INTERIM REPORT FIRST HALF YEAR 2011

RZB Group

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In this Interim Report, "RZB" refers to the RZB Group.

"RZB AG" is used whenever statements refer solely to the Raiffeisen Zentralbank Österreich AG.

Adding and subtracting rounded amounts in tables and charts may lead to minor discrepancies.

Overview

RZB Group

Monetary values in € million	2011	Change	2010
Income statement	**1/1-30/6**		**1/1-30/6**
Net interest income	1,811	1.2%	1,790
Net provisioning for impairment losses	(411)	(32.4)%	(608)
Net fee and commission income	737	3.1%	715
Net trading income	257	42.0%	181
General administrative expenses	(1,554)	5.9%	(1,468)
Profit before tax	877	60.5%	547
Profit after tax	677	38.9%	487
Consolidated profit	488	21.5%	402
Earnings per share	84.60	32.99 €	51.61
Statement of financial position	**30/6**		**31/12**
Loans and advances to banks	22,538	14.1%	19,753
Loans and advances to customers	81,898	4.6%	78,270
Deposits from banks	37,396	0.0%	37,391
Deposits from customers	63,911	10.3%	57,936
Equity	11,339	0.8%	11,251
Total assets	141,681	3.8%	136,497
Key ratios	**1/1-30/6**		**1/1-30/6**
Return on equity before tax	15.8%	5.4 PP	10.4%
Return on equity after tax	12.2%	2.9 PP	9.3%
Consolidated return on equity	15.9%	5.7 PP	10.2%
Cost/income ratio	55.7%	1.3 PP	54.4%
Return on assets before tax	1.26%	0.5 PP	0.73%
Net interest margin	2.60%	0.2 PP	2.39%
Net provisioning ratio (average risk-weighted assets, credit risk)	0.98%	(0.6) PP	1.60%
Bank-specific information	**30/6**		**31/12**
Risk-weighted assets (credit risk)	80,890	(1.1)%	79,996
Total own funds	12,538	(0.1)%	12,532
Total own funds requirement	8,084	(1.5)%	7,966
Excess cover ratio	55.1%	(2.2) PP	57.3%
Tier 1 ratio, credit risk	11.4%	(0.2) PP	11.6%
Own funds ratio	12.4%	(0.2) PP	12.6%
Resources	**30/6**		**31/12**
Number of employees as of reporting date	60,483	0.2%	60,356
Business outlets	2,944	(0.9)%	2,970

Semi-annual management report

General economic environment

Return to convergence

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

The most developed economies in CEE (Poland, Slovakia, Slovenia, the Czech Republic and Hungary) reported an annualized growth of 3.0 per cent in 2010. Poland recorded the strongest growth in Central Europe of 4.0 per cent. Hungary, Slovenia and, to a certain extent, the Czech Republic all posted much weaker performances. This was due to austerity measures and continuing weak domestic demand. However, a sustained improvement is likely to be seen in the economic situation in Central Europe in 2011 and 2012 with growth spreading more evenly over all the countries.

Southeastern Europe as a regional unit showed a decline of 0.4 per cent in economic output in 2010, with a continuing decline in Croatia and Romania and minimal growth in Bulgaria and Bosnia-Herzegovina. Albania, which had avoided a recession during the financial crisis, was alone in showing substantial annual growth of 3.9 per cent. According to forecasts, Southeastern Europe should finally emerge from the recession in 2011, although its growth of 1.9 per cent will be significantly below its potential. A further improvement to annual growth of 3.3 per cent is expected in 2012, marking a return to convergence.

Thanks to rising oil and commodity prices, Russia reported a strong recovery in 2010 with annual economic growth of 4.0 per cent. The other CIS countries – Belarus and Ukraine – also reported growth of 7.6 per cent and 4.2 per cent respectively. However, the growth in Ukraine includes a large baseline effect, following the economy's contraction of 14.8 per cent in 2009. The apparently strong growth in Belarus also must be seen in context, as the drop in foreign exchange reserves poses challenges to the country's solvency. Even so, a continued robust growth of 4.5 in 2011 and 4.1 per cent in 2012 is to be expected in CIS..

Annual GDP growth in per cent

Country		2009	2010	2011e	2012e
CE	Poland	1.7	3.8	4.1	4.5
	Slovakia	(4.8)	4.0	4.0	4.5
	Slovenia	(8.1)	1.2	2.0	2.5
	Czech Republic	(4.0)	2.2	1.9	2.3
	Hungary	(6.7)	1.2	2.5	3.0
	CE	**(1.8)**	**3.0**	**3.3**	**3.7**
SEE	Albania	3.3	3.9	5.0	5.5
	Bosnia and Herzegovina	(2.9)	0.7	2.0	4.0
	Bulgaria	(5.5)	0.2	2.5	4.0
	Croatia	(6.0)	-1.2	1.0	2.0
	Kosovo[1]	2.9	4.0	5.3	5.0
	Romania	(7.1)	-1.3	1.5	3.5
	Serbia	(3.1)	1.8	2.8	3.0
	SEE	**(5.7)**	**-0.4**	**1.9**	**3.3**
CIS	Belarus	0.2	7.6	6.0	4.0
	Russia	(7.9)	4.0	4.5	4.0
	Ukraine	(14.8)	4.2	4.5	5.0
	CIS	**(8.2)**	**4.1**	**4.5**	**4.1**
CEE		**(5.9)**	**3.2**	**3.8**	**3.9**
Austria		**(3.9)**	**2.1**	**3.3**	**2.0**
Germany		**(4.6)**	**3.5**	**3.6**	**2.1**
Eurozone		**(4.1)**	**1.7**	**2.0**	**1.7**

Effects on the banking sector

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

Earnings, financial position and results of operations

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

Operating result: slight increase despite bank levies

The operating result in the first half of 2011 improved by € 4 million on the previous year's comparable period to € 1,236 million. A strong trading result coupled with a modest plus on fee and commission income impacted positively on operating income. General administrative expenses rose by 6 per cent, due in particular to salary adjustments in some markets. Expenses on bank levies in Austria and Hungary amounted to € 71 million (same period in previous year: € 18 million).

Net allocations to impairment loss provisioning down by a third

The further decrease in net allocations to impairment loss provisioning of 32 per cent to € 411 million reflected significantly improved levels, primarily in the segments Russia and CIS Other, but also in the corporate customer business. The marked decline was mainly a result of the improved environment for corporate customers, with provisioning for impairment losses down by half in corporate customers to € 129 million, compared with the drop of 23 per cent to € 262 million for retail customers.

NPL ratio improved by 0.4 percentage points

While the growth in non-performing loans slowed over the last quarters, the level of non-performing loans decreased by only € 2 million to € 6,839 million, virtually unchanged from the year-end figure in spite of currency effects. Although there were decreases in almost all regions, considerable in some cases, non-performing loans rose significantly by 14 per cent in Southeastern Europe.

The non-performing loan ratio (ratio of non-performing loans to total customer loans) fell by 0.4 percentage points to 8.4 per cent, compared with the end of 2010. The coverage ratio (ratio of provisioning to NPL) rose by 1.9 percentage points to 68.2 per cent.

Profit before tax up by more than half

Overall, profit before tax year-on-year was up by € 330 million to € 877 million. Net income from derivatives (plus € 178 million) and lower net provisioning for impairment losses (minus € 197 million) were the key factors in this growth. The increase was slightly reduced by lower net income from financial investments (minus € 41 million).

Profit after tax hit by deferred taxes

Besides higher profit, a number of special effects were responsible for the significant increase in income tax, which rose € 141 million to € 200 million. This was primarily due to deferred tax on valuation gains, which contrasted with deferred tax income in 2010. After deducting the profit attributable to non-controlling interests, consolidated profit totaled € 488 million. This was 22 per cent or € 86 million above the comparable figure for the previous year. Earnings per share amounted to € 84.60 in the first half of 2011, compared with € 51.61 in the previous year's comparable period.

Return on equity before tax over 15 per cent
The significant rise in profit before tax also led to growth in the return on equity, with return on equity before tax of 15.8 per cent at the end of the first half of 2011, up by 5.4 percentage points from 10.4 per cent in the comparable period in 2010. Average equity underlying the return on equity calculation rose by 5 per cent as a result of transfers from earnings to € 11.1 billion.

Total assets up 4 per cent
RZB's balance sheet assets rose 4 per cent or € 5.2 billion from the start of the year to € 141.7 billion. In all, currency movements reduced total assets by around 1 per cent. The growth in assets reflected a rise in short-term loans to banks, particularly as a result of repo transactions, leading to an increase of € 2.8 billion in loans and advances to banks. Loans and advances to customers after provisioning rose by € 3.5 billion, largely as a result of loans to major customers and repo transactions with non-banks. On the liabilities side the growth was largely based on deposits from customers. Deposits from customers rose € 6.0 billion, half of which was due to repo transactions and €1.0 billion to private customers, while deposits from banks remained steady at their end-2010 level. Conversely, securitized issues decreased by € 1.3 billion as a result of the redemption of several issues, particularly a € 1.5 billion state-guaranteed bond issued in 2009. The loan/deposit ratio, i.e. loans and advances to customers divided by customer deposits, fell by 7.0 percentage points compared with the end of 2010 to 128.1 per cent.

Equity up slightly by 1 per cent
Equity including non-controlling interests rose by 1 per cent or € 88 million compared with the beginning of the year to € 11,339 million. An increase of € 677 million due to profit after tax was offset by a decrease of € 459 million for dividends for the financial year 2010 and other net income of minus € 131 million. Other net income was impacted by a negative exchange difference of € 104 million and net valuations on a cash flow hedge of minus € 36 million (after adjustment for deferred tax).

Detailed review of items in the income statement

Comparison of results year-on-year

Ten subsidiaries were deconsolidated in the reporting period due to non-materiality and two subsidiaries because they were sold. However, the data remains comparable between the two periods since these changes did not have a material effect on any of the items in the income statement. Currency fluctuations in the CEE countries had a less significant impact on the income statement than in earlier periods. The average exchange rates used in the income statement changed as follows: The CZK appreciated by 5 per cent, the HUF and PLN both gained 1 per cent. By contrast, the BYR lost 29 per cent, the UAH 6 per cent and the CSD 2 per cent. The USD also lost 6 per cent over the year.

In € million	1.1.-30.6.2011	Change	1.1.-30.6.2010	1.1.-30.6.2009
Net interest income	1,811	1.2%	1,790	1,792
Net fee and commission income	737	3.1%	715	689
Net trading income	257	42.0%	181	266
Other net operating income	(16)	–	14	70
Operating income	**2,790**	**3.3%**	**2,700**	**2,817**
Staff expenses	(783)	8.1%	(724)	(702)
Other administrative expenses	(589)	2.0%	(578)	(539)
Depreciation of tangible and amortization of intangible fixed assets	(182)	9.4%	(166)	(149)
General administrative expenses	**(1,554)**	**5.9%**	**(1,468)**	**(1,391)**
Operating result	**1,236**	**0.3%**	**1,232**	**1,426**

Net interest income

Net interest income in the first six months of 2011 was almost unchanged on the previous year's comparable period at € 1,811 million, and was the biggest element in operating income at 65 per cent. The net interest margin (ratio of net interest income to average total assets) rose by 22 percentage points to 2.60 per cent. Interest margins rose in all segments with the exception of Ukraine. Net interest income in Ukraine decreased, partly due to a change in the method of calculating interest on impaired loans, partly to a decrease in the volume of lending, and partly to depreciation of the currency. Thanks to improved refinancing conditions, Russia showed the largest increase in margin, rising 27 basis points. The interest margin in Southeastern Europe improved by 23 basis points, again partly due to more favorable refinancing. The increase in Russia was also influenced by higher customer volumes. Loans and advances to customers rose by 4 per cent or € 2,978 million across the Group compared with a year ago.

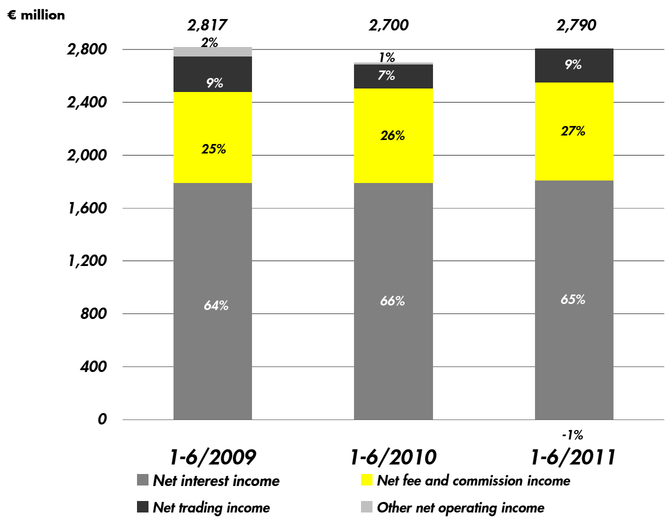
Net fee and commission income

Net fee and commission income improved by 3 per cent or € 22 million on the comparable period of the previous year to € 737 million. The largest contribution and biggest increase was in net income from the payment transfer business of € 294 million, which corresponds to growth of € 11 million. The decisive elements here were increased transactions volume and a change in pricing policy in the Czech Republic.

Net income from the credit and guarantee business also grew, rising by 5 per cent or € 7 million. The biggest increase in net income was in Russia, due to a change in the method of calculating fee and commission income, while the largest decrease was in Romania, as a result of lower volume. Net income from the foreign currency, notes/coins and precious metals business fell 1 per cent or € 2 million on the previous year's comparable period to € 155 million. The main reasons for this were a reduction in margin on foreign currency transactions in Hungary and the depreciation of the BYR. Net income from the securities business also fell 5 per cent or € 3 million to € 62 million.

Net income from the management of investment and pension funds rose by 8 per cent. Net income from the sale of own and third-party products also rose by 3 per cent or € 1 million, largely due to growth in Hungary. By contrast, net income from the credit derivatives business fell by € 2 million due to lower commissions on securities business. Finally, net income from other banking services rose € 10 million to € 44 million, mainly due to increased earnings in Russia and at Raiffeisen Bank International in Vienna.

Operating income



Net trading income

Net trading income improved by 42 per cent or € 76 million on the previous year's comparable period to € 257 million. Net income from other currency-based transactions doubled to € 136 million. The steepest rise was in Russia (plus € 34 million), the result of net income from currency transactions. Net income also rose in Belarus, thanks to the sharp devaluation of the Belarusian rouble, leading to revaluation gains arising from a strategic currency position, taken in part to hedge equity.

Net income from interest-based transactions fell by € 48 million due to lower net valuations from interest rate swaps as a result of the upward shift in the yield curve. The result in Russia was down on the previous year's comparable period by €15 million, which was unusually strong as a result of recoveries on interest-rate products. Net income from the credit derivatives business fell by € 12 million due to a net loss on credit default swaps. Net income from other business rose by € 59 million, largely due to valuation gains on capital guarantees as a result of the higher interest rate.

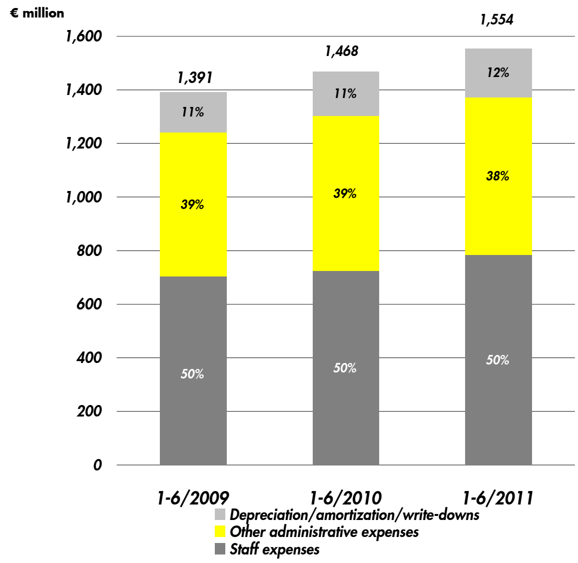
Other net operating income

Other net operating income deteriorated from a loss of € 14 million in the first half of 2010 to a loss of € 16 million in the reporting period. This was primarily due to the special bank levies amounting to €71 million, of which €49 million in Austria and €22 million in Hungary. By contrast, net income from non-banking activities made a positive contribution to results, rising from € 7 million to € 36 million. Expenses on allocations to other provisions were € 5 million lower than in the previous year's comparable period.

General administrative expenses

General administrative expenses rose by 6 per cent or € 86 million compared with the first half of 2010 to € 1,554 million. The cost/income ratio rose as a result by 1.3 percentage points to 55.7 per cent.

General administrative expenses



Staff expenses, which were the largest item in general administrative expenses accounting for 50 per cent, rose by 8 per cent or € 59 million to € 783 million. This was caused particularly by market-related salary adjustments (including in Russia and Romania). In the Czech Republic, Romania and Ukraine, the reason for the increase was the rise in the number of staff (due in the Czech Republic to the expansion of the branch network). Changes in social security laws in Slovakia and Russia were another reason for the increase in staff expenses. The average number of staff was 60,566, a rise of 1,011 compared with the first half of 2010.

Other administrative expenses rose 2 per cent or € 11 million on the previous year's comparable period. The largest increases were in advertising, PR and promotional expenses (plus 30 per cent), deposit protection (plus 17 per cent) and IT expenses (plus 10 per cent). By contrast, legal, advisory and consultancy expenses fell € 13 million, after higher expenses in the previous year in connection with the Group reorganization (merger of Raiffeisen International with the principal business areas of RZB AG). The number of business outlets as at 30/6/2011 was 2,944. This is a fall of 36 compared to the same period in the previous year. The largest reductions were in Serbia (minus 14), Russia (minus 12), Ukraine (minus 11) and Poland (minus 8). By contrast, there were increases in the Czech Republic (plus 11), Belarus (plus 3) and Romania (plus 2).

Amortization/depreciation of intangible and tangible fixed assets rose by 9 per cent or € 16 million compared with the previous year's comparable period to € 182 million. The rise in the amortization of intangible assets from € 9 million to € 68 million was largely due to the installation of new software, which led to a shortening of the useful lives of the systems they were replacing.

Consolidated profit

Changes in consolidated profit

In € million	1.1.-30.6.2011	Change	1.1.-30.6.2010	1.1.-30.6.2009
Operating result	**1,236**	**0.3%**	**1,232**	**1,426**
Net provisioning for impairment losses	(411)	(32.4%)	(608)	(1,267)
Other profit/loss	52	–	(77)	304
Profit before tax	**877**	**60.5%**	**547**	**463**
Income taxes	(200)	237.9%	(59)	(222)
Profit/loss after tax	**677**	**38.9%**	**487**	**241**
Profit attributable to non-controlling interests	(189)	120.5%	(86)	(73)
Consolidated profit	**488**	**21.5%**	**402**	**168**

Net provisioning for impairment losses

The net provisioning for the first half of 2011 amounted to € 411 million. This represents a decline of just under one third or € 197 million from the level in the first half of 2010 (€ 608 million). As in the preceding quarters, the reasons for the fall in net provisioning for impairment losses are chiefly to be found in the ongoing recovery of the economic environment in most markets, leading to an improvement in borrower ratings and so to lower loss rates. Moreover, active measures, such as loan restructuring where necessary, had already been taken during the financial and economic crisis to stabilize and improve the quality of RZB's loan portfolio. Of the overall net provisioning for impairment losses, € 438 million were accounted for by individual loan loss provisions, representing a year-on-year fall of € 81 million. In particular, lower provisions were needed for corporate customers than in the same period last year. € 23 million of portfolio-based provisions were released, mainly relating to retail customers. By contrast, a net amount of € 90 million was newly allocated to portfolio-based provisions in the comparable period for the previous year. € 4 million was released as a result of the sale of loans.

This positive trend was reflected in the net provisioning ratio (the ratio of net provisioning for impairment losses to average risk-weighted assets), which declined by 0.62 percentage points year-on-year to 0.98 per cent. The ratio at 31 December 2010 still stood at 1.56 per cent. Non-performing loans as of the half-year reporting date amounted to € 6,839 million. Taking currency movements into account, this was € 2 million lower than the figure as of 31 December 2010. The NPL ratio, the ratio of non-performing loans to total customer loans, improved by 0.4 percentage points to 8.4 per cent. Non-performing loans were matched by provisioning of € 4,662 million. This produced a coverage ratio of 68.2 per cent, an improvement of around 1.9 percentage points on the end of 2010.

Other profit/loss

The Other profit/loss item turned around in the first six months of 2011 compared with the same period last year from minus € 77 million to plus € 52 million. This item comprises net income from derivative financial instruments and designated liabilities, net income from financial investments and net income from the disposal of group assets. Net income from derivative financial instruments and designated liabilities showed the steepest rise from minus € 135 million to plus € 43 million as a result of revaluation gains on derivatives entered into for hedging purposes. Net income from financial investments, by contrast, dropped by 77 per cent or € 41 million, mainly as a result of lower net income from the valuation and disposal of securities measured at fair value. The recovery of the markets in the second quarter of 2010 following the crisis years had led to higher net income.

Net income from the disposal of group assets – twelve subsidiaries left the consolidated group (ten because of non-materiality and two because they were sold) – amounted to minus € 3 million in the first half of 2011. In the first half of 2010 the deconsolidation of 45 subsidiaries due to a change in the materiality thresholds generated net income of € 5 million.

Income taxes
In the reporting period, taxes amounted to € 200 million compared with € 59 million in the first half of 2010. The tax rate as at the end of the half-year was 23 per cent (compared with 11 per cent for the first half of 2010). This significant increase is mainly due to deferred taxes that have to be recognized to reconcile differences between the financial statements under IFRS and the financial statements prepared for tax purposes. Accordingly, in the first half of 2010 deferred tax income was recognized on valuation differences of derivatives and own issues between IFRS and the tax accounts, while in the first half of 2011 a deferred tax expense was recognized on valuation gains, primarily from liabilities measured at fair value. The rise in current tax expense was caused by higher tax provisions in Austria.

Statement of financial position

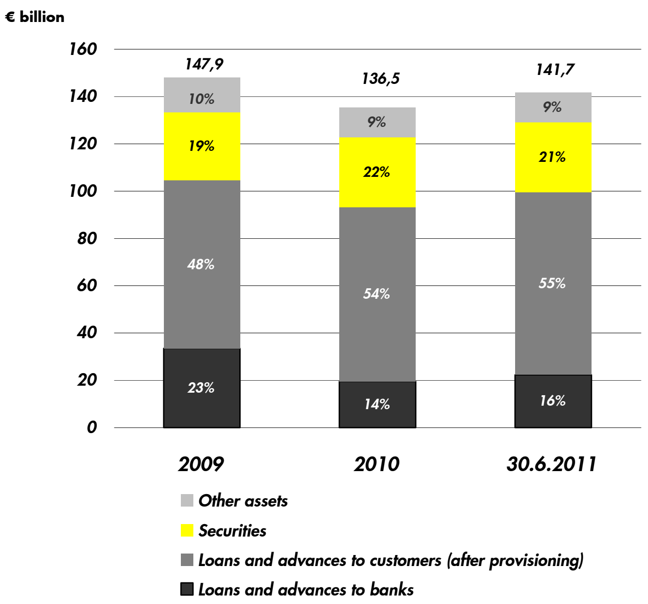
As of 30 June 2011, RZB's total assets amounted to € 141.7 billion, 4 per cent or € 5.2 billion above the end-2010 figure. On the asset side, this was caused by more loans and advances to banks and customers. On the liabilities side, the growth derived from deposits by banks and customers.

The exchange rates used on the reporting date to determine the statement of financial position have not changed in a uniform manner. The Belarusian rouble devalued by 80 per cent, the Ukrainian hryvnia by 9 per cent and the US dollar by 8 per cent. By contrast, the Hungarian forint appreciated by 4 per cent and both the Czech koruna and Serbian dinar by 3 per cent. Overall, currency effects reduced total assets by around 1 per cent.

Assets

The asset side of RZB's statement of financial position was dominated by Loans and advances to customers. These rose from the previous year-end by € 3.6 billion or 5 per cent to € 81.9 billion. The increase in loans (above all as a result of repo transactions) was down to corporate customers with a loan volume of € 58.1 billion. By contrast, the volume of loans to retail customers remained virtually unchanged at € 21.6 billion. The ratio of customer loans to customer deposits improved on the figure at year-end by 7 percentage points to 128 per cent. Loan loss provisions rose only by a marginal amount to € 4.9 billion, mainly for loans to customers.

Breakdown of assets



Loans and advances to banks rose by € 2.8 billion or 14 per cent to € 22.5 billion. This rise was above all down to the granting of short-term loans to commercial banks – and these in turn mainly in the form of repo transactions.

Since the end of 2010, financial investments decreased by € 0.2 billion or 1 per cent to € 20.0 billion. This decrease was primarily seen in the held-for-trading category at Raiffeisen Bank International AG and in Slovakia and Hungary.

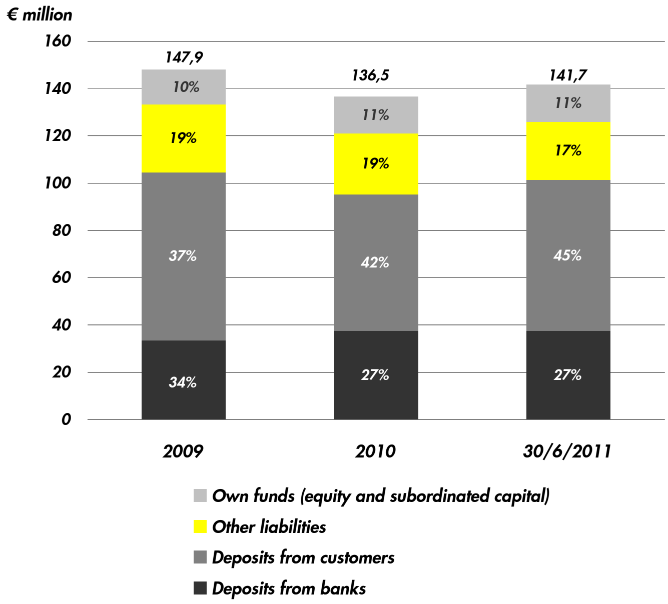
The remaining asset items, comprising cash reserves, tangible assets, intangible assets, derivatives and the miscellaneous items posted as Other assets fell from € 13.6 billion to € 12.5 billion.

Equity and liabilities

Customer deposits increased by 10 per cent or € 6.0 billion since the end of 2010 and, as such, grew more strongly than loans and advances to customers. Of total customer deposits amounting to € 63.9 billion, € 35.0 billion were attributable to commercial customers, who were primarily responsible for the rise in deposits. Half of this rise came from repo transactions. The refinancing volume via banks amounted to € 37.4 billion, a figure that was virtually unchanged. This refinancing primarily took the form of short-term deposits by commercial banks.

The remaining equity and liability items, made up of securitized liabilities, provisions, trading liabilities, derivatives and other liability items, totaled € 24.7 billion. Securitized liabilities dropped by € 1.3 billion to € 15.3 billion. May 2011 saw the redemption of the first of a total of three state-guaranteed bonds issued in 2009 for € 1.5 billion.

Breakdown of equity and liabilities



Equity on the statement of financial position

The bank's balance sheet equity (consisting of the consolidated equity, consolidated net profit and the capital of the non-controlling interests) increased since the end of 2010 by 1 per cent or € 88 million to € 11,339 million.

The consolidated equity, consisting of subscribed capital, participation capital, capital reserves and retained earnings, increased by € 418million to € 5,920 million. The increase in retained earnings was mainly put down to the transfer of earnings amounting to € 714 million. Other income reduced this by € 131 million. At minus € 104 million, the key component of this was exchange differences (including capital hedge). In addition, valuation losses on the cash flow hedge (after taking deferred taxes into account) amounted to € 36 million. In June 2011, the Annual General Meeting of RZB AG approved the distribution of a dividend on ordinary and preference shares totaling € 160 million. The dividend on the participation capital amounting to € 20 million was also paid out.

The capital held by non-controlling interests fell by € 104 million to € 4,931 million, primarily due to dividend payments to minority shareholders of € 279 million. Comprehensive income of € 59 million had a positive effect, as did capital contributions of € 24 million.

Regulatory own funds

All non-retail divisions of RZB AG and the subsidiaries of the RZB Banking Group in Croatia, Malta, Romania, Slovakia, the Czech Republic, Hungary and the USA use the basic IRB approach to measure credit risk; all other Group units use the standard approach. A large part of the loans and advances to private customers in Slovakia and Hungary are measured under the advanced IRB approach. Market risk is predominantly calculated according to the standard approach in accordance with Section 22 BWG (Austrian Banking Act), whereby RBI AG has carried out the calculation in part according to the internal model since August 2010. The consolidated figures presented below were determined based on the provisions of the BWG.

Consolidated own funds pursuant to BWG rose from year-end 2010 by € 6 million to € 12,538 million as of 30 June 2011. This does not include profit from the current reporting period as due to legal regulations in force in Austria, this is not allowed to be considered in calculations during the financial year.

In the first half-year, core capital (tier 1) fell by € 103 million to € 9,290 million. Currency devaluations, in particular of the Belarusian rouble and the Ukrainian hryvnia, as well as dividend payments to minority shareholders, were mainly responsible for this development. Additional own funds (tier 2) decreased by € 62 million to € 3,714 million because of maturities of tier 2 issues at Raiffeisen Bank International AG and in the Czech Republic RBI AG issued a new subordinated bond for € 500 million maturing in 2021 in May 2011. Approaching maturities of tier 2 issues increased eligible short-term subordinated debt capital (tier 3) by € 108 million to € 177 million.

Available own funds faced a slight increase in the own funds requirement of € 118 million to € 8,084 million. At 80 per cent, the own funds requirement for credit risk accounted for the largest part and rose by € 71 million to € 6,471 million, wherein the requirement contained in the standard approach rose by € 39 million and the requirement based on internal ratings by € 32 million. The requirement for market risks increased by € 18 million to € 345 million and the requirement for open currency positions increased by € 45 million to € 430 million. The requirement for operational risks decreased by € 16 million to € 837 million.

Excess own funds accordingly fell by € 112 million to € 4,454 million and the resulting excess cover ratio came to 55.1 per cent. The tier 1 ratio – based on total risk – fell by 0.2 percentage points to 9.1 per cent. Finally, the own funds ratio also fell by 0.2 percentage points to 12.4 per cent.

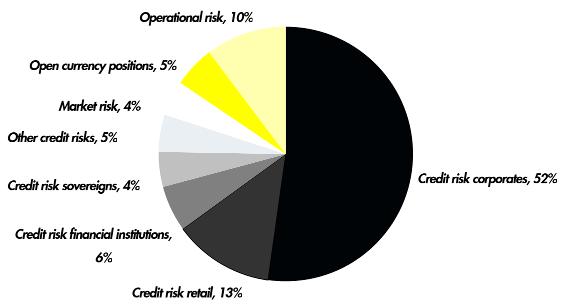
Risk management

Active risk management represents a core competence for RZB. In order to recognize, assess and manage risks effectively, the Group has developed a comprehensive risk management controlling process. This is an integral component of managing the bank as a whole and is being constantly refined. RZB's risk management aims at ensuring that credit and country risks, market and liquidity risks, risks arising from holdings and operational risks are dealt with conscientiously and managed professionally. Risk controlling at RZB AG deploys the risk management of Raiffeisen Bank International AG to implement the Group-wide strategy and guidelines applicable to the RBI Group.

Current risk management initiatives

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

Composition of the own funds requirement



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

The success of this management is plain to see in RZB reporting virtually no direct receivables from counterparties in Greece, Portugal or Ireland. In addition, the sustainability of our customer business in these countries, which has its origins in the financing of international corporate customers and in capital markets business, is constantly being checked for the potential effects of sovereign debt. This also applies to the political and economic risk in North Africa and the Middle East. In the individual countries RZB is only exposed to a small degree (e.g. through providing export finance). By contrast, the assessment of the economic policies of the EU accession countries in Central and Eastern Europe is mainly positive. Following the sharp devaluation of the Belarusian rouble in May, changes in Belarusian risk will remain under close observation.

Detailed loan portfolio simulations on the basis of a number of economic scenarios were at the core of the latest stress tests across Europe for banks, for the first time coordinated by the European Banking Authority (EBA). 91 European banks participated in the stress tests, including Raiffeisen Bank International. Banks were deemed to have passed if their core tier 1 ratio (as defined by the EBA) is at least 5 per cent after an economic downturn. A simulated economic downturn over a two-year period, i.e. for 2011 and 2012, was taken as the basis for the stress scenarios. For this purpose, Raiffeisen Bank International uses internal models in both the retail and non-retail areas of business. These models are applied to assess the direct and indirect effects of prescribed crisis scenarios (e.g. GDP growth rates, foreign exchange rates, credit spreads) on the loan portfolio. Raiffeisen Bank International had no problems in passing these stress tests, confirmed by the EBA published results as of 15 July 2011.

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

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

Little exposure in the peripheral states of the EU

RZB's risks in respect of the so-called European peripheral states (Greece, Ireland, Italy, Portugal and Spain) are kept within tight bounds in view of the marginal nature of the direct risk portfolio. The bank constantly monitors macroeconomic developments in these countries as well as in countries economically dependent on them. In the course of the first quarter of 2011, various initiatives were started to soften the potential effects of one or more negative scenarios. These included sharply reducing direct or indirect loan exposure to these countries. The internal limits for transactions with banks in these countries were also lowered, both for medium-term loan transactions as well as for short-term asset-backed refinancing (repo transactions). In addition, regular analyses of scenarios and stress tests for all kinds of risks are undertaken to analyze the direct effects on RBI's portfolio and profitability as well as any second-round effects.

€ million	Total exposure corporate customers			Total exposure banks			Total exposure public sector			Total
	BB	TB	Total	BB	TB	Total	BB	TB	Total	
Greece	46	0	46	88	0	88	0	0	0	134
Ireland	2	10	12	10	37	47	0	0	0	59
Italy	320	31	350	1,210	317	1,527	357	117	474	2,352
Portugal	0	0	0	139	0	139	2	0	2	141
Spain	62	41	103	882	52	934	5	0	5	1,043
Total	**430**	**82**	**512**	**2,329**	**406**	**2,735**	**365**	**117**	**482**	**3,728**

BB = Banking book; TB = Trading book

Capital adequacy (Basel II)

Throughout the Group, great significance is given to the application and virtually universal implementation of advanced approaches under Basel II. RBI uses the parameters and results determined for these approaches for internal management information purposes. In addition, the bank continues to invest in improving its risk management systems. This relates, for instance, to the expansion the data warehouse used jointly in risk management, to the migration of the reporting platform for a daily overview of the liquidity position, and to an update of the technical solution for collecting data on losses arising from operational risks. Each of the new systems was selected with a view to meeting the expected requirements under Basel III.

To determine the capital requirements for credit risks under Basel II, RBI mainly uses the internal ratings-based approach (IRB). In recent years, the regulatory authorities already approved use of the IRB approach by Raiffeisen Bank International AG and several of its network banks to calculate the credit risk of commercial customers, banks and public-sector institutions. Within the retail area, this method is being used in both Slovakia and Hungary. The plan is to gradually introduce the IRB Approach in further countries and for additional classes of receivables.

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

1 IRB = Internal ratings based approach
2 Only for risks of open foreign exchange positions and general interest rate risk on the trading book
3 STA = Standard approach
4 Only at consolidated level

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

Raiffeisen Bank International's liquidity position is subject to a regular monitoring process and is included in the RZB Group's return when it reports weekly to the Austrian banking supervisory authority. This regulatory return presents details of the expected cash in- and outflows and the additional realizable liquidity for various maturities and currencies.

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

Interim consolidated financial statements

(Interim report as of 30 Juni 2011)

Statement of comprehensive income

Income statement

In € million	Notes	1/1-30/6/2011	1/1-30/6/2010	Change
Interest income		3,212	3,247	(1.1)%
Current income from associates		29	10	203.7%
Interest expenses		(1,429)	(1,466)	(2.5)%
Net interest income	**[2]**	**1,811**	**1,790**	**1.2%**
Net provisioning for impairment losses	[3]	(411)	(608)	(32.4)%
Net interest income after provisioning		**1,400**	**1,182**	**18.5%**
Fee and commission income		878	841	4.5%
Fee and commission expense		(141)	(126)	11.9%
Net fee and commission income	**[4]**	**737**	**715**	**3.1%**
Net trading income	[5]	257	181	42.0%
Net income from derivatives and designated liabilities	[6]	43	(135)	–
Net income from financial investments	[7]	12	53	(77.3)%
General administrative expenses	[8]	(1,554)	(1,468)	5.9%
Other net operating income	[9]	(16)	14	–
Net income from disposal of group assets		(3)	5	–
Profit before tax		**877**	**547**	**60.5%**
Income taxes	[10]	(200)	(59)	237.9%
Profit after tax		**677**	**487**	**38.9%**
Profit attributable to non-controlling interests		(189)	(86)	120.4%
Consolidated profit		**488**	**402**	**21.5%**

Transition to total comprehensive income

In € million	Total 1/1-30/6 2011	Total 1/1-30/6 2010	Group equity 1/1-30/6 2011	Group equity 1/1-30/6 2010	Non-controlling interests 1/1-30/6 2011	Non-controlling interests 1/1-30/6 2010
Profit after tax	**677**	**488**	**488**	**402**	**189**	**86**
Exchange differences	(112)	370	(88)	266	(23)	104
hereof unrealized net gains (losses) of the period	(112)	0	(88)	0	(23)	0
Capital hedge	8	(6)	6	(6)	2	0
Net gains (losses) on derivatives hedging fluctuating cash flows	(47)	103	(37)	103	(10)	0
hereof unrealized net gains (losses) of the period	(47)	0	(37)	0	(10)	0
Changes in equity of companies valued at equity	11	(4)	11	3	0	(7)
Net gains (losses) on financial assets available-for-sale	(2)	31	(1)	31	0	0
hereof unrealized net gains (losses) of the period	3	0	2	0	1	0
hereof net gains (losses) reclassified to income statement	(5)	0	(4)	0	(1)	0
Deferred taxes on income and expenses directly recognized in equity	11	(24)	8	(24)	2	0
Other comprehensive income	**(131)**	**470**	**(101)**	**373**	**(30)**	**97**
Total comprehensive income	**546**	**958**	**387**	**775**	**159**	**183**

Earnings per share

In €	1/1-30/6/2011	1/1-30/6/2010	Change
Earnings per share	84.60	51.61	32.99

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. As of 30 June 2011, the number of ordinary shares outstanding was unchanged to the comparable period of 2009 with 5,539,885 units.

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

Profit development

Quarterly results

In € million	H2/2009	H1/2010	H2/2010	H1/2011
Net interest income	1,670	1,790	1,839	1,812
Net provisioning for impairment losses	(980)	(608)	(589)	(411)
Net interest income after provisioning	**690**	**1,182**	**1,249**	**1,400**
Net fee and commission income	733	715	777	738
Net trading income	152	181	142	257
Net income from derivatives and designated liabilities	31	(135)	47	43
Net income from financial investments	148	53	93	12
General administrative expenses	(1,404)	(1,468)	(1,601)	(1,554)
Other net operating income	11	14	39	(16)
Net income from disposal of group assets	0	5	1	(3)
Profit before tax	**361**	**547**	**746**	**877**
Income taxes	(32)	(59)	(65)	(200)
Profit after tax	**329**	**487**	**681**	**677**
Profit attributable to non-controlling interests	(64)	(86)	(369)	(189)
Consolidated profit	**265**	**402**	**312**	**488**

In € million	H2/2007	H1/2008	H2/2008	H1/2009
Net interest income	1,629	1,733	2,277	1,792
Net provisioning for impairment losses	(157)	(200)	(951)	(1,267)
Net interest income after provisioning	**1,472**	**1,534**	**1,326**	**525**
Net fee and commission income	816	843	925	689
Net trading income	(14)	102	(82)	266
Net income from derivatives and designated liabilities	(24)	(53)	(38)	142
Net income from financial investments	(214)	(97)	(861)	161
General administrative expenses	(1,431)	(1,494)	(1,623)	(1,391)
Other net operating income	22	38	70	70
Net income from disposal of group assets	12	6	1	1
Profit before tax	**639**	**878**	**(282)**	**463**
Income taxes	(132)	(228)	63	(222)
Profit after tax	**508**	**651**	**(219)**	**241**
Profit attributable to non-controlling interests	(210)	(258)	(126)	(73)
Consolidated profit	**297**	**393**	**(345)**	**168**

Statement of financial position

Assets In € million	Notes	30/6/2011	31/12/2010	Change
Cash reserve		5,709	6,735	(15.2)%
Loans and advances to banks	[12, 32]	22,538	19,753	14.1%
Loans and advances to customers	[13, 32]	81,898	78,270	4.6%
Impairment losses on loans and advances	[14]	(4,905)	(4,787)	2.5%
Trading assets	[15, 32]	8,309	8,051	3.2%
Derivatives	[16, 32]	1,067	1,488	(28.3)%
Financial investments	[17, 32]	20,037	20,281	(1.2)%
Investments in associates	[32]	1,328	1,315	1.1%
Intangible fixed assets	[18]	1,197	1,227	(2.4)%
Tangible fixed assets	[19]	1,765	1,777	(0.7)%
Other assets	[20, 32]	2,738	2,387	14.7%
Total assets		**141,681**	**136,497**	**3.8%**

Equity and liabilities In € million	Notes	30/6/2011	31/12/2010	Change
Deposits from banks	[21, 32]	37,396	37,391	0.0%
Deposits from customers	[22, 32]	63,911	57,936	10.3%
Debt securities issued	[23]	15,312	16,569	(7.6)%
Provisions for liabilities and charges	[24, 32]	772	787	(1.8)%
Trading liabilities	[25, 32]	5,649	5,738	(1.6)%
Derivatives	[26, 32]	728	1,272	(42.8)%
Other liabilities	[27, 32]	2,216	1,298	70.7%
Subordinated capital	[28]	4,358	4,254	2.4%
Equity	[29]	11,339	11,251	0.8%
Consolidated equity		5,920	5,502	7.6%
Consolidated profit		488	714	(31.6)%
Non-controlling interests		4,931	5,036	(2.1)%
Total equity and liabilities		**141,681**	**136,497**	**3.8%**

Statement of changes in equity

In € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as of 1/1/2011	**444**	**250**	**1,051**	**3,757**	**714**	**5,036**	**11,251**
Capital increases/shifting	0	0	0	0	0	24	24
Transferred to retained earnings	0	0	0	714	(714)	0	0
Dividend payments	0	0	0	(180)	0	(279)	(459)
Total comprehensive income	0	0	0	(101)	488	159	546
Other changes	0	0	0	(14)	0	(9)	(24)
Equity as of 30/6/2011	**444**	**250**	**1,051**	**4,176**	**488**	**4,931**	**11,339**

In € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as of 1/1/2010	**444**	**2,500**	**1,051**	**3,306**	**433**	**2,574**	**10,308**
Capital increases/shifting	0	0	0	0	0	4	4
Transferred to retained earnings	0	0	0	433	(433)	0	0
Dividend payments	0	0	0	(200)	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**

In the third quarter 2010 within group-internal reorganisation main business areas of RZB were merged with Raiffeisen International. This resulted in a shift from equity to non-controlling interests (which especially concerned the participation capital). This was disclosed at year end 2010 as follows:

In € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as of 1/1/2010	**444**	**2,500**	**1,051**	**3,306**	**433**	**2,574**	**10,308**
Reorganisation effect	0	(2,500)	0	266	(227)	2,461	0
Equity as of 1/1/2010	**444**	**0**	**1,051**	**3,573**	**206**	**5,035**	**10,308**

Statement of cash flows

In € million	1/1-30/6/2011	1/1-30/6/2010
Cash and cash equivalents at the end of previous period	**6,735**	**8,271**
Net cash from operating activities	(822)	(671)
Net cash from investing activities	231	(761)
Net cash from financing activities	(350)	(347)
Effect of exchange rate changes	(86)	66
Cash and cash equivalents at the end of period	**5,709**	**6,558**

Segment reporting

After the merger of main business areas of RZB with Raiffeisen International Bank-Holding AG, RZB AG acts as the central institution of the Raiffeisen Banking Group (RBG) and holding company of equity participations, with its segments defined on the basis of the participation structure. Beside the majority holding of shares in Raiffeisen Bank International AG (RBI AG) and its activity as central institution of the Raiffeisen Banking Group, RZB AG has further shareholdings of companies in the portfolio. These three main business areas represent the newly defined segments. In the previous year, the segmentation was according to regions as this was the prevailing group structure. The previous year figures were not adapted to the new segmentation due to the fact that the changed organization structure cannot be presented in the management information systems. As the segment RBI is by far the largest one, and with a view to maximum transparency, we refer to the segment reporting of the consolidated interim financial statements of RBI.. The consolidated financial statements of RBI mainly present the segment RBI in the consolidated financial statements of RZB.

Raiffeisen Bank International Group (RBI)
This segment mainly comprises the results of Raiffeisen Bank International. Beside these results derived from the business activities of RBI, the segment contains the net interest income from the financing and other transactions of RZB AG with RBI and the expenses occurred due to services rendered by RZB in several businesses like audit and risk management.

RBI is by far the largest participation of RZB. As the ultimate credit institution of RZB credit institution group, RZB AG has adequate control and monitoring functions. RZB AG has eight out of ten mandates to the Supervisory Board of RBI, together with representatives of its owners and the member of the Managing Board responsible for risk management in RZB AG, who has the same position in the Managing Board of RBI AG.

Raiffeisen Banking Group (RBG)
This segment comprises all activities and particpations which enable RZB to realize its function as central institution of the Raiffeisen Banking Group. It contains all results from the banking business of RZB within the Raiffeisen sector. Additionally, the leasing business of RZB with numerous project companies at home and abroad is presented in this segment. Moreover, the income from companies valued at equity with strategic participation character is included, especially UNIQA Versicherungen AG and the businesses which are operated together with the Raiffeisen-Landesbanken such as the building association business and the fund management. The results from the remaining Raiffeisen sector-related participation portfolio are also shown in this segment. Expenses allocated due to group-wide services rendered are added to the segment, which are e.g. Sector Marketing and Sector Services.

Other participations

The segment Other participations comprises all those participations which are not connected with the function of Raiffeisen Zentralbank as central institution of the Raiffeisen Banking Group. The participation portfolio of Raiffeisen Zentralbank mainly contains major shareholdings in the non-banking business and includes income from companies valued at equity which do not belong to the Raiffeisen Banking Group Austria. The segment also comprises expenses and income occurring in the internal allocation and charging.

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

1/1-30/6/2011 In € million	Raiffeisen Bank International group (RBI)	Raiffeisen banking group (RBG)	Other participations	Reconciliation	Total
Net interest income	1,774	211	2	(177)	1,811
Net fee and commission income	737	0	0	0	737
Net trading income	256	2	0	(1)	257
Other net operating income	(24)	15	18	(25)	(16)
Operating income	**2,743**	**229**	**21**	**(203)**	**2,790**
General administrative expenses	(1,525)	(34)	(15)	21	(1,554)
Operating result	**1,218**	**195**	**5**	**(182)**	**1,236**
Net provisioning for impairment losses	(405)	(6)	0	0	(411)
Other results	50	3	0	(1)	52
Profit before tax	**863**	**192**	**5**	**(183)**	**877**
Income taxes	(201)	1	(1)	0	(200)
Profit before tax	**662**	**193**	**5**	**(183)**	**677**
Share of profit before tax	81.4%	18.1%	0.5%	–	100.0%
Risk-weighted assets (credit risk)[1]	76,317	6,882	950	(3,260)	80,890
Total own funds requirement[1]	7,718	551	76	(261)	8,084
Assets[1]	125,810	29,876	5,164	(19,168)	141,681
Liabilities[1]	125,828	28,763	1,161	(25,410)	130,342
Risk/earnings ratio	22.8%	3.0%	0.0%	–	22.7%
Cost/income ratio	55.6%	15.0%	74.0%	–	55.7%
Average equity	10,626	793	106	(423)	11,102
Return on equity before tax	**16.2%**	**48.5%**	**9.9%**	**–**	**15.8%**
Business outlets[1]	2,935	8	0	1	2,944

1 Data as of 30 June

The segment reporting shows the distribution of profit based on the organizational structure valid in the previous year:

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	539	445	256	245	79	(232)	1,790
of which current income from associates	10	0	(1)	0	0	0	0	10
Impairment losses on loans and advances	(37)	(198)	(139)	(67)	(156)	(11)	0	(608)
Net interest income after provisioning	**422**	**341**	**306**	**190**	**89**	**67**	**(232)**	**1,182**
Net fee and commission income	80	226	186	103	82	45	(6)	715
Net trading income	71	29	24	41	16	6	(6)	181
Net income from derivatives and designated liabilities	(116)	(11)	(9)	(15)	(1)	(4)	21	(135)
Net income from financial investments	36	(7)	7	0	15	0	3	53
General administrative expenses	(324)	(426)	(357)	(199)	(163)	(29)	29	(1,468)
of which staff expenses	(166)	(208)	(154)	(97)	(83)	(16)	0	(724)
of which other administrative expenses	(127)	(178)	(153)	(78)	(60)	(11)	29	(578)
of which depreciation	(31)	(40)	(50)	(24)	(19)	(2)	0	(166)
Other net operating income	57	(26)	19	(10)	(4)	11	(35)	14
Net income from disposal of group assets	0	1	(7)	3	0	8	0	5
Profit/loss before tax	**226**	**128**	**168**	**113**	**34**	**104**	**(227)**	**547**
Income taxes	52	(31)	(24)	(29)	(10)	(17)	0	(59)
Profit/loss after tax	**278**	**97**	**144**	**84**	**24**	**87**	**(227)**	**487**
Profit attributable to non-controlling interests	(17)	(46)	(47)	(23)	(9)	0	56	(86)
Consolidated profit/loss	**261**	**51**	**98**	**61**	**15**	**87**	**(172)**	**402**
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
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
Risk/earnings ratio								
Cost/income ratio	48.5%	55.4%	53.0%	50.9%	48.0%	20.3%	0.0%	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
Business outlets[1]	12	554	1,173	201	1,030	10	–	2,980

1 Data as of 30 June

Notes

Recognition and measurement principles

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

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

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

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

The interim report for the first half-year 2011 of RZB did not undergo a complete audit, neither did it undergo an audit inspection carried out by a certified auditor.

Currencies

Rates in units per €	2011		2010	
	As of 30/6	Average as of 1/1-30/6	As of 31/12	Average as of 1/1-30/6
Albanian Lek (ALL)	141.410	140.640	138.770	138.046
Belarusian Rouble (BYR)	7,152.130	5,040.517	3,972.600	3,918.286
Bosnian Marka (BAM)	1.956	1.956	1.956	1.956
Bulgarian Lev (BGN)	1.956	1.956	1.956	1.956
Croatian Kuna (HRK)	7.402	7.402	7.383	7.267
Czech Koruna (CZK)	24.345	24.471	25.061	25.833
Great Britain Pound (GBP)	0.903	0.875	0.861	0.868
Hungarian Forint (HUF)	266.110	269.386	277.950	272.224
Kazakh Tenge (KZT)	210.290	205.347	195.230	196.343
Moldovan Leu (MDL)	16.750	16.625	16.105	16.774
Polish Zloty (PLN)	3.990	3.965	3.975	4.019
Romanian Leu (RON)	4.244	4.185	4.262	4.177
Russian Rouble (RUB)	40.400	40.446	40.820	40.154
Serbian Dinar (RSD)	102.463	102.285	105.498	100.016
Singapore Dollar (SGD)	1.776	1.770	1.714	1.862
Swedish Krona (SEK)	9.174	8.927	8.966	9.814
Swiss Franc (CHF)	1.207	1.264	1.250	1.432
Ukrainian Hryvna (UAH)	11.500	11.178	10.573	10.583
United States Dollar (USD)	1.445	1.411	1.336	1.333

Changes in consolidated group

Number of units	Fully consolidated		Equity method	
	2011	2010	2011	2010
As of beginning of period	**334**	**371**	**14**	**13**
Included for the first time in the financial period	5	15	0	1
Merged in the financial period	0	(1)	0	0
Excluded in the financial period	(12)	(51)	0	0
As of end of period	**327**	**334**	**14**	**14**

In the reporting period, the following subsidiaries were included as of 1 January 2011 for the first time: RIRE Holding GmbH, Vienna, a real estate holding company and OOO „ R3“,Novosibirsk, a real estate management company. The real estate leasing company Viktor Property, s.r.o., Prague, and the project development company Hainburger Straße 1-5 ProjektentwicklungsgmbH, Vienna, were included for the first time as of 1 April 2011. In June 2011 the real estate leasing company CERES Raiffeisen-Immobilien-Leasing GmbH, Vienna was included in the consolidation.

In the reporting period, ten subsidiaries were excluded due to immateriality and two subsidiaries due to sale.

Notes to the income statement

Income statement according to measurement categories

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

In € million	1/1-30/6/2011	1/1-30/6/2010
Net income from financial assets and liabilities held-for-trading	254	119
Net income from financial assets and liabilities at fair value through profit or loss	222	76
Net income from financial assets available-for-sale	18	7
Net income from loans and advances	2,242	2,117
Net income from financial assets held-to-maturity	232	228
Net income from financial liabilities measured at acquisition cost	(1,423)	(1,466)
Net income from derivatives (hedging)	(3)	(8)
Net revaluations from exchange differences	141	198
Other operating income/expenses	(806)	(725)
Total profit before tax from continuing operations	**877**	**547**

(2) Net interest income

In € million	1/1-30/6/2011	1/1-30/6/2010
Interest and interest-like income, total	**3,212**	**3,247**
Interest income	3,177	3,227
from balances at central banks	37	51
from loans and advances to banks	186	192
from loans and advances to customers	2,291	2,338
from financial investments	390	361
from leasing claims	129	134
from derivative financial instruments (non-trading), net	145	151
Current income	18	9
Interest-like income	17	11
Current income from associates	**29**	**10**
Interest expenses and interest-like expenses, total	**(1,429)**	**(1,466)**
Interest expenses	(1,407)	(1,442)
on deposits from central banks	(6)	0
on deposits from banks	(327)	(346)
on deposits from customers	(637)	(673)
on debt securities issued	(330)	(318)
on subordinated capital	(106)	(104)
Interest-like expenses	(23)	(24)
Total	**1,811**	**1,790**

(3) Net provisioning for impairment losses

In € million	1/1-30/6/2011	1/1-30/6/2010
Individual loan loss provisions	**(438)**	**(519)**
Allocation to provisions for impairment losses	(708)	(864)
Release of provisions for impairment losses	287	345
Direct write-downs	(44)	(29)
Income received on written-down claims	27	29
Portfolio-based loan loss provisions	**23**	**(90)**
Allocation to provisions for impairment losses	(206)	(297)
Release of provisions for impairment losses	229	206
Gains from the sales of loans	**4**	**1**
Total	**(411)**	**(608)**

(4) Net fee and commission income

In € million	1/1-30/6/2011	1/1-30/6/2010
Payment transfer business	294	283
Loan and guarantee business	148	140
Securities business	62	65
Foreign currency, notes/coins, and precious-metals business	155	157
Management of investment and pension funds	14	13
Sale of own and third party products	21	21
Credit derivatives business	1	3
Other banking services	44	33
Total	**737**	**715**

(5) Net trading income

In € million	1/1-30/6/2011	1/1-30/6/2010
Interest-based transactions	97	145
Currency-based transactions	136	64
Equity-/index-based transactions	15	10
Credit derivatives business	(6)	6
Other transactions	15	(44)
Total	**257**	**181**

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

(6) Net income from derivatives and designated liabilities

In € million	1/1-30/6/2011	1/1-30/6/2010
Net income from hedge accounting	(1)	(1)
Net income from credit derivatives	(17)	(3)
Net income from other derivatives	8	(19)
Net income from liabilities designated at fair value	53	(112)
Total	**43**	**(135)**

(7) Net income from financial investments

In € million	1/1-30/6/2011	1/1-30/6/2010
Net income from financial investments held-to-maturity	**1**	**5**
Net valuations of financial investments held-to-maturity	0	1
Net proceeds from sales of financial investments held-to-maturity	0	4
Net income from equity participations	**3**	**(1)**
Net valuations of equity participations	(3)	(2)
Net proceeds from sales of equity participations	5	1
Net income from securities at fair value through profit and loss	**9**	**48**
Net valuations of securities at fair value through profit and loss	(3)	23
Net proceeds from sales of securities at fair value through profit and loss	12	25
Total	**12**	**53**

(8) General administrative expenses

In € million	1/1-30/6/2011	1/1-30/6/2010
Staff expenses	(783)	(724)
Other administrative expenses	(589)	(578)
Depreciation of intangible and tangible fixed assets	(182)	(166)
Total	**(1,554)**	**(1,468)**

(9) Other net operating income

In € million	1/1-30/6/2011	1/1-30/6/2010
Sales revenues from non-banking activities	553	360
Expenses arising from non-banking activities	(517)	(331)
Revenues from additional leasing services	50	51
Expenses from additional leasing services	(51)	(49)
Rental income from operating lease (vehicles and equipment)	21	22
Rental income from investment property incl. operating lease (real estate)	9	4
Net proceeds from disposal of tangible and intangible fixed assets	(2)	(4)
Other taxes	(88)	(45)
hereof special bank levies	(71)	(18)
Net expense from allocation and release of other provisions	(2)	(7)
Sundry operating income	38	33
Sundry operating expenses	(26)	(20)
Total	**(16)**	**14**

(10) Income taxes

In € million	1/1-30/6/2011	1/1-30/6/2010
Current income taxes	(169)	(142)
Austria	(23)	(5)
Foreign	(146)	(138)
Deferred taxes	(31)	83
Total	**(200)**	**(59)**

Notes to the statement of financial position

(11) Statement of financial position according to measurement categories

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

Assets according to measurement categories **In € million**	**30/6/2011**	**31/12/2010**
Trading assets	9,087	8,614
Financial assets at fair value through profit or loss	8,243	8,095
Investments in associates	1,017	1,315
Financial assets available-for-sale	1,328	985
Loans and advances	107,941	102,318
Financial assets held-to-maturity	10,815	11,242
Derivatives (hedging)	288	925
Other assets	2,962	3,004
Total assets	**141,681**	**136,497**

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

Equity and liabilities according to measurement categories **In € million**	**30/6/2011**	**31/12/2010**
Trading liabilities	6,330	6,534
Financial liabilities	120,671	114,891
Liabilities at fair value through profit and loss	2,522	2,557
Derivatives (hedging)	46	477
Provisions for liabilities and charges	772	787
Equity	11,339	11,251
Total equity and liabilities	**141,681**	**136,497**

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

(12) Loans and advances to banks

In € million	30/6/2011	31/12/2010
Giro and clearing business	2,008	1,410
Money market business	16,092	13,190
Loans to banks	3,048	3,605
Purchased loans	63	35
Leasing claims	66	89
Claims evidenced by paper	1,261	1,425
Total	**22,538**	**19,753**

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

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

In € million	30/6/2011	31/12/2010
Austria	9,956	9,009
Foreign	12,582	10,743
Total	**22,538**	**19,753**

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

In € million	30/6/2011	31/12/2010
Central banks	1,611	1,484
Commercial banks	20,917	18,259
Multilateral development banks	10	10
Total	**22,538**	**19,753**

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

In € million	30/6/2011	31/12/2010
Due at call or without maturity	2,974	2,166
Up to 3 months	15,664	13,255
More than 3 months, up to 1 year	2,047	1,955
More than 1 year, up to 5 years	1,518	2,004
More than 5 years	335	373
Total	**22,538**	**19,753**

(13) Loans and advances to customers

In € million	30/6/2011	31/12/2010
Credit business	51,763	48,437
Money market business	6,465	6,283
Mortgage loans	17,168	16,888
Purchased loans	1,212	1,180
Leasing claims	4,516	4,586
Claims evidenced by paper	774	896
Total	**81,898**	**78,270**

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

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

In € million	30/6/2011	31/12/2010
Sovereigns	1,813	1,605
Corporate customers – large	54,059	51,122
Corporate customers – small business	4,053	4,100
Retail customers – private individuals	19,046	18,567
Retail customers – small and medium-sized entities	2,596	2,479
Other	331	396
Total	**81,898**	**78,270**

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

In € million	30/6/2011	31/12/2010
Austria	9,108	9,267
Foreign	72,791	69,002
Total	**81,898**	**78,270**

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

In € million	30/6/2011	31/12/2010
Due at call or without maturity	8,308	6,955
Up to 3 months	14,117	12,825
More than 3 months, up to 1 year	14,070	13,873
More than 1 year, up to 5 years	27,637	27,146
More than 5 years	17,766	17,471
Total	**81,898**	**78,270**

(14) Impairment losses on loans and advances

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

In € million	30/6/2011	31/12/2010
Sovereigns	12	7
Banks	243	255
Corporate customers – large	2,480	2,446
Corporate customers – small business	422	418
Retail customers – private individuals	1,501	1,418
Retail customers – small and medium-sized entities	248	243
Total	**4,905**	**4,787**

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

30/6/2011 In € million	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	22,271	22,538	256	229	14	22,295
Sovereigns	1,705	1,813	20	11	0	1,802
Corporate customers – large	51,909	54,389	3,741	2,072	408	51,909
Corporate customers – small business	3,705	4,053	670	391	31	3,631
Retail customers – private individuals	18,063	19,047	1,900	1,225	276	17,546
Retail customers – small and medium-sized entities	2,493	2,596	336	202	46	2,348
Total	**100,146**	**104,436**	**6,923**	**4,130**	**775**	**99,531**

31/12/2010 In € million	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	19,487	19,753	271	237	18	19,498
Sovereigns	1,510	1,605	21	7	0	1,598
Corporate customers – large	48,365	51,518	3,658	2,040	406	49,072
Corporate customers – small business	3,734	4,100	677	386	32	3,683
Retail customers – private individuals	17,937	18,567	1,790	1,116	302	17,149
Retail customers – small and medium-sized entities	2,417	2,479	320	193	50	2,236
Total	**93,448**	**98,022**	**6,736**	**3,978**	**809**	**93,236**

(15) Trading assets

In € million	30/6/2011	31/12/2010
Bonds, notes and other fixed-interest securities	4,443	4,013
Shares and other variable-yield securities	350	430
Positive fair values of derivative financial instruments	3,490	3,607
Call/time deposits from trading purposes	26	0
Total	**8,309**	**8,051**

(16) Derivatives

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

(17) Financial investments

In € million	30/6/2011	31/12/2010
Bonds, notes and other fixed-interest securities	19,005	19,260
Shares and other variable-yield securities	269	291
Equity participations	763	730
Total	**20,037**	**20,281**

(18) Intangible fixed assets

In € million	30/6/2011	31/12/2010
Goodwill	595	616
Software	476	480
Other intangible fixed assets	126	130
Total	**1,197**	**1,227**

(19) Tangible fixed assets

In € million	30/6/2011	31/12/2010
Land and buildings used by the Group for own purpose	657	663
Other land and buildings (investment property)	200	155
Office furniture and equipment as well as other tangible fixed assets	520	582
Leased assets (operating lease)	387	377
Total	**1,765**	**1,777**

(20) Other assets

In € million	30/6/2011	31/12/2010
Tax assets	581	554
Current tax assets	114	72
Deferred tax assets	468	482
Receivables arising from non-banking activities	162	166
Accruals and deferred items	266	272
Clearing claims from securities and payment transfer business	893	356
Lease in progress	203	155
Assets held for sale (IFRS 5)	5	5
Inventories	113	147
Re-/Devaluation of portfolio-hedged underlyings	1	0
Other assets	514	733
Total	**2,738**	**2,387**

(21) Deposits from banks

In € million	30/6/2011	31/12/2010
Giro and clearing business	3,391	3,168
Money market business	25,101	24,045
Long-term refinancing	8,904	10,178
Total	**37,396**	**37,391**

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

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

In € million	30/6/2011	31/12/2010
Austria	22,692	19,761
Foreign	14,705	17,630
Total	**37,396**	**37,391**

Deposits from banks break down into the following bank categories:

In € million	30/6/2011	31/12/2010
Central banks	800	1,399
Commercial banks	35,260	34,680
Multilateral development banks	1,337	1,311
Total	**37,396**	**37,391**

The maturity of deposits from banks breaks down as follows:

In € million	30/6/2011	31/12/2010
Due at call or without maturity	3,398	3,064
Up to 3 months	19,111	17,007
More than 3 months, up to 1 year	3,984	6,286
More than 1 year, up to 5 years	8,049	7,952
More than 5 years	2,854	3,082
Total	**37,396**	**37,391**

(22) Deposits from customers

In € million	30/6/2011	31/12/2010
Sight deposits	26,626	24,091
Time deposits	35,873	32,375
Savings deposits	1,412	1,470
Total	**63,911**	**57,936**

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

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

In € million	30/6/2011	31/12/2010
Sovereigns	1,472	1,723
Corporate customers – large	32,726	27,227
Corporate customers – small business	2,302	2,489
Retail customers – private individuals	23,195	22,123
Retail customers – small and medium-sized entities	3,382	3,673
Other	834	702
Total	**63,911**	**57,936**

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

In € million	30/6/2011	31/12/2010
Austria	6,052	5,994
Foreign	57,859	51,942
Total	**63,911**	**57,936**

The maturity of deposits from customers breaks down as follows:

In € million	30/6/2011	31/12/2010
Due at call or without maturity	26,317	24,681
Up to 3 months	20,090	19,402
More than 3 months, up to 1 year	11,565	8,641
More than 1 year, up to 5 years	3,803	3,116
More than 5 years	2,136	2,096
Total	**63,911**	**57,936**

(23) Debt securities issued

In € million	30/6/2011	31/12/2010
Bonds and notes issued	13,708	15,917
Money market instruments issued	924	0
Other debt securities issued	680	652
Total	**15,312**	**16,569**

The maturity of debt securities issued break down as follows:

In € million	30/6/2011	31/12/2010
Due at call or without maturity	0	0
Up to 3 months	1,723	1,651
More than 3 months, up to 1 year	4,932	4,958
More than 1 year, up to 5 years	8,067	9,135
More than 5 years	590	825
Total	**15,312**	**16,569**

(24) Provisions for liabilities and charges

In € million	30/6/2011	31/12/2010
Severance payments	71	70
Retirement benefits	73	73
Taxes	170	146
Contingent liabilities and commitments	124	132
Pending legal issues	106	108
Overdue vacation	53	54
Bonus payments	120	150
Restructuring	5	5
Other	50	48
Total	**772**	**787**

(25) Trading liabilities

In € million	30/6/2011	31/12/2010
Negative fair values of derivative financial instruments	4,539	4,528
Short-selling of trading assets	333	426
Certificates issued	774	785
Call/time deposits from trading purposes	3	0
Total	**5,649**	**5,738**

(26) Derivatives

In € million	30/6/2011	31/12/2010
Negative fair values of derivatives in fair value hedges (IAS 39)	41	23
Negative fair values of derivatives in cash flow hedges (IAS 39)	5	453
Negative fair values of credit derivatives	10	18
Negative fair values of derivative financial instruments	672	777
Total	**728**	**1,272**

(27) Other liabilities

In € million	30/6/2011	31/12/2010
Liabilities from non-banking activities	150	162
Prepayments and other deferrals	179	211
Liabilities from dividends	1	1
Clearing claims from securities and payment transfer business	1,319	406
Other liabilities	567	519
Total	**2,216**	**1,298**

(28) Subordinated capital

In € million	30/6/2011	31/12/2010
Hybrid tier(1)-capital	809	819
Subordinated liabilities	2,667	2,576
Supplementary capital	623	606
Participation certificates	260	253
Total	**4,358**	**4,254**

(29) Equity

In € million	30/6/2011	31/12/2010
Consolidated equity	5,920	5,502
Subscribed capital	444	444
Participation capital	250	250
Capital reserves	1,051	1,051
Retained earnings	4,176	3,757
Consolidated profit	488	714
Non-controlling interests	4,931	5,036
Total	**11,339**	**11,251**

(30) Risk Report

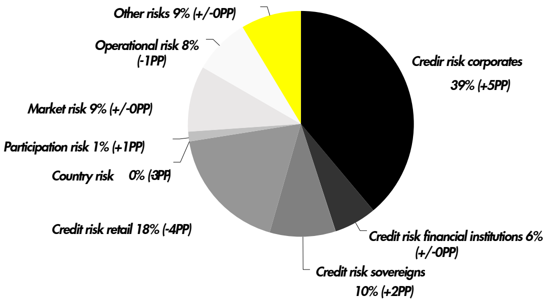
Active risk management is one of the core competencies of RZB. In order to effectively identify, measure, and manage risks the Group has implemented a comprehensive risk management system in the past and continues to develop it. Risk management constitutes an integrated part of overall bank management. In particular, in addition to legal and regulatory requirements, it takes into account the nature, scale, and complexity of the business activities and the resulting risks. Risk management in RZB controls the exposure to and ensures professional management of all material risks.

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

Economic capital

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

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



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

Credit risk

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

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

In € million	30/6/2011	31/12/2010
Loans and advances to banks	22,538	19,753
Loans and advances to customers	81,898	78,270
Trading assets	8,309	8,051
Derivatives	1,067	1,488
Financial investments	18,755	19,010
Other assets	4,453	5,359
Contingent liabilities	11,870	12,039
Commitments	13,830	12,179
Revocable credit lines	11,724	11,680
Reconciliation	1,661	2,961
Total	**176,106**	**170,789**

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

Corporates

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

The following table provides a breakdown of the total credit exposure according to the rating-model of corporates. It should be noticed that the economic rating provided in the table below shows a borrower specific view but not transaction specific collateralization:

In € million		30/6/2011	Share	31/12/2010	Share
0.5	Minimal Risk	1,030	1.2%	1,181	1.4%
1.0	Excellent credit standing	7,709	9.0%	8,476	10.2%
1.5	Very good credit standing	8,517	9.9%	8,116	9.7%
2.0	Good credit standing	11,077	12.9%	9,833	11.8%
2.5	Sound credit standing	13,330	15.5%	11,610	13.9%
3.0	Acceptable credit standing	13,777	16.1%	12,664	15.2%
3.5	Marginal credit standing	13,495	15.7%	13,288	16.0%
4.0	Weak credit standing/sub-standard	7,336	8.6%	7,826	9.4%
4.5	Very weak credit standing/doubtful	3,876	4.5%	4,384	5.3%
5.0	Default	4,404	5.1%	4,348	5.2%
NR	Not rated	1,226	1.4%	1,532	1.8%
Total		**85,775**	**100.0%**	**83,259**	**100.0%**

In June 2011 the total corporate exposure amounts to € 85,775 million. The total corporate exposure increased by € 2,517 million compared with year end 2010. The growth in RBI AG, Central Europe and Russia compensate for the decreasing exposure in the region CIS-Other. The main reasons for this decreasing exposure were on the one hand the restrictive loan granting in Ukraine and on the other hand the devaluation of the Belarusian rouble.

Based on average exposure there is a general improvement in creditworthiness. From internal rating point of view the rating classes 2.0 to 3.0, which amount to € 38,184 million, represent the largest share of the portfolio. They increased by 3.5 percentage points to 44.5 per cent. This concentration is a result from growing markets in Central Europe. The weaker rating classes (3.5 to 4.5) decreased their share of the portfolio by € 792 million or 1.8 percentage points to 28.8 per cent.

The share of credit exposure in default (rating 5.0) amounted to € 4.404 million or 5.1 per cent of the total exposure. The part of the credit exposure in default was highest in the regions CIS Other and Central Europe. Nevertheless the changes in the first half year 2011 developed in a different way: While the exposure in Russia declined, Southeastern Europe rose.

The following table provides a breakdown of the maximum credit exposure for corporate customers according to the reporting segments.

In € million	30/6/2011	Share	31/12/2010	Share
Austria	17,451	20.3%	16,891	20.3%
Central Europe	19,514	22.8%	19,060	22.9%
CIS Other	5,092	5.9%	4,457	5.4%
Western Europe	12,254	14.3%	12,212	14.7%
Southeastern Europe	11,847	13.8%	11,485	13.8%
Asia	6,292	7.3%	5,690	6.8%
Russia	9,885	11.5%	9,644	11.6%
Other	3,440	4.0%	3,821	4.6%
Total	**85,775**	**100.0%**	**83,259**	**100.0%**

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

In € million		30/6/2011	Share	31/12/2010	Share
6.1	Excellent project risk profile – very low risk	2,849	38.1%	2,608	36.6%
6.2	Good project risk profile – low risk	2,716	36.3%	2,426	34.1%
6.3	Acceptable project risk profile – average risk	952	12.7%	1,158	16.3%
6.4	Poor project risk profile – high risk	403	5.4%	415	5.8%
6.5	Default	489	6.5%	416	5.8%
NR	Not rated	77	1.0%	98	1.4%
Total		**7,486**	**100.0%**	**7,120**	**100.0%**

The credit exposure in project finance rose by 5 per cent compared to the year end 2010. The continuous rise in project finance can be mainly explained by the reclassification of customers, whose credit standing was originally evaluated based on the rating model for corporates. The most significant changes were in rating classes 6.1 and 6.2. While rating class 6.1 increased by € 241 million, rating class 6.2 increased by € 290 million, compared to year end 2010. Due to the high level of collateralization in specialized lending transactions the credit quality is very good.

Retail customers

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

In € million	30/6/2011	Share	31/12/2010	Share
Retail – Private individuals	20,115	88.3%	20,301	88.3%
Retail – SME	2,667	11.7%	2,687	11.7%
Total	**22,782**	**100.0%**	**22,989**	**100.0%**
hereof non-performing loans	2,412	10.6%	2,399	10.4%
hereof individual loan loss provision	1,427	6.3%	1,308	5.7%
hereof portfolio based loan loss provision	321	1.4%	353	1.5%

In the first half year 2011, the total credit exposure to retail customers declined by 1 per cent to € 22,782 million. While the largest portfolio share is in the Central European region (€ 11,621 million), the strongest increase was observed in Russia (€ 332 million). The second largest region is Southeastern Europe (€ 6,884 million). Declines occurred mainly in the regions Southeastern Europe and CIS Other. While the reduction in CIS Other was partly based on changes in exchange rates (devaluation of the Belarusian rouble), the decline in Southeastern Europe was based on the lower demand for new loans.

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

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

1 Adaption of previous year figures due to different allocation.

The share of foreign currency loans in retail portfolios provides an indication of potential change in default rates if the exchange rate of the domestic currency changes. The internal risk assessment thus not only takes into account the share of foreign currency loans but also the usually stricter lending criteria at loan distribution and – in several countries – the customers ability to match payments with foreign currency income. During the financial crisis in 2009 and the ongoing higher volatility of exchange rates the granting of foreign currency loans has already been ceased resp. strongly limited for particular currencies. Despite offsetting currency effects the share of foreign currency loans declined by 1.0 percentage points in the reporting period.

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

1 Adaption of previous year figures due to different allocation.

Financial Institutions

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

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

In € million		30/6/2011	Share	31/12/2010	Share
A1	Minimal risk	213	0.7%	247	0.8%
A2	Excellent credit standing	2,331	7.2%	2,174	7.4%
A3	Very good credit standing	18,829	57.8%	15,340	51.9%
B1	Good credit standing	4,633	14.2%	4,498	15.2%
B2	Average credit standing	3,296	10.1%	3,532	12.0%
B3	Mediocre credit standing	1,370	4.2%	1,678	5.7%
B4	Weak credit standing	638	2.0%	894	3.0%
B5	Very weak credit standing	409	1.3%	477	1.6%
C	Doubtful/high default risk	199	0.6%	128	0.4%
D	Default	495	1.5%	383	1.3%
NR	Not rated	170	0.5%	191	0.6%
Total		**32,584**	**100.0%**	**29,542**	**100.0%**

Loans to financial institutions increased by 10 per cent to € 32,584 million compared to year end 2010. Due to business policy of RZB credits and loans to non-Raiffeisen sector members and financial institutions were continuously reduced. The growth therefore mainly results from extension of repo business (from risk point of view fully collateralized). In general this business was closed with banks with high credit standing (rating A3) and led to an increase by 5.9 percentage points to 57.8 per cent of the total capacity. The volumes of the average rating classes (B1 to B3) with € 9,299 million or 28.5 per cent remained stable compared to year end 2010. The volume of exposures in default rose by € 112 million in comparison to year end 2010. The increase came mainly from bank defaults in Iran and Iceland.

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

In € million	30/6/2011	Share	31/12/2010	Share
Money market	10,699	33%	9,826	33%
Bond	5,327	16%	6,152	21%
Repo	3,481	11%	590	2%
Loans	4,889	15%	4,853	16%
Derivatives	6,349	19%	7,144	24%
Other	1,838	6%	977	3%
Total	**32,584**	**100.0%**	**29,542**	**100%**

Sovereigns

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

In € million		30/6/2011	Share	31/12/2010	Share
A1	Minimal risk	10,013	36.4%	10,317	37.0%
A2	Excellent credit standing	807	2.9%	644	2.3%
A3	Very good credit standing	4,233	15.4%	3,938	14.1%
B1	Good credit standing	1,456	5.3%	1,681	6.0%
B2	Average credit standing	636	2.3%	1,411	5.1%
B3	Mediocre credit standing	6,316	23.0%	5,977	21.4%
B4	Weak credit standing	2,150	7.8%	2,098	7.5%
B5	Very weak credit standing	1,632	5.9%	1,692	6.1%
C	Doubtful/high default risk	139	0.5%	0	0.0%
D	Default	65	0.2%	60	0.2%
NR	Not rated	32	0.1%	62	0.2%
Total		**27,478**	**100.0%**	**27,880**	**100.0%**

The volume of the credit exposure to sovereigns was € 27,478 million as of June 30, 2011, and thus on the same level as at the year end 2010. The share of the credit exposure with the best rating grade (A1) declined by 0.6 percentage points, due to deposits with the Austrian national bank. Comparing year end figures, the credit exposure with average rating (B2) declined by more than 50 per cent due to the lower volume of Russian state bonds. On the other hand, credit exposure with mediocre credit standing (rating B3) increased by € 339 million mainly due to a higher stock of Hungarian state bonds. The exposure in rating class C arises from the re-rating for Belarus and consists generally of loans to the Belarusian Central Bank. RZB has no or only little sovereign credit exposure to Greece, Portugal and Ireland.

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

In € million	30/6/2011	Share	31/12/2010	Share
Bond	16,030	58.3%	15,600	56.0%
Loans	9,542	34.7%	10,097	36.2%
Derivatives	915	3.3%	980	3.5%
Other	991	3.6%	1,203	4.3%
Total	**27,478**	**100.0%**	**27,880**	**100.0%**

Non-Performing Loans

The following table shows the development of non-performing loans in the defined asset classes from statement of financial position item, positions loans and advances to banks and loans and advances to customers (excluding off-balance sheet positions) during the first half year 2011:

In € million	As of 1/1/2011	Change in consolidated group	Exchange differences	Additions	Disposals	As of 30/6/2011
Corporate customers	4,431	0	(67)	609	(556)	4,414
Retail customers	2,398	0	(32)	472	(428)	2,412
Sovereigns	12	0	0	1	(1)	13
Total nonbanks	**6,841**	**0**	**(98)**	**1,082**	**(986)**	**6,839**
Banks	268	0	(4)	142	(10)	396
Total	**7,109**	**0**	**(102)**	**1,224**	**(996)**	**7,235**

In € million	As of 1/1/2010	Change in consolidated group	Exchange differences	Additions	Disposals	As of 31/12/2010
Corporate customers	3,560	0	125	1,722	(977)	4,431
Retail customers	1,858	0	63	982	(504)	2,398
Sovereigns	16	0	0	20	(24)	12
Total nonbanks	**5,435**	**0**	**187**	**2,724**	**(1,505)**	**6,841**
Banks	577	0	3	19	(331)	268
Total	**6,012**	**0**	**191**	**2,743**	**(1,836)**	**7,109**

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

In € million	30/6/2011	31/12/2010
Corporate customers		
Non-performing loans	4,414	4,431
of which collateralized	1,725	1,538
Impairment losses on loans and advances	2,902	2,864
Loans	58,443	55,410
NPL ratio	7.6%	8.0%
Coverage ratio	65.7%	64.6%
Retail customers		
Non-performing loans	2,412	2,398
of which collateralized	1,025	1,058
Impairment losses on loans and advances	1,748	1,659
Loans	21,643	21,046
NPL ratio	11.1%	11.4%
Coverage ratio	72.5%	69.2%
Sovereigns		
Non-performing loans	13	12
of which collateralized	0	0
Impairment losses on loans and advances	11	9
Loans	1,813	1,605
NPL ratio	0.7%	0.8%
Coverage ratio	90.5%	78.2%
Banks		
Non-performing loans	396	268
of which collateralized	112	0
Impairment losses on loans and advances	243	255
Loans	22,538	19,752
NPL ratio	1.8%	1.4%
Coverage ratio	61.4%	95.2%

Corporate customers show a slight decrease in non-performing loans of 0.4 percentage points or € 17 million to € 4,414 million. Russia had a reduction of 15 per cent and the CIS Other fell by 8 per cent. However, Southeastern Europe recorded an increase of 20 per cent or € 158 million. Moreover the non-performing loans in the Raiffeisen Leasing Subgroup rose by 57 per cent or € 29 million. The loan loss provision of corporate customers increased by € 38 million to € 2,902 million meaning a coverage ratio of 66 percent.

Retail customers' non-performing loans rose slightly by 1per cent to € 2,412 million. The major part of the increase was in the Southeastern Europe with 6 per cent and the Central Europe with 2 per cent, while the CIS Other showed a decrease of 6 per cent. The ratio of non-performing loans to credit exposure decreased by 2.2 percentage points to 11.1 per cent. The total loan loss provision for retail customers rose to € 1,748 million, resulting in a coverage increase of 4.8 percentage points to 72.5 per cent.

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

The following table summarizes the development of impairment losses on loans and advances and off-balance sheet transactions during the fiscal year as well as the underlying balance sheet items:

In € million	As of 1/1/2011	Change in consolidated group	Allocation[1]	Release	Usage [2]	Transfers, Exchange differences	As of 30/6/2011
Individual loan loss provisions	**4,031**	**(1)**	**725**	**(287)**	**(215)**	**(76)**	**4,176**
Loans and advances to banks	237	0	5	0	(6)	(6)	229
Loans and advances to customers	3,742	(1)	708	(269)	(209)	(69)	3,901
Off-balance sheet obligations	53	0	12	(18)	0	0	46
Portfolio-based loan loss provisions	**888**	**0**	**206**	**(229)**	**0**	**(13)**	**853**
Loans and advances to banks	18	0	0	(4)	0	0	14
Loans and advances to customers	790	0	177	(195)	0	(12)	760
Off-balance sheet obligations	79	0	29	(30)	0	(1)	78
Total	**4,919**	**(1)**	**931**	**(515)**	**(215)**	**(88)**	**5,029**

In € million	As of 1/1/2010	Change in consolidated group	Allocation[1]	Release	Usage [2]	Transfers, Exchange differences	As of 31/12/2010
Individual loan loss provisions	**3,400**	**(1)**	**1,744**	**(544)**	**(695)**	**126**	**4,031**
Loans and advances to banks	407	0	8	(5)	(177)	4	237
Loans and advances to customers	2,955	(1)	1,676	(512)	(498)	122	3,742
Off-balance sheet obligations	39	0	60	(27)	(19)	0	53
Portfolio-based loan loss provisions	**859**	**0**	**391**	**(390)**	**0**	**28**	**888**
Loans and advances to banks	0	0	18	0	0	0	18
Loans and advances to customers	815	0	315	(367)	0	27	790
Off-balance sheet obligations	44	0	57	(23)	0	1	79
Total	**4,260**	**(1)**	**2,135**	**(934)**	**(695)**	**154**	**4,919**

1 Loans and advances to banks
2 Loans and advances to customers

Concentration risk

The credit portfolio of RZB is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence portfolio granularity is high. The regional breakdown of the maximum credit exposure reflects the broad diversification in European markets. The following table shows the regional distribution of the maximum credit exposure by the borrower's home country. The changes in the reporting period are mainly caused by the enlargement of business with financial institutions in Germany.

In € million	30.6.2011	Share	31.12.2010[1]	Share
Austria	**40,085**	**22.8%**	**39,482**	**23.1%**
Central Europe	**43,708**	**24.8%**	**41,783**	**24.5%**
Slovakia	11,481	6.5%	11,251	6.6%
Czech Republic	11,231	6.4%	9,973	5.8%
Hungary	10,272	5.8%	9,914	5.8%
Poland	8,593	4.9%	7,936	4.6%
Other	2,130	1.2%	2,709	1.6%
Southeastern Europe	**25,872**	**14.7%**	**25,692**	**15.0%**
Romania	7,696	4.4%	7,402	4.3%
Croatia	6,520	3.7%	6,622	3.9%
Bulgaria	4,130	2.3%	4,120	2.4%
Serbia	2,318	1.3%	2,557	1.5%
Other	5,208	3.0%	4,991	2.9%
Russia	**15,061**	**8.6%**	**14,465**	**8.5%**
CIS Other	**7,462**	**4.2%**	**8,171**	**4.8%**
Ukraine	5,734	3.3%	6,165	3.6%
Other	1,728	1.0%	2,005	1.2%
European Union	**25,164**	**14.3%**	**21,711**	**12.7%**
Germany	7,629	4.3%	6,204	3.6%
Great Britain	5,070	2.9%	4,000	2.3%
Netherlands	2,724	1.5%	2,148	1.3%
Other	9,741	5.5%	9,360	5.5%
Far East	**8,165**	**4.6%**	**7,722**	**4.5%**
China	4,625	2.6%	3,349	2.0%
Other	3,539	2.0%	4,373	2.6%
USA	**4,265**	**2.4%**	**4,369**	**2.6%**
Rest of the world	**6,324**	**3.6%**	**7,395**	**4.3%**
Total	**176,106**	**100.0%**	**170,789**	**100.0%**

1 Adaption of previous year figures due to different allocation.

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

In € million	30/6/2011	Share	31/12/2010[1]	Share
Banking and insurance	50,772	28.8%	48,625	28.5%
Private households	21,822	12.4%	22,688	13.3%
Public administration and defence and social insurance institutions	16,864	9.6%	16,414	9.6%
Wholesale trade and commission trade (except car trading)	15,280	8.7%	15,336	9.0%
Real estate activities	10,834	6.2%	12,580	7.4%
Other manufacturing	9,747	5.5%	8,809	5.2%
Other business activities	6,940	3.9%	7,049	4.1%
Construction	6,758	3.8%	5,026	2.9%
Retail trade except repair of motor vehicles	5,160	2.9%	4,223	2.5%
Land transport, transport via pipelines	4,515	2.6%	2,520	1.5%
Electricity, gas, steam and hot water supply	3,161	1.8%	3,659	2.1%
Manufacture of basic metals	2,917	1.7%	2,962	1.7%
Manufacture of food products and beverages	2,309	1.3%	3,014	1.8%
Manufacture of coke and refined petroleum products	1,750	1.0%	1,525	0.9%
Manufacture of chemicals and chemical products	1,625	0.9%	1,782	1.0%
Wholesale and retail trade and repair of motor vehicles and motors	1,617	0.9%	1,820	1.1%
Manufacture of machinery and equipment	1,554	0.9%	1,742	1.0%
Extraction of crude petroleum and natural gas	1,277	0.7%	1,287	0.8%
Other industries	11,206	6.4%	9,729	5.7%
Total	**176,106**	**100.0%**	**170,789**	**100.0%**

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

Market risk

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

The following table shows risk ratios for markets risk categories of RZB's trading and banking book for the first half year 2011. The presented values result from positions of the RBI subgroup. In all other members of the Group there are no material risks in this category.

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

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

The following table shows total risk figures for individual market risk categories in the first half-year 2011. The VaR is dominated by the exchange rate risk out of long-termed equity positions, structural interest rate risks and credit spread risks of bonds, which are held as liquidity buffer.

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

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

Liquidity risk

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

In € million	30/6/2011			31/12/2010		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	20,108	18,258	6,299.7	15,302	12,150	4,788
Liquidity ratio	166%	130%	104%	160%	121%	104%

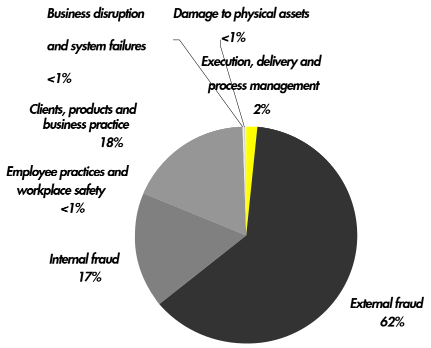
Internal limits have been established in each Group unit in order to limit liquidity risk. They require a positive short-term liquidity gap based on the internal liquidity model. For medium and long-term maturities limits have been established as well, which reduces the effect of a possible increase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

Operational risk

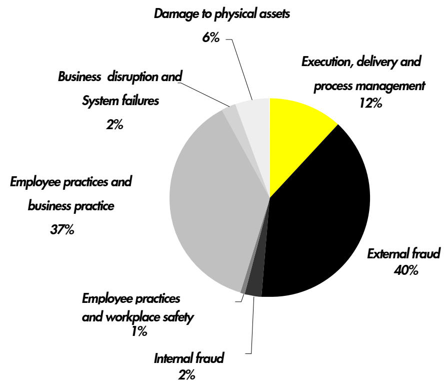
In order to monitor operational risks, loss data is collected in a central database in a structured manner and on a Group-wide basis. Such a loss database is a prerequisite for implementing a statistical loss distribution model and is a minimum requirement for implementing the regulatory standardized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

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

Breakdown of operational loss events by number of events



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



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

Additional notes

(31) Contingent liabilities and commitments

In € million	30/6/2011	31/12/2010
Contingent liabilities	11,870	12,039
Commitments	11,724	12,179

In addition, revocable credit lines were granted to an amount of € 13,830 million (31/12/2010: € 11,680 million) which currently bear no credit risk.

(32) Related parties

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

In € million	Parent companies	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	0	97	0	275	103
Loans and advances to customers	0	0	832	409	1,145
Trading assets	0	31	0	18	4
Financial investments	0	0	392	2	597
Investments in associates	0	0	0	1,328	0
Other assets including derivatives	0	0	5	0	0
Deposits from banks	0	628	0	5,936	62
Deposits from customers	1	0	462	1	1,605
Debt securities issued	0	0	1	0	0
Provisions for liabilities and charges	0	0	0	0	14
Trading liabilities	0	0	5	24	2
Other liabilities including derivatives	0	7	47	0	0
Subordinated capital	0	29	0	0	0
Guarantees given	0	5	13	263	21
Guarantees received	0	119	7	153	2

The following tables show transactions with related companies as of 31 December 2010:

In € million	Parent companies	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	0	471	0	274	244
Loans and advances to customers	0	13	784	437	1,096
Trading assets	0	27	0	20	19
Financial investments	0	0	362	2	685
Investments in associates	0	0	0	1,315	0
Other assets including derivatives	0	0	22	0	0
Deposits from banks	0	607	3	6,908	116
Deposits from customers	1	0	409	2	1,252
Provisions for liabilities and charges	0	0	0	0	19
Trading liabilities	0	0	0	26	18
Other liabilities including derivatives	0	18	70	0	0
Subordinated capital	0	29	0	0	0
Guarantees given	0	1	14	264	5
Guarantees received	0	124	1	143	1

33) Fair value of financial instruments reported at fair value

	30/6/2011			31/12/2010		
In € million	Level I	Level II	Level III	Level I	Level II	Level III
Trading assets	**4,070**	**4,922**	**95**	**3,599**	**5,014**	**0**
Positive fair values of derivatives [1]	68	4,106	95	69	4,100	0
Shares and other variable-yield securities	266	84	0	320	110	0
Bonds, notes and other fixed-interest securities	3,735	706	0	3,210	804	0
Call/time deposits from trading purposes	0	26	0	0	0	0
Financial assets at fair value through profit or loss	**5,926**	**2,165**	**152**	**5,621**	**2,302**	**173**
Shares and other variable-yield securities	124	139	1	154	132	1
Bonds, notes and other fixed-interest securities	5,802	2,026	151	5,467	2,170	172
Financial assets available-for-sale	**82**	**0**	**254**	**96**	**0**	**254**
Other interests[2]	82	0	0	96	0	0
Shares and other variable-yield securities	0	0	254	0	0	254
Derivatives (hedging)	**0**	**288**	**0**	**0**	**925**	**0**
Positive fair values of derivatives from hedge accounting	0	288	0	0	925	0

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

In € million	30/6/2011 Level I	Level II	Level III	31/12/2010 Level I	Level II	Level III
Trading liabilities	**1,573**	**4,756**	**1**	**1,584**	**4,950**	**0**
Negative fair values of derivatives financial instruments [1]	613	4,607	1	564	4,760	0
Call/time deposits from trading purposes	0	3	0	0	0	0
Short-selling of trading assets	332	1	0	425	1	0
Certificates issued	628	146	0	595	190	0
Liabilities at fair value through profit and loss	**0**	**2,522**	**0**	**0**	**2,557**	**0**
Debt securities issued	0	2,522	0	0	2,557	0
Derivatives (hedging)	**0**	**46**	**0**	**0**	**477**	**0**
Negative fair values of derivatives from hedge accounting	0	46	0	0	477	0

1 Including other derivatives.

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

Movements between level I and level II

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

Movements to and from level III

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

(34) Regulatory own funds

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

In € million	30/6/2011	31/12/2010
Paid-in capital	2,002	2,002
Earned capital	2,445	2,794
Non-controlling interests	4,511	4,273
Hybrid tier(1)-capital	800	800
Intangible fixed assets	(469)	(477)
Core capital (tier 1 capital)	**9,290**	**9,393**
Deductions from core capital	(57)	(90)
Eligible core capital (after deductions)	**9,232**	**9,303**
Supplementary capital according to Section 23 (1) 5 BWG	600	600
Provision excess of internal rating approach positions	233	231
Hidden reserve	465	465
Long-term subordinated capital	2,415	2,480
Additional own funds (tier 2 capital)	**3,714**	**3,776**
Deduction items: participations, securitizations	(58)	(90)
Eligible additional own funds (after deductions)	**3,656**	**3,686**
Deduction items: insurance companies	(527)	(527)
Tier 2 capital available to be redesignated as tier 3 capital	177	69
Short term subordinated capital (tier(3))	**177**	**69**
Total own funds	**12,538**	**12,532**
Total own funds requirement	**8,084**	**7,966**
Excess own funds	4,454	4,566
Excess cover ratio	55.1%	57.3%
Tier 1 ratio, credit risk	11.4%	11.6%
Tier 1 ratio, including market and operational risk	9.1%	9.3%
Own funds ratio	12.4%	12.6%

The total own funds requirement is composed as follows:

In € million	30/6/2011	31/12/2010
Risk-weighted assets according to section 22 BWG	**80,890**	**79,996**
of which 8 per cent minimum own funds for the credit risk according to Sections 22a to 22h BWG	6,471	6,400
Standardized approach	3,362	3,323
Internal rating approach	3,109	3,077
Settlement risk	0	0
Own funds requirement for position risk in bonds, equities and commodities	345	327
Own funds requirement for open currency positions	430	386
Own funds requirement for operational risk	837	854
Total own funds requirement	**8,084**	**7,966**

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

In € million	30/6/2011	31/12/2010
Risk-weighted assets according to section 22 BWG on standardized approach	**42,023**	**41,539**
Central governments and central banks	3,469	3,712
Regional governments	109	95
Public administration and non-profit organisations	29	44
Banks	799	1,061
Corporates	22,985	21,942
Retail (including small and medium-sized entities)	10,104	10,089
Mutual funds	129	125
Securitisation position	62	71
Other positions	4,338	4,399
Risk-weighted assets on internal rating approach	**38,867**	**38,457**
Central governments and central banks	924	879
Banks	4,849	5,219
Corporates	30,009	29,446
Equity exposures	2,668	314
Retail (including small and medium-sized entities)	276	2,465
Securitisation position	141	135
Gesamt	**80,890**	**79,996**

(35) Average number of staff

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

Full-time equivalents	1/1-30/6/2011	1/1-30/6/2010
Salaried employees	57,832	58,481
Wage earners	2,734	1,074
Total	**60,566**	**59,555**

Full-time equivalents	1/1-30/6/2011	1/1-30/6/2010
Austria	3,263	3,238
Foreign	57,303	56,317
Total	**60,566**	**59,555**

(36) Statement of legal representatives

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

The Managing Board

Walter Rothensteiner
Chief Executive Officer responsible for Subsidiaries and Equity Investments, Internal and Group Audit, Group Control Human Resources, Public Relations, Legal and Compliance, Tax and Group Head Office

Johannes Schuster
Member of the Managing Board responsible for Sector Marketing, Sector Services and Sector Liquidity & Treasury Management

Johann Strobl
Member of the Managing Board responsible for Risk Management

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Notes: In this extract of RZB's Semi-Annual Report, “RZB” refers to the RZB Group and “RZB AG” is used wherever statements refer solely to Raiffeisen Zentralbank Osterreich AG.

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 forwardlooking statements.

We prepared this Semi-Annual 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.

The Semi-Annual Report was prepared in German. The Report in English is a translation of the original German report. The only authentic version is the German version.

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