QUANTITATIVE DISCLOSURE OF RZB CREDIT INSTITUTION GROUP 2010.

Quantitative Disclosure of Raiffeisen Zentralbank Österreich Aktiengesellschaft pursuant to Article 26 Austrian Banking Act (BWG) in accordance with Disclosure regulation (OffV) as of 31/12/2010

RZB Group

Introduction

With this document, *Raiffeisen Zentralbank Österreich Aktiengesellschaft* (Raiffeisen Zentralbank) fulfils one part of its disclosure requirements pursuant to Article 26 Austrian BWG (Austrian Banking Act).

In this document disclosure requirements regarding Articles 3, 4, 5, 6, 7, 9, 10, 12, 13, 14 and quantitative requirements regarding Articles 8, 15, 16 and und 17 OffV have been presented. Qualitative disclosure requirements regarding Article 2, 8, 15, 16 and 17 are reported in the document "*Qualitative disclosure of RZB Credit Institution Group*". This document can be viewed at or downloadet from Raiffeisen Zentralbank's homepage (www.rzb.at).

The information is based on the valid regulations for the RZB Credit Institution Group on a consolidated basis at the time of publishing this document. Where not separately stated the information is simultaneously valid for the credit institution group of *Raiffeisen-Landesbanken-Holding GmbH* (RLBHOLD), Vienna, as requested in Article 26a (2) BWG (Austrian Banking Act). This financial holding is the ultimate parent of RZB.

Raiffeisen-Landesbanken-Holding GmbH, owned indirectly by the eight Austrian Regional Raiffeisen Banks holds via *R-Landesbanken Beteiligung GmbH* (RLBBET), Vienna, 81.03 % of the ordinary shares and 84.57 % of the preferences shares of *Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna.* This represents a total share of 81.35 %

Quantitative Disclosure of the RZB Credit Institution Group 2010
Version 4.0

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Editor (Coordinating)
RBI Group Financial Reporting (Editor) unter Mitarbeit von RBI Credit Risk Control, RZB Risk Controlling, RBI Capital Markets Support, RBI Market Risk Management and RBI Credit & Limit Control

Supervisory Authorities
As a credit institution, Raiffeisen Zentralbank Österreich AG is subject to supervision by the Austrian Federal Ministry of Finance, the Austrian National Bank (OeNB) and the Austrian Financial Market Authority (FMA) and must comply with pertinent legal regulations, in particular the Austrian Banking Act (BWG) and the Austrian Securities Supervision Act (Wertpapieraufsichtsgesetz, WAG).

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Definitions

In this document the following definitions have been used:

- **Basel II Approach:**
    1. Standardised Approach (STA) according to Article 22a BWG
    2. Internal Rating Based Approach (IRB) according to Article 22b BWG:
        a. Equity: PD/LGD Approach according to Article 77 (4) SolvReg; Grandfathering according to Article 103e (11) BWG
        b. Investments in Collective investment undertakings: Simple risk weight approach according to Article 77 (3) SolvReg
        c. Specialised Lending: Supervisory Slotting Approach according to Article 74 (3) SolvReg

- **Exposure:**
    1. Exposures are shown gross and defined as in Article 65 SolvReg the effects from CCF are not considered as well as provisions are not deducted from the exposure.

- **Exposure classes:**
  Exposure classes according to the Standardised Approach as defined in Article 22a (4) N 2 BWG
    1. Claims or contingent claims on central governments and central banks
    2. Claims or contingent claims on regional governments or local authorities
    3. Claims or contingent claims on administrative bodies and non-commercial undertakings
    4. Claims or contingent claims on multilateral development banks
    5. Claims or contingent claims on international organisations
    6. Claims or contingent claims on institutions
    7. Claims or contingent claims on corporates
    8. Retail claims or contingent retail claims
    9. Claims or contingent claims secured on real estate property
    10. Past due items
    11. Items belonging to regulatory high-risk categories
    12. Claims in form of covered bonds
    13. Short-term claims on institutions and corporates
    14. Claims in the form of collective investment undertakings (CIU)
    15. Other items
    16. Securitisation positions

  Exposure classes according to the Basic-IRB Approach as defined in Article 22b (2) N 3 BWG:
    1. Claims or contingent claims on central governments and central banks
    2. Claims or contingent claims on institutions
    3. Claims or contingent claims on corporates
    4. Retail - claims
    5. Equity claims
    6. Securitisation positions

- **Credit risk disclosure**
  Disclosed information according to Article 7 OffV refers to total credit risk as defined for accounting purposes and according to the IFRS regulation:
  1. Basis of consolidation: Generally the disclosed information is based on a consolidated view of the RZB Credit institution group. For statements based on the consolidated financial statements, the consolidated view is based on the IFRS group.
  2. Exposure definition: Regarding credit risk only those exposures (on balance and off-balance sheet items) have been considered which contain a payment obligation agreed by contract (IAS 39, IFRS 7). Disclosure on the credit risk includes on and off balance sheet items except equity capital positions, investment funds and exposures without counterparty.
  3. Exposure: In general the exposure is shown on a gross basis before deduction of the provisions; for securities the exposure is based on the value referring to the measurement categories (e.g. amortized cost, fair value). The breakdown of the exposure amounts will be made for the following material exposure classes:
     - Sovereigns
     - Financial institutions
     - Corporate customers
     - Retail customers

In contrast to Article 7 all other disclosures regarding credit risk regulated in Article 6, 8, 9, 15, 16 and 17 OffV are shown from a risk perspective and not from an accounting point of view.

Article 3 OffV Differences in the consolidated group for accounting and regulatory purposes

The consolidated group is defined by all companies integrated in the consolidated financial statements. Due to different regulations the following two consolidated groups are distinguished:

- Consolidated group for accounting purposes (IFRS – IAS 27)
- Consolidated group for regulatory purposes - Article 30 BWG

Consolidated group according to accounting purposes

The International Financial Reporting Standards (IFRS) published by the International *Accounting Standards Board (IASB*) are the basis for the definition of the consolidated group. The relevant standards for the consolidation are IAS 27 (in accordance with SIC-12), 28 and IFRS 3.

According to IAS 27 RZB consolidates all material subsidiaries, in which Raiffeisen Zentralbank Österreich Aktiengesellschaft directly or indirectly holds either more than 50 per cent of the voting rights or otherwise has control over the financial and operating policies. On principle, these subsidiaries are firstly integrated on the date when the Group obtains control of the company and are excluded when the group no longer has control of the company. Special purpose vehicles founded for securitisation transactions which are – from an economic point of view – controlled by the Group, are integrated according to SIC 12.

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

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

A list of fully consolidated companies and companies not included in the consolidated financial statement due to minor significance may be found on pages 210 – 213 in the Annual Report 2010.

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

	Fully consolidated		Equity method	
Number of units	**2010**	**2009**	**2010**	**2009**
As of 1/1	371	357	13	13
Included for the first time in the financial period	15	26	0	0
Merged in the financial period	(1)	(4)	0	0
Excluded in the financial period	(51)	(8)	0	0
As of 31/12	**334**	**371**	**13**	**13**

The main part of the excluded units was due to adjusted changed materiality limits in January 2010. Of the 334 entities in the Group, 171 were domiciled in Austria (2009: 169) and 163 abroad (2009: 202). They comprised 23 banks, 193 financial institutions, 19 companies rendering bank-related ancillary services, 11 financial holding companies and 88 other companies. Because of their minor importance in giving a view of the Group´s assets, and financial and earnings position 324 subsidiaries were not included in the consolidated financial statements (2009: 287). They were recognized at amortized cost under financial investments. The total assets of the companies not included in the Group came to less than 1 per cent of the Group's aggregated total assets.

Consolidated group according to regulatory requirements

The number of companies of the RZB Credit Institution Group amounts to 329 units as of end of December 2010.

Number of units	Fully consolidated	Proportionally consolidated	Equity method
As of 1/1	335	1	7
Included for the first time in the financial period	17	0	0
Merged in the financial period	(2)	0	0
Excluded in the financial period	(21)	0	0
Reclassified	0	0	0
As of 31/12	**329**	**1**	**7**

The basis for the regulatory consolidation is the Austrian Banking Act (BWG).

Different to the consolidated group for accounting purposes, only companies which are specialised on bank and other financial businesses, have to be considered. This means affiliated companies with non bank business do not have to be included in the regulatory consolidated group.

Moreover insurance companies will not be considered in the consolidated group for regulatory purposes. Participations and instruments related to such participations held in insurance undertakings, reinsurance undertakings and insurance holding companies, will be deducted from the own funds.

The range of members of the Credit institution group is regulated in Article 30 BWG. Credit institution group exists when a superordinated institution (credit institution or financial holding company) incorporated in Austria, in relation to one or more lower-order institutions (credit institutions, financial institutions, investment firms or companies providing banking support services) incorporated in Austria or abroad:

- directly or indirectly holds a majority ownership interest,
- holds a majority of the voting rights in the company,
- has the right to appoint or dismiss a majority of the members of the administrative, management or supervisory body;
- has the right to exercise a controlling influence;
- actually exercises a controlling influence;
- on the basis of a contract with one or more members, has the right to make decisions as to how members' voting rights are to be exercised in the appointment or dismissal of the majority of members of the management or supervisory body where necessary in order to attain a majority of all votes; or
- directly or indirectly holds at least 20% of the voting rights or capital in the subordinate institution and this participation is managed by a group undertaking jointly with one or more undertakings which do not belong to the group of credit institutions.

Full consolidation

According to the regulatory consolidated group all affiliated companies of the RZB credit institution group, only companies which fulfil the above mentioned requirements, will be fully consolidated.

According to Article 24 BWG the superordinated company has to fully consolidate the basis of valuation for the credit risk as regulated in Article 22 (2) BWG, the positions in the trading book in accordance with Article 24a BWG, the open foreign exchange positions and gold positions pursuant to Article 24b BWG and the own funds of the group of credit institutions as regulated in Article 23 BWG.

Development 2010	As of 1/1	Allocation	Disposal	Mergers	Reclassified	As of 31/12
Credit institutions domestic	6	0	0	0	0	6
Credit institutions foreign	17	0	0	0	0	17
Credit institutions total	**23**	**0**	**0**	**0**	**0**	**23**
Financial institutions domestic	104	2	0	(1)	0	105
Financial institutions foreign	162	2	(17)	(1)	0	146
Financial institutions total	**266**	**4**	**(17)**	**(2)**	**0**	**251**
Other domestic	17	2	(1)	0	0	18
Other foreign	29	11	(3)	0	0	37
Companies rendering bank-related ancillary services total	**46**	**13**	**(4)**	**0**	**0**	**55**
Total	**335**	**17**	**(21)**	**(2)**	**0**	**329**

For the regulatory consolidated group Article 24 (3a) BWG is applied. Each unit not exceeding the balance sheet total of € 10 million and not fully consolidated in the RZB Group is not considered. For 49 units within the credit institution group Article 24 (3a) BWG is applied. Therefore due to minor importance 40 financial institutions, 8 companies rendering bank-related ancillary services and 1 financial holding are not considered for the calculation.

Proportional consolidation

If the superordinate credit institution holds directly or indirectly at least 20 % of the voting rights or capital in the subordinate institution and this participation is managed by a group of undertakings jointly with one or more which do not belong to the group of credit institutions, proportional consolidation according to Article 30 (1) N 7 BWG is applied.

As of December 2010 only one credit institution, *NOTARTREUHANDBANK AG*, Vienna, has been proportionally consolidated.

Equity method

According to Article 24 (3) N 2 BWG, participations in credit institutions, financial institutions and companies rendering bank-related ancillary services, as long as they do not belong to the group of credit institutions or are not voluntarily included in proportional consolidation according to Article 24 (4) BWG, are consolidated by using the equity method.

Differences arising from the off-setting of the carrying amount and the proportional net assets are calculated in a separate tool. The equity capital comes from the last audited individual statement or consolidated financial statement available. The carrying amount is adapted monthly and the changes in the carrying amount resulting from capital increases are also considered in the equity capital. The share in the company is the group's share and not the computed effective share of Raiffeisen Zentralbank.

The following companies are consolidated at equity:

Units	Share	Company type*
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna (AT)	31.3%	KI
Oesterreichische Kontrollbank AG, -Vienna (AT)	8.1%	KI
Raiffeisen Bausparkasse GmbH, Vienna (AT)	37.0%	KI
Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)	50.0%	KI
Card complete Service Bank AG, Vienna (AT)	25.0%	KI
Raiffeisen Wohnbaubank AG, Wien	25.0%	KI
Raiffeisen Banca pentru Locuinte S.A., Bukarest (RO)	26.3%	KI

* Company type: KI…Credit institutions, BH… Companies rendering bank-related ancillary services, FI…Finance institutions, SU…Other, WP…. Security companies

Companies deducted from the own funds

According to Article 23 BWG participations in some companies have to be deducted from the own funds. This regulation is relevant for:

- directly and indirectly held equity shares, subordinated claims, participation capital, supplementary capital or other forms of capital owned by RZB credit institution group in other credit or financial institutions in which Raiffeisen Zentralbank directly or indirectly holds more than 10% of capital;
- participations or instruments related to such participations pursuant to Article 73b VAG (Insurance Supervisory Act) held by a credit institution in insurance undertakings, reinsurance undertakings and insurance holding companies.

Participations in 15 credit institutions, 104 financial institutions and 3 insurance companies are deducted from the own funds.

Impediments for the transfer of funds

In the RZB Credit Institution Group there are currently no known impediments of a substantial, practical or legal nature to the prompt transfer of own funds or the repayment of liabilities among the parent undertaking and its subsidiaries.

In some countries in which RZB Credit Instituion Group is operating, the payment of dividends is subject to certain restrictions. Such restrictions are for example due to the applicable minimum capital requirements or liquidity requirements or due to requirements from local regulators.

Aggregate amount by which actual funds are less than the required minimum in all subsidiaries not included in the consolidation

There are no such capital deficiences for subsidiaries not included in the consolidation but deducted from the own funds.

Article 4 OffV Structure of own funds

Own funds structure

The own funds of the RLBHOLD credit institution group according to Article 23 respectively Article 24 BWG break down as of 31 December 2010 as follows:

€000	31/12/2010
Paid-in capital according to Article 23 (3) BWG	2,450,906
Earned capital	1,546,833
Minority interests	5,212,241
Hybrid tier-1-capital	800,000
(-) Intangible fixed assets	(476,690)
Core capital (tier-1-capital)	9,533,290
Deductions from the core capital	(89,874)
Eligible core capital (after deductions)	9,443,416
Additional own funds according to Article 23 (1) N 5 BWG	599,792
Provision excess of internal rating approach positions	230,743
Hidden reserve	410,000
Long-term subordinated own funds according to Article 23 (8) BWG	2,480,171
Additional own funds (tier-2-capital)	3,720,706
Deduction items: participations, securitisations	(89,874)
Eligible additional own funds (after deductions)	3,630,832
Deduction items: insurances	(526,518)
Tier-2-capital available to be re-designated as tier-3-capital (tier-3-capital)	69,078
Short term subordinated capital (Tier-3)	69,078
Total own funds	**12,616,807**
Total own funds requirement	**7,979,986**
Excess own funds	4,636,822
Excess cover ratio	58.1%
Core capital ratio (tier-1), credit risk	11.8%
Core capital ratio (tier-1), including market and operational risk	9.5%
Own funds ratio	12.6%

Deduction items from Tier 1 and Tier 2-Capital €000	Counterparty credit risk
(-) Holdings in other credit and financial institutions amounting to more than 10% of their capital	139,133
(-) Subordinated claims and other items in other credit and financial institutions in which holdings exceed 10% of their capital	235
(-) Excess on limit for holdings, subordinated claims and other items in credit and financial institutions in which holdings are up to 10% of their capital	0
(-) Participations hold in insurance undertakings, reinsurance undertakings and insurance holding companies	0
(-) Other instruments hold in respect of insurance undertakings, reinsurance undertakings and insurance holding companies in which a participation is maintained	0
(-) Country specific deduction items from core capital and additional own funds	0
(-) Certain securitisation exposures not included in risk-weighted assets	40,381
(-) IRB Provision shortfall and IRB equity expected loss amounts	0
(-) Participations hold in insurance undertakings, reinsurance undertakings and insurance holding companies pursuant to Art. 103e no. 13 ABA	526,518
(-) Other instruments hold in respect of insurance undertakings, reinsurance undertakings and insurance holding companies in which a participation is maintained pursuant to Art. 103e no. 13 ABA	0

Summary of the main features of all own funds items

Core capital (Tier -1-capital)

Paid-in capital
Paid-in capital comprises subscribed capital and capital reserves of Raiffeisen Zentralbank. The subscribed capital and disclosed reserves are available till corporation length. This also applies to minority interests in the subordinated company.

Regarding changes in equity as of 31 December 2010 please refer to table „Statement of changes in equity" in the consolidated financial statements.

Earned capital
Earned capital includes retained earnings and consolidated profit after deduction of the proposed dividend for the financial year.

Hybrid tier-1-capital
The hybrid capital breaks down as follows:

Issuer €000	Title	Amount	ISIN	Interest rate
RZB Finance (Jersey) II Limited, St. Helier	EUR 100,000 Perpetual Non-cumulative Non-voting Fixed/Floating Rate Preferred Securities	100,000	XS0173287862	5.9%
RZB Finance (Jersey) III Limited, St. Helier	EUR 200,000,000 Perpetual Non-cumulative Subordinated Floating Rate Capital Notes	200,000	XS0193631040	CMS 10 + 0.1% capped at 9%
RZB Finance (Jersey) IV Limited, St. Helier	EUR 500,000,000 Non-cumulative Subordinated Perpetual Callable Step-up Fixed to Floating Rate Capital Notes	500,000	XS0253262025	5.2%

Additional own funds (Tier -2 -capital)

Additional own funds
The supplementary capital has to fulfil the requirements stated in Article 23 (7) BWG. According to Article 23 (7) BWG, interest on supplementary capital may be paid out insofar as it is covered by a sufficient profit for the year and in case of bankruptcy supplementary capital is repaid only after all other debts outstanding at that time have been settled. The supplementary capital available is totally issued in euro.

Eligible own funds regarding supplementary capital is stated in Article 23 (14) BWG.

Subordinated capital
The subordinated capital has to fulfil the requirements stated in Article 23 (8) BWG. Subordinated capital, documented or undocumented, is subordinated, if – in the event of liquidation or bankruptcy – it ranks after the claims of all other creditors and is not to be repaid until all other debts outstanding at the time have been settled. Subordinated capital must have an original maturity of at least 5 years. The subordinated capital available is issued with only small exeptions in euro.

Short-term subordinated capital (Tier-3-capital)

The short-term subordinated capital has to fulfil the requirements stated in Article 23 (8a) BWG. The short- term capital must have an original maturity of at least 2 years. The short-term subordinated capital consists totally of maturing tier-2-capital which is not or partly eligible as additional own funds.

Minimum capital requirements according to Article 22 (1) BWG

Article 5 OffV – Minimum capital requirements according to Article 22 (1) BWG

The minimum capital requirements for the RLHOLD credit institution group according to Article 22 (1) BWG amount to € 7,979,986 thousand and break down according to risks as follows:

€000	31/12/2010
Capital requirements (total)	**7,979,986**
Capital requirements for credit risk	**6,413,848**
Standardised Approach - Exposure classes according Article 22a (4) N 2 BWG	**3,337,271**
Claims or contingent claims on central governments and central banks	296,991
Loans and advances to regional governments	7,614
Claims or contingent claims on administrative bodies and non-commercial undertakings	3,546
Claims or contingent claims on multilateral development banks	0
Claims or contingent claims on international organisations	0
Claims or contingent claims on institutions	87,213
Claims or contingent claims on corporates	1,584,806
Retail claims or contingent retail claims	533,877
Claims or contingent claims secured on real estate property	247,386
Past due items	186,940
Items belonging to regulatory high-risk categories	9,418
Claims in form of covered bonds	0
Short-term claims on institutions and corporates	0
Claims in form of collective investments undertakings (CIU)	10,017
Other items	363,745
Securitisation positions	5,718
Internal Rating Based Approach - Exposure classes according Article 22b (2) N 3 BWG	**3,076,577**
Claims or contingent claims on central governments and central banks	70,281
Claims or contingent claims on institutions	417,526
Claims or contingent claims on corporates	2,355,710
Retail claims or contingent retail claims	197,173
Equity claims	25,080
Securitisation positions	10,807
Capital requirements for market risk	**712,288**
Capital requirements for operational risk	**853,850**
Operational Risk Standardized Approach	851,532
Operational Risk Basic Indicator Approach	2,318

The minimum capital requirements for equity exposures in the IRB approach are calculated with the PD/LGD approach according to Article 77 (4) SolvReg.

The simple risk weight approach is used for investments in collective investment undertakings (CIU).

The total amount of the minimum capital requirements for equity exposures which are calculated by using the standardised approach as regulated in Article 103e (11) BWG is € 68,187 thousand.

Equity claims €000	Own funds requirement
Equity exposure according to IRB approach	**25,080**
Simple risk weight approach according to Article 77 (3) SolvReg	17,755
PD/LGD approach according to Article 77 (4) SolvReg	7,325
Grandfathering according to Article 103e (11) BWG	**68,187**

Article 10 OffV – Minimum capital requirements for other risk types (Market Risk)

The minimum capital requirements for market risk according to Article 22 (1) N 2 and 3 BWG break down as follows:

€000	31/12/2010
Own funds requirement for market risk in kind of risk (total)	**712,288**
Own funds requirement for market risk (internal model)	68,458
Specific position risk associated with interest rate instruments	142,845
General position risk associated with interest rate instruments	44,140
Specific position risk associated with equity instruments	10,528
General position risk associated with equity instruments	17,744
Risk associated with equity index futures	8,032
Risk associated with shares in investment funds	8,573
Other option-related risks	7,418
Settlement risk	10
Commodities risk	17,653
Foreign-exchange risk (including the risk arising from gold positions)	385,622
Specific position risk in securitisation	1,264

Quantitative disclosure for credit risk

Article 8 OffV Credit risk according to the Standardised Approach

The exposure and the exposure after credit risk mitigation (uncollateralised exposure) for each exposure class break down as follows:

The external ratings applied are mapped to the credit quality steps (rating notches) defined in the standardised approach for credit risk in accordance with standard mapping pursuant to Article 21b (6) BWG. A mapping table can be found on page 13 in the document "Qualitative disclosure of RZB credit institution group".

Claims or contingent claims on central governments and central banks

Credit Quality Step €000	Exposure	Unsecured Exposure
1	9,873,743	9,873,742
2	3,882,322	3,882,322
3	3,576,033	3,567,662
4	1,169,491	1,169,491
5	2,388,419	2,331,223
6	0	0
Not rated	465,144	465,144

Claims or contingent claims on regional governments and local authorities

Credit Quality Step €000	Exposure	Unsecured Exposure
1	122,803	122,668
2	538	538
3	72,141	72,141
4	6,353	6,353
5	14,169	14,169
6	0	0
Not rated	425	425

Claims or contingent claims on administrative bodies and non-commercial undertakings

Credit Quality Step €000	Exposure	Unsecured Exposure
1	162,600	162,477
2	38,154	31,126
3	9,579	9,579
4	5,153	17
5	4,902	4,902
6	0	0
Not rated	0	0

Claims or contingent claims on multilateral development banks

Credit Quality Step €000	Exposure	Unsecured Exposure
1	56,098	56,098
2	0	0
3	0	0
4	0	0
5	0	0
6	0	0
Not rated	0	0

Claims or contingent claims on international organisations

Credit Quality Step €000	Exposure	Unsecured Exposure
1	1,010	1,009
2	0	0
3	0	0
4	0	0
5	0	0
6	0	0
Not rated	0	0

Claims or contingent claims on institutions

Credit Quality Step €000	Exposure	Unsecured Exposure
1	2,443,806	2,388,049
2	52,103	50,264
3	843,350	629,446
4	1,610	1,610
5	111,557	101,946
6	0	0
Not rated	3,809	3,809

Claims or contingent claims on corporates

Credit Quality Step €000	Exposure	Unsecured Exposure
1	8,065	7,922
2	40,591	40,591
3	174,678	174,675
4	142,761	142,761
5	0	0
6	0	0
Not rated	26,224,289	24,582,142

Retail claims or contingent retail claims

Credit Quality Step €000	Exposure	Unsecured Exposure
1	0	0
2	0	0
3	0	0
4	0	0
5	0	0
6	0	0
Not rated	10,656,011	10,338,455

Claims or contingent claims secured on real estate property

Credit Quality Step €000	Exposure	Unsecured Exposure
1	0	0
2	0	0
3	194	0
4	1,846	0
5	0	0
6	0	0
Not rated	7,471,971	5,718,297

Past due items

Credit Quality Step €000	Exposure	Unsecured Exposure
1	1,442	1,442
2	0	0
3	798	650
4	77	77
5	0	0
6	0	0
Not rated	4,478,484	4,465,374

Items belonging to regulatory high-risk categories

Credit Quality Step €000	Exposure	Unsecured Exposure
1	0	0
2	0	0
3	0	0
4	12,500	12,500
5	66,444	66,444
6	0	0
Not rated	0	0

Claims in the form of collective investment undertakings (CIU)

Credit Quality Step €000	Exposure	Unsecured Exposure
1	0	0
2	0	0
3	0	0
4	0	0
5	0	0
6	0	0
Not rated	125,208	125,208

Other items

Credit Quality Step €000	Exposure	Unsecured Exposure
1	37,203	37,203
2	4,502	4,502
3	0	0
4	700	700
5	0	0
6	0	0
Not rated	12,029,780	12,028,965
hereof deduction of own funds	625,402	625,402

Securitisation positions

Credit Quality Step €000	Exposure	Unsecured Exposure
1	91,084	91,084
2	23,600	23,600
3	23,746	23,746
4	5,059	5,059
5	0	0
6	0	0
Deducted from the own funds	18,671	18,671

Article 16 OffV Credit risk according to the IRB approach

The total exposure for which capital requirements are calculated by using the IRB approach is € 89,325,126 thousand. The exposure for each asset class is shown in the following break down:

Exposure class according Article 16 (1) N 4 €000	Exposure
Claims or contingent claims on central governments and central banks	1,992,289
Claims or contingent claims on institutions	24,350,502
Claims or contingent claims on corporates	58,159,915
hereof Specialised lending	4,864,525
Retail - claims	4,422,282
hereof secured by real estate	3,417,218
Equity claims	50,155
Securitisation positions	349,983
Total	**89,325,126**

In the following tables details to the exposure value and the exposure-weighted average risk weight after credit risk mitigation for the exposure classes according to Article 22b (2) N 1 to 5 BWG (central governments and central banks, institutions, corporates, retail and equity exposures) have been disclosed. The exposure values and risk weights are aditionally splitted to the different PD classes, including the grade for defaulted obligors, in order to enable a meaningful differentiation on credit risk.

The following table shows the default probabilities used for the calculation of own funds requirements for individual PD grades:

PD classes	PD in %
1	0.00 – 0.03
2	0.03 – 0.07
3	0.07 – 0.10
4	0.10 – 0.33
5	0.33 – 0.70
6	0.70 – 1.08
7	1.08 – 2.26
8	2.26 – 4.73
9	4.73 – 95.00
10	95.00 – 100.00

Claims or contingent claims on central governments and central banks

PD classes according Article 16 (1) N 5 OffV €000	Exposure	Risk weight (exposure weighted average)
1	175,444	10.2%
2	0	0.0%
3	65,479	29.4%
4	1,448,721	56.8%
5	0	0.0%
6	0	0.0%
7	227,036	7.3%
8	5,000	0.0%
9	70,608	3.8%
10	0	0.0%

Claims or contingent claims on institutions

PD classes according Article 16 (1) N 5 OffV €000	Exposure	Risk weight (exposure weighted average)
1	58,024	26.2%
2	1,250,133	14.3%
3	16,236,832	15.2%
4	4,297,751	28.7%
5	791,183	36.4%
6	721,979	88.9%
7	508,581	61.6%
8	0	0.0%
9	54,324	136.9%
10	431,696	0.0%

Claims or contingent claims on corporates

PD classes according Article 16 (1) N 5 OffV €000	Exposure	Risk weight (exposure weighted average)
1	1,169,093	12.7%
2	7,575,211	11.3%
3	6,045,054	19.1%
4	8,061,810	33.8%
5	7,151,973	55.6%
6	7,173,778	63.1%
7	7,107,009	75.8%
8	4,011,889	93.8%
9	2,600,044	132.3%
10	2,204,664	0.0%
Specialized lending	4,864,525	69.5%
Alternative treatment: secured by real estate	194,865	49.9%

Equity claims

PD classes according Article 16 (1) N 5 OffV €000	Exposure	Risk weight (exposure weighted average)
1	0	0.0%
2	0	0.0%
3	0	0.0%
4	6,205	116.6%
5	43,950	191.9%
6	0	0.0%
7	0	0.0%
8	0	0.0%
9	0	0.0%
10	0	0.0%

Retail - claims

PD classes according Article 16 (1) N 5 OffV €000	Exposure	Risk weight (exposure weighted average)
1	118,911	15.5%
2	664,615	20.3%
3	707,859	18.8%
4	894,610	42.3%
5	679,167	54.1%
6	305,932	77.7%
7	211,235	102.6%
8	183,560	117.3%
9	424,785	165.9%
10	231,608	25.1%

Article 9 OffV Specialised lending and equity claims according to the IRB approach

The exposures for specialised lending are assigned to each category, as regulated in Article 74 (3) SolvaReg, and presented as follows:

Categories	Risk weight	Exposure
Category 1	50%	2,198,437
Category 2	70%	1,549,832
Category 3	115%	555,227
Category 4	250%	272,875
Non performing loans	-	288,154

According to the IRB approach, the capital requirements for investments in collective investment undertakings (CIU) are calculated by using the simple risk weight approach as regulated in Article 77 (3) SolvReg. All collective investment undertakings receive 370% risk weight.

Risk weight €000	Exposure
190 %	0
290 %	0
370 %	59,983

Article 6 OffV Counterparty credit risk

Article 6 (1) OffV Methodology used to assign internal capital according to § 39a BWG and credit limits for counterparty credit exposures

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

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

Article 6 (2) OffV Policies for securing collateral and establishing credit reserves

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

Master agreements have to be executed for repurchase transactions, securities lending transactions and OTC derivatives transactions. The majority of these agreements are based on widely used industry standards provided by market associations like ISDA or ICMA. Credit risk mitigation techniques are strictly subject to independent legal opinions which state the enforceability of the applicable master agreement.

Article 6 (3) OffV Regulations for correlation risks

Correlation risks between exposure and collaterals of repurchase transactions, securities lending transactions and collateralised lending are restricted by comprehensive risk limits. Limits are established to confine correlations of collaterals with the following risks:

- Counterparty risk
- Country risk
- Issuer risk in case of securities collateral

Correspondent limits exist on the counterparty level and on the over-all volume of accepted collaterals.

Correlation risks between derivative transactions and assets received to cover credit exposure are restricted by a restrictive list of eligible collaterals. For this business line, only cash collateral denominated in EUR, USD and GBP as well as AAA-rated government bonds issued by countries of the European Union and the United States of America are accepted. Correlation between these assets and the underlying derivatives exist only in a negligible extent.

Article 6 (5) OffV Rating downgrade

Rating dependent terms and conditions in credit support agreements are avoided as far as possible, so that a possible downgrade would have only minor impact on the amount of collateral.
The relevant rating by Standard & Poors and Moody's is currently A and respectively A1. The below denoted amount of maximum additional collateral requirements will become effective in full only if both rating agencies would downgrade RZB's long term credit rating and an adverse market movement would require corresponding collateral.

S&P	Moody's	Max. additional collateral requirement €000
AAA	Aaa	0
AA+	Aa1	0
AA	Aa2	0
AA-	Aa3	0
A+	A1	0
A	A2	82,000
A-	A3	116,000
BBB+	Baa1	120,000
BBB	Baa2	121,000
BBB- and below	Baa3 and below	122,000

The following table shows the gross positive fair value of derivative contracts. In line with current counterparty credit risk measurement we show the potential future exposure instead of the current credit exposure. In contrast to the current exposure the potential future exposure includes also the potential credit risk arising from market value changes in the underlying position. On the other hand exchange traded derivatives are excluded as their positive fair values are settled daily through margin calls.

§ 6 Z 5 OffV at fair value through profit or loss €000	Actual at fair value through profit or loss	Counterparty credit risk	Netting benefits	Netted potential credit exposure	Collateral held	Net credit exposure
Interest rate contracts	1,006,807	5,541,301	3,761,405	1,779,896	192,029	1,587,867
Foreign exchange rate contracts	(222,531)	1,593,004	570,888	1,022,115	60,917	961,198
Equity/index contracts	10,391,210	10,533,055	7,620,146	2,912,909	1,475,224	1,437,685
Credit derivatives	2,278	26,024	12,107	13,917	271	13,646
Commodities	27,841	42,071	31,971	10,100	0	10,100
Total	**11,205,604**	**17,735,454**	**11,996,517**	**5,738,937**	**1,728,440**	**4,010,496**

The counterparty credit risk will be measured by the mark-to-market approach. The exposure is calculated according to Article 234 SolvReg from the current market value for each transaction plus general add-on in order to capture the potential future credit exposure.

§ 6 Z 6 OffV €000	Netted potential credit exposure
Mark-to-market approach	5,738,937

The nominal value of credit derivatives hedges amounts to € 3,100,986 thousand. In case of credit derivatives only single credit default swaps and I-traxx are available.

§ 6 Z 7 OffV €000	Nominal value
Single CDS	2,727,573
I-traxx	373,413

The nominal value of the derivative transactions breaks down into the following product groups:

	Nominal value Banking book		Nominal value Trading book	
§6 Z 8 OffV €000	Purchase contracts	Sales contracts	Purchase contracts	Sales contracts
Interest rate contracts	38,756,606	276,982	183,118,467	3,523,566
Foreign exchange rate contracts	14,654,226	500	49,456,937	1,288,300
Equity/index contracts	199,460		1,846,847	
Commodities			362,071	
Credit derivatives	2,408,662	1,896,010	692,325	1,192,069

Article 17 OffV Disclosure applicable to credit risk mitigation

The exposure value covered by eligible credit risk mitigants after the application of volatility adjustments for each asset class is presented in the following table:

§17 Z 6 and 7 OffV €000	Other physical collaterals	Mortgage collaterals	Unfunded Credit Protection	Financial collaterals[1]
Standardized approach - asset classes	**162,365**	**7,944,255**	**276,438**	**2,056,927**
Claims or contingent claims on central governments and central banks	0	0	0	65,567
Loans and advances to regional governments	0	0	0	136
Claims or contingent claims on administrative bodies and non-commercial undertakings	0	0	12,018	270
Claims or contingent claims on multilateral development banks	0	0	0	0
Claims or contingent claims on international organisations	0	0	0	0
Claims or contingent claims on institutions	0	0	2,773	278,337
Claims or contingent claims on corporates	0	0	261,015	1,381,278
Retail claims or contingent retail claims	0	0	0	317,556
Claims or contingent claims secured on real estate property	0	7,473,744	0	267
Past due items	162,365	470,511	557	12,701
Items belonging to regulatory high-risk categories	0	0	0	0
Claims in form of covered bonds	0	0	0	0
Short-term claims on institutions and corporates	0	0	0	0
Claims in form of collective investments undertakings (CIU)	0	0	0	0
Other items	0	0	75	815
Securitisation positions	0	0	0	0
IRB-approach – exposure classes	**3,071,745**	**2,958,116**	**5,292,050**	**21,812,133**
Claims or contingent claims on central governments and central banks			315,763	246,908
Claims or contingent claims on institutions	73,226	4,882	1,637,040	18,983,734
Claims or contingent claims on corporates	2,998,519	1,284,338	3,339,247	2,581,490
Retail - claims	0	1,668,896	0	1
Equity claims	0	0	0	0
Securitisation positions	0	0	0	0

1 incl. on and off balance sheet netting

Article 15 OffV Securitisations

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

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

In financial year 2010, no new securitisations were made. Both true sale transactions (Warehousing) ROOF Bulgaria 2008-1 and ROOF Romania 2008-1 already closed in 2008 were not yet transferred to final securitisation. The reason for this is the recent developments on the international capital markets, and the resulting liquidity crunch. Nevertheless, the warehousing has been prolonged and the current warehousing structures kept alive by the placement of notes to Group internal investors until further notice.

The total outstanding amount for exposures which have been securitised by the RZB Group as of 31/12/2010 and are subject to the securitisation framework is € 697,542 thousand and break down into traditional and synthetic securitisations as follows:

§ 15 Z 11 OffV €000	Total outstanding amount
Leasing	194,923
Corporate loans	450,000
Car loans	52,619
Total	**697,542**

§ 15 Z 7 OffV	Outstanding amount	
€000	Traditional securitisations	Synthetic securitisation
Leasing	194,923	
Corporate loans	0	450,000
Car loans	52,619	
Total	**247,542**	**450,000**

There are no impaired and past due exposures as also no revolving exposures in the outstanding amount of the securitised exposures.

The retained and purchased securitisation positions are broken down by exposure type and risk weight bands as follows: Each company which have retained securitisation positions from other companies and has reported them as internal exposures will be consolidated.

§ 15 Z 9a OffV €000	Retained and purchased securitisation positions
Asset-backed Securities (ABS) car loans	112,465
Asset-backed Securities (ABS) leasing	159,842
Asset-backed Securities (ABS) other	30,079
CLO (Credit Linked Obligations)	92,646
Residential Mortgage Backed Securities (RMBS)	87,635
Commercial Mortgage Backed Securities (CMBS)	4,116
Credit Debt Obligation (CDO)	18,686
Other resecuritisations	6,674
Total	**512,143**

§ 15 Z 9b OffV €000	Retained and purchased securitisation positions
Risk weight <= 10%	239,383
10% < Risk weight <= 20%	119,129
20% < Risk weight <= 50%	51,333
50% < Risk weight <= 100%	37,263
100% < Risk weight <= 650%	24,655
Deduction from own funds	40,381

Disclosure according to accounting regulations

Article 7 OffV Credit and dilution risk

Definition of the terms „past due" and „non-performing" for accounting purposes

Past due exposures
The definition of default and the assessment of expected recovery value are heavily influenced by the number of days payments are late. Exposures are past due when the contractually agreed date for payment has been exceeded. Payments are considered past due when the borrower has exceeded the approved credit limit.

Non-performing exposures
Default is defined in RZB as the event where a specific debtor is unlikely to pay its credit obligations to the Group from primary sources, or the debtor is overdue more than 90 days on any material credit obligation. RZB has defined twelve default indicators which are used to identify a default event including the insolvency or similar proceedings of a customer, if an impairment provision has been allocated or a direct write-off has been carried out, if credit risk management has judged a customer account receivable to be not wholly recoverable, or the restructuring unit is considering stepping in to help a company restore its financial soundness.

The credit portfolio and individual borrowers are subject to constant monitoring. The main purposes of monitoring are to ensure that the borrower is meeting the terms and conditions of the contract as well as following the obligor's economic development. A review is conducted at least once annually for corporate customers, financial institutions, and sovereigns. This includes a rating review and the re-evaluation of financial and tangible collaterals.

Within the scope of the Basel-II-project a Group-wide default database has been created for recording and documenting customer defaults. The database tracks recoveries and work-out costs as well, which makes it suitable for calculating and validating PDs and LGDs (the probability of default, PD, and loss given default, LGD, both are parameters in the regulatory Internal Ratings Based approach used for determining required own funds and the Group's internal risk quantification models).

Approaches and methods for determining value adjustments and provisions

Troubled loans (where debtors are expected to run into material financial difficulties or delayed payment) need special handling. In non-retail divisions, problem loan committees of each Group member review problematic exposures. In case of the need for intensified handling and workout, the troubled loans are assigned either to a designated specialist or to a restructuring unit (workout department), both part of the risk or credit risk management divisions. Employees of workout units are specially trained and experienced. They typically handle medium-sized to large cases and are assisted by in-house legal departments and/or by external specialists as well. Workout units play a decisive role in accounting and analysing as well as booking provisions for impairment losses (write-offs, value adjustments, provisioning). Their early involvement can help reducing losses caused by troubled loans. Cases in which restructuring or liquidation take place, are analyzed in RZB to find out their causes. Lending processes are then adapted as necessary on the basis of these results.

Default and work-out standards in the retail area are defined for the whole restructuring and collection process for private individuals and small enterprises. A restructuring guideline defines the Group's restructuring framework including the strategy, organization, methods, monitoring and controlling. In the collection process customers are classified into three categories "Early", "Late" and "Recovery", for which a standardized customer handling process is defined each.

At each balance sheet date it is assessed whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, when:

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

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

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

The entirety of the provision for impairment losses arising from loans reported in the statement of financial position (individual loan loss provisions and portfolio-based provisions) is shown as a separate item on the assets side, below loans and advances to banks and customers. The provision for impairment losses arising from transactions outside the statement of financial position is recorded under provisions for liabilities and charges.

Quantitative Disclosure according to accounting regulation

The total amount of exposures before deduction of the value adjustments and provisions and without taking into account the effect of credit risk mitigation, break down by exposure classes as follows:

§ 7 (1) Z 3 OffV Exposure classes €000	Exposure 31/12/2010	Exposure 31/12/2009
Sovereigns	27,879,552	25,130,501
Financial institutions	29,689,044	46,722,402
Corporate customers	90,378,973	81,367,327
Retail customers	22,988,650	21,956,554
Total	**170,936,219**	**175,176,785**

The regional breakdown of credit exposure reflects RZB's broad diversification in European markets. The on- and off balance exposures are distributed regionally by domicile of the borrower:

§7 (1) Z 4 OffV €000	Sovereigns	Financial institutions	Corporate customers	Retail customers
Austria	10,055,960	12,320,508	22,633,715	61,077
Central Europe	7,135,708	987,086	22,426,698	11,467,369
Southeastern Europe	6,129,800	220,869	12,247,834	7,095,072
CIS Other	1,222,855	272,367	4,420,351	2,252,529
Russia	1,284,069	1,402,472	9,719,305	2,112,603
Rest of the world	2,051,160	14,485,741	18,931,070	0
Total	**27,879,552**	**29,689,044**	**90,378,973**	**22,988,650**

Within the scope of its risk policy and assessments of creditworthiness, RZB also considers the borrower's industry. The following table covers the customer credit on and off balance exposure of the group:

§7 (1) Z 5 OffV **Branches € 000**	**Exposure**
Banking and insurance	48,778,570
Private households	22,687,962
Public administration and defence and social insurance institutions	16,413,678
Wholesale trade and commission trade (except car trading)	15,335,791
Real estate activities	12,580,415
Other business activities	6,977,924
Construction	5,026,104
Retail trade except repair of motor vehicles	4,222,642
Electricity, gas, steam and hot water supply	3,658,577
Manufacture of food products and beverages	3,014,025
Manufacture of basic metals	2,961,973
Other manufacturing	12,115,812
Land transport, transport via pipelines	2,252,855
Other transport	2,649,399
Manufacture of machinery and equipment	1,742,384
Mining and quarrying	1,286,500
Sale of motor vehicles	1,819,821
Other industries	7,411,786
Total	**170,936,219**

The table shows a breakdown of all exposures by residual maturity and exposure class:

§7 (1) Z 6 OffV **€000**	**Sovereigns**	**Financial institutions**	**Corporate customers**	**Retail customers**
Up to 1 year	15,094,642	17,317,232	46,835,544	6,673,955
More than 1 year, up to 5 years	6,279,172	9,988,983	27,957,957	3,022,904
More than 5 years	6,505,738	2,382,829	15,585,472	13,291,791
Total	**27,879,552**	**29,689,044**	**90,378,973**	**22,988,650**

The following table shows a break down of the non-performing and past due exposures as also of the value adjustments and provisions by asset classes. From the non-performing and past due exposures only on balance exposures have been presented, whereas only past due exposures, which have not been individually impaired, are disclosed.

§7 (1) Z 7 OffV €000	Sovereigns	Financial institutions	Corporate customers	Retail customers
Doubtful/high default risk claims	12,098	267,834	4,430,957	2,398,263
Past due items	12,040	3,104	1,758,499	2,442,781
Individual loan loss provisions	7,000	236,579	2,426,066	1,308,452
Portfolio-based loan loss provisions	0	18,440	437,630	352,507
Individual provisions for off balance exposures	0	0	50,943	1,583
Portfolio-based provisions for off balance exposures	0	21	78,678	723

The non-performing and past due exposures as also the value adjustments and provisions are broken down by geographical areas as follows:

§7 (1) Z 8 OffV	Geographical distribution					
€000	Austria	Central Europe	Southeastern Europe	Russia	CIS Other	Rest of the world
Doubtful/high default risk claims	1,225,560	2,288,047	1,329,178	669,591	1,427,805	168,972
Past due items	437,708	1,409,838	2,007,869	82,095	278,106	808
Value adjustments and provisions	944,021	1,266,020	928,748	670,897	1,001,361	107,576

The following table summarizes the development of loan loss provisions in the fiscal year:

§7 (1) Z 9 OffV €000	As of 1/1/2010	Allocation	Release	Usage	Transfers, exchange differences	As of 31/12/2010
On-balance provisions	**4,176,589**	**2,016,861**	**(884,189)**	**(675,763)**	**153,203**	**4,786,675**
hereof individual loan loss provisions	3,361,683	1,683,253	(517,100)	(675,763)	126,025	3,978,098
hereof portfolio-based provisions	814,906	333,608	(367,089)	0	27,178	808,577
Off-balance provisions	**83,130**	**117,234**	**(50,084)**	**(18,947)**	**614**	**131,948**
hereof individual loan loss provisions	38,632	60,178	(27,370)	(18,947)	33	52,526
hereof portfolio-based provisions	44,498	57,056	(22,714)	0	581	79,422
Total	**4,259,719**	**2,134,095**	**(934,273)**	**(694,710)**	**153,817**	**4,918,623**

Direct write-downs and recoveries recorded directly in the income statement are disclosed as follows:

§7 (3) OffV €000	1/1/2010 – 31/12/2010
Direct write-downs	90,195
Income received on written-down claims	45,061

Article 13 OffV Equity exposures not held in the trading book

Differentiation between exposures based on their purpose

Raiffeisen Zentralbank as universal bank is interested in participations in credit or financial institutions as well as in companies whose activities constitute a direct extension of banking activities or a related ancillary activity. Participations of the parent company are managed by the Participations Management & Controlling division. This division is responsible for controlling risks arising from long-term equity investments of the parent company (and for returns generated by these investments as well). Investments in RZB's participations are made by the Managing Board of Raiffeisen Zentralbank on the basis of individual due diligence only. Indirect participations held by different members of RZB Group are often managed by local units in coordination with the parent company. Raiffeisen Bank International AG which is the holding company for activities in Central and Eastern European countries plays a major role in this respect.

Overview of accounting and valuation methods

The consolidated financial statements of Raiffeisen Zentralbank were prepared in accordance with the *International Financial Reporting Standards (IFRS)* published by the International Accounting Standards Board (IASB).

Shareholdings in subsidiaries not included in the consolidated financial statements because of their minor significance and shareholdings in companies that are not valued at equity are shown under financial investments and are measured at amortized cost if no share prices are available. Other shareholdings are recognized in the category financial assets available-for-sale. Changes in value are directly recognized in equity without effecting income statement. Impairments are shown in the income statement.

Quantitative Disclosure according Article 13 OffV

§13 (3) and (4) OffV **€000**	**Exposure**	**Fair value**	**Market value**
Shares			
Stock exchange listed positions	153,980	153,980	153,980
Stock exchange unlisted positions	133,008	133,008	0
Other interests			
Stock exchange listed positions	820,099	1,055,649	1,055,649
Stock exchange unlisted positions	863,785	863,785	0
Interest in affiliated companies			
Stock exchange listed positions			
Stock exchange unlisted positions	361,200	361,200	

§13 (5) and (6) OffV **€000**	**Amount**
Disclosure Article 13 (5) OffV	
Net realised gains (losses) on equity instruments	48,109
Disclosure Article 13 (6) OffV	
Net gain (losses) on equity instruments	30,032

Public disclosure for other risks

Article 11 OffV Internal models for limiting market risks

RZB defines market risk as potential adverse market conditions that cause losses in trading and investment books. Changes of foreign exchange rates, interest rates, credit spreads, prices of shares and commodities as well as relevant market parameters, e.g. implied volatilities, create market risk. Market risk of customer business is transferred to Group Treasury department via transfer pricing. Group Treasury manages structural risks and is responsible for adherence to limits on group level. Business department Capital Markets is responsible for proprietary trading, market making and customer business in money market products as well as capital market operations (Sales).

RZB measures, monitors and manages all market risks on group level. It uses an internal model for calculating own funds requirements for the trading book according to SolvReg for risk categories "General position risk associated with interest rate instruments" and "Foreign-exchange risk (including the risk arising from gold positions)" for Raiffeisen Bank International AG. For other portfolios and risk types the standardized approach is used. More details on the own funds requirement are shown on page 13.

Organization of Market Risk Management

Market Risk Committee
Market Risk Committee (MACO) is responsible for the strategic market risk management of all market risks within the group. The limit on group level is set by the Management Board in due consideration of the risk bearing ability of the group as well as of the budget. Breaking down the total limit on sub-limits for business departments is done in accordance with strategies, business models and risk appetites of the individual departments.

Operational market risk management
Market Risk Management (department MRM) ensures the adherence of business volumes and product variety to approved strategies and risk appetite of the group. MRM is responsible for designing and refining risk management processes, adequate infrastructure and risk management systems. Furthermore the department develops risk rule books and methods of assessing and quantifying market risks. MRM is also responsible for the independent daily measurement and reporting of all market risks as well as of market risk induced credit risks of derivative trading.

Products approval process
All products that are allowed for taking open positions are defined in the product catalogue. New products are only added to this list when they have passed the product approval process (PEP). Validating product applications is done thoroughly including a comprehensive risk analysis of the new product. New products can only be introduced if they are evaluated and presented correctly in the Front-Office and risk management systems of RZB.

RZB uses a comprehensive risk management approach that includes trading and investment books (total return approach). Management of market risks is done consistently for trading and investment books. The following risk parameters are measured on a daily basis and are limited:

- Value-at-Risk (VaR), confidence level 99%, holding period 1 day
  Value-at-Risk (VaR) is central to the design of the risk management instruments used in RZB. VaR is the main contral mechanism for liquid markets under normal market conditions. The used methodology of estimating VaR is a hybrid simulation approach. 5000 scenarios are generated and used for full revaluation of the portfolio. The hybrid approach allows the combination of the advantages of historic and Monte Carlo simulations. Scenario generation is based on the given histories of market parameters (time length 500 business days). Modern features like volatility declustering, random time changes, an extreme event container are incorporated in the assumptions of the distribution and enable appropriate modelling of fat tails and asymmetric distributions. All sub-portfolios are treated in the same way. The result of one portfolio is the statistical parameter of the aggregated profit & loss vector which again aggregates single deal profit and losses for each scenario. The model has received regulatory approval for being used in order to report capital requirements.

- Sensitivities (Foreign exchange, BPV, Gamma, Vega, Equity, Commodity)
  Limits on sensitivities help avoiding risk concentrations under normal market conditions. They are installed as the most important control mechanism in stressed or illiquid markets.

- Stop Loss Limits
  This limits supports the position management process of traders by preventing them from keeping positions open in adverse markets. Losses thus cannot be accrued unlimitedly.

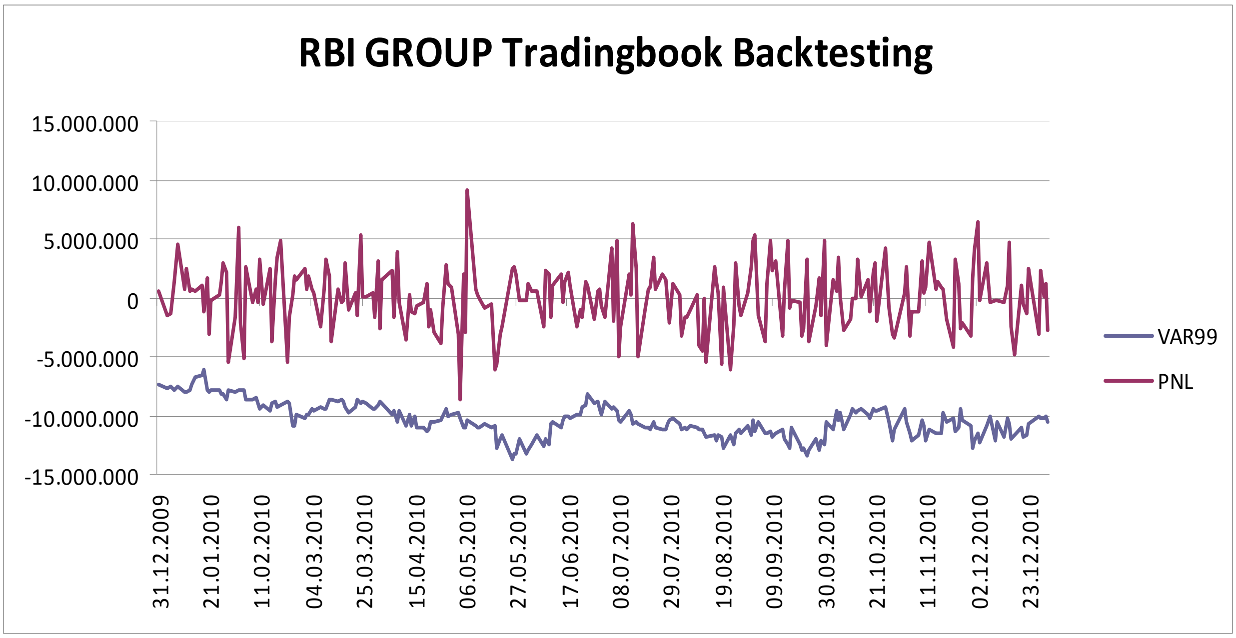
Besides these limits comprehensive stress testing is done on a daily basis. The portfolio of RZB group and all its sub-portfolios are calculated in a big variety of single and combined stress scenarios. Potential risks that are disclosed by stress testing are reported to the Market Risk Committee and are also taken into consideration in the limit allocation process. Both, VaR and stress results are also observed in the allocation process of economic capital. Reports for stress results are an integral part of the daily market risk reporting. These stress reports contain the worst case scenario results (highest potential losses) as well as the results of selected scenarios that are of interest for the specific portfolio.

The applied stress scenarios contain changes of single risk factors as well as simultaneous changes of groups of risk factors. The exact scenario specifications were developed together with Research respectively retrieved from analysis of market data time series (historically observed 10-day changes, correlations of risk factors given in stressed periods). Research is also consulted on identifying contagion effects between markets in order to define groups of markets that are stressed simultaneously. Scenario examples are Liquidity Crisis in "Dollar Influenced Currencies" or "Russian Politic Sensitive States". Furthermore effects on portfolio values stemming from steepening, flattening or turns of interest rate curves and extreme money market increases are calculated. Hypothetical worst case events (like significantly decreasing interest rates in times of falling equity markets applied on CPPI and OBPI products) are reported daily.

The used risk assessment and measurement methods are continuously backtested and statistically validated. Qualitative analysis of profitability is also performed regularly. Detected shortcomings are corrected.

Backtesting in the trading book

The chart below shows VaR results vs. hypothetical profit and losses. The blue line is the predicted maximum loss (with a confidence level of 99%) for the following business day. The red line is the hypothetic profit/loss. It is calculated on the following day reflecting the actual change of portfolio value (i.e. based on the actually occurred market movements). As can be seen, the model is reflecting volatility regimes of the market very accurately and reacts immediately to changed conditions. The group portfolio is well diversified and no backtesting violation was seen in 2010.



Valuation rules according to §§ 198 - 202 SolvReg

Valuation at market prices

The valuation of Raiffeisen Bank International's positions (for Vienna, excl. Branches) is done independently from trading departments on a daily basis. Price sources used are predefined data provided by external market contributors (e.g. Reuters, Bloomberg, MarkIT). The valuation is done in the respective front office system. The exact process is different for different systems, but always based on the following principle: At the end of the business day the prices are retrieved from the different contributors. Control mechanisms contain e.g. several reports that allow checking update date/time respectively lack of liquidity of price source, detecting unusual jumps and missing data, etc. If data is incorrect already predefined alternative price sources will be used to double check. Manual corrections are subject to four-eye-principle. Checked data is uploaded to the front office systems respectively authorized in the front office system and subsequently used for valuation of the positions in the system.

Independent valuation

The daily valuation is not done by the trading departments, but by an independent department in the Risk Controlling division. In the course of the daily price verifications, adequacy of prices used is checked. If independent price sources are unavailable model prices will be used. Market Risk Management is defining the standards for model prices.

Valuation adjustments / reserves

In case model prices are used, RZB experts have to check whether valuation adjustments are necessary. The positions, for which valuation adjustments have to be made, are presented on a monthly basis to the Market Risk Committee.

Valuation at model prices

The valuation of illiquid bonds is done by means of proxy credit spreads. Criteria for the selection of proxies are country, industry, rating and maturity. Price sources used for proxies are market data contributors like MarkIT, Bloomberg etc. The valuation of the bonds itself is done by means of the internal model pricing functions. Depending on the adequacy of the proxy, the spread retrieved from these systems will be either used directly as input parameter or as minimum value to price the bond with. For each bond the average price is then calculated.

Systems and control mechanism

The valuation process is done in the front office systems. For each front office system a written documentation of the daily pricing routine exists and comprises

- Positions (Portfolios; deal books)
- Products
- Prices to be checked
- Price sources (used and alternatives; with ranking of usage)
- Description of checks to be performed
- Actions to be taken in case of incorrect/outdated data
- Workflow of end-of-day processes

The department responsible for the valuation is part of Risk Controlling, a division reporting to the CRO. Valuation results are reported weekly to the Management Board as part of the as part of the profit and loss overview from the Market Risk Committee.

Article 14 OffV Interest rate risk in the banking book

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

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

Interest rate risk in the banking book is not only measured in a value-at-risk framework but also managed by traditional tools for nominal and interest rate gap analyses. Since 2002, interest-rate risk has been the subject of quarterly reporting within the scope of the interest-rate risk statistics submitted to the supervisory authorities. This reports also show the change in the present value of the banking book as a percentage of own funds in line with the requirements of Basel II. Maturity assumptions needed in this analysis are defined as specified by regulatory authorities or based on internal statistics and empirical values. In 2010, the changes in present value of banking book positions after an interest rate shock of two hundred basis points were always lower than the regulatory reporting threshold of 20 per cent of eligible own funds in RZB.

The following table shows the change in the present value of RZB's banking book given a one-basis-point interest rate increase for the whole yield curve in thousands of euros. Interest rate risk in the banking book increased due to investments into securities issued by first class issuers which are also held to improve the liquidity position.

Article 14 (3) OffV Change of present value 31/12/2010	Total	>3m	3-6m	6-12m	1-2y	2-3y	3-5y	5-7y	7-10y	10-15y	15-20y	>20y
BGN	17	2	3	13	(1)	2	(1)					
BYR	30	(2)	(11)	6	1	1	34					
CHF	(101)	2	(14)	(20)	(2)	3	(1)	(14)	(16)	(22)	(16)	
CNY	25	(14)	3	36								
CZK	(42)	(12)	9	39	(82)	(34)	55	16	(17)	(16)		
EUR	(2026)	189	177	33	(38)	50	(155)	(767)	(1244)	(210)	35	(96)
HUF	(88)	(22)	(1)	6	2	(12)	(36)	(29)	2	2		
PLN	(17)	(14)	5	(5)		(2)		(1)				
RON	(167)	5	(4)	(10)	(22)	(29)	(72)	(24)	(11)			
RUB	58	(4)	(20)	14	51	45	43	(12)	(16)	(22)	(14)	(7)
UAH	(123)	(1)	5	7	(38)	(31)	(40)	(11)	(7)	(6)	(1)	
USD	(288)	(23)	30	27	(6)	99	(87)	(98)	(56)	(124)	(35)	(14)
Others	(34)	(18)	(13)	16	(22)	(22)	(28)	47	3	1	1	(1)

Article 14 (3) OffV Change of present value 31/12/2009	Total	>3m	3-6m	6-12m	1-2y	2-3y	3-5y	5-7y	7-10y	10-15y	15-20y	>20y
BGN	9	2	2	6	1	(3)						
BYR	8	(2)	(5)	1	5		9					
CHF	(29)	(4)			1	(1)	7	(3)	(15)	(14)		
CNY	17	(9)	2	24								
CZK	53		(7)	56	(24)	(26)	62	(11)	17	(13)		
EUR	(933)	112	74	35	(77)	(135)	55	(380)	(594)	26	59	(110)
HUF	(52)	12	3	(10)	(14)	(14)	(16)	(19)	(5)	11		
PLN	(36)	(5)	2	(1)	(6)		(25)					
RON	(96)	3	(7)	(13)	(10)	(16)	(32)	(17)	(4)			
RUB	(98)	(7)	14	(16)	(11)	(14)	29	(12)	(20)	(34)	(29)	
UAH	(4)	6	(1)	(2)	(4)	(3)						
USD	11	(41)	(43)	6	53	80	116	(48)	(5)	(51)	(31)	(24)
Others	(36)	(20)	(3)	4	(4)	(2)	(9)	(2)	(3)	5	(1)	0

Article 12 OffV Operational risk

RZB currently calculates regulatory capital requirements for operational risks according to Basel II using the standardized approach. After several years of implementation the Ukrainian network bank, Raiffeisen Bank Aval, applies this calculation methodology starting as of 1 January 2010 as well. As a consequence the standardized approach now is used in all major Group members.