiffeisen Leasing d.o.o., capital management companies and an asset management company in Croatia.

Raiffeisen Bank S.A. has an extensive branch network in Romania offering top-notch financial services. The finance leasing business is operated by Raiffeisen Leasing IFN S.A. The Moldovan market is serviced from Romania with a tailored selection of products for corporate customers. RBI has a presence in the Serbian market in the form of Raiffeisen banka a.d., Raiffeisen Leasing d.o.o., two pension funds and an asset management company.

Russia

ZAO Raiffeisenbank is one of the leading foreign banks in Russia; the bank specializes in corporate and retail customers. The national branch network also offers products tailored for affluent retail customers. The product range in Russia is rounded off by OOO Raiffeisen Leasing.

CIS other

This segment comprises Belarus, Kazakhstan and the Ukraine. The Group is represented by Priorbank JSC and JLLC Raiffeisen-Leasing in Belarus. In Kazakhstan, RBI is represented by Raiffeisen Leasing Kazakhstan LLP, and in the Ukraine, Raiffeisen Bank Aval JSC and LLC Raiffeisen Leasing Aval provide a full range of financial services and products via an extensive network of business outlets. In addition, as a specialized service provider, the Ukrainian Processing Center PJSC processes a large proportion of the card business within the segment.

Group corporates

The Group corporates segment covers Austrian and international (mainly Western European) corporate customers managed by RBI AG in Vienna within the Corporate customers profit center. These customers include Austria's largest companies, most of whom have an excellent credit standing. The segment also shows the results generated by large corporate business with Central and Eastern European multinationals (excluding Austrian customers) in the Network corporate customers & support profit center. The Corporate customers and Network corporate customers & support profit centers also include net income from structured trade financing for commodity traders, documentary business, project financing and a range of cofinancing solutions. The corporate customer business of the branches in Singapore, China and Malaysia is also allocated to the Group corporates segment, as are operations involving international customers of the Maltese subsidiary, RB International Finance (USA) and RB International Finance (Hong Kong), all of which provide a selection of products for niche market customers.

Group markets

The Group markets segment covers capital market customers and proprietary trading. The results show income from trading in currencies, interest rates, securities and structured products for financial institutions as well as income from proprietary trading. Proprietary trading and market-making activities are allocated to the following profit centers: Capital markets, Credit investments (non-core strategic proprietary trading in securities) plus the profit centers in the Singapore, China and London branches. Net income from transactions for customers is included in the profit centers Financial institutions & sovereigns and Raiffeisen financial institutions clients (operations involving Raiffeisen Landesbanks and related financial service companies). The profit centers post net income from sales of all banking products and business relationships with banks, institutional customers, governments and local authorities. Raiffeisen Centrobank, where securities trading and capital market financing constitute the core business, is also part of this segment. The Mergers & acquisitions division, which operates via locations in ness, is also part of this segment. The Mergers & acquisitions division, which operates via locations in a number of different countries, is also represented in this segment by the subsidiary of Raiffeisen Investment AG. Commodity trading is undertaken by Centrotrade AG branches around the world and by F.J. Elsner & Co. in Austria. The segment also includes private banking, reporting results from Kathrein & Co. Privatgeschäftsbank, which advises on investing private and foundation assets, as well as on inheritance issues.

Corporate center

The Corporate center segment encompasses all the services provided by Group headquarters for various parts of the Group to realize the Group's overall strategy. Liquidity management and balance sheet structure management linked to proprietary trading are included under this segment and reported in the Treasury profit center.

Net income from the equity investment portfolio especially from subsidiaries in CEE and net income from banking operations carried out by Group headquarters and the Maltese subsidiary in relation to funding for Group units is also reported in this segment. Net income from the Special Customers profit center - customers for whom members of the Management Board are directly responsible - is also posted under this segment, as is income from the Austrian transaction services business operated by Raiffeisen Data Service Center GmbH, which offers a wide selection of order processing products and services for financial services providers.

Net income from companies operated for the purpose of equity management, from the holding company and all other companies that do not fall directly under another segment is also included in this segment.

Segment overview

The prior year figures in this segment report are the comparable figures for the RBI structure after applying the merger retroactively to 1 January 2010.

In the first half of 2011 RBI continued its growth, thanks to the new Group structure optimized by the merger. Profit before tax rose by 52 per cent to € 879 million year-on-year. This increase primarily resulted from a slight rise in operating income and a decline in provisioning for imapriment losses. Valuation gains on other derivative financial instruments also had a positive impact on profits. The 6 per cent rise in general administrative expenses reflects the active support of business growth and was only partly compensated by the rise in operating income, increasing the cost/income ratio as a result. All segments increased their results, although the economic recovery took different paths in the various regional and other segments.

In Central Europe profit before tax rose by 28 per cent to € 163 million. Higher operating income and lower net provisioning for impairment losses were decisive factors in this growth. Balance sheet assets rose by 6 per cent compared with a year ago.

In the period under review, Southeastern Europe reported profit before tax of € 189 million, a rise of 12 per cent. Lower net provisioning for impairment losses and improved other results were the main factors behind this increase. The balance sheet assets in this segment fell by 2 per cent compared with the previous year.

Russia recorded the largest pre-tax profit of any segment at € 206 million, an increase of 82 per cent on a year ago. This growth resulted from a substantial fall in net provisioning for impairment losses and a rise in operating income. Balance sheet assets in this segment were up 1 per cent on the end of the first half of 2010.

The CIS other segment tripled its profit before tax to € 97 million as a result of a fall in net provisioning for impairment losses. The balance sheet assets in the segment fell by 11 per cent compared to the same period last year, largely due to exchange rate effects.

The Group corporates segment saw a 33 per cent rise in profit before tax to € 201 million during the reporting period. This increase reflected the rise in operating income and lower net provisioning for impairment losses compared with the previous year. The segment's balance sheet assets fell by 11 per cent year-on-year due to the transfer of the financing for the Austrian Raiffeisen Leasing Group to RZB.

Profit before tax in the Group markets segment rose by € 125 million or 190 per cent compared with the first half of 2010 to € 191 million. An increase in other results, mainly due to valuation gains from derivatives held for hedging purposes, was responsible for this good result. The balance sheet assets fell by 40 per cent compared with a year earlier due to a reclassification of parts of the assets to the Corporate center segment as well as the reduction of credit business with Financial institutions..

In the Corporate center segment profit before tax rose by 27 per cent to € 201 million, largely driven by a rise in operating income. Balance sheet assets in this segment were up 5 per cent on the end of the first half of 2010.

A breakdown of group assets by segment shows changes over the period under review. The share of Central Europe rose by 3 percentage points to 21 per cent, and the share of Southeastern Europe rose by 1 percentage point to 13 per cent. The share of Russia also increased by 1 percentage point to 9 per cent, while the CIS other segment was unchanged at 4 per cent. The share of Group corporates fell by 1 percentage point to 12 per cent, while Group markets dropped by 8 percentage points over the reporting period to 14 per cent. This decrease benefited in part the Corporate center, which had a share of 27 per cent at the end of the period under review (up 4 percentage points).

Central Europe

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	569	539	5.5%	282	287	(1.8)%
Net fee and commission income	243	226	7.4%	124	119	4.6%
Net trading income	26	29	(10.1)%	14	12	11.1%
Other net operating income	(17)	(27)	(37.9)%	(11)	(5)	110.8%
Operating income	**821**	**767**	**7.0%**	**408**	**413**	**(1.1)%**
General administrative expenses	(470)	(425)	10.7%	(234)	(236)	(1.1)%
Operating result	**351**	**342**	**2.5%**	**175**	**176**	**(1.1)%**
Net provisioning for impairment losses	(177)	(198)	(10.4)%	(98)	(79)	24.9%
Other results	(11)	(17)	(37.2)%	(8)	(3)	185.6%
Profit before tax	**163**	**128**	**27.8%**	**68**	**95**	**(28.1)%**
Income taxes	(36)	(31)	16.4%	(17)	(19)	(11.6)%
Profit after tax	**127**	**97**	**31.5%**	**51**	**76**	**(32.3)%**
Profit attributable to non-controlling interests	(44)	(33)	32.4%	(15)	(28)	(45.2)%
Profit after non-controlling interests	**83**	**64**	**31.0%**	**36**	**48**	**(24.7)%**
Share of profit before tax	13.1%	15.6%	(2.5) PP	6.6%	20.7%	(14.1) PP
Risk-weighted assets (credit risk)	23,736	21,636	9.7%	23,736	23,151	2.5%
Total own funds requirement	2,177	1,969	10.6%	2,177	2,130	2.2%
Assets	35,542	33,598	5.8%	35,541	34,393	3.3%
Liabilities	32,652	30,989	5.4%	32,652	31,485	3.7%
Net interest margin	3.29%	3.20%	0.09 PP	3.23%	3.36%	(0.13) PP
NPL ratio	8.7%	8.0%	0.7 PP	8.7%	8.5%	0.2 PP
Coverage ratio	58.7%	56.5%	2.2 PP	58.7%	57.6%	1.1 PP
Cost/income ratio	57.3%	55.4%	1.9 PP	57.3%	57.3%	0.0 PP
Net provisioning ratio (average risk-weighted assets, credit risk)	1.52%	1.84%	(0.32) PP	1.68%	1.37%	0.31 PP
Average equity	2,882	2,564	12.4%	2,881	2,900	(0.7)%
Return on equity before tax	**11.3%**	**10.0%**	**1.4 PP**	**9.4%**	**13.1%**	**(3.7) PP**
Business outlets	556	554	0.4%	556	548	1.5%

In Central Europe, profit before tax was € 163 million in the reporting period, up 28 per cent or € 35 million compared with the comparable period in 2010. A significant rise in operating income (which was, however, accompanied by a rise in general administrative expenses) was largely responsible for this good result. Return on equity before tax rose by 1.4 percentage points to 11.3 per cent.

Operating income

Net interest income in this segment rose by 6 per cent to € 569 million. The highest growth was in Poland and Slovakia, due primarily in Poland to reduced costs for customer time deposits and in Slovakia mainly to income on the higher volume of loans to all customer groups. In the Czech Republic the net interest income also rose considerably due to higher volume and margins on loans to retail customers. The net interest margins in the region rose by 9 basis points in all to 3.29 per cent, assets in this segment rose by 6 per cent year-on-year to € 35.5 billion, and credit risk-weighted assets rose 10 per cent year-on-year from € 21.6 billion to € 23.7 billion. The rather significant increase in credit risk-weighted assets was primarily due to a reduction in Basel II collateral in the Corporate segment of the Czech Republic, as well as a portfolio shift towards project financing in Slovakia. The internal ratings-based approach, which began in the second half-year of 2010, was applied for the majority of the loans and advances to private customers in Hungary leading also to a significant boost in credit risk-weighted assets.

Net fee and commission income grew in every country in the region except Hungary, rising by 7 per cent or € 17 million to € 243 million. Payment transfer business accounted for € 97 million of this figure, a gain of 9 per cent or € 8 million year-on-year. This growth was almost entirely due to the higher number of transactions and in the Czech Republic also due to successfully implemented price adjustments. Net income from the loan and guarantee business grew by 16 per cent year-on-year to € 37 million. This increase was primarily generated in Poland by significant growth in business activity, and in particular through project financing. Net income from currency, notes/coins and precious-metals business fell by 2 per cent to € 71 million, for which lower foreign exchange margins for customers in Hungary with a reduced number of transactions were responsible.

Net trading income for Central Europe fell by 10 per cent to € 26 million year-on-year. This decrease came mainly from Hungary. Net income from currency-based transactions dropped by € 1 million to € 27 million, primarily due to revaluation losses on various foreign currency instruments. Net income from interest-based transactions remained almost unchanged at minus € 2 million year-on-year, reflecting on the one hand revaluation gains in Slovakia on interest rate swap transactions and on the other hand a decrease in valuation gains on derivatives in Hungary due to the interest rate increase. Net income from equity and index-based transactions of € 0.4 million was generated almost entirely in Hungary and was below the value of € 3 million in the comparable period due to negative trends in share prices.

Other net operating income in the region improved over the period under review from minus € 27 million to minus € 17 million – due for the most part to higher net income from non-banking activities. This figure includes a € 22 million bank levy in Hungary.

General administrative expenses

General administrative expenses in this segment advanced by 11 per cent or € 45 million to € 470 million year-on-year. This increase was essentially due to a rise in staff expenses and other administrative expenses. The rise in staff expenses was because of increased staffing needs due to the expansion of the marketing channels in the Czech Republic. Staff expenses in connection with the commenced business activity of Directbank ZUNO in Slovakia also contributed € 4 million to this increase. The opening of new branches and the installation of new customer areas (affluent corners) in existing branches in the Czech Republic accounted for the increase in other administrative expenses here. Depreciation, amortization and write-offs rose year-on-year in several countries in the region, due to higher costs of branches and the depreciation of various IT systems following implementation of the new core bank system. The number of business outlets increased year-on-year by 2 to 556. The cost/income ratio in the region increased by 1.9 percentage points to 57.3 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses decreased in almost all countries in Central Europe, resulting in an overall reduction of 10 per cent or € 21 million to € 177 million. However, net allocations to individual loan loss provisions increased year-on-year by 33 per cent to € 203 million. This was almost entirely due to net provisioning for losses on loans to private customers and mortgage loans in Hungary, where collateral was revalued resulting in a negative impact due to weak demand in the domestic market. In Slovenia higher net provisioning for impairment losses was also required due to an individual troubled loan. In the case of portfolio-based loan loss provisions in the region, a net figure of € 24 million was released compared to net provisioning of € 65 million in the prior-year period. For instance, due to a significant reduction in new business and overdue loans, a release of portfolio-based loan loss provisions for private customers in Hungary occurred, while individual loan loss provisions rose even further. Furthermore, there was considerably lower net allocations to portfolio-based loan loss provisions in Slovakia and the Czech Republic, which was connected to the improved quality of the loan portfolio. The proportion of non-performing loans in the loan portfolio in the Central Europe segment was 8.7 per cent at the end of the reporting period. The measures taken by the Hungarian government for alleviating the pressure on customers and for improving the loan repayments of foreign-currency mortgage loans had not yet had an effect on the financial figures in the first half of 2011.

Other results and taxes

Other results in the Central Europe segment improved by € 6 million to minus € 11 million. Net income from derivatives and designated liabilities increased year-on-year from minus € 8 million to minus € 2 million. This improvement came almost entirely from valuation gains on various hedging transactions in the Czech Republic which had been entered to adjust the foreign currency structure. As the interest rate level fell only marginally in the period under review, no further valuation losses were incurred. In the prior-year period valuation losses were recorded due to a sharp drop in the yield curve. In Slovenia valuation gains from interest rate swap-transactions increased by € 2 million year-on-year. The net income from financial investments also increased year-on-year and moved from a loss of € 28 million to a loss of € 6 million. On the one hand, this was due to the improvement of net income on the valuation of municipal bonds in Hungary, while in Slovakia valuations of fixed-interest securities dropped from € 3 million to minus € 1 million due to the rising interest rate level.

Income taxes climbed by 16 per cent year-on-year to € 36 million. The tax rate in the region fell by 2 percentage points to 22 per cent year-on-year. Profit after non-controlling interests totaled € 83 million.

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

Czech Republic

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	144	136	5.6%	71	73	(2.3)%
Net fee and commission income	63	51	23.1%	33	30	7.9%
Net trading income	4	(6)	–	2	2	6.9%
Other net operating income	3	1	289.7%	2	1	71.3%
Operating income	**213**	**182**	**17.4%**	**107**	**106**	**1.5%**
General administrative expenses	(118)	(95)	24.7%	(59)	(59)	0.8%
Operating result	**95**	**87**	**9.4%**	**48**	**47**	**2.3%**
Net provisioning for impairment losses	(32)	(42)	(24.0)%	(17)	(15)	11.7%
Other results	2	(7)	–	1	1	1.7%
Profit before tax	**65**	**38**	**71.4%**	**32**	**33**	**(2.0)%**
Income taxes	(14)	(8)	82.0%	(7)	(7)	0.0%
Profit after tax	**50**	**30**	**68.6%**	**25**	**26**	**(2.6)%**
Profit attributable to non-controlling interests	(27)	(17)	55.2%	(13)	(14)	(7.6)%
Profit after non-controlling interests	**23**	**12**	**87.4%**	**12**	**12**	**3.4%**
Assets	8,714	7,909	10.2%	8,714	8,358	4.3%
Loans and advances to customers	6,919	6,116	13.1%	6,919	6,831	1.3%
hereof corporate %	43.4%	41.1%	2.3 PP	43.4%	43.4%	0.0 PP
hereof retail %	56.5%	58.9%	(2.4) PP	56.5%	56.4%	0.1 PP
hereof foreign currency %	7.0%	8.2%	(1.2) PP	7.0%	7.0%	0.0 PP
Deposits from customers	5,576	4,840	15.2%	5,576	5,141	8.4%
Loan/deposit ratio	124.1%	126.4%	(2.3) PP	124.1%	132.9%	(8.8) PP
Return on equity before tax	22.3%	15.0%	7.3 PP	21.8%	22.6%	(0.8) PP
Return on equity after tax	17.4%	11.9%	5.5 PP	16.9%	17.7%	(0.7) PP
Cost/income ratio	55.5%	52.2%	3.2 PP	55.3%	55.7%	(0.4) PP
Number of employees as of reporting date	3,092	2,646	16.9%	3,092	2,988	3.5%
Business outlets	121	110	10.0%	121	114	6.1%
Number of customers	433,505	426,901	1.5%	433,505	432,215	0.3%

Hungary

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	160	167	(4.0)%	76	84	(9.3)%
Net fee and commission income	45	51	(12.5)%	22	22	0.5%
Net trading income	13	26	(51.7)%	9	4	110.6%
Other net operating income	(32)	(24)	36.4%	(16)	(16)	3.7%
Operating income	**185**	**220**	**(15.9)%**	**91**	**95**	**(4.0)%**
General administrative expenses	(108)	(119)	(9.3)%	(51)	(57)	(10.9)%
Operating result	**77**	**101**	**(23.8)%**	**40**	**37**	**6.6%**
Net provisioning for impairment losses	(115)	(80)	44.1%	(68)	(47)	43.6%
Other results	(12)	(15)	(18.4)%	(9)	(3)	159.4%
Profit/loss before tax	**(51)**	**6**	**–**	**(37)**	**(14)**	**174.4%**
Income taxes	9	(4)	–	7	3	156.2%
Profit/loss after tax	**(42)**	**2**	**–**	**(31)**	**(11)**	**178.7%**
Profit attributable to non-controlling interests	5	4	44.1%	4	1	179.7%
Profit/Loss after non-controlling interests	**(37)**	**5**	**–**	**(27)**	**(10)**	**178.6%**
Assets	8,857	8,628	2.7%	8,857	8,603	3.0%
Loans and advances to customers	6,185	6,387	(3.2)%	6,185	6,041	2.4%
hereof corporate %	51.1%	55.9%	(4.8) PP	51.1%	51.7%	(0.5) PP
hereof retail %	45.5%	41.8%	3.7 PP	45.5%	45.2%	0.3 PP
hereof foreign currency %	68.3%	79.2%	(10.9) PP	68.3%	67.7%	0.6 PP
Deposits from customers	5,176	4,651	11.3%	5,176	4,994	3.6%
Loan/deposit ratio	119.5%	137.3%	(17.8) PP	119.5%	121.0%	(1.5) PP
Return on equity before tax	–	2.2%	–	–	–	–
Return on equity after tax	–	0.7%	–	–	–	–
Cost/income ratio	58.5%	54.2%	4.3 PP	56.2%	60.6%	(4.4) PP
Number of employees as of reporting date	3,230	3,158	2.3%	3,230	3,262	(1.0)%
Business outlets	144	144	0.0%	144	144	0.0%
Number of customers	645,761	647,944	(0.3)%	645,761	642,768	0.5%

Poland

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	98	83	18.6%	49	49	0.0%
Net fee and commission income	69	63	9.5%	34	34	0.9%
Net trading income	10	14	(25.3)%	5	6	(14.6)%
Other net operating income	10	3	224.6%	1	9	(83.4)%
Operating income	**187**	**162**	**15.3%**	**90**	**97**	**(8.0)%**
General administrative expenses	(100)	(90)	10.9%	(51)	(49)	3.4%
Operating result	**87**	**72**	**20.9%**	**39**	**48**	**(19.6)%**
Net provisioning for impairment losses	(23)	(34)	(34.2)%	(9)	(13)	(31.1)%
Other results	0	0	–	0	0	–
Profit before tax	**65**	**38**	**71.6%**	**30**	**35**	**(14.5)%**
Income taxes	(13)	(8)	65.6%	(7)	(6)	15.6%
Profit after tax	**51**	**30**	**73.3%**	**23**	**29**	**(21.1)%**
Profit attributable to non-controlling interests	(4)	(2)	48.3%	(2)	(2)	(11.5)%
Profit after non-controlling interests	**48**	**27**	**75.6%**	**21**	**27**	**(21.8)%**
Assets	7,173	6,375	12.5%	7,173	6,832	5.0%
Loans and advances to customers	5,581	4,956	12.6%	5,581	5,189	7.6%
hereof corporate %	60.0%	66.7%	(6.7) PP	60.0%	57.9%	2.0 PP
hereof retail %	39.2%	33.3%	5.9 PP	39.2%	41.2%	(2.0) PP
hereof foreign currency %	36.3%	39.1%	(2.8) PP	36.3%	35.5%	0.8 PP
Deposits from customers	3,982	3,340	19.2%	3,982	3,668	8.6%
Loan/deposit ratio	140.2%	148.4%	(8.2) PP	140.2%	141.5%	(1.3) PP
Return on equity before tax	17.5%	11.1%	6.4 PP	16.7%	19.6%	(2.9) PP
Return on equity after tax	13.9%	8.7%	5.2 PP	12.7%	15.5%	(2.8) PP
Cost/income ratio	53.5%	55.6%	(2.1) PP	56.7%	50.5%	6.2 PP
Number of employees as of reporting date	3,134	3,016	3.9%	3,134	3,153	(0.6)%
Business outlets	117	125	(6.4)%	117	116	0.9%
Number of customers	247,543	244,333	1.3%	247,543	248,826	(0.5)%

Slovakia

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	151	137	9.9%	78	73	5.5%
Net fee and commission income	63	59	7.6%	33	31	6.7%
Net trading income	0	(6)	(92.5)%	(2)	1	–
Other net operating income	3	(5)	–	2	1	238.6%
Operating income	**217**	**185**	**16.9%**	**110**	**106**	**4.1%**
General administrative expenses	(130)	(107)	21.4%	(66)	(64)	2.2%
Operating result	**87**	**78**	**10.8%**	**45**	**42**	**7.1%**
Net provisioning for impairment losses	3	(38)	–	3	(1)	–
Other results	(1)	3	–	0	(1)	–
Profit before tax	**88**	**44**	**101.7%**	**48**	**40**	**20.9%**
Income taxes	(17)	(10)	68.3%	(9)	(8)	17.0%
Profit after tax	**70**	**33**	**112.2%**	**39**	**32**	**21.9%**
Profit attributable to non-controlling interests	(28)	(13)	118.5%	(15)	(13)	20.1%
Profit after non-controlling interests	**43**	**20**	**108.3%**	**24**	**19**	**23.2%**
Assets	9,149	9,132	0.2%	9,149	8,940	2.3%
Loans and advances to customers	6,367	5,787	10.0%	6,367	6,073	4.8%
hereof corporate %	51.8%	52.8%	(1.0) PP	51.8%	53.3%	(1.6) PP
hereof retail %	48.0%	47.2%	0.8 PP	48.0%	46.4%	1.6 PP
hereof foreign currency %	1.1%	2.6%	(1.5) PP	1.1%	1.4%	(0.3) PP
Deposits from customers	6,899	6,812	1.3%	6,899	6,691	3.1%
Loan/deposit ratio	92.3%	85.0%	7.3 PP	92.3%	90.8%	1.5 PP
Return on equity before tax	21.6%	11.2%	10.5 PP	23.7%	18.7%	5.0 PP
Return on equity after tax	17.3%	8.5%	8.8 PP	19.1%	14.9%	4.1 PP
Cost/income ratio	60.0%	57.8%	2.2 PP	59.4%	60.6%	(1.1) PP
Number of employees as of reporting date	3,768	3,564	5.7%	3,768	3,769	0.0%
Business outlets	157	158	(0.6)%	157	157	0.0%
Number of customers	757,893	728,775	4.0%	757,893	747,832	1.3%

Slovenia

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	16	16	(0.4)%	8	8	6.8%
Net fee and commission income	4	3	29.4%	2	2	9.1%
Net trading income	0	1	–	0	0	>500.0%
Other net operating income	0	0	–	0	0	–
Operating income	**20**	**19**	**2.8%**	**10**	**10**	**2.9%**
General administrative expenses	(14)	(13)	2.6%	(7)	(7)	1.5%
Operating result	**6**	**6**	**3.2%**	**3**	**3**	**6.1%**
Net provisioning for impairment losses	(10)	(3)	185.9%	(7)	(2)	232.6%
Other results	0	0	(34.3)%	0	0	–
Profit/loss before tax	**(3)**	**3**	**–**	**(5)**	**1**	**–**
Income taxes	0	(1)	(91.1)%	0	0	–
Profit/loss after tax	**(3)**	**2**	**–**	**(4)**	**1**	**–**
Profit attributable to non-controlling interests	0	0	–	1	0	–
Profit/Loss after non-controlling interests	**(3)**	**2**	**–**	**(4)**	**1**	**–**
Assets	1,679	1,594	5.4%	1,679	1,685	(0.3)%
Loans and advances to customers	1,344	1,232	9.1%	1,344	1,331	1.0%
hereof corporate %	63.1%	65.8%	(2.7) PP	63.1%	68.8%	(5.7) PP
hereof retail %	30.8%	34.2%	(3.4) PP	30.8%	30.4%	0.4 PP
hereof foreign currency %	7.2%	13.5%	(6.3) PP	7.2%	7.8%	(0.6) PP
Deposits from customers	480	469	2.2%	480	528	(9.1)%
Loan/deposit ratio	280.3%	262.6%	17.6 PP	280.3%	252.3%	27.9 PP
Return on equity before tax	–	7.2%	–	–	5.3%	–
Return on equity after tax	–	5.4%	–	–	4.0%	–
Cost/income ratio	68.8%	68.9%	(0.1) PP	68.3%	69.3%	(1.0) PP
Number of employees as of reporting date	357	357	0.0%	357	353	1.1%
Business outlets	17	17	0.0%	17	17	0.0%
Number of customers	67,102	66,508	0.9%	67,102	67,040	0.1%

Southeastern Europe

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	455	445	2.3%	234	221	5.5%
Net fee and commission income	179	186	(3.7)%	92	87	5.1%
Net trading income	27	25	7.3%	12	14	(12.7)%
Other net operating income	17	17	4.3%	10	7	45.9%
Operating income	**678**	**672**	**0.9%**	**348**	**330**	**5.5%**
General administrative expenses	(372)	(357)	4.1%	(189)	(182)	4.1%
Operating result	**306**	**315**	**(2.8)%**	**158**	**148**	**7.3%**
Net provisioning for impairment losses	(124)	(139)	(11.0)%	(64)	(60)	5.5%
Other results	6	(7)	–	1	5	(79.7)%
Profit before tax	**189**	**169**	**11.9%**	**96**	**93**	**3.5%**
Income taxes	(24)	(24)	0.6%	(11)	(13)	(9.6)%
Profit after tax	**165**	**145**	**13.7%**	**85**	**80**	**5.5%**
Profit attributable to non-controlling interests	(12)	(10)	26.0%	(5)	(7)	(32.7)%
Profit after non-controlling interests	**152**	**135**	**12.9%**	**80**	**73**	**9.4%**
		0				
Share of profit before tax	15.1%	20.6%	(5.5) PP	12.4%	20.2%	(7.8) PP
Risk-weighted assets (credit risk)	16,485	15,925	3.5%	16,485	16,269	1.3%
Total own funds requirement	1,551	1,486	4.3%	1,551	1,530	1.4%
Assets	22,471	22,989	(2.3)%	22,471	22,247	1.0%
Liabilities	19,572	20,242	(3.3)%	19,572	19,310	1.4%
Net interest margin	4.05%	3.82%	0.23 PP	4.18%	3.94%	0.24 PP
NPL ratio	10.0%	7.5%	2.5 PP	10.0%	9.1%	0.9 PP
Coverage ratio	62.5%	66.9%	(4.4) PP	62.5%	63.0%	(0.5) PP
Cost/income ratio	54.8%	53.1%	1.7 PP	54.5%	55.2%	(0.7) PP
Net provisioning ratio (average risk-weighted assets, credit risk)	1.50%	1.72%	(0.22) PP	1.55%	1.46%	0.09 PP
Average equity	2,089	1,964	6.3%	2,088	2,121	(1.5)%
Return on equity before tax	**18.1%**	**17.2%**	**0.9 PP**	**18.2%**	**17.5%**	**(0.7) PP**
Business outlets	1,154	1,173	(1.6)%	1,154	1,156	(0.2)%

The economic recovery began gradually in Southeastern Europe, albeit to different degrees in each country, leading to an increase of 12 per cent or € 20 million in segment profit before tax for the period to € 189 million. Lower net provisioning for impairment losses and net income from derivatives had a positive impact on profit before tax, but operating income remained unchanged year-on-year. The segment's return on equity before tax rose year-on-year by 0.9 percentage points to 18.1 per cent.

Operating income

Segment net interest income rose by 2 per cent to € 455 million, due mainly to Bosnia and Herzegovina, Romania and Serbia. This increase was generated primarily by lower refinancing costs for customer deposits due to sustained excess liquidity in these markets. Balance sheet assets in the region were down by 2 per cent year-on-year to € 22.5 billion, while the net interest margin rose by 23 basis points to 4.05 per cent. Credit risk-weighted assets increased by 4 per cent year-on-year to € 16.5 billion. This development was in contrast to the overall trend of balance sheet assets, due mainly to Romania, where there was a shift in off-balance-sheet items to corporate lending, triggering a decrease in Basel II collateral.

Net fee and commission income declined by 4 per cent year-on-year to € 179 million. The payment transfer business again turned in the largest contribution here, although the figure of € 85 million was only slightly above the year-earlier level for the period. The country with the highest commission income was Romania, which contributed almost half of the total. Net income from loan and guarantee business almost halved year-on-year, to € 26 million. Developments in Romania and Bulgaria were responsible for this contraction: In Romania, lower transaction volumes and a market-related fall in prices prompted the decline, and the new provisions of the Consumer Protection Act which came into force in June 2010 also reduced earnings. In Bulgaria, however, the generally flat lending environment reduced income from loan and guarantee business. Income from the foreign currency, notes/coins, and precious metals-business remained virtually unchanged year-on-year at € 31 million. About half of this figure originated from Romania.

Net trading income for Southeastern Europe rose year-on-year by 7 per cent to € 27 million. Currency-based transactions brought in € 14 million, due principally to net valuations of forward and swap transactions in Romania. Interest-based transactions posted income of € 12 million, an increase of 31 per cent. This upturn was due to valuation gains on swap transactions concluded mainly in Romania in first-half 2011. Croatia also contributed to this increase thanks to valuation gains on various positions in the trading portfolio. Revaluations of fixed-interest securities in Albania generated € 6 million, a somewhat lower amount than in the same period last year.

Other net operating income rose slightly year-on-year, by 4 per cent to € 17 million. The largest contribution here came from the overall increase of € 3 million in income from operating lease business in Croatia and also in Bosnia and Herzegovina.

General administrative expenses

General administrative expenses rose year-on-year by a total of 4 per cent to € 372 million. Key factors here included developments in Romania, where staff expenses rose substantially on account of salary increases implemented at the end of 2010 to bring salaries up to market levels, mostly in the branch network. Other administrative expenses increased by a total of 5 per cent. This increase was also attributable to Romania, where higher expenses were incurred for advertising and representation as well as for deposit insurance fees. New IT applications also caused a further increase in other administrative expenses. Depreciation, amortization and writedowns, especially on intangible fixed assets including IT applications, rose by 7 per cent to € 54 million. The combination of almost unchanged operating income and increased general administrative expenses meant that the cost/income ratio increased slightly by 1.7 percentage points to 54.8 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses was down by a total of 11 per cent or € 15 million to € 124 million. Net allocations to individual loan loss provisions declined by 3 per cent or € 4 million to € 139 million, due principally to the higher collateralization level for non-performing loans in Bulgaria. Net allocations to individual loan loss provisions were also significantly lower in Bosnia and Herzegovina. Net allocations to portfolio-based loan loss provisions resulted in a positive figure of € 14 million. Serbia and Romania reported the highest releases of existing portfolio-based loan loss provisions. The ratio of non-performing loans in the credit portfolio totaled 10.0 per cent at the end of first-half 2011.

Other results and taxes

Other results for the Southeastern Europe segment rose year-on-year by € 13 million to € 6 million. Moreover, net income from derivatives saw a turnaround from minus € 9 million to € 4 million. This came almost entirely from hedging transactions in Croatia that were mostly entered into during the 2009 financial year to adjust the currency structure. Net income from financial investments was down from € 7 million to € 2 million. This decline was chiefly attributable to the absence of disposal and valuation gains on government bonds in Romania due to the stable level of interest rates in the reporting period. The deconsolidation of a leasing company in Moldova for materiality reasons resulted in a net loss from disposal of group assets of € 0.3 million.

Income taxes in the region showed no year-on-year changes. However, the tax rate fell slightly by 2 percentage points to 13 per cent. Profit for the period after the deduction of non-controlling interests was € 152 million. Profit attributable to non-controlling interests was higher due to year-on-year differences in the geographical distribution of results.

The results for individual countries in the segment are detailed below:

Albania

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	44	43	1.5%	22	22	(1.8)%
Net fee and commission income	4	4	1.9%	2	2	(4.0)%
Net trading income	6	7	(5.3)%	3	3	(4.1)%
Other net operating income	0	0	–	0	0	–
Operating income	**54**	**55**	**(0.4)%**	**27**	**28**	**(2.9)%**
General administrative expenses	(18)	(16)	9.7%	(9)	(9)	6.4%
Operating result	**36**	**38**	**(4.8)%**	**17**	**19**	**(7.2)%**
Net provisioning for impairment losses	(13)	(9)	46.3%	(10)	(3)	262.5%
Other results	0	0	–	0	0	–
Profit before tax	**23**	**29**	**(20.5)%**	**7**	**16**	**(54.9)%**
Income taxes	(3)	(3)	(3.9)%	(1)	(2)	(66.5)%
Profit after tax	**20**	**26**	**(22.3)%**	**6**	**14**	**(53.1)%**
Profit attributable to non-controlling interests	0	0	22.7%	0	0	(10.9)%
Profit after non-controlling interests	**20**	**26**	**(22.4)%**	**6**	**14**	**(53.2)%**
Assets	2,094	1,955	7.1%	2,094	2,008	4.3%
Loans and advances to customers	799	737	8.4%	799	784	1.8%
hereof corporate %	60.6%	58.6%	2.0 PP	60.6%	61.8%	(1.2) PP
hereof retail %	39.4%	38.5%	0.9 PP	39.4%	38.2%	1.2 PP
hereof foreign currency %	63.9%	58.1%	5.8 PP	63.9%	64.0%	(0.1) PP
Deposits from customers	1,768	1,598	10.6%	1,768	1,706	3.6%
Loan/deposit ratio	45.2%	46.1%	(0.9) PP	45.2%	46.0%	(0.8) PP
Return on equity before tax	24.6%	32.8%	(8.2) PP	16.9%	31.4%	(14.5) PP
Return on equity after tax	21.6%	29.5%	(7.9) PP	13.8%	27.0%	(13.2) PP
Cost/income ratio	33.2%	30.2%	3.1 PP	34.8%	31.7%	3.0 PP
Number of employees as of reporting date	1,364	1,313	3.9%	1,364	1,355	0.7%
Business outlets	103	104	(1.0)%	103	103	0.0%
Number of customers	670,701	606,884	10.5%	670,701	654,340	2.5%

Bosnia and Herzegovina

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	39	35	13.0%	20	19	2.6%
Net fee and commission income	15	14	3.4%	8	7	11.6%
Net trading income	0	0	136.0%	0	0	94.1%
Other net operating income	2	0	–	1	0	237.1%
Operating income	**56**	**49**	**14.6%**	**29**	**27**	**8.7%**
General administrative expenses	(31)	(31)	(0.6)%	(16)	(15)	4.6%
Operating result	**25**	**18**	**41.1%**	**13**	**12**	**14.0%**
Net provisioning for impairment losses	(6)	(14)	(54.8)%	(4)	(3)	29.7%
Other results	(1)	0	106.2%	0	(1)	(81.8)%
Profit before tax	**18**	**3**	**494.3%**	**10**	**8**	**18.0%**
Income taxes	(1)	0	238.8%	(1)	(1)	2.5%
Profit after tax	**16**	**3**	**>500.0%**	**9**	**7**	**19.3%**
Profit attributable to non-controlling interests	0	0	(25.2)%	0	0	–
Profit after non-controlling interests	**16**	**3**	**>500.0%**	**9**	**8**	**12.7%**
Assets	2,147	2,198	(2.3)%	2,147	2,143	0.2%
Loans and advances to customers	1,372	1,357	1.1%	1,372	1,366	0.5%
hereof corporate %	43.6%	39.1%	4.5 PP	43.6%	43.4%	0.2 PP
hereof retail %	55.1%	60.9%	(5.8) PP	55.1%	55.2%	(0.2) PP
hereof foreign currency %	66.2%	72.9%	(6.7) PP	66.2%	66.0%	0.2 PP
Deposits from customers	1,617	1,639	(1.4)%	1,617	1,605	0.7%
Loan/deposit ratio	84.9%	82.8%	2.1 PP	84.9%	85.1%	(0.2) PP
Return on equity before tax	14.7%	2.5%	12.1 PP	15.9%	13.4%	2.6 PP
Return on equity after tax	13.6%	2.2%	11.4 PP	14.8%	12.3%	2.5 PP
Cost/income ratio	55.3%	63.7%	(8.4) PP	54.3%	56.4%	(2.1) PP
Number of employees as of reporting date	1,621	1,659	(2.3)%	1,621	1,606	0.9%
Business outlets	98	101	(3.0)%	98	98	0.0%
Number of customers	629,921	713,561	(11.7)%	629,921	644,800	(2.3)%

Bulgaria

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	85	93	(8.2)%	42	43	(1.4)%
Net fee and commission income	18	17	6.7%	9	9	–
Net trading income	4	3	12.4%	2	2	4.9%
Other net operating income	0	(1)	–	0	0	(21.9)%
Operating income	**107**	**112**	**(4.5)%**	**54**	**53**	**0.4%**
General administrative expenses	(48)	(47)	3.0%	(25)	(24)	2.5%
Operating result	**58**	**65**	**(9.9)%**	**29**	**29**	**(1.3)%**
Net provisioning for impairment losses	(27)	(42)	(37.0)%	(14)	(13)	5.4%
Other results	0	0	217.4%	0	0	28.1%
Profit before tax	**32**	**23**	**41.6%**	**15**	**16**	**(6.5)%**
Income taxes	(3)	(2)	52.1%	(1)	(2)	(9.4)%
Profit after tax	**29**	**21**	**40.6%**	**14**	**15**	**(6.2)%**
Profit attributable to non-controlling interests	(1)	(1)	(54.6)%	0	(1)	–
Profit after non-controlling interests	**28**	**19**	**47.9%**	**14**	**14**	**(1.1)%**
Assets	3,752	3,880	(3.3)%	3,752	3,668	2.3%
Loans and advances to customers	2,886	2,869	0.6%	2,886	2,809	2.8%
hereof corporate %	43.7%	32.6%	11.1 PP	43.7%	42.7%	1.0 PP
hereof retail %	55.9%	67.4%	(11.5) PP	55.9%	56.9%	(1.0) PP
hereof foreign currency %	76.6%	68.1%	8.5 PP	76.6%	80.2%	(3.6) PP
Deposits from customers	2,084	2,100	(0.8)%	2,084	2,024	3.0%
Loan/deposit ratio	138.5%	136.6%	1.9 PP	138.5%	138.8%	(0.3) PP
Return on equity before tax	13.1%	9.4%	3.6 PP	12.9%	13.5%	(0.6) PP
Return on equity after tax	11.9%	8.6%	3.2 PP	11.7%	12.2%	(0.6) PP
Cost/income ratio	45.4%	42.0%	3.3 PP	45.8%	44.9%	0.9 PP
Number of employees as of reporting date	3,249	3,201	1.5%	3,249	3,223	0.8%
Business outlets	189	191	(1.0)%	189	190	(0.5)%
Number of customers	753,646	722,326	4.3%	753,646	743,896	1.3%

Croatia

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	90	86	3.9%	47	42	11.5%
Net fee and commission income	32	33	(4.2)%	16	15	6.0%
Net trading income	5	9	(47.4)%	1	3	(56.8)%
Other net operating income	15	14	5.7%	7	8	(7.5)%
Operating income	**141**	**142**	**(0.9)%**	**72**	**69**	**5.0%**
General administrative expenses	(78)	(77)	1.7%	(40)	(38)	4.0%
Operating result	**63**	**65**	**(4.0)%**	**32**	**30**	**6.2%**
Net provisioning for impairment losses	(31)	(24)	29.7%	(15)	(16)	(4.7)%
Other results	4	(8)	–	(2)	6	–
Profit before tax	**35**	**33**	**7.2%**	**15**	**21**	**(29.1)%**
Income taxes	(7)	(7)	(9.1)%	(2)	(4)	(43.1)%
Profit after tax	**29**	**26**	**11.8%**	**12**	**16**	**(25.6)%**
Profit attributable to non-controlling interests	(8)	(8)	(4.6)%	(3)	(4)	(22.4)%
Profit after non-controlling interests	**21**	**18**	**19.5%**	**9**	**12**	**(26.8)%**
Assets	5,640	6,016	(6.2)%	5,640	5,577	1.1%
Loans and advances to customers	3,885	3,971	(2.2)%	3,885	3,929	(1.1)%
hereof corporate %	38.9%	47.0%	(8.1) PP	38.9%	39.1%	(0.2) PP
hereof retail %	48.5%	52.3%	(3.8) PP	48.5%	47.4%	1.1 PP
hereof foreign currency %	68.2%	70.6%	(2.4) PP	68.2%	68.8%	(0.6) PP
Deposits from customers	2,986	3,052	(2.2)%	2,986	2,973	0.5%
Loan/deposit ratio	130.1%	130.1%	0.0 PP	130.1%	132.2%	(2.1) PP
Return on equity before tax	8.8%	8.2%	0.6 PP	7.5%	10.2%	(2.7) PP
Return on equity after tax	7.2%	6.4%	0.7 PP	6.1%	8.1%	(2.0) PP
Cost/income ratio	55.5%	54.1%	1.4 PP	55.3%	55.8%	(0.5) PP
Number of employees as of reporting date	2,112	2,238	(5.6)%	2,112	2,174	(2.9)%
Business outlets	84	84	0.0%	84	84	0.0%
Number of customers	541,585	547,347	(1.1)%	541,585	542,413	(0.2)%

Kosovo

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	18	17	9.0%	10	9	11.2%
Net fee and commission income	3	3	11.9%	2	2	3.5%
Net trading income	0	0	(18.2)%	0	0	>500.0%
Other net operating income	0	0	(76.3)%	0	0	81.8%
Operating income	**22**	**20**	**10.6%**	**11**	**10**	**9.3%**
General administrative expenses	(12)	(11)	12.0%	(6)	(6)	6.2%
Operating result	**9**	**9**	**8.7%**	**5**	**4**	**13.5%**
Net provisioning for impairment losses	(2)	(2)	(3.1)%	(1)	(1)	74.1%
Other results	0	(1)	–	0	0	–
Profit before tax	**8**	**6**	**25.5%**	**4**	**4**	**(13.1)%**
Income taxes	(1)	(1)	(6.7)%	0	0	20.9%
Profit after tax	**7**	**5**	**29.7%**	**3**	**4**	**(15.8)%**
Profit attributable to non-controlling interests	0	0	–	0	0	(25.7)%
Profit after non-controlling interests	**7**	**5**	**29.0%**	**3**	**4**	**(15.7)%**
Assets	667	652	2.3%	667	703	(5.0)%
Loans and advances to customers	418	374	11.7%	418	389	7.5%
hereof corporate %	31.8%	26.4%	5.4 PP	31.8%	30.4%	1.4 PP
hereof retail %	68.2%	73.0%	(4.8) PP	68.2%	69.6%	(1.4) PP
hereof foreign currency %	0.0%	0.1%	(0.1) PP	0.0%	0.0%	0.0 PP
Deposits from customers	547	526	3.8%	547	568	(3.7)%
Loan/deposit ratio	76.5%	71.1%	5.4 PP	76.5%	68.5%	8.0 PP
Return on equity before tax	17.4%	15.2%	2.2 PP	16.2%	18.1%	(1.9) PP
Return on equity after tax	15.9%	13.4%	2.5 PP	14.5%	16.8%	(2.3) PP
Cost/income ratio	57.0%	56.3%	0.7 PP	56.3%	57.9%	(1.6) PP
Number of employees as of reporting date	713	691	3.2%	713	702	1.6%
Business outlets	52	52	0.0%	52	52	0.0%
Number of customers	238,581	262,577	(9.1)%	238,581	231,193	3.2%

Romania

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	124	120	3.5%	65	59	9.4%
Net fee and commission income	90	98	(7.6)%	46	45	1.8%
Net trading income	10	6	63.6%	5	4	25.7%
Other net operating income	0	(3)	–	1	(1)	–
Operating income	**224**	**221**	**1.3%**	**117**	**107**	**8.8%**
General administrative expenses	(144)	(134)	7.6%	(73)	(71)	3.4%
Operating result	**80**	**88**	**(8.4)%**	**44**	**37**	**19.3%**
Net provisioning for impairment losses	(34)	(33)	2.9%	(18)	(16)	6.4%
Other results	1	7	(90.7)%	2	(2)	–
Profit before tax	**47**	**62**	**(23.7)%**	**29**	**18**	**54.9%**
Income taxes	(7)	(10)	(24.9)%	(4)	(3)	60.4%
Profit after tax	**40**	**52**	**(23.5)%**	**24**	**16**	**54.0%**
Profit attributable to non-controlling interests	(1)	0	–	0	0	(45.2)%
Profit after non-controlling interests	**39**	**52**	**(25.0)%**	**24**	**15**	**56.6%**
Assets	6,172	5,818	6.1%	6,172	6,120	0.9%
Loans and advances to customers	4,397	4,053	8.5%	4,397	4,205	4.6%
hereof corporate %	34.1%	34.2%	(0.1) PP	34.1%	33.2%	0.9 PP
hereof retail %	60.7%	61.7%	(1.0) PP	60.7%	61.2%	(0.5) PP
hereof foreign currency %	52.1%	62.2%	(10.1) PP	52.1%	52.1%	0.0 PP
Deposits from customers	3,499	3,396	3.0%	3,499	3,420	2.3%
Loan/deposit ratio	125.7%	119.3%	6.3 PP	125.7%	122.9%	2.8 PP
Return on equity before tax	19.2%	28.9%	(9.7) PP	22.6%	14.3%	8.4 PP
Return on equity after tax	16.3%	24.4%	(8.1) PP	19.1%	12.1%	7.0 PP
Cost/income ratio	64.2%	60.4%	3.8 PP	62.6%	65.9%	(3.3) PP
Number of employees as of reporting date	6,054	6,005	0.8%	6,054	6,154	(1.6)%
Business outlets	544	542	0.4%	544	545	(0.2)%
Number of customers	1,939,762	1,902,620	2.0%	1,939,762	1,905,035	1.8%

Serbia

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	54	51	7.5%	28	27	5.0%
Net fee and commission income	16	17	(1.8)%	9	8	14.6%
Net trading income	2	0	–	0	1	(86.5)%
Other net operating income	2	2	15.0%	1	0	234.0%
Operating income	**74**	**69**	**7.9%**	**38**	**36**	**6.3%**
General administrative expenses	(40)	(41)	(2.5)%	(21)	(19)	6.5%
Operating result	**34**	**28**	**23.1%**	**18**	**17**	**6.0%**
Net provisioning for impairment losses	(11)	(15)	(26.5)%	(2)	(9)	(74.8)%
Other results	2	0	–	1	1	75.2%
Profit before tax	**26**	**13**	**94.5%**	**17**	**9**	**90.6%**
Income taxes	(2)	(1)	166.5%	(1)	(1)	45.1%
Profit after tax	**24**	**12**	**89.5%**	**16**	**8**	**95.9%**
Profit attributable to non-controlling interests	1	1	(48.0)%	1	0	–
Profit after non-controlling interests	**24**	**13**	**78.7%**	**17**	**8**	**119.1%**
Assets	2,050	2,552	(19.7)%	2,050	2,060	(0.5)%
Loans and advances to customers	1,368	1,352	1.2%	1,368	1,341	2.0%
hereof corporate %	54.9%	56.3%	(1.4) PP	54.9%	54.5%	0.4 PP
hereof retail %	42.2%	43.7%	(1.5) PP	42.2%	42.3%	(0.2) PP
hereof foreign currency %	65.2%	78.5%	(13.3) PP	65.2%	67.7%	(2.6) PP
Deposits from customers	1,015	1,098	(7.6)%	1,015	1,009	0.5%
Loan/deposit ratio	134.8%	123.1%	11.7 PP	134.8%	132.9%	1.9 PP
Return on equity before tax	10.5%	5.5%	5.0 PP	13.5%	7.2%	6.3 PP
Return on equity after tax	9.5%	5.1%	4.4 PP	12.6%	6.5%	6.1 PP
Cost/income ratio	53.6%	59.3%	(5.7) PP	53.7%	53.6%	0.1 PP
				0		
Number of employees as of reporting date	1,776	1,938	(8.4)%	1,776	1,792	(0.9)%
Business outlets	84	98	(14.3)%	84	84	0.0%
Number of customers	496,254	590,260	(15.9)%	496,254	494,809	0.3%

Russia

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	279	256	8.8%	143	136	5.3%
Net fee and commission income	109	103	6.7%	57	52	10.2%
Net trading income	60	41	45.5%	28	32	(11.3)%
Other net operating income	(1)	(10)	(91.9)%	1	(2)	–
Operating income	**447**	**391**	**14.6%**	**229**	**218**	**5.2%**
General administrative expenses	(222)	(199)	11.6%	(109)	(113)	(3.1)%
Operating result	**226**	**192**	**17.6%**	**120**	**105**	**14.1%**
Net provisioning for impairment losses	(4)	(67)	(93.6)%	(2)	(2)	39.2%
Other results	(15)	(12)	30.1%	(6)	(9)	(33.1)%
Profit before tax	**206**	**113**	**81.6%**	**112**	**94**	**18.2%**
Income taxes	(50)	(29)	70.0%	(26)	(24)	7.9%
Profit after tax	**156**	**84**	**85.6%**	**86**	**70**	**21.7%**
Profit attributable to non-controlling interests	(2)	0	–	(1)	(1)	(33.3)%
Profit after non-controlling interests	**154**	**84**	**83.5%**	**85**	**69**	**22.6%**
Share of profit before tax	16.5%	13.8%	2.7 PP	14.4%	20.6%	(6.2) PP
Risk-weighted assets (credit risk)	9,310	8,625	7.9%	9,310	8,834	5.4%
Total own funds requirement	968	898	7.7%	968	908	6.6%
Assets	13,196	13,016	1.4%	13,196	12,464	5.9%
Liabilities	11,220	11,133	0.8%	11,220	10,464	7.2%
Net interest margin	4.42%	4.15%	0.27 PP	4.46%	4.41%	0.05 PP
NPL ratio	7.2%	11.2%	(4.0) PP	7.2%	8.4%	(1.2) PP
Coverage ratio	103.5%	86.6%	16.9 PP	103.5%	98.7%	4.8 PP
Cost/income ratio	49.6%	50.9%	(1.3) PP	47.6%	51.7%	(4.1) PP
Net provisioning ratio (average risk-weighted assets, credit risk)	0.10%	1.74%	(1.64) PP	0.11%	0.08%	0.03 PP
Average equity	1,245	1,048	18.7%	1,244	1,234	0.9%
Return on equity before tax	**33.1%**	**21.6%**	**11.5 PP**	**36.0%**	**30.6%**	**5.4 PP**
Business outlets	190	202	(5.9)%	190	196	(3.1)%

Despite an increase in general administrative expenses, profit before tax for the Russia segment almost doubled to € 206 million year-on-year. The main drivers were lower net provisioning for impairment losses and higher operating income. Return on equity before tax improved by 11.5 percentage points to 33.1 per cent.

Operating income

Net interest income in Russia rose year-on-year by 9 per cent or € 23 million to € 279 million. This rise was mainly attributable to a considerable increase in the customer loan portfolio of 20 per cent year-on-year and by a market-related drop in interest expenses for customer deposits. By contrast, the maturing securities investment portfolio had a negative impact on net interest income. Compared to the same period last year, the net interest margin increased by 27 basis points to 4.42 per cent. Total assets rose year-on-year by 1 per cent to € 13.2 billion with a sharp increase in the loan portfolio that was offset by a reduction in interbank business and the sovereign securities portfolio. Risk-weighted assets (credit risk) rose slightly more as a result of this structural change in assets by 8 per cent to € 9.3 billion. The main reasons for this were the combination of a rise in loans to corporate customers and the simultaneous reduction in Basel II collateral, as well as in the securities business and in loans and advances to banks.

Net fee and commission income rose year-on-year by 7 per cent or € 6 million and amounted to € 109 million. Net income from payment transfer business declined, but still made the largest contribution with € 37 million due to the release of deferred revenue. Income from securities business stayed virtually the same as last year's level of € 5 million. Income from the foreign currency, notes/coins and precious-metals business was also unchanged year-on-year at € 23 million. In loan and guarantee business, net income rose by 75 per cent to € 29 million due to a change in methodology for calculating fees and commissions. Income from other banking services was also up by 11 per cent reaching € 16 million, primarily as a result of higher income from debt collection activities and from import/export financing transactions.

Net trading income rose from € 41 million to € 60 million while net income from interest-based transactions fell by € 15 million to € 28 million. The main reason for this decline was the high level of valuation gains on fixed-interest bonds and debt securities in the previous year due to reversals of impairments after the 2009 financial crisis. Interest income from the trading portfolio that increased year-on-year continues to be stable. Following a loss of € 2 million in the prior-year period, net income from currency-based transactions totaled € 32 million thanks to valuation gains on currency swaps.

Other net operating income in the segment improved by € 9 million to minus € 1 million, primarily due to lower allocations to other provisions than were established in the prior-year period primarily for litigation relating to the closure of an outlet.

General administrative expenses

General administrative expenses in the segment rose by 12 per cent to € 222 million, primarily due to the increase in staff expenses as a result of market-related salary increases and higher ancillary salary costs (particularly social security contributions). Other administrative expenses rose, primarily due to increased legal, as well as advisory, consulting and IT expenses. By contrast, depreciation stayed the same. The number of business outlets fell by 12 to 190 year-on-year. The cost/income ratio improved by 1.3 percentage points to 49.6 per cent and was thus significantly lower than that of the Group as a whole.

Net provisioning for impairment losses

Net provisioning for impairment losses fell from € 67 million in the prior-year period to € 4 million. The key factor here was significantly lower net allocations to individual loan loss provisions for corporate customers that yielded a positive figure of € 2 million. The basis for this change was the year-on-year drop in the proportion of non-performing loans in the loan portfolio from 11.2 per cent to 7.2 per cent as well as improved repayments of overdue loans. Net allocations to portfolio-based loan loss provisions amounted to € 7 million for the first half of the year whereas in the prior-year period net provisions totaling € 27 million had been released. This was predominantly due to an increase in the underlying loan portfolio.

Other results and taxes

Other results came in at minus € 15 million with a net loss from derivatives of € 14 million. This was primarily linked to valuation losses on interest rate swap-transactions entered into in the second quarter of 2011 to mitigate interest rate structure risk. The ineffective part of the cash flow hedge defined in IAS 39 produced a negative figure of € 5 million. Due to the deconsolidation for materiality reasons of a leasing company, the segment showed a net loss from disposal of group assets of € 1 million.

Income taxes increased year-on-year by € 20 million to € 50 million while the tax rate fell by 2 percentage points to 24 per cent. Profit after the deduction of non-controlling interests rose to € 154 million.

Russia

The table below provides an overview of the country results for Russia. Any discrepancies with the values specified for the Russia segment are the result of equity being allocated differently. The income figures in the country overview are based on the balance sheet equity; at segment level, the equity used in the calculation is based on actual equity used.

In € million	1/1-30/6/ 2011	1/1-30/6/ 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	279	256	8.8%	143	136	5.3%
Net fee and commission income	109	103	6.7%	57	52	10.2%
Net trading income	60	41	45.5%	28	32	(11.3)%
Other net operating income	(2)	(7)	(73.6)%	1	(3)	–
Operating income	**446**	**393**	**13.5%**	**229**	**217**	**5.7%**
General administrative expenses	(222)	(199)	11.6%	(109)	(113)	(3.1)%
Operating result	**225**	**195**	**15.4%**	**120**	**104**	**15.1%**
Net provisioning for impairment losses	(4)	(67)	(93.6)%	(2)	(2)	39.2%
Other results	(14)	(15)	(1.7)%	(6)	(8)	(24.9)%
Profit before tax	**206**	**113**	**81.6%**	**112**	**94**	**18.2%**
Income taxes	(50)	(29)	70.0%	(26)	(24)	7.9%
Profit after tax	**156**	**84**	**85.6%**	**86**	**70**	**21.7%**
Profit attributable to non-controlling interests	(1)	0	–	(1)	0	–
Profit after non-controlling interests	**155**	**84**	**84.9%**	**85**	**70**	**21.0%**
Assets	13,196	13,016	1.4%	13,196	12,464	5.9%
Loans and advances to customers	8,337	7,135	16.9%	8,337	7,734	7.8%
hereof corporate %	71.1%	69.8%	1.3 PP	71.1%	71.9%	(0.8) PP
hereof retail %	28.5%	30.0%	(1.5) PP	28.5%	27.5%	0.9 PP
hereof foreign currency %	43.5%	43.8%	(0.3) PP	43.5%	42.4%	1.1 PP
Deposits from customers	8,283	6,495	27.5%	8,283	7,362	12.5%
Loan/deposit ratio	100.7%	109.8%	(9.2) PP	100.7%	105.0%	(4.4) PP
Return on equity before tax	22.2%	13.3%	8.9 PP	24.0%	19.8%	4.7 PP
Return on equity after tax	16.8%	9.8%	7.0 PP	18.4%	14.8%	3.6 PP
Cost/income ratio	49.7%	50.6%	(0.8) PP	47.6%	51.9%	(4.3) PP
Number of employees as of reporting date	8,628	8,375	3.0%	8,628	8,638	(0.1)%
Business outlets	190	202	(5.9)%	190	196	(3.1)%
Number of customers	1,950,246	1,879,455	3.8%	1,950,246	1,839,731	6.0%

CIS other

In € million	1/1/-30/6/ 2011	1/1/-30/6/ 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	203	245	(17.3)%	102	101	1.3%
Net fee and commission income	85	82	3.8%	42	43	(2.1)%
Net trading income	44	16	166.3%	37	7	415.7%
Other net operating income	(2)	(4)	(37.8)%	(1)	(1)	(44.5)%
Operating income	**329**	**339**	**(3.1)%**	**180**	**149**	**20.5%**
General administrative expenses	(165)	(163)	1.4%	(80)	(85)	(6.2)%
Operating result	**164**	**176**	**(7.3)%**	**100**	**64**	**56.0%**
Net provisioning for impairment losses	(71)	(156)	(54.5)%	(21)	(51)	(59.4)%
Other results	4	14	(68.1)%	(1)	5	–
Profit before tax	**97**	**34**	**184.8%**	**78**	**19**	**319.3%**
Income taxes	(26)	(10)	151.0%	(18)	(7)	143.5%
Profit after tax	**71**	**24**	**199.2%**	**60**	**11**	**436.3%**
Profit attributable to non-controlling interests	(8)	(3)	125.5%	(5)	(2)	114.6%
Profit after non-controlling interests	**64**	**20**	**211.5%**	**55**	**9**	**>500.0%**
		0				
Share of profit before tax	7.8%	4.1%	3.6 PP	10.1%	4.1%	6.0 PP
Risk-weighted assets (credit risk)	5,330	5,438	(2.0)%	5,330	5,532	(3.7)%
Total own funds requirement	514	530	(3.0)%	514	540	(4.8)%
Assets	6,523	7,287	(10.5)%	6,523	6,864	(5.0)%
Liabilities	5,629	6,241	(9.8)%	5,629	5,900	(4.6)%
Net interest margin	5.93%	7.27%	(1.34) PP	6.10%	5.76%	0.34 PP
NPL ratio	27.5%	24.5%	3.0 PP	27.5%	26.3%	1.2 PP
Coverage ratio	72.9%	73.8%	(0.8) PP	72.9%	72.4%	0.5 PP
Cost/income ratio	50.3%	48.0%	2.3 PP	44.5%	57.2%	(12.7) PP
Net provisioning ratio (average risk-weighted assets, credit risk)	2.58%	5.92%	(3.34) PP	1.52%	3.62%	(2.10) PP
Average equity	726	663	9.4%	725	753	(3.8)%
Return on equity before tax	**26.7%**	**10.3%**	**16.4 PP**	**42.3%**	**9.9%**	**32.4 PP**
Business outlets	1,022	1,029	(0.7)%	1,022	1,019	0.3%

Profit before tax for the CIS other segment tripled during the reporting period to € 97 million. This significant improvement over the prior-year period is due entirely to declining risk costs while operating income remained below the prior-year period's results due to lower net interest income. The return on equity before tax increased by 16.4 percentage points to 26.7 per cent.

Operating income

Net interest income for the segment fell by 17 per cent or € 42 million to € 203 million. This was mainly brought about by a change in the method of calculating interest on impaired loans and advances in Ukraine in fourth-quarter 2010, resulting in a one-off effect of around € 34 million year-on-year. However, this change did not affect results, as it was offset by the corresponding reduction in impairment losses on loans and advance. Further reductions in the loan portfolio and in margins on the asset side in light of tougher competition in Ukraine are also responsible for the drop in net interest income. Interest for customer deposits, on the other hand, which is below the market level in Ukraine also helped to reduce funding costs. The increase in earnings from the expanded investment portfolio of government bonds in Ukraine also had a positive impact on the net interest income for the segment. In Belarus, net interest income increased from the prior-year period in local currency, but remained the same in euros.

The balance sheet assets for the segment decreased year-on-year by 11 per cent to € 6.5 billion mainly due to currency depreciation in Belarus and Ukraine. The net interest margin fell by 1.34 percentage points to 5.93 per cent. 1.07 percentage points can be attributed to the change in methodology mentioned above, an effect that was further reinforced by the downtrend in margins. Credit risk assets remained virtually unchanged year-on-year at € 5.3 billion. In Ukraine, this was attributable to an increase in fixed and other assets and by a portfolio migration from Corporate to Sovereign.

Net fee and commission income was up by 4 per cent or € 3 million reaching a total of € 85 million. This was chiefly due to growth in payment transfer-business which generated an increase in income of 9 per cent or € 5 million to € 62 million, thus making the most important contribution to net fee and commission income. This increase was entirely due to the trend in Ukraine. The higher figure was attributable not just to private customers thanks to an increase in customer activity and rising numbers of accounts; product packages newly introduced at the end of 2010 also had an extremely positive effect on corporate customers. Income from the foreign currency, notes/coins and precious-metals business, at € 16 million, was below the prior-year period. This is because foreign currency loans are still not being granted to private customers in Ukraine and the strong depreciation of the Belarusian rouble caused a significant drop in foreign currency transactions. Net income from loan and guarantee business once again contributed € 3 million to net fee and commission income.

Net trading income for the region rose to € 44 million mainly as a result of a considerable increase in income from currency-based transactions in Belarus. Here, the valuation gain of € 16 million from a strategic currency position taken to hedge equity was clearly above the year-earlier figure of minus € 1 million due to the much stronger depreciation of the local currency vis-á-vis the euro of just under 80 per cent in the reporting period. Considerable valuation gains of € 32 million from a US dollar position also contributed positively to the result. In Kazakhstan, on the other hand, valuation losses from a foreign currency position had a negative impact on the result. Income from interest-based transactions dropped in the region by € 4 million from the prior-year period to € 3 million. The decline in the yield curve of the Ukrainian hryvnia was less marked than a year earlier, resulting in lower valuation gains on governmental fixed-interest securities and bonds.

Other net operating income in the segment, consisting of a number of smaller items of income and expenses, improved from minus € 4 million in the prior-year period to minus € 2 million.

General administrative expenses

General administrative expenses were up 1 per cent or € 2 million over the same period last year to € 165 million. Staff expenses were affected by the increase in the number of employees in Ukraine which was due to the increase in collection activities and various IT optimization projects. Other administrative expenses decreased by € 2 million to € 58 million. The improvement affected various expense items in all countries in the region. By contrast, depreciation, amortization and write-downs on tangible and intangible fixed assets rose, mainly due to IT investment in the new core bank system in Ukraine. As a result of the decline in operating income and higher general administrative expenses, the cost/income ratio rose by 2.3 percentage points to 50.3 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses in the region fell by 55 per cent from € 156 million to € 71 million. Net allocations to individual loan loss provisions declined by 39 per cent to € 75 million. This decline attributable to Ukraine includes a decrease in net allocations to individual loan loss provisions of € 34 million arising from the change in the method of calculating interest on impaired loans already described. Portfolio-based loan loss provisions developed positively to produce a figure of € 4 million in the reporting period following a net € 33 million allocation in the same period last year. This improvement was based entirely on the significantly lower allocations to portfolio-based loan loss provisions in Ukraine where the underlying loan portfolio decreased. In Belarus, on the other hand, the difficult economic situation brought about by a high trade deficit caused net allocations to portfolio-based loan loss provisions to double. The proportion of non-performing loans in the total loan portfolio stood at 27.5 per cent, and continues to be the highest of all segments even though there are substantial regional differences (Belarus: 2.4 per cent, Ukraine: 33.9 per cent).

Other results and taxes

Other results fell by 68 per cent from the prior-year period to € 4 million attributable mainly to the drop in net income from financial investments which fell from € 12 million to € 5 million. Here, the less marked decline in the yield curve of the Ukrainian hryvnia resulted in lower valuation gains on the fixed-interest portfolio of Ukrainian government bonds at fair value through profit or loss compared with the prior-year period. In Kazakhstan, income from derivatives rose year-on year due to the valuation of interest swap transactions by € 1 million.

Income taxes for the segment rose to € 26 million; the tax rate decreased by 4 percentage points to 26 per cent due to more favorable tax regulations introduced in Belarus in 2011. Profit after deduction of non-controlling interests was € 64 million.

Below is a detailed overview of the individual countries in this segment, whereby Kazakhstan is not listed as it is of minor significance:

Belarus

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	42	42	(0.1)%	21	21	(3.6)%
Net fee and commission income	25	26	(4.7)%	11	14	(21.8)%
Net trading income	41	2	>500.0%	36	5	>500.0%
Other net operating income	0	0	–	0	0	–
Operating income	**107**	**70**	**53.0%**	**67**	**40**	**70.0%**
General administrative expenses	(29)	(31)	(5.4)%	(13)	(17)	(23.3)%
Operating result	**78**	**39**	**99.7%**	**55**	**23**	**137.6%**
Net provisioning for impairment losses	(9)	(7)	22.9%	3	(12)	–
Other results	0	0	–	0	0	–
Profit before tax	**69**	**32**	**117.4%**	**58**	**11**	**431.5%**
Income taxes	(15)	(10)	51.0%	(12)	(2)	394.9%
Profit after tax	**54**	**22**	**146.7%**	**46**	**8**	**442.2%**
Profit attributable to non-controlling interests	(7)	(3)	131.5%	(4)	(3)	69.4%
Profit after non-controlling interests	**47**	**19**	**149.1%**	**41**	**6**	**>500.0%**
Assets	1,282	1,321	(2.9)%	1,282	1,566	(18.1)%
Loans and advances to customers	911	1,044	(12.8)%	911	1,156	(21.2)%
hereof corporate %	63.9%	49.2%	14.7 PP	63.9%	55.2%	8.7 PP
hereof retail %	36.1%	50.3%	(14.2) PP	36.1%	44.8%	(8.7) PP
hereof foreign currency %	59.0%	58.1%	0.9 PP	59.0%	49.3%	9.7 PP
Deposits from customers	746	726	2.7%	746	910	(18.0)%
Loan/deposit ratio	122.1%	143.8%	(21.7) PP	122.1%	127.1%	(5.1) PP
Return on equity before tax	83.7%	32.5%	51.2 PP	160.4%	20.8%	139.6 PP
Return on equity after tax	65.9%	22.6%	43.3 PP	126.1%	16.1%	110.7 PP
Cost/income ratio	27.5%	44.4%	(17.0) PP	18.9%	42.0%	(23.0) PP
Number of employees as of reporting date	2,220	2,160	2.8%	2,220	2,217	0.1%
Business outlets	99	96	3.1%	99	98	1.0%
Number of customers	808,277	844,694	(4.3)%	808,277	825,064	(2.0)%

Ukraine

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	158	201	(21.1)%	80	78	2.5%
Net fee and commission income	60	56	7.7%	31	29	7.3%
Net trading income	5	11	(59.0)%	1	4	(69.7)%
Other net operating income	(2)	(4)	(44.1)%	(1)	(1)	(42.3)%
Operating income	**221**	**264**	**(16.4)%**	**112**	**109**	**2.0%**
General administrative expenses	(136)	(132)	3.0%	(67)	(69)	(2.1)%
Operating result	**85**	**133**	**(35.6)%**	**44**	**41**	**8.7%**
Net provisioning for impairment losses	(62)	(148)	(58.2)%	(24)	(38)	(38.7)%
Other results	4	15	(72.6)%	(1)	5	–
Profit/loss before tax	**27**	**(1)**	**–**	**20**	**8**	**164.7%**
Income taxes	(10)	0	–	(6)	(5)	20.1%
Profit/loss after tax	**17**	**(1)**	**–**	**14**	**3**	**412.8%**
Profit attributable to non-controlling interests	2	1	137.1%	2	0	–
Profit/Loss after non-controlling interests	**19**	**(1)**	**–**	**17**	**3**	**>500.0%**
Assets	5,168	5,888	(12.2)%	5,168	5,226	(1.1)%
Loans and advances to customers	3,845	4,941	(22.2)%	3,845	3,883	(1.0)%
hereof corporate %	47.5%	43.6%	3.9 PP	47.5%	46.7%	0.9 PP
hereof retail %	52.5%	56.4%	(3.9) PP	52.5%	53.3%	(0.9) PP
hereof foreign currency %	62.5%	65.6%	(3.1) PP	62.5%	64.1%	(1.6) PP
Deposits from customers	2,519	2,718	(7.3)%	2,519	2,395	5.2%
Loan/deposit ratio	152.6%	181.8%	(29.2) PP	152.6%	162.1%	(9.5) PP
Return on equity before tax	7.2%	(0.3)%	7.5 PP	11.0%	3.9%	7.0 PP
Return on equity after tax	4.5%	(0.4)%	4.9 PP	7.5%	1.4%	6.1 PP
Cost/income ratio	61.3%	49.8%	11.5 PP	60.1%	62.6%	(2.5) PP
					0	
Number of employees as of reporting date	15,467	15,224	1.6%	15,467	15,478	(0.1)%
Business outlets	922	933	(1.2)%	922	920	0.2%
Number of customers	3,389,355	4,662,396	(27.3)%	3,389,355	3,907,875	(13.3)%

Group corporates

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	199	175	13.5%	103	97	6.1%
Net fee and commission income	85	76	12.1%	44	41	7.6%
Net trading income	5	9	(48.4)%	0	5	–
Other net operating income	2	2	8.7%	2	0	>500.0%
Operating income	**292**	**263**	**10.9%**	**149**	**143**	**4.3%**
General administrative expenses	(71)	(72)	(1.7)%	(38)	(33)	15.8%
Operating result	**221**	**191**	**15.7%**	**111**	**110**	**0.8%**
Net provisioning for impairment losses	(19)	(46)	(58.2)%	(8)	(11)	(26.5)%
Other results	0	6	–	(2)	2	–
Profit before tax	**201**	**151**	**33.1%**	**100**	**101**	**(0.1)%**
Income taxes	(43)	(34)	27.6%	(20)	(23)	(12.6)%
Profit after tax	**158**	**117**	**34.7%**	**80**	**78**	**3.6%**
Profit attributable to non-controlling interests	0	0	–	0	0	–
Profit after non-controlling interests	**158**	**117**	**34.7%**	**80**	**78**	**3.6%**
Share of profit before tax	16.1%	18.4%	(2.3) PP	16.1%	21.9%	(5.8) PP
Risk-weighted assets (credit risk)	15,383	15,361	0.1%	15,383	15,664	(1.8)%
Total own funds requirement	1,267	1,270	(0.3)%	1,267	1,275	(0.6)%
Assets	20,689	23,282	(11.1)%	20,689	20,602	0.4%
Liabilities	13,863	14,193	(2.3)%	13,863	13,104	5.8%
Net interest margin	1.84%	1.57%	0.27 PP	1.99%	1.75%	0.24 PP
NPL ratio	4.3%	4.2%	0.1 PP	4.3%	4.6%	(0.3) PP
Coverage ratio	69.0%	51.9%	17.1 PP	69.0%	67.2%	1.8 PP
Cost/income ratio	24.4%	27.5%	(3.1) PP	25.6%	23.1%	2.5 PP
Net provisioning ratio (average risk-weighted assets, credit risk)	0.25%	0.63%	(0.38) PP	0.21%	0.28%	(0.07) PP
Average equity	1,729	1,575	9.8%	1,728	1,766	(2.2)%
Return on equity before tax	**23.3%**	**19.2%**	**4.1 PP**	**23.0%**	**22.8%**	**(0.2) PP**
Business outlets	8	8	0.0%	8	8	0.0%

Profit before tax for the segment rose by 33 per cent in the first half of 2011 to € 201 million compared to the previous period. The main drivers of this growth were higher operating income and lower net provisioning for impairment losses. The return on equity before tax improved by 4.1 percentage points to 23.3 per cent.

Operating income

Net interest income grew by 14 per cent or € 23 million to € 199 million. This growth was primarily due to an increase in the margin on asset-side business with Austrian and West European corporate customers of RBI AG as low margin business was gradually replaced with more profitable lending business. Overall business volumes declined, however, due to the reticent demand for credit and strong competitive pressures in corporate customer business. The branches in China and Malaysia increased their contribution to net interest income by expanding their business activities to € 39 million. Net interest income in Malta was also up by € 4 million thanks to an increase in business volumes and improved margins. The net interest margin for the Group corporates segment rose 27 basis points to 1.84 per cent.

Total assets contracted by 11 per cent or € 2.6 billion to € 20.7 billion, due to transfer of fundings for the Austrian Raiffeisen Leasinggroup to RZB, while credit risk assets remained unchanged at the previous year's level of € 15.4 billion. Despite the reduction in total exposure, there was an increase in credit risk assets at RBI AG as a result of growth in off-balance sheet business and a decline in the value of Basel II collateral.

Net fee and commission income rose by 12 per cent or € 9 million to € 85 million. At Group headquarters the increase resulted from successfully stepping up sales of equity- and liquidity-saving products and investment banking products. Furthermore, the performance in export financing improved measurably. As a result, the share of net fee and commission income in segment operating income rose year-on-year. Significant growth in net fee and commission income from documentary business was achieved through the increase in business activities at the branch in Malaysia. The Group unit in the USA also posted higher net fee and commission income from loan and guarantee business of € 9 million.

Net trading income declined by half to € 5 million versus the year-earlier figure. This drop was largely confined to the profit centers at Group headquarters and was attributable to valuation gains on currency and interest-based transactions in a range of financial instruments.

General administrative expenses

General administrative expenses in the segment fell by 2 per cent overall to € 71 million. Although unit costs at RBI AG increased, they were offset by the change in the allocation method for Group headquarter costs made in 2010. This segment consisted of eight business outlets at the end of the reporting period. The cost/income ratio improved by 3.1 percentage points to 24.4 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses fell from € 46 million to € 19 million. This decline was principally due to lower net allocations to individual loan loss provisions for loans and advances to corporate customers at Group headquarters as a result of the improved credit environment. However, the branches of RBI AG in China and Malaysia recorded higher net allocations to individual loan loss provisions for specific non-performing loans. Their share of the loan portfolio was 4.3 per cent at the end of the reporting period and was therefore relatively low compared with the segment as a whole.

Other results and taxes

Other results fell year-on-year by € 7 million to minus € 0.3 million. This decline was primarily the result of last year's positive mark-to-market valuations of various corporate bonds in the portfolio. Due to the deconsolidation of a leasing company for materiality reasons, the segment reported a net loss from disposal of group assets of € 1 million.

Income taxes increased by € 9 million year-on-year to € 43 million. The tax rate was down slightly by 1 percentage point to 21 per cent, while profit after deduction of non-controlling interests rose to € 158 million.

Group markets

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	108	158	(31.2)%	58	50	17.0%
Net fee and commission income	66	53	24.2%	34	32	6.3%
Net trading income	90	56	61.4%	20	70	(70.9)%
Other net operating income	16	10	63.6%	9	7	33.5%
Operating income	**281**	**276**	**1.6%**	**122**	**159**	**(23.2)%**
General administrative expenses	(127)	(115)	9.8%	(65)	(62)	4.5%
Operating result	**154**	**161**	**(4.3)%**	**57**	**97**	**(41.0)%**
Net provisioning for impairment losses	(9)	1	–	(3)	(6)	(38.8)%
Other results	46	(96)	–	(4)	50	–
Profit before tax	**191**	**66**	**189.7%**	**50**	**142**	**(64.9)%**
Income taxes	(48)	(14)	236.2%	(12)	(35)	(65.6)%
Profit after tax	**144**	**52**	**177.0%**	**38**	**106**	**(64.7)%**
Profit attributable to non-controlling interests	0	0	–	0	0	–
Profit after non-controlling interests	**143**	**52**	**178.5%**	**37**	**106**	**(64.8)%**
Share of profit before tax	15.3%	8.1%	7.3 PP	6.4%	30.9%	(24.5) PP
Risk-weighted assets (credit risk)	6,151	7,565	(18.7)%	6,151	4,814	27.8%
Total own funds requirement	996	1,298	(23.3)%	996	1,037	(4.0)%
Assets	24,578	41,224	(40.4)%	24,578	29,196	(15.8)%
Liabilities	22,802	39,454	(42.2)%	22,802	29,701	(23.2)%
Net interest margin	0.80%	0.69%	0.11 PP	0.87%	0.71%	0.16 PP
NPL ratio[1]	1.2%	4.0%	(2.8) PP	1.2%	1.5%	(0.3) PP
Coverage ratio	87.7%	>100%	–	87.7%	88.7%	(1.1)%
Cost/income ratio	45.1%	41.7%	3.4 PP	53.1%	39.0%	14.1 PP
Net provisioning ratio (average risk-weighted assets, credit risk)	0.34%	(0.03)%	0.37 PP	0.25%	0.45%	(0.19) PP
Average equity	1,403	1,632	(14.0)%	1,403	1,456	(3.7)%
Return on equity before tax	**27.3%**	**8.1%**	**19.2 PP**	**13.9%**	**38.9%**	**(25.0) PP**
Business outlets	4	3	33.3%	4	4	0.0%

[1] Due to the nature of the business the calculation of the NPL ratio in the Group Markets is based on total loans.

Profit before tax in the Group markets segment rose during the reporting period by € 125 million to € 191 million. This good performance was due to an unchanged level of operating income year-on-year and significantly higher other net income. The return on equity before tax improved considerably to 27.3 per cent.

Operating income

Net interest income fell by 31 per cent year-on-year to € 108 million, primarily due to a reduction in holdings of European bank securities in the Capital markets head office profit center. Other factors contributing to the decline were maturities and redemptions in the high-quality security portfolio, which consists exclusively of securities with top ratings but as a result of this reduction generated slightly less income of € 46 million in the reporting period than in the prior-year period. The RBI AG investment portfolio has now been structured even more conservatively under the influence of the European debt crisis. The Financial institutions & sovereigns head office profit center posted a significant decline in business volume due to redemptions and selective transaction selection, which, in turn, led to lower net interest income.

Total assets in this segment fell by 40 per cent year-on-year to € 24.6 billion, due mainly to a reduction in credit business with financial institutions. Loans and advances to banks at RBI AG fell as a result by 20 per cent to € 32 billion. Another reason for the contraction in total assets was the gradual reclassification of some of the assets to the Corporate center segment in 2010. This reclassification occurred as part of an internal reorganization in 2010 with the aim of separating Treasury activities from those of Capital markets. The net interest margin of the segment was up 11 basis points to 0.80 per cent. Credit risk assets decreased by 19 per cent from € 7.6 billion to € 6.2 billion. This development was also the result of transferring some of the volumes to the Corporate center segment. In addition, the Capital markets head office profit center also recorded a decline in credit risk assets, caused by the reduction in money market and securities exposure to financial institutions, predominantly in Ireland, Germany and the Netherlands. The Financial institutions & sovereigns head office profit center was generally affected by a contraction in business volumes during the period under review.

Net fee and commission income was up 24 per cent to € 66 million versus the prior-year period, with improved results from credit default swaps contributing to a year-on-year increase at the Capital markets profit center head office. Despite more active hedging of the corporate securities portfolio as a result of the debt crisis in the eurozone, income was up here as well. The Financial institutions & sovereigns head office profit center reported a year-on-year increase in net fee and commission income, thanks to solid income from the brisk trend in issuing business, particularly in the Italian market. The Private banking and asset management division of the subsidiary Kathrein & Co. Privatgeschäftsbank AG in Vienna made a positive and stable contribution from its securities business totaling € 9 million. The Mergers & acquisitions division also increased its contribution to net fee and commission income to € 5 million, while net fee and commission income of Raiffeisen Centrobank Group also rose to € 10 million, primarily boosted by income from support provided to corporate customers with primary market transactions.

Net trading income in the segment rose by € 34 million in the period under review to € 90 million. Raiffeisen Centrobank contributed significantly to this with a year-on-year increase of 5 per cent to € 28 million. It consisted primarily of net income from valuation gains on certificates issued in the context of equity and index-based transactions and on structured bonds. At the Capital markets head office profit center, valuation gains of € 24 million came from proprietary trading in fixed-interest securities as well as from structured products. Market-maker revenues from customer and proprietary trading in foreign currency and fixed income products also made a solid and stable contribution to results. A further € 16 million came from the Financial institutions & sovereigns head office profit center. Finally, income from bank note and coin trading improved to € 10 million.

Other net operating income showed a year-on-year increase of € 6 million to € 16 million. This includes higher income from the operations of Raiffeisen Centrobank Group, amounting to € 7 million, which was generated predominantly from commodity trading by the special companies in the USA and Switzerland. The commodity trading of F.J. Elsner Group contributed a further € 6 million to this figure.

General administrative expenses

General administrative expenses of the Group markets segment increased year-on-year by 10 per cent to € 127 million. This increase in costs resulted primarily from an IT system for derivative financial instruments which went into full service at RBI AG. Furthermore, transportation costs rose due to the expansion of the bank note and coin trading business of RBI AG. The increase in the segment's general administrative expenses was offset somewhat by the change in the cost allocation at RBI AG that resulted from the merger in 2010. The segment consisted of four business outlets at the end of the period under review. Due to the rise in general administrative expenses, the cost/income ratio increased by 3.4 percentage points to 45.1 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses was € 9 million, confined entirely to the Financial institutions & sovereigns head office profit center and related to a single financial institution in both Denmark and Bahrain respectively. Non-performing loans made up 1.2 per cent of the segment's total credit exposure.

Other results and taxes

Other results during the period under review saw a trend reversal from minus € 96 million to € 46 million. Net income from derivatives and designated liabilities at the Capital markets head office profit center was especially strong, being generated from valuation gains on various interest hedging transactions that were mainly entered into as a hedge against risks associated with a decline in long-term interest rates. Net income from financial investments rose due to valuations on the securities portfolio at the Credit investments head office profit center. This profit center achieved a valuations from proprietary trading in securities and derivatives totaling € 17 million.

Income taxes increased year-on-year to € 48 million. The segment tax rate was 25 per cent, up 4 percentage points versus the year-earlier level, while profit after deduction of non-controlling interests rose to € 143 million.

Corporate center

In € million	1/1-30/6 2011	1/1-30/6 2010	Change	Q2/2011	Q1/2011	Change
Net interest income	318	193	64.4%	258	60	332.0%
Net fee and commission income	(21)	(5)	339.4%	(9)	(12)	(27.0)%
Net trading income	15	29	(47.5)%	41	(26)	–
Other net operating income	15	81	(81.2)%	27	(12)	–
Operating income	**327**	**298**	**9.7%**	**317**	**10**	**>500.0%**
General administrative expenses	(136)	(152)	(10.9)%	(67)	(69)	(2.8)%
Operating result	**192**	**146**	**31.1%**	**250**	**(59)**	**–**
Net provisioning for impairment losses	0	(3)	–	0	0	–
Other results	10	15	(34.8)%	36	(26)	–
Profit/loss before tax	**201**	**159**	**26.9%**	**286**	**(85)**	**–**
Income taxes	25	78	(67.7)%	4	22	(83.7)%
Profit/loss after tax	**227**	**237**	**(4.4)%**	**289**	**(63)**	**–**
Profit attributable to non-controlling interests	(3)	(1)	262.8%	(3)	(1)	281.2%
Profit/Loss after non-controlling interests	**223**	**236**	**(5.4)%**	**287**	**(63)**	**–**
Share of profit before tax	16.1%	19.4%	(3.2) PP	37.0%	(18.4)%	–
Risk-weighted assets (credit risk)	15,876	19,866	(20.1)%	15,876	17,724	(10.4)%
Total own funds requirement	1,355	1,644	(17.5)%	1,355	1,452	(6.7)%
Assets	45,956	43,605	5.4%	45,956	41,809	9.9%
Liabilities	53,397	46,780	14.1%	53,397	47,768	11.8%
Net interest margin	1.58%	1.06%	0.52 PP	2.35%	0.64%	1.71 PP
NPL ratio	–	–	–	–	–	–
Coverage ratio	–	–	–	–	–	–
Cost/income ratio	41.4%	51.0%	–	21.1%	–	–
Net provisioning ratio (average risk-weighted assets, credit risk)	0.00%	0.03%	(0.03) PP	0.00%	0.00%	0.00 PP
Average equity	1,878	1,922	(2.3)%	1,877	1,932	(2.9)%
Return on equity before tax	**21.4%**	**16.5%**	**4.9 PP**	**–**	**–**	**–**
Business outlets	1	1	0.0%	1	1	0.0%

In the Corporate center segment, profit before tax was € 201 million. The 27 per cent increase year-on-year was primarily attributable to higher operating income. The return on equity before tax rose by 4.9 percentage points to 21.4 per cent.

Operating income

Net interest income rose by 64 per cent to € 318 million, mainly due to an increase in dividend income from Group subsidiaries in other segments. Conversely, the negative results of maturities transformation and the costs of € 14 million for the subordinated capital of RBI AG had an adverse impact. In addition, the costs for own issues gradually rose, because issues with lower premiums from the years before the financial crisis matured and were replaced with new issues. In contrast, income from internal financing by the Group head office fell slightly versus the prior-year period.

The total assets in this segment rose by 5 per cent year-on-year to € 46.0 billion. However, this development was distorted by one-time effects due to the reorganization described previously in the Group markets report by means of which the Treasury division was transferred from the Group markets segment to the Corporate center segment in 2010. Credit risk-weighted assets decreased by 20 per cent from € 19.9 billion to € 15.9 billion.

Net fee and commission income fell by € 16 million to minus € 21 million, mainly due to commission payments by Group headquarters for country risk insurance in connection with financing abroad, particularly in Hungary.

Net trading income for the Corporate center segment fell from € 29 million to € 15 million. This decrease was due primarily to the Group head office Treasury department, and resulted from liquidity management and proprietary trading in the context of balance sheet structure management. Other contributory factors were valuations on various foreign currency and interest-related financial instruments held for hedging purposes.

Other net operating income was € 15 million versus € 81 million in the prior-year period. This deterioration was mainly attributable to other taxes, which were predominantly impacted by the newly introduced special bank levy in Austria that resulted in an expense of € 45 million in the period under review. Furthermore, income from intra-group cost allocations to other segments on a cost-causation basis was lower. As in the prior-year period, income from the Raiffeisen Data Service Center in Vienna, which provides mainly treasury services, made a positive contribution to income of € 13 million.

General administrative expenses

General administrative expenses fell by 11 per cent or € 17 million to € 136 million. They were positively impacted by the change in the cost allocation for Group headquarters in 2010 and by the better allocation and elimination of business transactions within the individual segments. The business outlet recognized in this segment is Group headquarters.

Net provisioning for impairment losses

Net provisioning for imapairment losses played a minor role due to the intra-group nature of the segment's business activities.

Other results and taxes

Other results were down year-on-year from € 15 million to € 10 million. Net income from financial investments decreased from € 25 million to a negative € 37 million due to valuation losses on the securities portfolio, whereas net income from derivatives turned around from minus € 17 million to € 48 million. This improvement was caused by net valuations on hedging transactions for own issues, which resulted from the favorable positioning of RBI AG with regard to rising short-term interest rates.

Due to the deconsolidation of a holding company for materiality reasons, the segment reported a net loss from disposal of group assets of € 1 million.

Income taxes made a positive contribution of € 25 million. This was primarily attributable to the high dividend income in this segment that is not included in the basis of taxation. Profit after deduction of non-controlling interests amounted to € 223 million.

Business divisions

RBI is broken down into the following divisions:

- Corporate customers
- Retail customers
- Financial institutions & public sector
- Capital markets & treasury
- Participations & other

Corporate customers includes business with local and international medium and large-scale enterprises. The Financial institutions & public sector business division focuses on business with customers from the financial and public sectors. Retail customers includes business with private individual customers as well as with small and medium-sized entities (SMEs) with annual revenues up to a maximum of € 5 million. Capital markets & treasury covers Treasury proprietary trading as well as investment banking undertaken only in certain Group units. Participations & other concerns non-bank-specific activities as well as the administration of participations. It also includes other cross-division functions, particularly in the parent company RBI AG.

Overview of business divisions

1/1-30/6/2011 In € million	Corporate customers	Retail customers	Financial institutions & public sector	Capital markets & treasury	Participations & other	Total
Net interest income	626	818	157	62	119	1,781
Net fee and commission income	270	400	67	6	(6)	737
Net trading income	10	2	37	205	2	256
Other net operating income	10	1	(4)	(27)	(6)	(27)
Operating income	**915**	**1,221**	**256**	**247**	**109**	**2,748**
General administrative expenses	(309)	(883)	(114)	(93)	(116)	(1,514)
Operating result	**607**	**338**	**142**	**154**	**(7)**	**1,233**
Net provisioning for impairment losses	(129)	(262)	(15)	0	1	(405)
Other results	2	(5)	6	53	(7)	50
Profit/loss before tax	**479**	**71**	**134**	**207**	**(13)**	**879**
Risk-weighted assets (credit risk)[1]	39,627	17,529	8,662	7,977	2,706	76,502
Total own funds requirement[1]	3,438	1,760	768	1,486	251	7,702
Cost/income ratio	33.7%	72.3%	44.6%	37.5%	106.5%	55.1%
Average equity	5,121	2,480	1,199	1,139	335	10,275
Return on equity before tax	**18.7%**	**5.8%**	**22.3%**	**36.4%**	**(7.8)%**	**17.1%**

[1] Data as of 30 Junei

1/1-30/6/2010 In € million	Corporate customers	Retail customers	Financial institutions & public sector	Capital markets & treasury	Participations & other	Total
Net interest income	605	823	156	110	86	1,780
Net fee and commission income	248	407	74	1	(17)	715
Net trading income	13	1	20	162	(3)	192
Other net operating income	14	(7)	(2)	(1)	(7)	(2)
Operating income	**881**	**1,224**	**249**	**273**	**59**	**2,686**
General administrative expenses	(286)	(834)	(103)	(82)	(120)	(1,425)
Operating result	**595**	**390**	**146**	**190**	**(61)**	**1,261**
Net provisioning for impairment losses	(263)	(341)	(3)	1	(1)	(608)
Other results	10	4	(37)	(53)	3	(74)
Profit/loss before tax	**342**	**53**	**106**	**138**	**(59)**	**579**
Share of profit before tax						
Risk-weighted assets (credit risk)[1]	35,516	16,635	7,754	9,169	3,695	72,769
Total own funds requirement[1]	2,962	1,679	700	1,555	463	7,359
Cost/income ratio	32.4%	68.1%	41.2%	30.1%	202.6%	53.0%
Average equity	4,602	2,120	1,253	1,053	487	9,515
Return on equity before tax	**14.8%**	**5.0%**	**16.9%**	**26.2%**	**(24.2)%**	**7.5%**

[1] Data as of 30 June

Corporate customers

The Corporate customers division posted an increase in net income, thanks in particular to the positive business trend at Group headquarters and to lower provisioning for impairment losses. The successful marketing of equity and liquidity-saving products since the end of 2010 played a key role in this gratifying result. Investment banking products and structured M&A, project and export financing have already seen measurable improvements in terms of their Group-wide performance. Furthermore, the areas of M&A and project finance were especially successful.

Profit before tax grew by 40 per cent to € 479 million, due primarily to a reduction in net provisioning for impairment losses from € 263 to € 129 million and to an increase in operating income. A sharp improvement in performance was reported in Russia, where net income rose significantly. In contrast with the renewed growth in Viennese business commerce, RBI AG has maintained its traditional focus on the slowly recovering and highly competitive credit demand market (especially on firms with strong credit ratings) and has performed strongly in the bond market and investment banking sectors.

Operating income grew, mainly driven by a rise in net fee and commission income, from € 881 million to € 915 million, an increase of 4 per cent year-on-year. Growth in net interest income totaled 3 per cent and was attributable to higher business volumes, primarily involving large customers in Russia as well as a significant increase in net interest income at RBI AG from large customers. Net fee and commission income rose by 9 per cent to € 270 million – due primarily to the business performance of RBI AG, which made the largest contribution thanks to increased sales of equity and liquidity-saving products, as mentioned above. Other net operating income fell year-on-year, however. While operating leasing made a positive contribution of € 16 million in Croatia and Serbia, the bank levy in Hungary and Austria adversely impacted results.

General administrative expenses rose by 8 per cent to € 309 million due to increased staff and IT expenses at RBI AG and in Russia. The division's cost/income ratio rose by 1.3 percentage points to 33.7 per cent as a result of the bigger increase in general administrative expenses relative to operating income.

Other results fell to € 2 million due to a decline in net valuations on securities at RBI AG.

Credit risk-weighted assets increased by 12 per cent year-on-year to € 39.6 billion. The main reasons for this increase were the use of higher default probabilities and the rather lower level of collateralization in some cases.

Return on equity before tax in the Corporate customers division rose on the back of growth in profit before tax by 3.9 percentage points to 18.7 per cent.

Retail customers

Despite still feeling the after-effects of the financial crisis overall, the Retail customers business division registered a positive trend in terms of business with both private individual customers and small and medium-sized entities. The good result was mainly due to higher lending volumes for private individuals and to the slowly but steadily growing volume of customer deposits across the entire division. Growth in net income is attributable not least to the expansion of premium banking.

Profit before tax in the Retail customers division rose by 35 per cent to € 71 million. This development was primarily due to the 23 per cent reduction in net provisioning for impairment losses.

The division's operating income fell slightly year-on-year to € 1,221 million. Net interest income remained on a par with the previous year at € 818 million, being negatively affected by the change in the method of calculating interest on impaired loans in the Ukraine. At € 400 million, net fee and commission income – to which Romania made the largest contribution – was marginally down year-on-year. Other net operating income came to € 1 million. While operating leasing made a positive contribution of € 4 million in this regard, the bank levy in Hungary negatively affected the result.

General administrative expenses in the division rose by 6 per cent to € 883 million in the reporting period as a result of the expansion of business outlets and infrastructure and salary adjustments in some markets. The cost/income ratio therefore increased by 4.2 percentage points to 72.3 per cent.

Net provisioning for impairment losses declined by 23 per cent to € 262 million. The largest net provisioning in this regard – primarily to individual loan loss provisions – were in Hungary, Romania and the Czech Republic.

Credit risk-weighted assets rose volume limited by 5 per cent year-on-year to € 17.5 billion. The first-ever use of the internal ratings-based approach in the second half of 2010 for the majority of the loans and advances to private individuals in Hungary also boosted credit risk-weighted assets.

The return on equity before tax improved to 5.8 per cent.

Financial institutions & public sector

The continuing recovery in the financial markets led to an increase in activity in issuing business at RBI AG and stronger demand for financial services products. In the reporting period, RBI AG generated substantial income from new issues activities through its increased focus on lead manager activities for a variety of issuers. In credit business, transactions were still continued to be executed on a selective basis.

Profit before tax in the Financial institutions & public sector business division rose by 26 per cent to € 134 million. This was mainly attributable to other results, which swung from a loss of € 37 million to a profit of € 6 million due to significantly higher net valuations on the derivative financial instruments and securities of RBI AG. Net valuations on municipal bonds in Hungary also improved.

Operating income rose by 3 per cent to € 256 million, mainly owing to an increase in net operating income at RBI AG and Raiffeisen Centrobank. Net interest income was almost unchanged year-on-year, while net fee and commission income fell by 10 per cent. Hit by the bank levy in Austria, other net operating income deteriorated from minus € 2 million to minus € 4 million, compared to the previous year's comparable period.

General administrative expenses were up 11 per cent to € 114 million, due almost exclusively to cost increases at Group headquarters. The cost/income ratio consequently rose from 41.2 per cent to 44.6 per cent.

As mentioned above, other results turned around from a loss of € 37 million to a profit of € 6 million. This improvement is based on the positive valuation of the RBI AG credit investment portfolio and on the net valuations on municipal bonds in Hungary.

Despite the reduction in exposure, the division's credit risk-weighted assets rose by 12 per cent to € 8.6 billion, primarily as a result of rating migrations and the use of higher default probabilities in analyzing the loan portfolio.

The division's return on equity before tax rose on the back of higher profit before tax by 5.4 percentage points to 22.3 per cent.

Capital markets & treasury

In the first half of 2011, the Capital markets & treasury business division posted a pre-tax profit of € 207 million, an increase of 50 per cent year-on-year. This was due almost entirely to other results. Proprietary trading at RBI AG and the addition of new issues to expand the investment portfolio had a generally positive effect on operating income, although this was lower year-on-year.

The division's operating income declined by 10 per cent year-on-year to € 247 million. Net interest income finished well short of the prior-year year figure at € 62 million, mainly due to lower income from the partially matured high-quality portfolio at Group headquarters. By contrast, net fee and commission income rose by € 6 million, while net trading income also increased by 27 per cent to € 205 million. The largest contribution came from Russia, followed by RBI AG. Other net operating income was severely affected by the bank levies in Hungary and Austria, and fell as a result from minus € 1 million to minus € 27 million.

General administrative expenses rose year-on-year by 13 per cent to € 93 million due to higher IT expenses and salary adjustments. The division's cost/income ratio consequently rose by 7.4 percentage points to 37.5 per cent.

Other results swung from a loss of € 53 million to a profit of € 53 million. This improvement was attributable to an increase in hedging activity at Group headquarters, which led to higher valuation gains on various derivative financial instruments.

The total own funds requirement declined by 5 per cent to € 1,486 million.

The division's return on equity before tax rose to 36.4 per cent.

Participations & other

The Participations & other business division posted a pre-tax net loss of € 13 million. Net interest income was up 38 per cent year-on-year to € 119 million. This takes into account the imputed results from the investment of equity.

Net fee and commission income rose in the first half of 2011 by € 10 million to minus € 6 million compared to the previous year's comparable period.

Other net operating income was positively influenced by results from the non-banking activities of Raiffeisen Centrobank and Raiffeisen Daten Service Center GmbH.

Participations & other also includes the costs of central Group management, which increased year-on-year as a result of a change in the RBI AG cost allocation. According to internal guidelines, these costs remain in this division and are not fully assigned to other divisions.

Interim consolidated financial statements

(Interim report as of 30 June 2011)

Statement of comprehensive income

Income statement

In € million	Notes	1/1-30/6/2011	1/1-30/6/2010	Change
Interest income		3,169	3,263	(2.9)%
Current income from associates		0	(1)	–
Interest expenses		(1,388)	(1,482)	(6.3)%
Net interest income	**[2]**	**1,781**	**1,780**	**0.1%**
Net provisioning for impairment losses	[3]	(405)	(608)	(33.3)%
Net interest income after provisioning		**1,376**	**1,173**	**17.4%**
Fee and commission income		877	840	4.4%
Fee and commission expense		(140)	(125)	12.1%
Net fee and commission income	**[4]**	**737**	**715**	**3.1%**
Net trading income	[5]	256	192	33.2%
Net income from derivatives and designated liabilities	[6]	41	(132)	–
Net income from financial investments	[7]	12	53	(77.2)%
General administrative expenses	[8]	(1,514)	(1,425)	6.3%
Other net operating income	[9]	(27)	(2)	>500.0%
Net income from disposal of group assets		(3)	5	–
Profit before tax		**879**	**579**	**51.6%**
Income taxes	[10]	(201)	(64)	215.2%
Profit after tax		**677**	**516**	**31.4%**
Profit attributable to non-controlling interests		(62)	(43)	43.5%
Consolidated profit		**615**	**472**	**30.3%**

Transition to total comprehensive income

In € million	Total 1/1-30/6 2011	Total 1/1-30/6 2010	Group equity 1/1-30/6 2011	Group equity 1/1-30/6 2010	Non-controlling interests 1/1-30/6 2011	Non-controlling interests 1/1-30/6 2010
Profit after tax	**677**	**515**	**615**	**472**	**62**	**43**
Exchange differences	(112)	438	(113)	431	1	7
hereof unrealized net gains (losses) of the period	(113)	0	(113)	0	0	0
Capital hedge	8	(10)	8	(10)	0	0
Net gains (losses) on derivatives hedging fluctuating cash flows	(47)	103	(47)	103	0	0
hereof unrealized net gains (losses) of the period	(47)	0	(47)	0	0	0
Net gains (losses) on financial assets available-for-sale	(2)	18	(2)	18	0	0
hereof unrealized net gains (losses) of the period	3	0	3	0	0	0
hereof net gains (losses) reclassified to income statement	(5)	0	(5)	0	0	0
Sundry income and expenses directly recognized in equity	11	(11)	11	(11)	0	0
Other comprehensive income	**(142)**	**537**	**(143)**	**531**	**1**	**7**
Total comprehensive income	**536**	**1,052**	**472**	**1,003**	**63**	**50**

Earnings per share

In €	1/1-30/6/2011	1/1-30/6/2010	Change
Earnings per share	2.65	1.91	0.74

Earnings per share are obtained by dividing consolidated profit less compensation for participation capital by the average number of ordinary shares outstanding. As of 30 June 2011, the number of ordinary shares oustanding remained unchanged with 194.5 million.

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

Profit development

Quarterly results

The figures for 2010 represent the figures according to the structure of RBI, whereas the figures for 2009 are those of Raiffeisen International.

In € million	Q3/2010	Q4/2010	Q1/2011	Q2/2011
Net interest income	927	871	884	897
Net provisioning for impairment losses	(306)	(281)	(208)	(197)
Net interest income after provisioning	**621**	**590**	**676**	**700**
Net fee and commission income	373	403	357	380
Net trading income	66	70	123	133
Net income from derivatives and designated liabilities	5	43	3	38
Net income from financial investments	84	1	25	(13)
General administrative expenses	(728)	(827)	(753)	(761)
Other net operating income	(3)	11	(24)	(3)
Net income from disposal of group assets	0	0	(3)	0
Profit before tax	**418**	**290**	**405**	**474**
Income taxes	(80)	34	(100)	(101)
Profit after tax	**337**	**324**	**305**	**372**
Profit attributable to non-controlling interests	(26)	(20)	(35)	(27)
Consolidated profit	**311**	**304**	**270**	**345**

In € million	Q3/2009	Q4/2009	Q1/2010	Q2/2010
Net interest income	729	712	859	921
Net provisioning for impairment losses	(396)	(373)	(325)	(283)
Net interest income after provisioning	**332**	**339**	**534**	**639**
Net fee and commission income	322	317	337	378
Net trading income	28	40	126	66
Net income from derivatives and designated liabilities	(13)	3	(45)	(86)
Net income from financial investments	12	(2)	141	(88)
General administrative expenses	(535)	(592)	(700)	(725)
Other net operating income	(13)	(23)	(5)	3
Net income from disposal of group assets	0	0	5	0
Profit before tax	**133**	**81**	**392**	**187**
Income taxes	(36)	(10)	(33)	(31)
Profit after tax	**97**	**71**	**359**	**157**
Profit attributable to non-controlling interests	(19)	(15)	(25)	(18)
Consolidated profit	**78**	**57**	**334**	**138**

Statement of financial position

Assets In € million	**Notes**	**30/6/2011**	**31/12/2010**	**Change**
Cash reserve		4,244	4,807	(11.7)%
Loans and advances to banks	[12, 32]	24,972	21,532	16.0%
Loans and advances to customers	[13, 32]	79,431	75,657	5.0%
Impairment losses on loans and advances	[14]	(4,873)	(4,756)	2.5%
Trading assets	[15, 32]	8,324	8,068	3.2%
Derivatives	[16, 32]	1,067	1,488	(28.3)%
Financial investments	[17, 32]	19,384	19,631	(1.3)%
Investments in associates	[32]	5	5	0.7%
Intangible fixed assets	[18]	1,191	1,220	(2.4)%
Tangible fixed assets	[19]	1,448	1,454	(0.4)%
Other assets	[20, 32]	2,362	2,067	14.3%
Total assets		**137,556**	**131,173**	**4.9%**

Equity and liabilities In € million	**Notes**	**30/6/2011**	**31/12/2010**	**Change**
Deposits from banks	[21, 32]	34,829	33,659	3.5%
Deposits from customers	[22, 32]	63,625	57,633	10.4%
Debt securities issued	[23, 32]	15,398	16,555	(7.0)%
Provisions for liabilities and charges	[24, 32]	654	672	(2.7)%
Trading liabilities	[25, 32]	5,653	5,742	(1.5)%
Derivatives	[26, 32]	721	1,264	(42.9)%
Other liabilities	[27, 32]	2,094	1,243	68.4%
Subordinated capital	[28]	4,099	4,001	2.4%
Equity	[29]	10,483	10,404	0.8%
Consolidated equity		8,773	8,251	6.3%
Consolidated profit		615	1,087	(43.4)%
Non-controlling interests		1,095	1,066	2.8%
Total equity and liabilities		**137,556**	**131,173**	**4.9%**

Statement of changes in equity

In € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as of 1/1/2011	**593**	**2,500**	**2,568**	**2,590**	**1,087**	**1,066**	**10,404**
Capital increases	0	0	0	0	0	24	24
Transferred to retained earnings	0	0	0	683	(683)	0	0
Dividend payments	0	0	0	0	(404)	(55)	(459)
Total comprehensive income	0	0	0	(143)	615	63	536
Own shares/share incentive program	0	0	2	0	0	0	3
Other changes	0	0	0	(21)	0	(3)	(24)
Equity as of 30/6/2011	**593**	**2,500**	**2,570**	**3,109**	**615**	**1,095**	**10,483**

In € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as of 1/1/2010	**593**	**2,500**	**2,567**	**2,452**	**212**	**1,000**	**9,325**
Capital increases	0	0	0	0	0	4	4
Transferred to retained earnings	0	200	0	12	(212)	0	0
Dividend payments	0	(200)	0	(105)	0	(47)	(352)
Total comprehensive income	0	0	0	531	472	50	1,052
Own shares/share incentive program	0	0	0	0	0	0	0
Other changes	0	0	0	13	0	10	22
Equity as of 30/6/2010	**593**	**2,500**	**2,567**	**2,903**	**472**	**1,017**	**10,053**

Statement of cash flows

In € million	1/1-30/6/2011	1/1-30/6/2010
Cash and cash equivalents at the end of previous period	**4,807**	**6,093**
Effects due to merger	0	1,914
Net cash from operating activities	(375)	(2,773)
Net cash from investing activities	236	(759)
Net cash from financing activities	(338)	(439)
Effect of exchange rate changes	(86)	66
Cash and cash equivalents at the end of the period	**4,244**	**4,102**

Segment reporting

Internal management reporting at RBI is based on the current organizational structure. This is formed in a matrix structure i.e. directors are responsible both for individual countries and specific business activities ("country and functional responsibility" model). Within the Group, a cash generating unit is either a country or a business activity. The RBI management bodies – the Management board and Supervisory board – take decisions that determine the resources allocated to each segment in accordance with its financial strength and profitability. Consequently the reporting criteria are an essential component in the decision-making process. The segments are also defined in accordance with IFRS 8. The reconciliation implies mainly the amounts from the elemination of intra-group results and consolidation between the segments.

The Group comprises the following segments:

- Central Europe
- Southeastern Europe
- Russia
- CIS other
- Group corporates
- Group markets
- Corporate center

1/1-30/6/2011 In € million	Central Europe	Southeastern Europe	Russia	CIS other	Group corporates
Net interest income	569	455	279	203	199
Net fee and commission income	243	179	109	85	85
Net trading income	26	27	60	44	5
Other net operating income	(17)	17	(1)	(2)	2
Operating income	**821**	**678**	**447**	**329**	**292**
General administrative expenses	(470)	(372)	(222)	(165)	(71)
Operating result	**351**	**306**	**226**	**164**	**221**
Net provisioning for impairment losses	(177)	(124)	(4)	(71)	(19)
Other results	(11)	6	(15)	4	0
Profit/loss before tax	**163**	**189**	**206**	**97**	**201**
Income taxes	(36)	(24)	(50)	(26)	(43)
Profit/loss after tax	**127**	**165**	**156**	**71**	**158**
Profit attributable to non-controlling interests	(44)	(12)	(2)	(8)	0
Profit after non-controlling interests	**83**	**152**	**154**	**64**	**158**
Share of profit before tax	13.1%	15.1%	16.5%	7.8%	16.1%
Risk-weighted assets (credit risk)[1]	23,736	16,485	9,310	5,330	15,383
Total own funds requirement[1]	2,177	1,551	968	514	1,267
Assets[1]	35,542	22,471	13,196	6,523	20,689
Liabilities[1]	32,652	19,572	11,220	5,629	13,863
Net interest margin	3.29%	4.13%	4.42%	5.93%	1.84%
NPL ratio	8.7%	10.0%	7.2%	27.5%	4.3%
Coverage ratio	58.7%	62.5%	103.5%	72.9%	69.0%
Cost/income ratio	57.3%	54.8%	49.6%	50.3%	24.4%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.52%	1.50%	0.10%	2.58%	0.25%
Average equity	2,882	2,089	1,245	726	1,729
Return on equity before tax	**11.3%**	**18.1%**	**33.1%**	**26.7%**	**23.3%**
Business outlets[1]	556	1,154	190	1,022	8

[1] Data as of 30 June

1/1-30/6/2011 In € million	Group markets	Corporate center	Reconciliation	Total
Net interest income	108	318	(350)	1,781
Net fee and commission income	66	(21)	(9)	737
Net trading income	90	15	(10)	256
Other net operating income	16	15	(57)	(27)
Operating income	**281**	**327**	**(427)**	**2,748**
General administrative expenses	(127)	(136)	48	(1,514)
Operating result	**154**	**192**	**(379)**	**1,233**
Net provisioning for impairment losses	(9)	0	0	(405)
Other results	46	10	9	50
Profit/loss before tax	**191**	**201**	**(370)**	**879**
Income taxes	(48)	25	0	(201)
Profit/loss after tax	**144**	**227**	**(370)**	**677**
Profit attributable to non-controlling interests	0	(3)	7	(62)
Profit after non-controlling interests	**143**	**223**	**(363)**	**615**
Share of profit before tax	15.3%	16.1%	–	100.0%
Risk-weighted assets (credit risk)[1]	6,151	15,876	(14,759)	76,502
Total own funds requirement[1]	996	1,355	(1,125)	7,702
Assets[1]	24,578	45,956	(31,399)	137,556
Liabilities[1]	22,802	53,397	(32,063)	127,072
Net interest margin	0.80%	1.58%	–	2.62%
NPL ratio	1.2%	–	–	8.5%
Coverage ratio	87.7%	–	–	68.5%
Cost/income ratio	45.1%	41.4%	–	55.1%
Net provisioning ratio (average risk-weighted assets, credit risk)	0.34%	0.00%	–	1.09%
Average equity	1,403	1,878	(1,676)	10,275
Return on equity before tax	**27.3%**	**21.4%**	**–**	**17.1%**
Business outlets[1]	4	1	–	2,935

[1] Data as of 30 June

1/1-30/6/2010 In € million	Central Europe	Southeastern Europe	Russia	CIS other	Group corporates
Net interest income	539	445	256	245	175
Net fee and commission income	226	186	103	82	76
Net trading income	29	25	41	16	9
Other net operating income	(27)	17	(10)	(4)	2
Operating income	**767**	**672**	**391**	**339**	**263**
General administrative expenses	(425)	(357)	(199)	(163)	(72)
Operating result	**342**	**315**	**192**	**176**	**191**
Net provisioning for impairment losses	(198)	(139)	(67)	(156)	(46)
Other results	(17)	(7)	(12)	14	6
Profit/loss before tax	**128**	**169**	**113**	**34**	**151**
Income taxes	(31)	(24)	(29)	(10)	(34)
Profit/loss after tax	**97**	**145**	**84**	**24**	**117**
Profit attributable to non-controlling interests	(33)	(10)	0	(3)	0
Profit after non-controlling interests	**64**	**135**	**84**	**20**	**117**
Share of profit before tax	15.6%	20.6%	13.8%	4.1%	18.4%
Risk-weighted assets (credit risk)[1]	21,636	15,925	8,625	5,438	15,361
Total own funds requirement[1]	1,969	1,486	898	530	1,270
Assets[1]	33,598	22,989	13,016	7,287	23,282
Liabilities[1]	30,989	20,242	11,133	6,241	14,193
Net interest margin	3.20%	3.82%	4.15%	7.27%	1.57%
NPL ratio	8.0%	7.5%	11.2%	24.5%	4.2%
Coverage ratio	56.5%	66.9%	86.6%	73.8%	51.9%
Cost/income ratio	55%	53%	51%	48%	23%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.84%	1.72%	1.74%	5.92%	0.63%
Average equity	2,564	1,964	1,048	663	1,575
Return on equity before tax	**10.0%**	**17.2%**	**21.6%**	**10.3%**	**19.2%**
Business outlets[1]	554	1,173	202	1,029	8

[1] Data as of 30 June

1/1-30/6/2010 In € million	Group markets	Corporate center	Reconciliation	Total
Net interest income	158	193	(232)	1,780
Net fee and commission income	53	(5)	(6)	715
Net trading income	56	29	(12)	192
Other net operating income	10	81	(71)	(2)
Operating income	**276**	**298**	**(321)**	**2,686**
General administrative expenses	(115)	(152)	58	(1,425)
Operating result	**161**	**146**	**(262)**	**1,261**
Net provisioning for impairment losses	1	(3)	0	(608)
Other results	(96)	15	22	(74)
Profit/loss before tax	**66**	**159**	**(240)**	**579**
Income taxes	(14)	78	0	(64)
Profit/loss after tax	**52**	**237**	**(240)**	**516**
Profit attributable to non-controlling interests	0	(1)	4	(43)
Profit/Loss after non-controlling interests	**52**	**236**	**(236)**	**472**
Share of profit before tax	8.1%	19.4%	–	100.0%
Risk-weighted assets (credit risk)[1]	7,565	19,866	(21,647)	72,769
Total own funds requirement[1]	1,298	1,644	(1,736)	7,359
Assets[1]	41,224	43,605	(37,088)	147,912
Liabilities[1]	39,454	46,780	(31,173)	137,859
Net interest margin	0.69%	1.06%	–	2.43%
NPL ratio	4.0%	–	–	8.5%
Coverage ratio	>100%	–	–	66.1%
Cost/income ratio	41.7%	51.0%	–	53.0%
Net provisioning ratio (average risk-weighted assets, credit risk)	(0.03)%	0.03%	–	1.70%
Average equity	1,632	1,922	(1,853)	9,515
Return on equity before tax	**8.1%**	**16.5%**	**–**	**12.2%**
Business outlets[1]	3	1	–	2,970

[1] Data as of 30 June

Notes

Recognition and measurement principles

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

The interim report as of 30 June 2011 is prepared in accordance with IAS 34. In the interim reporting, the same recognition and measurement principles (compare annual report 2010, page 150 ff.) and consolidation methods are applied as in the preparation of the consolidated financial statements 2010. Standards and interpretations to be applied in the EU as from 1 January 2011 on were applied in the interim report.

From the second quarter 2011 RBI has started to use portfolio fair value hedge accounting to hedge interest rate risk at the portfolio level. Individual transactions or groups of transactions with a similar risk structure are grouped by maturity bands in accordance with the expected repayment and interest adjustment dates in a portfolio. Portfolios can consist solely of assets or of liabilities or of both. In this type of hedge accounting the changes in fair value of the underlying transactions are recognized on both sides of the balance sheet as a separate asset and liability item. The hedged amount of the underlying transactions is determined in the consolidated financial statements exclusive of sight or savings deposits (therefore the EU carve-out regulations are not utilized).

Credit risk is accounted for by allocating individual loan loss provisions and portfolio-based loan loss provisions. The valuation models applied require an estimate of expected future cash flows. For porfolio-based loan loss provisions this is done based on loss experience history for the loans in the respective loan portfolio whereby the parameters inherent in the relevant estimates are subject to compatibility with existing group standards. These estimates are adapted if by this an improvement within the existing framework can be achieved. However, inter-annual impacts on income statement due to such refinings may also offset each other and are immaterial on group level.

In the previous year the corporate customer business and all associated equity participations of Raiffeisen Zentralbank were merged with Raiffeisen International into Raiffeisen Bank International. The comparable figures in this report represent the figures based on the structure of Raiffeisen Bank International according to the retrospective implementation of the merger as of 1 January 2010.

The interim report for the first half-year 2011 of RBI did not undergo a complete audit, neither did it undergo an audit inspection carried out by a certified auditor (framework prime market of the Vienna Stock Exchange).

Currencies

Rates in units per €	2011		2010	
	As of 30/6	Average as of 1/1-30/6	As of 30/6	Average as of 1/1-30/6
Albanian Lek (ALL)	141.410	140.640	138.770	138.046
Belarusian Rouble (BYR)	7,152.130	5,040.517	3,972.600	3,918.286
Bosnian Marka (BAM)	1.956	1.956	1.956	1.956
Bulgarian Lev (BGN)	1.956	1.956	1.956	1.956
Croatian Kuna (HRK)	7.402	7.402	7.383	7.267
Czech Koruna (CZK)	24.345	24.471	25.061	25.833
Great Britain Pound (GBP)	0.903	0.875	0.861	0.868
Hungarian Forint (HUF)	266.110	269.386	277.950	272.224
Kazakh Tenge (KZT)	210.290	205.347	195.230	196.343
Moldovan Leu (MDL)	16.750	16.625	16.105	16.774
Polish Zloty (PLN)	3.990	3.965	3.975	4.019
Romanian Leu (RON)	4.244	4.185	4.262	4.177
Russian Rouble (RUB)	40.400	40.446	40.820	40.154
Serbian Dinar (RSD)	102.463	102.285	105.498	100.016
Singapore Dollar (SGD)	1.776	1.770	1.714	1.862
Swiss Franc (CHF)	1.207	1.264	1.250	1.432
Ukrainian Hryvna (UAH)	11.500	11.178	10.573	10.583
United States Dollar (USD)	1.445	1.411	1.336	1.333

Changes in consolidated group

Number of units	Fully consolidated		Equity method	
	30/6/2011	31/12/2010	30/6/2011	31/12/2010
As of beginning of period	**132**	**135**	**1**	**1**
Included in the course of merger	0	38	0	0
Included for the first time in the financial period	3	6	0	0
Excluded in the financial period	(5)	(47)	0	0
As of end of period	**130**	**132**	**1**	**1**

In the reporting period, the following subsidiaries were included as of 1 January 2011 for the first time: RIRE Holding GmbH, Vienna, a real estate holding company and OOO „R3",Novosibirsk, a real estate management company. The real estate leasing company Viktor Property, s.r.o., Prague, was included for the first time as of 1 April 2011.

In the reporting period, 5 subsidiaries were excluded as of 1 January 2011due to immateriality.

Notes to the income statement

(1) Income statement according to measurement categories

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

In € million	1/1-30/6/2011	1/1-30/6/2010
Net income from financial assets and liabilities held-for-trading	253	133
Net income from financial assets and liabilities at fair value through profit or loss	222	75
Net income from financial assets available-for-sale	15	6
Net income from loans and advances	2,208	2,091
Net income from financial assets held-to-maturity	232	228
Net income from financial liabilities measured at acquisition cost	(1,382)	(1,439)
Net income from derivatives (hedging)	(3)	(6)
Net revaluations from exchange differences	140	198
Other operating income/expenses	(806)	(708)
Total profit before tax from continuing operations	**879**	**579**

(2) Net interest income

In € million	1/1-30/6/2011	1/1-30/6/2010
Interest and interest-like income, total	**3,169**	**3,263**
Interest income	3,141	3,247
from balances at central banks	29	51
from loans and advances to banks	201	252
from loans and advances to customers	2,269	2,318
from financial investments	390	360
from leasing claims	107	113
from derivative financial instruments (non-trading), net	147	153
Current income	14	8
Interest-like income	14	8
Current income from associates	**0**	**(1)**
Interest expenses and interest-like expenses, total	**(1,388)**	**(1,482)**
Interest expenses	(1,366)	(1,459)
on deposits from central banks	(6)	0
on deposits from banks	(299)	(374)
on deposits from customers	(631)	(668)
on debt securities issued	(331)	(318)
on subordinated capital	(100)	(99)
Interest-like expenses	(22)	(24)
Total	**1,781**	**1,780**

(3) Net provisioning for impairment losses

In € million	1/1-30/6/2011	1/1-30/6/2010
Individual loan loss provisions	**(432)**	**(519)**
Allocation to provisions for impairment losses	(697)	(863)
Release of provisions for impairment losses	282	345
Direct write-downs	(43)	(29)
Income received on written-down claims	27	29
Portfolio-based loan loss provisions	**23**	**(90)**
Allocation to provisions for impairment losses	(206)	(297)
Release of provisions for impairment losses	229	206
Gains from loan termination or sale	**4**	**1**
Total	**(405)**	**(608)**

(4) Net fee and commission income

In € million	1/1-30/6/2011	1/1-30/6/2010
Payment transfer business	294	283
Loan and guarantee business	148	140
Securities business	62	65
Foreign currency, notes/coins, and precious-metals business	155	157
Management of investment and pension funds	14	13
Sale of own and third party products	21	21
Credit derivatives business	1	3
Other banking services	43	33
Total	**737**	**715**

(5) Net trading income

In € million	1/1-30/6/2011	1/1-30/6/2010
Interest-based transactions	98	156
Currency-based transactions	134	65
Equity-/index-based transactions	15	10
Credit derivatives business	(6)	6
Other transactions	15	(45)
Total	**256**	**192**

The refinancing expenses for trading assets which are included in the net trading income amounted to € 48 million (comparable period/previous year: € 41 million).

(6) Net income from derivatives and designated liabilities

In € million	1/1-30/6/2011	1/1-30/6/2010
Net income from hedge accounting	(1)	(1)
Net income from credit derivatives	(17)	(3)
Net income from other derivatives	6	(15)
Net income from liabilities designated at fair value	53	(112)
Total	**41**	**(132)**

(7) Net income from financial investments

In € million	1/1-30/6/2011	1/1-30/6/2010
Net income from financial investments held-to-maturity	**1**	**5**
Net valuations of financial investments held-to-maturity	1	1
Net proceeds from sales of financial investments held-to-maturity	0	4
Net income from equity participations	**3**	**(1)**
Net valuations of equity participations	(2)	(2)
Net proceeds from sales of equity participations	5	1
Net income from securities at fair value through profit and loss	**8**	**48**
Net valuations of securities at fair value through profit and loss	(3)	23
Net proceeds from sales of securities at fair value through profit and loss	11	25
Total	**12**	**53**

(8) General administrative expenses

In € million	1/1-30/6/2011	1/1-30/6/2010
Staff expenses	(756)	(699)
Other administrative expenses	(587)	(569)
Depreciation of intangible and tangible fixed assets	(172)	(156)
Total	**(1,514)**	**(1,425)**

(9) Other net operating income

In € million	1/1-30/6/2011	1/1-30/6/2010
Sales revenues from non-banking activities	477	327
Expenses arising from non-banking activities	(454)	(311)
Net income from additional leasing services	44	45
Expenses from additional leasing services	(44)	(43)
Rental income from operating lease (vehicles and equipment)	19	19
Rental income from investment property incl. operating lease (real estate)	11	5
Net proceeds from disposal of tangible and intangible fixed assets	(2)	(4)
Other taxes	(83)	(45)
hereof special bank levies	(68)	(18)
Net expense from allocation and release of other provisions	(2)	(7)
Sundry operating income	27	25
Sundry operating expenses	(18)	(13)
Total	**(27)**	**(2)**

(10) Income taxes

In € million	1/1-30/6/2011	1/1-30/6/2010
Current income taxes	(169)	(142)
Austria	(23)	(4)
Foreign	(146)	(138)
Deferred taxes	(32)	78
Total	**(201)**	**(64)**

Notes to the statement of financial position

(11) Statement of financial position according to measurement categories

The following table shows the carrying amounts according to IAS 39 measurement categories:

Assets according to measurement categories In € million	30/6/2011	31/12/2010
Trading assets	9,103	8,631
Financial assets at fair value through profit or loss	8,218	8,070
Financial assets available-for-sale	424	394
Investments in associates	5	5
Loans and advances	106,099	99,268
Financial assets held-to-maturity	10,780	11,207
Derivatives (hedging)	288	925
Other assets	2,639	2,673
Total assets	**137,556**	**131,173**

Positive fair values of derivatives not designated as hedging instruments according to IAS 39 hedge accounting are reported in the measurement category trading assets. The measurement category financial assets available-for-sale comprises other affiliated companies and other equity participations. Loans and advances are reported on a net basis after provisions for impairment losses. Other assets comprise intangible and tangible fixed assets.

Equity and liabilities according to measurement categories In € million	30/6/2011	31/12/2010
Trading liabilities	6,328	6,528
Financial liabilities	117,523	110,535
Liabilities at fair value through profit and loss	2,522	2,557
Derivatives (hedging)	46	477
Provisions for liabilities and charges	654	672
Equity	10,483	10,404
Total equity and liabilities	**137,556**	**131,173**

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

(12) Loans and advances to banks

In € million	30/6/2011	31/12/2010
Giro and clearing business	2,301	1,517
Money market business	18,215	14,789
Loans to banks	3,131	3,766
Purchased loans	63	34
Leasing claims	0	1
Claims evidenced by paper	1,261	1,425
Total	**24,972**	**21,532**

Loans and advances to banks include € 3,568 million (31/12/2010: € 1,457 million) from repo transactions.

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

In € million	30/6/2011	31/12/2010
Austria	12,394	10,794
Foreign	12,579	10,738
Total	**24,972**	**21,532**

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

In € million	30/6/2011	31/12/2010
Central banks	1,611	1,484
Commercial banks	23,351	20,038
Multilateral development banks	10	10
Total	**24.972**	**21.532**

The maturity of loans and advances to banks breaks down as follows:

In € million	30/6/2011	31/12/2010
Due at call or without maturity	3,291	2,370
Up to 3 months	16,081	14,035
More than 3 months, up to 1 year	2,164	2,005
More than 1 year, up to 5 years	2,350	2,266
More than 5 years	1,086	856
Total	**24,972**	**21,532**

(13) Loans and advances to customers

In € million	30/6/2011	31/12/2010
Credit business	52,110	48,764
Money market business	5,253	5,000
Mortgage loans	17,168	16,888
Purchased loans	1,173	1,139
Leasing claims	3,077	3,109
Claims evidenced by paper	650	757
Total	**79,431**	**75,657**

Loans and advances to customers include € 1,918 million (31/12/2010: € 111 million) from repo transactions.

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

In € million	30/6/2011	31/12/2010
Sovereigns	1,705	1,493
Corporate customers – large	52,293	49,201
Corporate customers – small business	3,879	3,829
Retail customers – private individuals	19,031	18,549
Retail customers – small and medium-sized entities	2,410	2,441
Other	113	144
Total	**79,431**	**75,657**

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

In € million	30/6/2011	31/12/2010
Austria	7,790	7,914
Foreign	71,641	67,743
Total	**79,431**	**75,657**

The maturity of loans and advances to customers break down as follows:

In € million	30/6/2011	31/12/2010
Due at call or without maturity	8,173	6,844
Up to 3 months	13,957	12,583
More than 3 months, up to 1 year	13,919	13,704
More than 1 year, up to 5 years	26,773	26,393
More than 5 years	16,609	16,133
Total	**79,431**	**75,657**

(14) Impairment losses on loans and advances

Provisions for impairment losses are allocated to the following asset classes according to the Basel II definition:

In € million	30/6/2011	31/12/2010
Banks	243	255
Sovereigns	6	1
Corporate customers – large	2,465	2,432
Corporate customers – small business	411	407
Retail customers – private individuals	1,500	1,418
Retail customers – small and medium-sized entities	248	243
Total	**4,873**	**4,756**

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

30/6/2011 In € million	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	24,737	24,972	256	229	14	24,729
Sovereigns	1,602	1,705	14	5	0	1,699
Corporate customers – large	49,312	52,406	3,694	2,058	408	49,942
Corporate customers – small business	3,534	3,879	663	381	31	3,467
Retail customers – private individuals	18,048	19,031	1,900	1,224	276	17,531
Retail customers – small and medium-sized entities	2,306	2,410	336	202	46	2,162
Total	**99,539**	**104,403**	**6,863**	**4,099**	**775**	**99,530**

31/12/2010 In € million	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	21,270	21,532	271	237	18	21,277
Sovereigns	1,405	1,493	12	1	0	1,492
Corporate customers – large	46,229	49,345	3,598	2,026	406	46,913
Corporate customers – small business	3,469	3,829	670	376	32	3,421
Retail customers – private individuals	17,918	18,549	1,789	1,115	302	17,131
Retail customers – small and medium-sized entities	2,379	2,441	320	193	50	2,198
Total	**92,670**	**97,189**	**6,661**	**3,947**	**809**	**92,434**

(15) Trading assets

In € million	30/6/2011	31/12/2010
Bonds, notes and other fixed-interest securities	4,442	4,013
Shares and other variable-yield securities	350	430
Positive fair values of derivative financial instruments	3,506	3,625
Call/time deposits from trading purposes	26	0
Total	**8,324**	**8,068**

(16) Derivatives

In € million	30/6/2011	31/12/2010
Positive fair values of derivatives in fair value hedges (IAS 39)	245	361
Positive fair values of derivatives in cash flow hedges (IAS 39)	43	565
Positive fair values of credit derivatives	27	9
Positive fair values of other derivatives	752	553
Total	**1,067**	**1,488**

(17) Financial investments

In € million	30/6/2011	31/12/2010
Bonds, notes and other fixed-interest securities	18,703	18,957
Shares and other variable-yield securities	257	280
Equity participations	424	394
Total	**19,384**	**19,631**

(18) Intangible fixed assets

In € million	30/6/2011	31/12/2010
Goodwill	595	614
Software	476	480
Other intangible fixed assets	120	126
Total	**1,191**	**1,220**

(19) Tangible fixed assets

In € million	30/6/2011	31/12/2010
Land and buildings used by the Group for own purpose	549	554
Other land and buildings (investment property)	157	113
Office furniture, equipment and other tangible fixed assets	450	507
Leased assets (operating lease)	292	280
Total	**1,448**	**1,454**

(20) Other assets

In € million	30/6/2011	31/12/2010
Tax assets	509	494
Current tax assets	62	31
Deferred tax assets	447	463
Receivables arising from non-banking activities	129	140
Prepayments and other deferrals	259	263
Clearing claims from securities and payment transfer business	893	356
Lease in progress	80	83
Assets held for sale (IFRS 5)	5	5
Inventories	112	147
Re-/Devaluation of portfolio-hedged underlyings	1	0
Any other business	374	579
Total	**2,362**	**2,067**

(21) Deposits from banks

In € million	30/6/2011	31/12/2010
Giro and clearing business	2,798	2,326
Money market business	23,140	21,168
Long-term refinancing	8,891	10,165
Total	**34,829**	**33,659**

Deposits from banks include € 2,484 million (31/12/2010: € 4,977 million) from repo transactions.

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

In € million	30/6/2011	31/12/2010
Austria	20,143	16,046
Foreign	14,686	17,613
Total	**34,829**	**33,659**

The deposits break down into the following bank segments:

In € million	30/6/2011	31/12/2010
Central banks	800	1,399
Commercial banks	32,693	30,948
Multilateral development banks	1,337	1,311
Total	**34,829**	**33,659**

The maturity of deposits from banks breaks down as follows:

In € million	30/6/2011	31/12/2010
Due at call or without maturity	2,757	2,161
Up to 3 months	17,835	14,809
More than 3 months, up to 1 year	3,992	6,291
More than 1 year, up to 5 years	8,039	7,954
More than 5 years	2,206	2,444
Total	**34,829**	**33,659**

(22) Deposits from customers

In € million	30/6/2011	31/12/2010
Sight deposits	26,321	23,781
Time deposits	35,893	32,382
Savings deposits	1,412	1,470
Total	**63,625**	**57,633**

Deposits from customers include € 4,326 million (31/12/2010: € 1,343 million) from repo transactions.

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

In € million	30/6/2011	31/12/2010
Sovereigns	1,472	1,723
Corporate customers – large	32,440	26,924
Corporate customers – small business	2,302	2,489
Retail customers – private individuals	23,195	22,123
Retail customers – small and medium-sized entities	3,382	3,673
Other	834	702
Total	**63,625**	**57,633**

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

In € million	30/6/2011	31/12/2010
Austria	5,771	5,719
Foreign	57,854	51,914
Total	**63,625**	**57,633**

The maturity of deposits from customers breaks down as follows:

In € million	30/6/2011	31/12/2010
Due at call or without maturity	26,014	24,396
Up to 3 months	20,092	19,402
More than 3 months, up to 1 year	11,582	8,648
More than 1 year, up to 5 years	3,803	3,116
More than 5 years	2,134	2,071
Total	**63,625**	**57,633**

(23) Debt securities issued

In € million	30/6/2011	31/12/2010
Bonds and notes issued	13,808	15,917
Money market instruments issued	924	0
Other debt securities issued	666	638
Total	**15,398**	**16,555**

The maturity of debt securities issued break down as follows:

In € million	30/6/2011	31/12/2010
Due at call or without maturity	0	0
Up to 3 months	1,709	1,638
More than 3 months, up to 1 year	4,983	4,958
More than 1 year, up to 5 years	8,116	9,134
More than 5 years	590	825
Total	**15,398**	**16,555**

(24) Provisions for liabilities and charges

In € million	30/6/2011	31/12/2010
Severance payments	62	61
Retirement benefits	14	14
Taxes	129	107
Contingent liabilities and commitments	120	132
Pending legal issues	106	109
Overdue vacation	49	50
Bonus payments	119	148
Restructuring	5	5
Other	49	46
Total	**654**	**672**

(25) Trading liabilities

In € million	30/6/2011	31/12/2010
Negative fair values of derivative financial instruments	4,543	4,531
Interest-based transactions	2,990	3,019
Currency-based transactions	855	923
Equity-/index-based transactions	649	526
Credit derivatives business	27	44
Other transactions	22	19
Short-selling of trading assets	333	426
Call/time deposits from trading purposes	3	0
Certificates issued	774	785
Total	**5,653**	**5,742**

(26) Derivatives

In € million	30/6/2011	31/12/2010
Negative fair values of derivatives in fair value hedges (IAS 39)	41	24
Negative fair values of derivatives in cash flow hedges (IAS 39)	5	453
Negative fair values of credit derivatives	10	18
Negative fair values of derivative financial instruments	665	769
Total	**721**	**1,264**

(27) Other liabilities

In € million	30/6/2011	31/12/2010
Liabilities from non-banking activities	114	114
Accruals and deferred items	163	190
Liabilities from dividends	1	1
Clearing claims from securities and payment transfer business	1,318	405
Any other business	498	533
Total	**2,094**	**1,243**

(28) Subordinated capital

In € million	30/6/2011	31/12/2010
Hybrid tier 1 capital	809	819
Subordinated liabilities	2,667	2,576
Supplementary capital	623	606
Total	**4,099**	**4,001**

(29) Equity

In € million	30/6/2011	31/12/2010
Consolidated equity	8,773	8,251
Subscribed capital	593	593
Participation capital	2,500	2,500
Capital reserves	2,570	2,568
Retained earnings	3,109	2,590
Consolidated profit	615	1,087
Non-controlling interests	1,095	1,066
Total	**10,483**	**10,404**

The subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 596 million. After deduction of 943,771own shares, the stated subscribed capital totaled € 593 million.

(30) Risk Report

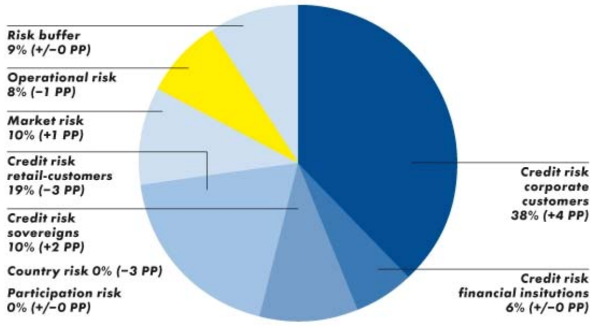
Active risk management is one of the core competencies of RBI. In order to effectively identify, measure, and manage risks the Group has implemented a comprehensive risk management system in the past and continues to develop it. Risk management constitutes an integrated part of overall bank management. 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 RBI controls the exposure to and ensures professional management of all material risks.

The principles and organization of risk management are disclosed in the relevant chapters of the annual report for 2010.

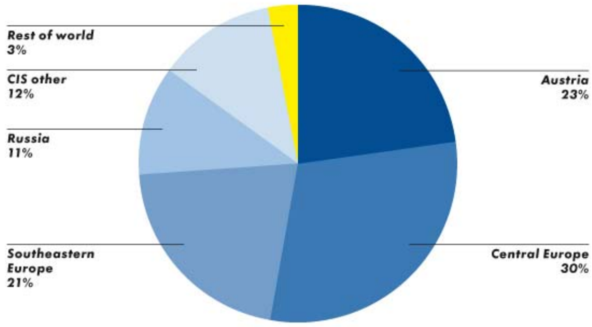
Economic capital

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

Risk contribution of individual risk types to economic capital as of 30/6/2011



Regional allocation of economic capital according to booking unit



In comparison to 31 December 2010 credit risk coming from large corporates customers accounts for an increased share in economic capital. Along with other causes this is due to the rise in credit exposure in this asset class. In contrast the credit risk of retail customers has decreased due to the improved recognition of diversification effects of retail exposures across different countries and lower expected default probabilities and losses given default in these portfolios. All in all credit risk accounts for 73 per cent of economic capital. Since the beginning of 2011 no additional economic capital was charged for country risks (transfer risk) as this risk is correctly passed on via internal interest rates (funds transfer pricing) to the credit or deposit businesses responsible for it.

In the regional breakdown as of 30 July 2011 the largest share (29 per cent) of economic capital is allocated to Group units in Central Europe. The second largest share is allocated to Group units in Austria where in particular the head office contributes significantly to the overall risk position due to centralized functions (e.g. capital- and liquidity management) and the corporate lending business.

Credit risk

Credit risk within RBI stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. Also migration risks (caused by deteriorations in customers' creditworthiness), concentration risks of creditors, risks in credit risk mitigation techniques, and country risk are also considered.

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

Risk management is based on the credit exposure. The following table translates items of the statement of financial position (bank and trading book positions) into the maximum credit exposure. It includes exposures on and off the statement of financial position before the application of credit-conversion factors. It is not reduced by the effects of credit risk mitigation like for example guarantees and physical collateral, effects that are, however, considered in the internal assessment of credit risks. The maximum credit exposure is used – if not explicitly stated otherwise – for showing exposures in all subsequent charts in the risk report. The main deviation between IFRS-accounting (group-reporting) and Basel II (regular reporting) figures is due to different loan volumes and valuation methods.

In € million	30/6/2011	31/12/2010[1]
Loans and advances to banks	24,972	21,532
Loans and advances to customers	79,431	75,657
Trading assets	8,324	8,068
Derivatives	1,067	1,488
Financial investments	18,703	19,247
Other assets	239	227
Contingent liabilities	11,698	11,856
Commitments	13,986	11,756
Revocable credit lines	11,627	11,992
Reconciliation	5,266	6,491
Total	**175,313**	**168,314**

[1] Adaption of previous year figures due to different allocation.

A more detailed credit portfolio analysis is based on individual customer ratings. Rating models in the main non-retail asset classes – corporates, financial institutions, and sovereigns – are uniform in all Group units and rank creditworthiness in ten classes. The default probabilities assigned to individual rating grades are estimated for each asset class separately. In other words, the default probability of the same ordinal rating grade (e.g. financial institutions A3 and sovereigns A3) is not the same for these asset classes.

Corporates

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

The following table provides a breakdown of the maximum credit exposure according to the internal rating of corporates. The figures shown below refer to the credit exposure, for the overall assessment of credit risk collaterals are also taken into account.

In € million		30/6/2011	Share	31/12/2010	Share
0.5	Minimal Risk	1,021	1.2%	1,171	0.5
1.0	Excellent credit standing	7,655	9.1%	7,643	1.0
1.5	Very good credit standing	8,122	9.7%	7,729	1.5
2.0	Good credit standing	11,159	13.3%	9,960	2.0
2.5	Sound credit standing	12,932	15.4%	11,206	2.5
3.0	Acceptable credit standing	13,391	15.9%	12,314	3.0
3.5	Marginal credit standing	13,310	15.9%	13,183	3.5
4.0	Weak credit standing/sub-standard	7,180	8.6%	7,664	4.0
4.5	Very weak credit standing/doubtful	3,809	4.5%	4,282	4.5
5.0	Default	4,333	5.2%	4,287	5.0
NR	Not rated	1,048	1.2%	1,472	NR
Total		**83,960**	**100.0%**	**80,911**	**100.0%**

It should be noticed that the economic rating shown in the table above shows a borrower-specific but not transaction-specific view.

The total corporate exposure increased by € 3,050 million compared with year end 2010. The growth in the Group corporates segment, Central Europe and Russia compensate for the decreasing exposure in the CIS other segment. The main reasons for this decreasing exposure were the lower credit volumes in Ukraine and devaluation of the Belarusian rouble.

Based on average exposure there is a general improvement in creditworthiness. The rating classes 2.0 to 3.0 show the most significant growth, due to new credit lines and as well as due to an increased exposure by 3.2 percentage points to 43.6 per cent. In comparison to the year end 2010 there is an absolute increase by € 4,002 million. While in rating class 2.0 mainly segments Central Europe and Group markets show a growth, the increase in rating class 2.5 is caused by new credit lines in Russia. In rating class 3.0 the exposure increased in Group corporates. Comparing absolute values the lower ratings remained unchanged compared with first quarter 2011, but from percentage point of view they decreased by 2.2 percentage points to 29 per cent.

The share of credit exposure in default (rating 5.0) only slowly decreased by 0.1 percentage point. The part of the credit exposure at default was highest located in the segments CIS other, Central Europe and Group corporates. Nevertheless the changes in the business year developed in a different way, while the exposure in Russia declined, Southeastern Europe rose.

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

In € million	30/6/2011	Share	31/12/2010	Share
Austria	16,828	20.0%	16,346	20.2%
Central Europe	19,345	23.0%	18,469	23.0%
CIS Other	4,151	4.9%	4,325	5.3%
Western Europe	11,429	13.6%	10,965	13.6%
Southeastern Europe	11,708	13.9%	11,467	14.0%
Asia	6,292	7.5%	5,690	7.0%
Russia	10,805	12.9%	9,719	12.0%
Other	3,404	4.1%	3,931	4.9%
Total	**83,960**	**100.0%**	**80,911**	**100.0%**

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

In € million	30/6/2011	Share	31/12/2010	Share
Wholesale and retail trade	21,741	24.0%	20,892	24.0%
Manufacturing	19,491	21.5%	19,553	22.4%
Real estate	10,482	11.6%	12,387	14.2%
Financial intermediation	9,371	10.3%	6,833	7.8%
Construction	3,900	4.3%	4,907	5.6%
Transport, storage and communication	3,761	4.2%	4,799	5.5%
Other industries	21,795	24.1%	17,739	20.4%
Total	**90,543**	**100.0%**	**87,110**	**100.0%**

The rating model for project finance has five different grades which considers borrower specific as well as transaction specific characteristics. The exposure from project finance is shown in the table below:

In € million		30/6/2011	Share	31/12/2010	Share
6.1	Excellent project risk profile – very low risk	2,707	41.1%	2,460	6.1
6.2	Good project risk profile – low risk	2,267	34.4%	2,035	6.2
6.3	Acceptable project risk profile – average risk	786	11.9%	912	6.3
6.4	Poor project risk profile – high risk	364	5.5%	370	6.4
6.5	Default	399	6.1%	365	6.5
NR	Not rated	60	0.9%	57	NR
Total		**6,582**	**100.0%**	**6,199**	**100.0%**

The credit exposure in project finance rose by 6 per cent compared to the year end 2010. The continuous rise in project finance can be mainly explained by the reclassification of customers, whose credit standing was originally evaluated based on the rating model for corporates. The most significant increase was in rating class 6.1 with an increase of € 247 million, mainly in the Group Corporates segment, and in rating 6.2 with € 232 million, mainly in Central Europe segment, compared to the year end 2010. Due to the high level of collateralization in specialized lending transactions the ratings are good.

Retail customers

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

In € million	30/6/2011	Share	31/12/2010	Share
Retail – Private individuals	20,115	88.3%	20,301	88.3%
Retail – SME	2,667	11.7%	2,687	11.7%
Total	**22,782**	**100.0%**	**22,989**	**100.0%**
hereof non-performing loans	2,411	10.6%	2,399	10.4%
hereof individual loan loss provision	1,423	6.2%	1,308	5.7%
hereof portfolio based loan loss provision	321	1.4%	353	1.5%

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

30/6/2011 In € million	Central Europe	Southeastern Europe	Russia	CIS other	Group markets
Retail – Private individuals	9,954	6,061	2,423	1,667	11
Retail – SME	1,667	823	22	155	0
Total	**11,621**	**6,884**	**2,444**	**1,822**	**11**
hereof non-performing loans	939	577	214	675	4
hereof individual loan loss provision	437	361	183	441	0
hereof portfolio based loan loss provision	182	96	9	35	0

31/12/2010 In € million	Central Europe	Southeastern Europe	Russia	CIS other	Group markets
Retail – Private individuals	9,794	6,293	2,093	2,062	10
Retail – SME	1,673	802	20	191	0
Total	**11,467**	**7,095**	**2,113**	**2,253**	**10**
hereof non-performing loans	919	544	212	718	0
hereof individual loan loss provision	332	347	178	445	0
hereof portfolio based loan loss provision	199	101	9	45	0

In the first half year 2011, the total credit exposure to retail customers declined by 1 per cent to € 22,782 million, with decreases occurring above all in the segment Southeastern Europe and CIS other. The drop in CIS other was partly currency-based (the Belarusian rouble devalued in May 2011). In the Southeastern Europe countries the drop was due to a more cautious lending policy in this region.

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

In € million	30/6/2011	Share	31/12/2010	Share
Mortgage loans	11,353	50%	11,309	49%
Personal loans	4,912	22%	5,218	23%
Overdraft	1,923	8%	1,923	8%
Car loans	1,705	7%	2,056	9%
Credit cards	1,558	7%	1,635	7%
SME Financing	1,331	6%	848	4%
Total	**22,782**	**100%**	**22,989**	**100%**

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

In € million	30/6/2011	Share	31/12/2010[1]	Share
Euro	3,141	38.1%	3,011	35.3%
US Dollar	1,499	18.2%	1,741	20.4%
Swiss Franc	3,384	41.1%	3,539	41.4%
Other foreign currencies	215	2.6%	251	2.9%
Loans in foreign currencies	**8,240**	**100.0%**	**8,542**	**100.0%**
Share of total loans	**36.2%**		**37.2%**	

[1] Adaption of previous year figures due to different allocation.

Financial Institutions

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

The following table shows the maximum credit exposure by internal rating for financial institutions (excluding central banks). For assessment of credit risk collateral (e.g. financial collaterals of securities transactions) and guarantees (e.g. by central government) must also be taken into account.

In € million		30/6/2011	Share	31/12/2010	Share
A1	Minimal risk	213	0.6%	246	A1
A2	Excellent credit standing	2,331	6.5%	2,173	A2
A3	Very good credit standing	22,414	62.1%	18,251	A3
B1	Good credit standing	4,633	12.8%	4,498	B1
B2	Average credit standing	3,295	9.1%	3,527	B2
B3	Mediocre credit standing	1,303	3.6%	1,603	B3
B4	Weak credit standing	638	1.8%	893	B4
B5	Very weak credit standing	409	1.1%	474	B5
C	Doubtful/high default risk	199	0.6%	128	C
D	Default	495	1.4%	383	D
NR	Not rated	169	0.5%	185	NR
Total		**36,100**	**100.0%**	**32,360**	**100.0%**

Compared to the year end 2010, loans to financial institutions as well as securities of financial institutions increased by 12 per cent to € 36,100 million. Due to business policy of RBI credits and loans to non-Raiffeisen sector members and financial institutions dropped continously. The growth therefore mainly results from extension of repo business (from risk point of view fully collateralized). In general this business was closed with banks with high credit standing (rating A3) and led to an increase by 5.7 percentage points to 62.1 per cent of the total capacity. The volumes of the average credit class (rating B1 to B3) with € 9,231 million or 25.5 per cent remained unchanged from year end 2010. The volume of exposures in default rose by € 112 millions in comparison to year end 2010. The most significant increase was in Group Markets and in the Middle East and Iceland.

The breakdown shows the total credit exposure of financial institutions (excluding central banks) split by products:

In € million	30/6/2011	Share	31/12/2010	Share
Money market	12,729	35%	11,302	35%
Derivatives	6,362	18%	6,308	19%
Bond	5,340	15%	6,166	19%
Loans	5,178	14%	5,011	15%
Repo	3,481	10%	590	2%
Other	3,010	8%	2,984	9%
Total	**36,100**	**100.0%**	**32,360**	**100%**

Sovereigns

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

In € million		***30/6/2011***	***Share***	***31/12/2010***	***Share***
A1	*Minimal risk*	*8,544*	*33.0%*	*8,386*	*32.4%*
A2	*Excellent credit standing*	*787*	*3.0%*	*624*	*2.4%*
A3	*Very good credit standing*	*4,223*	*16.3%*	*3,927*	*15.2%*
B1	*Good credit standing*	*1,407*	*5.4%*	*1,640*	*6.3%*
B2	*Average credit standing*	*620*	*2.4%*	*1,399*	*5.4%*
B3	*Mediocre credit standing*	*6,309*	*24.4%*	*5,951*	*23.0%*
B4	*Weak credit standing*	*2,150*	*8.3%*	*2,097*	*8.1%*
B5	*Very weak credit standing*	*1,632*	*6.3%*	*1,692*	*6.5%*
C	*Doubtful/high default risk*	*139*	*0.5%*	*0*	*0.0%*
D	*Default*	*65*	*0.2%*	*60*	*0.2%*
NR	*Not rated*	*12*	*0.0%*	*79*	*0.3%*
Total		***25,889***	***100.0%***	***25,855***	***100.0%***

The volume of the credit exposure to sovereigns was € 25,889 million as of June 30, 2011, and thus on the same level as at the year end 2010. The share of the credit exposure with the best rating grade (A1) rose by 0.6 percentage points, due to higher deposits with the Austrian national bank. The credit exposure with average rating (B2) declined due to the lower volume of Russian state bonds in comparison to the year end. On the other hand, credit exposure with mediocre credit standing (rating B3) increased by € 358 million mainly due to exposure to Hungarian state bonds. The exposure in rating class C arises from the re-rating for Belarus and consists generally of loans to the Belarussian Central Bank. RBI has no or only little sovereign credit exposure to Greece, Portugal and Ireland.

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

In € million	***30/6/2011***	***Share***	***31/12/2010***	***Share***
Bond	*16,030*	*61.9%*	*5,634*	*60.5%*
Loans	*7,952*	*30.7%*	*8,039*	*31.1%*
Derivatives	*915*	*3.5%*	*980*	*3.8%*
Other	*991*	*3.8%*	*1,203*	*4.7%*
Total	***25,889***	***100.0%***	***25,855***	***100.0%***

Non-Performing Loans

The following table shows the loans included in the statement of financial position under the items loans and advances to banks and loans and advances to customers (excluding items off-balacne sheet items) and the corresponding share of non-performing-loans, collateral provided and loan loss provisions defined by seat of Group units as of 30 June 2011 and as of 31 December 2010:

30/6/2011 In € million	Central Europe	Southeastern Europe	Russia	CIS other	Group corporates	Group markets
Corporate customers						
Non-performing loans	1,349	943	384	650	832	176
of which collateralized	594	553	81	183	110	91
Impairment losses on loans and advances	726	493	428	490	577	156
Loans	15,476	7,501	6,072	3,101	19,648	2,726
NPL ratio	8.7%	12.6%	6.3%	21.0%	4.2%	6.5%
Coverage ratio	53.8%	52.3%	111.3%	75.4%	69.3%	88.3%
Retail customers						
Non-performing loans	939	577	214	675	4	1
of which collateralized	466	166	23	367	0	0
Impairment losses on loans and advances	619	457	192	476	0	0
Loans	10,561	6,838	2,228	1,712	0	43
NPL ratio	8.9%	8.4%	9.6%	39.4%	–	3.3%
Coverage ratio	65.9%	79.2%	89.5%	70.5%	–	8.9%
Sovereigns						
Non-performing loans	13	0	0	0	0	0
of which collateralized	0	0	0	0	0	0
Impairment losses on loans and advances	5	0	0	0	0	0
Loans	358	787	37	0	0	0
NPL ratio	3.5%	–	–	–	–	–
Coverage ratio	43.0%	–	–	–	–	–
Banks						
Non-performing loans	3	0	1	0	1	391
of which collateralized	0	0	0	0	0	112
Impairment losses on loans and advances	2	0	1	0	1	243
Loans	1,646	1,937	2,868	683	346	16,305
NPL ratio	0.2%	0.0%	0.0%	0.0%	0.3%	2.4%
Coverage ratio	82.9%	119.6%	83.5%	99.9%	120.1%	62.1%

31/12/2010 In € million	Central Europe	Southeastern Europe	Russia	CIS other	Group corporates	Group markets
Corporate customers						
Non-performing loans	1,357	785	450	710	873	206
of which collateralized	496	443	128	233	239	0
Impairment losses on loans and advances	687	459	443	503	563	183
Loans	14,762	7,305	5,620	3,248	20,157	3,584
NPL ratio	9.2%	10.8%	8.0%	21.8%	4.3%	5.8%
Coverage ratio	50.7%	58.4%	98.4%	70.9%	64.5%	88.8%
Retail customers						
Non-performing loans	917	544	218	718	0	0
of which collateralized	423	166	62	406	0	0
Impairment losses on loans and advances	530	448	187	490	6	0
Loans	10,159	6,714	1,943	2,058	2	42
NPL ratio	9.0%	8.1%	11.2%	34.9%	–	–
Coverage ratio	57.9%	82.3%	85.7%	68.3%	–	–
Sovereigns						
Non-performing loans	12	0	0	0	0	0
of which collateralized	0	0	0	0	0	0
Impairment losses on loans and advances	1	0	0	0	0	0
Loans	296	762	38	0	0	0
NPL ratio	4.0%	–	0.5%	–	–	–
Coverage ratio	8.0%	–	20.9%	–	–	–
Banks						
Non-performing loans	3	0	1	0	1	263
of which collateralized	0	0	0	0	0	0
Impairment losses on loans and advances	2	0	0	0	1	251
Loans	1,387	2,587	1,821	861	2,597	14,125
NPL ratio	0.2%	0.0%	0.1%	0.0%	0.0%	1.9%
Coverage ratio	82.5%	–	35.8%	100.0%	73.9%	95.7%

The division Corporate Customers shows a decrease in non-performing loans of 1 per cent or € 46 million to € 4,335 million. Russia had a reduction of 15 per cent and the CIS Other segment fell by 8 per cent. However, the segment Southeastern Europe recorded an increase of 20 per cent or € 158 million. The loan loss provision of corporate customers increased by € 37 million to € 2,876 million which resulted in a coverage ratio of 66 per cent.

In the retail division, non-performing loans rose slightly by 1per cent to € 2,411 million. The major part of the increase was in the Southeastern Europe with 6 per cent and the Central Europe with 2 per cent, while the CIS Other showed a decrease of 6 per cent. The ratio of non-performing loans to credit exposure decreased by 0.2 percentage points to 11.2 per cent. The total loan loss provision for retail customers rose to € 1,748 million, resulting in a coverage increase of 3.2 percentage points to 72.5 per cent.

The financial institutions division recorded an increase in non-performing loans of 48 per cent or € 128 million to € 396 million, whereas the increase was fully collateralized. Therefore the loan loss provisioning for banks was stable with € 243 million.

The following table summarizes the development of impairment losses on loans and advances/loan loss provisions for off-balance sheet obligations during the reporting period by segments:

In € million	As of 1/1/2011	Change in consolidated group	Allocation[1]	Release	Usage [2]	Exchange differences	As of 30/6/2011
Individual loan loss provisions	**4,000**	**(1)**	**713**	**(282)**	**(213)**	**(76)**	**4,141**
Central Europe	980	0	359	(157)	(81)	18	1,119
Southeastern Europe	723	0	202	(63)	(81)	(3)	778
Russia	536	0	50	(52)	(19)	5	520
CIS Other	859	0	83	(8)	(7)	(73)	854
Group Corporates	665	17	15	(3)	(19)	(193)	482
Group Markets	238	(18)	5	0	(6)	170	389
Corporate Center	0	0	0	0	0	0	0
Portfolio-based loan loss provisions	**888**	**0**	**206**	**(229)**	**0**	**(13)**	**853**
Central Europe	286	0	95	(119)	0	6	268
Southeastern Europe	206	0	32	(46)	0	0	192
Russia	135	0	41	(34)	0	1	143
CIS Other	143	0	20	(25)	0	(18)	120
Group Corporates	100	0	9	(1)	0	(2)	106
Group Markets	18	0	9	(4)	0	0	23
Corporate Center	0	0	0	0	0	0	0
Total	**4,888**	**(1)**	**919**	**(510)**	**(213)**	**(88)**	**4,994**

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

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

Concentration risk

The credit portfolio of RBI is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence portfolio granularity is high. The 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 from all asset classes by country of risk. The changes in the reporting period are mainly caused by the enlargement of business with financial institutions in Germany.

In € million	30/6/2011	Share	31/12/2010[1]	Share
Austria	**41,137**	**23.5%**	**39,319**	**23.4%**
Central Europe	**43,345**	**24.7%**	**41,525**	**23.8%**
Slovakia	11,388	6.5%	11,834	7.0%
Czech Republic	11,128	6.3%	10,032	6.0%
Hungary	10,206	5.8%	9,938	5.9%
Poland	8,498	4.8%	8,232	4.9%
Other	2,125	1.2%	1,489	0.0%
Southeastern Europe	**25,657**	**14.6%**	**25,436**	**15.1%**
Romania	7,797	4.4%	8,047	4.8%
Croatia	6,427	3.7%	6,190	3.7%
Bulgaria	4,161	2.4%	3,959	2.4%
Serbia	2,318	1.3%	2,557	1.5%
Other	4,954	2.8%	4,684	2.8%
Russia	**15,077**	**8.6%**	**14,453**	**8.6%**
CIS Other	**7,445**	**4.2%**	**7,883**	**4.7%**
Ukraine	5,718	3.3%	6,156	3.7%
Other	1,727	1.0%	1,726	1.0%
European Union	**24,110**	**13.8%**	**20,393**	**12.1%**
Germany	7,109	4.1%	5,708	3.4%
Great Britain	5,070	2.9%	4,000	2.4%
Netherlands	2,714	1.5%	2,137	1.3%
Other	9,216	5.3%	8,547	5.1%
Far East	**8,165**	**4.7%**	**7,722**	**4.6%**
China	4,625	2.6%	3,349	2.0%
Other	3,539	2.0%	4,373	2.6%
USA	**4,265**	**2.4%**	**4,369**	**2.6%**
Rest of the world	**6,113**	**3.5%**	**7,215**	**5.1%**
Total	**175,313**	**100.0%**	**168,314**	**100.0%**

[1] Adaption of previous year figures due to different allocation.

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

In € million	30/6/2011	Share	31/12/2010[1]	Share
Banking and insurance	52,850	30.1%	48,146	28.6%
Private households	21,743	12.4%	22,554	13.4%
Public administration and defence and social insurance institutions	16,727	9.5%	16,182	9.6%
Wholesale trade and commission trade (except car trading)	15,200	8.7%	15,217	9.0%
Real estate activities	10,135	5.8%	12,347	7.3%
Other manufacturing	9,609	5.5%	8,628	5.1%
Other business activities	6,722	3.8%	6,780	4.0%
Construction	6,623	3.8%	4,950	2.9%
Retail trade except repair of motor vehicles	5,079	2.9%	4,087	2.4%
Land transport, transport via pipelines	4,322	2.5%	2,484	1.5%
Electricity, gas, steam and hot water supply	2,953	1.7%	3,516	2.1%
Manufacture of basic metals	2,908	1.7%	2,939	1.7%
Manufacture of food products and beverages	2,299	1.3%	2,987	1.8%
Manufacture of coke and refined petroleum products	1,748	1.0%	1,516	0.9%
Manufacture of chemicals and chemical products	1,607	0.9%	1,757	1.0%
Wholesale and retail trade and repair of motor vehicles and motors	1,586	0.9%	1,796	1.1%
Manufacture of machinery and equipment	1,532	0.9%	1,730	1.0%
Extraction of crude petroleum and natural gas	1,276	0.7%	1,277	0.8%
Other industries	10,395	5.9%	9,420	5.6%
Total	**175,313**	**100.0%**	**168,314**	**100.0%**

[1] Adjustments of previous year figures due to a new industry class codification (ÖNACE 2008).

Market risk

RBI developed a new market risk management system in 2008 based on an internal model. The value-at-risk (VaR) is measured based on a hybrid simulation approach (mixture of historical and Monte Carlo simulations where 5,000 scenarios are calculated). The Austrian financial market authority and the Austrian national bank have approved this model so that it can be used for calculating own funds requirement for market risks.

The following tables shows risk figures for individual market risk categories of the trading and banking books in the first half-year 2011:

Trading book VaR 99% 1d *In € million*	*VaR as of 30/6/2011*	*Average VaR*	*Minimum VaR*	*Maximum VaR*	*VaR as of 31/12/2010*
Currency risk	*5*	*6*	*4*	*10*	*8*
Interest rate risk	*7*	*8*	*6*	*13*	*7*
Credit spread risik	*4*	*3*	*2*	*5*	*2*
Share price risk	*2*	*2*	*1*	*2*	*1*
Total	*14*	*12*	*9*	*18*	*13*

Banking book VaR 99% 1d *In € million*	*VaR as of 30/6/2011*	*Average VaR*	*Minimum VaR*	*Maximum VaR*	*VaR as of 31/12/2010*
Interest rate risk	*78*	*44*	*29*	*87*	*70*
Credit spread risik	*26*	*26*	*20*	*39*	*30*
Total	*79*	*46*	*30*	*80*	*66*

The following table shows total risk figures for individual market risk categories in the first half-year 2011. The VaR is dominated by the 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.

Total VaR 99% 1d *In € million*	*VaR as of 30/6/2011*	*Average VaR*	*Minimum VaR*	*Maximum VaR*	*VaR as of 31/12/2010*
Currency risk[1]	*47*	*51*	*37*	*83*	*53*
Interest rate risk	*82*	*45*	*26*	*91*	*70*
Credit spread risik	*27*	*27*	*22*	*41*	*31*
Share price risk	*2*	*2*	*1*	*2*	*1*
Total	*93*	*71*	*51*	*104*	*87*

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

Liquidity risk

The following table shows the liquidity gap and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for selected maturities on a cumulative basis, taking into account 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 € million	30/6/2011			31/12/2010		
Maturity	**1 week**	**1 month**	**1 year**	**1 week**	**1 month**	**1 year**
Liquidity gap	20,343	18,655	6,717	15,997	13,133	5,994
Liquidity ratio	173%	135%	105%	172%	126%	105%

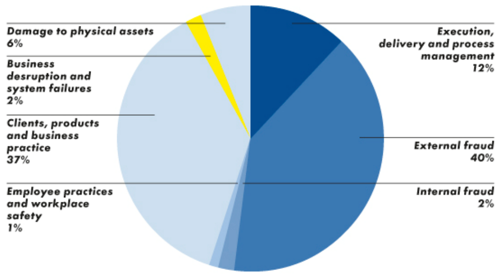
Internal limits have been established in each Group unit in order to limit liquidity risk. They require a positive short-term liquidity gap based on the internal liquidity model. For medium and long-term maturities limits have been established as well, which reduces the effect of a possible increase in refinancing cost on the result of RBI

Operational risk

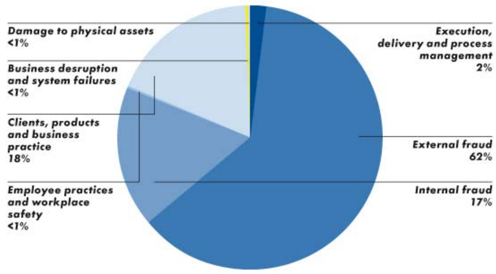
In order to monitor operational risks, loss data is collected in a central database in a structured manner and on a Group-wide basis. Such a loss database is a prerequisite for implementing a statistical loss distribution model and is a minimum requirement for implementing the regulatory standardized approach. Furthermore, loss data (and the collection of near misses) is used as basis for operational risk scenarios for risk identification and for the exchange with international loss data pools in order to develop advanced measurement approaches.

The breakdown of operational loss events according to their event type is shown next:

Breakdown of operational loss events by number of events



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



In the reporting period, both the loss amount and the number of losses have been reduced. Operational losses still are caused mainly by external fraud events in the lending business (which are already accounted for in net provisioning for impairment losses).

Additional notes

(31) Contingent liabilities and commitments

In € million	30/6/2011	31/12/2010
Contingent liabilities	11,698	11,856
Commitments (irrevocable credit lines)	11,627	11,992

In addition, revocable credit lines were granted to an amount of € 13,986 million (31/12/2010: € 11,756 million) which currently bear no credit risk.

(32) Related parties

Transactions with related parties who are natural persons are limited to banking business transactions which are carried out at fair market conditions. Moreover, members of the Managing Board hold shares of Raiffeisen Bank International AG. This information is published on the homepage of Raiffeisen Bank International. Further business transactions, especially large banking business transactions with related parties who are natural persons were not concluded in the reporting period.

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

30/6/2011 In € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	10,503	144	275	103
Loans and advances to customers	0	1,180	409	342
Trading assets	0	15	18	4
Financial investments	0	263	2	352
Investments in associates	0	0	5	0
Other assets including derivatives	0	8	0	0
Deposits from banks	10,993	218	5,936	61
Deposits from customers	1	521	1	447
Debt securities issued	0	51	0	0
Provisions for liabilities and charges	0	0	0	0
Trading liabilities	0	10	24	2
Other liabilities including derivatives	0	43	0	0
Guarantees given	0	63	263	21
Guarantees received	0	422	153	2

31/12/2010 In € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	7,892	224	274	244
Loans and advances to customers	0	1,113	437	354
Trading assets	0	17	20	19
Financial investments	0	234	2	352
Investments in associates	0	0	5	0
Other assets including derivatives	5	19	0	0
Deposits from banks	7,151	3	6,908	115
Deposits from customers	1	527	2	112
Debt securities issued	0	1	0	0
Provisions for liabilities and charges	0	0	0	0
Trading liabilities	0	23	26	18
Other liabilities including derivatives	0	57	0	0
Guarantees given	0	74	264	5
Guarantees received	0	389	143	1

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

In € million	30/6/2011 Level I	Level II	Level III	31/12/2010 Level I	Level II	Level III
Trading assets	**4,096**	**4,912**	**95**	**3,599**	**5,031**	**0**
Positive fair values of derivatives [1]	68	4,122	95	69	4,118	0
Shares and other variable-yield securities	266	84	0	320	110	0
Bonds, notes and other fixed-interest securities	3,735	706	0	3,210	804	0
Call/time deposits from trading purposes	27	0	0	0	0	0
Loans held for trading	0	0	0	0	0	0
Financial assets at fair value through profit or loss	**5,919**	**2,165**	**135**	**5,613**	**2,302**	**155**
Shares and other variable-yield securities	117	139	1	147	132	1
Bonds, notes and other fixed-interest securities	5,802	2,026	133	5,467	2,170	154
Financial assets available-for-sale	**67**	**0**	**0**	**80**	**0**	**0**
Other interests[2]	67	0	0	80	0	0
Shares and other variable-yield securities	0	0	0	0	0	0
Derivatives (hedging)	**0**	**288**	**0**	**0**	**925**	**0**
Positive fair values of derivatives from hedge accounting	0	288	0	0	925	0

[1] Including other derivatives.

[2] Includes only securities traded on the stock exchange.

In € million	30/6/2011 Level I	Level II	Level III	31/12/2010 Level I	Level II	Level III
Trading liabilities	**1,581**	**4,747**	**0**	**1,576**	**4,953**	**0**
Negative fair values of derivatives financial instruments [1]	*623*	*4,601*	*0*	*556*	*4,762*	*0*
Call/time deposits from trading purposes	*3*	*0*	*0*	*0*	*0*	*0*
Short-selling of trading assets	*327*	*1*	*0*	*425*	*1*	*0*
Certificates issued	*628*	*146*	*0*	*595*	*190*	*0*
Liabilities at fair value through profit and loss		**2,522**		**0**	**2,557**	**0**
Debt securities issued	*0*	*2,522*	*0*	*0*	*2,557*	*0*
Derivatives (hedging)	**0**	**46**	**0**	**0**	**477**	**0**
Negative fair values of derivatives from hedge accounting	*0*	*46*	*0*	*0*	*477*	*0*

[1] Including other derivatives.

Level I: Quoted market prices

Level II: Valuation techniques based on market data

Level III: Valuation techniques not based on market data

Movements between level I and level II

In the first half year 2011 the liquidity of the financial instruments in the portfolio was generally very good. On the one hand some of the issued certificates were moved to a price-based valuation (€ 30 million) and on the other hand certificates entered into a liquid regulated market (€ 45 million).

Movements to and from level III

In the first half year 2011 there was a change in the positive fair values of derivative financial instruments from level II to level III in the amount of € 95 million. This resulted from exchange positions which are held either strategically or held for liquidity purposes with the Belarusian National Bank, which is the only possible counterparty for such transactions. In June 2011 the Belarusian National Bank stopped entering into new currency transactions of this type. Since the data available to determine the fair value of these derivatives is no longer observable, the fair value is determined by an appropriate valuation method for the particular instrument.

(34) Regulatory own funds

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

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

In € million	30/6/2011	31/12/2010
Paid-in capital	4,914	4,914
Earned capital	2,716	2,958
Non-controlling interests	1,049	1,003
Hybrid tier 1 capital	800	800
Intangible fixed assets	(463)	(469)
Core capital (tier 1 capital)	**9,017**	**9,206**
Deductions from core capital	(23)	(15)
Eligible core capital (after deductions)	**8,993**	**9,191**
Supplementary capital according to Section 23 (1) 5 BWG	600	600
Provision excess of internal rating approach positions	233	231
Hidden reserves	55	55
Long-term subordinated capital	2,455	2,480
Additional own funds (tier 2 capital)	**3,344**	**3,366**
Deduction items: participations, securitizations	(24)	(15)
Eligible additional own funds (after deductions)	**3,320**	**3,351**
Deduction items: insurance companies	(5)	(4)
Tier 2 capital available to be redesignated as tier 3 capital	187	69
Total own funds	**12,496**	**12,608**
Total own funds requirement	**7,702**	**7,585**
Excess own funds	4,794	5,023
Excess cover ratio	62.2%	66.2%
Core tier 1 ratio, total	8.5%	8.9%
Tier 1 ratio, credit risk	11.8%	12.2%
Tier 1 ratio, total	9.4%	9.7%
Own funds ratio	13.0%	13.3%

The total own funds requirement is composed as follows:

In € million	30/6/2011	31/12/2010
Risk-weighted assets according to section 22 BWG	**76,502**	**75,601**
of which 8 per cent minimum own funds for the credit risk according to Sections 22a to 22h BWG	6,120	6,048
Standardized approach	3,010	2,974
Internal rating approach	3,110	3,074
Settlement risk	0	0
Own funds requirement for position risk in bonds, equities and commodities	345	327
Own funds requirement for open currency positions	430	386
Own funds requirement for operational risk	806	824
Total own funds requirement	**7,702**	**7,585**
In € million	30/6/2011	31/12/2010

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

In € million	30/6/2011	31/12/2010
Risk-weighted assets according to section 22 BWG on standardized approach	**37,629**	**37,175**
Central governments and central banks	3,469	3,712
Regional governments	109	95
Public administration and non-profit organisations	26	42
Multilateral development banks	0	0
Banks	755	1,013
Corporates	19,717	18,800
Retail (including small and medium-sized entities)	10,322	10,089
Mutual funds	128	125
Securitisation position	11	18
Other positions	3,090	3,282
Risk-weighted assets on internal rating approach	**38,873**	**38,426**
Central governments and central banks	924	879
Banks	4,735	5,048
Corporates	30,139	29,586
Retail (including small and medium-sized entities)	2,668	2,465
Equity exposures	267	314
Securitisation position	141	135
Total	**76,502**	**75,601**

(35) Average number of staff

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

Full-time equivalents	1/1-30/6/2011	1/1-30/6/2010
Salaried employees	59,000	57,903
Wage earners	980	1,074
Total	**59,980**	**58,977**

Full-time equivalents	1/1-30/6/2011	1/1-30/6/2010
Austria	2,677	2,743
Foreign	57,303	56,234
Total	**59,980**	**58,977**

(36) Statement of legal representatives

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

The Management 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 Corporate Customers, Group Products, Network Corporate Customers & Support and Corporate Sales Management & Development

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

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