SEMI-ANNUAL FINANCIAL REPORT AS OF 30 JUNE 2010

RZB Group

Contents

In this interim report, RZB refers to the RZB Group and RZB AG is used wherever statements refer solely to Raiffeisen Zentralbank Österreich AG.
There may be rounding differences in the tables and charts.

Overview

RZB Group

Monetary values in € million	2010	Change	2009
Income Statement	**1/1-30/6**		**1/1-30/6**
Net interest income	1,790	(0.1%)	1,792
Provisioning for impairment losses	(608)	(52.0%)	(1,267)
Net fee and commission income	715	3.8%	689
Net trading income	181	(32.0%)	266
General administrative expenses	(1,468)	5.5%	(1,391)
Profit before tax	547	18.0%	463
Profit after tax	487	102.0%	241
Consolidated profit (after minorities)	402	138.6%	168
Earnings per share in €	51.61	40.54 €	11.07
Statement of financial position	**30/6**		**31/12**
Loans and advances to banks	31,627	(6.7%)	33,887
Loans and advances to customers	78,920	5.4%	74,855
Deposits from banks	51,492	3.2%	49,917
Deposits from customers	55,492	0.1%	55,423
Equity (including minorities and profit)	11,007	6.8%	10,308
Total assets	152,212	2.9%	147,938
Key ratios	**1/1-30/6**		**1/1-30/6**
Return on equity before tax	10.4%	0.3 PP	10.1%
Return on equity after tax	9.3%	4.0 PP	5.2%
Consolidated return on equity (after minority interests)	10.2%	5.2 PP	5.0%
Cost/income ratio	54.4%	5.0 PP	49.4%
Return on assets before tax	0.73%	0.14 PP	0.59%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.60%	(1.37 PP)	2.97%
Bank-specific information	**30/6**		**31/12**
Risk-weighted assets (credit risk)	77,646	3.5%	74,990
Total own funds	12,454	1.2%	12,308
Total own funds requirement	7,764	3.3%	7,516
Excess cover ratio	60.4%	(3.4 PP)	63.8%
Core Tier 1 ratio (without hybrid capital), total	8.5%	0.0 PP	8.5%
Core capital ratio (Tier 1), credit risk	11.7%	(0.1 PP)	11.8%
Core capital ratio (Tier 1), total	9.3%	(0.1 PP)	9.4%
Own funds ratio	12.8%	(0.3 PP)	13.1%
Resources	**30/6**		**31/12**
Number of employees as of reporting date	59,257	(0.9%)	59,800
Business outlets	2,980	(1.9%)	3,038

Ratings	Long-term	Short-term	Financial strength	Outlook
Fitch Ratings	A	F1	–	Stable
Moody's Investors Service	A1	P-1	D+	Stable
Standard & Poor's	A	A-1	–	Negative

RZB's performance as of 30 June 2010

Economic environment

Recovery reaches first peak

After posting robust GDP growth in the first quarter of 2010 amounting to an annualised 3.7 per cent, economic growth in the USA slowed again in the second quarter to a below-average 2.4 per cent. In the euro zone, production output picked up considerably from April to June after a weak start to 2010 that was partly attributable to weather conditions. While the contraction in construction activity weighed down on GDP growth in the early months of the year, the recovery in this sector stimulated growth again in the spring. But this was not the only branch of industry to post significant growth rates in production in the second quarter. By country, Germany led the way with its export-oriented industry and economy, while the GDP growth rates of countries in Southeastern Europe, by contrast, fell short of the eurozone average. Greece still finds itself in the midst of a downward spiral, yet Spain may well have emerged from the recession in the first half of 2010. Nevertheless, it is still too early to sound the all-clear for either the USA or the euro zone with regard to the second half of the year. Leading economic indicators have recently headed downward in the USA, and these also tend to be a good sign of future economic trends in the euro zone.

The upturn has reached its first peak, and growth is set to cool off towards the end of the year. However, a return to recession conditions seems unlikely. Inflation rates in the euro zone in the first half of the year floated between 1 per cent annually and 2 per cent annually, and in the USA the rate of inflation fell again in June to well below the 2 per cent mark. In both of these currency areas, inflation will remain within the comfort zone of the central banks until the end of the year.

Austria less dynamic but stable

After Austrian GDP managed to post strong growth of 0.7 per cent quarterly in the third quarter of 2009, the pace slowed by late 2009/early 2010. Below-average growth of 0.3 per cent quarterly in the fourth quarter of 2009 was followed in the first quarter of 2010 by another contraction in GDP by 0.1 per cent quarterly. In the second quarter of the ongoing year, however, the Austrian economy grew by 0.9 per cent quarterly. In the third quarter, it is likely to enjoy above-average growth thanks to the rebound in corporate investments, stronger construction activity and a positive contribution from net exports. In late 2010 / early 2011, however, the momentum is likely to fade for lack of impetus from domestic demand. A moderate rise in wages, growing pressure on prices and the high savings rate are all constraining private consumption. Consumer behaviour is being adversely affected in particular by the uncertainty surrounding potential tax hikes and concerns regarding the economic outlook. In 2010 therefore, GDP growth will be relatively weak at 1.2 per cent.

On the capital market Austria is considered to be a prime location in the euro zone, in addition to Germany, France the Benelux countries and Finland. Yields on Austrian government bonds are trading lower than ever before, which is helping to consolidate the budget thanks to the lower interest charge on new debt. Austria benefits from the fact that neither the financial nor the export sector are not dependent on the part of the euro zone that is currently in crisis. Moreover, its debt position is less problematic than the average situation seen throughout the euro zone. And last but not least, Austria is held in high regard for its emphasis on finding win-win solutions to social issues. The short duration of strikes and the decisions reached by consensus underscore a broad-based commitment to implementing reforms.

Economic stabilisation in CEE

Despite the continued difficult environment, the national economies of Central and Eastern Europe (CEE) also managed to recover further in the first quarter of 2010 and confirmed last year's trend reversal for the time being. While Poland reported positive growth rates through all of last year, Slovakia and Slovenia achieved positive quarterly growth again in the second quarter of 2009, and the Czech Republic followed in the third quarter. In the first quarter 2010, Hungary was the last to officially leave the recession behind with a quarterly increase. Altogether, however, the CEE region still showed a GDP decline of 1.7 per cent for 2009.

Regionally, the Commonwealth of Independent States (CIS) presented impressive growth rates for the first quarter of 2010. Russia achieved a GDP increase in the first three months of 2.9 per cent year -on-year, and Ukraine saw an upward development for the first time since the third quarter of 2008 with a plus of 4.8 per cent. Raiffeisen International expects a correspondingly positive recovery in the CIS region for 2010. Not least, the base effect of last year's output decline, which was particularly significant in the CIS at 8.3 per cent, should contribute to that.

Only the countries of Southeastern Europe (SEE) continue to lag behind the CEE region's economic recovery. In particular, those included Romania, Bulgaria, and Croatia, which all suffered year-on-year declines again in the first quarter of 2010. Measures to consolidate budgets, raise taxes, and reduce wages, as well as economic ties with Southern European states, are negatively affecting growth there. Against that background, a GDP decline of 1.5 per cent is expected for the SEE region overall in 2010, which is significantly less than last year's minus of 5.6 per cent.

Overall, the economic recovery in the CEE countries should continue in the second quarter of 2010 or even accelerate. As in the past quarters, growth will be driven primarily by increased export demand. On the other hand, domestic demand is likely to remain weak, especially since elevated unemployment, tax increases, pension and wage cuts, and lower credit demand are dampening private consumption.

Credit market significantly improved

Sentiment has improved significantly on the credit market following the major uncertainties at the start of the second quarter which originated from ripple effects from the refinancing troubles in Greece. A mood of lower risk aversion was bolstered by a good reporting season, the reassurance provided by the banking system's stress tests and less stringent Basel III regulations. High-Beta stocks in particular are benefiting from the recovery. Numerous high-yield issues managed to post very strong performance in the early weeks of the year. Thanks to the factors outlined above, financials clearly outperformed both on the spot market and in terms of derivatives. Once some clarity is restored to the future Basel regulations, more bonds will be issued by financials.

Money and capital market rates hit historical lows in euro zone

Driven by high central bank liquidity on the one hand and concern regarding public finances in many countries on the other, money and capital market rates in the euro zone hit historical lows. Euribor rates with maturities of less than six months are being traded at less than the ECB's minimum bid rate of 1 per cent, and the Euribor 3M bottomed out at the end of March at just over 0.6 per cent. The yields on 2-year German bonds fell below 0.5 per cent by the middle of the second quarter, while the 10-year swap rate is still falling, a trend that so far has brought it down to 2.8 per cent.

Since the repayment of a large-volume tender (€442 billion) at the start of July, the Euribor rates have trended upward slightly. The ECB has emphasised that these interest rate movements should be by no means taken as an indication of the planned trajectory of key interest rates, and merely as a sign that the money market is finally getting back to normal. The hints given by the central bank rather suggest that key rates will remain low for the time being. However, since banks are able to gain access to liquidity from the ECB without restriction until the end of the year (through tenders from one week to three months), further upward trends in money market rates will be narrowly constrained.

The mood on the financial market has improved in recent weeks, which in many countries of the euro zone has resulted in a marked narrowing of spreads relative to German bond yields. Consequently, purchases of government bonds were virtually suspended. If turmoil flares up again, the ECB will continue to support the government bond market for countries in crisis.

Euro slump continues against key currencies

The discussions regarding the public debt levels of individual Member States of the euro zone reached a preliminary peak at the beginning of May, and the euro proceeded to depreciate against most other currencies. A low of 1.18 €/USD was recorded against the dollar, but the European single currency also lost ground against the Swiss franc and the yen. Taking the second quarter as a whole, the euro ceded 7 per cent quarterly against the US dollar to 1.295 €/USD, 3 per cent against the pound sterling to 0.863 €/GBP, 5 per cent against the yen to 120.63 €/JPY and 3 per cent against the Swiss franc to 1.423 €/CHF. Only at the start of June did the trend reverse in favour of the euro. Since then, the euro has made up some of the ground lost to the four mentioned currencies vis-ŕ-vis the respective lows, but with the exception of the dollar it is still trading well below the given average rates for the second quarter. The reason for the recovery in the euro is the aid packages approved by the EU and the IMF for struggling euro zone countries. Fears concerning possible payment defaults by individual countries have faded tangibly on the markets in recent weeks. Relative to the US dollar, the euro is also benefiting from divergent economic developments, in which economic activity is already slowing noticeably in the USA, whereas the recovery is still going strong in the euro zone.

Developments in the banking industry in RZB's principal markets

In the second quarter of 2010, possible payment defaults by individual euro zone members continued to shape conditions in the banking sector, similarly to previous quarters. Small and medium-sized banks in the peripheral countries in particular experienced refinancing difficulties on the interbank market, as there were doubts surrounding the recoverability of their assets – first and foremost the government bonds of euro countries under pressure. The banks concerned managed to overcome this discrepancy in financial structure by participating in open market operations of the ECB.

The quarterly results of the banks were driven above all by the lower annual average provisioning costs for credit defaults. Net interest income and earnings in investment banking segments fell in some cases compared to the previous year. As in the previous quarter, the situation in banking sector risk has improved again: provisions for impairment losses rose much more slowly than in previous quarters, and in some cases have even managed to decline from their earlier peaks.

The second quarter was influenced in particular by concerns regarding possible payment defaults of individual euro zone countries and the potential impacts on the stability of the banking sector. As a result of these worries and regulatory changes for US money market funds, tension returned to the interbank market in May and June. As the markets shifted their focus back to adequate capital ratios for banks, the London-based Committee of European Banking Supervisors (CEBS) was tasked in June with carrying out an extended stress test for the banking system in the EU. The discussions about the design of this test and speculations about the outcome weighed on the banking sector until results were announced in July.

Operating business was also influenced by concerns about sovereign insolvencies. Trading activities of banks in May were affected particularly badly. By contrast, the improvement in provisions for impairment losses continued through the second quarter. From the current vantage point it seems that credit defaults may well have peaked in many national banking markets, and are now falling again.

CEE banking sector

The strained economic situation continues to be reflected in higher loan default rates. Since a crisis of confidence is largely the basis for that in the CEE region, the policies of the International Monetary Fund (IMF) will continue to play a central role in the future. If nothing else, the extension of expiring IMF credit lines can help support reemerging investor confidence in the region. Risk premiums nevertheless remain high, and the events surrounding Greece have shown how fragile the financial markets still are. Overall, however, investor interest in the CEE region is reviving noticeably, and Raiffeisen International believes that the convergence process remains intact.

RZB clearly passes EU bank stress test

On 23 July 2010 the Committee of European Banking Supervisors (CEBS) released results of the EU-wide bank stress test involving 91 banks. The RZB Group clearly passed this test and in doing so made it clear that it would be adequately capitalized even if a further macroeconomic crisis lasting two years occurs.

The stress test's principal focus was placed on the tier 1 ratio (total risk), which is a key indicator of an institution's risk-bearing capacity. Even under simulated crisis scenarios, RZB post a tier 1 ratio (total risk) of 7.8 per cent; this value would be 1.5 percentage points below the comparable value the bank posted at the end of 2009 (9.3 per cent, according to CEBS' method of calculation). This value places RZB well above the minimum of 6 per cent recommended by CEBS in the stress test, even though the scenario assumes strict parameters.

Stress tests provide insights into the status at a specific moment in time. The measures applied in this stress test do not correspond to the expectations of RZB Management. The stress tests also cannot take into account the countermeasures that the management of a bank would logically implement in the event of a real crisis situation. For example, in 2008 and 2009 RZB conducted a comprehensive analysis of its portfolio and made reductions wherever it was necessary and sensible to do so. In addition, RZB optimized the composition of its loan portfolio and further raised the group's overall efficiency. The CEBS stress test also did not take into consideration any trading profits. Given this approach, the stress tests provide a valid and standardized instrument with which to analyze how an institution could develop in a crisis condition. However, the tests do not provide a preview of what the actual developments would be, even in the event that the assumed conditions were to happen.

Semi-annual group management report

Business developments at RZB in the first half-year 2010

Results of operations, financial position and assets

Strong improvement in consolidated profit due to lower provisioning for impairment losses

For the first six months of 2010 RZB recorded a consolidated profit (after tax and minorities) of €402 million. This is €233 million higher than the same period in the previous year, which was adversely affected by the economic crisis in the CEE region. Despite the 14 per cent decline in operating profit and the valuation losses from derivatives and securities, in contrast to the gains in previous year, the 52 per cent reduction in provisioning for impairment losses ensured a sharp improvement in consolidated profit year-on-year. The improved result was also aided by the fall in income taxes caused by the valuation losses referred to above.

Profit before tax amounted to €547 million, which is 18 per cent higher than the same period in the previous year. The profit generated in the first quarter of €374 million, which was also boosted by valuation gains on securities, was followed in the second quarter by a pre-tax profit of €172 million. In spite of the improved quarterly operating profit (up 5 per cent on the first quarter) and the lower provisions for impairment losses, valuation losses on securities and derivatives pulled profit down.

Lower provisioning for impairment losses

Provisions for impairment losses fell 52 per cent in comparison to the previous year to €608 million on account of the vast improvement in the general economic climate and the measures taken to stabilize the credit portfolio. The difficult economic conditions and the adverse trends in currency exchange rates had a negative effect on the credit ratings of borrowers in 2009, which prompted the Group to form much higher provisions for impairment losses in the previous year. This led to a much more selective lending policy and consequently to a decline in the volume of business. The defaults last year of Icelandic financial institutions also called for substantial provisions.

Provisioning for impairment losses declined sharply in all segments in comparison to the same period in 2009. This was particularly noticeable in the Austria segment (according to the definition of reporting segments on p. 22) where provisions plummeted 87 per cent to €37 million due to the high provisions at financial institutions in Iceland and the Gulf states in the previous year. A sharp decline was also recorded in Russia, down 74 per cent to €67 million, which was caused by the improvement in the credit ratings of some borrowers and by restructuring measures. In the CIS Other segment, provisioning for impairment losses fell 40 per cent to €156 million, which is attributable to the restructuring measures implemented as a result of the economic crisis.

Non-performing loans rose by 21 per cent or €1,139 million to €6,574 million compared to year-end 2009, part of which (€351 million) was currency-related. The remaining €788 million came largely from Central Europe (€285 million) and the CIS Other segment (€217 million). The ratio of non-performing loans to total loans to customers increased by 1.1 percentage points to 8.3 per cent compared to year-end 2009. The ratio of non-performing loans to total credit risk (loans and advances, securities and off-balance-sheet items) was 4.2 per cent (after 3.8 per cent at the end of 2009).

Valuation losses

The result from derivatives and designated liabilities dropped by €277 million to minus €135 million. These valuation losses came predominantly from interest rate swaps that were concluded for macro-hedging purposes and are therefore not recognized as hedges in IFRS, which means the corresponding valuation gains and losses from hedged underlying transactions may not be taken into account. Interest rate trends in the reporting year produced a contrasting valuation result to the previous year.

The fall in the prices of government and bank securities in the second quarter of 2010 caused by the discussions regarding the euro and the credit ratings of various EU Member States pulled net income from financial investments down to €53 million, a decrease of €89 million in the second quarter alone. In the first half of the previous year this net income sat at a healthy €161 million thanks to the general recovery on the financial markets.

Operating income slightly below the previous year

The operating income of RZB fell by 4 per cent or €117 million to €2,700 million in comparison to the comparable period of the previous year. The main reasons for this decline were principally the weaker net trading income and other net operating income.

Net interest income came in at €1,790 million, despite the reduction in the average balance sheet total by 4 per cent, and so remained at roughly the same level as the previous year (minus €2 million). The key factors influencing this result were the improved refinancing costs and the lending volumes, which developed differently in the individual countries. The interest margin widened somewhat by 10 basis points to 2.39 per cent on the previous year, which despite the sharp contraction in the interest margin in Russia (minus 124 basis points) was due to positive effects in other segments. In Austria the interest margin fell by 3 basis points to 0.96 per cent.

Net fee and commission income registered growth of 4 per cent. Payment transfers recorded substantial growth of €20 million, largely due to the increase in the volume of transactions. A mild recovery was registered for securities, pushing the income from this business up by €11 million. Income from agency services for own and third-party products rose by €7 million thanks to increased marketing activities. By contrast, net income from foreign currency, notes and coins and precious metals headed in the other direction, falling 14 per cent or €25 million on account of the lower demand for foreign exchange transactions.

Net trading income totalled €181 million and was therefore 32 per cent less than in the same period of the previous year, with income from both interest-related trading and capital guarantee valuations falling.

Other net operating income dropped by €56 million to €14 million, mainly due to various provisioning charges in a year-on-year comparison, lower revenue flows from the non-banking segment as well as higher non-income related taxes, which rose by €18 million as a result of the new bank levy in Hungary.

Currency movements push general administrative expenses up

General administrative expenses rose by 6 per cent on the comparable period last year to €1,468 million. The increase was partly caused by the revaluation of some CEE currencies, and partly by, for example, higher legal and consulting expenses, IT costs, and depreciation on tangible fixed assets. The decline in operating income by 4 per cent and the rise in general administrative expenses by 6 per cent had a negative impact on the cost/income ratio. It came in at 54.4 per cent and was thus 5.0 percentage points above the comparable period last year.

The number of employees (expressed in full-time equivalents) was adjusted only slightly against last year, when significant cuts in human resources were made in response to the economic crisis. As of 30 June 2010 the number of staff fell by 1 per cent or 543 to 59,257 compared to year-end 2009. The largest decreases were registered in the segments of Southeastern Europe (minus 337) and Russia (minus 249).

Equity in excess of €11 billion

The equity capital of RZB including minority interests rose by €699 million to €11,007 compared to the end of 2009, thanks not only to the profit after tax of €487 million but also the other profit of €470 million which was recognized directly in equity. The appreciation of the local currencies in the CEE region coupled with corresponding hedging measures produced a positive currency difference of €364 million. The valuation gains from cash-flow hedges also made a significant contribution at €103 million. Payments made to service participation capital and for minority shareholders reduced equity by €246 million.

Return on equity before tax more than 10 per cent

Although the 14 per cent decline in the operating profit weighed down on RZB profit and therefore also on the profitability figures, the improved situation with regard to provisioning for impairment losses resulted in a higher return on equity before tax. For the first six months it reached 10.4 per cent and was therefore 0.3 percentage points higher than the same period in 2009. The average equity on which the calculation was based grew by 14 per cent to €10.5 billion, primarily due to the issuance of participation certificates.

The consolidated return on equity (after minority interests) also rose sharply from 5.0 per cent to 10.2 per cent. This increase is attributable to the much lower theoretical tax rate compared to the comparable period of the previous year. Earnings per share for the first six months in 2010 increased from €40.54 to €51.61, whereby the number of ordinary shares in circulation remained unchanged.

Balance sheet total up 3 per cent to €152 billion

Currency movements had a perceptible impact on RZB's balance sheet total, pushing it up by around €3.6 billion since the beginning of the year. In addition to the upward movement of some CEE currencies, this was also influenced by the US dollar, which has appreciated by 15 per cent since the end of 2009. In contrast to previous quarters, organic development also recorded modest growth again.

On the asset side, loans and advances to customers rose by €4.1 billion to €78.9 billion, predominantly on account of loans to key accounts. There were also some re-allocations in favor of financial investments, which increased by €1.8 billion to €20.7 billion.

On the liability side, deposits from banks rose by €1.6 billion, while the key items for refinancing, deposits from customers, remained almost constant at €55.5 billion, a rise of just €0.1 billion. The loan/deposit ratio, which is the cover of customer loans with corresponding deposits, increased by 7 percentage points to 142 per cent compared to the end of the previous year, principally on account of loans issued in US dollars. RZB issues recognized under debt securities issued dropped by a net €1.2 billion on account of redemptions. Thanks to the sufficient liquidity no transactions were required on the capital market.

Tier 1 capital ratio almost unchanged at 9.3 per cent

Eligible own funds, as defined by the Austrian Banking Act (BWG), rose in comparison to year-end 2009 by 1 per cent or €145 million to €12,454 million. Tier 1 capital increased by €233 million or 3 per cent to €9,136 million from the start of the year, which was largely attributable to currency appreciations over the first six months of the year. The profit to date has not been allocated to the consolidated own funds as, in accordance with relevant regulations in Austria, this may not be taken into account during the reporting year. Additional own funds (Tier 2) grew by a modest €58 million or 2 per cent to €3,867 million. By contrast, Tier 3 capital fell by €151 million on account of maturing issues.

These own funds stand in contrast to an own funds requirement that was up 3 per cent, or €248 million to €7,764 million, an increase which is largely attributable to currency appreciations. The own funds requirement for credit risk accounted for the largest part at 80 per cent.

Excess own funds amounted to €4,690 million. The excess cover ratio dropped by 3.4 percentage points to 60.4 per cent compared to the end of 2009. The core capital ratios based on credit risk and total risk each fell by 0.1 percentage points to 11.7 and 9.3 per cent respectively. Similarly to year-end 2009, the core Tier 1 ratio (Tier 1 capital minus hybrid capital, based on total risk) came in at 8.5 per cent, the same value as at year-end 2009. The own funds ratio fell by 0.3 percentage points, bringing it to 12.8 per cent as at 30 June 2010.

Detailed review of items in the income statement

In the first half of 2010, four subsidiaries were consolidated for the first time, while 45 subsidiaries were deconsolidated, all but one because of new materiality limits. Comparability with last year's period is nevertheless ensured because the changes did not materially influence individual items of the income statement. On the other hand, currency fluctuations in the CEE countries affected income statement items significantly. The average exchange rates on which the income statement is based evolved as follows: the Polish zloty appreciated by 10 per cent, the Russian rouble by 9 per cent, the Hungarian forint by 6 per cent and the Czech koruna by 5 per cent. On the other hand, the Serbian dinar, the Albanian lek and the Belarusian rouble each lost 7 per cent.

Operating profit (periodic comparison)

in € million	1/1-30/6/2010	Change	1/1-30/6/2009	1/1-30/6/2008
Net interest income	1,790	(0.1%)	1,792	1,733
Net fee and commission income	715	3.8%	689	843
Net trading income	181	(32.0%)	266	102
Other net operating income	14	(80.2%)	70	38
Operating income	**2,700**	**(4.1%)**	**2,817**	**2,716**
Staff expenses	(724)	3.1%	(702)	(768)
Other administrative expenses	(578)	7.2%	(539)	(584)
Depreciation	(166)	11.1%	(149)	(142)
General administrative expenses	**(1,468)**	**5.5%**	**(1,391)**	**(1,494)**
Operating profit	**1,232**	**(13.6%)**	**1,426**	**1,222**

Operating income

Operating income fell by 4 per cent or €117 million in the first half of 2010 to €2,700 million, which was mainly due to the decline in net trading income by €85 million and the decrease in other net operating income. Developments varied at segment level: operating income in the Austria segment fell by 15 per cent or €114 million to €667 million. This was attributable to a 5 per cent fall in net interest income and an almost 50 per cent drop in net trading income. The Central Europe segment made the largest contribution to operating income at €769 million. It improved by 6 per cent or €46 million compared with the comparable period of the previous year because of significantly higher net interest income. The Southeastern Europe segment contributed €674 million to operating income. Here the operating income declined by 5 per cent or €39 million compared to the previous year. Net interest income remained stable year-on-year, net trading income decreased by half, and net fee and commission income fell by 7 per cent. In the Russia segment, operating income was down by 14 per cent or €64 million to €391 million. Net interest income fell by almost one-third, with this sharp decline due to lower business volumes being partly offset by the healthy level of net trading income. The CIS Other segment registered a volume-related drop in operating income by 5 per cent or €16 million to €339 million. Operating income in the Rest of the World segment declined by 14 per cent or €24 million to €141 million.

Net interest income

The most important source of earnings was net interest income, accounting for 66 per cent or €1,790 million, a decline of only €2 million compared to the same period in the previous year. This moderate drop was thus below that of the average balance sheet total which amounted to 4 per cent. Altogether, interest income and interest-like income were down by 20 per cent, or €798 million, to €3,247 million. This was mainly due to interest income from loans and advances to customers, which declined by 18 per cent or €528 million on account of lower volumes, the slower pace of new business and lower market interest rates. In percentage terms, the interest income from loans and advances to banks fell the most, by 48 per cent or €175 million, primarily on account of lower volumes.

Interest expenses and interest-like expenses fell by 37 per cent or €845 million to €1,466 million. This was mainly caused by interest expenses for deposits from customers (minus €349 million) and from banks (minus €322 million), which fell by 34 and 48 per cent respectively because of the lower interest rate levels in most countries.

In the Austria segment (according to definition of reporting segments, p. 22) net interest income fell by 5 per cent or €26 million to €459 million. While higher interest income from derivatives improved net interest income, the amount of dividends received, predominantly from the CEE region and the Rest of the World segment, declined on the same period in the previous year.

Net interest income in Central Europe improved by 16 per cent or €75 million to €538 million compared to the same period in the previous year. Poland registered the highest increase at 60 per cent, or €31 million, thanks to lower refinancing costs and currency appreciation. Net interest income in the Czech Republic rose by 17 per cent, or €20 million, due to lower refinancing costs, a higher volume of loans to retail customers, and higher interest income from securities held to maturity. In Slovakia, net interest income rose by 14 per cent, or €17 million, largely as a result of an improved margin situation.

In Southeastern Europe, net interest income came to €445 million and was thus slightly above last year's level. In Romania and Croatia, it rose because of lower refinancing costs at banks and lower interest expenses for customer deposits, while in Serbia, it declined by 22 per cent, or €14 million, due to narrower margins and significant currency devaluation.

In Russia, net interest income fell by 31 per cent, or €117 million, to €256 million because of decreased volumes in retail and corporate customer business due to selective lending, and reduced new business since the onset of the financial and economic crisis. This led to excess liquidity, which was detrimental for income flows. Volumes also declined in the area of derivatives after the highs reached in 2009.

At €245 million, net interest income in the CIS Other segment remained below the comparable period of the previous year by 1 per cent or €4 million. While net interest income fell in Ukraine by 5 per cent or €10 million due to a declining customer portfolio, it rose in Belarus by 16 per cent, or €6 million, thanks to an improved refinancing situation (lower interest expenses for deposits from banks).

In the Rest of the World segment, net interest income dropped by 19 per cent or €18 million to €79 million compared to the same period in the previous year. This decline was largely caused by the transfer of business from the London branch to Vienna.

The net interest margin, which is the ratio of net interest income to the average balance sheet total, came to 2.39 per cent in the first half of 2010; this represents an increase of 10 basis points on the same period in 2009.

Net fee and commission income

Net fee and commission income was up 4 per cent or €26 million on the same period of the previous year to €715 million. Income from payment transfers rose 8 per cent or €20 million, accounting for the largest part of net fee and commission income at 40 per cent or €283 million. Due to increased transaction volume, net income from payment transfers posted the highest gains in Russia (€7 million) and Central Europe (€6 million).

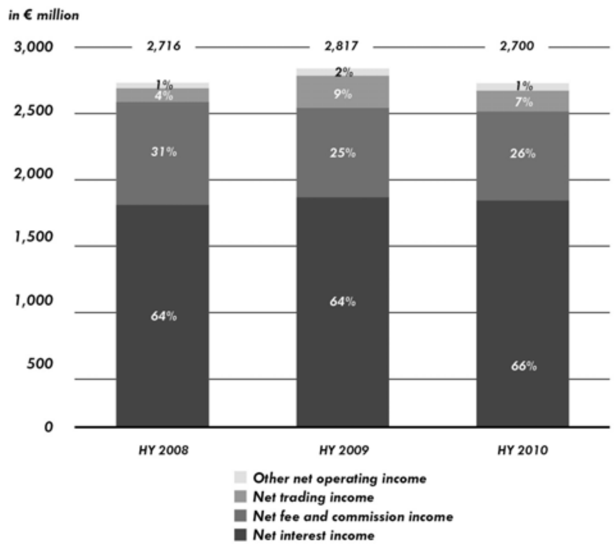
Net income from the loan administration and guarantee business grew 9 per cent or €12 million to €140 million. This increase was due to the Central Europe, Russia and Rest of the World segments. In Central Europe and Russia, growth was the result of increased volume in the guarantee business, while in the Rest of the World segment it was due to increase in the number of loans.

Net income from the foreign currency, notes and coins and precious metals business fell 14 per cent or €25 million to €157 million, due to lower demand for foreign currency transactions, primarily in Russia, Ukraine, Hungary and Croatia.

There was a slight recovery in the securities business, with income up 19 per cent or € 11 million to € 65 million. Much of this was achieved in the Central Europe segment, for which higher fee and commission income on local authority bonds in Hungary was in part responsible. In Russia, securities issuing transactions were carried out for the first time since the outbreak of the crisis. In Austria (see definition of reporting segments on p. 22) income improved due to higher volume in the securities deposit business.

Income from agency services for own and third-party products rose 50 per cent or €7 million, specifically as a result of growth in insurance activities in Southeastern Europe.

Operating income



Net trading income

Net trading income in the first half of 2010 fell by 32 per cent or €85 million to €181 million. The main components in income were interest and currency related.

Net income from interest-related trading fell by 11 per cent or €18 million to €145 million. Net income in the Austria segment rose by €15 million, which was positively affected by the volume-based expansion of derivatives trading and the takeover of the London branch's trading. By contrast, there was a steep decline in net income from the Central Europe (minus €28 million) and Southeastern Europe (minus €10 million) segments. The primary reasons were the lower revaluation gains and some revaluation losses on interest rate derivatives (interest rate swaps, forward rate agreements). In Russia, net income rose by €21 million due to higher interest income on fixed-interest securities. In Ukraine a revaluation gain due to the improved rating of Ukrainian government bonds was responsible for the rise of €4 million. Net income from interest-related trading was down €25 million in the Rest of the World segment because of the reorganization of the London branch and transfer of business to the Head Office in Vienna.

Net income from currency trading fell by 14 per cent or €10 million to €64 million. In Russia it rose by €40 million due to revaluation gains on currency hedging transactions. Net income from currency trading decreased by €26 million in the Southeastern Europe segment, and by €3 million in Central Europe due to revaluation losses on currency futures contracts, primarily in Romania and Poland. In the CIS Other segment, net income from currency trading fell €11 million. Compared to the same period in 2009, there was a higher revaluation gain from a strategic currency holding to hedge own funds in Belarus, which shrank significantly due to the movement in the BYR exchange rate. In Austria (see definition of reporting segments on p. 22), net income decreased by €22 million on the previous year as a result of revaluation losses on a currency holding.

The net loss on other trading transactions decreased by €42 million to €44 million, and was largely the result of revaluation losses on capital guarantees in the Austria segment.

Net income from liabilities designated at fair value was reclassified in the first half of 2010 as net income from derivatives and designated liabilities. Interest income and expense on the designated liabilities and associated interest rate swaps were reclassified as net interest income.

Other net operating income

Other net operating income in the first half of 2010 totalled €14 million, significantly down on the €70 million achieved in the first half of 2009. Net income from non-banking activities fell by €4 million to €29 million. This decline was the result of the decrease in business due to the general economic situation and to the fall in steel market prices. Net income from operating leasing also decreased by 11 per cent or €3 million. Other taxes rose sharply by 65 per cent or €18 million to minus € 45 million. Following the decision of the Hungarian Parliament to impose a levy on banks and financial service providers based on total assets, a prorated provision of €18 million was created for the first half of 2010.

While income from the release of negative goodwill from initial consolidation totalled €5 million in the first half of 2009, there was only a small amount from initial consolidation in the first half of 2010. Provisioning for impairment losses resulted in an expense of €7 million in the first half of 2010, primarily due to the creation of provisions for current litigation in Russia, Hungary and Ukraine. In the first half of 2009, settlement of litigation resulted in net income from the release of other provisions totalling €6 million.

General administrative expenses

General administrative expenses rose year-on-year by 6 per cent or €77 million to €1,468 million. This was due largely to currency appreciations in the CEE countries, and particularly the appreciation of the Polish zloty, Russia rouble, Hungarian forint and the Czech koruna. As a result of the decrease of 4 per cent in operating income and increase of 6 per cent in general administrative expenses, the cost/income ratio rose by 5.0 percentage points year-on-year to 54.4 per cent.

Staff expenses rose 3 per cent or €22 million over the same period last year to €724 million, and were the largest item in general administrative expenses with a share of 49 per cent. The main reason for the increase was the appreciation of several CEE currencies. In local currency terms, the lower number of employees resulted in slight decreases in staff expenses, partly offset by slight increases from the reinstatement of bonus payments.

The average number of staff in the first half of 2010 was 59,555, a decrease of 5,698 on the first half of 2010. In Russia it fell by 14 per cent or 1,392 employees, in CIS Other by 9 per cent or 1,675, in Southeastern Europe by 9 per cent or 1,757 and in Central Europe by 7 per cent or 908. In Austria, by contrast, the number increased by 3 per cent or 83 staff.

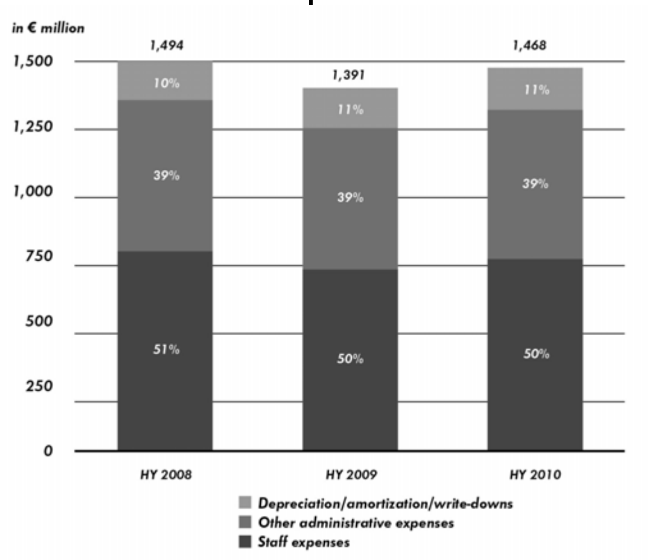
The number of staff as of 30 June 2010 was 59,257, a decrease of 1 per cent or 543 on the number at the end of 2009. Broken down by segment, there was a decrease of 3 per cent or 249 in Russia and 2 per cent or 337 in Southeastern Europe. There were small changes in the number of staff at the reporting date in CIS Other (minus 11) and Central Europe (plus 12), while Austria showed an increase of 1 per cent or 16 employees.

Other administrative expense rose year-on-year by 7 per cent or €39 million to €578 million. Office space expenses totalled €163 million, and were by far the largest item in other administrative expenses. The decrease of 2 per cent or €4 million on the previous year resulted from lower rental costs due to branch closings in Russia, Ukraine and Romania and renegotiated and more favorable terms in Russia. In the Austria segment office space expenses increased as a result of new rentals and rent increases. Legal advisory and consultancy expenses rose by 36 per cent or €17 million, particularly in connection with the impending merger. IT expenses rose 22 per cent or €18 million, due to higher servicing costs of software systems (e.g. Basel II, Group Data Warehouse, Management Information System).

Compared to 30 June 2009, the number of business outlets was reduced by 214 to 2,980. Location optimization resulted in a decrease of 119 locations compared with the first half of 2010 in the CIS Other segment (including 110 in Ukraine) and by 28 in Russia. The number of business outlets decreased by 33 in Southeastern Europe and by 29 in Central Europe, along with 1 business outlet in Austria.

Depreciation, amortization and write-offs on tangible assets and intangible fixed assets rose 11 per cent or € 17 million on the previous year to € 166 million. Of this, € 90 million related to tangible assets, € 59 million was for intangible assets, and € 17 million for assets acquired under operating leases. In the period under review RZB Group invested €171 million. Group-owned tangible assets accounted for 47 per cent or € 80 million of this total. Investment in intangible assets – mostly software systems – made up 33 per cent or €62 million, and the remainder was invested in operating lease assets.

General Administrative Expenses



Consolidated profit

Consolidated profit (periodic comparison)

in € million	1/1-30/6/2010	Change	1/1-30/6/2009	1/1-30/6/2008
Operating profit	**1,232**	**(13.6%)**	**1,426**	**1,222**
Provisioning for impairment losses	(608)	(52.0%)	(1,267)	(200)
Other results	(77)	–	304	(144)
Profit before tax	**547**	**18.0%**	**463**	**878**
Income taxes	(59)	(73.3%)	(222)	(228)
Profit after tax	**487**	**102.0%**	**241**	**651**
Minority interests in profit	(86)	17.5%	(73)	(258)
Consolidated profit	**402**	**138.6%**	**168**	**393**

Provisioning for impairment losses

In the first half of 2010, improved economic conditions and measures to stabilize the loan portfolio resulted in a significantly lower provisioning for impairment losses (balance of allocations and releases of provisions for the lending business and direct write-downs and income on written-down claims). In the first six months these totalled €608 million, less than half the total for impairment provisions in the first half of 2009. Provisioning for impairment losses was divided between individual impairment loss provisioning of €519 million (minus €590 million) and portfolio impairment loss provisioning of €90 million (minus €69 million).

The steepest decline in provisioning for impairment losses was in the Austria segment (for definitions of reporting segments, see p. 21). These totalled €37 million in the first half of 2010, compared with €282 million in the first half of 2009, primarily because of non-performing loans to Icelandic banks.

In Russia, provisioning for impairment losses fell by €185 million to €67 million. The restructuring measures already initiated during the financial crisis and the improvement in borrower ratings due to the improving economic environment had a positive effect on provisioning for impairment losses. At the same time, provision was needed for new non-performing loans. In the period under review net allocations for individual impairment loss provisioning totalled €93 million. However, loan repayments and lower growth in delinquent loans to retail customers resulted on balance in the release of portfolio impairment loss provisioning totalling €27 million.

There was also a sharp decrease in net allocations in the CIS Other segment, which were down by 40 per cent or € 105 million to € 156 million. Net allocations for provisioning for impairment losses were divided between individual impairment loss provisioning of €124 million (of which €115 million in Ukraine) and portfolio impairment loss provisioning of €33 million (Ukraine: €34 million). Restructuring and renegotiation of loan terms and an improved repayment ratio had a positive effect on impairment loss provisioning in Ukraine, where net allocations were evenly divided between corporate and retail customers.

There were also significant decreases in the Southeastern Europe segment, where net allocations for provisioning for impairment losses fell 39 per cent or €88 million to €139 million. In Romania, restructuring measures and the sale of non-performing loans led to a decrease of €55 million in net allocations year-on-year. In Bulgaria, net allocations were almost unchanged at €42 million from the comparable period of the previous year, and related to both corporate and retail customer loans.

Net allocations were highest in the Central Europe segment at €198 million, decreasing 14 per cent or €31 million year-on-year. In Hungary, net allocations for provisioning for impairment losses totalled €80 million, €44 million down on the first half of 2009 due to lower default rates and sales of receivables. In the Czech Republic net allocations amounted to €42 million (an increase of €5 million), primarily due to a rise in non-performing loans to retail customers. Net allocations rose by €8 million in Slovakia to €38 million, predominantly for loans and project financing for key accounts.

The ratio of new allocations, defined as the ratio of provisioning for impairment losses to the average credit risk weighted asset, improved significantly compared to the first half of 2009, falling by 1.37 percentage points to 1.60 per cent.

Other profit(loss)

Other profit(loss) slipped from €304 million in the first half of 2009 to a loss of €77 million. This was mainly due to net income from derivatives and designated liabilities and net income from financial investments. In the period under review there was a net loss of €135 million on derivatives and designated liabilities, compared with a profit of €142 million in the first half of the previous year. This turnaround was the result of revaluation losses on interest rate swaps entered into for macro hedging purposes, which lost value from the previous year due to interest rate movements in the current financial year. While in the previous year, narrowing spreads and a shift in the interest rate curve led to significant revaluation gains, the rise in swap rates in the medium term and a slight widening of spreads resulted in revaluation losses in the current year.

Net income from financial investments declined from €162 million in the first half of 2009 to €53 million, with the largest share (€48 million) coming from valuation and disposals of securities measured at fair value through profit or loss. In the previous year, this category of securities benefited from the recovery in the capital markets to yield revaluation gains of €141 million, falling to €23 million in the first half of 2010 because of less favorable situation caused by the debate about the stability of the euro. This unrealized gain is the balance of depreciation in Hungary and Russia and appreciation in Austria, Ukraine, Slovakia and the Czech Republic. Disposals of fixed-interest securities yielded €25 million, mainly in Romania, Russia and Ukraine.

Profit after tax doubled as a result of lower tax ratio

Profit before tax rose in the first half of 2010 by 18 per cent or €83 million to €547 million. By contrast, income taxes fell 73 per cent or €163 million to €59 million. The reason for this sharp drop was primarily the recognition of deferred tax assets resulting from valuation differences of derivatives and own issues in the financial statements to IFRS and the financial statements for tax purposes. In the previous year, deferred tax assets for loss carryforwards in the amount of €95 million were resolved. In addition, there were effects increasing taxes (rise in nondeductible expenses and write-off of deferred tax due to the use of loss carryforwards) in Russia and Ukraine. The implied tax ratio fell to 11 per cent from 48 per cent in the comparable period.

Due to the low tax expense, profit after tax in the period under review doubled to €487 million.

Earnings per share at €51.61

After deducting minority interests, which rose by 17 per cent or €13 million to €86 million due to the increased contribution to profit of Raiffeisen International, the consolidated profit attributable to RZB AG shareholders rose to €402 million, an increase of €233 million. Earnings per share after service on participation capital rose sharply from €11.07 in the first half of 2009 to €51.61 in the first half of 2010.

Statement of financial position

RZB's total assets rose since the start of the year by 3 percent or €4.3 billion to €152.2 billion. Loans to customers increased 5 per cent or €4.1 billion, the securities and equity investments portfolio increased by 9 per cent or €1.8 billion and trading assets rose 24 per cent or €2.0 billion. These increases were offset by a decrease in cash reserves, particularly in balances at central banks, of 21 per cent or €1.7 billion and loans and advances to banks of 7 per cent or €2.3 billion. As at 1 January 2010, 45 subsidiaries were deconsolidated and 4 consolidated for the first time, although the changes had no material effect on the balance sheet total.

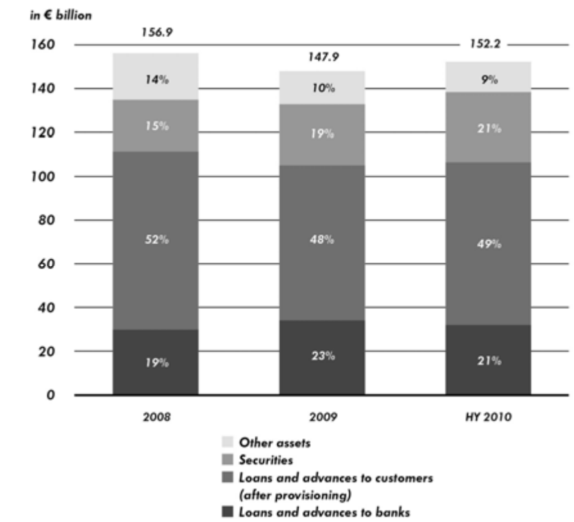
In the first half of 2010 the majority of currencies in the CEE countries gained significantly against the euro, following significant depreciations in the previous two years. The largest appreciations as at the reporting date were in the following currencies: Ukrainian hryvnia up 16 per cent, Russian rouble up 11 per cent, Belarusian rouble up 10 per cent. By contrast, the Serbian dinar lost 9 per cent and the Hungarian forint 6 per cent. Besides the CEE currencies, the USD had a significant influence, with appreciation of 15 per cent. These currencies effects led to an increase of €3.6 billion in total assets. The remaining growth of €0.7 billion represented the first, slight organic growth since the outbreak of the financial and economic crisis.

Assets

Loans and advances to customers (after impairment losses) accounted for the largest share of assets at 49 per cent, an increase of 1 per cent. Before loan loss provisions they rose 5 per cent or €4.1 billion to €78.9 billion, with the increase primarily in lending. Loans to commercial customers increased 6 per cent or €3.4 billion, while loans to retail customers grew 3 per cent or €0.6 billion. The growth extended to all regions. The ratio of customer loans to customer deposits improved from 135 per cent compared with the end of 2009 at 142 per cent at the reporting date.

Provisioning for impairment losses as of 30 June 2010 was €4.8 billion, up 14 per cent or €0.6 billion on the end-2009 total. Of this provisioning, only €0.3 billion was for loans and advances to banks, while the larger part was for loans and advances to customers.

Total assets



Loans and advances to banks fell 7 per cent or €2.3 billion to €31.6 billion. Their share in total assets decreased by 2 percentage points to 21 per cent. The decrease was due to lower lending to commercial banks.

Total securities and equity investments as of 30 June 2010 amounted to €32.5 billion, an increase of 13 per cent or €3.8 billion. Their share in total assets increased by 2 percentage points to 21 per cent. This was due partly to investments in public sector and government-guaranteed debt securities eligible for central bank refinancing, and partly due to the increased market value of interest rate derivatives, reflecting both higher volume and revaluation effects.

Other assets fell €0.7 billion from year-end 2009 to €13.9 billion, reducing their share in total assets by 1 percentage point to 9 per cent. Cash reserves, and particularly balances with central banks, were reduced by €1.7 billion, while all other items increased.

Equity and liabilities

The structure of equity and liabilities after minority interests also showed only small changes compared with end-2009. The share of deposits from customers was down by 1 percentage point at 36 per cent. Deposits from banks were unchanged at 34 per cent, as was equity and subordinated capital at 10 per cent. The share of other liabilities rose 1 percentage point to 20 per cent.

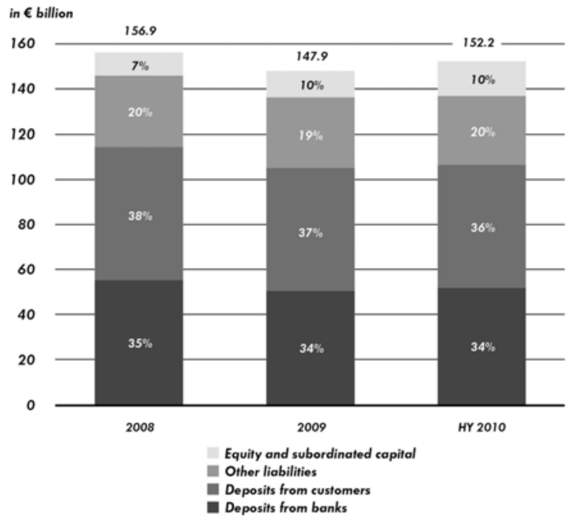
Deposits from banks rose by 3 percent or €1.6 billion to €51.5 billion. Short term deposits and the giro and clearing businesses grew (by €2.2 billion and €0.3 billion respectively), while long term refinancing declined by €0.8 billion.

Deposits from customers were unchanged from end-2009 at €55.5 billion. Despite intensive competition, deposits from retail customers rose slightly to €25.0 billion, while deposits from commercial customers decreased slightly to €28.2 billion.

Other liabilities grew by €2.0 billion, although their share in total equity and liabilities was unchanged at 19 per cent. Due to redemptions, liabilities evidenced by paper fell €1.2 billion. With sufficient liquidity, no transactions were needed in the capital market. By contrast, trading liabilities rose €2.7 billion, reflecting higher volume in interest rate derivatives.

Equity on the balance sheet, comprising equity and subordinated capital, rose from the start of the year by €0.6 billion to €15.5 billion, primarily due to current net income and currency appreciation. Subordinated capital declined only slightly from end-2009, dropping by €0.1 billion to €4.5 billion.

Equity and liabilities



Equity on the balance sheet

RZB's equity on the balance sheet, including consolidated profit and minority interests, rose from end-2009 by 7 per cent or €699 million to €11,007 million.

Consolidated equity, comprising subscribed capital, participation capital, capital reserves and retained earnings, increased 8 per cent or €591 million to €7,892 million. This growth came primarily from the transfer to retained earnings of €233 million and other income of €373 million. The largest component in other income are the currency differences. Appreciation of most CEE currencies led to positive currency effects (including capital hedge) of €260 million. The cash flow hedge resulted in an increase of €103 million in other income, revaluation of financial assets available for sale added €31 million. Changes in the equity of entities accounted for using the equity method boosted retained earnings by €3 million. Deferred taxes on income and expenses directly recognised in equity reduced other results by €24 million.

Minority interests rose by 5 percent or €139 million to €2,713 million. This increase was due to prorated profit for the period of €86 million and currency differences of €104 million. The total was reduced by dividend payments amounting to €46 million.

Regulatory capital

The RZB Banking Group uses the IRB (internal ratings based) approach to measure credit risk for the majority of all divisions of Raiffeisen Zentralbank and in its subsidiaries in Croatia, the Czech Republic, Hungary, Malta, Romania, Slovakia, and the US; all other Group units still use the standardized approach to calculate credit risk. From April 2010 this approach was applied for the first time to many of the loans and advances to retail customers in Slovakia as well. The retail business of the other network units, part of retail receivables in Slovakia and the market risk were calculated using the standard approach. Operational risk for all Group units is calculated using the standardized approach.

In the period under review consolidated equity according to the Austrian Banking Act (BWG) increased 1 per cent or €146 million to €12,454 million. However, current profit is not included in consolidated equity because Austrian legislative provisions do not allow its recognition in this line item during the fiscal year.

Core capital (tier 1) rose 3 per cent or €232 million from end-2009 to €9,136 million at 30 June 2010. Core capital benefited from the 16 per cent appreciation of the Ukrainian hryvnia, 11 per cent appreciation of the Russian rouble and 10 per cent appreciation of the Belarusian rouble, but was adversely influenced by the 9 per cent depreciation of the Serbian dinar.

Supplementary capital (tier 2) was up 2 per cent or €58 million as at 30 June 2010 to €3,867 million. This reflects an increase in long-term subordinated equity of €95 million due to a tier 2 issue in Austria, together with currency appreciations, offset by maturing tier 2 issues.

Short-term subordinate capital (tier 3) fell 52 per cent or €150 million to €142 million. This decline was due to a matured issue in Austria.

The capital requirement increased by 3 per cent or €248 million to €7,764 million. Mostly because of currency appreciations totalling €213 million, capital requirements for credit risk rose to €6,212 million, of which the standard approach accounted for €3,294 million (plus €41 million) and the IRB approach €2,918 million. The requirement here rose by €172 million due to changes in default risks and slight rating migration within the loan portfolio. The requirement for market risk grew €29 million to €417 million, and the requirement for operational risk rose €41 million to €765 million. The only decline was in the requirement for open currency positions, which fell €35 million to €370 million.

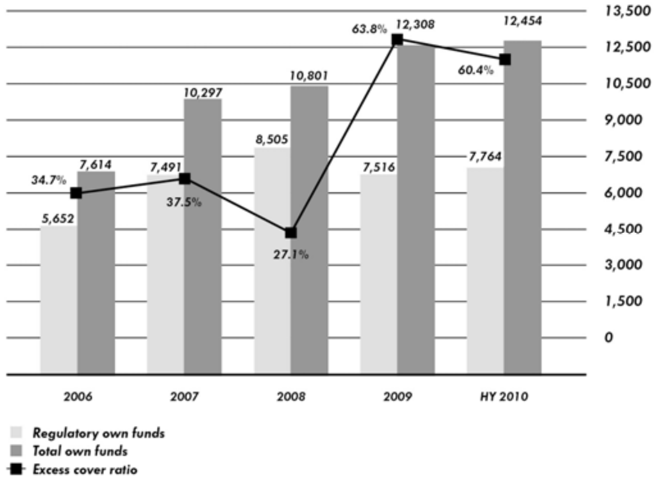
This resulted in excess own funds of €4,690 million, and a decrease in the excess cover ratio from end-2009 of 3.4 percentage points to 60.4 per cent.

The tier 1 ratio measured in relation to credit risk fell by 0.1 percent points to 11.7 per cent. Related to total risk, the core capital ratio was 9.3 per cent. RZB's own funds ratio fell by 0.3 percentage points to 12.8 per cent.

The core tier 1 ratio (tier 1 capital less hybrid capital in relation to total risk) was unchanged at 8.5 per cent.

Changes in equity

in € million



Segment reports

Segment definitions

The RZB Group's smallest controlling units (cash generating units or CGUs) are Austria, the individual countries in Central and Eastern Europe and the other countries in which RZB operates. Countries exhibiting comparable long-term economic developments and economic structures are grouped together into regional segments. Taking the thresholds required by IFRS into account, we have defined a total of six regional segments to ensure transparent and clear reporting. In each case the quantitative threshold laid down by IFRS 8 is 10 per cent of certain specified variables, these being reported revenues, profit after tax and segment assets.

On 30 June 2010, there were the following segments. The location of the individual branches or business outlets determines the segment in which they are classified:

- **Austria**
  The results of business carried out by RZB AG from its Head Office and the results posted by the many subsidiaries in Austria are reported under Austria.

- **Central Europe**
  This segment encompasses the five countries that joined the EU on 1 May 2004, these being the Czech Republic, Hungary, Poland, Slovakia and Slovenia. These are not just the CEE region's most mature banking markets. They are also the markets where RZB has been operating longest.

- **Southeastern Europe**
  The Southeastern Europe segment includes Albania, Bosnia and Herzegovina, Croatia, Kosovo, Moldova, Serbia and the two countries that joined the EU on 1 January 2007, Bulgaria and Romania. Moldova is included as part of Romania because of its economic ties to that country and the way it is managed within the Group as a result.

- **Russia**
  This segment encompasses the results of the companies acting for RZB within the Russian Federation. The Group's entities in Russia include a bank, two leasing companies and an M&A consultancy.

- **CIS Other**
  This segment comprises Belarus, Kazakhstan and Ukraine.

- **Rest of the World**
  This segment includes RZB AG's branches in London, Singapore, Beijing and Xiamen as well as the Group units located in other countries such as Germany, Malta, Switzerland and the United States.

The figures contained in the Segment Report are taken from the separate financial statements prepared in accordance with IFRS. These were also used in the preparation of the Consolidated Financial Statements. Figures may differ from the figures published locally if they are based on different local measurement rules or different copy deadlines.

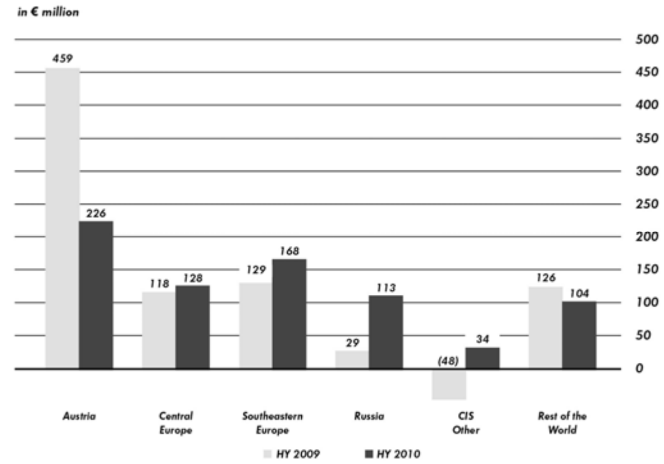
Segment overview

After the sharp drops in earnings caused by the financial crisis, virtually all of RZB's regional segments improved their earnings in the first half of 2010. A periodic comparison shows that the increase in profits before tax primarily resulted from the considerably lower net allocations to loan loss provisions.

The Group's profitability remained largely unchanged as operating income was 4 per cent lower year-on-year. The intensified measures for cost reduction and improved efficiency that were introduced immediately after the financial crisis began have led to a sustained reduction in general administrative expenses in 2010, which in local currency terms was more or less unchanged from the previous year.

The slight increases in loans and advances to customers in the first two quarters reflected the ongoing moderate economic recovery. The effects of the recent financial crisis meant, however, that the proportion of non-performing loans continued to increase.

Profit before tax by segment (IFRS 8)



The Austria segment contributed €226 million to profit before tax in the first quarter, the largest share among all the segments. Low net allocations to loan loss provisions had a particularly positive impact on profit before tax, whereas loans to banks had to be written down in the previous year. Balance sheet assets in the segment fell by 4 per cent year-on-year to €96.3 billion.

The Southeastern Europe region reported €168 million in profit before tax in the reporting period, the second-highest result among the segments. This was due to significantly lower net allocations to loan loss provisions. Balance sheet assets in this segment were 4 per cent down on the previous year.

The Central Europe region generated profit before tax of €128 million. This reflected an increase in net interest income and in net fee and commission income. Balance sheet assets remained almost unchanged from one year ago.

In Russia, profit before tax jumped to €113 million. This sharp year-on-year increase was due to the substantial decline in net allocations to loan loss provisions along with positive net trading income. Balance sheet assets in this segment increased by 4 per cent year-on-year.

The segment CIS Other generated a profit before tax of €34 million, compared to a loss in the corresponding period in the previous year. Lower net allocations to loan loss provisions were responsible for the year-on-year improvement in pre-tax profit. Balance sheet assets in this segment increased by 4 per cent compared with the same period last year.

The Rest of the World segment generated a profit before tax of €104 million. The lower net allocations to loan loss provisions and solid net fee and commission income had a positive impact on the result.

There was hardly any change in the regional structure of Group assets compared with a year ago. The share of the Austria segment in Group assets remained unchanged at 52 per cent. Central Europe's share increased by 1 percentage point to 18 per cent. The Southeastern Europe segment accounted for 13 per cent of Group assets, followed by Russia with 7 per cent and the Rest of the World segment with 6 per cent. The share of the CIS Other segment in Group assets remained unchanged at 4 per cent.

Austria

in € million	1/1-30/6/2010	1/1-30/6/2009	Change
Net interest income	459	485	(5.3)%
of which current income from associates	10	58	(82.1)%
Provisioning for impairment losses	(37)	(282)	(86.8)%
Net interest income after provisioning	**422**	**203**	**108.0%**
Net fee and commission income	80	76	5.7%
Net trading income	70	137	(48.4)%
Net income from derivatives and designated liabilities	(115)	123	–
Net income from financial investments	36	122	(70.8)%
General administrative expenses	(323)	(285)	13.4%
of which staff costs	(166)	(161)	2.8%
of which other administrative expenses	(127)	(95)	33.7%
of which depreciation/amortization/write-downs	(31)	(29)	6.4%
Other net operating income	57	83	(31.1)%
Net income from disposal of group assets	0	1	(96.9)%
Profit before tax	**226**	**459**	**(50.7)%**
Income taxes	52	(196)	–
Profit after tax	**278**	**263**	**5.9%**
Minority interests in profit	(17)	(19)	(11.7)%
Profit after minorities	**261**	**244**	**7.3%**
Share of profit before tax	29.3%	56.5%	(27.2) PP
Share of profit after tax	38.9%	47.1%	(8.2) PP
Risk-weighted assets (credit risk)[1]	34,932	34,503	1.2%
Total own funds requirement[1]	3,213	3,212	0.0%
Total assets[1]	96,274	99,905	(3.6)%
Liabilities[1]	88,771	92,545	(4.1)%
Cost/income ratio	48.5%	36.6%	11.9 PP
Average equity	4,080	3,422	19.2%
Return on equity before tax	11.1%	26.8%	(15.7) PP
Average number of staff	3,238	3,155	2.6%
Number of business outlets[1]	12	11	9.1%

[1] Reporting date values as of 30 June

In the first half of 2010, profit before tax in the Austria segment stood at €226 million, a fall of 51 per cent compared with the corresponding period in the previous year. On the one hand the lower net allocations to loan loss provisions had a positive impact on earnings but, on the other, the large write-ups of securities and financial instruments witnessed in 2009 were significantly lower in the current financial year. This also applies to the net income/loss from derivatives and designated liabilities which reported a drop of €238 million. The segment's return on equity before tax fell year-on-year from 26.8 per cent to 11.1 per cent in the first half of 2010.

Net interest income in the Austria segment dropped by 5 per cent to €459 million. This fall was mainly owing to lower dividends, despite an increase in net interest income from non-trading derivative financial instruments at RZB AG. Balance sheet assets dropped predominantly because of a 4 per cent reduction in the portfolio of loans to banks to €96.3 billion. The net interest margin fell slightly year-on-year by 3 basis points to 0.96 per cent. Credit risk-weighted assets rose by 1 per cent from €34.5 billion to €34.9 billion. The relevant changes in probabilities of default and a slight movement in ratings had an effect on risk-weighted assets when calculated according to the IRB approach.

Net allocations to loan loss provisions fell from €282 million to €37 million. This improvement reflected the high net allocations to specific loan loss provisions required by RZB AG in the corresponding period in 2009, mainly on lending to Icelandic financial institutions. Net allocations to portfolio loan loss provisions in RZB AG's key accounts portfolio amounted to €19 million. The segment's non-performing loan ratio rose by 0.89 percentage points compared with the same period last year to 3.02 per cent.

Net fee and commission income rose by 6 per cent or €4 million to €80 million. Net income from loan administration and the guarantee business stood at €28 million, representing a slight increase of 3 per cent. Net income from the securities business rose by 10 per cent as a result of increased customer activity in the reporting period, contributing €42 million to earnings. Net income from foreign exchange, notes and coins and precious metals was a further €11 million in the reporting period. Net income from payment transfers and account services amounted to €10 million and was mainly generated by RZB AG. However, a net loss from the credit derivatives business of €17 million resulted predominantly from intra-group transactions causing expenses of €20 million for credit default swaps. Although this affected the segment's earnings, it was not relevant to the Group's consolidated earnings.

Net trading income came to €70 million, a decline of 48 per cent on the corresponding period in the previous year. Interest-related trading generated net income of €99 million that was almost all generated at RZB AG and came overwhelmingly (€94 million) from the derivatives business. Net income of €25 million from the valuation of securities held for trading was €18 million lower than in the corresponding period in the previous year. Currency trading at RZB AG accounted for a further €3 million of net income. Net income from equity-related trading, where market activity was still restrained and which derived almost solely from Raiffeisen Centrobank, fell by 59 per cent to €7 million. There was a net loss from other business of €45 million, which included valuation losses arising from capital guarantees given to investment funds.

There was also a net loss from derivatives and designated liabilities of €115 million. This mainly comprised a net loss of €112 million on liabilities designated at fair value and valuation losses mainly arising from interest rate swap transactions. These net losses on liabilities designated at fair value are primarily for derivatives entered into for macro-hedging purposes but which are not recognized as hedges in accordance with IAS 39. The change in the level of interest rates represented a trend that ran counter to that in the previous year.

Net income from financial investments in the reporting period fell by 71 per cent or €86 million to €36 million. The strong recovery in securities prices in the corresponding period in the previous year following the systemic crisis in 2008 was more moderate in 2010. Following the significant gains in the first three months, prices dropped back again in the second quarter, in particular as a result of the discussion about the euro and the creditworthiness of various member states.

General administrative expenses were up by 13 per cent, or €38 million, year-on-year to €323 million. Staff expenses rose by 3 per cent, or €5 million, to €166 million, reflecting the 3 per cent increase in average staff numbers to 3,238. Other administrative expenses rose by 34 per cent, or €32 million, to €127 million. This increase was connected to higher legal and consultancy fees relating to the merger project. Depreciation, amortization and write-offs rose by 6 per cent to €31 million as a result of increased investment in software. As operating income fell by 15 per cent in the Austria segment while administrative expenses increased, the cost/income ratio rose here by 11.9 percentage points to 48.5 per cent.

Other net operating income fell by 31 per cent to €57 million. This mainly comprised intra-group allocations for head office costs and a number of smaller income and expense items. Lower income from Commodity Trading and Merger&Acquisitions also affected the result.

The income tax was positive with €52 million as a result of the recognition of deferred taxes. This was mainly due to valuation differences for derivatives and own issues between the financial statements under IFRS and the financial statements for tax purposes. In the previous year taxes were also negatively impacted by a €95 million write-down of tax losses carried forward. Profit after tax and minority interests came to €261 million.

Central Europe

in € million	1/1-30/6/2010	1/1-30/6/2009	Change
Net interest income	538	463	16.2%
Provisioning for impairment losses	(198)	(229)	(13.6)%
Net interest income after provisioning	**341**	**234**	**45.4%**
Net fee and commission income	226	200	13.0%
Net trading income	29	58	(49.9)%
Net income from derivatives and designated liabilities	(11)	5	–
Net income from financial investments	(7)	22	–
General administrative expenses	(426)	(402)	5.8%
of which staff costs	(208)	(190)	9.5%
of which other administrative expenses	(178)	(175)	1.5%
of which depreciation/amortization/write-downs	(40)	(37)	7.7%
Other net operating income	(26)	1	–
Net income from disposal of group assets	1	0	–
Profit before tax	**128**	**118**	**8.5%**
Income taxes	(31)	(27)	14.0%
Profit after tax	**97**	**91**	**6.8%**
Minority interests in profit	(46)	(19)	147.2%
Profit after minorities	**51**	**72**	**(29.6)%**
Share of profit before tax	16.5%	14.5%	2.0 PP
Share of profit after tax	13.6%	16.3%	(2.7) PP
Risk-weighted assets (credit risk)[1]	21,636	22,024	(1.8)%
Total own funds requirement[1]	1,969	2,013	(2.2)%
Total assets[1]	33,699	33,717	(0.1)%
Liabilities[1]	31,083	31,344	(0.8)%
Cost/income ratio	55.4%	55.7%	(0.3) PP
Average equity	2,516	2,099	19.8%
Return on equity before tax	10.2%	11.2%	(1.0) PP
Average number of staff	12,971	13,879	(6.5)%
Number of business outlets[1]	554	583	(5.0)%

[1] Reporting date values as of 30 June

In Central Europe, profit before tax was €128 million in the reporting period, up 9 per cent or €10 million year-on-year. Although net allocations to loan loss provisions fell, higher net interest income and net fee and commission income were primarily responsible for raising pre-tax profits. The segment's return on equity before tax fell by 1.0 percentage point to 10.2 per cent.

Net interest income rose in the first half of 2010 by 16 per cent to €538 million. All of the countries in the region reported growth. Growth was particularly strong in Poland, above all thanks to the significantly lower interest cost for customer deposits. The branch network in the Czech Republic also generated considerable growth, thanks primarily to higher income from loans to retail customers and securities held to maturity as well as to lower refinancing costs. In Slovakia, the Group benefited from higher margins on the assets side in connection with the changes to the local yield curve. In Hungary net interest income remained almost unchanged due to lower loans and advances to major corporate customers compared with the corresponding period in the previous year. Trading in Central Europe continued to be profitable year-on-year, with a 49 basis-point increase in the net interest margin to 3.19 per cent compared with the second quarter of 2009. The segment's assets remained the same overall year-on-year, while credit risk-weighted assets fell by

2 per cent as a result of a reduction in more highly weighted assets, from €22.0 billion to €21.6 billion. The first-time application of the internal ratings-based approach to a large part of the loans and advances to retail customers in Slovakia led however to an increase of €0.2 billion.

Net allocations to loan loss provisions in the segment fell by 14 per cent or €31 million in the reporting period to €198 million. Net allocations to specific loan loss provisions declined year-on-year by 23 per cent to €133 million. The highest net allocations were made in Hungary and Poland among corporate customers. Net allocations to portfolio loan loss provisions, however, rose year-on-year by 13 per cent to €65 million. These were mainly for retail customers in the Czech Republic and large customers in Slovakia. The segment's non-performing loan ratio rose by 2.67 percentage points compared with the same period last year to 7.97 per cent.

Net fee and commission income grew in every country in the region with the exception of Hungary, increasing by a total of 13 per cent or €26 million to €226 million. The largest increase in earnings – to a total of €32 million – was achieved by the loan administration and guarantee business. The overwhelming portion was generated in Poland and the Czech Republic where guarantee volumes rose in particular. Net income from foreign exchange, notes and coins and precious metals grew by 4 per cent to €72 million. In Hungary it declined however, due to a reduction in new business in foreign currency loans. Income from payment transfers and account services grew throughout the region, increasing overall by 8 per cent year-on-year to €88 million. Net fee and commission income rose by €2 million in Slovakia following the introduction of the retail product range at the end of 2009. The securities business expanded thanks to renewed customer activity – particularly in Hungary – by nearly 41 per cent year-on-year to €13 million.

Net trading income in the Central Europe segment came to €29 million, a year-on-year decline of 50 per cent. It declined in all the countries of the region with the exception of Hungary and Slovenia. Income from currency-related trading fell by 10 per cent from €31 million to €28 million, primarily as a result of lower income in Poland due to reduced currency volatility. Net income from interest-related trading of €25 million in the previous year turned into a net loss of €3 million. This was mainly caused by the lack of valuation gains from interest rate swap transactions and fixed-income bonds in Slovakia as well as valuation losses from interest rate swap transactions in the Czech Republic. Net income from the equity- and index-linked business doubled year-on-year to €2 million and arose almost entirely in Hungary.

There was a net loss from derivatives of €11 million due to valuation losses almost exclusively tied to hedging transactions used to adjust the currency structure in the Czech Republic and Slovenia.

There was also a net loss from financial investments of €7 million. This included valuation gains from securities in the Czech Republic and Slovakia, which were, however, more than offset by significantly higher losses in Hungary.

General administrative expenses for the segment were up year-on-year by 6 per cent or €24 million to €426 million. Although average staff numbers declined 7 per cent year-on-year to 12,971, staff expenses rose overall – above all in Poland and Hungary – by 10 per cent or €18 million to €208 million since there were no bonus payments in the corresponding period in the previous year. Other administrative expenses rose year-on-year by 2 per cent to €178 million and depreciation/amortization/write-offs also rose year-on-year by 8 per cent to €40 million. The number of business outlets was reduced by 5 per cent or 29 locations year-on-year to 554. The cost/income ratio in the region increased by 0.3 percentage points to 55.4 per cent.

Other net operating income in this region was minus €26 million, mainly due to non-profit-related taxes of €17 million, payable primarily in Hungary and Slovakia. Operating leases contributed €4 million to other net operating income. A provision of €18 million was set aside for the first six months of 2010 following the decision of the Hungarian parliament to impose a levy on banks and financial services providers based on total assets.

Thanks to the disposal of project companies domiciled for the most part in the Czech Republic and Hungary, undertaken on the basis of materiality, the segment recorded a profit of €1 million on net income from disposal of Group assets.

Income taxes fell by 14 per cent to €31 million compared with the corresponding period in the previous year. The tax ratio in the region increased by 1 percentage point to 24 per cent. Profit after minority interests came to €51 million.

Southeastern Europe

in € million	1/1-30/6/2010	1/1-30/6/2009	Change
Net interest income	445	443	0.3%
of which current income from associates	(1)	0	–
Provisioning for impairment losses	(139)	(227)	(38.7)%
Net interest income after provisioning	**306**	**216**	**41.2%**
Net fee and commission income	186	200	(7.2)%
Net trading income	24	55	(56.1)%
Net income from derivatives and designated liabilities	(9)	(3)	245.1%
Net income from financial investments	7	8	(10.3)%
General administrative expenses	(357)	(362)	(1.4)%
of which staff costs	(154)	(158)	(2.1)%
of which other administrative expenses	(152)	(157)	(2.7)%
of which depreciation/amortization/write-downs	(50)	(48)	5.3%
Other net operating income	19	14	37.3%
Net income from disposal of group assets	(7)	0	–
Profit before tax	**168**	**129**	**30.6%**
Income taxes	(24)	(22)	9.1%
Profit after tax	**144**	**107**	**35.0%**
Minority interests in profit	(47)	(11)	326.8%
Profit after minorities	**98**	**96**	**1.8%**
Share of profit before tax	21.7%	15.8%	5.9 PP
Share of profit after tax	20.2%	19.2%	1.0 PP
Risk-weighted assets (credit risk)[1]	15,925	17,182	(7.3)%
Total own funds requirement[1]	1,486	1,556	(4.5)%
Total assets[1]	23,012	23,960	(4.0)%
Liabilities[1]	20,267	21,226	(4.5)%
Cost/income ratio	53.0%	50.8%	2.2 PP
Average equity	1,895	1,683	12.6%
Return on equity before tax	17.7%	15.3%	2.4 PP
Average number of staff	17,170	18,927	(9.3)%
Number of business outlets[1]	1,173	1,206	(2.7)%

[1] Reporting date values as of 30 June

In Southeastern Europe, profit before tax was €168 million in the reporting period, up year-on-year by 31 per cent or €39 million. The main factor affecting profit before tax here was the significant fall in net allocations to loan loss provisions. Return on equity before tax rose year-on-year by 2.4 percentage points to 17.7 per cent.

Net interest income increased slightly by 0.3 per cent or €2 million to €445 million. Growth in Romania primarily resulted here from the lower costs associated with customer and bank deposits. Lower costs for customer deposits also had a positive effect on net interest income in Croatia. By contrast, a sharp decline in loans and advances to customers in Serbia due to a drop in new business and lower margins led to lower net interest income. Overall the net interest margin rose by 20 basis points to 3.82 per cent. The segment's total assets fell year-on-year by 4 per cent to €23.0 billion and credit risk-weighted assets also dropped by 7 per cent, from €17.2 billion to €15.9 billion, as a result of the falling lending volume and a higher collateralization level in the corporate area. The Basel II

IRB approach was applied for the first time to certain asset classes in Romania from July 2009 and in Croatia from October 2009, although this did not actually have any appreciable effect on the amount of risk assets.

Net allocations to loan loss provisions in the segment fell by 39 per cent or €88 million to €139 million. In Romania the figure for net allocations to loan loss provisions fell to about one half of the figure for the corresponding period in the previous year. Net allocations to specific loan loss provisions totalled €143 million. The highest amounts here were for Bulgaria – predominantly for loans to corporate and retail customers – and Romania for retail customers. The figure for net allocations to portfolio loan loss provisions was positive (€3 million) and was almost entirely due to write-backs in connection with the retail customer portfolio in Croatia. The segment's non-performing loan ratio rose by 2.24 percentage points year-on-year to 7.45 per cent.

Net fee and commission income declined by 7 per cent year-on-year to €186 million. The payment transfer business made the largest contribution (€84 million) to this figure, 1 per cent below the figure for the previous year. Loan administration and the guarantee business generated an income of €46 million. This means a year-on-year fall of 13 per cent, mainly because of Romania. Income from foreign currency, notes and coins and precious-metals dropped 25 per cent or €10 million to €30 million, mainly due to developments in Croatia, where earnings virtually halved on lower transaction volumes. By contrast, the securities business doubled as a result of a revival in customer activity, contributing an additional €4 million to net fee and commission income.

Net trading income in Southeastern Europe fell year-on-year from €55 million to €24 million. This included a year-on-year drop in currency-related trading of 61 per cent from €41 million to €16 million, predominantly due to lower income from forward transactions executed in the reporting period. Interest-related trading reported a profit of €9 million that was almost all down to Albania and resulted from the valuation at fair value of fixed-income securities.

A net loss from derivatives of €9 million was almost exclusively tied to hedging transactions used to adjust the currency structure in Croatia.

Net income from financial investments fell slightly from €8 million to €7 million. This was mainly based on valuation gains from fixed-income bonds in Romania related to the further drop in the level of interest rates in this market.

General administrative expenses for the segment were €357 million, representing a fall of 1 per cent year-on-year. Staff expenses fell by €4 million to €154 million, while the average number of staff fell by 9 per cent, or 1,757, to 17,170. Other administrative expenses fell by 3 per cent to €152 million. In Romania the reduction in expense for office space had a positive impact here following the closing of a number of business outlets. Depreciation/amortization/write-downs increased by 5 per cent to €50 million. From 1,206 at the end of the corresponding period in the previous year, the number of business outlets fell overall by 3 per cent to 1,173. The cost/income ratio rose 2.2 percentage points to 53.0 per cent.

Other net operating income rose 37 per cent year-on-year to €19 million. This primarily comprised income from operating leases of €14 million, predominantly in Croatia.

Due to the disposal for immateriality of project companies, predominantly in Romania, the segment showed a net loss from the disposal of group assets of €7 million.

Income taxes grew 9 per cent year-on-year to €24 million. The tax ratio for the region is 14 per cent, 3 percentage points below the level for the corresponding period in the previous year. Profit after minority interests was €98 million.

Russia

in € million	1/1-30/6/2010	1/1-30/6/2009	Change
Net interest income	256	374	(31.4)%
Provisioning for impairment losses	(67)	(252)	(73.6)%
Net interest income after provisioning	**190**	**122**	**55.9%**
Net fee and commission income	103	100	3.0%
Net trading income	41	(20)	–
Net income from derivatives and designated liabilities	(15)	17	–
Net income from financial investments	0	2	(84.2)%
General administrative expenses	(199)	(193)	2.8%
of which staff costs	(97)	(91)	6.3%
of which other administrative expenses	(78)	(86)	(9.4)%
of which depreciation/amortization/write-downs	(24)	(16)	50.4%
Other net operating income	(10)	2	–
Net income from disposal of group assets	3	0	–
Profit before tax	**113**	**29**	**289.3%**
Income taxes	(29)	(6)	384.9%
Profit after tax	**84**	**23**	**264.3%**
Minority interests in profit	(23)	(4)	>500.0%
Profit after minorities	**61**	**20**	**213.2%**
Share of profit before tax	14.7%	3.6%	11.1 PP
Share of profit after tax	11.8%	4.1%	7.7 PP
Risk-weighted assets (credit risk)[1]	8,625	9,038	(4.6)%
Total own funds requirement[1]	898	842	6.7%
Total assets[1]	13,016	12,477	4.3%
Liabilities[1]	11,133	10,998	1.2%
Cost/income ratio	50.9%	42.5%	8.4 PP
Average equity	896	923	(2.9)%
Return on equity before tax	25.3%	6.3%	19.0 PP
Average number of staff	8,427	9,819	(14.2)%
Number of business outlets[1]	201	229[2]	(12.2)%

[1] Reporting date values as of 30 June

[2] Previous year figure was adapted.

Profit before tax for the Russia segment increased in the first half of 2010 by €84 million to €113 million. The main reason for this was the lower net allocations to loan loss provisions compared with the previous year. In addition, net income from trading was significantly positive, in contrast to the loss for the corresponding period in the previous year. The segment's return on equity before tax thus increased by 19.0 percentage points to 25.3 per cent.

Net interest income for the segment fell by 31 per cent or €118 million to €256 million. This fall was largely based on a reduction in the size of the corporate and retail loan portfolio while the less profitable (compared with the core business) depositing of surplus liquidity at the central bank and at other banks increased. In addition, selectivity in new lending continued to depress earnings. The net interest margin for the region dropped in the first half of the year by a total of 1.24 percentage points to 4.15 per cent. However, the quarterly net interest margin improved from 3.97 per cent in the first quarter of 2010 to 4.33 per cent in the second quarter. Balance sheet assets rose 4 per cent or €0.5 billion year-on-year to €13.0 billion. Against this, credit risk-weighted assets fell significantly by 5 per cent to €8.6 billion, predominantly because of a continuing rise in the collateralization ratio for financial institutions and corporate customers as well as a reduction in volume in the public sector.

Net allocations to loan loss provisions dropped significantly year-on-year from €252 million to €67 million, for which both specific loan loss provisions and portfolio-based impairment losses were responsible. Net allocations to specific loan loss provisions stood at €93 million, 56 per cent below the figure for the first half of 2009. The main reasons for this were an improvement in the rating structure, calls for more collateral and the general improvement in the lending environment. Owing to the reduction in the loan portfolio and resulting write-backs of existing provisions, net allocations to portfolio loan loss provisions came out as a distinctly positive figure of €27 million. The non-performing loan ratio in the loan portfolio rose by 4.02 percentage points year-on-year to 11.22 per cent.

Net fee and commission income rose by 3 per cent or €3 million to €103 million. Net income from the payment transfer business improved by 21 per cent as a result of the higher transaction volume to €42 million, thus delivering the biggest contribution to net fee and commission income. Net income from loan administration and the guarantee business rose 17 per cent or €2 million year-on-year to €17 million because of the higher volume of guarantees issued. Profit from the securities business also increased to €6 million in the period under review. Income from foreign currency, notes and coins and precious metals , however, dropped to €24 million as a result of the 29 per cent year-on-year fall in foreign currency transactions.

A net trading loss of €20 million in the corresponding period in the previous year was turned into net income of €41 million in the first half of 2010. Net income from interest-related trading doubled here to almost €43 million, with valuation gains on fixed-interest bonds due mainly to the continuing decrease in interest rates and growth in the trading portfolio. Following a loss of €42 million in the corresponding period in the previous year, the loss from currency-related business in the first half was €2 million, coming mainly from valuations at fair value of forward exchange transactions, as a result of changes in forward rates, and the valuation of currency swaps.

In the period under review there was a net loss from derivative financial instruments of €15 million due mainly to the net valuations at fair value of interest rate swaps entered into to reduce yield curve risk.

The segment's general administrative expenses rose slightly by a total of 3 per cent to €199 million. Staff expenses were up 6 per cent or €6 million over the same period to €97 million. Set against this, the average number of employees fell year-on-year by 14 per cent to 8,427. Cuts in the headcount mainly affected staff at branches, although this only had a marginal impact on staff expenses. Other administrative expenses fell by 9 per cent, or €8 million, to €78 million. Depreciation of current investments in various reconstruction projects led to an €8 million increase in depreciation to €24 million. The number of business outlets fell by 12 per cent, or 28, year-on-year to 201, while the cost/income ratio in the region rose 8.4 percentage points to 50.9 per cent as a result of the decline in operating income.

Other net operating income in this segment was minus €10 million, for which allocations to other provisions were mainly responsible. These were formed as a result of litigation connected to the closing of a branch. Another factor was expenses for non-profit-related taxes.

As a result of the disposal of an asset management company for reasons of materiality, the segment showed a positive result of €3 million for net income from the disposal of group assets.

Income taxes grew by €23 million year-on-year to €29 million. An increase in non-deductible expenses led to a significantly higher tax charge and accordingly to a rise in the tax ratio of 5 percentage points to 26 per cent. Profit after minority interests grew by €41 million to €61 million.

CIS Other

in € million	1/1-30/6/2010	1/1-30/6/2009	Change
Net interest income	245	249	(1.4)%
Provisioning for impairment losses	(156)	(261)	(40.1)%
Net interest income after provisioning	**89**	**(12)**	**–**
Net fee and commission income	82	83	(1.4)%
Net trading income	16	24	(31.3)%
Net income from derivatives and designated liabilities	(1)	1	–
Net income from financial investments	15	12	25.9%
General administrative expenses	(163)	(155)	4.9%
of which staff costs	(83)	(83)	(0.1)%
of which other administrative expenses	(60)	(54)	11.4%
of which depreciation/amortization/write-downs	(19)	(18)	7.8%
Other net operating income	(4)	1	–
Net income from disposal of group assets	0	0	–
Profit/loss before tax	**34**	**(48)**	**–**
Income taxes	(10)	12	–
Profit/loss after tax	**24**	**(36)**	**–**
Minority interests in profit	(9)	(3)	184.8%
Profit after minorities	**15**	**(39)**	**–**
Share of profit before tax	4.4%	(5.9)%	10.3 PP
Share of profit after tax	3.3%	(6.5)%	9.8 PP
Risk-weighted assets (credit risk)[1]	5,438	6,502	(16.4)%
Total own funds requirement[1]	530	586	(9.6)%
Total assets[1]	7,287	7,001	4.1%
Liabilities[1]	6,241	6,100	2.3%
Cost/income ratio	48.0%	43.7%	4.3 PP
Average equity	619	645	(4.1)%
Return on equity before tax	11.0%	0.0%	26.0 PP
Average number of staff	17,363	19,038	(8.8)%
Number of business outlets[1]	1,030	1,149[2]	(10.4)%

[1] Reporting date values as of 30 June

[2] Previous year figure was adapted

Profit before tax for the segment CIS Other rose by €82 million to €34 million in the period under review. This positive result before tax was mainly achieved as a result of the significantly lower net allocations to loan loss provisions. The return on equity before taxes was accordingly positive and stood at 11.0 per cent.

The segment's net interest income dropped overall by 1 per cent or €4 million to €245 million. In Ukraine, the portfolio reduction, selective new business and credit restructuring measures all reduced earnings. By contrast, a switch from the funding of banks in Belarus to more favourable customer deposits led to a rise in the interest income. Balance sheet assets rose by 4 per cent or €0.3 billion to €7.3 billion and the net interest margin also rose by 72 basis points to 7.28 per cent. Credit risk-weighted assets, however, shrank by 16 per cent to €5.4 billion. Although the lending volume rose in the public sector, an improvement in Ukraine's credit rating brought about a lower weighting. In addition, the level of collateral increased.

Net allocations to loan loss provisions fell 40 per cent overall from €261 million to €156 million. In Ukraine slower growth in the number of non-performing loans and restructuring measures meant that significantly smaller provisions were required than in the corresponding period in the previous year, although they remained at a relatively high level. In Belarus net allocations to loan loss provisions actually rose slightly to €7 million in the first two quarters of 2010. For the region as a whole, allocations to specific loan loss provisions totalled €124 million, predominantly for retail loans in Ukraine. Net allocations to portfolio loan loss provisions rose year-on-year to €33 million, with the rise exclusively related to loans to major corporate customers in Ukraine. The segment's non-performing loan ratio rose in all by 9.03 percentage points year-on-year to 24.52 per cent. Viewed by country, it stood at 3.96 per cent in Belarus and 29.14 per cent in Ukraine.

Overall, net fee and commission income fell slightly year-on-year by 1 per cent, or €1 million, to €82 million. Income from the payment transfer business, which rose in all of the countries in the region, increased overall by 5 per cent or €3 million to €57 million, thus making the largest contribution to net fee and commission income. However, net income from foreign exchange, notes and coins and precious metals dropped by 25 per cent year-on-year to €19 million as a result of the end to the granting of foreign currency loans to retail customers in Ukraine.

Net trading income fell – mainly as a result of the reduction in currency-related business – from €24 million to €16 million. The movement in the Belarusian rouble exchange rate ran counter to that prevailing in the corresponding period in the previous year. Accordingly, a valuation gain of €19 million in the corresponding period in the previous year arising from a strategic currency position taken to hedge equity in Belarus turned into a valuation loss of €1 million in the reporting period. Income from the interest-related business, which was generated entirely in Ukraine, doubled to €7 million. Write-ups on fixed-interest bonds and securities were partly due to the improvement in Ukraine's credit rating.

Net income from financial investments came to €15 million. A positive factor here was the valuation gains under a mark-to-market approach for holdings of fixed-interest securities in Ukraine.

General administrative expenses for the segment were up year-on-year by 5 per cent or €8 million to €163 million, although staff expenses remained unchanged at €83 million. The average number of staff in the region fell by 9 per cent, or 1,675, to 17,363. The number of business outlets in Ukraine and Belarus was optimized, falling by 11 per cent, or 119, to 1,030. Other administrative expenses – mainly as a result of the rise in expenditure on IT in Ukraine – rose by 11 per cent, or €6 million, to €60 million. However, depreciation, amortization and write-offs totalled €19 million, up slightly from the figure for the corresponding period in the previous year. As a result of the fall in operating income, the cost/income ratio in the region rose by 4.3 percentage points to 48.0 per cent.

Other net operating income in this segment came to minus €4 million, arising from a number of smaller income and expense items and minor write-backs of other provisions, mostly for current litigation in Ukraine.

Income taxes totalled €10 million. Following the loss for the corresponding period in the previous year, profit for the period after minority interests was €15 million.

Rest of the World

in € million	1/1-30/6/2010	1/1-30/6/2009	Change
Net interest income	79	97	(19.2)%
Provisioning for impairment losses	(11)	(17)	(31.4)%
Net interest income after provisioning	**67**	**81**	**(16.7)%**
Net fee and commission income	45	35	25.7%
Net trading income	6	23	(74.6)%
Net income from derivatives and designated liabilities	(4)	3	–
Net income from financial investments	0	8	–
General administrative expenses	(28)	(32)	(11.2)%
of which staff costs	(16)	(19)	(15.2)%
of which other administrative expenses	(11)	(12)	(6.9)%
of which depreciation/amortization/write-downs	(1)	(1)	3.8%
Other net operating income	11	8	39.5%
Net income from disposal of group assets	8	0	–
Profit/loss before tax	**104**	**126**	**(17.6)%**
Income taxes	(17)	(16)	7.4%
Profit/loss after tax	**87**	**110**	**(21.1)%**
Minority interests in profit	0	0	–
Profit after minorities	**87**	**110**	**(21.1)%**
Share of profit before tax	13.4%	15.5%	(2.1) PP
Share of profit after tax	12.2%	19.8%	(7.6) PP
Risk-weighted assets (credit risk)[1]	5,235	4,163	25.7%
Total own funds requirement[1]	447	364	22.8%
Total assets[1]	11,436	16,864	(32.2)%
Liabilities[1]	10,822	16,264	(33.5)%
Cost/income ratio	20.3%	19.5%	0.8 PP
Average equity	521	435	19.8%
Return on equity before tax	40.0%	58.0%	(18.0) PP
Average number of staff	386	435	(11.3)%
Number of business outlets[1]	10	10	0.0%

[1] Reporting date values as of 30 June

Profit before tax in the Rest of the World segment fell by €22 million to €104 million in the first half of 2010. This decline was mainly caused by a lower net interest income and a lower net trading income, due to the reorganization of the London branch and transfer of business to the Head Office in Vienna.

The segment's net interest income fell by 19 per cent or €18 million to €79 million, which largely reflected a fall in earnings in the London branch: this was the result of its trading and investment portfolio being transferred to Head Office in Vienna. Balance sheet assets in the segment consequently fell by 32 per cent to €11.4 billion. This also caused an improvement in the net interest margin of 26 basis points to 1.39 per cent. Credit risk-weighted assets were up 26 per cent year-on-year. The main reason for this was a rise in credit exposure in the branches in the corporate area.

Net allocations to loan loss provisions dropped year-on-year by 31 per cent to €11 million, predominantly in respect of RZB Finance New York and the Beijing branch. The segment's non-performing loan ratio rose by 0.12 percentage points year-on-year to 3.16 per cent.

Net fee and commission income rose by 26 per cent to €45 million. Loan administration and the guarantee business contributed €38 million to this figure, predominantly as a result of intra-group transactions.

Net trading income fell by 75 per cent year-on-year to €6 million, with the income coming almost exclusively from the currency-related business, mainly at RZB AG branches. The transfer of the London branch's securities portfolio to Head Office in Vienna meant that there was nothing to report there.

There was a net loss from derivatives of €4 million. This mainly arose at project companies as a result of the valuation at fair value of intra-group interest rate swap transactions. These project companies were disposed of in the course of the second quarter.

Net income from financial investments comprised, on the one hand, profits from the valuation at fair value of securities at the Singapore branch and, on the other, valuation losses on securities held by the Malta bank.

General administrative expenses fell by 11 per cent to €28 million, mainly due to the fall in average staff numbers. Staff expenses fell by 15 per cent to €16 million and average staff numbers were down year-on-year by 11 per cent, or 49 people, leaving 386 employees. Other administrative expenses were 7 per cent lower than in the corresponding period in the previous year and amounted to €11 million. Depreciation, amortization and write-offs were unchanged at €1 million. The cost/income ratio rose slightly to come in at 20.3 per cent.

Other net operating income rose year-on-year by €3 million to €11 million. Half of this net income came from Raiffeisen Centrobank's trading companies, accompanied by a number of minor expense items.

Due to the disposal of project companies set up for the technical processing of liquidity reserves, the segment registered a net gain of €8 million from the disposal of group assets.

Income taxes rose by 7 per cent year-on-year to €17 million. Profit after tax and minority interests fell year-on-year by 21 per cent to €87 million.

Interim consolidated financial statements

(Interim report as of 30 June 2010)

Statement of comprehensive income

Income statement

in € million	Notes	1/1-30/6/2010	1/1-30/6/2009	Change
Interest income		3,246.6	4,044.5	(19.7)%
Current income from associates		9.5	58.6	(83.7)%
Interest expenses		(1,466.0)	(2,311.0)	(36.6)%
Net interest income	**(2)**	**1,790.1**	**1,792.0**	**(0.1)%**
Provisioning for impairment losses	(3)	(608.3)	(1,267.0)	(52.0)%
Net interest income after provisioning		**1,181.8**	**525.0**	**125.1%**
Fee and commission income		841.0	824.0	2.1%
Fee and commission expense		(126.0)	(135.3)	(6.9)%
Net fee and commission income	**(4)**	**715.0**	**688.7**	**3.8%**
Net trading income	(5)	181.1	266.3	(32.0)%
Net income from derivatives and designated liabilities	(6)	(135.0)	141.9	(195.1)%
Net income from financial investments	(7)	52.7	161.5	(67.3)%
General administrative expenses	(8)	(1,467.8)	(1,390.7)	5.5%
Other net operating income	(9)	13.8	69.7	(80.2)%
Net income from disposal of group assets		4.9	1.0	382.7%
Profit before tax		**546.6**	**463.3**	**18.0%**
Income taxes		(59.2)	(222.0)	(73.3)%
Profit after tax		**487.4**	**241.3**	**102.0%**
Minority interests in profit		(85.7)	(73.0)	17.5%
Consolidated profit		**401.6**	**168.3**	**138.6%**

Transition to total comprehensive income

	Group equity		Minority interests	
in € million	**1/1-30/6/2010**	**1/1-30/6/2009**	**1/1-30/6/2010**	**1/1-30/6/2009**
Consolidated profit	**402**	**168**	**86**	**73**
Exchange differences	266	(169)	104	(57)
Capital hedge	(6)	(16)	0	(5)
Cash flow hedge	103	66	0	2
Fair value reserve (available-for-sale financial assets)	31	(1)	0	1
Changes in equity of companies valued at equity	3	(96)	(7)	(7)
Deferred taxes on income and expenses directly recognized in equity	(24)	(12)	0	0
Other comprehensive income	**373**	**(228)**	**97**	**(66)**
Total comprehensive income	**775**	**(60)**	**183**	**7**

Earnings per share

in €	**1/1-30/6/2010**	**1/1-30/6/2009**	**Change**
Earnings per share	51.61	11.07	40.54

Earnings per share are calculated on the basis of the adjusted consolidated profit for the period (less preference dividend and dividend for participation capital) and the average number of ordinary shares outstanding. In the first six months of 2010, the number of ordinary shares outstanding was unchanged to the comparable period of 2009 with 5,539,885 units.

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

Profit development

Quarterly results

in € million	Q3/2009	Q4/2009	Q1/2010	Q2/2010
Net interest income	833.8	835.9	855.2	934.9
Provisioning for impairment losses	(441.0)	(538.7)	(325.3)	(283.0)
Net interest income after provisioning	**392.8**	**297.2**	**529.9**	**651.9**
Net fee and commission income	368.9	364.2	336.8	378.2
Net trading income	103.0	49.2	125.6	55.5
Net income from derivatives and designated liabilities	(9.6)	40.2	(47.1)	(87.9)
Net income from financial investments	137.3	11.0	141.6	(88.9)
General administrative expenses	(659.9)	(744.1)	(719.4)	(748.4)
Other net operating income	9.2	1.3	2.4	11.4
Net income from disposal of group assets	0.1	0.0	4.7	0.2
Profit before tax	**341.8**	**19.0**	**374.5**	**172.0**
Income taxes	(71.8)	40.3	(32.8)	(26.4)
Profit after tax	**270.0**	**59.3**	**341.7**	**145.6**
Minority interests in profit	(39.6)	(24.6)	(49.3)	(36.4)
Consolidated profit/loss	**230.4**	**34.7**	**292.4**	**109.2**

in € million	Q3/2008	Q2/2008	Q1/2009	Q2/2009
Net interest income	1,040.8	1,236.0	910.5	881.5
Provisioning for impairment losses	(172.1)	(778.7)	(596.4)	(670.6)
Net interest income after provisioning	**868.7**	**457.3**	**314.1**	**210.9**
Net fee and commission income	462.5	462.4	346.7	342
Net trading income	(53.3)	(29.0)	164.2	102.1
Net income from derivatives and designated liabilities	(29.9)	(7.8)	2.6	139.3
Net income from financial investments	(377.6)	(483.8)	(61.0)	222.5
General administrative expenses	(816.9)	(806.5)	(693.1)	(697.6)
Other net operating income	22.1	48.4	44.9	24.9
Net income from disposal of group assets	(0.4)	1.9	(0.4)	1.4
Profit before tax	**75.2**	**(357.1)**	**118.0**	**345.5**
Income taxes	50.2	12.7	(29.3)	(192.8)
Profit after tax	**125.4**	**(344.4)**	**88.7**	**152.7**
Minority interests in profit	(115.7)	(10.8)	(12.7)	(60.3)
Consolidated profit/loss	**9.7**	**(355.2)**	**76.0**	**92.4**

Statement of financial position

Assets in € million	Notes	30/6/2010	31/12/2009	Change
Cash reserve		6,558	8,271	(20.7)%
Loans and advances to banks	(11,30)	31,627	33,887	(6.7)%
Loans and advances to customers	(12,30)	78,920	74,855	5.4%
Impairment losses on loans and advances	(13)	(4,779)	(4,177)	14.4%
Trading assets	(14,30)	10,572	8,532	23.9%
Derivatives	(15,30)	1,862	1,808	3.0%
Financial investments	(16,30)	20,662	18,901	9.3%
Investments in associates	(30)	1,293	1,310	(1.3)%
Intangible fixed assets	(17)	1,217	1,123	8.4%
Tangible fixed assets	(18)	1,645	1,605	2.5%
Other assets	(19,30)	2,635	1,823	44.6%
Total assets		**152,212**	**147,938**	**2.9%**

Equity and liabilities in € million	Notes	30/6/2010	31/12/2009	Change
Deposits from banks	(20,30)	51,492	49,917	3.2%
Deposits from customers	(21,30)	55,492	55,423	0.1%
Debt securities issued	(22,30)	18,687	19,935	(6.3)%
Provisions for liabilities and charges	(23,30)	640	593	7.9%
Trading liabilities	(24,30)	7,104	4,391	61.8%
Derivatives	(25,30)	1,809	1,502	20.5%
Other liabilities	(26,30)	1,522	1,305	16.6%
Subordinated capital	(27,30)	4,459	4,564	(2.3)%
Equity	(28)	11,007	10,308	6.8%
Consolidated equity		7,892	7,301	8.1%
Consolidated profit		402	433	(7.3)%
Minority interests		2,713	2,574	5.4%
Total equity and liabilities		**152,212**	**147,938**	**2.9%**

Statement of changes in equity

in € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Minority interests	Total
Equity as of 1/1/2009	**444**	**750**	**1,051**	**3,620**	**48**	**2,675**	**8,587**
Capital increases	0	1,750	0	0	0	0	1,750
Transferred to retained earnings	0	0	0	(102)	102	0	0
Dividend payments	0	0	0	0	(150)	(82)	(232)
Total comprehensive income	0	0	0	(228)	168	7	(52)
Shift in shares	0	0	0	62	0	(112)	(50)
Other changes	0	0	0	(18)	0	13	(5)
Equity as of 30/6/2009	**444**	**2,500**	**1,051**	**3,333**	**168**	**2,501**	**9,997**

in € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Minority interests	Total
Equity as of 1/1/2010	**444**	**2,500**	**1,051**	**3,306**	**433**	**2,574**	**10,308**
Capital increases	0	0	0	0	0	4	4
Transferred to retained earnings	0	200	0	233	(433)	0	0
Dividend payments	0	(200)	0	0	0	(46)	(246)
Total comprehensive income	0	0	0	373	402	183	958
Other changes	0	0	0	(15)	0	(2)	(17)
Equity as of 30/6/2010	**444**	**2,500**	**1,051**	**3,897**	**402**	**2,713**	**11,007**

Statement of cash flows

in € million	1/1-30/6/2010	1/1-30/6/2009
Cash and cash equivalents at the end of previous period	**8,271**	**13,712**
Net cash from operating activities	(672)	(272)
Net cash from investing activities	(761)	(6,182)
Net cash from financing activities	(347)	1,566
Effect of exchange rate changes	67	(305)
Cash and cash equivalents at the end of period	**6,558**	**8,519**

Segment reporting

RZB reports on the following operating segments. The location of the respective business outlets is the criterion for segment assignment:

- **Austria**
  Head office and Austrian subsidiaries

- **Central Europe**
  Czech Republic, Hungary, Poland, Slovakia and Slovenia

- **Southeastern Europe**
  Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Moldova, Romania and Serbia

- **Russia**

- **CIS Other**
  Belarus, Kazakhstan and Ukraine

- **Rest of the World**
  RZB's branches in London, Singapore, Beijing, Xiamen and Labuan and Group units located in other countries such as Germany, Finland, Malta, Switzerland and the United States.

The reconciliation mainly comprises amounts resulting from the elimination of intra-group results and consolidation between segments.

1/1-30/6/2010 in € million	Austria	Central Europe	South-eastern Europe	Russia	CIS Other	Rest of the World	Recon-ciliation	Total
Net interest income	459.0	538.5	444.7	256.4	245.1	78.7	(232.3)	1,790.1
of which current income from associates	10.4	0.0	(0.9)	0.0	0.0	0.0	0.0	9.5
Provisioning for impairment losses	(37.1)	(197.8)	(139.2)	(66.5)	(156.4)	(11.3)	0.0	(608.3)
Net interest income after provisioning	**421.9**	**340.7**	**305.5**	**189.9**	**88.7**	**67.4**	**(232.3)**	**1,181.8**
Net fee and commission income	79.8	226.4	185.9	102.6	81.5	44.6	(5.8)	715.0
Net trading income	70.5	29.3	24.2	41.1	16.4	5.9	(6.2)	181.1
Net income from derivatives and designated liabilities	(115.5)	(11.4)	(9.2)	(14.9)	(0.8)	(4.4)	21.2	(135.0)
Net income from financial investments	35.7	(7.1)	6.8	0.3	14.7	(0.2)	2.5	52.7
General administrative expenses	(323.5)	(425.9)	(357.0)	(198.9)	(162.9)	(28.5)	28.8	(1,467.8)
of which staff expenses	(165.9)	(207.9)	(154.3)	(97.1)	(83.1)	(15.9)	0.0	(724.2)
of which other administrative expenses	(126.5)	(177.6)	(152.5)	(78.2)	(60.4)	(11.1)	28.8	(577.5)
of which depreciation	(31.0)	(40.4)	(50.2)	(23.5)	(19.4)	(1.5)	0.0	(166.1)
Other net operating income	57.3	(25.5)	19.1	(9.5)	(3.7)	11.4	(35.4)	13.8
Net income from disposal of group assets	0.0	1.4	(7.2)	2.8	0.0	7.8	0.0	4.9
Profit/loss before tax	**226.3**	**128.0**	**168.1**	**113.4**	**34.0**	**104.0**	**(227.2)**	**546.6**
Income taxes	51.7	(31.0)	(23.7)	(29.3)	(10.2)	(16.9)	0.1	(59.2)
Profit/loss after tax	**278.1**	**96.9**	**144.4**	**84.1**	**23.8**	**87.1**	**(227.1)**	**487.4**
Minority interests in profit	(16.7)	(46.2)	(46.6)	(23.0)	(8.9)	0.0	55.6	(85.7)
Consolidated profit/loss	**261.4**	**50.7**	**97.8**	**61.1**	**14.9**	**87.1**	**(171.5)**	**401.6**
Share of profit before tax	29.3%	16.5%	21.7%	14.7%	4.4%	13.4%	–	100.0%
Share of profit after tax	38.9%	13.6%	20.2%	11.8%	3.3%	12.2%	–	100.0%
Risk-weighted assets (credit risk)[1]	34,932	21,636	15,925	8,625	5,438	5,235	(14,146)	77,646
Total own funds requirement[1]	3,213	1,969	1,486	898	530	447	(779)	7,764
Total assets[1]	96,274	33,699	23,012	13,016	7,287	11,436	(32,512)	152,212
Liabilities[1]	88,771	31,083	20,267	11,133	6,241	10,822	(27,112)	141,205
Cost/income ratio	48.5%	55.4%	53.0%	50.9%	48.0%	20.3%	–	54.4%
Average equity	4,080	2,516	1,895	896	619	521	–	10,527
Return on equity before tax	11.1%	10.2%	17.7%	25.3%	11.0%	40.0%	–	10.4%
Average number of staff	3,238	12,971	17,170	8,427	17,363	386	–	59,555
Number of business outlets[1]	12	554	1,173	201	1,030	10	–	2,980

[1] Reporting date values as of 30 June

1/1-30/6/2009 in € million	Austria	Central Europe	South-eastern Europe	Russia	CIS Other	Rest of the World	Recon-ciliation	Total
Net interest income	484.8	463.2	443.3	373.5	248.5	97.4	(318.8)	1,792.0
of which current income from associates	58.1	0.0	0.5	0.0	0.0	0.0	0.0	58.6
Provisioning for impairment losses	(282.0)	(228.8)	(226.9)	(251.7)	(261.0)	(16.5)	0.0	(1,267.0)
Net interest income after provisioning	**202.8**	**234.4**	**216.4**	**121.8**	**(12.5)**	**80.9**	**(318.8)**	**525.0**
Net fee and commission income	75.6	200.3	200.3	99.6	82.7	35.5	(5.2)	688.7
Net trading income	136.7	58.4	55.2	(19.7)	23.9	23.2	(11.3)	266.3
Net income from derivatives and designated liabilities	122.7	4.6	(2.7)	17.5	0.8	2.6	(3.6)	141.9
Net income from financial investments	122.2	21.8	7.6	1.7	11.7	7.8	(11.4)	161.5
General administrative expenses	(285.3)	(402.4)	(362.1)	(193.3)	(155.4)	(32.1)	39.8	(1,390.7)
of which staff expenses	(161.5)	(189.9)	(157.7)	(91.4)	(83.1)	(18.7)	0.0	(702.3)
of which other administrative expenses	(94.6)	(175.0)	(156.7)	(86.3)	(54.2)	(11.9)	39.8	(539.0)
of which depreciation	(29.1)	(37.5)	(47.7)	(15.6)	(18.0)	(1.4)	0.0	(149.5)
Other net operating income	83.2	0.7	13.9	1.6	0.5	8.2	(38.6)	69.7
Net income from disposal of group assets	0.9	0.1	0.0	0.0	0.0	0.0	0.0	1.0
Profit/loss before tax	**458.9**	**117.9**	**128.7**	**29.1**	**(48.3)**	**126.1**	**(349.1)**	**463.3**
Income taxes	(196.3)	(27.2)	(21.7)	(6.0)	12.1	(15.7)	32.8	(222.0)
Profit/loss after tax	**262.6**	**90.7**	**107.0**	**23.1**	**(36.2)**	**110.5**	**(316.3)**	**241.3**
Minority interests in profit	(18.9)	(18.7)	(10.9)	(3.6)	(3.1)	0.0	(17.8)	(73.0)
Consolidated profit/loss	**243.7**	**72.0**	**96.1**	**19.5**	**(39.3)**	**110.5**	**(334.1)**	**168.3**
Share of profit before tax	56.5%	14.5%	15.8%	3.6%	(5.9)%	15.5%	–	100.0%
Share of profit after tax	47.1%	16.3%	19.2%	4.1%	(6.5)%	19.8%	–	100.0%
Risk-weighted assets (credit risk)[1]	34,503	22,024	17,182	9,038	6,502	4,163	(12,696)	80,716
Total own funds requirement[1]	3,212	2,013	1,556	842	586	364	(660)	7,912
Total assets[1]	99,905	33,717	23,960	12,477	7,001	16,864	(37,985)	155,938
Liabilities[1]	92,545	31,344	21,226	10,998	6,100	16,264	(32,536)	145,941
Cost/income ratio	36.6%	55.7%	50.8%	42.5%	43.7%	19.5%	–	49.4%
Average equity	3,422	2,099	1,683	923	645	435	–	9,207
Return on equity before tax	26.8%	11.2%	15.3%	6.3%	0.0%	58.0%	–	10.1%
Average number of staff	3,155	13,879	18,927	9,819	19,038	435	–	65,253
Number of business outlets[1]	11	583	1,206	229[2]	1,149[2]	10	–	3,188

[1] Reporting date values as of 30 June

[2] Previous year figure was adapted.

Notes

Recognition and measurement principles

The consolidated financial statements of Raiffeisen Zentralbank 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 2010 is prepared in accordance with IAS 34. In the interim reporting, the same recognition and measurement principles and consolidation methods are applied as in the preparation of the consolidated financial statements of 2009. Standards and Interpretations to be applied in the EU as of 1 January 2010 were applied in the interim report.

In March 2010, the EU adopted IFRIC 16 (Hedges of a Net Investment in a Foreign Operation). IFRIC 16 is to be applied for the business years beginning on or after 30 June 2009. RZB adopted IFRIC 16 for the business year 2010 for the first time. The Interpretation provides guidance on identifying the risk of a net investment in a foreign operation and on where, within a Group, hedging instruments can be held to minimize the risk. In the interim report, the measurement result shown in other comprehensive income amounted to minus € 1 million.

The interim report for the first half-year 2010 of Raiffeisen Zentralbank Österreich Aktiengesellschaft did not undergo a complete audit, neither did it undergo an audit inspection carried out by a certified auditor.

Changes in consolidated group

	Fully consolidated		Equity method	
Number of units	**1/1-30/6/2010**	**1/1-31/12/2009**	**1/1-30/6/2010**	**1/1-31/12/2009**
As of beginning of period	371	357	13	13
Included for the first time in the financial period	4	26	0	0
Merged in the financial period	0	(4)	0	0
Excluded in the financial period	(45)	(8)	0	0
As of end of period	**330**	**371**	**13**	**13**

The following companies were included in the consolidated financial statements for the first time:

Name	Share	Included as of	Fact
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	100.0%	1/1	Start of operations
ÖKO-Drive FuhrparkmanagementGmbH, Vienna (AT)	51.0%	1/6	Start of operations
Tertia Immobilienanlagen GmbH, Vienna (AT)	51.0%	1/3	Acquisition
TRITON Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	51.0%	1/6	Start of operations

In the reporting period, 44 subsidiaries were excluded due to changed materiality limits.

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	1/1-30/6/2010	1/1-30/6/2009
Net income from financial assets and liabilities held-for-trading	119.0	569.0
Net income from financial assets and liabilities at fair value through profit or loss	75.9	361.6
Net income from financial assets available-for-sale	7.1	15.1
Net income from loans and advances	2,116.5	2,234.4
Net income from financial assets held-to-maturity	228.3	224.1
Net income from financial liabilities measured at acquisition cost	(1,465.7)	(2,300.1)
Net income from derivatives (hedging)	(7.6)	1.7
Net revaluations from exchange differences	197.8	(69.8)
Other operating income/expenses	(724.7)	(572.7)
Total profit before tax from continuing operations	**546.6**	**463.3**

(2) Net interest income

in € million	1/1-30/6/2010	1/1-30/6/2009
Interest and interest-like income, total	**3,246.6**	**4,044.5**
Interest income	3,226.6	4,022.3
from balances at central banks	50.6	89.0
from loans and advances to banks	192.3	367.3
from loans and advances to customers	2,338.0	2,865.6
from financial investments	360.9	414.6
from leasing claims	133.5	181.6
from derivative financial instruments (non-trading), net	151.3	104.2
Current income	9.3	9.1
Interest-like income	10.7	13.1
Current income from associates	**9.5**	**58.6**
Interest expenses and interest-like expenses, total	**(1,466.0)**	**(2,311.0)**
Interest expenses	(1,441.7)	(2,282.9)
on deposits from central banks	(0.2)	(10.9)
on deposits from banks	(346.0)	(667.7)
on deposits from customers	(673.2)	(1,021.8)
on debt securities issued	(317.9)	(462.1)
on subordinated capital	(104.4)	(120.4)
Interest-like expenses	(24.3)	(28.1)
Net interest income	**1,790.1**	**1,792.0**

(3) Provisioning for impairment losses

in € million	1/1-30/6/2010	1/1-30/6/2009
Individual loan loss provisions	**(519.2)**	**(1,109.1)**
Allocation to provisions for impairment losses	(864.4)	(1,257.6)
Release of provisions for impairment losses	345.1	168.4
Direct write-downs	(28.8)	(31.6)
Income received on written-down claims	28.9	11.7
Portfolio-based loan loss provisions	**(90.3)**	**(159.6)**
Allocation to provisions for impairment losses	(296.6)	(317.6)
Release of provisions for impairment losses	206.3	158.0
Gains from the sales of loans	**1.2**	**1.7**
Total	**(608.3)**	**(1,267.0)**

(4) Net fee and commission income

in € million	1/1-30/6/2010	1/1-30/6/2009
Payment transfer business	283.3	263.5
Loan administration and guarantee business	140.2	128.1
Securities business	65.1	54.5
Foreign currency, notes/coins and precious-metals business	156.8	181.9
Management of investment and pension funds	12.7	11.6
Agency services for own and third-party products	20.5	13.7
Credit derivatives business	3.1	0.7
Other banking services	33.3	34.8
Total	**715.0**	**688.7**

(5) Net trading income

in € million	1/1-30/6/2010	1/1-30/6/2009
Interest-based transactions	144.8	162.8
Currency-based transactions	64.4	74.5
Equity-/index-based transactions	9.9	18.8
Credit derivatives business	5.9	1.0
Other transactions	(43.9)	(2.3)
Net income from liabilities designated at fair value	–	11.4
Total	**181.1**	**266.3**

Net income from liabilities designated at fair value and the related interest previously shown under net trading income was reclassified in the first half year 2010. The measurement result has been reclassified to the item net income from derivatives and designated liabilities and all net interest income of related interest rate swaps has been reclassified into net interest income. The previous year's figure has not been adapted as the costs of obtaining the result would outweigh the benefit.

(6) Net income from derivatives and designated liabilities

in € million	1/1-30/6/2010	1/1-30/6/2009
Net income from hedge accounting	(1.3)	3.6
Net income from credit derivatives	(3.4)	31.1
Net income from other derivatives	(18.7)	107.2
Net income from liabilities designated at fair value	(111.6)	–
Total	**(135.0)**	**141.9**

Net income from liabilities designated at fair value and the related interest previously shown under net trading income was reclassified in the first half year 2010. The measurement result has been reclassified to the item net income from derivatives and designated liabilities and all net interest income of related interest rate swaps has been classified into net interest income. The previous year's figure has not been adapted as the costs of obtaining the result would outweigh the benefit.

(7) Net income from financial investments

in € million	1/1-30/6/2010	1/1-30/6/2009
Net income from financial investments held-to-maturity	**4.9**	**0.1**
Net valuations of financial investments held-to-maturity	0.5	2.2
Net proceeds from sales of financial investments held-to-maturity	4.4	(2.1)
Net income from equity participations	**(0.6)**	**8.7**
Net valuations of equity participations	(1.6)	(0.2)
Net proceeds from sales of equity participations	1.0	8.9
Net income from securities at fair value through profit and loss	**48.4**	**152.7**
Net valuations of securities at fair value through profit and loss	23.0	140.6
Net proceeds from sales of securities at fair value through profit and loss	25.4	12.1
Total	**52.7**	**161.5**

(8) General administrative expenses

in € million	1/1-30/6/2010	1/1-30/6/2009
Staff expenses	(724.2)	(702.3)
Other administrative expenses	(577.5)	(539.0)
Depreciation on intangible and tangible fixed assets	(166.1)	(149.4)
Total	**(1,467.8)**	**(1,390.7)**

(9) Other net operating income

in € million	1/1-30/6/2010	1/1-30/6/2009
Sales revenues from non-banking activities	360.0	516.0
Expenses arising from non-banking activities	(330.8)	(483.0)
Net income from additional leasing services	1.7	1.3
Rental income from operating lease (vehicles and equipment)	21.5	24.2
Rental income from investment property incl. operating lease (real estate)	3.9	4.2
Net proceeds from disposal of tangible and intangible fixed assets	(3.8)	(2.3)
Other taxes	(44.7)	(27.0)
Income from release of negative goodwill	0.3	4.7
Net expense from allocation and release of other provisions	(7.1)	5.6
Sundry operating income	32.7	44.6
Sundry operating expenses	(19.9)	(18.6)
Total	**13.8**	**69.7**

Notes to the statement of financial position

(10) Statement of financial position according to measurement categories

The following table shows the book values according to the measurement categories defined in IAS 39:

Assets according to measurement categories in € million	30/6/2010	31/12/2009
Trading assets	11,407	9,429
Financial assets at fair value through profit or loss	7,682	6,696
Financial assets available-for-sale	1,013	950
Investments in associates	1,293	1,310
Loans and advances	114,929	114,628
Financial assets held-to-maturity	11,999	11,286
Derivatives (hedging)	1,027	911
Other assets	2,862	2,728
Total assets	**152,212**	**147,938**

Positive market values of derivatives not designated as hedging instruments under 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 net of any provisions for impairment losses. Other assets comprise intangible and tangible fixed assets.

Equity and liabilities according to measurement categories in € million	30/6/2010	31/12/2009
Trading liabilities	8,346	5,416
Financial liabilities	129,561	129,025
Liabilities at fair value through profit and loss	2,091	2,119
Derivatives (hedging)	567	477
Provisions for liabilities and charges	640	593
Equity	11,007	10,308
Total equity and liabilities	**152,212**	**147,938**

Negative market values of derivatives not designated as hedging instruments under IAS 39 Hedge Accounting are reported in the measurement category trading liabilities.

(11) Loans and advances to banks

in € million	30/6/2010	31/12/2009
Giro and clearing business	1,194	1,828
Money market business	24,866	25,582
Loans to banks	3,971	4,436
Purchased loans	96	49
Leasing claims	81	91
Claims evidenced by paper	1,419	1,901
Total	**31,627**	**33,887**

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

in € million	30/6/2010	31/12/2009
Austria	11,963	12,935
Central Europe	980	1,323
Southeastern Europe	1,332	1,462
Russia	1,070	560
CIS Other	568	466
Other countries	15,714	17,142
Total	**31,627**	**33,887**

The breakdown of loans and advances to banks by bank segment is as follows:

in € million	30/6/2010	31/12/2009
Central banks	2,214	1,952
Commercial banks	29,382	31,881
Multilateral development banks (MDB)	31	54
Total	**31,627**	**33,887**

(12) Loans and advances to customers

in € million	30/6/2010	31/12/2009
Credit business	49,129	45,491
Money market business	5,795	4,615
Mortgage loans	17,188	17,993
Purchased loans	1,201	899
Leasing claims	4,560	4,715
Claims evidenced by paper	1,047	1,142
Total	**78,920**	**74,855**

In accordance with Basel II definitions, the breakdown of loans and advances to customers by asset class is as follows:

in € million	30/6/2010	31/12/2009
Sovereigns	1,716	1,675
Corporate customers – large	51,885	48,617
Corporate customers – small business	4,306	4,157
Retail customers – private individuals	18,413	17,860
Retail customers – small and medium-sized entities	2,453	2,389
Other	147	157
Total	**78,920**	**74,855**

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

in € million	30/6/2010	31/12/2009
Austria	9,572	9,237
Central Europe	23,788	23,389
Southeastern Europe	12,742	12,327
Russia	6,761	6,109
CIS Other	6,061	5,400
Other countries	19,996	18,393
Total	**78,920**	**74,855**

(13) Impairment losses on loans and advances

In accordance with Basel II definitions, provisions for impairment losses are allocated to the following asset classes:

in € million	30/6/2010	31/12/2009
Sovereigns	3	3
Banks	328	407
Corporate customers – large	2,385	2,042
Corporate customers – small business	404	338
Retail customers – private individuals	1,424	1,175
Retail customers – small and medium-sized entities	235	212
Total	**4,779**	**4,177**

The following table shows the geographic breakdown of provisioning (including provisions for off-balance-sheet commitments) by the entities' registered office:

in € million	As of 1/1/2010	Change in consolidated group	Allocation[1]	Release	Usage[2]	Exchange differences	As of 30/6/2010
Individual loan loss provisions	**3,400**	**(1)**	**864**	**(345)**	**(276)**	**243**	**3,885**
Austria	931	0	35	(17)	(98)	49	900
Central Europe	759	(1)	289	(156)	(60)	(1)	830
Southeastern Europe	485	0	230	(87)	(59)	2	571
Russia	482	0	174	(82)	(37)	64	601
CIS Other	657	0	127	(3)	(12)	120	889
Rest of the World	86	0	9	0	(10)	9	94
Portfolio-based loan loss provisions	**860**	**0**	**297**	**(207)**	**0**	**45**	**995**
Austria	73	0	19	0	0	0	92
Central Europe	274	0	125	(60)	0	0	339
Southeastern Europe	199	0	37	(39)	0	5	202
Russia	137	0	35	(62)	0	16	126
CIS Other	161	0	76	(44)	0	21	214
Rest of the World	16	0	5	(2)	0	3	22
Total	**4,260**	**(1)**	**1,161**	**(552)**	**(276)**	**288**	**4,880**

1 Allocation includes direct write downs and income on written down claims.
2 Usage includes direct write-downs and income on written down claims.

The following table gives an overview of loans and advances as well as loan loss provisions according to Basel II asset classes:

30/6/2010 in € million	Carrying amount	Individual loan loss provisions	Portfolio - based provisions	Net carrying amount	Individually impaired assets	Fair value
Banks	31,627	328	0	31,299	590	31,204
Sovereigns	1,716	3	0	1,714	50	1,653
Corporate customers – large	51,885	1,980	405	49,500	3,979	49,842
Corporate customers – small business	4,306	356	48	3,902	669	4,093
Retail customers – private individuals	18,413	991	433	16,989	1,455	18,137
Retail customers – small and medium-sized entities	2,453	184	51	2,219	306	2,251
Other	147	0	0	145	1	146
Total	**110,547**	**3,842**	**937**	**105,768**	**7,050**	**107,326**

31/12/2009 in € million	Carrying amount	Individual loan loss provisions	Portfolio - based provisions	Net carrying amount	Individually impaired assets	Fair value
Banks	33,887	407	0	33,480	519	33,398
Sovereigns	1,675	3	0	1,672	80	1,596
Corporate customers – large	48,617	1,725	316	46,576	3,728	46,762
Corporate customers – small business	4,157	285	53	3,819	589	4,003
Retail customers – private individuals	17,860	783	392	16,685	1,198	17,660
Retail customers – small and medium-sized entities	2,389	158	54	2,177	273	2,311
Other	157	0	0	157	0	158
Total	**108,742**	**3,362**	**815**	**104,566**	**6,387**	**105,888**

(14) Trading assets

in € million	30/6/2010	31/12/2009
Bonds, notes and other fixed-interest securities	4,677	4,578
Shares and other variable-yield securities	386	480
Positive fair values of derivative financial instruments	5,255	3,066
Call/time deposits from trading purposes	254	408
Total	**10,572**	**8,532**

(15) Derivatives

in € million	30/6/2010	31/12/2009
Positive fair values of derivatives in fair value hedges (IAS 39)	329	379
Positive fair values of derivatives in cash flow hedges (IAS 39)	698	532
Positive fair values of credit derivatives	14	14
Positive fair values of other derivatives	821	883
Total	**1,862**	**1,808**

(16) Financial investments

in € million	30/6/2010	31/12/2009
Bonds, notes and other fixed-interest securities	19,406	17,611
Shares and other variable-yield securities	493	590
Equity participations	763	700
Total	**20,662**	**18,901**

(17) Intangible fixed assets

in € million	30/6/2010	31/12/2009
Goodwill	658	589
Software	416	410
Other intangible fixed assets	143	124
Total	**1,217**	**1,123**

(18) Tangible fixed assets

in € million	30/6/2010	31/12/2009
Land and buildings used by the Group for own purpose	673	651
Other land and buildings (investment property)	97	76
Office furniture and equipment as well as other tangible fixed assets	575	577
Leased assets (operating lease)	300	301
Total	**1,645**	**1,605**

(19) Other assets

in € million	30/6/2010	31/12/2009
Tax assets	440	372
Receivables arising from non-banking activities	167	177
Prepayments and other deferrals	317	262
Clearing claims from securities and payment transfer business	512	238
Lease in progress	170	196
Assets held-for-sale (IFRS 5)	2	2
Inventories	95	82
Any other business	932	494
Total	**2,635**	**1,823**

(20) Deposits from banks

in € million	30/6/2010	31/12/2009
Giro and clearing business	3,383	3,120
Money market business	37,864	35,684
Long-term refinancing	10,245	11,113
Total	**51,492**	**49,917**

The regional breakdown (counterparty's seat) for deposits from banks is as follows:

in € million	30/6/2010	31/12/2009
Austria	25,427	25,227
Central Europe	1,618	1,671
Southeastern Europe	853	1,456
Russia	10	406
CIS Other	48	38
Other countries	23,536	21,119
Total	**51,492**	**49,917**

The breakdown of deposits by bank segment is as follows:

in € million	30/6/2010	31/12/2009
Central banks	4,024	4,158
Commercial banks	45,984	44,270
Multilateral development banks (MDB)	1,484	1,489
Total	**51,492**	**49,917**

(21) Deposits from customers

in € million	30/6/2010	31/12/2009
Sight deposits	23,956	21,472
Time deposits	30,101	32,551
Savings deposits	1,435	1,400
Total	**55,492**	**55,423**

Deposits from customers break down by analogy to Basel II definitions as follows:

in € million	30/6/2010	31/12/2009
Sovereigns	1,683	1,726
Corporate customers – large	25,885	26,345
Corporate customers – small business	2,345	2,332
Retail customers – private individuals	21,891	21,479
Retail customers – small and medium-sized entities	3,104	3,134
Other	584	407
Total	**55,492**	**55,423**

The regional breakdown (counterparty's seat) for deposits from customers is as follows:

in € million	30/6/2010	31/12/2009
Austria	5,686	4,850
Central Europe	19,170	19,455
Southeastern Europe	12,578	12,256
Russia	6,218	5,503
CIS Other	3,417	2,897
Other countries	8,423	10,462
Total	**55,492**	**55,423**

(22) Debt securities issued

in € million	30/6/2010	31/12/2009
Bonds and notes issued	16,980	18,837
Money market instruments issued	1,135	483
Other debt securities issued	572	615
Total	**18,687**	**19,935**

(23) Provisions for liabilities and charges

in € million	30/6/2010	31/12/2009
Severance payments	65	64
Retirement benefits	72	71
Taxes	67	64
Contingent liabilities and commitments	101	83
Pending legal issues	87	75
Overdue vacation	52	46
Bonus payments	106	131
Restructuring	11	3
Other	79	56
Total	**640**	**593**

(24) Trading liabilities

in € million	30/6/2010	31/12/2009
Negative fair values of derivative financial instruments	6,740	4,014
Short-selling of trading assets	364	374
Call/time deposits from trading purposes	0	3
Total	**7,104**	**4,391**

(25) Derivatives

in € million	30/6/2010	31/12/2009
Negative fair values of derivatives in fair value hedges (IAS 39)	8	21
Negative fair values of derivatives in cash flow hedges (IAS 39)	559	456
Negative fair values of credit derivatives	29	27
Negative fair values of derivative financial instruments	1,213	998
Total	**1,809**	**1,502**

(26) Other liabilities

in € million	30/6/2010	31/12/2009
Liabilities from non-banking activities	127	125
Accruals and deferred items	252	170
Liabilities from dividends	1	1
Clearing claims from securities and payment transfer business	691	682
Any other business	451	327
Total	**1,522**	**1,305**

(27) Subordinated capital

in € million	30/6/2010	31/12/2009
Hybrid Tier 1-capital	809	819
Subordinated liabilities	2,687	2,802
Supplementary capital	707	681
Participation capital	256	262
Total	**4,459**	**4,564**

(28) Equity and minorities

in € million	30/6/2010	31/12/2009
Consolidated equity	7,892	7,301
Subscribed capital	444	444
Participation capital	2,500	2,500
Capital reserves	1,051	1,051
Retained earnings	3,897	3,306
Consolidated profit	402	433
Minority interests	2,713	2,574
Total	**11,007**	**10,308**

Risk report

Credit risk

Corporate customers
The internal rating model for corporate customers takes into account qualitative factors as well as several business and performance figures (e.g. interest cover, ordinary income margin, EBTDA margin, equity ratio, return on assets, debt amortization period), which are tailored to the various industries and financial reporting standards and have a high discriminatory power.

The following table provides a breakdown of the credit exposure according to the internal rating of corporate customers. These figures show the total exposure (including off-balance sheet exposure) in € million. Collateral must also be taken into account in the overall assessment of credit risk:

Internal rating		30/6/2010	Proportion	31/12/2009	Proportion
0.5	Minimal Risk	1,252	1.6%	1,086	1.4%
1.0	Excellent credit standing	7,825	9.8%	7,809	10.4%
1.5	Very good credit standing	7,968	10.0%	7,586	10.1%
2.0	Good credit standing	8,205	10.3%	7,290	9.7%
2.5	Sound credit standing	10,519	13.2%	9,917	13.2%
3.0	Acceptable credit standing	11,286	14.1%	10,699	14.2%
3.5	Marginal credit standing	13,637	17.1%	12,798	17.0%
4.0	Weak credit standing/sub-standard	8,493	10.6%	8,671	11.5%
4.5	Very weak credit standing/doubtful	4,595	5.8%	3,812	5.1%
5.0	Default	4,049	5.1%	3,582	4.8%
NR	Not rated	2,074	2.6%	1,907	2.5%
Total		**79,905**	**100.0%**	**75,157**	**100.0%**

RZB stresses that the scores in this table relate solely to the borrower and do not take account of collateral furnished for any transaction.

The total credit exposure to corporate customers increased by 6 per cent compared to year-end 2009. This was partly due to currency effects due to revaluation of some CEE-currencies (Russian rouble, Ukrainian hryvnia and Polish zloty). The share of the best credit-rating classes (up to rating class 2.0) remained stable with 31.7 per cent against the previous year. The proportion of exposures with acceptable credit standing (up to rating class 3.0) declined slightly by 0.1 percentage points to 27.3 per cent. The portfolio share of lower rated customers increased by 0.2 percentage points to 33.4 per cent and the costumers at default (rating class 5.0) increased to 5.1 per cent. The majority of clients classified as not rated were in the segments Russia, CIS Other, Central Europe, and Austria.

For project finance the rating model shows five different grades which take into account creditor and transaction related characteristics. The breakdown of project finance volumes in € million is as follows:

Internal project rating		30/6/2010	Proportion	31/12/2009	Proportion
6.1	Excellent project risk profile – very low risk	2,513	39.1%	2,348	37.8%
6.2	Good project risk profile – low risk	2,106	32.8%	2,301	37.0%
6.3	Acceptable project risk profile – average risk	937	14.6%	986	15.9%
6.4	Poor project risk profile – high risk	409	6.4%	329	5.3%
6.5	Default	308	4.8%	118	1.9%
NR	Not rated	151	2.3%	128	2.1%
Total		**6,425**	**100.0%**	**6,210**	**100.0%**

The volume of assets rated through project rating rose by 3 per cent compared to year-end 2009. The main increase was in the areas Central Europe and Austria. The good rating profile of the portfolio reflects the high collateralization in these special financing transactions.

Retail customers

Retail customers are divided 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 credit exposure (including off-balance sheet exposure) for the retail customers by region (domicile of the Group unit) in € million:

30/6/2010	Total	Proportion	Austria	Central Europe	Southeastern Europe	Russia	CIS Other
Retail – private individuals	20,019	88.9%	46	9,087	6,519	2,065	2,302
Retail – SME	2,509	11.1%	3	1,466	790	26	223
Total	**22,527**	**100.0%**	**49**	**10,553**	**7,309**	**2,092**	**2,524**

31/12/2009	Total	Proportion	Austria	Central Europe	Southeastern Europe	Russia	CIS Other
Retail – private individuals	19,419	88.4%	10	8,763	6,649	1,950	2,047
Retail – SME	2,538	11.6%	3	1,464	836	29	205
Total	**21,957**	**100.0%**	**13**	**10,227**	**7,485**	**1,979**	**2,252**

In the first half year 2010, the total retail portfolio rose by 3 per cent to €22,527 million. In the regional segments there were no significant movements.

Financial institutions

The division financial institutions 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. For financial institutions a 10 grade rating scale is used, as is the case for corporate customers, however due to differing loss given defaults (LGDs) the rating classes are not comparable. A ceiling is applied to the final rating for financial institutions by the respective country rating.

The following table shows the credit exposure per rating class for financial institutions (including off-balance sheet exposure but excluding central banks) in € million. For the whole credit risk assessment, asset-based collaterals, financial collaterals and guaranties (e.g. of central governments) have to be considered as well.

Internal rating		30/6/2010	Proportion	31/12/2009	Proportion
A1	Minimal Risk	224	0.5%	69	0.1%
A2	Excellent credit standing	3,283	7.0%	3,279	7.1%
A3	Very good credit standing	24,892	52.8%	26,450	56.9%
B1	Good credit standing	8,994	19.1%	8,847	19.0%
B2	Average credit standing	5,464	11.6%	3,906	8.4%
B3	Mediocre credit standing	2,192	4.6%	1,891	4.1%
B4	Weak credit standing	892	1.9%	881	1.9%
B5	Very weak credit standing	335	0.7%	374	0.8%
C	Doubtful/high default risk	150	0.3%	76	0.2%
D	Default	560	1.2%	595	1.3%
NR	Not rated	200	0.4%	101	0.2%
Total		**47,186**	**100.0%**	**46,469**	**100.0%**

In comparison to year-end 2009, loans and advances to and securities issued by financial institutions increased by 2 per cent to €47,186 million. With respect to the rating distribution of financial institutions, investments in banks with high credit standing in rating class A3 dominated with a share of 52.8 per cent. In the first half year 2010, this transaction volume declined by 6 per cent or €1,558 million to €24,892 million. From a geographical point of view – by domicile of borrower – the highest decline in loans with rating A3 was in Austria. The exposure in rating class B2 increased by 40 per cent compared to year-end 2009, mainly caused by banks in Austria, Russia and Spain. The exposure of financial institutions in default declined by 6 per cent to €560 million compared to year-end 2009.

Sovereigns

This comprises central governments, central banks, and regional municipalities as well as other public sector entities. The table below provides a breakdown of the credit exposure to sovereigns (including central banks and off-balance sheet exposure) based on the internal rating in € million:

Internal rating		30/6/2010	Proportion	31/12/2009	Proportion
A1	Minimal Risk	7,523	30.2%	9,660	38.4%
A2	Excellent credit standing	1,086	4.4%	1,013	4.0%
A3	Very good credit standing	3,989	16.0%	3,774	15.0%
B1	Good credit standing	1,082	4.3%	1,201	4.8%
B2	Average credit standing	1,659	6.7%	687	2.7%
B3	Mediocre credit standing	5,939	23.8%	5,849	23.3%
B4	Weak credit standing	2,302	9.2%	1,349	5.4%
B5	Very weak credit standing	1,211	4.9%	1,396	5.6%
C	Doubtful/high default risk	8	0.0%	8	0.0%
D	Default	11	0.0%	19	0.1%
NR	Not rated	110	0.4%	175	0.7%
Total		**24,920**	**100.0%**	**25,131**	**100.0%**

The total exposure to sovereigns was on the same level as at year-end 2009 at €24,920 million. Due to the gradual normalization of the money markets, liquid funds were invested to a greater extent in state bonds than placed at central banks. Compared to the previous year, the proportion of exposures with the highest rating class A1 declined by 22 per cent which was caused by lower liquid funds placed at the Austrian National Bank and reduced investments in Swiss state bonds. The exposure in rating class B2 more than doubled compared to year-end 2009. This was mainly caused by short-term investments with the Russian Central Bank.

Non-Performing Loans

The following table shows the corresponding loans outstanding in the defined asset classes within loans and advances to banks and loans and advances to customers on the statement of financial position and the corresponding proportion of non-performing loans, collateral provided for these loans, and loan loss provisions split by region:

30/6/2010 in € million	Austria	Central Europe	Southeastern Europe	Russia	CIS Other	Rest of the World	Total
Corporate customers	**21,084**	**14,527**	**7,163**	**5,096**	**3,641**	**4,825**	**56,337**
Non-performing	885	1,201	639	557	699	257	4,238
of which collateralized	202	626	373	161	291	134	1,788
Impairment losses on loans	649	654	346	479	547	114	2,789
Retail customers	**178**	**9,609**	**6,719**	**1,952**	**2,409**	**0**	**20,866**
Non-performing	8	791	490	237	790	0	2,317
of which collateralized	4	451	132	54	429	0	1,069
Impairment losses on loans	6	474	410	217	551	0	1,659
Financial institutions	**25,583**	**882**	**1,054**	**632**	**168**	**1,061**	**29,381**
Non-performing	497	4	0	1	0	1	503
of which collateralized	0	0	0	0	0	0	0
Impairment losses on loans	324	3	0	0	0	1	328
Sovereigns	**512**	**668**	**1,968**	**419**	**385**	**9**	**3,962**
Non-performing	0	10	0	10	0	0	19
of which collateralized	0	0	0	0	0	0	0
Impairment losses on loans	0	2	0	0	0	0	3
Total	**47,357**	**25,687**	**16,904**	**8,099**	**6,603**	**5,895**	**110,547**
Non-performing	1,389	2,005	1,130	805	1,489	259	7,077
of which collateralized	207	1,078	505	215	720	134	2,858
Impairment losses on loans	979	1,134	756	697	1,098	115	4,779

In the division corporate customers, non-performing loans increased by 19 per cent to €4,238 million. Of this, 7 percentage points were currency related, mainly due to significant changes in the foreign exchange rates of the Russian rouble and the Ukrainian hryvnia. The segments CIS Other, Central Europe, Austria and Russia were especially affected. The ratio of non-performing loans to loans and advances to customers was 7.5 per cent. The loan loss provisions rose by 17 per cent to €2,789 million, which resulted in a coverage ratio of 66 per cent. The non-performing loans were covered by collaterals in the amount of €1,788 million.

In the retail portfolio, non-performing loans increased by 25 per cent to € 2,317 million, of which 7 percentage points of this increase was also currency related. The main part of the increase was in CIS Other and Central Europe. The ratio – non-performing loans to loans and advances to customers – rose by 1.9 percentage points to 11.1 per cent. At the same time, loan loss provisions for retail customers increased by 20 per cent to €1,659 million. This resulted in a decrease of the coverage ratio of 3.1 percentage points to 71.6 per cent.

In the division financial institutions, non-performing loans decreased by 13 per cent and amounted to €503 million at the end of the first half year 2010, for which loan loss provisions of €328 million were allocated.

31/12/2009 in € million	Austria	Central Europe	Southeastern Europe	Russia	CIS Other	Rest of the World	Total
Corporate customers	**20,470**	**14,414**	**7,163**	**4,394**	**3,223**	**3,268**	**52,932**
Non-performing	769	1,073	550	442	511	215	3,560
of which collateralized	157	410	339	172	326	125	1,529
Impairment losses on loans	582	589	295	408	406	100	2,380
Retail customers	**140**	**9,225**	**6,865**	**1,867**	**2,152**	**0**	**20,249**
Non-performing	8	650	437	203	560	0	1,858
of which collateralized	3	358	114	114	406	0	995
Impairment losses on loans	7	408	371	192	409	0	1,387
Financial institutions	**27,812**	**1,411**	**1,137**	**547**	**322**	**652**	**31,881**
Non-performing	572	4	0	0	0	1	577
of which collateralized	3	0	0	0	0	0	3
Impairment losses on loans	402	4	0	0	0	1	407
Sovereigns	**537**	**1,061**	**1,724**	**128**	**219**	**11**	**3,680**
Non-performing	0	13	0	3	0	0	16
of which collateralized	0	1	0	0	0	0	1
Impairment losses on loans	0	2	0	1	0	0	3
Total	**48,959**	**26,112**	**16,889**	**6,936**	**5,915**	**3,931**	**108,742**
Non-performing	1,349	1,741	987	648	1,071	216	6,012
of which collateralized	162	768	453	287	732	125	2,527
Impairment losses on loans	992	1,002	666	601	815	101	4,177

Concentration risk

RZB's lending portfolio is broad and well diversified in terms of region and industry. Granularity has further improved, although, as a leading commercial bank, Raiffeisen Zentralbank focuses on the top 1,000 enterprises in Austria, multinational corporations as well as on medium and large-scale enterprises in CEE. The regional breakdown of credit exposure reflects the broad diversification in European markets. The following table shows the regional distribution of credit exposure of banks and customers (incl. credit exposure from off-balance sheet contracts) by domicile of borrower:

in € million	30/6/2010	Proportion	31/12/2009	Proportion
Austria	39,891	22.0%	44,981	25.7%
Germany	11,016	6.1%	7,007	4.0%
Czech Republic	10,937	6.0%	9,769	5.6%
Slovakia	10,339	5.7%	10,348	5.9%
Hungary	10,005	5.5%	10,267	5.9%
Great Britain	7,803	4.3%	7,206	4.1%
Romania	7,650	4.2%	7,838	4.5%
Poland	7,198	4.0%	7,540	4.3%
Bulgaria	7,133	3.9%	4,333	2.5%
Netherlands	4,405	2.4%	2,582	1.5%
France	3,176	1.8%	2,398	1.4%
Other EU countries	11,071	6.1%	14,038	8.0%
European Union total	**130,624**	**72.2%**	**128,308**	**73.4%**
Russia	13,372	7.4%	9,905	5.7%
Far East	8,064	4.5%	6,056	3.5%
Croatia	6,381	3.5%	6,049	3.5%
Ukraine	4,333	2.4%	5,165	3.0%
USA	5,877	3.2%	4,309	2.5%
Serbia	2,848	1.6%	3,079	1.8%
Other	9,463	5.2%	12,052	6.9%
Total	**180,962**	**100.0%**	**174,923**	**100.0%**

Within the scope of its risk policy and assessments of creditworthiness, RZB also considers the borrower's industry. The following table covers the customer credit exposure (including off-balance sheet items, but without banks and central banks):

in € million	30/6/2010	Proportion	31/12/2009	Proportion
Private households with employed persons	20,861	16.4%	19,882	16.4%
Public administration and defense; compulsory social security	15,760	12.4%	14,992	12.4%
Wholesale trade and commission trade, excluding motor vehicles and motorcycles	14,149	11.1%	12,632	10.4%
Real estate activities	13,019	10.2%	12,103	10.0%
Other manufacturing business	11,442	9.0%	15,059	12.4%
Other financial intermediation (non-banks)	9,196	7.2%	7,382	6.1%
Other business activities	6,499	5.1%	6,490	5.4%
Construction	5,034	3.9%	4,908	4.1%
Retail trade, (excluding motor vehicles and motorcycles); repair of personal and household goods	3,946	3.1%	3,685	3.0%
Electricity, gas, steam and hot water supply	3,453	2.7%	2,699	2.2%
Manufacture of food products and beverages	3,114	2.4%	3,255	2.7%
Manufacture of basic metals	2,668	2.1%	2,402	2.0%
Other transport, storage and communication	2,622	2.1%	2,412	2.0%
Land transport; transport via pipelines	2,206	1.7%	2,170	1.8%
Manufacture of machinery and equipment	2,048	1.6%	1,838	1.5%
Mining and quarrying	1,735	1.4%	1,785	1.5%
Other industries	9,780	7.7%	7,426	6.1%
Total	**127,532**	**100.0%**	**121,119**	**100.0%**

Market risk

Since March 2008, RZB has developed a market risk management system based on an internal model. The risk management system went into operation at the beginning of this year. The risk management process has been based on the figures of the internal model since its launch. The model calculates value-at-risk with a hybrid approach (mixture of historical and Monte Carlo simulation with 5,000 scenarios). The model successfully passed an appraisal process through FMA (Finanzmarktaufsicht) and the Austrian National Bank and will be used for the calculation of own funds.

The market risk of the trading book of RZB depends primarily on currency risk, which results from foreign-currency denominated equity investments made in foreign Group units and the corresponding hedging positions entered by the Asset/Liability Management Committee of RZB.

Interest rate risk and price risks (e.g. stocks and funds) are also material. The table below provides value-at-risk figures (99 per cent, 10-day) by risk type for market risk in the trading book of RZB:

Trading book in € million	**VaR as of 31/12/2009**	**VaR as of 30/6/2010**	**Average VaR**	**Minimum VaR**	**Maximum VaR**
Total risk	**176**	**210**	**204**	**149**	**326**
Interest rate risk	29	26	29	23	38
Spread risk	8	10	14	6	42
Currency risk	170	178	199	145	341
Price risk	11	8	9	6	14

The table below provides value-at-risk figures (99 per cent, 10-day) by risk type for market risk in the banking book of RZB at the end of the second quarter 2010:

Banking book in € million	**VaR as of 31/12/2009**	**VaR as of 30/6/2010**	**Average VaR**	**Minimum VaR**	**Maximum VaR**
Total risk	**148**	**193**	**225**	**154**	**329**
Interest rate risk	47	138	126	173	478
Spread risk	138	123	171	99	318

Besides value-at-risk techniques, classical principal and interest maturity analysis techniques are used to quantify interest rate risk in the banking book. The following table shows the change in the present value of RZB's banking book given a one-basis-point interest rate increase for the whole yield curve as of 31 December 2009 and 30 June 2010:

Change of present value 30/6/2010 in € thousand	**6 - 12 months**	**> 1 - 2 years**	**> 2 - 5 years**	**> 5 years**
EUR	208.0	(130.0)	108.0	(1,888.0)
USD	0.0	50.0	16.0	(429.0)
JPY	(4.0)	0.0	0.0	0.0
CHF	4.0	(1.0)	3.0	(69.0)
Other	79.0	(45.0)	(200.0)	(134.0)

Change of present value 31/12/2009 in € thousand	6 - 12 months	> 1 - 2 years	> 2 - 5 years	> 5 years
EUR	35.0	(77.0)	(80.0)	(999.0)
USD	6.0	53.0	195.0	(159.0)
JPY	(1.0)	(1.0)	0.0	0.0
CHF	0.0	1.0	6.0	(31.0)
Other	50.0	(66.0)	(59.0)	(137.0)

Liquidity risk

The following table shows excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for select maturities on a cumulative basis, taking into account balance sheet items and off-balance-sheet transactions. Based on expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates on the prolongation of defined assets, the so-called sediment of customer deposits, and the liquidity counterbalancing capacity (in particular, assets that are eligible for refinancing at central banks and that can be used as collateral in repo transactions). These parameters are updated constantly and adapted to the statistical evidence.

in € million	30/6/2010			31/12/2009		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	15,220	12,988	11,059	20,461	17,343	5,768
Liquidity ratio	142%	125%	112%	165%	129%	105%

Internal limits have been established for each Group unit to limit liquidity risk which – on the basis of conservative assumptions regarding the creation of liquidity from asset items and possible cash flows from the liability side – requires a positive liquidity gap. Also for medium- and long-term time bands adequate limits were established in order to control the effects of a possible rise in refinancing costs on profit.

Additional notes

(29) Contingent liabilities and commitments

in € million	30/6/2010	31/12/2009
Contingent liabilities	11,326	10,202
Commitments (irrevocable credit lines)	11,149	10,072

Moreover, revocable credit lines amounting to € 11,228 million (31/12/2009: € 10,937 million) were granted, which currently bear no credit risk.

(30) Related parties

Transactions with related parties who are natural persons are limited to banking business transactions which are carried out at fair market conditions. Business transactions, especially large banking business transactions with related parties who are natural persons, were not concluded in the reporting period.

Transactions with related companies are shown in the tables below:

30/6/2010 in € million	Parent companies	Companies with a significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	0	3,564	0	339	1,575
Loans and advances to customers	0	14	810	711	171
Trading assets	0	30	0	27	78
Financial investments	0	0	354	16	727
Investments in associates	0	0	0	1,290	0
Other assets including derivatives	0	0	48	0	0
Deposits from banks	0	5,829	0	7,718	2,186
Deposits from customers	1	0	213	9	627
Debt securities issued	0	0	0	0	0
Provisions for liabilities and charges	0	0	0	0	7
Trading liabilities	0	0	20	35	60
Other liabilities including derivatives	0	8	90	0	0
Subordinated capital	0	116	0	0	0
Guarantees given	0	2	11	272	1
Guarantees received	0	95	4	166	1

31/12/2009 in € million	Parent companies	Companies with a significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	0	4,998	0	341	554
Loans and advances to customers	0	14	805	793	192
Trading assets	0	73	0	63	20
Financial investments	0	0	321	14	606
Investments in associates	0	0	0	1,310	0
Other assets including derivatives	0	0	50	0	1
Deposits from banks	0	6,329	3	7,881	1,197
Deposits from customers	1	0	217	12	513
Debt securities issued	0	0	0	0	0
Provisions for liabilities and charges	0	0	0	0	6
Trading liabilities	0	0	0	32	11
Other liabilities including derivatives	0	0	0	1	0
Subordinated capital	0	116	0	0	0
Guarantees given	0	2	5	508	10
Guarantees received	0	193	1	205	2

(31) Regulatory own funds

The own funds of the RZB Group according to the Austrian Banking Act 1993/Amendment 2006 (Basel II) comprise the following:

in € million	30/6/2010	31/12/2009
Paid-in capital	4,252	4,252
Earned capital	2,156	1,899
Minority interests	2,321	2,336
Hybrid Tier 1-capital	800	800
Intangible fixed assets	(393)	(383)
Core capital (Tier 1 capital)	**9,136**	**8,904**
Deductions from core capital	(87)	(91)
Eligible core capital (after deductions)	**9,048**	**8,813**
Additional own funds according to Section 23 (1) 5 BWG	598	600
Provision excess of internal rating approach positions	219	206
Hidden reserves	465	465
Long-term subordinated own funds	2,585	2,538
Additional own funds (Tier 2 capital)	**3,867**	**3,809**
Deduction items: participations, securitizations	(88)	(91)
Eligible additional own funds (after deductions)	**3,779**	**3,718**
Deduction items: insurances	(515)	(515)
Tier 2 capital available to be redesignated as Tier 3 capital	142	292
Short-term subordinated own funds (Tier 3)	**142**	**292**
Total own funds	**12,454**	**12,308**
Total own funds requirement	**7,764**	**7,516**
Excess own funds	4,690	4,792
Excess cover ratio	60.4%	63.8%
Core tier 1 ratio (without hybrid capital), total	8.5%	8.5%
Core capital ratio (Tier 1), credit risk	11.7%	11.8%
Core capital ratio (Tier 1), total	9.3%	9.4%
Own funds ratio	12.8%	13.1%

The total own funds requirement is as follows:

in € million	30/6/2010	31/12/2009
Risk-weighted assets according to Section 22 BWG	**77,646**	**74,990**
of which 8 per cent minimum own funds for the credit risk according to Sections 22a to 22 h BWG	6,212	5,999
Standardized approach	3,294	3,253
Internal rating approach	2,918	2,746
Settlement risk	0	0
Own funds requirement for position risk in bonds, equities and commodities	417	388
Own funds requirement for open currency positions	370	405
Own funds requirement for operational risk	765	724
Total own funds requirement	**7,764**	**7,516**

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

in € million	30/6/2010	31/12/2009
Risk-weighted assets according to Section 22 BWG on standardized approach	**41,170**	**40,661**
Central governments and central banks	3,191	2,679
Regional governments	92	127
Public administration and non-profit organizations	43	62
Multilateral development banks (MDB)	0	0
Banks	877	962
Corporates	21,765	20,722
Retail (including small and medium-sized entities)	10,670	11,455
Mutual funds	118	193
Securitization position	86	19
Other positions	4,327	4,442
Risk-weighted assets on internal rating approach	**36,477**	**34,328**
Central governments and central banks	876	753
Banks	6,330	6,973
Corporates	27,741	26,232
Retail (including small and medium-sized entities)	1,155	0
Equity exposures	206	209
Securitization position	168	161
Total	**77,646**	**74,990**

(32) Average number of staff

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

Full-time equivalents	1/1-30/6/2010	1/1-30/6/2009
Austria	3,238	3,155
Central Europe	12,971	13,879
Southeastern Europe	17,170	18,927
Russia	8,427	9,819
CIS Other	17,363	19,038
Rest of the World	386	435
Total	**59,555**	**65,253**

(33) Subsequent events

The annual general meeting of Raiffeisen Zentralbank Österreich AG (RZB) held on 7 July 2010 unanimously approved the spin-off and merger with their subsidiary Raiffeisen International Bank-Holding AG. In concrete terms, substantial business segments of RZB – above all business with Austrian and international corporate customers – are to be spun off to Cembra Beteiligungs AG, a 100 per cent RZB subsidiary company holding around 72.8 per cent of Raiffeisen International shares. Subsequently, Cembra and Raiffeisen International are to be merged. Raiffeisen International would obtain a banking licence as a result and would be renamed Raiffeisen Bank International AG after registration in the company register which will take place in the fourth quarter 2010. The shares of Raiffeisen Bank International AG will continue to be listed on the Vienna Stock exchange as the shares of Raiffeisen International Bank-Holding AG.

(34) Statement of all legal representatives

We confirm to the best of our knowledge that the condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the 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 Managing Board

Walter Rothensteiner
Chief Executive Officer responsible for Corporate Development, Subsidiaries and Equity Investments, Public Relations, Human Resources, Legal and Compliance, Audit, Tax and Group Head Office/Executive Secretariat

Herbert Stepic
Deputy Chief Executive Officer responsible for International Business Units, Branches and Representative Offices

Patrick Butler
Member of the Managing Board responsible for Global Treasury, Global Credit Markets, Global Credit Sales/ Financial Institutions and Sovereigns and Economics and Financial Markets Research

Karl Sevelda
Member of the Managing Board responsible for Austrian Corporate Customers, Multinational Corporate Customers, Corporate, Trade and Export Finance as well as Global Finance Products

Johann Strobl
Member of the Managing Board responsible for Management Services, Credit Management as well as Portfolio Management and Risk Controlling

Manfred Url
Member of the Managing Board responsible for Transaction Services, Marketing, Organisation/IT Management and Verbund

Publication details

The forecasts, plans and forward-looking statements contained in this report are based on RZB's state of knowledge and assessments at the time of its preparation. Like all statements of this kind, they are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

No guarantee can be provided for the accuracy of forecasts, plan values or forward-looking statements.

We prepared this Interim Report and checked the data with the greatest possible care. Nonetheless, transmission, typesetting and printing errors cannot be ruled out.

Adding and subtracting rounded amounts in tables may have led to minor discrepancies. Statements of rates of change (percentages) are based on actual figures and not on the rounded figures presented in tables.

This Interim Report was prepared in German. The Interim Report in English is a translation of the original German report. The only authentic version is the German version.

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Inquiries to Investor Relations:
E-Mail: investor@rzb.at
Internet: www.rzb.at → Investor
Phone: +43-1-71 707-2089