Good Morning!

Annual Report 2010

Raiffeisen Bank International

Good Morning!

Each morning brings with it the dawn of a new day. But while all of us have our own personal morning rituals to help us start the day right, it's what we make out of each day that really matters.

Having conquered the challenges of the past several years, we have also repositioned ourselves through the merger of Raiffeisen International with the principal business areas of RZB. Consequently in the morning, at the dawn of a new era for the bank, we are looking forward with confidence.

In our home market of Central and Eastern Europe (CEE), Raiffeisen Bank International AG (RBI) is ideally equipped for the future as a universal bank, while also being one of the leading commercial and investment banks in Austria.

This positive mindset is part of the optimism that infuses all of our efforts. We look forward to writing a new chapter of our corporate history with dedication, energy and drive!

Survey of key data

Raiffeisen Bank International Group

Monetary values in € million	RBI 2010	Change	RBI pro forma 2009	Raiffeisen International 2009	Raiffeisen International 2008	Raiffeisen International 2007
Income statement						
Net interest income	3,578	9.0%	3,282	2,937	3,232	2,419
Net provisioning for impairment losses	(1,194)	(46.5)%	(2,232)	(1,738)	(780)	(357)
Net fee and commission income	1,491	4.9%	1,421	1,223	1,496	1,250
Net trading income	328	(21.7)%	419	186	168	128
General administrative expenses	(2,980)	9.7%	(2,715)	(2,270)	(2,633)	(2,184)
Profit before tax	1,287	62.9%	790	368	1,429	1,238
Profit after tax	1,177	121.7%	531	287	1,078	973
Consolidated profit	1,087	141.5%	450	212	982	841
Statement of financial position						
Loans and advances to banks	21,532	(44.2)%	38,582	10,310	9,038	11,053
Loans and advances to customers	75,657	4.3%	72,566	50,515	57,902	48,880
Deposits from banks	33,659	(31.4)%	49,099	20,110	26,213	19,927
Deposits from customers	57,633	4.0%	55,407	42,578	44,206	40,457
Equity	10,404	11.6%	9,326	7,000	6,518	6,622
Total assets	131,173	(9.9)%	145,638	76,275	85,397	72,743
Key ratios						
Return on equity before tax	13.7%	4.2 PP	9.5%	5.7%	22.0%	25.7%
Return on equity after tax	12.5%	6.1 PP	6.4%	4.5%	16.6%	20.2%
Consolidated return on equity	13.0%	5.9 PP	7.1%	3.9%	17.4%	20.1%
Cost/income ratio	55.1%	2.6 PP	52.5%	52.5%	54.0%	57.6%
Return on assets before tax	0.90%	0.37 PP	0.53%	0.47%	1.77%	1.98%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.66%	(1.2) PP	2.89%	3.19%	1.32%	0.84%
Bank-specific information[1]						
Risk-weighted assets (credit risk)	75,601	7.2%	70,555	50,090	60,388	49,802
Total own funds	12,608	4.9%	12,019	8,328	6,992	6,684
Total own funds requirement	7,585	6.3%	7,137	5,117	5,767	4,317
Excess cover ratio	66.2%	(2.2) PP	68.4%	62.8%	21.2%	54.8%
Core tier 1 ratio, total	8.9%	0.4 PP	8.5%	9.2%	7.4%	9.6%
Tier 1 ratio, credit risk	12.2%	0.4 PP	11.8%	14.1%	9.7%	11.4%
Tier 1 ratio, total	9.7%	0.3 PP	9.4%	11.0%	8.1%	10.5%
Own funds ratio	13.3%	(0.2) PP	13.5%	13.0%	9.7%	12.4%
Stock data						
Earnings per share in €	4.56[2]	3.27	1.29	0.99	6.39	5.80
Price in €	41.00	–	–	39.50	19.30	103.60
High (closing price) in €	42.75	–	–	47.86	110.20	122.50
Low (closing price) in €	29.01	–	–	13.00	16.23	98.25
Number of shares in million	195.51	0.0%	195.51	154.67	154.67	154.67
Market capitalization in € million	8,016	–	–	6,109	2,985	16,024
Dividend per share in €	1.05[3]	–	–	0.20	0.93	0.93
Resources						
Number of employees as of reporting date	59,782	1.0%	59,211	56,530	63,376	58,365
Business outlets	2,961	(2.2)%	3,029	3,018	3,231	3,015

[1] Calculated according to the Austrian Banking Act (Bankwesengesetz, BWG). RBI as part of the RZB Group is not subject to the regulations of the BWG.
[2] Before the deduction of the compensation for participation capital earnings per share would be € 5.59 (31.12.2009: € 1.38).
[3] Proposal to the Annual General Meeting.

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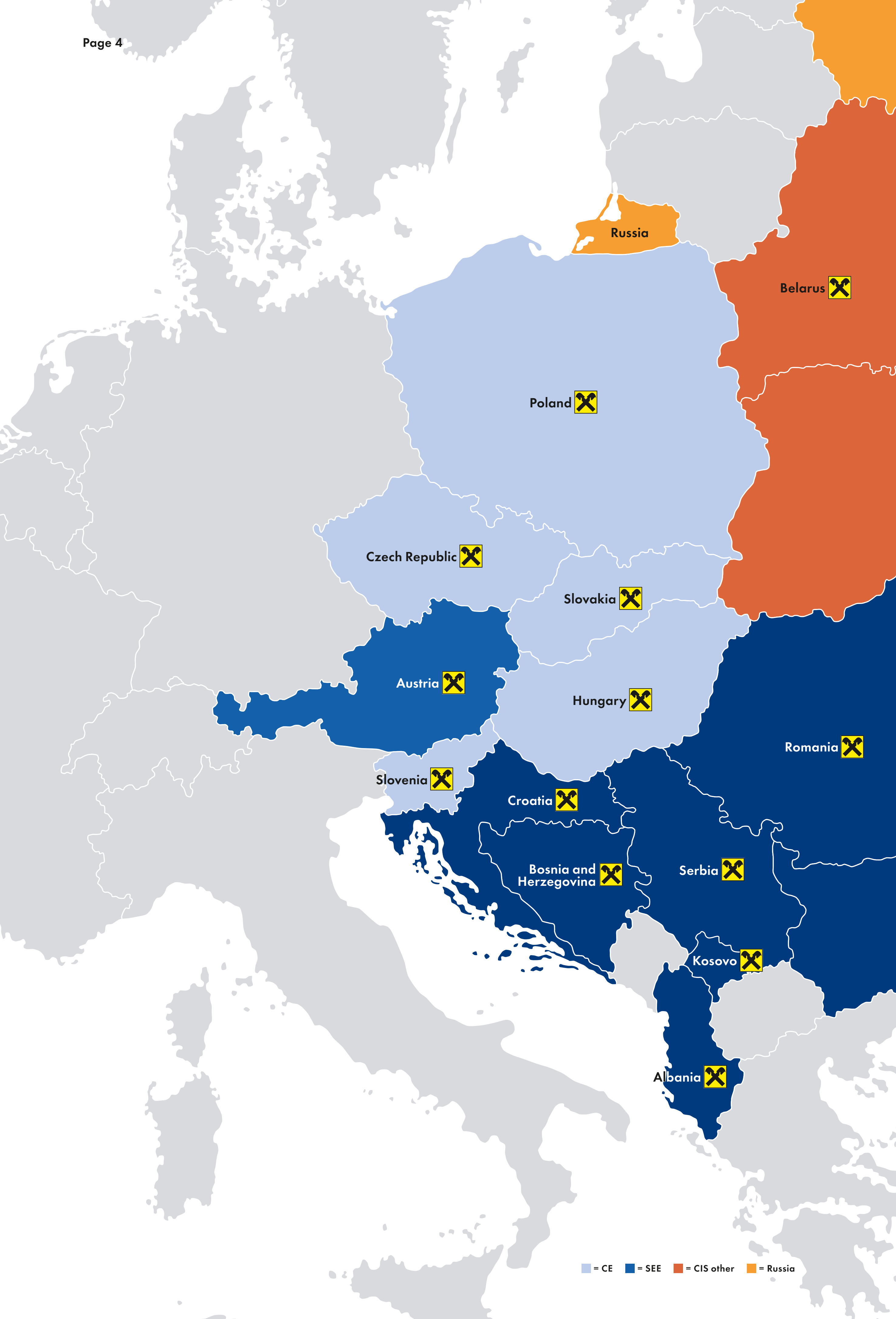
In this report, Raiffeisen Bank International (RBI) refers to the RBI Group, and RBI AG is used wherever statements refer solely to Raiffeisen Bank International AG. The same applies to Raiffeisen International and Raiffeisen International Bank-Holding AG as well as to RZB and RZB AG.


Russia
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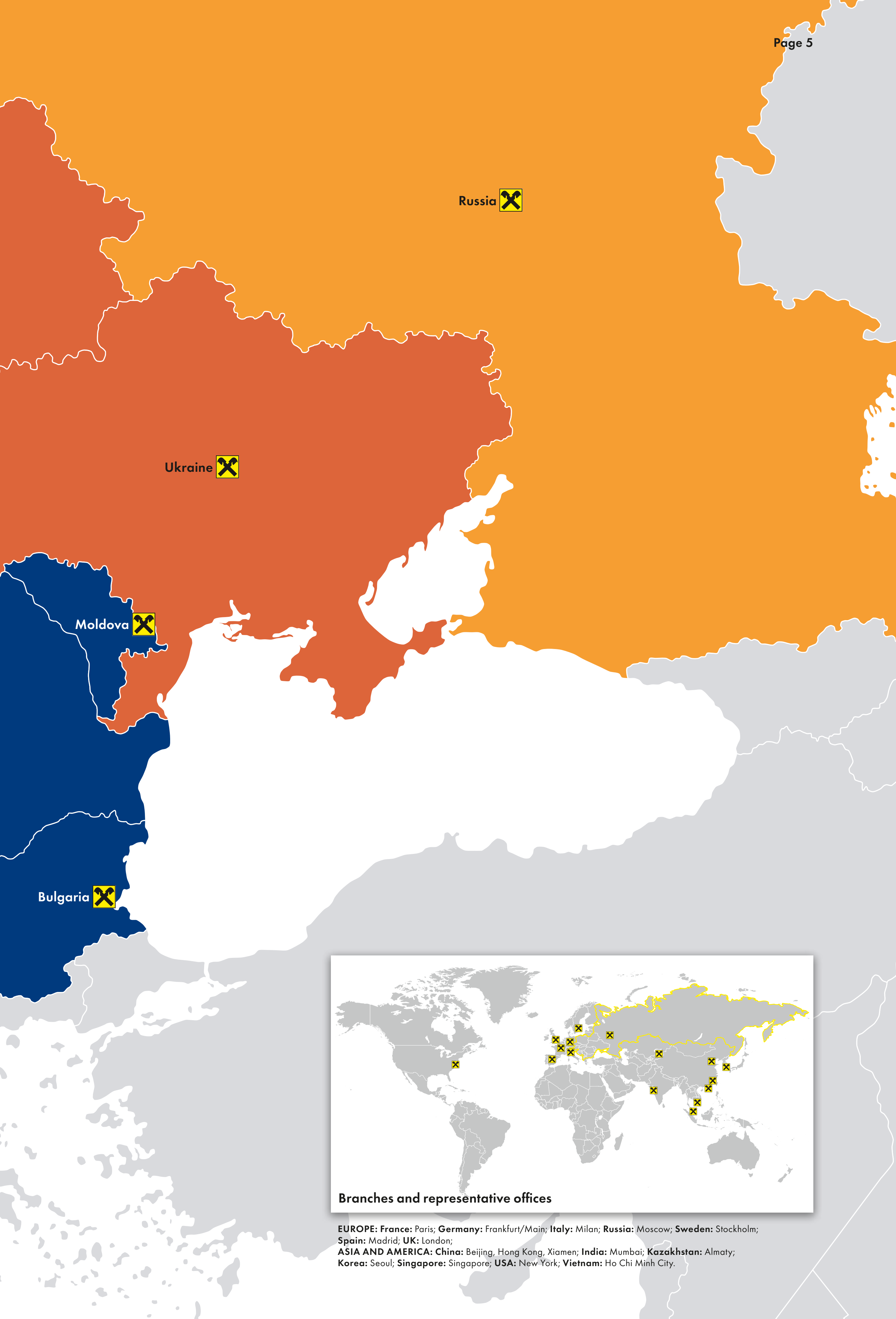

Branches and representative offices

EUROPE: France: Paris; **Germany:** Frankfurt/Main; **Italy:** Milan; **Russia:** Moscow; **Sweden:** Stockholm; **Spain:** Madrid; **UK:** London;
ASIA AND AMERICA: China: Beijing, Hong Kong, Xiamen; **India:** Mumbai; **Kazakhstan:** Almaty; **Korea:** Seoul; **Singapore:** Singapore; **USA:** New York; **Vietnam:** Ho Chi Minh City.

Good morning!

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Herbert Stepic starts the day building healthy foundations.

Preface by the Chairman of the Management Board

Ladies and Gentlemen,

Although I remember 2009 as an incredibly intensive year, 2010 raised the bar again for intensity. This time, however, the bulk of our efforts were internal, as we were working on a major reorganization of our Group. Raiffeisen International was merged with the principal business areas of Raiffeisen Zentralbank (RZB) to form Raiffeisen Bank International (RBI), which was entered into the commercial register in the fourth quarter. You are now reading its first annual report. One of the goals of the merger was to combine the dense network of Raiffeisen International in Central and Eastern Europe (CEE) with RZB's product development expertise in the fields of corporate and investment banking, thereby generating added value for our customers and shareholders. In addition, RBI now benefits from even better refinancing opportunities – whereas Raiffeisen International previously accessed the equity market and RZB the debt market, the new RBI can now access both.

2010 was also the year in which our home market in Central and Eastern Europe showed the first signs of improvement after the outflow of liquidity at year-end 2008 and the resulting economic downturn. The sharp declines in growth in 2009 were replaced in CEE (and Austria as well) by a return to real growth in economic performance. Overall, the focus of economic concern shifted to the peripheral countries in the eurozone, and specifically Greece and Ireland. Both countries caused serious upheaval in the financial markets, ultimately leading to broad-based rescue packages. In addition to the growing stabilization in CEE, economists expect that these markets will return to a higher level of growth than in the eurozone. We expect economic growth in CEE to be around 2 percentage points higher than in the Western European economies. The driver for this trend is the continuing high potential for catch-up in the region, which should re-emerge in the long term as Europe's growth zone. Despite the merger and resulting expansion of our area of activity, CEE will continue to be the central focus of our strategy.

I am, however, concerned about another development in 2010. Many countries are discussing the use of bank levies as a way of closing their budget deficits. Hungary introduced such a tax in 2010 and Austria will follow in 2011. New guidelines on capital adequacy were additionally discussed and adopted in the framework of Basel III. While measures to strengthen equity are an important means of cushioning the impact of similar crises – provided they are actually implemented globally and without exceptions – inappropriately high levies make this goal difficult to achieve. Such levies reduce our ability to build retained earnings and own funds. Our financing capability is also a key criterion for capital market participants deciding whether to invest in our company. Nevertheless, I feel it is important to emphasize that our new structure as RBI will make it somewhat easier for us to cope with these additional burdens.

The result for 2010 shows that we took the right countermeasures during the crisis. Despite the continuing slight rise in non-performing loans (NPL), which we expect to finally peak in the course of the second half 2011, we made a consolidated profit of € 1,087 million. This represents growth of 142 per cent on the previous year (pro forma values). The emerging economic recovery and the measures initiated in the current year to improve our efficiency and competitiveness give me confidence for 2011. Even so, there are still many environmental uncertainties, in particular those of a political nature.

The confidence shown by our customers and shareholders has enabled us to adapt well to the new conditions that emerged from the financial and economic crisis. Without the strong support of our shareholders – both RZB and our institutional and private investors – the merger and the associated reorientation would not have been possible. I would particularly like to thank our employees at the Vienna head office of RBI, who have worked tirelessly in the past few months on implementing the merger, and who have enthusiastically brought the project to a successful conclusion. Naturally, I am also grateful to all of the around 57,000 employees in the network banks who are working intensively on offering first-class service and innovative products to our customers worldwide.

Yours sincerely, Herbert

Herbert Stepic
Chief Executive Officer

Management Board of RBI

Herbert Stepic

Group Strategy
Human Resources
Internal Audit
Legal & Compliance
Management Secretariat
Organization & Internal Control System
PR, Marketing & Event Management

Martin Grüll

Investor Relations
Planning & Finance
Treasury
Tax Management

Johann Strobl

Credit Management Corporates
Credit Management Retail
Financial Institutions & Country Risk & Group Portfolio Management
Risk Controlling
Risk Excellence & Projects
Workout

Aris Bogdaneris

Credit Services
Information Technology
Lending & Cards
Operations & Productivity Management
Premium & Private Banking
Retail CRM
Sales, Distribution & Services
SME Banking
Transaction Services

Peter Lennkh

International Business Units
Participations

Patrick Butler

Capital Markets
Credit Markets
Institutional Clients
Raiffeisen Research

Karl Sevelda

Corporate Customers
Corporate Sales Management & Development
Group Products
Network Corporate Customers & Support

Report of the Supervisory Board

Dear shareholders,

The 2010 financial year was characterized by major strategic realignments. In order to be able to respond better to the future regulatory requirements and also in order to improve even further our products and services for our customers, a strategy project was initiated. The findings that emerged led to a fundamental restructuring and the merger of Raiffeisen International with the principal business areas of RZB.

New appointments

Subject to the suspensive condition of entering the merger in the commercial register and with effect from the time this entry was made on 10 October 2010 and their resigning their Supervisory Board posts, Patrick Butler, Karl Sevelda and Johann Strobl were appointed as members of the Management Board. Karl Sevelda was appointed Deputy Chairman.

Rainer Franz, whose post on the Management Board ended on 30 June 2010, and Heinz Wiedner, who completed his Management Board duties on 1 December 2010, resigned from the Management Board.

Also subject to the suspensive condition of entering the merger in the commercial register and with effect from the time this entry was made on 10 October 2010, Erwin Hameseder, Markus Mair, Ludwig Scharinger, Hannes Schmid, Johannes Schuster, Friedrich Sommer and Christian Teufl were elected to the Supervisory Board within the course of the Annual General Meeting on 8 July 2010. Effective at the same time, Erwin Hameseder was elected first Deputy Chairman of the Supervisory Board, Ludwig Scharinger was elected second Deputy Chairman of the Supervisory Board and Markus Mair was elected third Deputy Chairman of the Supervisory Board.

In accordance with the decision by the Works Council on 10 October 2010, Martin Prater, Peter Anzeletti-Reikl, Rudolf Kortenhof, Sabine Chadt and Helge Rechberger were delegated to the Supervisory Board.

With effect from 1 January 2011 Alfred Lejsek was appointed as State Commissioner.

Activity in 2010

In 2010, the members of the Supervisory Board and its committees were also fully informed in a timely and comprehensive manner by the Management Board during the regular meetings about all pertinent business developments, including risk management of the company and allied companies. This information was provided in writing and verbally. As well as the exchange of information in the meetings there were many informal discussions between the Management Board and Supervisory Board.

The Management Board fully and promptly informed the Supervisory Board, in particular in all matters of the company's strategic realignment so that the Supervisory Board was able to fulfill its supervisory duties conscientiously and take all its decisions in a carefully reasoned way. This also enabled it to discuss the status of the strategy implementation with the Management Board at regular intervals.

During the period under review there were four Supervisory Board meetings. All members of the Supervisory Board attended more than half of the meetings. In all the meetings the Supervisory Board performed the tasks incumbent upon it by law and pursuant to the Austrian Corporate Governance Code.

In the meetings, as well as discussions held outside the meetings, the effects of the financial and economic crisis, in particular the risk situation, were discussed at length. Thus, there were regular reports on the current earnings situation and the Group's liquidity and risk situation.

The Chairmen of the Operations Committee, Audit Committee and Personnel Committee regularly reported to the Supervisory Board about the relevant committee's work.

The Operations Committee dealt primarily with the appointment of executive members in the Group, regulations governing holdings in affiliated companies and business transactions requiring its approval.

The Audit Committee monitored the accounting process, the effectiveness of the internal control system, the internal audit system and also the risk management of the company. It monitored the annual statutory audit and the consolidated financial statement audit. It was also responsible for verifying and monitoring the independence of the statutory auditor. It audited the annual financial statements and consolidated financial statements and prepared its assessment. It also dealt with the proposed appropriation of profit, the Management Letter and corporate governance report. In addition, it made a proposal in regard to the appointment of the statutory auditor.

The Personnel Committee dealt in particular with questions concerning the remuneration of the Management Board including the bonus scheme and directors' and officers' insurance.

Annual financial statements and consolidated financial statements

These consolidated financial statements (income statement, statement of financial position and notes) and the Group Management Report, as well as the annual financial statements and Management Report for RBI have been audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The audit revealed no grounds for objections. All legislative provisions were fully satisfied. Therefore, the unqualified Auditor's Report was issued.

The consistency check of the Corporate governance report according to Section 243b of the Austrian Commercial Code (UGB) was performed by Univ.Prof.DDr. Waldemar Jud Corporate Governance Forschung CGF GmbH, and its final results yielded no significant grounds for objections.

Following an extensive audit and discussion of the consolidated financial statements and the annual financial statements in the Audit Committee and in the Supervisory Board, the Supervisory Board agreed with the proposed appropriation of profit and approved the annual financial statements of RBI. The annual financial statements have thus been adopted in accordance with Section 96 (4) of the Austrian Stock Corporation Act (AktG).

The Supervisory Board would like to thank greatly the departing members of the Supervisory Board and Management Board for their many successful years of service to the company. The Supervisory Board would also like to thank the Management Board, the Works Council and all employees for their hard work during the merger. In what constituted a challenging financial year they contributed heavily to the merger's success thanks to their outstanding commitment and dedication.

On behalf of the Supervisory Board
Walter Rothensteiner, Chairman

Overview of RBI

Strategically repositioned for future growth

On 10 October 2010 Raiffeisen International merged with Cembra Beteiligungs AG, to which the principal business areas of Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB) – the corporate banking business and related participations – had been spun off beforehand. Since then it has been operating under the name Raiffeisen Bank International AG (RBI) and employs around 60,000 staff. It operates as a universal bank in Central and Eastern Europe (CEE), where it has an extensive network of subsidiary banks, leasing companies and numerous specialized financial service providers in 17 markets. Approximately 57,000 employees in around 3,000 business outlets serve around 14 million customers in this region. In Austria RBI is one of the top corporate and investment banks. It is the only Austrian bank to be represented not only in the world's financial centers, but also in the growth markets of Asia with its own business outlets and representative offices.

With its strong retail and corporate customer base and by bringing together its entire product range, RBI strategically repositioned itself in 2010 as a fully integrated corporate and retail banking group in CEE. Supported by up-to-date risk management and a strong platform for accessing the capital and money markets the bank is equipped for future growth in a wide variety of activities.

RBI has been listed on the Vienna Stock Exchange since 25 April 2005 (until 12 October 2010 as Raiffeisen International). It is represented in several leading national and international indices, including the ATX and the EURO STOXX Banks. RZB, which continues to function as the central institution of the Raiffeisen Banking Group Austria (RBG), indirectly held approximately 72.8 per cent of Raiffeisen International's shares until the merger took effect. As compensation for the transfer of Cembra's assets to Raiffeisen International in the merger a grant of new shares was made to Cembra's sole shareholder Raiffeisen International Beteiligungs GmbH, a 100 per cent subholding of RZB, as a result of which RZB's indirect holding in the new bank increased to around 78.5 per cent. The remaining 21.5 per cent of RBI's shares are in free float.

RBI as significant component of RBG

Long-term success story

RZB, the contemporary majority shareholder of RBI and central institution of RBG, was formed in 1927 as "Genossenschaftliche Zentralbank" (GZB). Raiffeisen gained its first foothold in CEE more than twenty years ago when it established its first subsidiary bank in Hungary in 1987. Other banks and financial service companies were soon established in CEE and combined into a holding company, which operated under the name Raiffeisen International from 2003 onwards. While the bank's early expansion was driven mainly by new business outlet openings, acquisitions of other banks became the predominant source of growth after 2000. Thanks to the long track record in CEE these banks were integrated successfully within the Group. Raiffeisen International listed on the stock exchange in April 2005 in order to finance its future growth as efficiently as possible. It issued further shares in October 2007 in a capital increase. The merger of Raiffeisen International with the principal business areas of RZB in 2010 marks a major leap forward in the company's history.

Part of a strong community

The system of cooperative associations dates back to the vision and pioneering work of Friedrich Wilhelm Raiffeisen (1818 to 1888). Under the model developed by Raiffeisen, farmers formed local cooperatives, which were geared towards mutual support among their members rather than profit. Members' savings were pooled in loan fund associations and then distributed to members in the form of low-cost, long-term loans. In an age when loans at extortionate rates were often the only credit available, this gave many people the first opportunity they had ever had to borrow money for investments or to tide them over in years of meager harvests.

The Raiffeisen model spread quickly, especially in the German-speaking countries. The first Raiffeisen bank in Austria was founded in 1886 in Mühldorf, near the village of Spitz an der Donau. The individual local cooperatives soon started working together and in turn founded regional cooperatives, marking the beginning of the multi-tiered nature of the Raiffeisen organization. This not only helped to strengthen their position in the market, but also enabled better management and risk control. Numerous product and service cooperatives were also founded on the back of increasing specialization and market integration.

125 years of Raiffeisen in Austria

RBG is the largest banking group in Austria. It has the densest business outlet network in the country and a share of about one-quarter of the domestic banking market. RBG manages some € 83 billion of Austrian customers' deposits (excluding building society savings), of which around € 50 billion is held in savings deposits. Its lending activities concentrate on SMEs, tourism and agriculture. RBG has achieved its strong market position through healthy organic growth.

As a core company of the RZB Group RBI is a significant component of RBG, which is celebrating "125 Years of Raiffeisen in Austria" in 2011.

Deposit protection through the Raiffeisen deposit guarantee association

RBI is a member of the Raiffeisen-Kundengarantiegemeinschaft Österreich (RKÖ – deposit guarantee association), established in 2000, which made RBG a pioneer in deposit protection in Austria. Supplementing the statutory Austrian deposit protection scheme, the deposit guarantee association guarantees up to 100 per cent of customer deposits, depending on the financial strength of the member institutions. Unlike the statutory deposit protection scheme it covers all deposits, regardless of whether they belong to private individuals or businesses. The guarantee also applies to all foreign currency deposits and to issues of senior unsecured bonds.

The markets of RBI

in € million	Total assets	Change[1]	Business outlets	Number of staff
Czech Republic	7,908	2%	112	2,894
Hungary	8,534	(3)%	144	3,244
Slovakia	8,972	(4)%	159	3,693
Slovenia	1,611	2%	17	352
Poland	6,928	11%	123	3,071
Reconciliation	(25)	(127)%	–	–
CE segment	**33,928**	**1%**	**555**	**13,254**
Albania	2,009	9%	105	1,343
Bosnia and Herzegovina	2,052	(12)%	98	1,640
Bulgaria	3,790	(5)%	190	3,241
Croatia	5,858	(1)%	84	2,216
Kosovo	673	–	52	693
Romania (incl. Moldova)	6,227	1%	543	6,219
Serbia	2,129	(23)%	95	1,848
Reconciliation	(42)	(37)%	–	–
SEE segment	**22,697**	**(4)%**	**1,167**	**17,200**
Russia segment	**12,442**	**7%**	**198**	**8,618**
Belarus	1,512	24%	96	2,223
Ukraine	5,544	11%	931	15,432
Kazakhstan	75	1%	1	11
Reconciliation	–	(75)%	–	–
CIS other segment	**7,131**	**14%**	**1,028**	**17,666**
Group corporates segment	**23,478**	**6%**	**–**	**–**
Group markets segment	**27,217**	**(42)%**	**–**	**–**
Corporate center segment	**27,178**	**(10)%**	**–**	**–**
Reconciliation	(22,898)	(20)%	13[2]	3,044[2]
Total	**131,173**	**(10)%**	**2,961**	**59,782**

[1] Change of total assets versus pro forma figures 31 December 2009. Change expressed in local currencies differs due to fluctuating euro exchange rates.
[2] Due to the merger an allocation of business outlets and staff to the Group corporates, Group markets and Corporate center segments is not possible at the moment.

Merger of Raiffeisen International with the principal business areas of RZB

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

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

The stages of the merger

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

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

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

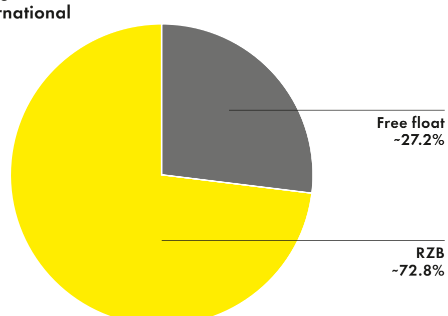
The court-appointed merger auditor TPA Horwath Wirtschaftsprüfung GmbH also produced a report under Section 220b of the Austrian Stock Corporation Act on the methods used to calculate the exchange ratio and the appropriateness of the proposed exchange ratio. To increase transparency further three international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

Ownership structure of the new bank

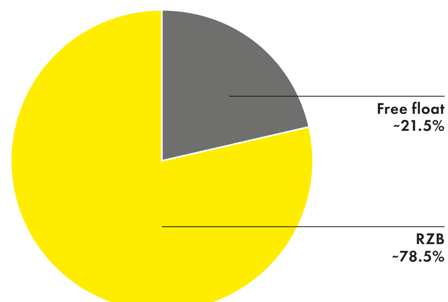
Like Raiffeisen International before, RBI is listed on the Vienna Stock Exchange. While Raiffeisen International's pre-merger free float was around 27.2 per cent, RBI's free float amounted to around 21.5 per cent after the transaction. The 72.8 per cent which RZB indirectly held in Raiffeisen International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

Shareholder structure before and after the merger

Before the merger
Raiffeisen International



After the merger
RBI



RBI's Management Board and Supervisory Board

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

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

New segments

With the merger between Raiffeisen International and RZB's principal business areas what were previously the four segments of Raiffeisen International – Central Europe, Southeastern Europe, Russia and CIS other – increased to seven. The three new segments joining these four existing segments are as follows: Group corporates, Group markets and Corporate center.

In the Central Europe, Southeastern Europe, Russia and CIS other segments the emphasis is on retail and corporate banking. Mass market and premium retail strategies are developed on a country-specific basis. The merger has combined the strength of RZB in product development with the distribution capabilities of the Raiffeisen International network.

Segments	Focus
Central Europe	Retail and corporate customers in the Czech Republic, Hungary, Poland, Slovakia and Slovenia
Southeastern Europe	Retail and corporate customers in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Moldova, Romania and Serbia
Russia	Retail and corporate customers
CIS other	Retail and corporate customers in Belarus, Kazakhstan and Ukraine
Group corporates	Austrian and primarily Western European business customers and major multinational customers from CEE
Group markets	Customer and proprietary trading on debt and equity capital markets
Corporate center	Services performed by Group headquarters such as liquidity and balance sheet structure management

The Central Europe segment encompasses the Central European countries that joined the EU in 2004, these being the Czech Republic, Hungary, Poland, Slovakia and Slovenia. These are among the most mature banking markets in Central and Eastern Europe. Southeastern Europe includes Albania, Bosnia and Herzegovina, Croatia, Kosovo, Moldova, Serbia and the two countries that joined the EU in 2007, namely Bulgaria and Romania. Moldova is included as part of Romania because of its close economic ties to that country and the way it is managed in the Group as a result. In addition to the Russia segment, which contains a bank, a leasing company and a capital management company, there is also the segment CIS other. This comprises RBI's activities in the Commonwealth of Independent States (CIS) excluding Russia – i.e. Belarus, Kazakhstan and Ukraine.

The Group corporates segment primarily comprises business with Austrian and international – mainly Western European – customers managed from Vienna. Business with major multinational customers from Central and Eastern Europe, excluding Austria, also falls under this segment. The Group markets segment involves customer business and proprietary trading on debt and equity capital markets. The services performed by Group headquarters for various divisions in order to implement the Group's strategy such as liquidity and balance sheet structure management as part of proprietary trading are booked under the Corporate center segment.

The benefits of the merger in detail

Even before the merger Raiffeisen International was able as a listed company to raise equity capital by issuing shares. The merger has now given it the same access to the debt capital markets that RZB has enjoyed for many years. This enables RBI to raise debt via bank-specific instruments, e.g. those traded on the interbank market. RBI has benefited from RZB's proven expertise in developing state-of-the-art financing and capital market products. Since the merger it has been able to offer its corporate customers in Central and Eastern Europe even more up-to-date products that are better tailored to their needs. It has therefore become a fully integrated corporate and retail banking group across the whole of Central and Eastern Europe including Austria, where its customers are among the country’s top 1,000 companies. Merger-related organizational synergies have also produced efficiency gains by rolling together similar functions. A further significant advantage of the new Group structure is the optimization of risk management. The integration of service departments enables RBI to serve all markets that were previously served separately by Raiffeisen International and RZB from a single source. In addition RBI received a banking license as a result of the merger. Raiffeisen International had not previously held one.

All of the above gives RBI the potential to further expand the position as one of the leading banks held by Raiffeisen International in CEE and by RZB in Austria before the merger as a universal bank by combining their product ranges and customer base. Business customers will benefit from the combination of retail products, which is the dominant business in this region and RBI's corporate and investment banking. In keeping with this we are combining management of the around 14 million customers of the subsidiary banks' dense network of business outlets in Central and Eastern Europe with that of Austrian large customers and international corporate customers. With a presence that comprises 15 subsidiary banks, around 3,000 business outlets, numerous representative offices and other financial service providers in 36 countries we are deliberately focusing RBI's resources on the markets with the highest growth potential.

Merger brings benefits for customers and investors

Interview with CEO Herbert Stepic

The merger of Raiffeisen International with the principal business areas of RZB will mean 2010 also goes down as a very eventful year in the company's history. What prompted you to take this step?
The boards of Raiffeisen International and RZB decided to take this step for two main reasons: First, the merger paved the way for a fully integrated corporate and retail banking group throughout Central and Eastern Europe, including Austria. And second, our present setup puts us in a better position to respond to future regulatory requirements. Both these arguments meant we were able to persuade not only our indirect majority owner, RZB and the Regional Raiffeisen Banks, but also our numerous other investors and shareholders.

Might some people not see this measure as a backward step?
Quite the opposite in fact. When we floated Raiffeisen International in 2005, our focus was on pushing forward with our expansion in the rapidly growing CEE region. That situation changed with the financial crisis. Growth collapsed dramatically in certain areas, radically altering the parameters in the process: Instead of growth and profit, the focus was suddenly on robust equity cover, sufficient liquidity and the risk policy. We soon got to grips with these issues thanks to the measures we adopted early on and improved the situation decisively with the merger. I definitely see the merger as a step forward. As RBI we now have a much wider base, giving shareholders the opportunity to acquire a stake in a worldwide banking group with a clear regional focus.

When the merger plans were inadvertently leaked to the public, shareholders initially had to stomach a 25 per cent drop in the share price. How did that come about?
For us that was definitely the low of 2010. The leaked merger plans meant we were forced early on to disclose our intentions. While we were able to show that both companies – Raiffeisen International and RZB – were in good shape and had come through the difficult year 2009 relatively unscathed, the real problem was the huge uncertainty and skepticism in the market vis-á-vis the banks. In this atmosphere, combined with the early disclosure of the merger details, investors were desperately looking for information – information which we could not immediately provide, primarily for legal reasons. And that was ultimately reflected in the performance of our share price. Only when we went to the public and managed to demonstrate that we were contemplating this move from a stable position did we gradually manage to win back trust.

What specifically helped you to restore the trust you had lost?
By joining in the debate and also being able to come up with the figures to back up our plans. We had to convince our investors, who had actually invested in a CEE pure play with the Raiffeisen International stock, that our operations in Austria and

other financial centers would enhance the business. We tirelessly explained to our shareholders and the public the huge opportunity presented by this merger. At the end of the day we managed to do just that, and our share price recovered sharply within a few weeks. When it came to valuing Raiffeisen International and RZB we tried from the outset to make our shareholders a fair, balanced offer. The valuation was made in a clear, transparent manner to ensure that the interests of all shareholders were safeguarded. We submitted, I believe, not just a fair valuation in terms of price, but one that was also transparent.

How did your customers actually benefit from this measure?
We wouldn't have embarked upon this project if there hadn't also been clear benefits for our customers. Thus far, Raiffeisen International had access to the stock market as a holding with no banking license or rating, but was locked out of the debt capital markets. RZB did have access to those markets, but was denied access to the stock market. The newly created RBI will be able to use both capital markets, making it an attractive partner for customers by virtue of its financial strength. Moreover, Raiffeisen International's CEE network, which covers 17 markets, was combined with RZB's excellent product expertise. As a result, the increased demand for complex, tailor-made products can also be met in a more targeted manner from a single source. Lastly, we are also eliminating certain redundancies and also aim to leverage potential synergies by generating additional income, which could run between € 60 and € 115 million per year. I am convinced that this new strategy makes us an even better, stronger bank for our customers.

What business strategy is RBI pursuing?
RBI is a universal bank with a focus on corporate and retail customers. We see CEE including Austria as our home market. In CEE we serve leasing companies and specialist service providers as well as retail and corporate customers in our network banks. In future, we also intend to increasingly offer higher-value banking services in this region, primarily in investment banking. In Austria we serve, as RZB used to do, the country's top 1,000 corporate customers. Our aim is to expand our position in existing markets. Our strong brand, which boasts a very high level of awareness not just in Austria but also in CEE, constitutes a critical competitive advantage.

Will the same importance still be attached to Central and Eastern Europe as before the merger?
With 14 million customers and some 3,000 business outlets we are one of the leading banking groups in the region. And for me there is absolutely no doubt whatsoever that CEE will also remain Europe's most important growth region, precisely why we see a strategic focus here. And that is something we've also emphasized with the acquisition of Polbank in Poland. The crisis may well have left deeper scars on the region than in Western Europe, but the growth forecasts for CEE are now far better than for Western Europe. While the analysts from Raiffeisen Research forecast GDP growth of 1.8 per cent in the eurozone for 2011, they predict GDP rising 3.9 per cent for CEE. In 2012, this region's economies are forecast to grow by 4.1 per cent, whereas growth in the eurozone will be just 1.9 per cent. This growth is driven primarily by the pent-up demand that still exists in CEE. However, CEE will not be RBI's sole focus. It boasts a very good position in the Austrian corporate customer segment and can offer its customers additional business opportunities thanks to its presence in the growth regions of Asia and in the world's key financial centers.

In early February 2011 you announced the acquisition of Polbank. What were the reasons for the acquisition?
There are a whole number of good reasons. With just under 40 million inhabitants, Poland is one of the largest countries in CEE. It has proven to be very resilient during the financial crisis and was the only EU country that managed to avoid recession. Added to which, the penetration of banking products is still relatively low in Poland. With its extensive retail network,

Polbank in turn perfectly complements our Raiffeisen Bank Polska with its focus on corporate customers. Together we will be Poland's fourth largest universal bank based on loans to customers and serve around one million customers in more than 400 business outlets. It is therefore one of those very rare opportunities to create a sound base for leveraging growth with a large, attractive market. And we seized on that opportunity.

What will the RBI's main focus be in 2011? What are the next steps?
While the merger officially took effect in the fourth quarter with entry in the commercial register, the process itself is far from complete. Here in Vienna we are still working on many areas of the organization to get the best out of the company. As already mentioned, we intend to increasingly place investment banking products with customers through our sales and distribution. Overall, we aim to boost the proportion of low-risk business through increased cross-selling. However this does not mean though that we are getting out of credit business. Credit business will remain, as before, the foundation of our operations, but we intend to substantially improve it by focusing on a range of issues we failed to address adequately in the past. Clearly, we also intend to further improve our product portfolio for private individuals. In 2010 we substantially pushed forward our affluent banking by introducing the premium banking track and aim to achieve something similar in private banking in 2011. In addition, we are also planning to launch our direct banking subsidiary ZUNO BANK AG, which we got up and running in Slovakia in late 2010, in the Czech Republic. We therefore have plenty of plans, and 2011 also looks like being a very eventful year.

The tax burden will increase in 2011. You are highly critical of this development. Why?
Basel III requires the banks to increase their equity cushion. In RBI we are fortunate to already have a comfortable equity base with a core tier 1 ratio of 8.9 per cent. However, banking levies will make it more difficult to build up more equity. In 2010 this affected us in Hungary by approximately € 40 million and in 2011 Austria will follow suit, with a predicted reduction in our profitability of € 90 million. I criticize these measures because they are not implemented on an EU or, ideally, on a global level, thus giving rise to individual measures that distort competition. And as somebody that ultimately partly shares responsibility for nearly 60,000 staff, I go out of my way to ensure that we all have a level playing field when it comes to competing for customers and investors. For this reason I am highly critical of these measures. And what's more – albeit quite a different issue – these levies flow directly into the budget, tempting the decision-makers to postpone the necessary reforms and cuts. Overall, as a bank that has spent two decades helping finance the construction of CEE we end up being presented with the bill for the failures of a host of other banks. That just isn't fair, but nevertheless we will also rise to this challenge, fully aware of our responsibilities.

Last year did you find time to devote to your charity, the H. Stepic CEE Charity?
Not as much as I would have liked. Even so, what the charity has accomplished is far beyond my expectations. We have already implemented eleven projects; I am particularly proud of our latest project in Albania. Here we converted a former health center into a daycare facility for the disabled. The new daycare facility offers a new home to 35 mentally handicapped people aged between 8 and 25. The H. Stepic CEE Charity solely promotes development projects for needy children, adolescents and young women in Central and Eastern Europe. We build orphanages, homes for the disabled and daycare facilities, look after street children in Novi Sad and run small-scale projects wherever there is a pressing need for help. I was absolutely delighted when the Austrian Ministry of Finance added us to the list of charities with tax-deductible status late last year. This new status makes us an even more attractive proposition to prospective donors!

RBI's strategy

RBI is a universal bank with a focus on corporate and retail customers in the Central and Eastern European region (CEE) including Austria. RBI also has relationships with selected financial institutions which support its core business and are intended primarily to contribute to net fee and commission income.

In CEE RBI is positioned to benefit from the region's growth potential, resulting from its process of economic catch-up with Western Europe, via an extensive network of subsidiary banks, leasing companies and a variety of specialized financial service providers comprising around 3,000 business outlets in total. The bank benefits from the strong Raiffeisen brand, which enjoys a high level of recognition not only in Austria but also in CEE.

In Austria RBI concentrates on the top 1,000 corporate customers.

RBI also engages selectively in business with corporate customers and financial institutions in world financial centers as well as in Asia via business outlets, subsidiaries and representative offices.

As RBI believes that the growth potential of the above-mentioned markets is high, it is concentrating on its current activities and is not planning any further geographical expansion.

Leading market position

The Group is planning to build on or achieve a leading market position in its existing markets primarily through organic growth. This will provide its owners with attractive long-term performance.

Sustainability

It is RBI's declared aim, as set out in its corporate responsibility framework, for its commercial activities to be compatible with sustainability. The Group's main focus is on environmental issues (particularly climate protection) and stable economic development. It believes that combining social and environmental responsibility with commercial focus will secure RBI's success in the long run.

Focus on the customer

A prerequisite for delivering success is long-term profitability and a healthy capital and funding structure. RBI achieves this through a customer-focused business model that guarantees the highest service quality. The Group provides its customers with all-round support, including supporting them across borders if necessary. The efficiency of its comprehensive service range is ensured by rigorous cost and process management.

Solid capital and risk management

The financial crisis has demonstrated once more that capital and risk management are the key determinants of a bank's success. Solid management of these variables at RBI has a positive impact on its rating and funding options and ultimately on the Group's overall performance.

Staff are a key component of its success

Motivated, business-minded staff form an integral part of RBI's success. Cultural diversity is not just a vision but an everyday reality for RBI with its home market of CEE including Austria. The cultural diversity of RBI's staff and their development is actively promoted and makes a significant contribution to the bank's success.

New impetus from the merger

The successful integration of the corporate banking and capital markets business of RZB in the merger has generated synergies, for example in infrastructure, and has also led to benefits on the revenue side, particularly in customer services and product development. The Group's ability to access international financial markets has also been strengthened by the merger. RBI's main shareholder RZB supports its strategic direction and therefore the long-term continuity of its business.

Clearly defined objectives

RBI uses a target hierarchy to manage and implement its strategy, which comprises primary and secondary targets based on strategic parameters. All business activities are reviewed regularly for their compatibility with the strategy and objectives.

Primary targets

- Minimum return on Risk Adjusted Capital
- Target for consolidated profit

Secondary targets

- Dividend continuity
- Securing specific long term market positions in all countries and segments
- Cost efficiency and effective service delivery
- Ensuring adequate capital and liquidity resources on a sustainable basis

Capital markets

Martin Grüll prefers to tie double knots to loose ends in the morning.

RBI in the capital markets

RBI stock

A volatile year for European equity markets

The international equity markets got off to a modest start in 2010, with consolidation prompted by underperforming economic indicators in the USA and Europe. It was not until the beginning of March that the combination of positive corporate figures, significant growth in global demand and continuing low interest rates brought a positive mood to the equity markets.

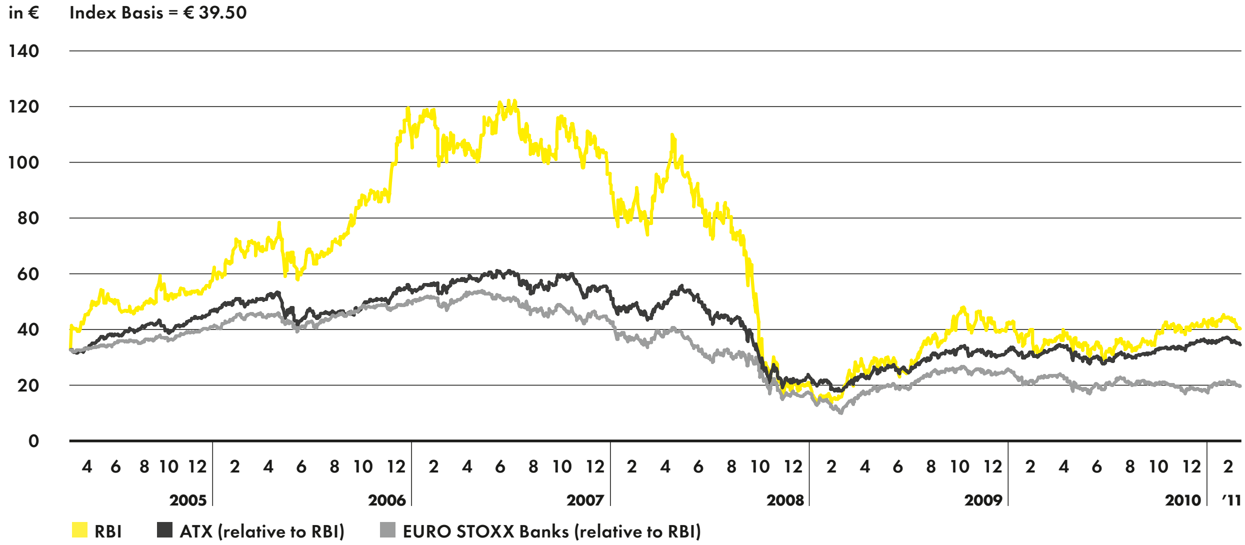
However, these gains faltered again in the second quarter, despite the strengthening economic recovery, as the mood soured in the face of concerns about the stability of the euro and worries about solvency, specifically for Greece but also for other peripheral European states. The € 750 billion rescue fund created at short notice by the EU and IMF for heavily indebted eurozone members and efforts to consolidate budgets in most eurozone nations gradually calmed markets, and halted the emerging massive slide of the euro.

After the currency and price turbulence in the first half of the year, equity markets had a relatively quiet third quarter. Particularly for bank stocks, this easing was due to the fact that the regulatory proposals of the Basel Committee on Banking Supervision in Basel III were less strict and involved longer transitional phases than initially expected. Another positive signal was the satisfactory performance of most European major banks in the stress tests of the Committee of European Banking Supervisors. Conversely, there was a negative impact (particularly for banks with ties to CEE) from the Hungarian bank levy of 0.45 per cent of total assets, introduced at the end of July and criticized by the IMF and ECB as a constraint on lending and therefore economic growth. There was also a dampening effect from speculation about a possible bank levy in Austria.

In the fourth quarter, most equity markets gained sharply again under the influence of continuing low interest rates, good economic figures and some extraordinarily good corporate figures. While Ireland's drawings on the European rescue package depressed the euro exchange rate, they had little effect on the steady uptrend in equity markets, and investors quickly returned to daily business. Given the low yields in the bond market and the significant dividend yields, there was a growing move back to equity markets by both institutional and private investors. This led to further advances, so that many equity indices ended 2010 close to their highs for the year.

RBI stock shows positive development

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



After it became clear at a very early stage that the deliberations of a merger between Raiffeisen International and RZB's principal business areas could become public, they were announced on 22 February 2010 together with the provisional 2009 figures for Raiffeisen International. This resulted in brief uncertainty in the market, as it was not possible to present the background and benefits of such a move at that time in as much detail as would have been desirable. The stock price duly fell back from a temporary high of € 42.75 in January, and continued to lose ground against the leading Austrian Traded Index (ATX) over the following days. The closing price of € 30.52 on 4 March was the low for the first quarter.

The announcement of further details of the merger considerations and Raiffeisen International's figures for 2009, which exceeded analysts' expectations, induced an upturn in the second quarter, taking the Raiffeisen International stock to a quarterly high in April at € 39.80. Although it subsequently lost ground again in a generally weak market, it still outperformed the ATX.

The introduction of the Hungarian bank levy and fears that the new Basel III regulations might set the bar very high for banks' equity were the main reasons why Raiffeisen International's stock opened the third quarter weakly at a price of just under € 30. However, the good performance of majority shareholder RZB in the July stress tests fueled a recovery. The stock price received additional support from the merger resolutions at the Annual General Meetings of RZB and Raiffeisen International on 7 and 8 July respectively, as majority approval of the merger clarified the future corporate structure. The Group's stock reached its third quarter high in August at € 36.50.

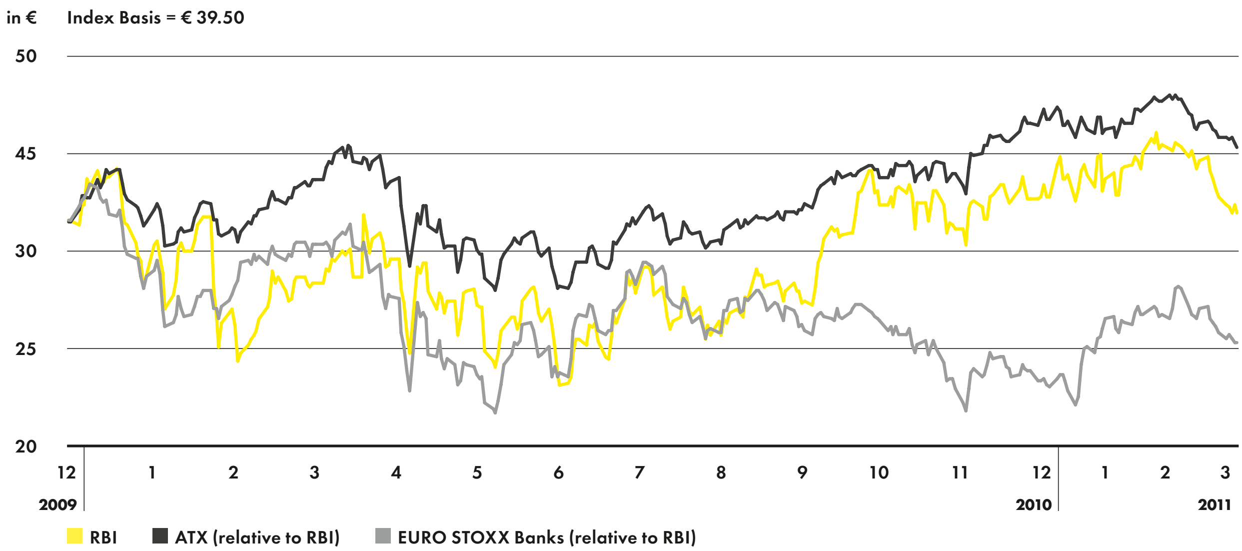
In the fourth quarter, Raiffeisen International stock – now RBI stock, after entry of the merger in the commercial register – continued to gain, helped by the strong third quarter pro forma figures for RBI and the good general market environment.

Over the year 2010, the stock price fluctuated in the range of € 29.01 to € 42.75. The low for the year was € 29.01 on 2 July, the high was € 42.75 on 18 January. Overall, the stock gained 3.8 per cent over the year. During the same period, the benchmark index ATX gained 16.4 per cent while the EURO STOXX Banks index lost 26.9 per cent. RBI stock clearly outperformed the other bank stocks included in the EURO STOXX Banks index.

At year-end 2010 RBI's market capitalization was € 8.0 billion with 195.5 million issued shares at a closing price of € 41.0. At the time of the editorial deadline (11 March 2011), the stock stood at € 40.02, a loss of 2.4 per cent on its level at year-end 2010.

In 2010, 91.5 million RBI shares were traded, with a total volume of € 3.3 billion and an average daily volume of 367,619 shares.

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



Renamed Raiffeisen Bank International

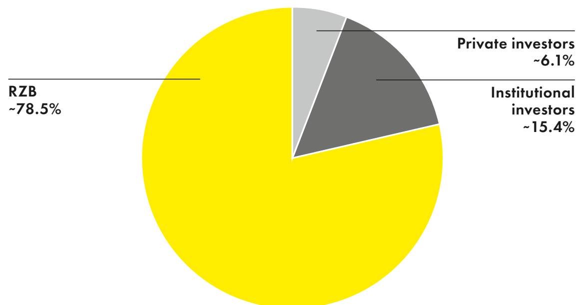
The merger of Raiffeisen International and RZB's principal business areas was entered in the commercial register on 10 October 2010. As compensation for the transfer of Cembra's assets to Raiffeisen International in the course of the merger, including the assets transferred in the previous spin-off, i.e. the corporate banking business and associated shareholdings, new shares (in addition to the stocks previously held by Cembra in Raiffeisen International) were granted to Cembra's sole shareholder, Raiffeisen International Beteiligungs GmbH, which in turn is a wholly-owned subsidiary of RZB. For this purpose the capital stock of Raiffeisen International was increased from € 471.7 million to € 596.3 million by issuing 40,837,624 new ordinary shares for € 124.6 million.

With effect from the entry of the merger in the commercial register, Raiffeisen International Bank- Holding AG was renamed Raiffeisen Bank International AG (RBI) and was granted an Austrian banking license. The stock has been listed as RBI on the Vienna Stock Exchange since 13 October. The grant of new shares described above meant that the indirect holding of RZB increased in the course of the merger from around 72.8 per cent in Raiffeisen International to around 78.5 per cent in RBI. The free float decreased accordingly from around 27.2 per cent to around 21.5 per cent.

Shareholder structure

Institutional investors held 15.4 per cent of RBI at the close of 2010. Around 57,000 private investors represented 6.1 per cent and were predominantly from Austria. The institutional investors were more widely distributed geographically, with about one-fifth from Austria. Around a quarter of institutional investors were from the US, around one-third in continental Europe and 16 per cent of the institutional investors were based in the UK and Ireland. Around 6 per cent of the remaining institutional investors were from other countries, such as Japan, Australia, China, Libya and Singapore.

RBI shareholder structure



Index information

Index (selection)	Number of companies in the index	Weight of RBI in the index
ATX	20	6.5%
ATX Prime	39	5.4%
EURO STOXX	315	<1%
EURO STOXX Banks	36	<1%
STOXX Europe 600	600	<1%
STOXX Europe 600 Banks	600	<1%
MSCI World	~1,500	<1%

Share data

Price on 31 December 2010	€ 41.00
High/low in 2010 (closing prices)	€ 42.75 / € 29.01
Earnings per share for 2010	€ 4.56
Before deduction of the compensation for participation rights	€ 5.59
Market capitalization as of 31 December 2010	€ 8.0 billion
Average daily trading volume in 2010 (single counting)	367,619 shares
Stock exchange turnover in 2010 (single counting)	€ 3.3 billion
Free float as of 31 December 2010	21.5%

Share details

ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market Segment	Prime Market
Issue price per share at IPO (25 April 2005)	€ 32.50
Issue price per share at capital increase (5 October 2007)	€ 104.00
Number of shares issued as of 31 December 2010	195,505,124
Average number of shares in 2010	194,529,537

RBI bonds

Increasing divergence in the European bond market

Although the economic situation in almost all eurozone countries improved significantly after the recession year 2009, the pace of the recovery varied between countries. In light of this situation the European Central Bank maintained its expansionary monetary policy with historically low key interest rates.

The performance of the bond markets last year was dominated by the effects of the financial and economic crisis on European national budgets. Hardest hit were Greece, Ireland, Italy, Portugal and Spain, and the massive increase in their indebtedness seriously impacted the euro and the eurozone as a whole. Greece was saved from the threat of insolvency early in the year by the rescue fund launched by the EU and the IMF. Ireland was then forced to borrow from this rescue fund in the second half of the year.

Besides a loss of confidence in the stability of the euro, this led to a divergence in the yields on European sovereigns. The result was a significant increase in financing costs for countries unable to present credible strategies for reducing deficits in the medium term, despite the continuing low level of key interest rates, as investors demanded higher returns as compensation for the risk. Conversely, yields on sovereigns with very good ratings, e.g. Austria and Germany, set in part new record lows in the course of the year.

Due to the strong demand for alternative investments with higher interest rates, the low yields on high quality sovereigns led to a significant decline in yields on good-quality corporate bonds as well. This market situation was favorable to companies, and numerous issuers, including banks, issuing new debt as well as refinancing to meet their financing needs. Even so, the environment for new issues was subject to major fluctuations over the course of the year due to the upheaval described above, and poorly rated issuers were barely able to issue new bonds.

RBI utilizes good debt capital market access

Due to the merger RBI achieved significantly better access to money and capital markets. Funding is undertaken partly at RBI level, and if required, through the CEE network banks. To optimize funding costs, capital market financing is centrally coordinated for the Group. The funding strategy incorporates diversification in terms of the investor base and financing opportunities on the capital market, with long balanced maturities. Besides the deposit business, the full range of standard money and capital market products are utilized including commercial papers/certificates of deposits, notes and bonds. Funding activities are supported by a uniform market presence and transparent and ongoing investor communications.

RBI currently has two issue programs, the "EUR 20.000.000.000 Emissionsprogramm der Raiffeisen Bank International AG" which is according to Austrian law as well as the international "EUR 25,000,000,000 Debt Issuance Program" according to German law, under which longer-maturity issues can be carried out. There is also a European and a USD denominated commercial paper/certificate of deposit program respectively for financing with short maturities, which were drafted before the editorial deadline of this report.

As RBI's funding was already completed up to the end of the year when the merger became effective in October, no benchmark bonds were issued by RBI in 2010. However, the existing issue programs make it possible to take advantage of opportunities in the capital market quickly and flexibly at any time.

RBI rating

Capital market activities are supported by RBI's rating. Since the merger, RBI has been rated by Moody's Investors Service, Standard & Poor's and Fitch Ratings. The former RZB ratings were rolled over to RBI, with one – welcome – exception, as Moody's Investors Service upgraded the Bank Financial Strength Rating outlook from negative to positive. The reason for this was RBI's good performance despite the global crisis. Moody's Investors Service also felt that RBI could easily absorb any loan write-downs.

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

The improved outlook for RBI's Bank Financial Strength Rating also led to an upgrade in the long-term deposit ratings for some subsidiary banks, with the outlook upgraded from stable to positive for the Romanian Raiffeisen Bank S.A., from negative to stable for Raiffeisenbank (Bulgaria) EAD, and from negative to positive for the Russian ZAO Raiffeisenbank. There was no scope for upgrading the outlook for Raiffeisen Bank Aval JSC in Ukraine and Tatra banka, a.s. in Slovakia, as they had already reached the maximum in their rating class.

Annual General Meeting

Merger approved

The Annual General Meeting of Raiffeisen International for the financial year 2009 was held on 8 July 2010. As in previous years, it was one of the best-attended in Austria's recent capital market history, with over 700 participants.

A dividend of € 0.20 per share with dividend rights was authorized for the financial year 2009, paid out to shareholders on 16 July 2010. The total dividend payment was around € 30.7 million.

Besides the usual items on the agenda at an Annual General Meeting, there was a vote on the merger of Cembra Beteiligungs AG as the transferring company with Raiffeisen International Bank-Holding AG as the absorbing company. A clear majority of shareholders voted for the merger and approved the merger agreement. The assets of Cembra essentially consisted of the corporate banking business previously spun off by RZB and the associated participations. This did not affect the divisions and participations associated with RZB's role as the central institution for Raiffeisen Banking Group Austria, which all remained with RZB. The merged company has operated as RBI since 10 October 2010.

The shareholders also authorized the capital increase required to carry out the merger. In addition, seven new Supervisory Board members were elected, increasing the number of shareholder representatives on the Supervisory Board to ten, effective from the time of entry of the merger in the commercial register.

The reports and presentations to the 2010 Annual General Meeting and a video of the Management Board presentations are available at www.rbinternational.com → Investor Relations → Events → Annual General Meeting.

Proposed dividend

RBI shareholders are cordially invited to attend the Annual General Meeting for the financial year 2010 at the Austria Center Vienna on 8 June 2011. The Management Board will propose a dividend of € 1.05 per share at this Annual General Meeting. If this proposal is approved, the total dividend will be € 204.3 million. The dividend will be paid on 16 June 2011, which will also be the ex-dividend date.

Capital markets communications

Enhanced online information

RBI seeks to keep all market participants well informed at all times, with the emphasis on using the internet. In the course of ongoing improvements to its internet communications, it has added telephone conference presentations since the start of 2010 as online webcasts. It also offers an opportunity on its website to subscribe to an e-mail service for investors and other interested parties, at www.rbinternational.com → Investor Relations → Reports & Presentations → Ordering- and E-Mail-Service

Communications dominated by the merger

Communications with analysts and investors in the year under review were clearly dominated by the merger of Raiffeisen International and RZB's principal business areas. To ensure that the needs of equity investors and also debt investors are met, the Group Investor Relations department added services for current or potential bondholders to its shareholder services. Information for rating agencies was also integrated into the function of Group Investor Relations. Since the merger, the department has also acted as the Information Distribution Office for all capital market communications for the entire Group.

On 22 February 2010 the market was given initial information about the strategic plans for a possible merger, on the occasion of the announcement of the preliminary figures for 2009. Shortly after this, a telephone conference with over 260 participants provided more background information on the current state of deliberations. The announcement of the final 2009 figures for Raiffeisen International on 23 March 2010 was accompanied by further details on the planned transaction, together for the first time with preliminary pro forma figures for the new bank. Both the analysts' conference in Vienna and the subsequent telephone conference generated great interest among international analysts and investors.

Directly after announcing the 2009 figures, the company gave a presentation to some 250 participants at one of the world's most important bank conferences in London. The evening before, Raiffeisen International had held a meeting for analysts, which many of the analysts monitoring the Group attended. At the subsequent roadshow in London, the Management Board presented the company in numerous individual and group discussions.

The announcement of further details of the planned merger on 19 April 2010 also entailed a telephone conference. However, a scheduled roadshow had to be cancelled at short notice due to the restrictions on air travel throughout Europe caused by the volcanic eruption in Iceland. Instead, numerous telephone and video conferences were held.

In addition to telephone conferences on the quarterly figures – occasionally with more than 400 participants – there were regular discussions and meetings during the rest of the year with investors, state institutions, analysts and rating agencies. The focus of all these discussions was on details of the merger and the presentation of the advantages of and motives for the transaction. Members of the Management Board and the Group Investor Relations team also regularly participated in investor conferences and roadshows to explain the merger in detail. Starting in the third quarter, these were supplemented by meetings and roadshows with debt investors and analysts, primarily in Europe.

Financial calender 2011

9 March	Start of Quiet Period
8 April	Annual Report 2010, Analyst Conference, Conference Call
11 April	RBI Investor Presentation, London
12 May	Start Quiet Period
26 May	First Quarter Report, Conference Call
8 June	Annual General Meeting
16 June	Ex-Dividend and Dividend Payment Day
11 August	Start of Quiet Period
25 August	Semi-Annual Report, Conference Call
10 November	Start of Quiet Period
24 November	Third Quarter Report, Conference Call

Group Investor Relations Contact for equity and debt investors

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Corporate governance

Peter Lennkh starts the day with best connections.

Corporate governance report

RBI places great importance on responsible and transparent business management, in order to build and maintain a relationship of trust with its various stakeholders, including capital market participants in particular. To this end it undertakes to adhere to the Austrian Corporate Governance Codex (ACGC) as amended in January 2010. The ACGC can be freely downloaded from the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at) and from the RBI website (www.rbinternational.com → Investor Relations → Corporate Governance).

Transparency in the matter of corporate governance is of particular importance to RBI. Its corporate governance report is divided into sections following the legal guidelines of Section 243b of the Austrian Commercial Code (UGB), and is based on the structure set forth in Appendix 2 of the ACGC.

The ACGC is organized into L, C and R Rules. L Rules (Legal Requirements) are based on compulsory legal requirements. C Rules (Comply or Explain) should be observed; any deviation must be explained and justified, in order to ensure conduct that complies with the Codex. R Rules (Recommendations) have the character of recommendations; non-compliance does not need to be reported or justified.

RBI deviates from the following C Rules, but achieves conduct in accordance with the Codex through the following explanations and justifications:

C Rule 31: RBI deviates from C Rule 31 of the ACGC, which provides for publication of the remuneration, both fixed and performance-based, paid to individual members of the Management Board during the year 2010. Publication of remuneration by RBI is made for the Management Board as a whole. Individual remuneration amounts are not published for reasons of data privacy law and out of consideration for the individual Management Board members' right to privacy.

C Rule 45: RBI deviates from C Rule 45 of the ACGC, which provides a non-competition clause for members of the Management Board. RBI is a flotation of the Raiffeisen Bankengruppe Österreich (RBG), which is also a majority shareholder in its central institution, the RZB. Some members of the Management Board therefore also exercise duties in corporate function in RBG banks. A number of members of the Management Board have duties in corporate function in other banks and financial service institutions. In this way know-how and experience specific to the industry are applied to the exercising of supervisory functions of the Management Board, to the benefit of the company.

Corresponding to R Rule 62 of the ACGC, the society commissioned – as it has done in previous years – an external evaluation by the research company, Univ.Prof.DDr. Waldemar Jud Corporate Governance Forschung CGF GmbH. The report on this external evaluation is publicly available on the RBI website (www.rbinternational.com → Investor Relations → Corporate Governance → Explanation of CG Codex).

The year 2010 was marked by the development and implementation of a new strategic concept. The goal of this concept was to merge the principal business areas of RZB with Raiffeisen International. As a first step, the "corporate customer business" operating unit, with all its related participations, was spun off from RZB and made into a 100 per cent subsidiary, which immediately afterwards was merged with Raiffeisen International. Since then, Raiffeisen International has been trading under the name Raiffeisen Bank International AG, through the merger acquired an Austrian banking license and remained quoted on the stock exchange as before. The transaction did not comprise the business divisions and participations related to RZB's role as head bank of the RBG.

One of the most important steps on the way to implementation was the approval of this transaction by the Annual General Meeting of Raiffeisen International, which was granted on 8 July 2010. The final step was the registration of the merger in the commercial register on 10 October 2010, with which RBI officially commenced business.

In line with Austrian law, RBI, as the acquiring company, is the successor of all legal rights relating to the separated principal business areas of RZB. For customers, the business relations assumed by RBI continue unchanged in their current form. Through the merger, RBI, as the largest Group of RZB, strengthened its market position, and a future-oriented restructuring reached its conclusion.

Through the merger of Raiffeisen International with the principal business areas of RZB, the following important goals should be achieved in the future:

- As a result of the merger, RBI became a rated and licensed bank and in connection with the existing exchange listing of Raiffeisen International was afforded broader possibilities for accessing the capital and money markets.
- With a broad network in the CEE markets, the corporate customer business in Austria and the additional business in Asia, RBI covers all the markets previously developed by the RZB Group from a single source.
- Additionally, the RBI network profits even more strongly from product development know-how that was previously lodged in RZB.
- In general, the merger allows a meaningful reallocation of resources in the CEE markets. As one of the leading banks there, and as the Austrian bank with the strongest presence in the Asian emerging markets, RBI is optimally positioned for future growth.
- The newly created structure establishes better conditions for the fulfillment of potential Basel III demands.

RBI remains a part of the RZB Group, which is controlled by RZB, the controlling institution of the RBG.

With regard to continuity of personnel after the merger, the Management Board is composed of the former Board members of Raiffeisen International (Heinz Wiedner left office on 1 December 2010), and three former members of the RZB Management Board.

Composition of the Management Board

Currently the Management Board consists of seven members:

Board member	Year of birth	Original appointment	End of term
Herbert Stepic, Chairman	1946	14 June 2001	13 June 2011
Karl Sevelda, Deputy Chairman	1950	22 September 2010[1]	10 March 2012
Aris Bogdaneris	1963	1 October 2004	25 September 2014
Patrick Butler	1957	22 September 2010[1]	10 March 2012
Martin Grüll	1959	3 January 2005	1 January 2015
Peter Lennkh	1963	1 October 2004	25 September 2014
Johann Strobl	1959	22 September 2010[1]	10 March 2012

[1] Appointment with effect from the recording of the merger in the commercial register on 10 October 2010.

From 1 January 2010 until the merger entered into effect with its recording in the commercial register on 10 October 2010, the Management Board of Raiffeisen International was composed as follows:

Board member	Year of birth	Original appointment	End of term
Herbert Stepic, Chairman	1946	14 June 2001	13 June 2011
Martin Grüll	1959	3 January 2005	1 January 2015
Aris Bogdaneris	1963	1 October 2004	25 September 2014
Peter Lennkh	1963	1 October 2004	25 September 2014
Heinz Wiedner	1953	14 June 2001	1 December 2010

Rainer Franz left the Management Board of Raiffeisen International on 30 June 2010.

Members of the Management Board held seats on the Supervisory Board or comparable functions in the following domestic and foreign companies that are not included in the consolidated financial statements:

- Herbert Stepic: OMV AG
  Oesterreichische Kontrollbank AG
- Karl Sevelda: Bene AG
  Raiffeisen Factor Bank AG (until 24 December 2010)
- Johann Strobl: Oesterreichische Clearingbank AG
- Patrick Butler: Raiffeisen Wohnbaubank AG
  Wiener Börse AG
  CEESEG AG

Composition of the Supervisory Board

The following members currently belong to the Supervisory Board:

Board member	Year of birth	Original appointment	End of term
Walter Rothensteiner, Chairman	1953	11 May 2001	Regular Annual General Meeting 2011
Erwin Hameseder, First Deputy Chairman	1956	8 July 2010[1]	Regular Annual General Meeting 2015
Ludwig Scharinger, Second Deputy Chairman	1942	8 July 2010[1]	Regular Annual General Meeting 2015
Markus Mair, Third Deputy Chairman	1964	8 July 2010[1]	Regular Annual General Meeting 2015
Stewart D. Gager	1940	24 January 2005	Regular Annual General Meeting 2013
Kurt Geiger	1946	9 June 2009	Regular Annual General Meeting 2013
Hannes Schmid	1953	8 July 2010[1]	Regular Annual General Meeting 2015
Johannes Schuster	1970	8 July 2010[1]	Regular Annual General Meeting 2015
Friedrich Sommer	1948	8 July 2010[1]	Regular Annual General Meeting 2015
Christian Teufl	1952	8 July 2010[1]	Regular Annual General Meeting 2015
Martin Prater[2]	1953	10 October 2010	Until further notice
Rudolf Kortenhof[2]	1961	10 October 2010	Until further notice
Peter Anzeletti-Reikl[2]	1965	10 October 2010	Until further notice
Sabine Chadt[2]	1970	10 October 2010	Until further notice
Helge Rechberger[2]	1967	10 October 2010	Until further notice

[1] Appointment with effect from the recording of the merger in the commercial register on 10 October 2010.
[2] Delegated by the Works Committee.

From 1 January 2010 until the merger entered into effect with its recording in the commercial register on 10 October 2010, the Supervisory Board was composed as follows:

Board member	Year of birth	Original appointment	End of term
Walter Rothensteiner, Chairman	1953	11 May 2001	Regular Annual General Meeting 2011
Manfred Url, Deputy Chairman	1956	11 May 2001	10 October 2010
Patrick Butler	1957	28 September 2004	10 October 2010
Stewart D. Gager	1940	24 January 2005	Regular Annual General Meeting 2013
Kurt Geiger	1946	9 June 2009	Regular Annual General Meeting 2013
Karl Sevelda	1950	11 May 2001	10 October 2010
Johann Strobl	1959	10 June 2008	10 October 2010

Independence of the Supervisory Board

In accordance with C Rule 53 of the ACGC, the Supervisory Board of RBI prescribed the following criteria for the independence of the members of the company's Supervisory Board:

- The Supervisory Board member shall not in the past five years have been a member of the Management Board or a leading employee of the company or of a subsidiary.
- The Supervisory Board member shall not have, or have had in the previous year, any significant business relationships with the company or a subsidiary. This applies also to business relationships with companies in which the Supervisory Board member has a considerable financial interest, however, not to the performance of functions in management bodies within the company. The approval of individual companies by the Supervisory Board according to L Rule 48 of the ACGC does not automatically lead to a qualification of not independent.
- Company circumstances and the mere exercise of the function of a Board member or business manager by a Supervisory Board member does not as a rule lead to the company concerned being regarded as a "company in which a Supervisory Board member has a considerable financial interest", to the extent that circumstances do not support the presumption that the Supervisory Board member derives a direct personal advantage from doing business with the company.
- The Supervisory Board member shall not in the previous three years have been an auditor of the company, or a shareholder or employee of the auditor.
- The Supervisory Board member shall not be a member of the Management Board of another company in which a Supervisory Board member of the company is a member of the Management Board.
- The Supervisory Board member shall not be a close family relation (direct descendant, spouse, partner, parent, uncle, aunt, sibling, nephew, niece) of a member of the Management Board or of persons who fill one of the positions described in the preceding points.

In accordance with the criteria for the independence of Supervisory Board members, all RBI Supervisory Board members are considered independent.

Stewart D. Gager and Kurt Geiger, as members of the Supervisory Board, are neither shareholders with a share of greater than 10 per cent, nor do they represent the interests of such shareholders. They are therefore "free float representatives" according to C Rule 54 of the ACGC 2010.

Members of the Supervisory Board have the following further Supervisory Board mandates or comparable functions in domestic and foreign companies listed on the stock exchange:

- Walter Rothensteiner: UNIQA Versicherungen AG
- Erwin Hameseder: AGRANA Beteiligungs-AG, STRABAG SE, UNIQA Versicherungen AG, Südzucker AG
- Ludwig Scharinger: voestalpine AG
- Christian Teufl: AGRANA Beteiligungs-AG, VK Mühlen AG
- Hannes Schmid: UNIQA Versicherungen AG
- Kurt Geiger: Raiffeisen Bank Aval JSC

Members of committees

The rules of procedure of the Supervisory Board govern its organization and allocate particular tasks to the Working, Audit and Personnel Committees. These committees are composed as follows:

Supervisory Board members	Working Committee	Audit Committee	Personnel Committee
Walter Rothensteiner	Chairman	Chairman	Chairman
Erwin Hameseder	First Deputy Chairman	First Deputy Chairman	First Deputy Chairman
Ludwig Scharinger	Second Deputy Chairman	Second Deputy Chairman	Second Deputy Chairman
Markus Mair	Third Deputy Chairman	Third Deputy Chairman	Third Deputy Chairman
Johannes Schuster	Member	Member	Member
Martin Prater	Member	Member	–
Rudolf Kortenhof	Member	Member	–
Peter Anzeletti-Reikl	Member	Member	–

From 1 January 2010 until the merger entered into effect with its recording in the commercial register on 10 October 2010, the Committees were composed as follows:

Supervisory Board members	Working Committee	Audit Committee	Personnel Committee
Walter Rothensteiner	Chairman	Chairman	Chairman
Manfred Url	Deputy Chairman	Deputy Chairman	Deputy Chairman
Johann Strobl	–	Member	–

Functioning of the Management Board and of the Supervisory Board

Allocation of duties and functioning in the Management Board

The Management Board of RBI leads the company according to clearly defined goals, plans and guidelines on its own responsibility with a focus on future-oriented business management in line with modern business principles. In this way it constantly pursues the good of the company and considers the interests of shareholders and employees.

The fields of activity of the members of the Management Board have been defined by the Supervisory Board, without prejudice to the general responsibility of the Management Board, as follows:

CEO Herbert Stepic	**CFO** Martin Grüll	**CRO** Johann Strobl	**COO, Retail Banking** Aris Bogdaneris		**Network Management** Peter Lennkh	**Markets** Patrick Butler	**Corporate Banking** Karl Sevelda
Group Strategy	Investor Relations	Credit Management Corporates	Credit Services	Information Technology	International Business Units	Capital Markets	Corporate Customers
Human Resources	Planning & Finance	Credit Management Retail	Lending & Cards	Operations & Productivity Management	Participations	Credit Markets	Corporate Sales Management & Development
Internal Audit	Tax Management	Financial Institutions & Country Risk & Group Portfolio Management	Premium & Private Banking	Retail CRM		Institutional Clients	Group Products
Legal & Compliance	Treasury	Risk Controlling	Sales, Distribution & Service	SME Banking		Raiffeisen Research	Network Corporate Customers & Support
Management Secretariat		Risk Excellence & Projects	Transaction Services				
Organization & Internal Control System		Workout					
PR, Marketing & Event Management							

The Management Board manages the company's business in accordance with the law, the articles of association and the Management Board's rules of procedure. The weekly meetings of the Management Board are convened and led by the Chairman and provide mutual information gathering and decision making in all matters that require the Board's approval. The rules of procedure of the Supervisory Board and of the Management Board contain information and reporting duties of the Management Board as well as a catalog of measures that require the approval of the Supervisory Board.

Decision-making authority of the committees

The rules of procedure of the Management Board and of the Supervisory Board and its committees outline the business management measures that require the approval of the Supervisory Board or of the appropriate committee.

The Working Committee is responsible for all matters that are brought before it by the Supervisory Board. Thus it is called on to approve matters not reserved for the Supervisory Board. In particular, these include the creation and dissolution of subsidiaries and the acquisition of shares up to a certain book value, the conclusion and termination of syndicate and voting agreements with shareholders, the execution of functions in the management bodies of other companies by members of the

Management Board, and the appointment of persons to the Management Boards and supervisory bodies of banks within the Group. Furthermore, the Working Committee approves the acceptance of operational banking risk above a certain level.

The Personnel Committee concerns itself with matters relating to the remuneration of members of the Management Board and the contents of employment contracts of members of the Management Board. In particular, it is responsible for approving the bonus allocation and the allotment of stock to members of the Management Board through the Share Incentive Program.

The Audit Committee oversees the accounting process and the effectiveness of the company's internal control system, internal audit system and risk management system. Its tasks include supervising the annual audit of the financial statements and of the consolidated financial statements, as well as checking and supervising the independence of the Group's auditors, in particular with respect to the additional work performed for the audited company. The Committee audits the annual financial statements, the management report, the consolidated financial statements and the Group management report, as well as the preparation of their findings; it also audits the proposal for the appropriation of earnings and the Corporate governance report. It presents a report on the results of its audits to the Supervisory Board. The Committee is also responsible for preparing the recommendation of the Supervisory Board for the selection of the external auditors and bank auditors. The Audit Committee also discusses the contents of the management letter.

Number of meetings of the Supervisory Board and of the committees

In the period under review, the Supervisory Board held four meetings; in addition to this the Chairman informed the Supervisory Board regularly, promptly and fully concerning all relevant matters of the company's performance, including the risk position and risk management of the company and key Group companies, in particular at important junctures.

The Audit Committee met twice. The Working Committee met on 18 November 2010 and made its decisions in writing by means of a circular letter in 2010, as did the Personnel Committee.

Further information on the activities of the Supervisory Board and its committees can be found in the Supervisory Board's Report.

Disclosure of information on the remuneration of the Management Board and Supervisory Board

Remuneration of the Management Board

The following amounts were paid to the Management Board of RBI:

in € thousands	2010	2009
Fixed and performance-related amounts	8,191	4,610
Payments to pension funds and reinsurance policies	183	97
Share-based payments (performance-related)	156	267
Total	**8,530**	**4,974**

The table contains fixed and performance–based remuneration, including compensation for functions in the management bodies of associated companies, bonus payments and benefits in kind. In the financial year the share of performance-based components amounted to 1.9 per cent (2009: 5.5 per cent).

The performance–based components of the Board's remuneration normally consist of bonus payments that are linked to the achievement of the company's goals relating to profit after tax, return on risk-adjusted capital (RORAC) and the cost/income ratio, as well as the achievement of annually agreed personal goals and the value of an allocation of shares under the Share Incentive Program (SIP) (page 192). As in the previous year, the value of the shares allocated in 2010 corresponds to 100 per cent of the performance-based component of the Board's remuneration. There were no significant changes in the principles of profit sharing compared to the previous year. The previous Management Board of Raiffeisen International was given a commitment for retention bonuses, i.e. bonuses to retain managers in view of the merger, amounting to € 767,672, which is to be paid in 2013. The amount of the payment is linked to the share price of RBI.

It should be noted that the Board's remuneration figures for 2010 are not directly comparable with those for 2009, because as a result of the merger of Raiffeisen International with the principal business areas of RZB and due to departures during the year, the composition of the Management Board changed.

Share Incentive Program

In 2010 the second tranche of the SIP (2007 tranche) matured. In accordance with the terms and conditions of the program (published in the Wiener Zeitung's official register on 30 May 2007) the number of shares actually transferred was as follows:

SIP 2007

Group of persons	Number of shares falling due	Value at share price of € 31.91 on allotment date 9/3/2010 in €	Number of shares actually transferred
Members of the Management Board of the company	4,899	156,327	3,971
Members of the Management Boards of bank subsidiaries associated with the company	7,163	228,571	6,277
Managers of the company and other associated companies	2,189	69,851	1,354

In order to avoid legal uncertainties and in accordance with the program's terms and conditions, eligible employees in two countries were given a cash settlement instead of an allotment of shares. In Austria the eligible parties were granted the option of accepting a cash settlement in lieu of half of the matured shares in order to offset the wage tax payable at the time of transfer. Therefore, fewer shares were actually transferred than the number that had matured. The portfolio of own shares was subsequently reduced by the lower number of shares actually transferred.

Under the SIP, a new tranche was previously issued each year. However, because of the merger of Raiffeisen International with the main business areas of RZB, no SIP tranche was issued in 2010. This means that on the balance sheet date shares in only two qualified tranches were allocated. As of 31 December 2010 the number of these qualified shares was 473,018 (of which 79,909 were attributable to the 2008 allocation and 393,109 to the 2009 allocation). The originally announced number of qualified allotted shares changed due to various personnel changes within Group units and the maturing of the 2007 SIP tranche, and is aggregated in the following table:

SIP 2008–2009

Group of persons	Number of qualified-allocated shares as at 31/12/2010	Minimum allocation of shares	Maximum allocation of shares
Members of the Management Board of the company	147,611	43,061	221,417
Members of the Management Boards of bank subsidiaries associated with the company	252,269	73,399	378,404
Managers of the company and other associated companies	73,138	21,449	109,707

No shares were repurchased for the SIP in 2010.

Expenditure for severance payments and pensions

For six members of the Management Board essentially the same rules apply as for employees, which provide for a basic contribution to a pension fund on the part of the company and an additional contribution, if the employee makes his own contributions in the same amount. One member of the Management Board has a performance–based pension benefit. For four members of the Management Board, additional individual pension benefits apply, which are financed by a re-insurance policy.

In the event of termination of office or employment and retirement from the company, of the remaining members of the Management Board – two left the company during 2010 – two members of the Management Board are entitled to severance payments in accordance with the Salaried Employees Act (Angestelltengesetz), two members in accordance with contractual agreements and three in accordance with the Employee Benefit Act (Betriebliches Mitarbeitervorsorgegesetz). In principle, the severance payment claims under the Salaried Employees Act and contractual agreements expire, with the exception of one member of the Management Board, when the employee terminates the employment relationship. In addition, three members of the Management Board are entitled to a contractual severance payment at the end of their current term in office or if a time limit is imposed on their employment relationship. Due to the departure of two members of the Management Board, severance payments totaled € 967,468 in 2010.

Furthermore, protection is in place against occupational disability risk through one pension fund and/or on the basis of an individual pension benefit, which is secured by a reinsurance policy. The contracts for members of the Management Board are concluded for the duration of their term in office or are limited to a maximum of five years.

Remuneration of the Supervisory Board

The Annual General Meeting on 8 July 2010 resolved upon an annual remuneration for the members of the Supervisory Board for the 2009 financial year totaling € 380,000. Attendance fees were not paid.

Remuneration of the Supervisory Board

in €	2009
Chairman of the Supervisory Board	70,000
Deputy Chairman of the Supervisory Board	60,000
Member of the Supervisory Board	50,000

D&O insurance

In 2010, a D&O (directors and officers) pecuniary loss and liability insurance policy was concluded with UNIQA Sachversicherung AG for the Management Board and Supervisory Board.

Annual General Meeting

The Annual General Meeting for 2009 was held on 8 July 2010 in the Stadthalle (Municipal Hall) in Vienna. The next Annual General Meeting for the past financial year will take place on 8 June 2011. The convocation will be published a minimum of 28 days before the Annual General Meeting in electronic form and in the Wiener Zeitung's official register.

The shareholders as owners of the company exercise their right by voting at the General Meeting. The principle of "one share, one vote" applies. Accordingly, there are no restrictions on voting rights; all shareholders have equal rights. Every share confers one vote; registered shares have not been issued. The stockholders may exercise their voting right themselves or by means of an authorized agent. Pursuant to the articles of association, RZB shareholders are granted the right to delegate up to one third of the Supervisory Board members to be elected by the Annual General Meeting. In the event that RZB makes use of its right to delegate, the number of Supervisory Board members to be elected by the Annual General Meeting would be reduced accordingly. Apart from this limitation, shares are subject to the principle of "one share, one vote".

The opening session and the Management Board's speeches are streamed live on the internet at www.rbinternational.com → Investor Relations → Events → Annual General Meeting, and can also be viewed there at a later time. This also creates maximum transparency for those shareholders who cannot attend the Annual General Meeting in person.

Report on the measures taken by the company for the advancement of women on the Management Board, the Supervisory Board and in management positions (Section 80 of the Austrian Stock Corporation Act [AktG]) pursuant to Section 243b (2) 2 of the Austrian Commercial Code (UGB)

One of Raiffeisen's fundamental values is to offer equal opportunities for equal performance within the company. This begins with the corresponding selection procedures, which ensure that equal standards are applied in hiring. The percentage of female employees at RBI, at 67 per cent, substantiates this practice and creates a foundation for further measures. It is necessary to create the corresponding conditions for the further advancement of women in the company.

One example of this is offered by the efforts to reconcile family and career. These include flexible working hours, part-time working models and teleworking, which are offered in nearly every country in accordance with the relevant legal provisions.

Further measures include the company kindergarten with employee-friendly hours of operation at the Vienna site and the "Mother Care" program at Raiffeisenbank Polska S.A., which supports women from the initial announcement of pregnancy until the child's first birthday. In addition, managers are instructed to afford employees with children special flexibility.

The Management Board is committed to consistently promoting the existing initiatives as well as maintaining its openness to new initiatives, in order to further increase the percentage of women in highly qualified positions. At RBI, 13 per cent of Board positions are currently filled by women.

Transparency

The internet and in particular the company website play an important role for RBI with regard to open communication with shareholders and their representatives, customers, analysts, employees and the interested public. Thus the website offers, among other things, regularly updated information about the following:

- Annual and interim reports
- Company presentations
- Telephone conferences via webcasts
- Ad-hoc-communications, press releases, investor relations communications
- Price information and stock data
- Information for outside creditors
- Financial calendar with advance notification of important dates
- Securities transactions of the Management Board and Supervisory Board subject to reporting requirements (directors' dealings)
- RBI's articles of association
- Corporate Governance Report
- Analysts' assessments
- Ordering service for written information and option to register for automatic delivery of "Investor Relations News" by e-mail

Conflicts of interest

Both the Management Board and the Supervisory Board of RBI are required to disclose any potential conflicts of interest.

Members of the Management Board must therefore disclose to the Supervisory Board any significant personal interests in transactions involving the company and Group companies, as well as any other conflicts of interest. They must also inform the other members of the Management Board. Members of the Management Board who occupy management positions within other companies must ensure that the interests of the companies in question are fairly balanced.

Members of the Supervisory Board must immediately report any potential conflicts of interest to the Chairman of the Supervisory Board. In the event that the Chairman himself should encounter a conflict of interest, he must report this immediately to his Deputy Chairman. Company agreements with members of the Supervisory Board that require the member to perform a service for the company or for a subsidiary outside his duty on the Supervisory Board (Section 228(3) UGB) in exchange for not-insignificant compensation require the approval of the Supervisory Board. This also applies to agreements with companies in which a member of the Supervisory Board has a significant financial interest. Furthermore, related party transactions as defined by Section 28 of the Austrian Banking Act (BWG) require the approval of the Supervisory Board.

Accounting and audit of financial statements

RBI's accounting complies with the provisions of the International Financial Reporting Standards (IFRS). The annual financial statements of RBI are prepared in accordance with the regulations of the Austrian Banking Act (BWG) with regards to the Austrian Commercial Code (UGB). The consolidated annual financial statements are published within the first four months of the financial year following the year under review; interim reports are published no later than 56 days after the end of the respective period under review.

The Annual General Meeting selected KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna as its external auditor and bank auditor for 2010. KPMG has confirmed that it has the certification of a quality auditing system. It has also declared to RBI that there are no grounds for disqualification or prejudice. The auditor prepares the statutory audit report and is responsible for exercising its disclosure obligations. The auditor also prepares a management letter to the Management Board, which includes details of weaknesses within the company. The management letter is presented to the Chairman of the Supervisory Board, who sees to it that the management letter is addressed by the Audit Committee and is reported on in the Supervisory Board.

Vienna, 10 March 2011

The Management Board

Herbert Stepic

Karl Sevelda

Aris Bogdaneris

Patrick Butler

Martin Grüll

Peter Lennkh

Johann Strobl

Corporate responsibility

Patrick Butler sees – and seizes – opportunities early.

Corporate responsibility

Corporate responsibility in a time of change

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

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

Raiffeisen principles

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

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

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

■ The best become better with us
This approach emphasizes the interaction between the staff's commitment to performance and the social involvement of the employer.

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

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

Embedding corporate responsibility into the organization

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

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

Compliance and Code of Conduct

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

The foundation of sustainable business policy

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

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

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

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

The first RZB Group Stakeholder Council

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

RBI's social commitment

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

Help for the earthquake victims of Haiti

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

H. Stepic CEE Charity – opportunity for a better life

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

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

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

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

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

H.STEPIC CEE CHARITY
VEREIN ZUR UNTERSTÜTZUNG KARITATIVER PROJEKTE
IN ZENTRAL- UND OSTEUROPA

Dealing with staff responsibly

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

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

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

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Karl Sevelda likes to keep tabs on everything – even in the morning.

Market development

Gradual economic recovery

After the global economy suffered its worst recession in 2009 since 1945, 2010 was a year of economic recovery. Economic activity picked up all around the world, often supported by massive fiscal and monetary policy moves. After a collapse of 11.0 per cent in the previous year, world trade grew 11.4 per cent in 2010.

In the US, the recession ended in June 2009, as defined by the National Bureau of Economic Research (NBER). In the fourth quarter of 2009 and the first quarter of 2010, the US economy posted an impressive recovery, with annualized GDP growth of 4.4 per cent. However, this momentum proved unsustainable, and in the second and fourth quarters of 2010 growth slowed to an average annualized rate of 2.4 per cent quarter-on-quarter. The biggest problems with the US economy remained the high level of unemployment, which was still 9.0 per cent at the end of 2010, some 3 percentage points above the long-time average, and the ongoing difficult state of the real estate market. Although massive tax incentives brought about a temporary stabilization in the housing market in spring 2010, the slide in construction and prices resumed once this program expired. Given the weak state of economic growth, there was a significant slowdown in consumer prices over the course of the year. For example, US inflation fell from 2.6 per cent year-on-year in January 2010 to just over 1.0 per cent in November. It has lately risen again slightly, due to higher energy and food prices. The core rate – inflation excluding energy and food prices – remained significantly below the US Federal Reserve's target level, at 1.0 per cent for the year.

Economic recovery in the eurozone was similarly weak. With the exception of the second quarter of 2010, real GDP growth was consistently below its potential level (growth at normal capacity utilization) of just under 0.5 per cent quarter-on-quarter. Full-year growth in the eurozone was 1.7 per cent. It should be noted that growth rates diverged sharply between member states. While Germany, Austria and Finland moved into recovery, Spain, Greece and Ireland were still deep in recession. Unemployment averaged 10.1 per cent for the eurozone as a whole. Inflation remained below its long-term trend in 2010 at 1.6 per cent, but rose again from the middle of the year, not least because of increases in taxes on consumption in several member states.

Stabilization in CEE

While the dependence on exports of the countries of Central and Eastern Europe (CEE) had been a serious problem in the crisis, in some cases producing significant decreases in GDP, it proved an advantage in 2010. The CEE nations benefited from the clear upturn in GDP, particularly in Germany, with the export sector functioning as a significant driver. Even though much of the current growth comes from exports, increasing support can be expected in the course of 2011 from domestic demand, with the first signs of recovery already apparent. Even so, the relative low level of domestic savings means that the CEE states, and particularly those in Southeastern Europe, are dependent on capital imports, primarily from Western Europe. After a sharp decrease during the crisis, capital inflows into CEE – including through the banking sector – are recovering, although they are still significantly below their pre-crisis level.

Poland had already distinguished itself in the crisis by its dynamic economy, and it again outperformed the other Central European EU member states (Czech Republic, Hungary, Slovakia, Slovenia) in 2010. The only nation to top this was Slovakia, which rebounded from a 4.8 per cent decrease in GDP in 2009 to growth of 4.2 per cent in 2010. In contrast to Slovakia, however, Polish growth came mainly from consumption and gross investment in plant and machinery, rather than from exports. While the Czech Republic reported growth of 2.3 per cent year-on-year in 2010, with domestic demand comparatively strong, Hungary (1.2 per cent GDP growth) and Slovenia (0.9 per cent) lagged somewhat behind the average for Central Europe of 3.0 per cent in 2010, following a decrease of 2.0 per cent in 2009.

The Southeastern European transition countries had shown the highest growth before the crisis in 2008, although this was at the expense of domestic and foreign imbalances, such as very high inflation rates and substantial current deficits in some cases. Financing these imbalances had not been a problem, but the crisis led to a collapse in capital flows and investment in the region, meaning that current deficits also fell, for lack of finance. This resulted in a decrease in GDP in both 2009 and 2010, although the decline in 2010 is set to come in at 0.5 per cent, significantly smaller than in 2009 (decline of 5.5 per cent in real GDP).

The sharpest decrease in GDP in the 2009 crisis year was in the Commonwealth of Independent States (CIS), falling 8.2 per cent. In Ukraine, GDP fell significantly by 14.8 per cent, while the Russian economy shrank by 7.9 per cent. However, the increase in commodity prices from an existing high level, strong exports, and positive baseline effects meant that the CIS was able to post a strong recovery in 2010, with economic growth of 4.1 per cent.

Overall, the economic situation in CEE can be expected to continue to improve. At the moment, strong exports are primarily responsible for the upturn, but there are also signs of a recovery in domestic demand and investment, even if these are still at relatively low levels. Over the next few years, the growth gap between CEE and the Western European economies is expected to be around 2 percentage points. Management believes that this leaves the process of convergence in the CEE economies intact. However, the convergence path will be significantly flatter than before the crisis, when the growth differential between CEE and Western Europe was around 4 percentage points. A positive side to this is that the convergence process in the CEE economies will be less frenzied, with lower domestic and foreign imbalances, which will benefit the CEE countries and economic players there.

Austrian economy growing

Austrian GDP, which had peaked in the second quarter of 2008, fell by a total of 5.4 per cent in real terms over four quarters in the course of the economic collapse in 2008/2009. While it has been growing again since the third quarter of 2009, GDP is still 1.4 per cent below its previous high. As a result, Austria will probably not regain the level of real GDP before the crisis until sometime in 2011.

In the fourth quarter of 2010, the Austrian economy grew 0.8 per cent, above its long-term average. Much of this growth was from the sharp rise in exports (1.2 per cent per quarter) and investment (2.8 per cent per quarter). Capacity utilization for the economy as a whole also returned to its long-term average, at 86 per cent. The high level of foreign demand gave Austrian industry solid order books, and also led to a level of capacity utilization in the Austrian industrial sector which was the highest in the entire eurozone. Together with the low interest rate environment, high corporate earnings, and intact growth prospects, this spells an upbeat investment climate. Investment in plant and equipment should accordingly make a substantial contribution to Austrian GDP growth in the next few quarters. The savings ratio of private households probably fell to 10.7 per cent in 2010, compared with 12 per cent in 2008. As the employment rate is also continuing to rise and inflation remains moderate, private consumption is likely to remain stable in the next few quarters, despite the cuts from the budget measures for 2011 to 2014, particularly since tax increases and expenditure cuts are very minor compared with the rest of Europe. After an initial recovery driven particularly by exports, the Austrian economy should move into a sustainable growth phase in 2011, supported by investment and private consumption.

China as Asia's motor for growth

The Asian economy grew 8.0 per cent in 2010, with almost all Asian countries making the transition from public-sector growth stimulus to firming private sector demand. The motor driving growth was China, where expenditure programs and credit expansion fueled domestic demand. Rising retail sales and positive sentiment in the service sector pointed to firming consumer demand, and GDP grew 10.3 per cent in real terms in 2010. This vigorous growth also benefited countries exporting commodities and capital goods. However, the restrictive monetary policy and measures to cool the real estate market can be expected to result in a slight decrease in the pace of economic growth in Asia in 2011.

India's economy did much better than expected up to the fourth quarter of 2010, with real growth running at an annualized rate of 8.2 per cent. This was driven by domestic demand, supported by private consumption. Robust corporate earnings and favorable external financing also supported growth in investment. For 2010 as a whole, real GDP growth in India was assumed to be 8.7 per cent, and a similar figure is expected in 2011.

In contrast to the major western economies, the central banks of several Asian countries have already reversed their monetary policy, faced by rising food and energy prices, which seemed to be fueling inflation. Asian currencies appreciated massively in 2010, mainly as a result of the expansionary monetary policy in the USA, which led to large capital inflows to the region. The resulting currency gains – undesired by the governments involved – prompted a range of countermeasures on the capital front. As a result of its lead in growth, predictable risks, and higher returns, Asia as a region will likely remain attractive to foreign investors in 2011.

Sovereign debt crisis

The main topic for the international financial markets in 2010 was the rise in sovereign borrowing by a number of eurozone countries. This started with Greece, which had to admit at the start of the year that the figures for deficits and sovereign debt it had been reporting to Brussels were significantly understated. This was followed by growing doubt in financial markets that Greece was in any position to service its debt. The risk premium for Greek sovereigns compared with German bonds rose massively, making it increasingly difficult for the country to refinance in the capital markets. Concerns about Greek solvency spilled over to the euro, leading to significant depreciation, particularly against the US dollar and the Swiss franc.

When the situation threatened to get out of hand at the end of April and start of May, the EU and IMF intervened. First, Greece was given a credit line of € 110 billion, which meant that it does not have to borrow further on the capital markets until the start of 2012. In addition, the European Financial Stability Facility (EFSF) was created to provide a rescue package to assist countries with financing problems in future. The fund has a total volume of € 750 billion, contributed by the eurozone member states and the IMF. However, despite the politicians' hopes, this step did not bring lasting calm to the markets. By November, Ireland had become the second country to run into difficulties. In this case, it was the collapse of the banking system that brought the nation to the brink of insolvency. The financial injections required to save domestic banks sent the country's budget deficit for 2010 soaring to an enormous 32 per cent of GDP. After suffering a massive deterioration in refinancing terms, Ireland requested assistance from the EFSF at the end of November. It is due to receive € 85 billion in aid up to 2013.

Global currencies

The euro exchange rate in 2010 was dominated by the eurozone debt crisis. After starting the year at around USD 1.45, the euro rapidly lost ground as a result of the Greek situation, only stabilizing when the EU and IMF agreed the € 750 billion rescue package for troubled eurozone countries in May. By then the euro had lost 17 per cent against the US dollar, reaching a low for the year at USD 1.20. Between June and October, the debate about eurozone debt receded into the background to some extent, and the exchange rate was determined by US monetary policy, as the slowdown in the US economy early in the year revived fears that it could slip into recession. The Federal Reserve responded in September and November by further easing monetary policy, announcing it would buy more US bonds. As a result of these measures, the US dollar came under significant pressure, with the effect that the euro recovered to USD 1.42 by the start of November, when the focus returned to the eurozone debt crisis. After Ireland was forced to seek financial aid, concern grew that the problems could spread to Spain, and the euro duly slid back to USD 1.30.

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

CEE currencies

After depreciating significantly at the end of 2008 and start of 2009, the CEE currencies stabilized in the subsequent months. The CEE central banks tried to counter the depreciations with (in some cases massive) key rate increases, and several countries also approached the IMF and EU for financial assistance. Following the interest rate cuts in the eurozone, the key rate hikes were reversed in several CEE countries at the start of 2009, e.g., Poland, Russia, the Czech Republic, and Hungary. The trend towards higher key rates was maintained in countries with weaker fundamentals, to compensate investors for the higher risk.

In the recovery phase from the end of the first quarter of 2009, the Polish zloty in particular experienced a relatively sharp appreciation. Even during the crisis, Poland was able to grow its economy and impress with stable fundamentals. Nevertheless, the Polish zloty was under particularly heavy pressure in the crisis, due to the higher level of liquidity in the Polish market. The Czech koruna, Russian rouble, and Hungarian forint also gained significant ground against the euro after their lows in the course of 2009. The delayed recovery in Southeastern Europe was also reflected in the movements of local currencies. Serbia in particular saw its currency weaken further against the euro in 2009. The same happened to Romania and Albania, although to a lesser extent.

In the year under review, most CEE currencies drifted sideways after the recovery phase in 2009 and in the first half of 2010. In some cases, they experienced strong volatility against the euro, driven by the shifts in global risk movements. In the second half of 2010, for example, the attitude to risk was influenced primarily by worries about the debt situation in the eurozone.

Development of the banking sector

The shortage and higher cost of external financing for banks and governments and the lower demand for credit, both due to banks' tighter lending policies, resulted in stagnant credit growth in the CEE during the crisis.

Total assets of the banking sector in local currencies grew significantly more slowly in 2009 throughout the CEE region than before the crisis. While the Central Europe region (CE) had reported annual growth of around 15 per cent in the five years before the crisis, it barely grew at all in 2009. There was finally a return to growth in 2010, although increases were still lower than in the pre-crisis period. Growth in total assets of the banking sector is expected to remain moderate at around 5 to 8 per cent a year for the next few years.

In Southeastern Europe (SEE), where total assets of banks had risen even faster before the crisis at over 30 per cent a year, the increase in 2009 was only just under 3 per cent as a result of the crisis, and probably remained at that level in 2010 due to a further slowdown in growth. The recovery in SEE is somewhat sluggish, like the economy as a whole, so growth is not expected to return to around 10 per cent until 2012.

The CIS region had the fastest growth in total assets in the years 2004 to 2008, averaging almost 40 per cent a year. However, as in the other regions, there was no growth here again in 2009, although the economic recovery in 2010 probably led to a return to at least 15 per cent.

Non-performing loans rose further in 2010 as a result of the economic crisis. The main reasons for this were the increase in unemployment and the weakness of many CEE currencies, which posed an additional burden on many borrowers due to the high share of foreign currency loans in the region. The situation in the banking sector stabilized in the closing months of 2010 and is likely to continue to improve. However, the situation remains difficult in several countries, particularly Ukraine and Romania, but also – specifically due to the bank levy – in Hungary.

The positive trend in Poland resulted in growth in total lending, which was also the case in the Czech Republic. By contrast, lending fell in 2009 in Romania, Russia, and Ukraine as a result of the weak economies in these countries. However, GDP grew sharply in 2010 in Russia and Ukraine, not least because of the strong baseline effect after the sharp drop in the previous year. This stabilization was helped by financial assistance from the IMF, EU and World Bank, and the commitment by the banking sector to stay engaged in the region.

Financing environment for CEE states and banks

The financing environment for CEE states had already significantly improved in the second half of 2009, securing both refinancing and new issues of sovereign debt on the local and global bond markets (Eurobonds). This positive trend continued in 2010. The financing environment for CEE countries and banks benefited from both the committed implementation of aid and support programs under IMF leadership as well as the emerging signs of stabilization in government borrowing in the Czech Republic and Poland. Yields on local sovereigns trended sideways in this period, due to the continuing expansionary monetary policy and the decline in risk premiums. At the same time, the market took a very differentiated view of the individual CEE countries, with bond prices reflecting risk factors such as indebtedness, budget deficits, and political uncertainty. A financing environment like this will continue to benefit the reformist CEE nations. Currently, risk premiums for many CEE countries are lower than those for eurozone economies such as Spain or Italy.

Performance and financials

Introduction and scope of consolidation

The consolidated financial statements of RBI are prepared in accordance with the International Financial Reporting Standards (IFRS). RBI AG also prepares separate financial statements in accordance with the Austrian Commercial Code (UGB) in conjunction with the Austrian Banking Act (BGW), which provide the formal basis of assessment for calculating dividend distributions and taxes. For more information on the disclosures required by the UGB and BWG, please see the relevant sections of this Group management report, including the notes section.

The majority of RBI is indirectly held by RZB, which makes it part of the RZB Group. RZB held a stake of around 78.5 per cent at the end of the year 2010; the remaining shares were free float. The merger between Raiffeisen International and the principal business areas spun off by RZB took effect on being entered in the commercial register of the Commercial Court in Vienna on 10 October 2010. Raiffeisen International, renamed Raiffeisen Bank International after the merger took effect, was granted a banking license in the course of the merger. The formal legal merger was completed on 10 October 2010 as a transaction under common control. The management decided to make the Group's internal vertical integration retroactive. The income statement for the whole financial year of 2010 is shown with the new organizational structure. Book value accounting (analogous to IAS 8.10) was used for the principal business areas of RZB transferred to Raiffeisen International.

As of 31 December 2010, RBI's scope of consolidation comprised 132 Group units, including 21 banks and a number of financial institutions and bank-related service providers. For information about the change in the scope of consolidation, please refer to page 144 in the notes section. RZB's principal business areas added 38 fully consolidated companies to the scope of consolidation. The merger places some restrictions on any proper comparison of the figures for 2010 with the figures of Raiffeisen International for the previous year.

Pro forma performance comparison

For reasons of transparency and comparability, this section compares performance and financials with RBI's unaudited pro forma figures for the year 2009. Raiffeisen International's figures for the previous year are used as comparative figures in other sections of the Group management report.

Profit after tax rises in the year of the merger

RBI's operating result in 2010 fell by 1 per cent to € 2,424 million as a result of higher general administrative expenses and the Hungarian bank levy, which comes under other net operating income.

There were positive developments in the area of credit risk. Due to a decline in defaults and workout measures, provisioning for impairment losses fell by 47 per cent or € 1,038 million to € 1,194 million, having been extremely high across all segments in the previous year as a result of the impact of the financial and economic crisis.

However, this positive trend was partially offset by lower net income from financial investments and derivatives, which fell by € 518 million. These components of net income were dominated in 2009 by recoveries. In 2010, conditions on most financial markets stabilized and, as a result, there were only very few revaluations.

A one-off effect can be seen for income taxes. This item was lower in spite of a 58 per cent rise in net income due, in particular, to deferred tax income arising from the recognition of tax loss carry-forwards in Austria (€ 120 million) and changes to tax legislation in Ukraine (€ 26 million).

The consolidated profit after tax thus amounted to €1,177 million, a rise of 122 per cent or € 646 million over the figure for the previous year.

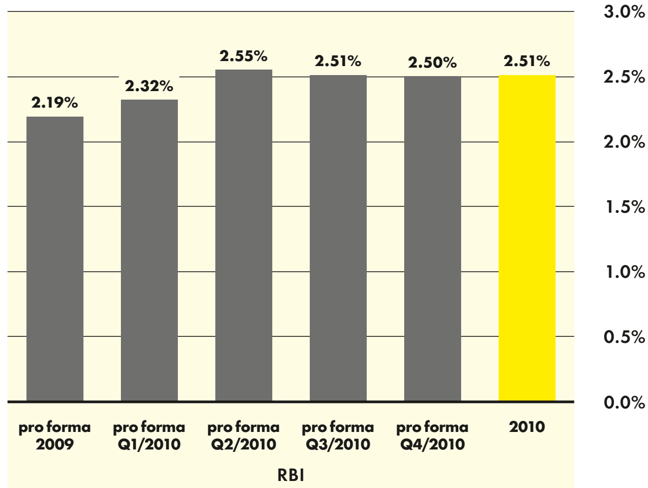
Operating result shows year-on-year stability

in € million	RBI 2010	Change	RBI pro forma 2009	Raiffeisen International 2009
Net interest income	3,578	9.0%	3,282	2,937
Net fee and commission income	1,491	4.9%	1,421	1,223
Net trading income	328	(21.7)%	419	186
Other net operating income	6	(86.0)%	45	(20)
Operating income	**5,403**	**4.6%**	**5,167**	**4,326**
Staff expenses	(1,453)	8.3%	(1,342)	(1,054)
Other administrative expenses	(1,187)	9.3%	(1,086)	(970)
Depreciation of tangible and intangible fixed assets	(340)	18.6%	(287)	(246)
General administrative expenses	**(2,980)**	**9.8%**	**(2,715)**	**(2,270)**
Operating result	**2,424**	**(1.2)%**	**2,452**	**2,056**

Operating income up 5 per cent due to higher interest margins
While individual income components showed differing trends, operating income remained relatively constant quarter by quarter in 2010. The 5 per cent year-on-year increase was primarily due to higher net interest income and growth in net fee and commission income, while net trading income and other net operating income showed negative development.

Net interest income rose by 9 per cent or € 296 million, representing the biggest increase of any earnings component. Part of this growth was due to higher business volume as a result of a slight rise in credit growth in some markets in 2010 following the dip in 2009 brought about by the financial crisis. The level of business in securities remained relatively constant. The majority of the growth in income, however, was the result of a rise of 32 basis points in the net interest margin to 2.51 per cent. This improvement was primarily due to the more favorable refinancing situation, particularly with regard to customer deposits. In addition, higher prices were gained on the asset side in some markets. While interest margins rose in virtually all segments, they fell in Russia as a result of strong competitive pressures. In the CIS other segment, the decline was due to a change in how interest on impaired loans and advances is calculated in Ukraine. This trend can also be seen in the results for different business divisions; the rise in net interest income is evident, above all, in the Capital markets & treasury business division.

Development of the interest margin

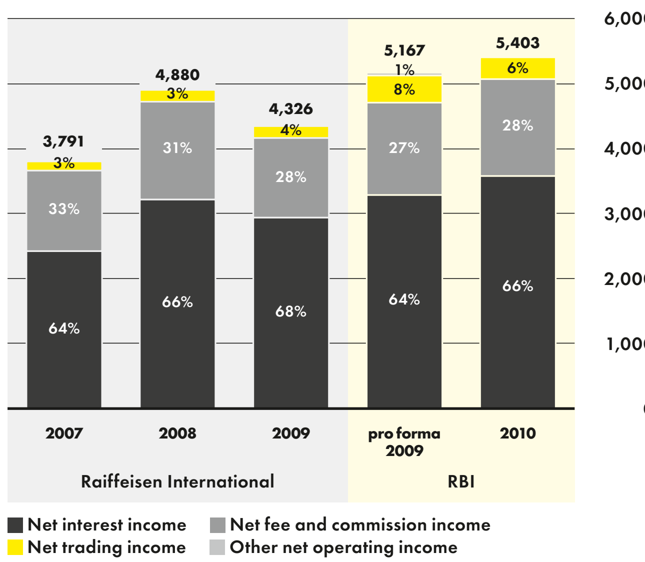


The increase of 5 per cent or € 70 million in net fee and commission income was a clear sign that the overall economic situation has improved in RBI's home markets. This growth was primarily driven by the Central Europe and Group corporates segments; at the level of the business divisions, it was largely generated by the Corporate customers segment. This increase was due, in particular, to income from credit and guarantee business, payment transfers and securities business. By contrast, income from foreign exchange transactions was down due to lower demand, particularly as a result of a decline in foreign exchange lending business and a slight fall in the number of international payment transfers.

Net trading income was 22 per cent or € 91 million lower than the previous year. The main reason for this decline was the positive trend in 2009, a year that saw a strong recovery in the value of interest rate products, which contributed to above-average net income. This resulted in a drop of around € 150 million in net income from interest-related trading, which fell to € 211 million. The fluctuations in the other components of net trading income were much lower. Net income from currency-related trading was up by around € 15 million, while net income from equity instruments fell by around € 20 million.

Other net operating income fell by € 39 million to € 6 million, largely as a result of the Hungarian bank levy of € 41 million charged to RBI.

Development of operating income
in € million



General administrative expenses up by almost 10 per cent

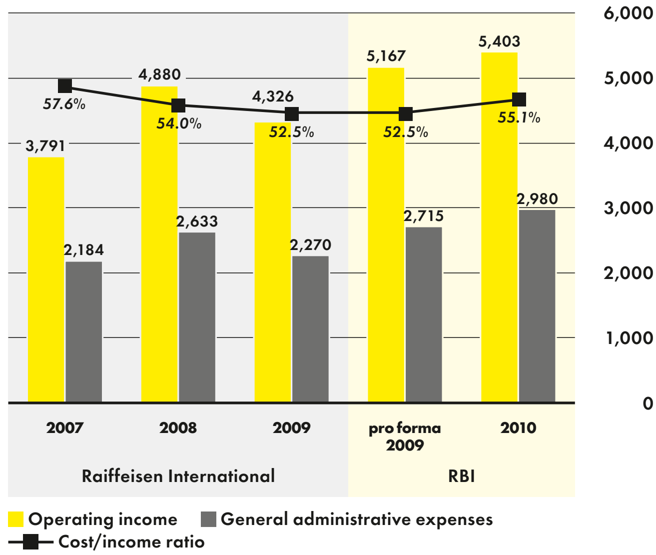
Following a 14 per cent decline in 2009 due to cost-cutting measures and currency effects, general administrative expenses grew by 10 per cent or € 264 million to € 2,980 million in the year under review. In contrast to the previous year, currency appreciation in 2010 partly contributed to a rise in general administrative expenses.

Market-related changes in salary structures and reinstated bonus payments led to an 8 per cent increase in staff expenses. The average number of staff fell by 6 per cent or 3,692 to 59,188, primarily as a result of cutbacks in Ukraine, Russia and Romania. Other administrative expenses rose by 9 per cent, largely due to higher IT costs, the costs of the merger with RZB's principal business areas and the costs of launching the direct bank ZUNO.

The number of business outlets fell by 68 to 2,961 in the year under review. That figure includes the five branches of RBI AG.

Development of the cost/income ratio

in € million



Higher general administrative expenses, which grew by 10 per cent and thus by more than operating income, which was up 5 per cent, were the main reason for the increase in the cost/income ratio by 2.6 percentage points to 55.1 per cent. This ratio of general administrative expenses to operating income is a key measure of a bank's efficiency.

Profit up sharply due to a decrease in provisioning for impairment losses

Provisioning for impairment losses fell by 47 per cent or € 1,038 million to € 1,194 million following a difficult year in 2009. This was a consequence of an improvement in the overall situation in most markets, which led to a reduction in the growth of non-performing loans, particularly in the second half of the year. About half of this reduction was offset by lower net income from financial investments and derivatives, which posted significant write-ups in 2009 due to the recovery of the markets. Overall, this resulted in a rise in profit before tax of 63 per cent or € 497 million to € 1,287 million.

in € million	RBI 2010	Change	RBI pro forma 2009	Raiffeisen International 2009
Operating result	2,424	(1.2)%	2,452	2,056
Provisioning for impairment losses	(1,194)	(46.5)%	(2,232)	(1,738)
Other net income	58	(89.8)%	570	50
Profit before tax	1,287	62.9%	790	368
Income taxes	(110)	(57.5)%	(259)	(81)
Profit after tax	1,177	121.6%	531	287
Profit attributable to non-controlling interests	(90)	10.7%	(81)	(75)
Consolidated profit	**1,087**	**141.6%**	**450**	**212**

Provisioning for impairment losses down in several markets

Due to the improvement in overall economic conditions and the measures taken to stabilize the loan portfolio, provisioning for impairment losses in 2010 fell by 47 per cent or € 1,038 million to € 1,194 million. Net allocations to individual loan loss provisions of € 1,196 million were down by 43 per cent, while net allocations to portfolio-based loan loss provisions in the year under review only amounted to € 1 million due to the release of portfolio provisioning to impairment losses in Hungary, Ukraine as well as Bosnia and Herzegovina (a fall of € 175 million). The net provisioning ratio based on average credit risk-weighted assets also fell significantly by 123 basis points to 1.66 per cent. By contrast, the NPL ratio, which is the non-performing loan ratio in the loan portfolio, rose by 1.56 percentage points to 9.0 per cent. This followed an increase of 4.5 percentage points in the previous year. The strongest growth in 2010 was in business with large corporates and private individuals.

The decline in provisioning for impairment losses was most pronounced in the Retail customers division (down 41 per cent to € 601 million), but there were also marked declines in the Corporate customers division (down 37 per cent to € 564 million) and the Financial institutions & public sector division (down 93 per cent to € 23 million). As far as the segments are concerned, much of the new provisioning for impairment losses was in Central Europe, which accounted for a share of 34 per cent or € 408 million (down 16 per cent), dominated by Hungary, and in Southeastern Europe, which accounted for 28 per cent or € 335 million (down 19 per cent) and where there were increases in Bulgaria and Bosnia and Herzegovina. Provisioning for impairment losses fell sharply in Russia (down 76 per cent to € 77 million), in the CIS other segment (down 59 per cent to € 214 million) as a result of the favorable trend in Ukraine, and in Group markets (down 91 per cent to € 31 million) due to higher depreciation/amortization/write-downs of loans and advances to banks in the previous year.

Tax rate at only 9 per cent due to special effects

Despite a clear increase in profit after tax, income taxes fell by 58 per cent to € 110 million. While current taxes rose in line with performance, deferred taxes were responsible for the decline in the effective tax rate, which fell from 32.8 per cent to 8.6 per cent. While a release of deferred taxes resulted in an extremely high tax rate in 2009, the opposite was true in the year under review. Due to the higher earnings expectations based on the latest medium-term planning, tax loss carry-forwards that were unused to date were to be recognized at Group headquarters on the basis of the tax allocation agreement with RZB AG (€ 120 million). As a result of a change in tax legislation in Ukraine enacted in December 2010, there was a positive effect of € 26 million on deferred taxes. Adjusted for the special effects, the effective tax rate would have been 19 per cent. Not including the Corporate center segment, where there was tax income, the tax rate was highest in the Group markets segment (at 25 per cent) and lowest in the Southeastern Europe segment (at 13 per cent).

Consolidated profit of over € 1 billion

Compared to profit before tax, profit after tax rose disproportionately by 122 per cent from € 531 million to € 1,177 million. With the operating result remaining relatively stable, this growth was due to a 47 per cent reduction in provisioning for impairment losses as well as the tax-related effects.

Compared to profit after tax, income from non-controlling interests rose only slightly by 11 per cent to € 90 million. The increase in profit was achieved primarily at RBI as well as in Group units with little or no non-controlling interests. After deducting this income from non-controlling interests, the consolidated profit accounted for by RBI amounted to € 1,087 million, which represents an increase of 142 per cent or € 637 million year-on-year.

Earnings per share of € 4.56

As a result of the merger between Raiffeisen International and RZB's principal business areas and the associated capital increase, the average number of shares outstanding rose by 40.8 million to 194.5 million. Earnings per share would have been € 1.29 in the previous year. Not including the merger effects, Raiffeisen International reported earnings per share of € 0.99 in 2009. In 2010, not only was there a significant increase in net income; earnings per shares rose sharply as well from € 3.28 to € 4.56. The Management Board will propose to the Annual General Meeting in June 2011 that a dividend of € 1.05 per share be paid for 2010. That would result in a total payment of € 204 million.

ROE before tax rises to 13.7 per cent
The return on equity (ROE) before tax rose year-on-year by 4.2 percentage points to 13.7 per cent, primarily due to a reduction in provisioning for impairment losses. Average equity, on which this calculation is based, was up 13 per cent year-on-year at € 9,400 million. The growth in capital was accounted for by retained earnings and the participation capital issued in the second quarter of 2009. Due to the aforementioned tax-related effects, consolidated ROE – based on the capital attributable to RBI shareholders – grew even more sharply by 5.9 percentage points to 13.0 per cent.

Equity up 12 per cent to € 10.4 billion

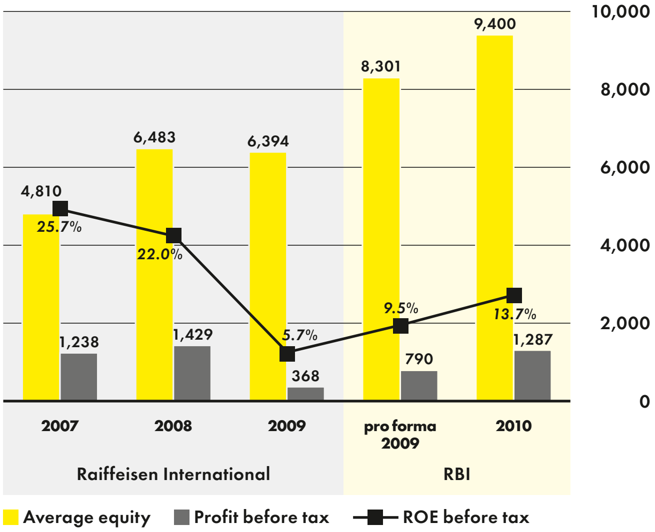
As a result of the merger with RZB's principal business areas, equity (primarily comprised of participation capital and retained earnings) rose by € 2,325 million. The merger also entailed a capital increase from own funds. As a result, subscribed capital rose by € 125 million to € 596 million (not including own shares of € 593 million).

After taking the merger into account, RBI's equity – including the capital of non-controlling interests – rose year-on-year by 12 per cent or € 1,078 million to € 10,404 million as at the reporting date.

Total comprehensive income increased equity by € 1,396 million. This includes profit after tax of € 1,177 million. Other profit/loss, which consists of earnings components recognized directly in equity, amounted to € 219 million. This was primarily accounted for by currency differences, including the corresponding hedging transactions (€ 178 million), as a result of the appreciation of several local currencies in the CEE region. The appreciation of currencies pegged to the US dollar, in particular the Ukrainian hryvnia (up 8 per cent) and the Russian rouble (up 5 per cent), had the greatest impact year-on-year. Most currencies in the Central European region also gained in value, in particular the Czech koruna (up 5 per cent).

Development of profit and return on equity

in € million

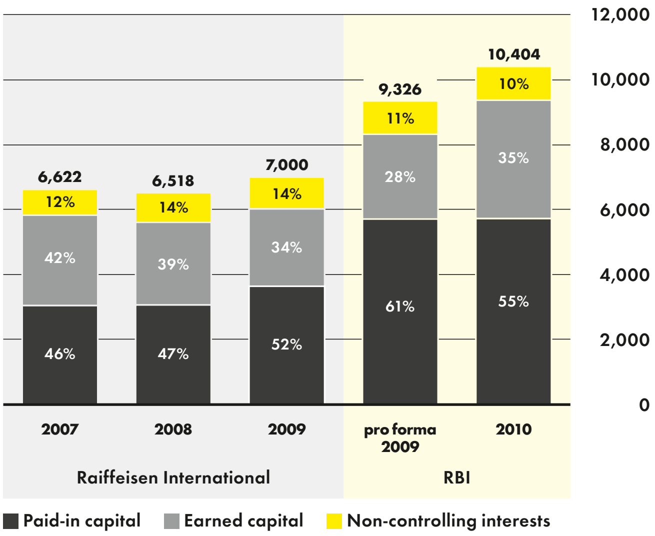


Equity decreased by a total of € 384 million due to dividend payments. € 30 million of that went to Raiffeisen International shareholders, corresponding to a dividend of € 0.20 per share, and € 49 million to outside shareholders of Group companies. In addition, € 105 million was for dividends as a result of the merger with RZB's principal business areas. Dividends on participation capital came to € 200 million.

Increase in tier 1 ratio to 9.7 per cent
Regulatory own funds rose by 5 per cent year-on-year to € 12,608 million. In addition to the described changes in equity, resulting in a 10 per cent increase in core capital (tier 1), additional own funds (tier 2, down 1 per cent) and short-term additional own funds (tier 3, down 76 per cent) fell as a result of maturing issues. The own funds requirement increased by 6 per cent to € 7,585 million as a result of a slight rise in credit and securities volumes as well as higher default probabilities and lower ratings. The tier 1 ratio (total risk) increased by 0.3 percentage points to 9.7 per cent, while the core tier 1 ratio rose by 0.4 percentage points to 8.9 per cent. The own funds ratio fell by 0.2 percentage points to 13.3 per cent.

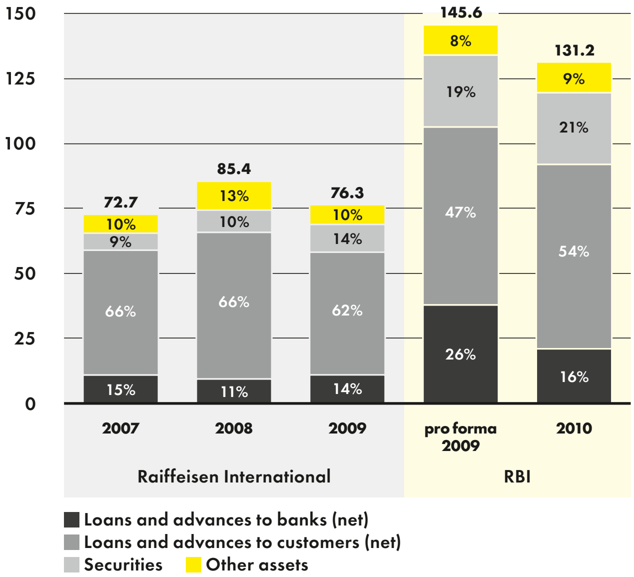
Composition of consolidated equity

in € million



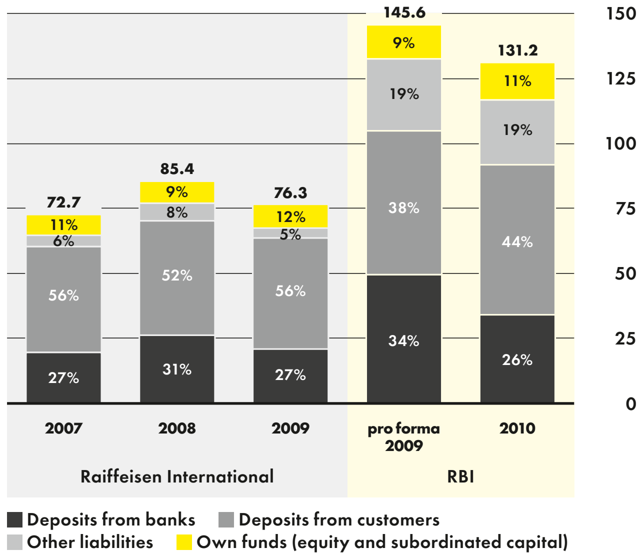
Structure of assets on the statement of financial position

in € billion



Structure of liabilities on the statement of financial position

in € billion



Total assets decline by 10 per cent to € 131 billion

With the merger of Raiffeisen International and RZB's principal business areas shown retroactively, the total assets increased by € 69.4 billion at the start of the year 2010. It fell year-on-year by € 14.5 billion to € 131.2 billion at year-end. This fall was largely due to interbank business. As a result of the appreciation of the US dollar and most CEE currencies, the total assets increased by approximately € 2.4 billion. Adjusted for these effects, there was an organic reduction of the total assets of around 12 per cent or € 16.9 billion.

The interbank business, primarily with the RBG, declined toward the end of the year. In addition, unneeded liquidity was reduced. Loans and advances to banks fell as a result by 44 per cent to € 21.5 billion. By contrast, loans and advances from credit business rose. Taking into account the increase in provisioning for impairment losses, loans and advances to customers grew by 3 per cent or € 2.5 billion. This increase was largely driven by business with large corporates, although lending to private individuals also grew again slightly by 4 per cent. The biggest rises were seen in Russia (plus 18 per cent) and Central Europe (plus 5 per cent). Customer deposits rose by 4 per cent to € 57.6 billion, which meant that the loan/deposit ratio remained unchanged at 131 per cent.

Detailed review of items in the income statement

As with the presentation in the consolidated annual report, the audited figures for Raiffeisen International in 2009 are used for comparison with the previous year.

As a result of the merger of Cembra Beteiligungs AG – which incorporated the principal business areas of RZB – with Raiffeisen International, the figures shown cannot be directly compared with those for the previous year. Changes are primarily due to the integration of the principal business areas of RZB and – to a relatively minor extent – the organic growth or contraction of the Group units in CEE.

Net interest income

Net interest income grew by 22 per cent or € 642 million to € 3,578 million in the year under review. This represents a share of 66 per cent of operating income. The increase was due to the integration of the principal business areas of RZB. The new segments Group corporates, Group markets and Corporate center earned net interest income of € 946 million in 2010. The net interest margin (calculated on average total assets) was 2.51 per cent.

In Central Europe net interest income improved by 13 per cent or € 126 million to € 1,111 million. Poland showed the sharpest increase in net interest income, which rose by 45 per cent or € 55 million. The reasons for this were the increase in customer margins, improved refinancing costs and the appreciation of the Polish zloty. In the Czech Republic, net interest income grew 15 per cent or € 37 million because of the increased volume of mortgage lending and loans to private individuals, together with improved customer margins. Net interest income in Slovakia also benefited from lower refinancing costs, rising by 11 per cent or € 28 million. The net interest margin improved by 39 basis points to 3.29 per cent.

In Southeastern Europe net interest income totaled € 898 million, slightly above the previous year's figure. This reflects, on the one hand, the improved net interest income in Croatia, which grew by 15 per cent or € 22 million due to lower refinancing costs with banks and lower interest expense on customer deposits. On the other hand, net interest income fell in Serbia by 15 per cent or € 18 million as a result of relatively weak new business, tighter margins with customers with good credit ratings, lower income from investments with central banks, and the sharp depreciation of the currency. The net interest margin in the segment was 3.90 per cent at year-end (up 20 basis points).

In Russia, net interest income fell by 22 per cent or € 143 million to € 507 million, primarily because of interest income on loans and advances to customers, which dropped by 28 per cent because of lower volumes in the retail and corporate divisions, lower new business and heavy competition. The net interest margin in this segment fell by 82 basis points to 4.14 per cent.

Net interest income in the CIS other segment fell by 13 per cent or € 65 million to € 424 million. In the fourth quarter of 2010 there was a non-recurring effect in Ukraine of approximately € 70 million, due to a change in the method of calculating interest on impaired loans and advances. However, this change does not influence the result, as impairment losses on loans and advances were reduced to the same extent. The net interest margin fell by 103 basis points, and together with the positive trend in margins (plus 38 basis points) the overall result was a decrease of 65 basis points to 6.19 per cent.

Net provisioning for impairment losses

The improved economic environment and measures initiated during the financial and economic crisis to stabilize the credit portfolio showed their effects in 2010. In the year under review there were significantly lower net allocations to provisioning for impairment losses (the balance of allocations and reversals of provisions for the lending business and direct write-offs on the one hand and income in the form of amounts recovered on written-off loans and advances on the other hand). These totaled € 1,194 million, a decrease of € 544 million or 31 per cent. This item also includes income from the sale of loans totaling € 3 million.

The CIS other segment showed the highest decrease in net allocations to provisioning for impairment losses in comparison to the previous year in absolute terms. Net allocations fell by 58 per cent or € 301 million to € 214 million, of which a net € 200 million was allocated in Ukraine. This amount is already reduced by € 70 million due to the adjustment in methodology described above. Significantly lower growth of non-performing loans, improved portfolio quality, active measures for loan restructuring and improved repayment ratios were responsible for the positive trend in net provisioning for impairment losses in Ukraine.

The Russia segment also showed significantly lower net allocations to loan loss provisions, which fell by 76 per cent or € 245 million to € 77 million. In addition to the improvement in borrower ratings – particularly in the corporate customer business – the reasons were the improved economic environment, lower loss rates and higher collateral in business with private individuals.

In the segment Central Europe, the decrease was less marked, with net allocation for provisioning for loan losses falling by 16 per cent or € 79 million to € 408 million. In Hungary, net allocations totaled € 196 million, € 76 million less than in the previous year, due to the positive influence of lower loss rates and restructuring measures on loan loss provisioning. In the Czech Republic, by contrast, net allocations rose by € 22 million to € 94 million as a result of additional individual loan loss provisions du to higher loss rates as well as greater portfolio-based loan loss provisioning. Net allocations in Slovakia fell by € 13 million to € 49 million because of the more favorable economic environment and improved payment record in retail business.

Net allocations in the segment Southeastern Europe fell by 19 per cent or € 79 million to € 335 million. The decrease was particularly marked in Romania, amounting to € 94 million, due primarily to improved ratings for customers in the real estate sector and restructuring and sale of non-performing loans. With the exception of Bulgaria as well as Bosnia and Herzegovina, where net allocations increased because of new non-performing loans in the corporate customer business, net allocations were slightly down on the previous year in all other markets in this segment.

In the Group corporates segment, net allocations to provisioning for impairment losses totaled € 129 million in the year under review, which compares with € 31 million in the Group markets segment.

The net provisioning ratio – i.e. the ratio of net allocations to average credit risk-weighted assets – was 1.66 per cent. The loss rate – i.e. the ratio of charged-off loans to total lending – was 0.41 per cent.

Net fee and commission income

Net fee and commission income rose by 22 per cent or € 268 million to € 1,491 million, and accounted for 28 per cent of operating income. This increase was mostly the result of the new segments Group corporates and Group markets.

Income from payment transfers – which grew by € 56 million to € 599 million – was the biggest contributor to net fee and commission income, accounting for 40 per cent. The new segments made a significant contribution of around € 20 million to this increase, with further growth in Central Europe and CIS other segments. Net income from payment transfer business rose by € 14 million as a result of the improved economic situation and the resulting increase in transactions in Central Europe, mostly in Slovakia and the Czech Republic. Higher volume also led to an increase of € 12 million in Ukraine.

In the loan and guarantee business, net income rose by € 82 million to € 282 million. The biggest contributions here were from the Group corporates and Group markets segments (from letters of credit, guarantees and export financing). Net income in Central Europe rose by € 15 million due to the good result in Slovakia and the Czech Republic.

Net income from the securities business showed the greatest increase at € 92 million as a result of the new Group corporates (from lead arrangements and treasury products) and Group markets segments. In the Central Europe segment, net income rose by € 6 million, partly due to the improved result in Slovakia.

Income from the foreign currency, notes/coins and precious-metals business decreased by € 3 million. Together with the Central Europe segment, the new segments made a positive contribution to this result. In Central Europe, Slovakia and the Czech Republic boosted the result due to the increase in transactions, reflecting the improved economic situation. In Hungary, net income from the foreign currency, notes/coins and precious-metals business fell, due to a decline in new business in foreign currency loans. In Southeastern Europe there was a reduction because of decreasing business activity in Serbia and Romania as well as fewer arbitrage opportunities as a result of the stable local currency in Croatia.

Net income from management of investment and pension funds rose by 2 per cent to € 26 million.

Net income from the sale of own and third-party products rose by 3 per cent or € 2 million to € 26 million as a result of increased insurance activities in Southeastern Europe.

Net income from credit derivatives business was € 3 million, all of it from the Group corporates, Group markets and Corporate center segments.

Net income from other banking services doubled to € 69 million. Income in this position increased as a result of the new segments and higher income from various services in Russia, e.g. collection services for corporate customers.

Net trading income

Net trading income rose by 76 per cent or € 142 million to € 328 million. The new segments Group corporates, Group markets and Corporate center contributed € 132 million.

Net income from interest-based transactions grew by 81 per cent or € 94 million to € 211 million. The Group markets segment was a major contributor to this, while net income from interest-related business decreased in Central Europe, mainly due to valuation losses from interest rate swap transactions in Slovakia. In Southeastern Europe it rose because of an increase in the fixed-interest securities portfolio in Albania. In the CIS other segment, net income rose as a result of an improved sovereign rating for Ukrainian government bonds. In Russia, net income was unchanged from the previous year.

Net income from currency-based transactions grew by 71 per cent or € 50 million to € 121 million. The new segments contributed approximately € 25 million to this. The result in Russia improved by € 87 million to € 14 million, due to valuation gains on foreign currency transactions for hedging measures. In Central Europe, by contrast, it fell due to valuation losses on foreign currency positions and derivatives in Hungary. In Southeastern Europe, the result declined as a result of valuation losses on foreign currency futures contracts in Romania and limited foreign currency trading in Croatia. In the CIS other segment, it was roughly unchanged from the previous year.

The result of equity-based transactions turned around from a loss of € 1 million in the previous year to a profit of € 10 million. The rise was the result of the Group markets segment, which incorporates Raiffeisen Centrobank AG, a specialist in equity products.

There was a net loss of € 14 million on other transactions, due entirely to valuation losses on capital guarantees given in the Group markets segment.

Net income from derivatives and designated liabilities

Net income from derivatives and designated liabilities decreased from € 8 million in 2009 to minus € 84 million. The main reason for this was the loss on other derivatives (€ 72 million) and on liabilities designated at fair value (minus € 23 million), as the spreads on RBI issues tightened. The losses were predominantly in the Group markets segment.

The loss on other derivatives is due to valuation losses on derivatives for hedging purposes. Net income from hedge accounting fell by € 3 million on the previous year as a result of valuation losses in the Central Europe and Group markets segments. Net income from credit derivatives was the only category to show a positive trend, rising by € 5 million on the previous year.

Net income from financial investments

The capital market was heavily affected in the year under review by the recurring debates over the euro and the solvency of a number of EU states. This led to fluctuations in the individual quarters in the fair value of securities.

Net income from securities at fair value through profit or loss, consisting of income from valuations and proceeds from sales, totaled € 120 million in full year 2010. Of this, € 58 million was from valuation gains due to reversals of impairments on fixed-interest securities. In the first quarter of 2010, a clear recovery emerged, with net valuation income of € 132 million. However, the second quarter was adversely impacted by debate over the euro, prompted by concerns about Greek solvency, ultimately leading to valuation losses of € 109 million. The third quarter was again positive, with valuation gains of € 65 million, but the deterioration in the sovereign debt crisis in Ireland led to valuation losses in the fourth quarter of € 30 million. Net proceeds from sales of securities at fair value through profit or loss totaled € 62 million, with the fourth quarter accounting for the highest income at € 22 million.

Net income from equity participations includes profit on sales of € 16 million and valuation losses of € 5 million, giving a balance of € 11 million in the year under review. In the Corporate center segment, shares in a real estate developer were sold at a profit of € 13 million.

Net income from securities held-to-maturity includes profit of € 6 million on the sale of an insignificant part of the portfolio. In the previous year there was a loss of € 2 million, caused by an issuer classified as non-performing.

General administrative expenses

General administrative expenses rose by 31 per cent or € 710 million to € 2,980 million in the year under review. The main reason for this sharp rise was the merger with the principal business areas of RZB. The cost/income ratio was 55.1 per cent (2009: 52.5 per cent).

Staff expenses

With a share of 49 per cent, staff expenses accounted for the biggest share of general administrative expenses. Staff expenses rose by 38 per cent or € 399 million on the previous year to € 1,453 million. The main reason for this sharp rise was the integration of the principal business areas of RZB into Raiffeisen International. Staff expenses also rose because of salary increases and the resumption of bonus payments in individual countries, which had been minimal in the previous year. Broken down by segment, staff expenses rose most in the CIS other and Russia segments (18 per cent in each) as well as Central Europe (13 per cent). In Southeastern Europe on the other hand, staff expenses fell by 2 per cent.

The average number of staff employed in the Group (full-time equivalents) fell by 2 per cent or 998 to 59,188. While the integration of the principal business areas of RZB increased the average number of staff by 2,694, the regional segments in CEE predominantly showed decreases. The average number of staff in the CIS other segment fell by 7 per cent or 1,214, in Southeastern Europe by 6 per cent or 1,177, in Russia by 9 per cent or 882, and in Central Europe by 3 per cent or 439. Operating income per employee rose from € 72,000 to € 91,000.

Other administrative expenses

Other administrative expenses rose by 22 per cent or € 216 million to € 1,187 million. Almost all categories of expenses were affected by this increase, but the largest rises were in IT expenses (up 41 per cent), advertising, PR and promotional expenses (up 37 per cent) as well as legal, advisory and consulting expenses (up 18 per cent).

The reason for the increase in premises and other operating expenses was primarily the integration of the principal business areas of RZB. The increase in legal, advisory and consulting expenses was in connection with the merger. IT expenses rose because of the new Group units and higher service costs of software systems. Advertising, PR and promotional expenses rose mainly as a result of integrating the new Group units, but also because of a new marketing campaign in Russia.

The number of business outlets fell by 57 to 2,961 at the year-end. The biggest decreases here were in Ukraine (21), Romania (20) and Russia (18).

Depreciation of tangible and intangible fixed assets

Depreciation of tangible and intangible assets rose by € 95 million on the previous year to € 340 million (2009: € 245 million). Of this, € 180 million was on tangible assets, € 128 million on intangible assets and € 32 million on assets from operating leasing business. Besides integration of the principal business areas of RZB, there was mainly depreciation of new core bank systems and other IT applications (particularly in Russia, Ukraine and the Czech Republic).

In the year under review investment in the Group totaled € 619 million. Of this, 47 per cent (€ 293 million) was on Group tangible assets. Intangible assets accounted for 33 per cent of investment, predominantly for software systems. The rest was in assets for operating leasing business.

Other net operating income

Other net operating income turned around from minus € 20 million to € 6 million. Various components were responsible for this. Net income from non-banking activities rose by € 31 million to € 35 million, due primarily to additional non-banking activities from the merger of the principal business areas of RZB. Other taxes increased by € 22 million to € 74 million. The decision of the Hungarian Parliament to impose a levy on banks and financial service providers led to additional expenses of € 41 million in Hungary.

The result in the year under review of allocation and release of other provisions was a loss of € 27 million (2009: minus € 4 million). This was primarily due to allocations to provisions for current litigation in Russia and Slovakia. Net proceeds from other operating income and expenses rose by € 41 million to € 35 million. This was predominantly due to the merger with the principal business areas of RZB.

Net income from disposal of Group assets

In the year under review net income from disposal of Group assets totaled € 5 million. In all, 47 subsidiaries were dropped from the consolidation, 41 of them due to a change in the materiality limits. The companies are primarily active in leasing, investment and financial services, or provide ancillary services. Seven subsidiaries were dropped from consolidation following closure.

Statement of financial position

As of 31 December 2010, RBI's total assets was € 131.2 billion. Without the principal business areas transferred from RZB, the comparable figure was € 76.3 billion. The merger that took place led to a € 69.4 billion increase in the Group's total assets.

Assets

On the assets side of RBI's statement of financial position, the figures at the end of 2010 were as follows: With a 54 per cent share, the majority was made up of loans and advances to customers (after the deduction of loan loss provisions). Loans and advances to banks accounted for 16 per cent of the Group's total assets. The overall volume of financial investments (including those held for trading) amounted to 21 per cent, with other asset items representing a share of 9 per cent.

Compared with € 50.5 billion in the previous year, loans and advances to customers accounted for € 75.7 billion (before deduction of loan loss provisions) in the period under review. On the one hand, this rise came from contributions made by the principal business areas of RZB, and on the other hand, from slight growth in lending recorded in CEE in 2010. A significant increase arose as a result of enhanced market demand and an active acquisition policy, particularly in Russia and the Czech Republic. Of the overall loans and advances to customers, credit business represented € 48.8 billion or 64 per cent and mortgage loans represented € 16.9 billion or 22 per cent. Credit business with corporate customers amounted to € 53.0 billion, of which large corporate customers represented € 49.2 billion. Loans to retail customers totaled € 21.0 billion and of this, private individuals accounted for € 18.5 billion. At the end of 2010, the loan/deposit ratio (the ratio of customer loans to customer deposits) was 131 per cent.

Loans and advances to banks totaled € 21.5 billion on 31 December 2010. Compared with the previous year (€ 10.3 billion) this means an increase of € 11.2 billion, which primarily arose as a result of contributions made by RZB's principal business areas. The loans were predominantly awarded to domestic and foreign commercial banks and were mostly of a short-term nature.

At the end of the year, the impairment losses on loans and advances reached € 4.8 billion. Of this, € 4.5 billion represented provisions for loans and advances to customers and € 0.3 billion represented loans and advances to banks. € 2.8 billion of the customer provisions were related to corporate customers and € 1.7 billion affected retail customers. With € 1.3 billion, most of the loan loss provisions were attributed to Central Europe. The CIS other segment accounted for € 1.0 billion of loan loss provisions, Southeastern Europe and Russia accounted for € 0.9 billion and € 0.7 billion, respectively.

In the reporting year 2010, the portfolio of financial investments was valued at € 27.7 billion (2009: € 11.0 billion). Since the start of the financial crisis, excess liquidity has been increasingly invested in securities. Through the contributions made by RZB's principal business areas, the stock of securities (including securities held for trading) has also increased significantly. The new investments of the past year were mainly state or state-guaranteed, top quality securities.

Other assets of € 11.0 billion were made up of cash reserves (€ 4.8 billion), tangible and intangible fixed assets of € 2.7 billion, derivatives (€ 1.5 billion) and the remaining item other assets.

Equity and liabilities

Equity and liabilities were dominated by deposits from customers, which accounted for a share of 44 per cent. Deposits from banks accounted for a 26 per cent share. Equity and subordinated capital represented 11 per cent of the equity and liabilities side of the statement of financial position and the remaining equity and liabilities totaled 19 per cent.

At the end of the year, deposits from customers reached € 57.6 billion and as such, represent a solid source of funding for the Group (51 per cent of the refinancing was achieved by means of customer deposits). The deposits from corporate customers came mainly from large corporates – and accounted for 51 per cent or € 29.4 billion. The deposits from retail customers came mainly from private individuals – and accounted for 45 per cent or € 25.8 billion. The rise of € 15.0 billion mainly came from RZB's principal business areas. In addition, slight growth was recorded in CEE – particularly in Russia, with a € 1 billion increase.

Refinancing volumes via banks – primarily commercial banks – amounted to € 33.7 billion, of which less than a third was of a long-term nature. The increase over the previous year was exclusively due to the contributions made by RZB's principal business areas.

The remaining equity and liabilities items are made up of debt securities issued, provisions, trading liabilities, derivatives and other liabilities. At the end of the year, these totaled € 25.5 billion. Debt securities issued (€ 16.6 billion) mostly came from issued bonds and notes, which were transferred from RZB. In the reporting year, there were no major issues. Trading liabilities amounting to € 5.7 billion arose primarily as a result of the financial instruments that were introduced within the course of the merger. These were mostly composed of derivatives (€ 4.5 billion), especially interest derivatives (€ 3.0 billion).

Equity

Equity on the statement of financial position

As at 31 December 2010, RBI's equity, including consolidated profit and non-controlling interests, amounted to € 10,404 million. As a result of the merger, equity grew by € 2,325 million, primarily attributable to the € 1,900 million contribution made by the participation capital (balanced value after subtracting the outstanding participation rights), the € 300 million retained earnings and a € 125 million capital increase carried out within the framework of the merger.

Paid-in capital is made up of the subscribed capital, participation capital and capital reserves. Through the issuing of 40,837,624 new bearer shares in order to carry out the merger, the subscribed capital rose by € 125 million to € 596 million. After deducting own shares, this amounted to € 593 million. The € 2,500 million participation capital issued by RZB AG was transferred to RBI AG. In the course of the merger, the receivables and liabilities of the transferring and receiving company have been calculated. This also affected the € 600 million outstanding participation rights which had been earmarked in full by RZB AG.

The capital gained from consolidated profit and retained earnings amounted to € 3,678 million. In the year under review, the Group reported consolidated profit of € 1,087 million. From the previous year's result, € 182 million was added to the retained earnings. Dividend payments amounted to € 335 million, of this, dividends for shareholders represented € 135 million and dividends for the participation capital represented € 200 million. The other comprehensive income led to an increase in the retained earnings of € 210 million. In this respect, key components were the positive currency differences, which (including Capital Hedge) amounted to € 169 million. The cash flow hedge yielded € 39 million. Through assessment changes for financial assets available for sale, retained earnings rose by € 10 million. Deferred taxes on income and expenses directly recognized in equity reduced this by € 8 million.

The equity of the non-controlling interests amounted to € 1,066 million. The € 90 million share in the profit (owing to this) had a particularly uplifting effect. The dividend payments decreased non-controlling interests by € 49 million.

Own funds pursuant to the Austrian Banking Act (BWG)

RBI does not form an independent credit institution group (Kreditinstitutsgruppe) as defined by the Austrian Banking Act (BWG) and therefore is not subject to the regulatory provisions on a consolidated basis. This is because it is part of the RZB Group. The majority of credit risk is calculated using the standardized approach in accordance with Section 22 of the BWG. Credit risk for most non-retail business at RBI AG and its subsidiaries in Croatia, Malta, Romania, Slovakia, the Czech Republic, Hungary and the USA is measured using the internal ratings based approach (foundation IRB approach). Since April 2010, a large share of the loans and advances to retail customers in Slovakia has been calculated for the first time using this approach. Since July 2010, the IRB approach has also been introduced for loans and advances to retail customers in Hungary. Market risk is predominantly calculated according to the standard approach in accordance with Section 22 of the BWG. Since August 2010, RBI AG has carried out the calculation in part according to the internal model. The consolidated values (shown below) have been worked out according to the provisions of the BWG and are assumed in the calculation of the RZB-Kreditinstitutsgruppe.

On 31 December 2010, the total own funds in accordance with the BWG amounted to € 12,608 million. Of this, € 9,206 million was accounted for by core capital, € 3,366 million by additional own funds and € 69 million by short-term subordinated capital. The total deductions relating to participations, securitization and insurance companies amounted to € 34 million. Currency appreciations against the euro (especially the Ukrainian hryvnia, the Russian rouble, the Polish zloty, the Czech koruna and the Belarusian rouble) had a positive effect on the core capital. The devaluations of the Serbian dinar and the Hungarian forint decreased the core capital.

The additional own funds amounted to € 3,366 million. This consists of the long-term subordinated capital of which the largest part fell to RBI AG at € 2,176 million, supplementary capital of RBI AG (€ 600 million), the provision excess of IRB-positions (€ 231 million) and hidden reserves (€ 55 million).

Own funds faced an own funds requirement of € 7,585 million. The own funds requirement for credit risk was € 6,048 million, of which € 2,974 million related to the standardized approach and € 3,074 million related to the IRB approach. The requirement for the item position risk in bonds, equities and commodities was € 327 million. For open currency positions this was € 386 million and for operational risk this was € 824 million.

This resulted in an excess cover ratio of 66.2 per cent or € 5,023 million.

The tier 1 ratio – based on credit risk – was 12.2 per cent. Based on total risk, this resulted in a core tier 1 ratio of 8.9 per cent and a tier 1 ratio of 9.7 per cent. The own funds ratio reached 13.3 per cent.

Research and development

As a universal bank, RBI is not involved in research and development in the strictest sense of the term.

In the context of financial engineering, however, RBI does develop customized solutions for investment, financing or risk hedging. Financial engineering encompasses not only structured investment products but also structured financing: financing concepts which go beyond the application of standard instruments and are used in acquisition or project financing, for example. By the same token, RBI also develops individual solutions to hedge a broad spectrum of risks, from interest rate risk and currency risk through to commodity price risk.

At RBI, customers are the number one priority. Compliance with risk management guidelines is also vital.

Internal control and risk management system in regard to the Group accounting process

Balanced and comprehensive financial reporting is a priority for RBI and its governing bodies. Naturally, these reports must comply with all relevant statutory requirements. The Management Board is responsible for establishing and defining a suitable internal control and risk management system that encompasses the entire accounting process. The internal control system is intended to provide the management with the information needed to ensure effective internal controls for accounting, which are constantly being improved. The control system is designed to comply with all relevant guidelines and regulations and to optimize the conditions for specific control measures.

The consolidated financial statements are prepared in accordance with the relevant Austrian laws, notably the Austrian Banking Act (BWG) and Austrian Commercial Code (UGB), which govern the preparation of consolidated annual financial statements. The accounting standards used to prepare the consolidated financial statements are the International Financial Reporting Standards (IFRS) as adopted by the EU, which RBI has been using since 2000 – initially on a voluntary basis.

Control environment

An internal control system has been in place for many years at RBI and its parent, the RZB Group, which includes directives and instructions on key strategic topics. The system comprises

- the hierarchical decision-making process for approving Group and company directives and departmental and divisional instructions
- process description for the preparation, quality control, approving, publishing, implementing and monitoring directives and instructions
- rules on revising and repealing directives and instructions.

The management in each Group unit is responsible for implementing Group-wide instructions. Compliance with Group rules is monitored as part of the audits performed by internal and local auditors.

The consolidated financial statements are prepared by the Group Financial Reporting department, which reports to the Chief Financial Officer. The relevant responsibilities are defined Group-wide in the framework of a dedicated function.

Risk assessment

Significant risks relating to Group accounting process are evaluated and monitored by the Management Board. Complex accounting standards can increase the risk of errors, as can the use of different valuation standards, particularly in relation to the Group's principal financial instruments. A difficult business environment can also increase the risk of significant financial reporting errors. For the purpose of preparing the consolidated financial statements, estimates have to be made for asset and liability items for which no market value can be reliably determined. This is particularly relevant for credit business, social capital, and the intrinsic value of securities, participations and goodwill.

Control measures

The preparation of individual financial statements is decentralized and carried out by each Group unit in accordance with the RZB Group guidelines. The Group unit employees and managers responsible for accounting are required to provide a full presentation and accurate valuation of all transactions. Differences in reporting dates and local accounting standards can result in inconsistencies between the individual financial statements and the figures submitted to RBI. The local management is responsible for ensuring compliance with mandatory internal control measures, such as the separation of functions and the principle of dual control.

Consolidation

The financial statement data, which are are examined by an independent auditor and are then usually entered directly in the Cognos Controller consolidation system by the end of January each year. The IT system is kept secure by limiting access rights.

The plausibility of each Group unit's financial statements is initially checked by the relevant key account manager within the Group Financial Reporting department. The subsequent consolidation steps are then performed using the Cognos Controller consolidation system, including capital consolidation, expense and income consolidation, and debt consolidation. Lastly, possible intra-Group gains are eliminated. At the end of the consolidation process, the notes to the financial statements are prepared in accordance with IFRS, the BWG and UGB.

The general control system encompasses both the Management Board and middle management (department heads). All control measures constitute part of the day-to-day business processes and are used to prevent, detect, and correct any potential errors or inconsistencies in the financial reporting. Control measures range from managerial reviews of the interim results to the specific reconciliation of accounts through to analyzing ongoing accounting processes.

The consolidated financial statements and management report are reviewed by the Audit Committee of the Supervisory Board and are also presented to the Supervisory Board for information. The consolidated financial statements are published on the Company's website and in the Wiener Zeitung's official register and are filed with the commercial register as part of the annual report.

Information and communication

The consolidated financial statements are prepared using Group-wide standard forms. The accounting and valuation standards are defined and explained in the RZB Group Accounts Manual and must be applied when preparing the financial statements. Detailed instructions for the Group units on measuring credit risk and similar issues are provided in the Group directives. The relevant units are kept abreast of any changes to the instructions and standards through regular training courses.

Group Financial Reporting is responsible for compiling the consolidated results to produce the final consolidated financial statements. In addition, the management summary (Group management report) provides verbal comments of the consolidated results in accordance with the statutory requirements. Both the consolidated financial statements and the management report are examined by an independent auditor.

The Group produces consolidated quarterly reports. Statutory interim reports are produced that conform with the provisions of IAS 34 and are also published quarterly in accordance with the Austrian Stock Corporation Act. Before publication, the consolidated financial statements are presented to senior managers and the Chief Financial Officer for final approval and then submitted to the Supervisory Board's Audit Committee. Analyses pertaining to the consolidated financial statements are also provided for the management as are preliminary Group figures at regular intervals. The financial budgeting system includes a three-year Group budget.

Monitoring

The Management Board and Controlling department are responsible for ongoing internal monitoring. In addition, the relevant department heads are charged with monitoring their areas, including performing regular controls and plausibility checks.

Internal audits also constitute an integral part of the monitoring process. Group audit at RZB is responsible for auditing. All internal auditing activities are subject to the Group audit standards, which are based on the Austrian Financial Market Authority's minimum internal auditing requirements and international best practices. Group audit's internal rules also apply (notably the audit charter).

Group audit regularly and independently verifies compliance with the internal rules within the RZB Group units. The head of Group audit reports directly to the RZB and RBI Management Boards.

Capital, share, voting and control rights

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

(1) The Company’s capital stock amounts to € 596,290,628 and is divided into 195,505,124 voting common bearer shares. Of those, 972,909 are own shares, which means that 194,532,215 shares were outstanding as of the balance sheet date. Please consult the notes to this report (page 190 onwards) for more information.

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

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

(4) Pursuant to the Company’s articles of association, RZB is granted the right to delegate up to one third of the Supervisory Board members to be elected by the Annual General Meeting, as long as it holds a participation in the capital stock. Moreover, there is no special right of control associated with holding shares.

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

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

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

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

The Annual General Meeting of 8 July 2010 authorized the Management Board to acquire own shares, under the provisions of Section 65 (1) 8 of the Austrian Stock Corporation Act, during a period of 30 months from the date of the resolution, up to a maximum of 10 per cent of the Company's respective capital stock and, if deemed appropriate, to retire them. This authorization may be exercised in one or several installments by the Company, by affiliated enterprises or, for their account, by third parties. The Management Board was further authorized to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the exclusion of shareholders' subscription rights. This authorization replaces the authorization to buy back and use own shares that was granted in the Annual General Meeting of 10 June 2008. No own shares have been bought since the authorization was issued in July 2010.

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

The Annual General Meeting of 9 June 2009 authorized the Management Board of the Company to issue, in one or more tranches, participation rights having equity characteristics pursuant to Section 174 of the Austrian Stock Corporation Act in a total nominal amount of up to € 2 billion within five years from the date of the resolution with the approval of the Supervisory Board in accordance with the terms for participation rights to be set by the Management Board and to the exclusion of shareholders' subscription rights. It should be noted that, under the provisions of the relevant laws, participation rights confer no voting rights or other membership rights. Issuing participation rights therefore entails no change of ownership structure from the standpoint of stock corporation law and shareholders' voting rights. The Company decided on 15 July 2009 to strengthen its capital by issuing participation rights in the amount of € 600 million based on the authorizing resolution of June 2009. In the course of the merger with effect from 10 October 2010, the mutual loans and liabilities of the receiving and transferring companies were wiped out. The same is true of the participatory rights in the amount of € 600 million, which had been subscribed in full by RZB. No further participation rights have been issued to date. Please consult the notes to this report on page 190 for more information.

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

(8) The following material agreements to which the company is a party and which take effect upon a change of control in the company as a result of a takeover bid exist in the context of the D&O insurance and the Share Incentive Program (SIP) of the company:
- "If the insured, RBI, comes under new control due to a change in the management or control in respect to the management or control over a subsidiary or if it merges with another enterprise, the insurance will only cover events of loss due to wrongful acts occurring prior to the change in control and management and only for events of loss up to the end of the period of insurance."

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

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

Funding

Banks essentially refinance themselves using their own funds, their customer deposits and various capital and interbank market tools. Due to the financial and economic crisis, funding of banks, especially in the area of wholesale funding thus via financial markets, was once again difficult in 2010.

Improved funding opportunities on the capital markets

The financing environment for CEE sovereigns improved significantly in the second half of 2009, enabling both funding and new issues of sovereign debt on the local and global bond markets (Eurobonds). This positive trend continued in 2010. With regard to the yield levels of local sovereign bonds, a slight downward trend was observed, partly due to the continued expansive monetary policy and partly to the decreasing risk premiums. At the same time markets, distinguished between individual countries and incorporated risk factors such as government debt, budget deficits and political uncertainty into the relevant terms and prices.

A similar picture was observed for banks in the CEE region in 2010. Financial institutions with an investment grade rating in particular were able to refinance themselves in the market with greater ease. There were a number of bond issues with above average coupons as compensation for sub-investment grade ratings. Demand for these issues was partly due to low prevailing rates in the broader market and the resulting low funding costs for banks and partly due to the declining risk aversion of investors.

In Western Europe, funding options also improved compared to the previous two years. However, banks continued to pay higher risk premiums than before the crisis.

The government rescue package for Austrian banks was once again available in 2010 but was not used by RZB or RBI. The reason for this was that the liquidity situation of both banks was adequate, and sufficient funding could be raised on the capital markets.

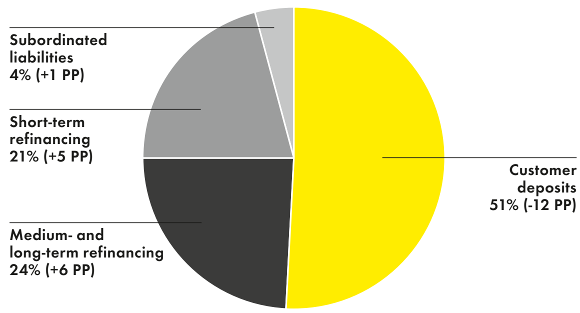
The ECB also continued to provide banks with sufficient liquidity. This resolved the liquidity crunch prevalent during the financial crisis, as did the simultaneous decline in the demand for loans.

Funding measures

Upon entry of the merger of Raiffeisen International with RZB's principal business areas on 10 October 2010 into the commercial register, RBI (entity resulting from the merger) replaced RZB as the bond issuing entity. As a result, two new issue programs, the "EUR 25,000,000,000 Debt Issuance Program" and the "EUR 20.000.000.000 Emissionsprogramm der Raiffeisen Bank International AG", were launched. Under these programs, bonds can be issued in different currencies and with different structures.

The first RBI benchmark bond was issued in January 2011 – € 1 billion senior fixed-rate bond with a three-year maturity. It was placed at 145 basis points over mid-swaps, with a coupon of 3.625 per cent. The issue was significantly oversubscribed.

Structure of funding



Due to the less frequent maturities of refinancing funds, the funding needs of the Group headquarters in 2010 was limited and could easily be met, although the merger of Raiffeisen International with the principal business areas of RZB meant that for legal reasons no issues from the corresponding programs were possible for a while. Overall, RZB/RBI AG senior issues totaled € 750 million in 2010. € 163 million were retail issues successfully placed with Austrian retail customers, thereby forming a stable funding source.

Furthermore, subordinated bonds in the amount of € 297 million were issued, which served as substitution for the subordinated issue called in September 2010. In addition to issues on the capital markets, RZB and RBI used secured financing in which bonds and loans were used as collateral.

Market conditions remained volatile in 2010, however. When it came to wholesale funding, the network banks in 2010 focused on loans from RBI, loans from local and supranational banks, local private placements and individual lending transactions (club deals).

Strong funding sources

RBI funding is made up of two different components: At the end of 2010, customer deposits accounted for the largest share at 51 per cent or € 57.6 billion, with wholesale funding contributing the remaining 49 per cent or € 54.2 billion.

36 per cent of the wholesale funding was raised by the network banks, while 64 per cent came from Group headquarters. As Group headquarters wants to make greater use of the wholesale funding markets in 2011 again, it is expected that this year the headquarters and the network banks will each provide half of the wholesale funding. The fact that the current maturity profile offers a great deal of scope with respect to the structuring of maturity dates for new issues is advantageous in the prevailing market environment. To achieve the long-term wholesale funding volume for 2011 of around € 6.5 billion that has to be placed in the capital markets, of which € 2.3 billion had already been successfully placed by the beginning of March, the Group headquarters will primarily source funding through unsecured public senior issues, private placements and structured products. Network units will cover the remaining funding requirement through local and international bonds, supranational loans, standard loans and other instruments, such as structured products. The direct bank ZUNO BANK AG, still in the process of being set up, will initially contribute only a small percentage to the funding of RBI.

The diversification of sources is important for RBI's financing. A significant part of the network units' financing in 2010 was replaced with medium- and long-term transactions from various sources. International funding opportunities are also of considerable importance for RBI. The Group accordingly has a range of different funding sources.

The European Investment Bank (EIB), the EBRD and other supranational investors are also important partners for RBI in CEE with regard to long-term funding. The volume of owing debt, mainly long-term funding, raised by RBI as at the end of 2010 stood at € 1.7 billion. RBI intends to continue collaborating with the above mentioned supranational institutions in future.

In addition, RBI benefits from the Raiffeisen Banking Group Austria (RBG) as an important funding partner. This longstanding partnership aids in the procurement of liquidity via the RBG and with the placement of the RBG's funding instruments with its customers.

Risk management

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

In this environment, RBI's risk management used a combination of new and existing instruments to deal with the increased market volatility and enable an early response to changes in general economic circumstances. At the same time, business activity was expanded in non-cyclical sectors, existing loans to governments and financial institutions in the affected markets were scaled back, and lending policies were modified, particularly for foreign currency loans. These measures helped further reduce the vulnerability of the RBI credit portfolio to the prevailing market volatility.

Management of non-performing loans

Despite the continuing crisis, new allocations to provisioning for impairment losses in 2010 was however significantly lower than in 2009. The non-performing loan portfolio continued to rise during the period under review, comprehensive provisions were made for this. The decrease in new allocations to provisioning for impairment losses accordingly reflected the decrease since year-end 2009 in the number of defaulting borrowers in RBI's key portfolios.

Successful management of non-performing loans was one of the core functions of risk management in 2010. Besides the reorganization of the division involved, further progress was made with the introduction of minimum standards for workout management that began in 2009. The standards were introduced at all network banks and leasing companies, and now ensure sustainable and comprehensive management with adequate resources throughout the entire Group. Early recognition of non-performing loans allows more time for them to be assigned to experienced workout managers with their extensive portfolio of measures.

An early warning system for the Corporate and Retail business divisions has been introduced (in some cases since 2009) in numerous countries. Work will continue on implementing this system, to ensure early identification of risks at the level of the individual customer as part of active risk management, so that measures can be taken which are appropriate for the specific customer segment.

Non-performing loans of loans and advances to customers and banks

	NPL		NPL ratio		Coverage ratio	
in € thousands	RBI 31/12/2010	RBI pro forma 31/12/2009	RBI 31/12/2010	RBI pro forma 31/12/2009	RBI 31/12/2010	RBI pro forma 31/12/2009
Corporate customers	4,381,436	3,514,836	8.01%	6.64%	64.80%	67.71%
Retail customers	2,396,213	1,855,654	11.46%	9.16%	69.31%	74.76%
Public sector	12,098	15,898	1.10%	0.45%	8.23%	18.33%
Customers	**6,789,747**	**5,386,388**	**8.97%**	**7.42%**	**66.29%**	**69.39%**
Banks	267,834	576,740	1.15%	1.81%	95.22%	70.49%
Total	7,057,581	5,963,128	7.05%	5.49%	67.39%	70.04%

Risk management integration through the merger

The creation of a fully integrated risk management was always a compelling argument in favor of the merger carried out during the year under review of Raiffeisen International and the principal business areas of RZB. All risk management functions were consolidated under the Chief Risk Officer with some reorganization. As part of this reorientation, the concept of risk committees with decision-making authority was modified for the new structure. Through the participation of a number of board members these committees were upgraded. In addition, the risk management processes of Raiffeisen International and RZB were consolidated.

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

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

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

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

Stress tests

The results of the stress tests by the Committee of European Banking Supervisors (CEBS) were published in July 2010, and reduced some of the uncertainty in the markets. The publication of detailed information in connection with the stress tests on bank sovereign lending in particular gave the financial markets key information for risk assessment. At the time of publication, RZB's loans to European peripheral states were very low in international comparison, and have been further reduced since. In the process, risk management lowered the limits and the existing risk contributions, in order to counter negative effects from the Greek and Irish sovereign debt crises, even though RZB had not invested in government bonds issued by these countries.

The CEBS stress tests simulated the effects of various scenarios for economic developments for 91 European financial institutions. Specific attention was paid to the direct and indirect influences of predetermined crisis scenarios on future capital requirements, necessary provisioning for impairment losses as well as earnings and capital components, based on variables like GDP growth rates, exchange rates and risk premiums. RZB clearly passed this test, showing capitalization well above the recommended minimum ratio even in a simulated continuing crisis. This was despite the fact that the risk scenarios used for the Austrian banks, developed specially by the Austrian National Bank (OeNB) were significantly more rigorous than the original CEBS scenarios.

In addition to the stress tests for external purposes, like those of the CEBS and OeNB, internal studies were carried out in 2010 for further scenarios and potential risk drivers. Close cooperation with all the risk management areas and including other experts from the network banks made consideration of a large number of risk factors in the internal stress tests possible. Besides the increased capital requirement and rising provisions for credit portfolio impairments in the stress scenario, market risks, operational risks, increased financing costs and numerous other capital and earnings components were incorporated into the integrated consideration. The results of the stress tests and their analysis were reported regularly to the Management Board, making it possible to quickly adopt countermeasures for any threatening scenarios.

Market risk

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

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

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

To ensure the quality of the model, it is subject to a daily backtesting. The results of these tests have always been within the range of model expectations, and have not shown any substantial flaws even in the last few months. Based on these good results, the internal model is placed in the best regulatory category ("green light").

Liquidity risk

Within liquidity risk management, the crisis scenarios used in risk measurement and management were further refined. Besides results from recent years, the initial assumptions of Basel III have been integrated into the underlying scenarios. The emphasis here has been on attracting customer deposits, and the associated measures have focused primarily on reducing liquidity and transfer risks. Other initiatives in the year under review aimed at diversifying the refinancing basis.

Simulating net interest income

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

Optimizing IT

Prompt availability of comprehensive and quality assured data is of central importance in risk management. As a result, central processes of data collection and processing – particularly in the areas of credit and liquidity risk – were subjected to comprehensive improvement in the year under review, in order to reduce processing times. Procedures were significantly improved, so that individual transactions for key Group members can be forwarded to Group headquarters daily, except for the retail segment, where data is aggregated by product. Together with the high reporting frequency, these processes ensure timely and very modern management of risk positions.

Basel III – regulatory changes

In the year under review, RBI was closely concerned with the impending regulatory changes in capital requirements under the Basel III rules. The potential influence of the new and modified statutory regulations on RBI was analyzed in detail. In addition, the Group participated in the Quantitative Impact Study, organized and analyzed by the CEBS and the Bank for International Settlements (BIS). The results of the studies showed that RBI already met the capital ratios for 2019 in 2010.

Basel II – credit risk and operational risk

Besides the preparations already initiated in connection with the new Basel III regulations, RBI risk management focused on the ongoing implementation of the revised Basel II approach. The Basel II related activities include implementing the internal ratings-based (IRB) approach in the retail and non-retail segments of the subsidiaries in CEE, further development of the internal market risk modes, and Group-wide introduction of the standard approach for operational risk. The following table shows an overview of the current status of these projects. In addition, the roll-out of the IRB approach in CEE subsidiaries will be continued in 2011.

Unit	Credit risk Non Retail	Credit risk Retail	Market risk	Operational risk
Raiffeisen Bank International AG, Vienna (Austria)	IRB[1]	n.a.	Internal model[2]	STA
RB International 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 regulatory authorities approved the modification of the IRB approach for RZB in the year under review, which was necessary because of the merger-related transfer of assets from RZB to Raiffeisen International. As a newly created bank, RBI successfully completed the mandatory IRB approval process with a very low number of new conditions.

The concept for Group-wide introduction of Basel II was systematically implemented in 2010. In Slovakia and Hungary, the application to implement the IRB approach for the retail asset class (specifically private individual customers) was approved.

Currently the standard approach is being used to calculate capital conditions for operational risk under Basel II. After an implementation phase lasting several years, Raiffeisen Bank Aval JSC in Ukraine has used this approach since 1 January 2010, so that all key Group units are now aligned with at least the Standard Approach.

Human resources

A year shaped by the merger

In 2010, work in the Human resources department, especially in Vienna, was dominated by the managerial and accompanying measures related to the merger of Raiffeisen International with the principal business areas of RZB. At the same time, the department had to respond to the occasionally substantial changes that took place in the business environment in Central and Eastern Europe. While the improving economic situation in Russia meant that competition for employees almost reached the pre-crisis level, the situation in several Southeastern European countries remained difficult. For RBI this meant a variety of different measures, ranging from staff reductions to redeployment and selective recruitment.

Following the merger, the number of employees on 31 December 2010 was 59,782 employees (measured on a full-time equivalent basis). The number of employees accordingly remained stable year-on-year in most of the network banks. The average age of employees is still relatively low at 34.4 years, and thus corresponds to the image of RBI as a young and dynamic bank. Graduates accounted for 75 per cent of employees, indicating a highly skilled workforce. 67 per cent of employees were women.

An opportunity for the future

The change processes initiated by mergers always represent a particular challenge for organizations. The quantitative aspects are relatively straightforward:

The principal business areas of RZB were split off and merged with Raiffeisen International. 356 employees of Raiffeisen International were brought together with 1,774 employees from RZB, who together now form RBI. 80 employees remained in the new RZB, which as a holding company primarily has a control function. The result was not a shift in the number of employees amongst the two companies, rather a complete restructuring of many of the units. Ensuring that this reorganization was also reflected in all personnel-related IT systems by the time of the merger represented a considerable challenge.

A systematically designed change process

In addition to the accomplishment of these technical "hard" facts, there was and still is a need to work on the so-called "soft" issues, in particular on the consolidation of the different cultures of Raiffeisen International and RZB. The Management Board therefore decided to set up an accompanying change process. Its main aims were

- to include all employees in order to obtain their consent to the planned changes,
- to establish a new, shared corporate culture and
- to support managers who have to deal with new management responsibilities as part of the integration process.

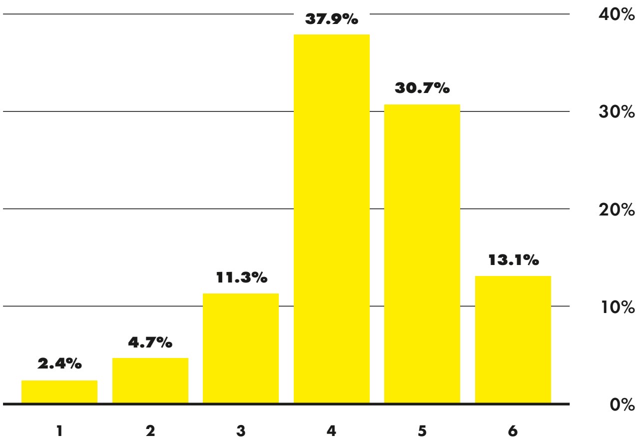
Furthermore, the merger process was designed and overseen by a team of internal and external change experts.

At the beginning of the change process, a comprehensive diagnosis was carried out using an employee survey and a large number of focus groups. The findings from the survey were presented and discussed in various workshop constellations. Special attention was paid to differences in corporate culture. The initial cornerstones of the new culture were then developed in dialog with employees at various levels, based on the new leadership principles worked out by the Management Board. Organizational units especially affected by the changes were supported with tailor-made workshops. At the same time, targeted support measures such as team building, conflict mediation and coaching were also implemented. A strong emphasis was placed on communicating with employees, with numerous meetings, dialog sessions with the management and information events on specific themes being held, and an integration newsletter being published on a regular basis.

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

Immediately after the merger, “Building the New Bank workshops” were held for each executive division to discuss the new company's strategic direction as well as any specific issues and challenges for the respective division. Finally, a "Merger Celebration Event" was held under the motto "Together through Change to New Strength". All employees were invited to the event, with the entertainment being almost exclusively provided by them, representing a remarkable creative achievement.

Question: "How confident are you that RBI/the new RZB are heading towards a successful future?"



Scale: 1 'not at all confident' – 6 'very confident'

Structured job evaluation

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

The other key personnel topics in 2010

Management potential for the future – talent management and management development

Talent management and loyalty management were major focal points for the RBI Human resources team in 2010. The process for promoting top talent, successfully launched in previous years, was continued and intensified. For the first time all key positions were included in succession planning, and a standardized potential analysis method for refilling these positions made mandatory. Also accelerated were the efforts to promote the mobility and flexibility of employees through horizontal career opportunities and job rotation. This has already been very successfully implemented in some countries, and helps prepare top talent for future management tasks and strengthens their loyalty to the Group.

Further skills development was also promoted for managers, both locally and with company-wide offers. Following the successful introduction of a Group-wide leadership training architecture in 2009, many programs in network banks – and, because of the merger, also in Vienna – were adapted or created during the reporting period. They all build on a shared values and skills base and meet the development needs of all management levels. In the Russian ZAO Raiffeisenbank, for example, tailor-made leadership training courses for more than 800 managers were held based on a self-assessment by the managers concerned and an evaluation by their respective superiors.

Overall there is a strong tendency towards individual development measures. Managers are making increasing use of tools such as coaching, mentoring and mediation to ensure security and develop new options, especially in times of change and new challenges. The concentration on change issues in Learning & Development in 2010 was reflected in the implementation and monitoring of various team-building processes and workshops, the main aim of which was to ensure that newly formed units were well-prepared for their future tasks.

Equal treatment

To promote the equal treatment of women, selection procedures are applied within RBI that ensure compliance with uniform, gender-neutral standards at the time of hiring. As a result, the percentage of female employees within RBI is 67 per cent. Women in existing employments are also targeted for promotion.

An important component for equality is the reconcilability of family and career. That is why RBI offers flexible hours, part-time working models and teleworking for parents in almost all countries in which it operates, within the framework of the relevant statutory provisions. Moreover, additional initiatives also exist within the various Group companies, e.g. Raiffeisenbank Polska S.A.'s "Mother Care" program, which supports women from the start of their pregnancy up to their baby's first birthday.

Executive development

Under the motto "Change Mastery – Managing Efficiency AND New Growth", the training focus in executive development lay on costs and efficiency programs as well as on change management. The more than 200 top management level participants were especially interested in alternative training formats such as learning visits, coaching and self-assessment tools.

Professional development ensures core business success

The new, consolidated, Group-wide training package incorporates "the best of both worlds", i.e. in each case the most attractive modules of Raiffeisen International and RZB. It encompasses a wide range of seminars and personal development training courses for staff at all locations. These courses are based on the company's strategy and the current challenges posed by the market. In 2010, this meant a considerable number of training initiatives on topics such as lean management and operations, risk management and affluent customers.

Special emphasis was placed in 2010 on professional training for risk management. The impact of the financial and economic crisis led to a rapid increase in the number of employees in related areas, including in the early warning system and in the management of non-performing loans. Many employees acquired the specialist knowledge and skills required for these areas in next to no time, with target-group oriented training programs being developed and introduced at both Group level and locally. Massive sums were invested in this area, especially in markets such as Ukraine and Romania.

eLearning too is becoming more and more important, and is already a fundamental component of ongoing training for RBI and its subsidiary banks. Along with simulation training, eLearning is increasingly used to convey information interactively, while online tests are also very popular for determining training outcomes.

Performance management

Within RBI's performance management area, the focus in 2010 was on the further standardization of the target and skills structure and of the rating scale to ensure a solid basis for variable remuneration structures. In each network bank, all management levels are included in the performance management system, and in many units all sales functions are included as well.

As a result of the merger, the performance management systems for the Vienna-based organizational units were also standardized within the space of just a few months, so that a common, automation-supported performance management process has been available since early 2011. This change was accompanied by a major training initiative to further increase the quality and sustainability of the target-setting process.

Remuneration – always a topic

At the end of 2009, the Group-wide guideline "Total Rewards Management" was revised and introduced in accordance with international guidelines. In 2010, the focus was on implementing these guidelines in each country and on checking or amending the position evaluations, salary structures and variable pay schemes. In Hungary, Bosnia and Herzegovina, Serbia and Kosovo position evaluations were introduced or reviewed and the pay systems evaluated and, where necessary, revised. In the other network banks, the variable pay systems were evaluated and revised in individual projects.

In 2011 the focus will be on adapting "Total Rewards Management" to the occasionally very detailed remuneration provisions in the new Austrian Banking Act, and on implementing the latter within the Group.

Personnel marketing in a difficult environment

Last year, RBI continued its ongoing personnel marketing activities in order to consolidate its strong position as an attractive employer and attract young talent to the company. For this reason, RBI and numerous subsidiary banks once again attended various job fairs. Sponsorship activities and forms of cooperation with universities and colleges were also continued. RBI has a solid and long-standing relationship with the Banking and Finance Department of the Vienna University of Economics and Business, and accordingly took part in the reaccreditation process for the Master's degree course in Banking and Finance.

Outlook

Economic prospects

Central and Eastern Europe

CE

Current forecasts are for the CEE economies to benefit in 2011 from stable growth in their export markets (particularly Germany) and their generally high level of linkage with several core eurozone economies (Austria, France, Germany, Netherlands). Poland in particular is expected to continue expanding strongly, with year-on-year GDP growth of 4.0 per cent in 2011 and 4.5 per cent in 2012. Similar growth is forecast for Slovakia, which is significantly more dependent on exports than Poland, and hence on development in Germany. While Hungary will probably show a slower recovery in 2011 with growth of 2.5 per cent (plus 1.3 percentage points year-on-year), GDP is predicted to increase by 3.5 per cent in 2012. Like Slovenia, the Czech Republic is lagging somewhat behind the region as a whole on economic growth, but here again a positive development is expected in both 2011 and 2012.

In Hungary, the new government introduced a bank levy in 2010, which is expected to generate revenue of € 700 million per year. This is intended to achieve the budget goal of net new borrowing of no more than 3 per cent of GDP in 2011. A uniform income tax rate is planned in parallel with the introduction of this levy. A structural reform package aimed at abiding by planned new borrowing in the medium term was announced. However, in the absence of an exact timetable for implementing the package, investors remain skeptical. There is reason to fear that these measures will be used to avoid reforms that would be urgently needed to attain fiscal sustainability in the medium to long term. There has already been talk of halving the bank levy in 2012, after initial proposals to abolish it entirely in 2012. However, it remains to be seen how far Hungary can do without this revenue.

SEE

Southeastern Europe was still in recession in 2010, due to the economic situation in Romania, Bulgaria and Croatia, but is expected to recover in 2011 with forecast economic growth of 1.9 per cent. This is forecast to rise to an annualized rate of 3.4 per cent in 2012. However, the weak baseline for this growth should not be ignored. Overall, SEE is still vulnerable, due to the economic links with countries in the south of the eurozone which have economic problems of their own.

CIS

The Commonwealth of Independent States (CIS) suffered the sharpest decline within CEE as a result of the financial and economic crisis. The recovery in 2010 was correspondingly marked, not least due to the recovery in primary commodity prices and the low baseline. As long as domestic inflation stays under control, Russia and Ukraine in particular can continue to benefit from the signs of emerging high food and commodity prices. In 2011, growth in the region is likely to continue to increase again to 4.5 per cent. The background to this is faster growth in Russia, which accounts for much of the GDP of the CIS as a whole. After Russia grew by 4 per cent in the previous year, growth of 4.5 per cent seems within reach in 2011.

Eurozone
Current forecasts again predict two-speed growth in Europe in 2011. While growth prospects for internationally competitive nations are still promising, other countries are still suffering from the results of the crisis, for example burst real estate bubbles, high current account deficits, and tough savings measures in the public sector. Year-on-year GDP growth is likely to be significantly higher in Germany (2.5 per cent), Finland (2.5 per cent), Austria (2.5 per cent) and Belgium (1.8 per cent) than in Italy (0.9 per cent), Spain (0.4 per cent) and Portugal (0.4 per cent). Sharp decreases are currently expected in Greece (minus 3 per cent) and Ireland (minus 0.6 per cent).

In December 2010, the Austrian parliament adopted a bank levy under the Stability Levy Act. The levy was introduced on 1 January 2011, and is intended to bring in € 500 million a year to improve the budget. Graduated taxation of total assets is expected to generate € 340 million and with € 160 million from the tax on derivatives transactions.

Outlook for RBI

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

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

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

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

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

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

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

Events after the balance sheet date

Acquisition of a majority stake in Polbank

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

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

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

Polbank, which enjoys a high level of customer awareness on the Polish market, commenced operations in 2006. It owns a network of around 350 business outlets and has around 2,900 employees, looking after around 800,000 customers. Its total assets as at 31 December 2010 came to € 5.7 billion.

RBI has been active on the Polish market with the present Raiffeisen Bank Polska since 1991. Total assets from the Polish Group activities amounted to € 6.9 billion at the end of 2010. In Poland, RBI employs around 3,100 people in 123 business outlets serving over 240,000 customers.

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Aris Bogdaneris is already fully informed in the morning.

Segments

Segmentation principles

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

To define the CEE segments geographical aspects are used, with each Group unit being allocated to a segment in accordance with its location. Countries that are expected to achieve comparable long-term economic performance and that have similar economic profiles are grouped together in regional segments. Business outside the CEE area that was recently added due to the meger is defined by business activity.

The segments therefore correspond to the Group's organizational structure and are reflected in the internal management reports and in the management approach required under IFRS 8.

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

Segments in detail

The segmentation is based on the Group structure as at 31 December 2010. The Group comprises the following segments:

Central Europe

This segment encompasses five countries in Central Europe: the Czech Republic, Hungary, Poland, Slovakia and Slovenia. These constitute the most mature banking markets in the CEE region and are also the markets in which RBI has been operating longest. Within the segment, the strategic focus is on developing and consolidating market leader positions whilst also ensuring long-term profitability. In terms of products, service and marketing, this represents an opportunity to offer premium solutions with attractive margins. In Poland, Raiffeisen Bank Polska S.A. provides services to corporate customers, SMEs and a growing number of affluent customers. Tatra banka, a.s. in Slovakia is primarily involved in corporate and retail activities, but also has a strong emphasis on affluent customers. Raiffeisen Banka d.d. represents the Group in Slovenia. The Czech Raiffeisenbank a.s. provides traditional banking services together with building society and insurance products in its local market. Raiffeisen Bank Zrt. has an extensive network in Hungary which serves retail customers, SMEs and a large number of corporate customers. RBI is also represented by ZUNO BANK AG, a direct bank, in Slovakia. Separate leasing companies also operate in each country.

Southeastern Europe

The Southeastern Europe segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Moldova, Romania and Serbia. The SEE segment still offers excellent development potential. As the process of economic convergence is less advanced than in Central Europe, greater demand for banking products in the medium to long term is expected. The RBI network banks are among the market leaders in the region. RBI will utilize its strong position to tap into existing market potential. A balanced risk profile is a key feature of the development strategy. The Albanian Raiffeisen Bank Sh.a. provides financial services across all business activities. Its product range is complemented by Raiffeisen Leasing Sh.a. and a private pension fund. Raiffeisen Bank Kosovo J.S.C. and Raiffeisen Leasing Kosovo LLC represent RBI in Kosovo and offer a comprehensive product range. In Bosnia and Herzegovina, Raiffeisen Bank d.d. Bosna i Hercegovina and Raiffeisen Leasing d.o.o. Sarajevo focus on SMEs but also have a broad range of products for retail customers. In Bulgaria, the Group is represented by Raiffeisen (Bulgaria) EAD, Raiffeisen Leasing Bulgaria OOD. The Croatian Raiffeisenbank Austria d.d. specializes in large and medium-sized corporate customers and also has a substantial retail business. RBI also operates Raiffeisen Leasing d.o.o., capital management companies and an asset management company in Croatia. Raiffeisen Bank S.A. has an extensive branch network in Romania offering top-notch financial services. The Romanian operation also provides a tailored selection of products for corporate customers in Moldova. In view of its economic ties and the way it is therefore managed within the Group Moldova is included under Romania. RBI has a presence in the Serbian market in the form of Raiffeisen banka a.d., Raiffeisen Leasing d.o.o., pension funds and an asset management company.

Russia

ZAO Raiffeisenbank is one of the leading foreign banks in Russia; the bank specializes in corporate and retail customers. Products tailored for affluent customers are also offered through the national branch network. The product range in Russia is rounded out by OOO Raiffeisen-Leasing. As in the other segments, business development in Russia is predominantly intended to be organic, and is primarily based on enhancing the existing presence in regional and national centers. Corporate customer activities are increasingly focused on providing support for Russian companies expanding into other RBI markets. In view of the size of the banking market and its potential, the segment Russia is highly important for RBI.

CIS other

This segment comprises Belarus, Kazakhstan and Ukraine. RBI is represented by Priorbank JSC and JLLC Raiffeisen-Leasing in Belarus and by Raiffeisen Leasing Kazakhstan LLP in Kazakhstan. In Ukraine, Raiffeisen Bank Aval JSC, LLC Raiffeisen Leasing Aval and a capital management company provide a full range of financial services and products via an extensive network. The Ukrainian Processing Center PJSC, which is part of the Ukrainian Group, processes the bulk of card business. In Belarus and Ukraine, RBI continues to pursue the strategy of providing a full range of universal banking services via a nationwide network. This is being done with due attention to risk and capital management and with a careful eye on economic developments. The medium to long-term prospects for benefiting from economic recovery in the region remain unchanged and RBI intends to exploit that potential.

Group corporates

The Group corporates segment covers Austrian and international (mainly Western European) customers managed by RBI AG in Vienna within the Corporate customers profit center. These customers include Austria's top 1,000 companies, most of whom have excellent credit quality. RBI uses the relationship banking model, which is based on a holistic, long-term customer relationship that offers access to the full RBI product range (including money and capital market products). The segment also shows the results generated by corporate business with Central and Eastern European multinationals (excluding Austrian customers) in the Network corporate customers & support profit center. The main focus here is on corporate customers with business links to CEE countries and Austria, either directly in the form of equity participations and business outlets or indirectly through core business activities. RBI offers the full range of commercial bank products to these customers as well. Cross-border relationship management in the CEE region is a real priority and entails close cooperation with local RBI units. Corporate customers benefit from access to local expertise combined with all the opportunities on offer from an international banking group. The overarching strategic priority is developing existing customer relations through cross-selling.

The Corporate customers and Network corporate customers & support profit centers also include net income from structured trade financing for commodity traders as well as for documentary business, project financing and cofinancing solutions with supranational banks. Corporate customer business at the Singapore, China and Malaysia business outlets is also allocated to this segment, as are operations involving international customers of the Maltese subsidiary, RB International Finance (USA) LLC and RB International Finance (Hong Kong) Ltd., all of which provide a selection of products for niche markets.

Group markets

The Group markets segment covers capital market customers and proprietary trading. The results show income from currency, interest and securities trading as well as from structured products for financial institutions and income from proprietary trading. Proprietary trading and market maker activities are allocated under the Capital markets and Credit investments (proprietary trading in securities unrelated to the strategic core business) profit centers plus the relevant profit centers in the Singapore, China and London branches. Income from transactions with customers is included in Financial institutions & sovereigns and Raiffeisen Financial institutions clients (operations involving Raiffeisen Landesbanks and related financial services companies). The profit centers post results from sales of all banking products and business relationships with banks, institutional customers, governments and local authorities.

Raiffeisen Centrobank, where securities trading and capital market financing constitute the core business, is also part of this segment. The Mergers & acquisitions division, which operates via locations in a number of different countries, is also represented in this segment by the subsidiaries of Raiffeisen Investment AG. The segment also includes private banking, reporting results from Kathrein & Co. Privatgeschäftsbank, which advises on investing private and foundation assets as well as on inheritance issues.

Aside from working to develop long-term individual customer relationships, the segment aims to expand its customer base by drawing on the extensive RBI network. The bulk of the segment's income comes from capital protection and risk management activities. Our customers' need to manage their own risks is of growing importance. However, the loan and risk portfolios are subject to strict limits.

Corporate center

The Corporate center segment encompasses all the services as well as the supervisionary function provided by Group headquarters for various divisions to realize the Group’s overall strategy. For the purpose of producing comparable figures, net income from these activities is included under the Corporate center segment. Liquidity management and balance sheet structure management linked to proprietary trading are included under this segment and reported under the Treasury profit center.

Net income from the equity investment portfolio is also indicated in this segment. In addition, the Corporate center segment report covers net income from intra-Group financing carried out by Group headquarters and the Maltese subsidiary. Net income from the Special customers profit center – customers for whom members of the Management Board are directly responsible – is also posted under this segment, as is income from the Austrian transaction services business operated by Raiffeisen Data Service Center GmbH, which offers a wide selection of order processing products and services for financial service providers.

Net income from specialized and holding companies as well as all other companies that do not fall directly under another segment is also included in the segment report. Interest expenses linked to refinancing using hybrid equity instruments are also reported in this segment. RBI's liquidity borrowing costs are posted against the relevant segment in accordance with the internal contracts referred to in each profit center line item. Net income from treasury and balance sheet structure management controlling is also included in this segment.

Segment overview

For the purposes of annual comparison the following description is based on unaudited pro forma figures for 2009, as the merger of the principal business areas of RZB, which took place on 10 October 2010 with retroactive effect for the full financial year, only relates to 2010.

2010 was a good year for RBI, not least with the 63 per cent increase in profit before tax of € 1,287 million. Almost all segments grew their net income, despite the varying trends in the economic recovery and pace of growth in the regions and business segments. Year-on-year, the growth in profit before tax was primarily due to significantly lower net provisioning for impairment losses. In addition, there was the stabilization in operating income, already growing by 5 per cent. General administrative expense rose 10 per cent, but this was due mainly to non-recurring effects – merger costs, and extensive internal investment in realignment, leading to an increase in the cost/income ratio. Significantly lower reversals of impairment on financial investments confirmed the economic stabilization, but had the effect of reducing income in year-on-year comparison.

In Central Europe, profit before tax rose by 17 per cent to € 269 million. Higher operating income was a key contributor to this growth, and the lower net allocation to provisioning for impairment losses also influenced profit. Total assets remained almost unchanged compared to the previous period.

Despite the slow economic recovery in the reformist countries, the Southeastern European region showed the highest profit before tax of all segments, rising by 17 per cent to € 305 million, almost entirely as a result of significantly lower net allocation to provisioning for impairment losses coupled with stable operating expenses year-on-year. Total assets in this segment were 4 per cent down on the previous year.

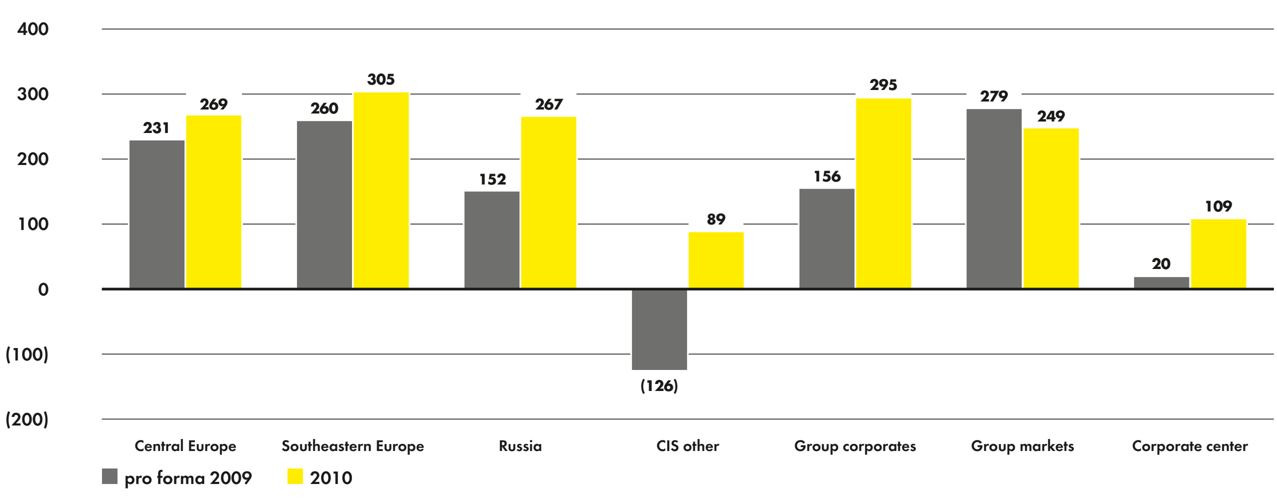
In Russia, profit before tax rose by € 115 million to € 267 million. The year-on-year increase was the result of significantly lower net allocations to provisioning for impairment losses and the sharp increase in net trading income. Total assets in this segment were 4 per cent up year-on-year.

After a loss in the previous year (2009), the CIS other segment generated a profit before tax of € 89 million. Lower net provisioning for impairment losses were key factor in the rise of profit before tax. Total assets in this segment were 14 per cent up year-on-year.

The Group corporates segment reported strong growth in net income in 2010 (up by 89 per cent), with profit before tax of € 295 million. This growth was due to the significant rise in operating income. Net provisioning for impairment losses fell by 21 per cent. Total assets in this segment were 6 per cent up year-on-year.

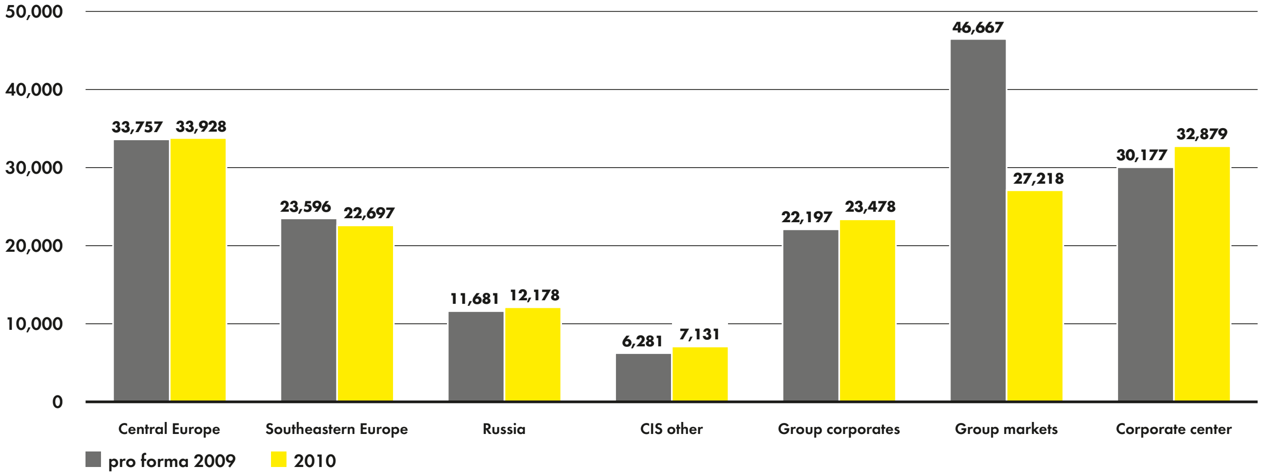
Profit before tax by segment

in € million



Total assets by segment

in € million



The Group markets segment reported profit before tax of € 249 million, due to lower net allocations to provisioning for impairment losses and higher operating income. However, the high level of reversals in impairments on financial investments in 2009 was not repeated in 2010 due to economic stabilization. Total assets fell by 42 per cent compared to 2009.

In the Corporate center segment, profit before tax rose to € 109 million. The sharp rise of € 89 million compared to 2009 was almost entirely the result of net income from financial investments, which had shown a significant loss in the previous year due to valuation losses. Total assets in this segment were 9 per cent up year-on-year.

There was a change in the structure of Group assets by segment in the reporting year. The share of Central Europe rose by 2 percentage points to 21 per cent, and the share of Southeastern Europe rose by 1 percentage point to 14 per cent. The share of Russia also increased by 1 percentage point to 8 per cent, while the CIS other segment was unchanged at 4 per cent. While the share of Group corporates increased by 2 percentage points to 15 per cent, the share of Group markets fell by 9 percentage points year-on-year to 17 per cent, partly in favor of Corporate center, whose share rose by 3 percentage points to 21 per cent.

Central Europe

In Central Europe, profit before tax in 2010 was € 269 million, an increase of 17 per cent or € 39 million on the previous year. Higher net interest and net fee and commission income was primarily responsible for this increase. By contrast, net trading income was only half its level in the previous year. The return on equity before tax rose by 0.3 percentage points to 10.4 per cent.

in € million	2010	pro forma 2009	Change
Net interest income	1,111	984	13.0%
Net fee and commission income	473	436	8.5%
Net trading income	42	89	(53.2)%
Other net operating income	(58)	(22)	159.8%
Operating income	**1,569**	**1,487**	**5.5%**
General administrative expenses	(883)	(805)	9.7%
Operating result	**685**	**682**	**0.4%**
Net provisioning for impairment losses	(408)	(487)	(16.2)%
Other results	(8)	36	–
Profit/loss before tax	**269**	**231**	**16.7%**
Income taxes	(65)	(51)	28.6%
Profit/loss after tax	**204**	**180**	**13.3%**
Profit attributable to non-controlling interests	(54)	(27)	100.1%
Profit/loss after deduction of non-controlling interests	**149**	**153**	**(2.2)%**
Share of profit before tax	17.0%	23.7%	(6.7) PP
Risk-weighted assets (credit risk)	22,886	21,140	8.3%
Total own funds requirement	2,099	1,954	7.4%
Assets	33,928	33,757	0.5%
Liabilities	31,087	31,116	(0.1)%
Net interest margin	3.29%	2.90%	0.39 PP
NPL ratio	9.1%	7.0%	2.1 PP
Coverage ratio	53.3%	57.8%	(4.5) PP
Cost/income ratio	56.3%	54.1%	2.2 PP
Net provisioning ratio	1.86%	2.31%	(0.45) PP
Average equity	2,583	2,274	13.6%
Return on equity before tax	**10.4%**	**10.1%**	**0.3 PP**
Business outlets	555	549	1.1%

Operating income

Net interest income of the Central Europe segment rose by 13 per cent to € 1,111 million. With economic growth continuing to be strong, the rise in Poland was particularly steep due to adjustment in terms of loans to customers, which resulted in higher margins on assets and significantly lower interest expenses on customer deposits. Similarly, the Czech Republic registered a substantial increase in net interest income, primarily as a result of lower financing costs, as well as higher results on loans to retail customers driven by volume and margins. Net interest income in Slovakia primarily reflected lower financing costs. In Hungary, net interest income stabilized at the previous year's level. Overall, there was steady improvement in margins in Central Europe during the year under review, so that the net interest margin increased by a total of 39 basis points year-on-year to 3.29 per cent.

Segment assets were virtually unchanged at € 33.9 billion. Risk-weighted assets (credit risk) rose by 8 per cent year-on-year from € 21.1 billion to € 22.9 billion. Most of the increase was generated by the network units in the Czech Republic and Slovakia. The main drivers in the Czech Republic were a increased credit exposure for project finance, corporates and SMEs combined with cuts in Basel II collateral for corporate customers and SMEs. In Slovakia, the rise in risk-weighted assets (credit risk) for corporate customers was linked to rating downgrades and reductions in Basel II collateral. Risk-weighted assets (credit risk) also rose considerably in the retail segment. 2010 was the first year in which the internal rating-based approach was applied to the major parts of loans and advances to private individuals in Slovakia and Hungary, which also pushed the figure up.

Net fee and commission income grew in every country in the region except Hungary, by 9 per cent or € 37 million to come in at € 473 million. Net income from payment transfer business accounted for € 186 million of this figure, a 9 per cent gain year-on-year (€ 15 million). The largest contributions were generated by higher transaction volumes in the Czech Republic and Slovakia. Net income from the loan and guarantee business grew by 14 per cent to € 66 million. Again, Slovakia and the Czech Republic accounted for much of this gain, this time through guarantee price adjustments and higher guarantee volumes. Net income from foreign currency, notes/coins and precious-metals transactions advanced by 5 per cent to € 147 million, although Hungary posted a decline of € 6 million as new foreign currency lending fell. Net income from securities business rose by 26 per cent year-on-year to € 29 million, largely driven by income growth in Slovakia.

Net trading income in Central Europe stood at € 42 million, down by 53 per cent against the previous year. Although the decline affected nearly all countries in the region, Slovakia was hit hardest. Net income from currency-based transactions fell by 39 per cent from € 58 million to € 36 million, primarily linked to valuation losses on various foreign currency instruments in Hungary. Poland also posted lower net income from money market transactions during the reporting period, largely linked to reduced currency volatility. Net income from interest-based transactions slipped from € 33 million to € 1 million as a result of valuation losses on interest rate swap transactions in Slovakia. Net income from equity and index-based transactions was generated almost entirely in Hungary, turning around year-on-year from minus € 2 million to € 3 million.

Other net operating income in the region came in at minus € 58 million, a marked drop year-on-year. The decline was triggered by other taxes, which doubled to € 60 million, with the new levy on banks and financial services providers in Hungary contributing € 41 million charge. Income was also dented by allocations to provisions in almost all countries in the region. Operating leases contributed € 7 million to net income in 2010.

General administrative expenses

General administrative expenses in the region advanced by 10 per cent year-on-year or € 78 million to € 883 million. The rise was mostly driven by higher staff expenses as bonus payments were increased and reintroduced in Poland and Hungary. Other administrative expenses and depreciation also climbed year-on-year, the latter due to adjustments to the amortized costs of various IT systems following rollouts mainly in the Czech Republic. The number of business outlets increased by 1 per cent year-on-year (6 outlets) to 555. The regional cost/income ratio rose by 2.2 percentage points to reach 56.3 per cent.

Net provisioning for impairment losses

Net allocation to provisioning for impairment losses in the Central European region fell by 16 per cent or € 79 million in 2010 to € 408 million. Net allocations to individual loan loss provisions advanced by 6 per cent year-on-year to € 406 million, almost entirely due to net allocations to provisioning for impairment losses in Hungary for loans to retail customers. Portfolio-based loan loss provisions totaled € 3 million in the year under review. In Hungary, provisions were released in the course of a shift to individual provisions, whilst provisions were allocated for corporate customers in the Czech Republic and for large corporates in Slovakia. The ratio of non-performing loans in the credit portfolio totaled 9.1 per cent at the end of 2010.

Other results and taxes

The net income from derivatives amounted to minus € 10 million which was almost entirely caused by valuation losses linked to hedging transactions used to adjust the currency structure in the Czech Republic. Net income from financial investments shrank year-on-year from € 37 million to € 13 million, partly due to the € 12 million one-off gain from the group internal sale of a company in Slovakia in 2009 and partly the result of valuation losses on municipal bonds in Hungary. Following the disposal of project companies for materiality reasons, most of them domiciled in the Czech Republic and Hungary, the segment recorded net income from disposal of group assets of € 4 million.

Income taxes climbed 29 per cent year-on-year to € 65 million. The tax rate in the region rose by 2 percentage points to 24 per cent. Profit after non-controlling interests came in at € 149 million.

Southeastern Europe

The Southeastern Europe segment saw profit before tax advance by 17 per cent or € 44 million to € 305 million in 2010. Profit before tax was boosted by considerably lower net allocations to provisioning for impairment losses. Net trading income declined, putting operating income slightly lower year-on-year. The return on equity before tax rose 1.0 percentage point year-on-year to 15.7 per cent.

in € million	**2010**	**pro forma 2009**	**Change**
Net interest income	898	896	0.2%
Net fee and commission income	388	398	(2.6)%
Net trading income	56	88	(36.0)%
Other net operating income	37	25	46.2%
Operating income	**1,379**	**1,407**	**(2.0)%**
General administrative expenses	(738)	(741)	(0.5)%
Operating result	**641**	**666**	**(3.7)%**
Net provisioning for impairment losses	(335)	(414)	(19.0)%
Other results	(1)	9	–
Profit/loss before tax	**305**	**260**	**17.0%**
Income taxes	(39)	(35)	13.4%
Profit/loss after tax	**266**	**226**	**17.6%**
Profit attributable to non-controlling interests	(17)	(16)	7.6%
Profit/loss after deduction of non-controlling interests	**248**	**210**	**18.3%**
Share of profit before tax	19.2%	26.8%	(7.6) PP
Risk-weighted assets (credit risk)	16,698	16,288	2.5%
Total own funds requirement	1,563	1,519	2.9%
Assets	22,697	23,596	(3.8)%
Liabilities	19,851	20,831	(4.7)%
Net interest margin	3.90%	3.70%	0.20 PP
NPL ratio	9.0%	6.5%	2.5 PP
Coverage ratio	68.2%	67.8%	0.4 PP
Cost/income ratio	53.5%	52.7%	0.8 PP
Net provisioning ratio	2.07%	2.54%	(0.47) PP
Average equity	1,942	1,767	9.9%
Return on equity before tax	**15.7%**	**14.7%**	**1.0 PP**
Business outlets	1,167	1,204	(3.1)%

Operating income

Net interest income in the segment remained virtually unchanged at € 898 million, with falls in some countries offset by gains within the region. Croatia recorded the highest growth, driven by lower costs for customer and bank deposits, which made up for the year-on-year drop in net interest income. By contrast, lower margins on customer loans and a fall in revenues from repo business linked to currency exchange rate movements saw net interest income decline the most in Serbia.

Total assets were down by 4 per cent year-on-year at € 22.7 billion whilst the net interest margin rose by 20 basis points to 3.90 per cent. Risk-weighted assets (credit risk) rose 3 per cent from € 16.3 billion to € 16.7 billion, influenced mainly by increases in Croatia and Romania. Higher volumes for corporate customers and a new guarantee structure prompted the rise in Croatia. In Romania, the increase was mainly linked to rating downgrades for loans and advances to corporate customers.

Net fee and commission income declined by 3 per cent year-on-year to € 388 million, including € 175 million from payment transfer business, which was up slightly year-on-year. Romania contributed half of this at € 86 million. Income from loan administration and guarantee business dropped by 9 per cent year-on-year to € 92 million. Income from foreign currency, notes/coins and precious-metals business slipped by 16 per cent or € 13 million to € 66 million, largely driven by developments in Croatia, where foreign exchange margins were lower as the local currency remained stable. The securities business grew due to a resurgence in customer activity in Croatia, contributing € 9 million to net fee and commission income.

Net trading income in Southeastern Europe fell by 36 per cent from € 88 million to € 56 million. Income from currency-based transactions sank from € 68 million to € 31 million, mainly due to reduced income from forward and currency swap transactions in Romania linked to exchange rate movements. Interest-based transactions recorded a net income of € 26 million, most of which was generated in Albania by valuation gains on fixed-income securities.

Other net operating income rose by 46 per cent year-on-year to € 37 million, which included income from operating leases totaling € 38 million, the bulk of which was recorded in Croatia.

General administrative expenses

General administrative expenses fell by 1 per cent year-on-year to € 738 million. Staff expenses declined in Bulgaria and Serbia, but depreciation was higher in Romania. Other administrative expenses were more or less stable. The number of business outlets dropped from 1,204 at the end of 2009, down by 3 per cent to 1,167. The segment's cost/income ratio rose slightly, up 0.8 percentage points at 53.5 per cent.

Net provisioning for impairment losses

Net allocations to provisioning for impairment losses for the region fell by 19 per cent (€ 79 million) to € 335 million. The net allocations to individual loan loss provisions declined by 5 per cent year-on-year – a reduction of € 16 million – to € 336 million. The improvement was mainly generated in Romania, where net allocations to provisioning for loans and advances to retail and corporate customers were scaled back. Meanwhile, Bulgaria and Bosnia and Herzegovina saw individual loan loss provisions rise, particularly for corporate customers. Portfolio-based loan loss provisions totaled € 1 million in 2010, with nearly all countries in the region recording lower allocations and releases of existing provisions. Non-performing loans made up 9 per cent of the loan portfolio.

Other results and taxes

Almost all of the € 4 million net loss from derivatives was linked to hedging transactions used to adjust the currency structure in Croatia. Net income from financial investments advanced from € 8 million in 2009 to € 10 million in the year under review, with gains from disposals and valuation gains on government bonds in Romania. Following the disposal of project companies for materiality reasons, most of them based in Romania, the segment posted a € 7 million net loss from the disposal of Group assets.

Income taxes were up 13 per cent year-on-year to € 39 million, whilst the regional tax rate remained unchanged at 13 per cent. Net profit after non-controlling interests came in at € 248 million.

Russia

Profit before tax in this segment rose by € 115 million to € 267 million in 2010 despite a fall in operating income. Growth was driven by lower net allocations to provisioning for impairment losses and higher net trading income. The return on equity before tax rose by 6.4 percentage points to 24.7 per cent.

in € million	2010	pro forma 2009	Change
Net interest income	507	651	(22.0)%
Net fee and commission income	214	207	3.5%
Net trading income	74	(13)	–
Other net operating income	(28)	(18)	53.7%
Operating income	**767**	**826**	**(7.1)%**
General administrative expenses	(415)	(366)	13.2%
Operating result	**352**	**459**	**(23.3)%**
Net provisioning for impairment losses	(77)	(322)	(76.1)%
Other results	(8)	15	–
Profit/loss before tax	**267**	**152**	**75.9%**
Income taxes	(53)	(28)	87.1%
Profit/loss after tax	**214**	**123**	**73.3%**
Profit attributable to non-controlling interests	0	0	(7.5)%
Profit/loss after deduction of non-controlling interests	**214**	**123**	**73.5%**
Share of profit before tax	16.9%	15.6%	1.3 PP
Risk-weighted assets (credit risk)	8,692	6,727	29.2%
Total own funds requirement	891	713	24.9%
Assets	12,178	11,681	4.3%
Liabilities	10,277	10,062	2.1%
Net interest margin	4.14%	4.96%	(0.82) PP
NPL ratio	8.8%	10.1%	(1.3) PP
Coverage ratio	94.3%	85.6%	8.7 PP
Cost/income ratio	54.1%	44.4%	9.7 PP
Net provisioning ratio	0.96%	4.79%	(3.83) PP
Average equity	1,079	830	30.1%
Return on equity before tax	**24.7%**	**18.3%**	**6.4 PP**
Business outlets	198	215	(7.9)%

Operating income

Net interest income in Russia was down by 22 per cent to € 143 million to € 507 million in 2010. This decline was linked to lower margins on the asset side. Although interest costs for customer deposits, particularly bank deposits, fell sharply, new business volumes were down due to fierce competition in lending business. Net interest income from leasing business was halved in the year under review. The net interest margin narrowed by 82 basis points to 4.14 per cent.

Total assets were up by 4 per cent year-on-year (€ 0.5 billion) at € 12.2 billion, with the 19 per cent increase in the loan portfolio offset by a fall in interbank business. Risk-weighted assets (credit risk) advanced by 29 per cent as a result of changes to the asset structure, closing at € 8.7 billion. This shift was the consequence of higher lending volumes for corporate customers with good credit ratings and the expansion of the securities and money market business with the public sector.

Net fee and commission income grew by 4 per cent (€ 7 million) to reach € 214 million, with payment transfer business contributing an impressive € 86 million, an improvement of 2 per cent year-on-year. Net income from loan administration and guarantee business was up due to higher volumes of guarantees and letters of credit, climbing € 5 million – 15 per cent year-on-year – to € 34 million. In contrast, income from securities business slipped € 1 million to € 12 million, while income from foreign currency, notes/coins and precious-metals business fell to € 50 million, an 18 per cent decline year-on-year. Meanwhile income from other banking services doubled to stand at € 33 million, driven by increased income from debt collection activities for corporate customers.

Net trading income moved back into positive territory from minus € 13 million to € 74 million. Following a € 73 million loss in 2009, net income from currency-based transactions came in at € 14 million in 2010. Valuation gains from an open currency position exceeded the valuation losses from the associated currency forward transactions and currency swaps. Net income from interest-based transactions remained virtually unchanged at € 60 million, which included valuation gains from the trading portfolio and from fixed-interest bonds and notes.

Other net operating income was down € 10 million at minus € 28 million, primarily due to increased allocations to other provisions, which were formed in view of litigation relating to the closure of an outlet.

General administrative expenses

The segment's general administrative expenses climbed by 13 per cent to € 415 million, driven by higher staff expenses linked to pay rises. Other administrative expenses fell, mainly as a result of lower legal and consultancy costs and reduced office costs. Higher levels of investment in tangible and intangible fixed assets led to a hike in depreciation. The number of business outlets was down by 8 per cent (17 outlets) at 198. The cost/income ratio was driven up 9.7 percentage points to 54.1 per cent by considerably higher general administrative expenses and falling operating income.

Net provisioning for impairment losses

There was a marked drop in net allocations to provisioning for impairment losses, down from € 322 million to € 77 million. Largely as a result of the 75 per cent fall in net allocations of individual loan loss provisions to € 87 million linked to an improved customer rating structure, good accounts receivable collections and sizeable releases of existing provisions. Portfolio-based loan loss provisions recorded income of € 10 million as a result of improved customer ratings combined with additional collateral and the associated release of portfolio impairment provisioning. Non-performing loans made up 8.8 per cent of the loan portfolio.

Other results and taxes

Other results and taxes came in at minus € 8 million. In the year under review, net income from derivatives recorded a loss of € 13 million, primarily linked to valuation losses on interest rate swaps concluded in order to mitigate interest rate structure risk. Net income from financial investments slipped from € 3 million to € 1 million. Following the disposal of an asset management company for materiality reasons, segment net income from disposal of group assets was positive at € 3 million.

Income taxes were up € 25 million year-on-year at € 53 million. The tax rate climbed 1 percentage point to 20 per cent. Profit after deduction of non-controlling interests advanced by € 90 million to € 214 million.

CIS other

Profit before tax in the CIS other segment rose by € 215 million to € 89 million, with the turnaround almost entirely driven by lower net allocations to provisioning for impairment losses. Consequently the return on equity before tax was positive at 13.4 per cent.

in € million	2010	pro forma 2009	Change
Net interest income	424	488	(13.3)%
Net fee and commission income	183	175	4.5%
Net trading income	23	17	35.7%
Other net operating income	(8)	(3)	173.6%
Operating income	**622**	**678**	**(8.2)%**
General administrative expenses	(346)	(294)	17.7%
Operating result	**276**	**384**	**(28.1)%**
Net provisioning for impairment losses	(214)	(514)	(58.5)%
Other results	27	5	444.6%
Profit/loss before tax	**89**	**(126)**	**–**
Income taxes	(7)	21	–
Profit/loss after tax	**82**	**(104)**	**–**
Profit attributable to non-controlling interests	(8)	1	–
Profit/loss after deduction of non-controlling interests	**74**	**(103)**	**–**
Share of profit before tax	5.6%	(12.9)%	18.6 PP
Risk-weighted assets (credit risk)	5,671	5,033	12.7%
Total own funds requirement	559	483	15.7%
Assets	7,131	6,281	13.5%
Liabilities	6,114	5,387	13.5%
Net interest margin	6.19%	6.84%	(0.65) PP
NPL ratio	26.9%	19.9%	7.0 PP
Coverage ratio	69.6%	72.9%	(3.3) PP
Cost/income ratio	55.7%	43.4%	12.3 PP
Net provisioning ratio	4.00%	10.22%	(6.22) PP
Average equity	664	562	18.2%
Return on equity before tax	**13.4%**	**–**	**–**
Business outlets	1,028	1,050	(2.1)%

Operating income

Net interest income for the segment fell by 13 per cent or € 65 million to € 424 million. In the fourth quarter of 2010, Ukraine posted a € 70 million non-recurring loss linked to a change in method for calculating interest on impaired loans. However, this change did not affect results, as it was offset by the corresponding reduction in provisioning for impairment losses. The shift of emphasis in Belarus from refinancing from banks to the more favorable customer deposits cut interest expenses and boosted net interest income considerably.

Total assets gained 14 per cent year-on-year or € 0.9 billion to € 7.1 billion. The net interest margin fell by 65 basis points to 6.19 per cent. The change in the calculation method used in Ukraine resulted in a reduction of 103 basis points of the net interest margin, but this effect was partly offset by improved margins (up 38 basis points). Risk-weighted assets (credit risk) increased by 13 per cent to € 5.7 billion. In Ukraine, this increase was linked to the expansion of the public sector securities and investments portfolio, whilst Belarus increased exposure in nearly all asset classes.

Overall, net fee and commission income rose slightly year-on-year by 5 per cent or € 8 million to € 183 million, primarily as a result of higher income in Belarus. Income from the payment transfer business increased by 14 per cent or € 15 million to € 128 million, thus making the largest contribution to net fee and commission income. Net income from foreign exchange, notes/coins and precious-metals business dropped by a total of 21 per cent to € 42 million year-on-year as a result of decreased customer activity and the granting of fewer foreign currency loans to retail customers in Ukraine. Net income from the loan administration and guarantee business grew sharply and contributed € 7 million to net fee and commission income.

Net trading income rose year-on-year by 36 per cent or € 6 million to € 23 million. This increase, which was generated entirely in Ukraine, was due to higher net income from interest-based and currency-based transactions. Write-ups on fixed-interest bonds and securities were largely based on interest rate movements in Ukraine, while income from currency-based transactions was down year-on-year at € 11 million. In Belarus, the depreciation of the local currency against the US dollar, which was moderate compared to the previous year, had the effect of reducing the valuation gain on a strategic currency position taken to hedge equity from € 26 million to € 1 million year-on-year. However, a rise in valuation gains in Ukraine and Kazakhstan offset this decline.

Other net operating income in the segment was minus € 8 million. This line item is composed of a number of smaller items of income and expenses.

General administrative expenses

General administrative expenses were up year-on-year by 18 per cent or € 52 million to € 346 million. Within staff expenses, the pay rises that were introduced in Ukraine and Belarus towards the end of 2009 contributed to an increase in expenses in 2010. The number of business outlets in these two countries was reduced by 2 per cent or 22 to 1,028. Other administrative expenses rose mainly as a result of an increase in expenditure on IT in Ukraine. Likewise, depreciation, amortization and write-downs were higher, primarily due to investment in the new IT core banking system here. As a result of the decline in operating income and higher general administrative expenses, the cost/income ratio rose by 12.3 percentage points to 55.7 per cent.

Net provisioning for impairment losses

Net allocations to provisioning for impairment losses for the region fell by 59 per cent from € 514 million to € 214 million as a result of lower loss rates and improvements in the portfolio quality in the retail area. This includes provisioning for individual loan loss provisions amounting to € 236 million. The decline was chiefly driven by lower net allocations to provisioning for impairment losses to private and corporate customers, thanks to successful restructuring measures in Ukraine. In addition, taking into account the change in the method described above for calculating interest on impaired loans in Ukraine led to a reduction of € 70 million in individual loan loss provisions. In Belarus, net allocations to provisioning for impairment losses also fell to € 13 million, remaining at a relatively low level. Portfolio-based loan loss provisions stood at plus € 22 million in the year under review. This decline was related to shifts from portfolio provisions to individual provisions in Ukraine. The ratio of non-performing loans in the credit portfolio stood at 26.9 per cent, and continues to be the highest level of all segments (Belarus: 3.2 per cent, Ukraine: 33.5 per cent).

Other results and taxes

Net income from financial investments of € 31 million was the main driver behind other net income of € 27 million. A factor pushing net income higher was mark-to-market valuation gains on Ukrainian government bonds from the fixed interest securities as a result of a falling local yield curve.

Income taxes for the segment totaled € 7 million. Following a loss in 2009, profit stood at € 74 million after deducting non-controlling interests. An adjustment of deferred taxes in Ukraine resulted in a positive effect of € 26 million on net income.

Group corporates

Profit before tax in this segment increased in 2010 by € 139 million to € 295 million. The main reasons for this growth were substantially higher operating income and lower net allocations to provisioning for impairment losses. The segment's return on equity before tax rose by 7.0 percentage points to 18.5 per cent.

in € million	2010	pro forma 2009	Change
Net interest income	371	312	19.0%
Net fee and commission income	155	111	40.1%
Net trading income	19	6	193.4%
Other net operating income	2	0	322.1%
Operating income	**547**	**430**	**27.4%**
General administrative expenses	(142)	(130)	9.0%
Operating result	**405**	**300**	**35.4%**
Net provisioning for impairment losses	(129)	(163)	(20.8)%
Other results	19	19	(2.1)%
Profit/loss before tax	**295**	**156**	**82.1%**
Income taxes	(65)	(48)	37.6%
Profit/loss after tax	**230**	**108**	**101.7%**
Profit attributable to non-controlling interests	0	0	–
Profit/loss after deduction of non-controlling interests	**230**	**109**	**111.1%**
Share of profit before tax	18.6%	16.0%	2.6 PP
Risk-weighted assets (credit risk)	15,645	14,213	10.1%
Total own funds requirement	1,301	1,167	11.5%
Assets	23,478	22,197	5.7%
Liabilities	16,148	12,568	28.5%
Net interest margin	1.63%	1.40%	0.23 PP
NPL ratio	4.3%	–	–
Coverage ratio	65.2%	–	–
Cost/income ratio	25.9%	30.3%	(4.4) PP
Net provisioning ratio	0.86%	1.15%	(0.29) PP
Average equity	1,594	1,358	17.4%
Return on equity before tax	**18.5%**	**11.5%**	**7.0 PP**
Business outlets	8	7	14.3%

Operating income

Net interest income grew by 19 per cent or € 59 million to € 371 million. This increase was largely attributable to an increase in business volumes with international clients at RBI AG, as well as higher margins on the asset side in business with Austrian customers, despite slightly lower volume in the latter. Net interest margin for the Group corporates segment was up 23 basis points to 1.63 per cent.

Total assets rose by 6 per cent or € 1.3 billion to € 23.5 billion year-on-year. Risk-weighted assets (credit risk) rose rather faster, increasing by 10 per cent to € 15.6 billion. At RBI AG, increased exposure to loans and guarantees resulted in a rise in business with larger international corporate customers. Growth of risk-weighted assets (credit risk) was also the result of a downward shift in the ratings of loans and advances to customers. The sharpest increases here were in Germany and Switzerland. Moreover, the branches in China and Singapore and the Group units in the US and Hong Kong reported growth in risk-weighted assets (credit risk) as part of an overall rise in business volume.

Total net fee and commission income rose by 40 per cent or € 44 million to € 155 million. There was substantial growth in net fee and commission income at Group headquarters due to a higher number of transactions and a rise in business volume. Income from lead arranger activities for bond issues and insurance products in Austria and net fee and commission income from the international large corporates business further contributed substantially to net fee and commission income. The Group unit in the US accounted for € 13 million and the branches in Singapore for a further € 15 million from loan and guarantee business.

Net trading income rose sharply year-on-year from € 6 million to € 19 million. This was largely attributable to the profit centers at Group headquarters, based on valuation gains from currency and interest-based transactions related to a range of financial instruments, primarily with Austrian customers.

Other net operating income in the segment totaled € 2 million, largely as a result of income from Group internal charges at the Singapore branch.

General administrative expenses

General administrative expenses rose overall by 9 per cent to € 142 million. The main reasons for this were an increase in staff expenses due to in part to higher bonus payments and a rise in other administrative expenses. This segment operated eight business outlets at the end of 2010. Due to higher operating profits, the cost/income ratio experienced a dramatic improvement, falling by 4.4 percentage points to 25.9 per cent.

Net provisioning for impairment losses

Provisioning for impairment losses fell by 21 per cent from € 163 million to € 129 million. This was chiefly linked to lower net allocations to individual loan loss provisions to corporate clients at the Singapore branch and at the Group unit in the US. By contrast, net allocations to individual loan loss provisions remained at 2009 levels in the profit centers of Group headquarters due to provisions made for troubled loans in the year under review. The ratio of non-performing loans in the credit portfolio totaled 4.3 per cent at the end of 2010.

Other results and taxes

Other results stood at € 19 million, in line with levels in the preceding year, and mainly included positive market valuations of various corporate bonds and options held in the portfolio.

Income taxes increased year-on-year by € 18 million to € 65 million. The tax rate fell by 8 percentage points to 22 per cent. After deducting non-controlling interests, profit doubled to € 230 million.

Group markets

The Group markets segment registered a decline in profit before tax of 11 per cent or € 30 million to € 249 million in the year under review. Higher operating income and lower net allocations to provisioning for impairment losses had a positive impact on the profit before tax, while a sharp drop in other net income had the opposite effect. The return on equity before tax decreased to 15.4 per cent.

in € million	2010	pro forma 2009	Change
Net interest income	284	92	208.2%
Net fee and commission income	107	123	(12.8)%
Net trading income	93	91	2.9%
Other net operating income	30	30	(2.8)%
Operating income	**514**	**336**	**53.1%**
General administrative expenses	(241)	(242)	(0.6)%
Operating result	**273**	**93**	**192.4%**
Net provisioning for impairment losses	(31)	(332)	(90.7)%
Other results	7	517	(98.6)%
Profit/loss before tax	**249**	**279**	**(10.7)%**
Income taxes	(62)	(50)	23.6%
Profit/loss after tax	**187**	**229**	**(18.2)%**
Profit attributable to non-controlling interests	(1)	(1)	16.6%
Profit/loss after deduction of non-controlling interests	**186**	**228**	**(18.3)%**
Share of profit before tax	15.7%	28.7%	(13.0) PP
Risk-weighted assets (credit risk)	5,273	9,302	(43.3)%
Total own funds requirement	1,087	1,447	(24.9)%
Assets	27,218	46,667	(41.7)%
Liabilities	26,647	48,243	(44.8)%
Net interest margin	0.70%	0.20%	0.50 PP
NPL ratio	5.7%	–	–
Coverage ratio	88.9%	–	–
Cost/income ratio	46.9%	72.2%	(25.3) PP
Net provisioning ratio	0.43%	3.57%	(3.10) PP
Average equity	1,614	1,683	(4.1)%
Return on equity before tax	**15.4%**	**16.6%**	**(1.1) PP**
Business outlets	4	3	33,3%

Operating income

Net interest income tripled year-on-year to € 284 million, boosted almost exclusively by the Capital markets head office profit center. The high-quality securities portfolio, which exclusively comprises securities with the best ratings, resulted in considerable net interest income. This rise in net interest income was driven partly by favorable refinancing costs due to interest rate movements in the year under review and partly by the fact that the portfolio was only created during the course of the previous year so it had less impact on income during that period. The Financial Institutions & Sovereigns head office profit center, on the other hand, posted a decline in net interest income. Selective lending activity led to a significant reduction in business volumes here.

Total assets in this segment fell by 42 per cent year-on-year to € 27.2 billion. The main reason for this was the reclassification of some of the assets as belonging to the Corporate center segment following internal reorganization that resulted in the separation of the Treasury's activities from those of the Capital markets division. The net interest margin increased by 50 basis points to 0.70 per cent, and the segment's risk-weighted (credit risk) assets shrank by 43 per cent from € 9.3 billion in total to € 5.3 billion. This decline was also the result of the shift of some of the volume to the Corporate center segment. In addition, a decline in risk-weighted assets (credit risk) was also recorded in the Capital markets head office profit center, which was caused by the reduction in money market and securities commitments for financial institutions, predominantly in Great Britain, the Netherlands and Germany. The Financial institutions & sovereigns head office profit center was generally affected by smaller business volumes during the course of the year under review. However, the Credit investments division did post a rise in risk-weighted assets (credit risk) due to the creation of securities commitments.

Net fee and commission income was down by 13 per cent year-on-year to € 107 million. The decline in business volumes meant that the costs for credit default swaps at Group headquarters tended to be lower than in the previous year. However, the reduced business activity of the Financial institutions & sovereigns profit center led to a drop in net fee and commission income. Raiffeisen Centrobank, which specializes in equity products, contributed € 10 million, registering income from capital increases and new transaction structures within the context of capital market financing for the first time since the financial crisis. The private banking and asset management company Kathrein & Co. Privatgeschäftsbank AG also made a positive contribution of € 13 million to net fee and commission income from its securities business.

Net trading income in the Group markets segment rose by 3 per cent in the year under review to € 93 million. Raiffeisen Centrobank accounted for almost half of this with € 43 million. This significant contribution comprised the net income from the valuation and disposal of fixed-interest securities as well as the positive valuation gains of the certificates issued within the context of equity and index-linked transactions and structured bonds. The Capital markets head office profit center contributed valuation gains of € 34 million, while the Financial institutions & sovereigns head office profit center accounted for a further € 16 million.

Other net operating income was virtually unchanged from the previous year at € 30 million. This consisted primarily of income from the operations of Raiffeisen Centrobank Group, at € 18 million, which was generated predominantly by the commodity trading carried out by Group units in the USA, Germany, Switzerland and Singapore. The commodity trading of F.J. Elsner Group contributed a further € 5 million to this figure.

General administrative expenses

General administrative expenses remained largely stable compared to the previous year, falling by 1 per cent to € 241 million. While other administrative expenses fell, depreciation rose due to a new Treasury system. The segment comprised four business outlets at the end of the year under review. Due to the rise in operating income, the cost/income ratio improved significantly by 25.3 percentage points to 46.9 per cent.

Net provisioning for impairment losses

Net allocations to provisioning for impairment losses fell significantly from € 332 million to € 31 million. In 2009, individual loan loss provisions in connection with loans and advances to banks (mainly Icelandic and Middle Eastern banks) were high, whereas at Group headquarters in the year under review there were little net allocations to provisioning for impairment losses for loans and advances to financial institutions. Non-performing loans made up 5.7 per cent of the segment's total credit exposure.

Other results and taxes

Other results was much lower in the year under review at € 7 million. However, the figure of € 517 million for 2009 was heavily impacted by the appreciation of those securities that had been written down in the 2008 financial crisis. In the year under review, the valuation gains from financial investments exceeded the loss on derivatives.

Income taxes grew by 24 per cent year-on-year to € 62 million. The tax rate in the segment was 25 per cent, up 6 percentage points on the previous year. Profit after the deduction of non-controlling interests was € 186 million.

Corporate center

In the Corporate center segment, profit before tax was up € 89 million year-on-year to € 109 million, primarily due to the significant improvement in other net income. Return on equity before tax rose by 4.4 percentage points to 5.3 per cent.

in € million	2010	pro forma 2009	Change
Net interest income	291	364	(20.1)%
Net fee and commission income	(17)	(16)	9.3%
Net trading income	20	122	(83.5)%
Other net operating income	133	135	(1.5)%
Operating income	**426**	**605**	**(29.5)%**
General administrative expenses	(307)	(265)	15.6%
Operating result	**120**	**340**	**(64.8)%**
Net provisioning for impairment losses	0	1	–
Other results	(11)	(320)	(96.7)%
Profit/loss before tax	**109**	**20**	**447.4%**
Income taxes	183	(90)	–
Profit/loss after tax	**292**	**(70)**	**–**
Profit attributable to non-controlling interests	0	0	(80.7)%
Profit/loss after deduction of non-controlling interests	**292**	**(70)**	**–**
Share of profit before tax	6.9%	2.1%	4.8 PP
Risk-weighted assets (credit risk)	16,129	21,245	(24.1)%
Total own funds requirement	1,366	1,761	(22.4)%
Assets	32,879	30,177	9.0%
Liabilities	40,821	32,738	24.7%
Net interest margin	0.79%	1.21%	(0.42) PP
NPL ratio	–	–	–
Coverage ratio	–	–	–
Cost/income ratio	71.9%	43.9%	28.1 PP
Net provisioning ratio	–	–	–
Average equity	2,043	2,048	(0.3)%
Return on equity before tax	**5.3%**	**1.0%**	**4.4 PP**
Business outlets	1	1	0.0%

Operating income

Operating income fell by 30 per cent year-on-year from € 605 million to € 426 million due to a decline in both net interest income and net trading income. Net interest income was down 20 per cent to € 291 million. The main reasons for this decline were the higher capital-raising costs for own issues as well as the net loss from maturity transformation. Net interest income from internal financing was also considerably lower compared with the previous year, and the segment's results were weighed down further by reduced income from the equity investment portfolio, where Group internal dividends, in particular, were lower. The net interest margin fell year-on-year by 42 basis points to 0.79 per cent.

Assets in this segment rose by 9 per cent year-on-year to € 32.9 billion. However, this development was distorted by non-recurring effects due to the above-mentioned reorganization, which meant that the Treasury division was moved from the Group markets segment to the Corporate center segment in the year under review. Risk-weighted assets (credit risk) shrank by 24 per cent from € 21.2 billion to € 16.1 billion in connection with a reduction in off-balance-sheet items.

Net fee and commission income remained in negative territory, as in the previous year, at minus € 17 million. This was largely due to commission payments by Group headquarters for country risk insurance in connection with financing abroad.

Net trading income in the Corporate center segment was € 20 million, down by 84 per cent compared with the previous year. It came almost exclusively from the Treasury division of Group headquarters and resulted from liquidity management and the proprietary trading activities for balance sheet structure management. This decline was caused primarily by valuation losses on various foreign-currency financial instruments.

Other net operating income in the segment amounted to € 133 million, down by 2 per cent on 2009. This was derived largely from income from the Group internal allocation of costs to the other segments on a user-pays basis. In addition, revenues from the Raiffeisen Service Center in Vienna, which offers services such as payment transactions and securities settlement, also made a positive contribution.

General administrative expenses

General administrative expenses were up by 16 per cent or € 41 million to € 307 million year-on-year, primarily as a result of costs in connection with the merger. The business outlet recognized in this segment is RBI AG Group headquarters in Vienna. The segment's cost/income ratio rose by 28.1 percentage points to 71.9 per cent due to the decline in operating income.

Net provisioning for impairment losses

Net allocations to provisioning for impairment losses played a minor role due to the group internal nature of the Corporate center segment.

Other results and taxes

Other results improved from minus € 320 million to minus € 11 million due to the income from financial investments. Net income from financial investments thus improved year-on-year from minus € 322 million to € 16 million. Provisioning for group internal investments (in Ukraine and Hungary) resulted in a loss in 2009. By contrast, in 2010 the Treasury division posted valuation gains on securities. Net income from derivatives came to minus € 34 million. Due to the disposal of project companies set up to manage liquidity during the financial crisis, the Corporate center segment registered a net gain of € 8 million from the disposal of Group assets.

In contrast to 2009, income taxes were in positive territory. Taxes were higher in the previous year, partly as a result of the write-down of tax losses carried forward, whereas in 2010 the recognition of deferred taxes in the amount of € 120 million resulted in a positive figure of € 183 million. This was predominantly due to the greater eligibility of tax loss carry-forwards and to valuation differences for various financial instruments and investments between the financial statements under IFRS and the financial statements for tax purposes. Profit after the deduction of non-controlling interests was € 292 million.

Business divisions

In addition to being subdivided into segments in accordance with IFRS 8, RBI is also organized into business divisions that reflect the internal organization and reporting structure. The Group's business is broken down into the following divisions:

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

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

Overview of business divisions

Business year 2010

in € million	Corporate customers	Retail customers	Financial institutions & public sector	Capital markets & treasury	Partici-pations & other	Total
Net interest income	1,238	1,639	282	231	188	3,578
Net fee and commission income	518	845	147	0	(19)	1,491
Net trading income	32	2	54	238	2	328
Other net operating income	12	(9)	(2)	(2)	7	6
Operating income	**1,800**	**2,475**	**481**	**468**	**179**	**5,403**
General administrative expenses	(574)	(1,762)	(198)	(172)	(274)	(2,980)
Operating result	**1,226**	**714**	**282**	**297**	**(95)**	**2,424**
Net provisioning for impairment losses	(564)	(601)	(23)	1	(7)	(1,194)
Other results	18	18	3	(1)	20	58
Profit/loss before tax	**680**	**131**	**262**	**297**	**(83)**	**1,287**
Risk-weighted assets (credit risk)	39,352	17,260	8,762	8,168	2,059	75,601
Total own funds requirement	3,427	1,761	775	1,435	187	7,585
Average number of staff	8,525	42,770	2,491	1,993	3,409	59,188
Cost/income ratio	31.9%	71.2%	41.3%	36.7%	153.1%	55.1%
Average equity	4,563	2,319	982	1,168	368	9,400
Return on equity before tax	**14.9%**	**5.7%**	**26.7%**	**25.4%**	**–**	**13.7%**

Business year 2009 pro forma

in € million	Corporate customers	Retail customers	Financial institutions & public sector	Capital markets & treasury	Partici-pations & other	Total
Net interest income	1,265	1,672	299	(42)	88	3,282
Net fee and commission income	463	802	169	8	(21)	1,421
Net trading income	14	1	14	385	5	419
Other net operating income	29	12	7	0	(3)	45
Operating income	**1,770**	**2,488**	**489**	**351**	**69**	**5,167**
General administrative expenses	(530)	(1,636)	(185)	(167)	(197)	(2,715)
Operating result	**1,241**	**851**	**304**	**184**	**(128)**	**2,452**
Net provisioning for impairment losses	(888)	(1,010)	(333)	(1)	0	(2,232)
Other results	48	12	235	293	(18)	570
Profit/loss before tax	**401**	**(147)**	**206**	**476**	**(146)**	**790**
Risk-weighted assets (credit risk)	34,434	15,154	7,747	9,849	3,371	70,555
Total own funds requirement	3,003	1,562	689	1,592	291	7,137
Average number of staff	10,181	44,331	3,401	2,248	2,720	62,881
Cost/income ratio	29.9%	65.8%	37.9%	47.6%	–	52.5%
Average equity	4,051	1,783	911	1,159	397	8,301
Return on equity before tax	**9.9%**	**–**	**22.6%**	**41.1%**	**–**	**9.5%**

Corporate customers

Major developments in the financial year

The activities of the Corporate customers division were much affected by the merger of Raiffeisen International with RZB's principal business areas in 2010. This merger allowed the establishment of a new strategy in corporate banking, developed jointly by Group headquarters and network banks, with a particular focus on the optimization of customer services across the entire network.

Based on this corporate banking strategy, a new structure was set up in Group headquarters that clearly differentiates between Group functions, where the focus is on support and knowledge transfer, and an operational business division, for which a selective industry focus was introduced.

The cornerstones of the new strategy are:

- the Group-wide introduction of a differentiated service model, depending on the size and needs of the respective customer segment;
- the continuation and further development of relationship banking with a particular focus on taking a comprehensive and cross-border view of customers as well as cross-selling;
- improved and structured knowledge transfer throughout the Group;
- efficiency improvements through the continuation of process optimization measures (e.g. improvement of the lending process, particularly in the case of medium-sized enterprises).

As far as our customers are concerned, 2010 was largely characterized by a change for the better. There was a considerable improvement in sales in most sectors. Many companies took advantage of the crisis to optimize efficiency and reduce their levels of debt. On the whole, they responded quickly to the changed market conditions. In addition, business picked up strongly in Austria, Poland, the Czech Republic, Slovakia, Russia and Ukraine, in particular, but also in Asia. With the alleviation of the risk situation in these countries and regions, there were in some cases significant releases of individual loan loss provisions from previous years.

Performance

During the year under review, the Corporate customers business division posted a sharp increase in earnings. Profit before tax grew by 70 per cent to € 680 million. This was almost exclusively attributable to the decline in provisioning for impairment losses.

Operating income increased, due to increased net fee and commission income and improved trading income, from € 1,770 million to € 1,800 million and was thus 2 per cent higher than for the previous year. The 2 per cent fall in net interest income was largely due to business with major customers in Russia, where the asset-side margins in new business were significantly lower. Net interest income from major customers remained at the level of the previous year for RBI AG. Net fee and commission income increased by 12 per cent to € 518 million with the largest contribution coming from business in Russia (€ 108 million). Other net operating income fell by 59 per cent to € 12 million. Operating leasing in Croatia and Serbia and real estate business in the Czech Republic contributed € 30 million. The bank levy in Hungary, on the other hand, reduced net income by € 23 million.

General administrative expenses increased, due to salary increases, bonus payments and growth in IT expenses, by 8 per cent to € 574 million. This increased the cost/income ratio by 2.0 percentage points to 31.9 per cent.

Other net income fell by 62 per cent to € 18 million. In particular, net income from derivatives was considerably lower than in the previous year (minus € 20 million).

Risk-weighted assets (credit risk) increased by over 8 per cent year-on-year to € 39.4 billion. The main reasons for this were the growth in loans and advances to customers in the wake of the economic recovery, the application of higher default probabilities and a lower level of collateralization.

Return on equity before tax in the Corporate customers business division rose due to the growth in profit before tax by 5.0 percentage points to 14.9 per cent.

Retail customers

Major developments in the financial year

Private customers

The Private customers business division was confronted with two important challenges in 2010. The first involved replenishing the loan portfolio, which contracted significantly in 2009, thus impacting on earnings. The second challenge involved managing liabilities and thus ensuring that RBI maintains sufficient liquidity for its operating activities. The broadly based distribution network is critical to the success of this business division.

The quality of the loan portfolio was again a major focus in 2010. Particular attention was paid to the quality of newly issued loans. Product parameters with an impact on risk – such as the maximum loan-to-value ratio for mortgages or the maximum term for consumer loans – were adjusted for each Group unit, depending on market conditions and risk-control capacities. Improving the quality of the portfolio, with particular emphasis on risk assessment and collection, remains the strategic focus.

Thanks to marketing campaigns and its strong brand, RBI increased deposits in 2010 by 5 per cent from € 21.4 billion to € 22.5 billion. The focus was on account and product packages in order to increase credit margins and cultivate long-term customer relationships. A new "primary relationship banking initiative" was also launched. The emphasis here is primarily on primary customers for whom the respective Group unit is the main bank. The aim of this initiative is to increase the number of these customers by introducing products with an appropriate offer.

The main factors contributing to success in the year under review were the focus on standardizing the training of relationship managers in affluent banking, efficiency improvements through the introduction of IT support in the advice process and the expansion of the product range. Over 420,000 customers currently receive individual service in this area.

The premium service line for affluent banking will be introduced in the 15 Raiffeisen retail markets with the launch of Raiffeisen Bank Aval Premium Banking in the first quarter of 2011. The average level of assets under management for premium customers is still low by Western European standards, so this business area makes a very attractive prospect for further development.

Small and medium-sized enterprises

The positive trend with regard to small and medium-sized enterprises (SMEs) in 2010 confirmed their significance to RBI in Central and Eastern Europe. The favorable result was mainly attributable to the focus on customer relationships and transaction business but also to the strengthening of portfolio management and collection activities across the entire network.

Allfinanz

2010 was a milestone for the development of RBI's Allfinanz business in collaboration with its strategic partner UNIQA Versicherungen AG in CEE. RBI for instance acquired a 25 per cent share of Raiffeisen Life, the Russian subsidiary of UNIQA. It thus secured access to Russian life insurance business through Raiffeisenbank's business outlet network in Russia. Since completion of the transaction, ZAO Raiffeisenbank has become an important factor in the CEE network with regard to Allfinanz business and has made a substantial contribution toward increasing Allfinanz commissions.

Asset management

RBI views the asset management business in CEE as an important growth market. For this reason, the bank is focusing on developing attractive and secure investment instruments for distribution to its customers through the bank network in CEE. Total assets under management were thus increased by 37 per cent in 2010 to nearly € 6 billion (of which around € 3 billion was in fully consolidated companies). In addition, RBI gained market share in Russia, Romania, Croatia and Hungary and maintained its market share of 33 per cent in Slovakia.

Kathrein & Co. Privatgeschäftsbank AG, headquartered in Vienna, has established itself over recent years as a private bank for business owners, foundations and asset transfers. In 2010, the assets managed by this private bank stood at around € 4.6 billion (2009: € 3.9 billion), of which around € 2.4 billion was in fund assets. This increased by approximately a third year-on-year as a result of net inflows and valuation gains. In addition to the improvement in fund business, securities also made a positive contribution to net income.

ZUNO BANK AG, RBI's direct bank subsidiary, opened business outlets in Slovakia in 2010. Operating activities started at the beginning of December 2010. In 2011, ZUNO BANK will also start operating activities in the Czech Republic. Its products and services are aimed primarily at private individuals and include deposit products such as time deposits, savings and current accounts and a broad spectrum of payment transaction products including currency exchange.

Performance

Profit before tax in the Retail customers business division amounted to € 131 million in the year under review, following a net loss of € 147 million in 2009. This positive development was attributable to the 41 per cent reduction in provisioning for impairment losses.

Operating income in the business division was down by 1 per cent year-on-year to € 2,475 million. Net interest income remained on a par with the value for the previous year at € 1,639 million – weighed down by the change in the method of calculating interest on impaired loans in Ukraine. Net fee and commission income increased by 5 per cent and contributed € 845 million to net operating income. Romania again made the largest contribution (€ 144 million), primarily from payment transfer business and loan administration and guarantee business. Other operating income fell below the value for the previous year to minus € 9 million. While operating leasing made a positive contribution of € 10 million, the bank levy in Hungary had a negative impact on the earnings.

As a result of salary increases, bonus payments and growth in IT expenses for the various banking systems, general administrative expenses increased by 8 per cent to € 1,762 million in the year under review. The cost/income ratio therefore increased by 5.4 percentage points to 71.2 per cent.

Net allocations to provisioning for impairment losses remained relatively high at € 601 million. Provisioning for individual and portfolio-based loan losses was highest in Hungary, Ukraine and the Czech Republic.

Risk-weighed assets (credit risk) in the Retail customers business division increased by 14 per cent to € 17.3 billion, partly as a result of the use of a new approach based on internal ratings for the majority of loans and advances to private individuals in Slovakia and Hungary.

In contrast to the previous year, the return on equity before tax was positive at 5.7 per cent.

Financial institutions & public sector

Major developments in the financial year

Business with financial institutions and the public sector was characterized by the cautious recovery of international financial markets in 2010, which began to take shape as the year progressed. The discussions concerning the solvency of some European countries resulted in the collapse of the market for European government bond issues. The situation did not improve until later in the year when the EU agreed a rescue package worth billions.

Against this backdrop, in the autumn of 2010 RBI became the joint lead manager and bookrunner for the issue of a benchmark bond of the Republic of Slovakia with a volume of € 2 billion. It was placed primarily in the German-speaking countries as well as France, the Benelux countries, Great Britain, Italy and Eastern Europe.

In addition to this issue, equity-sparing financial service products without an effect on liquidity were very much in demand in 2010. RBI again underlined its dominant role here as a partner for payment transfers between East and West – and succeeded in acquiring new customers.

In line with its strategy, RBI significantly reduced its securities portfolio (Financial institutions & sovereigns rundown portfolio), which is not part of its core business, from a total of € 15.2 billion to € 12.9 billion in the course of 2010. The reduction was primarily achieved through action taken in the Financial institutions & public sector business division.

The business division also benefited from the sustained high demand for imports from high-growth Asian economies and from short-term documentary business with Chinese and Indian financial institutions.

The traditional loan business has undergone a considerable transition over the last two to three years. Against this backdrop, RBI continues to place great emphasis on strengthening customer relationships with high cross-selling potential and gives absolute priority to the judicious selection of transactions. There is also a focus on distributing equity-sparing products, which allows the available potential in CEE to be fully exploited. RBI's strong position as an arranger of syndicated loans in the region was confirmed in 2010.

Performance

The Financial institutions & public sector division posted an increase in income over the year under review. Profit before tax increased by 27 per cent to € 262 million. While earnings were boosted by reduced net allocations, there was no repetition of the considerable valuation gains on derivative financial instruments and financial investments in 2009, following the financial crisis in 2008.

Operating income fell as a result of a decline in net interest and net fee and commission income from € 489 million to € 481 million, a drop of 2 per cent year-on-year. The 6 per cent contraction in net interest income was primarily attributable to the generally lower level of business in this area in Group headquarters. The contraction in net fee and commission income from € 169 million to € 147 million (13 per cent decrease) was a result of lower volumes. Net trading income, on the other hand, increased considerably by € 40 million to € 54 million, while other operating income declined from € 7 million to minus € 2 million.

General administrative expenses increased by 7 per cent to € 198 million, and the cost/income ratio increased by 3.4 percentage points to 41.3 per cent. As in all business divisions, the increase was caused by salary increases and bonus payments as well as by growth in IT expenses as a result of investment.

Other results fell from € 235 million to € 3 million. This contraction was mainly due to lower market valuations of securities after values had recovered in the previous year in an initial response to the financial and economic crisis.

In spite of the reduction in liabilities, risk-weighted assets (credit risk) increased by 13 per cent year-on-year to € 8.8 billion, primarily as a result of rating migrations and higher default probabilities.

Return on equity before tax in the Financial institutions & public sector division rose on the back of growth in profit before tax by 4.1 percentage points to 26.7 per cent.

Capital markets & treasury

Major developments in the financial year

Capital markets

In a year that was characterized by volatile markets and debt crises in certain peripheral European states, Capital markets achieved a solid result.

In terms of money market transactions, the year was characterized by a trend towards secured transactions. Customers used favorable financing costs in repo transactions. ECB-eligible securities or blue-chip shares were primarily used as collateral.

In foreign exchange business, innovative currency options were increasingly offered through the course of the year on the basis of increased customer demand. Customers in CEE in particular sought currency swaps. The possibility of generating income in the wake of rapid and strong volatilities in options books was also successfully exploited.

Bond trading was realigned with a clear focus on customer trading and home markets. Austrian and state-guaranteed bonds were two products in particular demand. In the field of interest rate derivatives, trading with cross-currency swaps and interest-rate caps made a satisfying contribution to the result.

In proprietary trading, focus was on the reduction of credit investment portfolios. In spite of broad spread widening in the second quarter, RBI's investment portfolios performed well as a result of hedges used. Over the course of the year, earnings recorded by the run-down portfolios were increased through active management.

Over recent years, RBI has established itself as a central hub for services to national and international finance investors through its subsidiary Raiffeisen Centrobank. Customers of the Financial Institutions division include institutional investors that buy shares and share derivatives from the CEE region as well as Austria and surrounding EU countries. RBI's direct stock exchange membership on numerous international stock exchanges as well as optimal access to local markets in CEE through its network banks allow RBI's customers to participate in rapid and low-cost stock trading in this region.

Treasury
Through the course of the merger of Raiffeisen International with the principal business areas of RZB, the Treasury organization structure has been changed. Liquidity management was established as an independent field within financial management. More details can be found in the funding section of the management report.

Performance

The Capital markets & treasury division posted a profit before tax of € 297 million, a decrease of 38 per cent year-on-year.

Operating income in this division increased by 33 per cent year-on-year to € 468 million. Net interest income increased from minus € 42 million in 2009 to € 231 million. This was primarily due to increases at Group headquarters. In the previous year, the net interest loss was compensated by other income – in particular by income from derivatives. In the year under review, the situation was reversed as a result of interest-rate developments and the repositioning of activities in the Capital markets & treasury division.

Net trading income fell by 38 per cent to € 238 million, mainly as a result of contractions at Group headquarters. While 2009 saw trading portfolios valuation gains in the wake of the financial and economic crisis, this was not the case in 2010.

General administrative expenses increased by 3 per cent year-on-year to € 172 million. Thanks to a sharp rise in operating income, the cost/income ratio improved by 10.9 percentage points to 36.7 per cent.

Other results fell from € 293 million in 2009 to minus € 1 million. After the high valuation gains in financial instruments in 2009, income from financial investments in 2010 was considerably lower. In addition, earnings from derivative financial instruments at RBI AG and certain other Group banks were negative in the year under review.

The total own funds requirement fell by 10 per cent to € 1,435 million as a result of the reduction of the securities trading book, the open currency position and credit risk.

The return on equity before tax in this business division fell on the back of the contraction in the pre-tax result by 15.7 percentage points to 25.4 per cent.

Participations & other

Performance

The Participations & other division posted a net loss before tax of € 83 million. The result was mainly negative because it includes the imputed results from the investment of equity, which decreased strongly in the reporting period as interest rates fell in Russia, Romania and Hungary. Net interest income increased considerably year-on-year. This increase was primarily attributable to RBI AG.

Net fee and commission income included the somewhat lower commissions payments of RBI AG for country risk insurance. Other net operating income was positively influenced over the period under review by results from the non-banking activities of Raiffeisen Centrobank Group and the F.J. Elsner Group.

Other net operating income includes income from valuation gains on equity investments.

Participations & other also includes costs from central Group management which increased over the period under review as a result of the merger. According to internal guidelines, these costs remain in this business division and are not distributed among other divisions.

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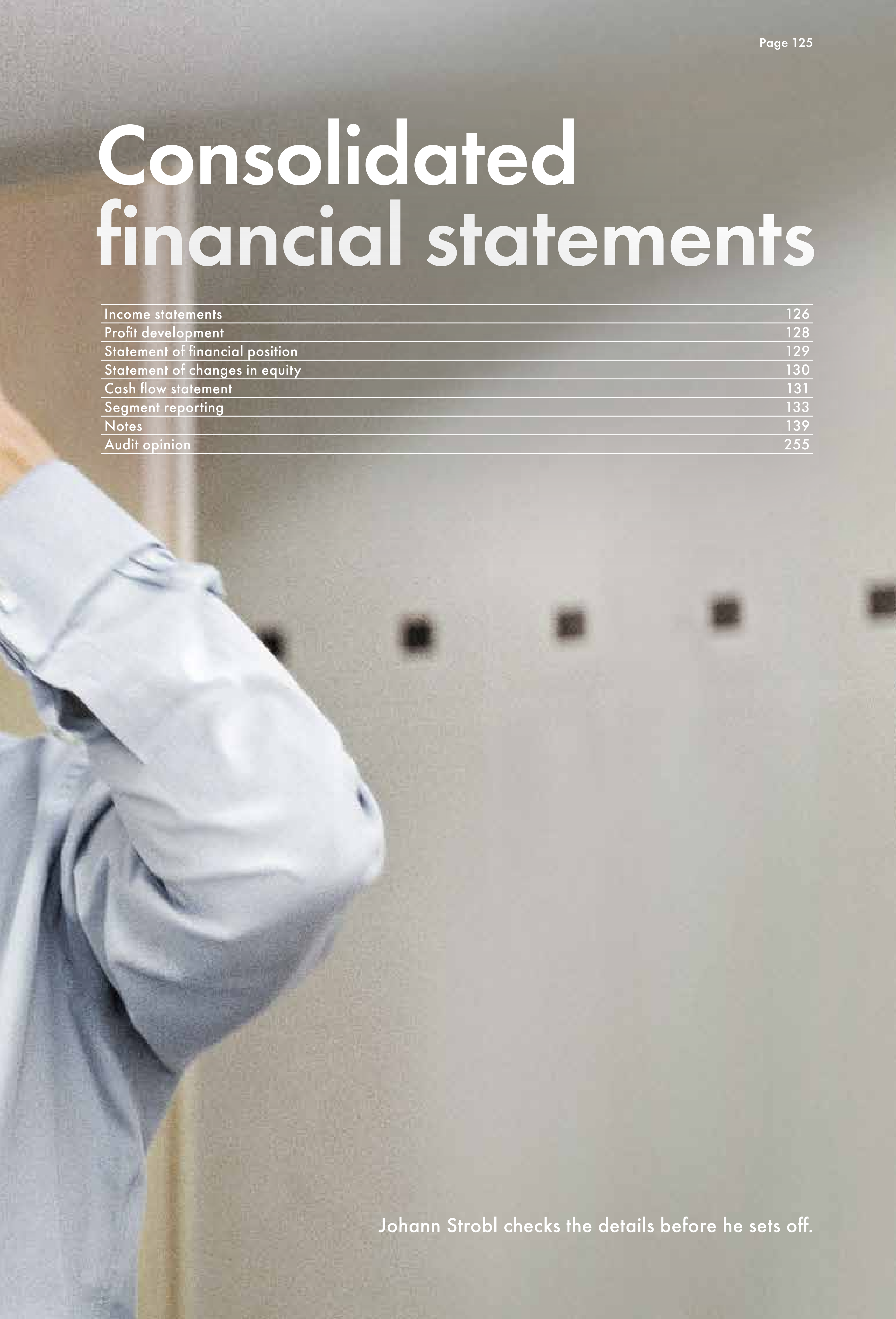


Johann Strobl checks the details before he sets off.

Statement of comprehensive income

Income statement

€000	Notes	2010	2009	Change
Interest income		6,364,799	5,588,567	13.9%
Current income from associates		200	2,931	(93.2)%
Interest expenses		(2,786,831)	(2,654,996)	5.0%
Net interest income	**(2)**	**3,578,168**	**2,936,502**	**21.9%**
Net provisioning for impairment losses	(3)	(1,194,084)	(1,737,882)	(31.3)%
Net interest income after provisioning		**2,384,084**	**1,198,620**	**98.9%**
Fee and commission income		1,753,233	1,441,415	21.6%
Fee and commission expense		(262,441)	(218,358)	20.2%
Net fee and commission income	**(4)**	**1,490,792**	**1,223,057**	**21.9%**
Net trading income	(5)	328,121	186,340	76.1%
Net income from derivatives and designated liabilities	(6)	(84,185)	8,205	–
Net income from financial investments	(7)	137,223	41,350	231.9%
General administrative expenses	(8)	(2,979,745)	(2,269,726)	31.3%
Other net operating income	(9)	6,297	(20,325)	–
Net income from disposal of group assets	(10)	4,734	76	>500.0%
Profit before tax		**1,287,322**	**367,597**	**250.2%**
Income taxes	(11)	(110,161)	(80,500)	36.8%
Profit after tax		**1,177,161**	**287,097**	**310.0%**
Profit attributable to non-controlling interests		(89,685)	(74,916)	19.7%
Consolidated profit		**1,087,475**	**212,181**	**412.5%**

In the reporting period, the principal business areas of RZB were transferred to Raiffeisen International Bank-Holding AG. The comparable figures for 2009 are the consolidated figures of Raiffeisen International Bank-Holding AG. Details to the merger are stated in the notes under consolidated group.

Transition to total comprehensive income

	Group equity		Non-controlling interests	
€000	**2010**	**2009**	**2010**	**2009**
Consolidated profit	**1,087,475**	**212,181**	**89,685**	**74,916**
Exchange differences	180,388	(248,871)	8,506	(5,018)
Capital hedge	(11,332)	(12,573)	0	0
Cash flow hedge	38,578	12,588	0	0
Fair value reserve (available-for-sale financial assets)	10,140	8,716	0	0
Deferred taxes on income and expenses directly recognized in equity	(7,680)	(5,001)	0	0
Other comprehensive income	**210,094**	**(245,141)**	**8,506**	**(5,018)**
Total comprehensive income	**1,297,569**	**(32,960)**	**98,191**	**69,898**

Other comprehensive income

Capital hedge comprises hedges for investments in economically independent sub-units.

The item fair value reserve (available-for-sale financial assets) contains net valuations of financial investments.

Retained earnings

Items recognized directly in retained earnings developed as follows:

€000	Exchange differences	Capital hedge	Cash flow hedge	Fair value reserve (afs financial assets)
As of 1/1/2009	**(1,079,748)**	**90,998**	**(50,712)**	**19,537**
Net changes in financial period	(248,871)	(12,574)	12,588	8,716
As of 31/12/2009	**(1,328,619)**	**78,425**	**(38,124)**	**28,253**
Effects due to the merger	(8,113)	(25,722)	45,440	9,752
As of 1/1/2010	**(1,336,732)**	**52,703**	**7,316**	**38,006**
Net changes in financial period	180,388	(11,332)	38,578	10,140
As of 31/12/2010	**(1,156,344)**	**41,371**	**45,894**	**48,146**

Earnings per share

In €	Notes	2010	2009	Change
Earnings per share	(12)	4.56	0.99	3.57

Earnings per share are obtained by dividing adjusted consolidated profit (less dividend for participation capital in the reporting period and participation rights in the previous year) by the average number of common shares outstanding.

There were no conversion rights or options outstanding, so undiluted earnings per share are equal to diluted earnings per share. As of 31 December 2010, the number of common shares outstanding was 194,530 thousand compared with 153,674 thousand as of 31 December 2009.

Profit development

Quarterly results

The quarterly results 2010 represent the pro forma results of RBI:

€000	Q1/2010	Q2/2010	Q3/2010	Q4/2010
Net interest income	858,629	921,476	927,182	870,881
Net provisioning for impairment losses	(324,942)	(282,697)	(305,746)	(280,700)
Net interest income after provisioning	**533,687**	**638,779**	**621,436**	**590,181**
Net fee and commission income	336,882	378,111	373,272	402,527
Net trading income	126,157	66,198	65,814	69,951
Net income from derivatives and designated liabilities	(45,209)	(86,338)	4,596	42,766
Net income from financial investments	140,521	(87,853)	83,542	1,013
General administrative expenses	(699,961)	(724,872)	(727,773)	(827,139)
Other net operating income	(4,591)	2,986	(2,942)	10,846
Net income from disposal of group assets	4,659	211	(155)	19
Profit before tax	**392,145**	**187,221**	**417,791**	**290,165**
Income taxes	(33,202)	(30,584)	(80,422)	34,048
Profit after tax	**358,943**	**156,637**	**337,369**	**324,213**
Profit attributable to non-controlling interests	(25,238)	(18,157)	(26,368)	(19,923)
Consolidated profit	**333,705**	**138,480**	**311,001**	**304,290**

€000	Q1/2009	Q2/2009	Q3/2009	Q4/2009
Net interest income	767,118	728,609	728,713	712,062
Net provisioning for impairment losses	(445,179)	(523,363)	(396,461)	(372,879)
Net interest income after provisioning	**321,939**	**205,245**	**332,252**	**339,183**
Net fee and commission income	293,738	291,035	321,597	316,687
Net trading income	45,606	73,279	27,770	39,685
Net income from derivatives and designated liabilities	(4,911)	23,877	(13,480)	2,720
Net income from financial investments	(2,913)	34,226	12,247	(2,210)
General administrative expenses	(573,637)	(569,471)	(534,832)	(591,787)
Other net operating income	3,688	11,949	(12,618)	(23,343)
Net income from disposal of group assets	73	1	2	1
Profit before tax	**83,583**	**70,141**	**132,938**	**80,936**
Income taxes	(19,870)	(14,815)	(36,304)	(9,510)
Profit after tax	**63,713**	**55,325**	**96,634**	**71,426**
Profit attributable to non-controlling interests	(7,539)	(33,478)	(19,038)	(14,862)
Consolidated profit	**56,174**	**21,848**	**77,596**	**56,564**

Statement of financial position

Assets €000	Notes	31/12/2010	31/12/2009	Change
Cash reserve	(14,35)	4,806,891	4,179,572	15.0%
Loans and advances to banks	(15,35,36)	21,532,406	10,310,101	108.8%
Loans and advances to customers	(16,35,36)	75,657,061	50,514,971	49.8%
Impairment losses on loans and advances	(17)	(4,755,872)	(3,084,023)	54.2%
Trading assets	(18,35,36)	8,068,393	3,709,452	117.5%
Derivatives	(19,35,36)	1,488,036	332,882	347.0%
Financial investments	(20,35,36)	19,630,902	7,270,547	170.0%
Investments in associates	(21,35,36)	4,961	5,437	(8.8)%
Intangible fixed assets	(22,24,35)	1,219,816	971,881	25.5%
Tangible fixed assets	(23,24,35)	1,453,630	1,244,233	16.8%
Other assets	(25,35,36)	2,066,890	820,276	152.0%
Total assets		**131,173,114**	**76,275,329**	**72.0%**

Equity and liabilities €000	Notes	31/12/2010	31/12/2009	Change
Deposits from banks	(26,35,36)	33,659,182	20,110,170	67.4%
Deposits from customers	(27,35,36)	57,633,113	42,578,249	35.4%
Debt securities issued	(28,35,36)	16,555,382	2,526,651	>500.0%
Provisions for liabilities and charges	(29,35,36)	671,908	311,531	115.7%
Trading liabilities	(30,35,36)	5,741,591	514,199	>500.0%
Derivatives	(31,35,36)	1,263,528	259,433	387.0%
Other liabilities	(32,35,36)	1,243,387	504,629	146.4%
Subordinated capital	(33,35,36)	4,001,098	2,470,285	62.0%
Equity	(34,35)	10,403,925	7,000,182	48.6%
Consolidated equity		8,250,760	5,790,463	42.5%
Consolidated profit		1,087,475	212,181	412.5%
Non-controlling interests		1,065,690	997,538	6.8%
Total equity and liabilities		**131,173,114**	**76,275,329**	**72.0%**

In the reporting period, the principal business areas of RZB were transferred to Raiffeisen International Bank-Holding AG. The comparable figures for 2009 are the consolidated figures of Raiffeisen International Bank-Holding AG. Details to the merger are stated in the notes under consolidated group.

Statement of changes in equity

€000	Subscribed capital	Participation capital/ Participation rights	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as of 1/1/2009	**468,597**	**0**	**2,568,003**	**1,576,594**	**981,986**	**923,026**	**6,518,206**
Capital increases	0	600,000	0	0	0	26,563	626,563
Transferred to retained earnings	0	0	0	839,059	(839,059)	0	0
Dividend payments	0	0	0	0	(142,927)	(57,297)	(200,224)
Total comprehensive income	0	0	0	(245,141)	212,181	69,898	36,938
Own shares/share incentive program	136	0	1,129	0	0	0	1,265
Other changes	0	0	0	(17,914)	0	35,349	17,435
Equity as of 31/12/2009	**468,733**	**600,000**	**2,569,132**	**2,152,598**	**212,181**	**997,538**	**7,000,182**
Effects due to the merger	124,555	1,900,000	(1,951)	299,757	0	2,898	2,325,259
Equity as of 1/1/2010	**593,288**	**2,500,000**	**2,567,181**	**2,452,355**	**212,181**	**1,000,436**	**9,325,441**
Capital increases	0	0	0	0	0	3,013	3,013
Transferred to retained earnings	0	0	0	182,044	(182,044)	0	0
Dividend payments	0	0	0	(304,700)	(30,136)	(49,305)	(384,141)
Total comprehensive income	0	0	0	210,094	1,087,475	98,191	1,395,760
Own shares/share incentive program	35	0	693	0	0	0	729
Other changes	0	0	0	49,769	0	13,355	63,124
Equity as of 31/12/2010	**593,323**	**2,500,000**	**2,567,874**	**2,589,562**	**1,087,475**	**1,065,690**	**10,403,925**

Further details about the above mentioned changes are reported under note (34) equity.

The effects due to the merger amounted to € 2,325,259 thousand and consist of the participation capital amounting to € 2,500,000 thousand and retained earnings of € 299,757 thousand, which were transferred and a capital increase of € 124,555 thousand against a contribution in kind. In the course of the merger, receivables and liabilities of the dispensing and the absorbing company were offset. This was also the case for the participation rights of € 600,000 thousand, which were fully held by RZB AG.

Statement of cash flows

€000	2010	2009
Profit after tax	**1,177,161**	**287,097**
Non-cash positions in profit and transition to net cash from operating activities:		
Write-downs/write-ups of tangible fixed assets and financial investments	341,948	251,825
Net provisioning for liabilities and charges and impairment losses	1,503,170	1,664,212
Gains (losses) from disposals of tangible fixed assets and financial investments	(11,505)	(5,462)
Other adjustments (net)	132,854	(679,989)
Subtotal	**3,143,628**	**1,517,683**
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:		
Loans and advances to banks and customers	13,332,712	6,329,441
Trading assets/trading liabilities (net)	1,829,844	(923,989)
Other assets/other liabilities (net)	(1,894,152)	(958,613)
Deposits from banks and customers	(13,256,519)	(7,762,430)
Debt securities issued	(3,366,047)	(808,404)
Net cash from operating activities	**(210,534)**	**(2,606,312)**
Proceeds from sale of:		
Financial investments	4,253,340	1,829,907
Tangible and intangible fixed assets	70,471	89,156
Proceeds from disposal of group assets	0	0
Payments for purchase of:		
Financial investments	(4,147,648)	(2,885,558)
Tangible and intangible fixed assets	(618,706)	(417,361)
Payments for acquisition of subsidiaries	0	0
Net cash from investing activities	**(442,543)**	**(1,383,856)**
Capital increases	3,013	626,563
Inflows/outflows of subordinated capital	(312,759)	785,828
Dividend payments	(384,141)	(200,224)
Net cash from financing activities	**(693,887)**	**1,212,167**

€000	2010	2009
Cash and cash equivalents at the end of previous period	**4,179,572**	**7,129,860**
Effects due to the merger	1,913,574	0
Net cash from operating activities	(210,534)	(2,596,165)
Net cash from investing activities	(442,543)	(1,394,003)
Net cash from financing activities	(693,887)	1,212,167
Effect of exchange rate changes	60,709	(172,287)
Cash and cash equivalents at the end of period	**4,806,891**	**4,179,572**

Payments for taxes, interest and dividends	2010	2009
Interest received	6,486,758	5,865,966
Dividends received	1,172	78
Interest paid	(2,496,266)	(3,016,167)
Income taxes paid	(118,789)	(60,184)

In the reporting period, the principal business areas of RZB were transferred during the merger to Raiffeisen International Bank-Holding AG. The comparable figures for 2009 are the consolidated figures of Raiffeisen International Bank-Holding AG.

The statement of cash flows shows the structure and changes in cash and cash equivalents during the financial year and is broken down into three sections: net cash from operating activities, from investing activities and from financing activities. It was applied retrospectively by analogy with the comments in connection with the merger.

Net cash from operating activities comprises inflows and outflows from loans and advances to banks and customers, from deposits from banks and customers as well as debt securities issued. Further, inflows and outflows from trading assets and liabilities, from derivatives, as well as from other assets and other liabilities are shown in operating activities. The interest, dividend and tax payments from operating activities are separately stated.

Net cash from investing activities shows inflows and outflows from financial investments, tangible and intangible assets, proceeds from disposal of group assets, and payments for acquisition of subsidiaries.

Net cash from financing activities consists of inflows and outflows of equity and subordinated capital. This covers capital increases, dividend payments, and changes in subordinated capital.

Cash and cash equivalents include the cash reserve recognized in the statement of financial position, which consists of cash in hand and balances at central banks due at call. It does not include loans and advances to banks that are due at call, which belong to operating activities.

Segment reporting

Division of the segments

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

In the CEE area (in which the RBI follows the universal bank approach), segments are formed in accordance with geographic regions which are allocated to Group units according to the location of their head office. Countries that are expected to achieve comparable long-term economic performance and that have similar business structures are grouped together in regional segments. Outside the CEE area, RBI follows a relationship approach in which the segments are classed according to business fields. The segments therefore correspond to the Group organizational structure and are reflected in the internal management reports and in the management approach required under IFRS 8.

In order to achieve maximum transparency and to comply with the IFRS 8 thresholds, seven segments have been defined. This ensures clear reporting. In each case, the quantitative threshold, as specified by IFRS 8, is 10 per cent of reported revenues, profit after tax and segment assets.

The segmentation is based on the Group structure as at 31 December 2010. The Group comprises the following segments:

Central Europe
This segment is made up of five countries in Central Europe: Czech Republic, Hungary, Poland, Slovakia and Slovenia. These constitute the most mature banking markets in the CEE region. They are also the markets in which RBI has been operating longest. Within the segment, the strategic focus is on developing and consolidating market leader positions whilst also ensuring long-term profitability. In terms of products, service and marketing, this represents an opportunity to offer exciting solutions with attractive margins. In Poland, Raiffeisen Bank Polska S.A. provides services to corporate customers, SMEs and a growing number of affluent retail customers. Tatra Banka a.s. in Slovakia is primarily involved in corporate and retail activities, but also has a strong emphasis on looking after affluent retail customers. In Slovenia, the Group is represented by Raiffeisen Banka d.d.. This bank especially concentrates on business with local corporate customers. The Czech Raiffeisenbank a.s. provides traditional banking services together with building society and insurance products in its local market. Raiffeisen Bank Zrt. has an extensive branch network in Hungary which serves retail customers, SMEs and a large number of corporate customers. RBI is also represented by the online ZUNO Bank in Slovakia. Separate leasing companies also operate in each country.

Southeastern Europe
The S.E. Europe segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Moldova, Romania and Serbia. The Albanian Raiffeisen Bank Sh.a. provides financial services across all business activities. Its product range is complemented by Raiffeisen Leasing Sh.a. and a private pension fund. Raiffeisen Bank Kosovo J.S.C. and Raiffeisen Leasing Kosovo represent RBI in Kosovo and offer a comprehensive product range. In Bosnia and Herzegovina, Raiffeisen Bank d.d. Bosnia Herzegovina and Raiffeisen Leasing d.o.o. Sarajevo focus on SMEs but also have a broad range of products for retail customers. In Bulgaria, the Group is represented by Raiffeisen (Bulgaria) EAD, Raiffeisen Leasing Bulgaria OOD and asset management companies. The Croatian Raiffeisen Austria d.d. specializes in large and medium-sized corporate customers and also has a substantial retail business. RBI also operates Raiffeisen Leasing d.o.o., capital management companies and an asset management company in Croatia. Raiffeisen Bank S.A. has an extensive branch network in Romania offering top-notch financial services. The Romanian operation also provides a tailored selection of products for corporate customers in Moldova. Moldova is included under Romania in view of its economic ties to Romania and the way it is therefore managed within the Group. RBI has a presence in the Serbian market in the form of Raiffeisen banka a.d., Raiffeisen Leasing d.o.o., two pension funds and an asset management company.

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

CIS other
This comprises Belarus, Kazakhstan and the Ukraine. The Group is represented by Priorbank JSC and SOOO Raiffeisen Leasing in Belarus. In Kazakhstan, RBI is represented by Raiffeisen Leasing Kazakhstan LLP and in the Ukraine, Raiffeisen Bank Aval JSC, LLC Raiffeisen Leasing Aval and a capital management company provide a full range of financial services and products via an extensive branch network. Within the Ukrainian Group, the Ukrainian Processing Center PJSC processes the bulk of the card business.

Group corporates
The Group Corporates segment covers Austrian and international (mainly Western European) customers managed by RBI AG in Vienna within the Corporate Customers profit center. These customers include Austria's top 1,000 companies, most of whom have an excellent credit rating. RBI uses the relationship banking model. The segment also comprises the income generated by large corporate business with Central and Eastern European multinationals which is concentrated in the Network Corporate Customers & Support profit center. The Corporate Customers and Network Corporate Customers & Support profit centers also include net income from structured trade financing for commodities dealers, documentary business, project financing and a range of cofinancing solutions with supranational banks. Corporate customer business at the China, Malaysia and Singapore branches is also allocated to this segment, as are operations involving international customers of the Maltese subsidiary, RB International Finance (USA) and RB International Finance (Hong Kong), all of which provide a selection of products for niche market customers.

Group markets
The Group markets segment covers capital market customers and proprietary trading.. The results show income from currency and securities trading, interest-based transactions and structured products for financial institutions, as well as income from proprietary trading.

Proprietary trading and market maker activities are itemized under the Capital Markets and Credit Investments (non–core strategic proprietary trading in securities) profit centers plus the relevant profit centers in the Singapore, China and London branches. Net income from transactions for customers is posted against Financial Institutions & Sovereigns and Raiffeisen Financial Institutions Clients (operations involving Raiffeisen Landesbanks and related financial services providers) profit centers.
The profit centers post net income from sales of all banking products and business relationships with banks, institutional customers, governments and local authorities. Raiffeisen Centrobank AG, where securities trading and capital market financing constitute the core business, is also part of this segment. The Mergers & Acquisitions division, which operates via locations in a number of different countries, is also represented in this segment by the subsidiaries of Raiffeisen Investment AG. The segment also includes private banking, reporting net income from Kathrein & Co. Privatgeschäftsbank, which advises on investing private and foundation assets, as well as on inheritance issues.

Corporate center
The Corporate center segment encompasses all the services provided by Group headquarters for various parts of the Group to realize the Group's overall strategy and which are allocated to this segment to ensure comparability. Liquidity management and balance sheet structure management linked to proprietary trading are again included under this segment and posted against the Treasury profit center. Net income from the equity investment portfolio is also recorded against the segment. In addition, the Corporate center segment report covers net income from banking operations carried out by Group headquarters and the Maltese subsidiary in relation to refinancing for Group units. Net income from the Special Customers profit center – customers for whom members of the Management Board are directly responsible – is also posted under this segment, as is income from the Austrian transaction services business operated by Raiffeisen Data Service Center, which offers a wide selection of order processing products and services for financial services providers. The net income of special and holding companies and other companies not directly allocated to a segment is also shown here. Interest costs linked to refinancing using hybrid equity instruments also appear against this segment.

Assessment of segment profit and loss

The segment reporting according to IFRS 8 shows the segment performance on the basis of internal management reporting, supplemented with the reconciliation of the segment results to the group results. In principle, RBI´s management reporting is based on IFRS. Therefore, no differences occur in the recognition and measurement principles between segment reporting and consolidated financial accounts.

The control of the separate segments is based on key indicators, which are assembled of several parameters like profitability, growth, efficency, constraints and the business mix. The target values of the separate key indicators are determined according to the specific market environment and adapted on demand.

The performance of the CGUs is evaluated as follows:

- **Profitability**

The profitability is measured by the return on eyuity (ROE) and return on risk-adjusted capital (RORAC) based on the internal management systems. The return on equity shows the profitability of a CGU and is calculated as the proportion between profit/loss after deduction of non-controlling interests and the average consolidated capital employed. The return on equity reflects the yield of the capital of each segment. The calculation of the RORAC indicates the risk adjusted capital, which reflects the demand of own funds and which has to be brought forward in case of unexpected losses by the bank. In RBI this capital requirement is calculated within the economic capital model for credit, market and operational risk. That ratio shows the interest of the risk-adjusted equity (economic capital), which is no indicator according to IFRS. Within the different countries and business lines the real earned RORAC will be compared with the predetermined minimal value for the RORAC (Hurdle), which reflects the market adequate yield expectations.

- **Growth**

Growth is a very important indicator. Within the risk management certain limits are set for each segment. For this measurement growth rates for the profit after non-controlling interests and total revenues are considered. The diversification of the result is very crucial for the quality and the accordance with the strategic targets.

- **Efficiency**

The cost/income ratio represents the cost efficiency of the segment. The cost/income ratio shows the proportion of the administrative expenses and the operating income, meaning the sum of net interest income, net fee and commission income, net trading income and the other net operating income.

- **Constraints**

In accordance with Basel II framework, specific determining factors have to be considered. The proportion of core tier 1 capital to risk-weighted assets (core tier 1 ratio) is an important indicator if the capital underlying for the business volume is adequate. The industry sector specifics are tending to different risk weights within the calculation of risk-weighted assets according to the Austrian Banking Act (based on Basel II). These factors are crucial for the calculation of the regulatory minimum own funds requirements. Moreover the efficient use of the available capital is calculated internally, whereas the actual usage is brought in proportion to the theoretical available risk coverage capital. The long term liquidity ratios are additionally restrictive and they are defined in accordance with the regulatory guidelines. The performance is also measured with the risk/earning ratio.

- **Business Mix**

The following key performance indicators are relevant for a reasonable and effective business structure, whereas the composition of the results and the indicators are significant. The structure of the prime funding basis for loans and advances to customers are measured using the loan/deposit ratio (proportion of loans and advances to customer to deposits from customers). The share of the result derived from the core business is relevant as well. The proportion of the net fee and commission income to the operating income is also a key performance indicator, which is included in the target setting for the business mix.

The presentation of segment performance is based on the income statement. Income and expenses are attributed to the country in which they are generated. Operating income positions are the net interest income, net fee and commission income, net trading income and the other net operating income. The other results include the net income from financial investments, the net income from derivatives (hedging) and designated liabilities and the net income from disposal of group assets. The segment result is shown till the profit/loss after deduction of non-controlling interests. The segment assets are represented by the total assets and the risk-weighted assets. The item liabilities includes all positions of the liabilities side expect the equity. The reconciliation implies mainly the amounts resulting from the elimination of intra-group results and consolidation between the segments. Finally, financial ratios – usual in the line of business – are added to evaluate the results. The values shown in the segment reporting are also used for the compilation of the consolidated financial statements and are retrieved from the IFRS individual financial statements. In some units profit centre results are taken from the interim management income statement. Differences between local published figures are possible.

Financial year 2010 €000	**Central europe**	**Southeastern europe**	**Russia**	**CIS other**	**Group corporates**
Net interest income	1,111,026	897,698	507,164	423,575	370,949
Net fee and commission income	473,413	387,627	214,076	183,272	155,350
Net trading income	41,862	56,228	74,381	23,158	18,934
Other net operating income	(57,777)	37,245	(28,390)	(7,875)	2,009
Operating income	**1,568,524**	**1,378,798**	**767,231**	**622,131**	**547,240**
General administrative expenses	(883,347)	(737,901)	(414,943)	(346,301)	(141,772)
Operating result	**685,178**	**640,898**	**352,287**	**275,830**	**405,468**
Net provisioning for impairment losses	(408,211)	(335,319)	(76,929)	(213,575)	(129,055)
Other results	(7,824)	(885)	(8,405)	26,903	18,872
Profit/loss before tax	**269,143**	**304,694**	**266,954**	**89,157**	**295,285**
Income taxes	(65,305)	(39,157)	(53,215)	(7,169)	(65,431)
Profit/loss after tax	**203,838**	**265,536**	**213,739**	**81,988**	**229,855**
Profit attributable to non-controlling interests	(54,393)	(17,212)	(234)	(8,443)	(7)
Consolidated profit/loss	**149,445**	**248,324**	**213,505**	**73,545**	**229,848**

Share of profit before tax	17.0%	19.2%	16.9%	5.6%	18.6%
Risk-weighted assets (credit risk)	22,885,702	16,698,004	8,692,338	5,671,068	15,644,778
Total own funds requirement	2,099,495	1,562,652	890,931	558,895	1,301,410
Assets	33,928,326	22,696,524	12,177,759	7,130,917	23,477,902
Liabilities	31,087,480	19,850,740	10,276,908	6,114,129	16,148,276
Net interest margin	3.29%	3.90%	4.14%	6.19%	1.63%
NPL ratio	9.1%	9.0%	8.8%	26.9%	4.3%
Coverage ratio	53.3%	68.2%	94.3%	69.6%	65.2%
Cost/income ratio	56.3%	53.5%	54.1%	55.7%	25.9%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.86%	2.07%	0.96%	4.00%	0.86%
Average equity	2,583,387	1,941,597	1,079,227	664,146	1,593,673
Return on equity before tax	**10.4%**	**15.7%**	**24.7%**	**13.4%**	**18.5%**
Business outlets	555	1,167	198	1,028	8

Financial year 2010 €000	Group markets	Corporate center	Reconciliation	Total
Net interest income	284,250	290,873	(307,367)	3,578,168
Net fee and commission income	106,806	(17,376)	(12,376)	1,490,792
Net trading income	93,165	20,231	162	328,121
Other net operating income	29,513	132,772	(101,199)	6,297
Operating income	**513,734**	**426,499**	**(420,778)**	**5,403,379**
General administrative expenses	(240,704)	(306,826)	92,049	(2,979,745)
Operating result	**273,031**	**119,673**	**(328,731)**	**2,423,634**
Net provisioning for impairment losses	(30,995)	0	0	(1,194,084)
Other results	7,106	(10,601)	32,606	57,772
Profit/loss before tax	**249,141**	**109,073**	**(296,125)**	**1,287,322**
Income taxes	(62,039)	183,051	(896)	(110,161)
Profit/loss after tax	**187,103**	**292,123**	**(297,021)**	**1,177,161**
Profit attributable to non-controlling interests	(795)	(29)	(8,572)	(89,685)
Consolidated profit/loss	**186,308**	**292,095**	**(305,595)**	**1,087,475**
Share of profit before tax	15.7%	6.9%	–	100.0%
Risk-weighted assets (credit risk)	5,273,302	16,128,878	(15,392,757)	75,601,313
Total own funds requirement	1,086,617	1,366,356	(1,281,505)	7,584,851
Assets	27,217,880	32,878,590	(28,334,784)	131,173,114
Liabilities	26,647,480	40,820,712	(30,176,536)	120,769,189
Net interest margin	0.70%	0.79%	0.00%	2.51%
NPL ratio	5.7%	0.0%	0.0%	9.0%
Coverage ratio	88.9%	0.0%	0.0%	66.3%
Cost/income ratio	46.9%	71.9%	–	55.1%
Net provisioning ratio (average risk-weighted assets, credit risk)	0.44%	0.00%	–	1.66%
Average equity	1,613,915	2,043,176	(2,119,140)	9,399,981
Return on equity before tax	**15.4%**	**5.3%**	**–**	**13.7%**
Business outlets	4	1	0	2,961

Financial year 2009 €000	Central europe	Southeastern europe	Russia	CIS Other	Reconciliation	Total
Net interest income	985,112	895,635	650,380	488,384	(83,009)	2,936,502
Net fee and commission income	435,236	398,043	206,533	175,332	7,913	1,223,057
Net trading income	89,252	88,338	(13,302)	17,071	4,981	186,340
Other net operating income	(21,654)	24,165	(18,787)	(2,878)	(1,171)	(20,325)
Operating income	**1,487,946**	**1,406,181**	**824,824**	**677,909**	**(71,286)**	**4,325,574**
General administrative expenses	(801,886)	(740,632)	(364,639)	(294,099)	(68,470)	(2,269,726)
Operating result	**686,060**	**665,549**	**460,185**	**383,810**	**(139,756)**	**2,055,848**
Net provisioning for impairment losses	(487,341)	(413,957)	(322,149)	(514,435)	–	(1,737,882)
Other results	35,777	8,643	14,718	4,940	(14,447)	49,631
Profit/loss before tax	**234,496**	**260,235**	**152,755**	**(125,685)**	**(154,204)**	**367,597**
Income taxes	(51,049)	(34,536)	(28,470)	21,362	12,193	(80,500)
Profit/loss after tax	**183,447**	**225,699**	**124,284**	**(104,323)**	**(142,010)**	**287,097**
Profit attributable to non-controlling interests	(56,932)	(16,326)	(253)	921	(2,326)	(74,916)
Consolidated profit/loss	**126,515**	**209,372**	**124,031**	**(103,403)**	**(144,334)**	**212,181**
Share of profit before tax	44.9%	49.9%	29.3%	(24.1)%	–	100.0%
Risk-weighted assets (credit risk)	21,493,238	16,437,435	7,298,249	5,068,419	(207,741)	50,089,600
Total own funds requirement	1,979,122	1,528,839	758,436	485,856	364,563	5,116,816
Assets	33,653,791	23,573,422	11,680,853	6,280,802	1,086,460	76,275,329
Liabilities	31,021,088	20,807,837	10,062,582	5,387,295	1,996,345	69,275,147
Cost/income ratio	53.9%	52.7%	44.2%	43.4%	–	52.5%
Average equity	2,586,596	2,038,429	1,046,056	741,720	(18,856)	6,393,946
Return on equity before tax	**9.1%**	**12.8%**	**14.6%**	**–**	**–**	**5.7%**
Business outlets	549	1,204	215	1,050	–	3,018

Notes

Reporting entity

Raiffeisen Bank International AG (RBI AG) is registered at the Vienna Commercial Court (Handelsgericht Wien) under Companies Register number FN 122.119m. The company is domiciled at Am Stadtpark 9, 1030 Vienna. The consolidated financial statements are lodged in the Companies Register in accordance with Austrian disclosure regulations and published in the official register of the Wiener Zeitung newspaper. Raiffeisen-Landesbanken-Holding GmbH indirectly holds the majority stake in Raiffeisen Bank International AG. The company therefore belongs to the Group of Raiffeisen-Landesbanken-Holding GmbH. Raiffeisen Zentralbank Österreich Aktiengesellschaft is the superordinated credit institution and RBI forms part of this credit institution group.

Business operations

Raiffeisen Bank International (RBI) is a universal bank focusing on corporates and private customers in Central and Eastern Europe (CEE) and Austria. In CEE, RBI consists of a closely-knit network of banks, leasing companies and numerous specialized financial service providers with about 3,000 business outlets. In Austria, RBI serves the top 1,000 corporate customers and it is one of Austria's prominent corporate finance and export and trade finance banks. Cash and asset management and treasury operations are further fields of activity. RBI's focus as a highly specialized financial structurer is on serving Austrian and foreign key accounts, multinationals and providers of financial services. RBI has branches, subsidiaries and representative offices in the world's major financial centers and in Asia, which have selective business with corporate customers and financial institutions.

Merger of the principal business areas of RZB

As of 31 December 2009, the corporate customer business and all associated equity participations of Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB AG) were transferred to Cembra Beteiligungs AG (Cembra) based on a spin-off and acquisition agreement made between RZB AG and Cembra – a 100 per cent subsidiary of RZB AG – which held 72.8 per cent of Raiffeisen International Bank-Holding AG. Furthermore, Cembra was merged with Raiffeisen International Bank-Holding AG.
In order to perform the merger, the subscribed capital was increased by € 124,555 thousand. In addition to the shares that Cembra held in Raiffeisen International to date, these newly issued shares were granted to Cembra's sole shareholder as settlement for the company assets transferred. According to civil law, the merger became effective with the registration in the Companies Register as of 10 October 2010. After the merger, the company possessed a bank license and was renamed Raiffeisen Bank International AG. Raiffeisen International Beteiligungs GmbH, a fully owned subsidiary of RZB AG, now holds 78.5 per cent of RBI AG.

The merger was a transaction under common control and management has decided to show the intra-group vertical integration retrospectively. The company did not provide comparable figures due to impracticability. The changes in the organizational structure can only be approximately shown in the comparable period, as they can not be retrospectively presented in the banking and accounting system. Lack of information regarding decisions on refinancing in the course of the new company structure and allocation of resources guided us to make estimations. The resulting inexactness and lack of details led to the decision to present the previous year figures of Raiffeisen International.

The merger of the principal business areas of RZB with Raiffeisen International was accounted for by carrying over book values according to IAS 8.10. The regulations of IRS 3 were not applicable for intra-group business combinations.

The consolidated financial statements were signed by the Managing Board on 10 March 2011and subsequently submitted to the Supervisory Board for review and notice.

Principles underlying the consolidated financial statements

Policies

The consolidated financial statements for the financial year 2010 and the comparative figures for the financial year 2009 were 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 interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC) that were already applicable. All standards published by the IASB to be applied to financial statements for 2010 and adopted by the EU, have been applied. The consolidated financial statements satisfy the requirements of Section 245a of the Austrian Commercial Code (UGB) and Section 59a of the Austrian Banking Act (BWG) regarding exempting consolidated financial statements that comply with internationally accepted accounting principles.

All standards and interpretations to be applied to financial statements 2010 have been applied. IAS 20, IAS 31, IAS 41, IFRS 4 and IFRS 6 have not been applied as there were no relevant business transactions in the Group.

New application of amended standards and interpretations, which have been mandatory since 2010, i.e. IFRS 3 and IAS 27 (Business Combinations; effective as of 1 July 2009), IAS 39 (Eligible Hedged Items; effective 1 January 2009), IFRS 2 (Share-based Payment within the Group which are Settled in Cash, effective 1 January 2010), IFRIC 17 (Distribution of Non-Cash Assets to Owners; effective 1 July 2009), IFRIC 18 (Transfer of Assets from Customers, effective 1 July 2009) and changes in the so-called "Improvements Project" – 2008 and "Improvements Project – 2009" had no material effect on the recognition and measurement methods of the bank.

In March 2010, the EU adopted IFRIC 16 (Hedges of a Net Investment in a Foreign Operation). IFRIC 16 is to be applied at the latest for business years beginning on or after 30 June 2009. RBI applied IFRIC 16 for the business year 2010 for the first time. This interpretation provides guidance on identifying the risk of a net investment in a foreign operation and on where, within a Group, hedging instruments can be held to minimize the risk.

Other relevant standards and interpretations that have been published, but whose application is not yet compulsory, have not yet been adopted. This applies to the amended IFRS 7 (Financial Instruments: Disclosures, effective 1 July 2011), IAS 24 (Related Party Disclosures; effective 1 January 2011), IAS 32 (Classification of Warrants; effective 1 February 2010), IFRIC 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction; effective 1 January 2011), IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments; effective 1 July 2010, as well as changes in the so-called "Improvements Project - 2010".

The consolidated financial statements are based on the reporting packages of all fully consolidated Group members, which are prepared according to IFRS rules and uniform Group standards. With the exception of five subsidiaries accounted for with interim financial statements – the reporting date was on 30 June – all fully consolidated companies prepared their annual financial statements as of 31 December. The deviating reporting dates are due to dividend policy reasons and because of seasonal business transactions. Figures in these financial statements are stated in thousands of euros. The following tables may include rounding differences. The previous year's figures are the audited consolidated figures of Raiffeisen International Bank-Holding AG.

A financial asset is recognized when it is probable that the future economic benefits will flow to the enterprise and the acquisition or conversion costs or another value can be reliably measured. A financial liability is recognized when it is probable that an outflow of resources embodying economic benefits will result from the settlement of the obligation and the amount at which the settlement will take place can be measured reliably.

If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, they are made in accordance with the respective standards. They are based on past experience and other factors such as planning and expectations or forecasts of future events that appear likely from our current perspective. Basically, this applies to impairment losses on loans and advances, fair value and impairment of financial instruments, deferred taxes, provisions for retirement and similar benefits, the recoverability of goodwill and intangible fixed assets that are recognized in the course of business combinations. The actual figures may deviate from the estimated values.

Deferred taxes were not separately shown in the income statement and on the statement of financial position. Details are provided in the notes (11) income taxes, (25) other assets and (29) provisions for liabilities and charges.

Consolidation methods

All material subsidiaries, in which RBI AG directly or indirectly, holds either more than 50 per cent of the voting rights or otherwise has control over the financial and operating policies are consolidated. In 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. The Group reviews the adequacy of the decision on which companies to consolidate at least every quarter. Accordingly, changes in ownership but also changes due to existing or newly signed contractual obligations by a unit of the Group are taken into account. Subsidiaries with deviating reporting dates are accounted for with their interim financial statements. The results from subsidiaries that were acquired or disposed of during the year are recorded, in the consolidated income statement, either from the actual date of acquisition or up to the actual date of disposal.

Special purpose entities (SPE) founded for securitization transactions, which are controlled by the group from an economic point of view, are integrated according to SIC 12. To determine whether a special purpose entity is controlled from an economic perspective, a number of factors are to be taken into consideration. These include an investigation into whether the activities carried out by the SPE in favor of the Group are in accordance with its specific business needs so that it can take advantage of the activities of the SPE, whether the Group has the decision-making powers to achieve the majority of the benefits from the SPE, whether in fact the Group receives the majority of the benefits of the activities of the SPE, or the Group retains the majority of the assets associated with the residual or ownership risks in order to benefit from its activities.

In the case that further shares are acquired under existing control or shares are sold without loss of control, such transactions are recognized directly in equity during the course of continuing consolidation.

Intra-group business combinations (transactions under common control) are accounted for by carrying over book values.

Non-controlling interests are shown in the consolidated statement of financial position as part of equity, but separately from Raiffeisen Bank International shareholders' equity. The profit attributable to non-controlling interests is shown separately in the consolidated income statement.

Material interests in associated companies – the Group exerts a significant influence on financial and operating polices 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 shown in the consolidated accounts in other comprehensive income.

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

In the scope of debt consolidation, intra-group balances between parent company and subsidiaries and intra-group balances between subsidiaries are eliminated in the consolidated accounts. Remaining temporary differences are recognized under other assets/other liabilities.

Intra-group income and expenses are eliminated and temporary differences resulting from bank business transactions are shown in net interest income. Other differences were shown in other net operating income.

Intra-group results are eliminated insofar as they had a material effect on the items of the income statement. Bank business transactions between Group members are usually executed in arm’s length transaction.

Business combinations

In the course of capital consolidation, all identifiable assets, liabilities and contingent liabilities of the subsidiary are measured at their fair values on the acquisition date according to IFRS 3. The acquisition costs are offset with the proportional net assets. The resulting positive differences are capitalized as goodwill. The goodwill is tested annually for impairment. Negative differences arising within initial consolidation will be recognized immediately in profit.

Impairment test for goodwill

On each reporting date, goodwill is examined with a view to their future economic utility on the basis of cash generating units. A cash generating unit is defined by the management and represents the smallest identifiable group of assets of a company that generates cash inflows from operations. Within RBI, all segments according to segment reporting are determined as cash generating units and within the segments, the legal entities form the cash generating unit for impairment testing of goodwill. The carrying value of the cash generating unit (including any allocated goodwill) is compared with its recoverable value. The recoverable value represents the higher of an item's value in use and the fair value less cost to sell. It is based on the expected profits of the units. They are discounted at an interest rate reflecting the risk involved. The estimation of future earnings requires judgment of the past and actual performance and the expected development in the respective markets and overall macro-economic environment.

The estimation of the future development of the cash generating units starts with macroeconomic facts (gross domestic product, inflation expectations) and considers specific market conditions and the business policy. The data is used to capture the terminal value on a going concern concept. Discounting of the earnings relevant for the measurement (expected dividends) is made on different country-specific equity capital cost rates, which are based on the capital asset pricing model. The individual components (risk-free interest rate, inflation difference, market risk premium, country-specific risks and beta factors) are defined by using external information sources. The annual impairment test for goodwill for 2010 and 2009 did not result in an impairment loss as the recoverable amount for all cash generating units was higher than their respective carrying amount. The planning period is divided into two phases, phase I covers the first ten years, phase II covers the period over ten years.

The material goodwill resulted from the following cash generating units: Raiffeisen Bank Aval JSC, Kiev (AVAL), Ukrainian Processing Center PJSC, Kiev (UPC), ZAO Raiffeisenbank, Moscow (RBRU), Raiffeisen Bank Sh.a., Tirane (RBAL) and Raiffeisenbank a.s, Prague (RBCZ). For calculating the recoverable value the planning period was assumed to be ten years in order to better reflect the mid-term development in the CEE countries.

Cash generating units in € million	AVAL	RBRU	RBCZ	RBAL	UPC
Goodwill	221	263	42	53	15
Group equity	96.2%	100.0%	51.0%	100.0%	100.0%
Profit after tax	30	170	70	38	4
Method used to calculate the fair value	FV less cost to sell	FV less cost to sell	FV less cost to sell	FV less cost to sell	FV less cost to sell
Discount rates (after tax)	12.9% - 26.7%	12.7% - 18.9%	9.3% - 11.3%	11.4% - 16.8%	14.2% - 26.4%
Growth rates in phase II	5.5%	7.0%	4.5%	4.5%	5.5%
Planning period	10 years	10 years	10 years	10 years	10 years
Impairment	No	No	No	No	No

Sensitivity Analysis

A sensitivity analysis was used to test the robustness of the impairment test for goodwill which was based on the above assumptions. From a number of options for this analysis, three parameters were selected, namely, the cost of equity, the growth assumption in phase II and the reduction of the earnings. The table below shows to what extent an increase in the cost of equity, a reduction in the sustainable growth or a reduction in earnings needs to be made for the fair value of the cash-generating units to equal the carrying value (equity plus goodwill):

Maximum sensitivity[1]	AVAL	RBRU	RBCZ	RBAL	UPC
Reduction in growth rate	2.4 PP	9.1 PP	16.4 PP	30.7 PP	39.1 PP
Discount rates (after tax)	1.2 PP	4.6 PP	12.5 PP	33.9 PP	112.1 PP
Reduction in earnings	(14.0)%	(45.0)%	(72.0)%	(83.0)%	(93.0)%

1 Only change in terminal value assumptions.

Impairment test for intangible fixed assets

Group companies use brands to differentiate their services from the competition. According to IFRS 3, brands of acquired companies have been recognized separately under the item intangible fixed assets. Brands have an indeterminable useful life and are therefore not subject to scheduled amortization. Brands have to be tested annually for impairment and additionally whenever indications of impairment arise.

The value of brands was determined using the comparable historical cost approach, because neither immediately comparable transactions nor a market with observable prices were available at the time of purchase price allocation. Documentation of brand-related marketing expenses in the previous years was taken as the data base for the historical cost approach.

If customer contracts and associated customer relationships are acquired in a business combination, they must be recognized separately from goodwill, if they are based on contractual or other rights. The acquired companies meet the criteria for a separate recognition of non-contractual customer relationships for existing customers. The customer base is valued using the multi-period excess earnings method based on projected future income and expenses allocable to the respective customer base. The projections are based on planning figures for the corresponding years.

Consolidated group

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 beginning of period	135	131	1	1
Included in the course of merger	38	0	0	0
Included for the first time in the financial period	6	8	0	0
Merged in the financial period	0	(3)	0	0
Excluded in the financial period	(47)	(1)	0	0
As of end of period	**132**	**135**	**1**	**1**

Of the 132 entities in the Group, 27 were domiciled in Austria (2009: 11) and 105 abroad (2009: 124). They comprised of 21 banks, 64 financial institutions, 16 companies rendering bank-related ancillary services, 8 financial holding companies and 23 other companies. Because of their minor importance in giving a view of the Group's assets, financial and earnings position 173 subsidiaries were not included in the consolidated financial statements (2009: 92). They were recognized at 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.

A list of fully consolidated companies, companies valued at equity and other equity participations may be found on page 251 ff.

Mergers

In the financial year 2010, the following companies were included in the consolidated financial statements during the course of the merger of the principal business areas of RZB with Raiffeisen International:

Name	Share	Included as of	Reason
Banks			
Kathrein & Co. Privatgeschäftsbank Aktiengesellschaft, Vienna (AT)	100.0%	1/1	Merger
Raiffeisen Centrobank AG, Vienna (AT)	100.0%	1/1	Merger
Raiffeisen Malta Bank plc., Sliema (MT)	100.0%	1/1	Merger
Financial institutions			
Golden Rainbow International Limited, Tortola (VG)	100.0%	1/1	Merger
Kathrein & Co. Vermögensverwaltung GmbH, Vienna (AT)	80.0%	1/1	Merger
Raiffeisen Investment Aktiengesellschaft, Vienna (AT)	100.0%	1/1	Merger
Raiffeisen Investment Limited, Moscow (RU)	100.0%	1/1	Merger
Raiffeisen Investment (Malta) Limited, Sliema (MT)	99.8%	1/1	Merger
Raiffeisen Investment Polska sp.z.o.o., Warsaw (PL)	100.0%	1/1	Merger
Raiffeisen Investment Romania LLC, Bucharest (RO)	100.0%	1/1	Merger
Raiffeisen-Leasing Österreich Gesellschaft m.b.H., Vienna (AT)	51.0%	1/1	Merger
RB International Finance (Hong Kong) Ltd., Hong Kong (HK)	100.0%	1/1	Merger
RB International Finance LLC, New York (US)	100.0%	1/1	Merger
RZB Finance (Jersey) II Ltd., St. Helier (JE)	0.0%	1/1	Merger
RZB Finance (Jersey) III Ltd., St. Helier (JE)	0.0%	1/1	Merger
RZB Finance (Jersey) IV Ltd., St. Helier (JE)	0.0%	1/1	Merger
ROOF Global Bond CBO 2008-1, Dublin (IR)	0.0%	1/1	Merger
ROOF Global Bond CBO 2008-2, Dublin (IR)	0.0%	1/1	Merger
ROOF Global Loan CLO 2009-1, Dublin (IRL)	0.0%	1/1	Merger
ROOF Global Loan CLO 2009-2, Dublin (IRL)	0.0%	1/1	Merger
Financial holdings			
Extra Year Investments Limited, Tortola (VG)	100.0%	1/1	Merger
RZB IB Beteiligungs GmbH, Vienna (AT)	100.0%	1/1	Merger
RZB KI BeteiligungsGmbH, Vienna (AT)	100.0%	1/1	Merger
Companies rendering banking-related ancillary services			
RSC Raiffeisen Daten Service Center GmbH, Vienna (AT)	71.9%	1/1	Merger
Other companies			
Raiffeisen Property Holding International GmbH, Vienna (AT)	100.0%	1/1	Merger
BAILE Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Centrotrade Chemicals AG, Zug (CH)	100.0%	1/1	Merger
Centrotrade Deutschland GmbH, Eschborn (D)	100.0%	1/1	Merger
Centrotrade Holding AG, Vienna (AT)	100.0%	1/1	Merger
Centrotrade Investment AG, Zug (CH)	100.0%	1/1	Merger
Centrotrade Minerals & Metals Inc., Chesapeake (USA)	100.0%	1/1	Merger
Centrotrade Singapore Pte. Ltd., Singapore (SGP)	100.0%	1/1	Merger
F.J. Elsner & Co. Gesellschaft mbH, Innsbruck (AT)	100.0%	1/1	Merger
F.J. Elsner Trading Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Larus Handels- und BeteiligungsgmbH, Vienna (AT)	100.0%	1/1	Merger
P & C Beteiligungs Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Raiffeisen Property International GmbH, Vienna (AT)	100.0%	1/1	Merger
R.L.H. Holding GmbH, Vienna (AT)	100.0%	1/1	Merger

The merger of the principal business areas of RZB with Raiffeisen International shows the following impact on the consolidated financial statement of position as of 1 January 2010:

Assets **€000**	**Raiffeisen International 31/12/2009**	**Merger entries**	**Raiffeisen Bank International 1/1/2010**
Cash reserve	4,179,572	1,913,574	6,093,145
Loans and advances to banks	10,310,101	28,271,552	38,581,653
Loans and advances to customers	50,514,971	22,051,392	72,566,363
Impairment losses on loans and advances	(3,084,023)	(1,060,366)	(4,144,389)
Trading assets	3,709,452	4,822,820	8,532,272
Derivatives	332,882	1,475,120	1,808,002
Financial investments	7,270,547	11,208,452	18,478,998
Investments in associates	5,437	0	5,437
Intangible fixed assets	971,881	125,206	1,097,086
Tangible fixed assets	1,244,233	45,817	1,290,050
Other assets	820,276	509,189	1,329,465
Total assets	**76,275,329**	**69,362,753**	**145,638,082**

Equity and liabilities **€000**	**Raiffeisen International 31/12/2009**	**Merger entries**	**Raiffeisen Bank International 1/1/2010**
Deposits from banks	20,110,170	28,988,655	49,098,825
Deposits from customers	42,578,249	12,828,800	55,407,049
Debt securities issued	2,526,651	17,395,468	19,922,120
Provisions for liabilities and charges	311,531	199,646	511,177
Trading liabilities	514,199	3,877,292	4,391,491
Derivatives	259,433	1,223,016	1,482,449
Other liabilities	504,629	681,044	1,185,673
Subordinated capital	2,470,285	1,843,572	4,313,857
Equity	7,000,182	2,325,259	9,325,441
Total equity and liabilities	**76,275,329**	**69,362,753**	**145,638,082**

The table below shows 2009 pro forma figures which give an indication of the volumes. The business remaining in RZB AG including equity participations has been subtracted from the income statement of RZB in 2009. This was calculated on an aggregated level. Therefore estimations and assumptions were made to the spin-off and merger process respectively. Due to lack of details in systems the comparable figures for the previous year of Raiffeisen International were used.

€000	Raiffeisen International 2009	Change	Raiffeisen Bank International pro forma 2009
Net interest income	2,936,502	345,862	3,282,364
Net provisioning for impairment losses	(1,737,882)	(494,320)	(2,232,202)
Net fee and commission income	1,223,057	(1,042,778)	180,279
Net trading income	186,340	204,262	390,602
General administrative expenses	(2,269,726)	1,982,447	(287,279)
Profit before tax	367,597	422,701	790,298
Profit after tax	287,097	243,895	530,992
Consolidated profit	212,181	238,084	450,265

Included units

In the financial year 2010, the following companies were included into the consolidated financial statements for the first time:

Name	Share	Included as of	Reason
Companies rendering banking-related ancillary services			
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	100.0%	1/1	Materiality
LLC "ARES Nedvizhimost", Moscow (RU)	50.0%	1/11	Materiality
LLC "R1", Novosibirsk (RU)	100.0%	1/11	Materiality
LLC "R2", Novosibirsk, (RU)	100.0%	1/11	Materiality
LLC "Realty-Invest", Moscow (RU)	50.0%	1/11	Materiality
Tkatskoy OOO, Moscow (RU)	100.0%	1/11	Materiality

Excluded units

In the financial year 2010, the following companies were excluded from the consolidated group:

Name	Share	Excluded as of	Reason
Financial institutions			
3 subsidiaries of Raiffeisen Leasing d.o.o., Sarajevo (BiH)		1/1	Immaterial
5 subsidiaries of Raiffeisen Rent DOO, Belgrade (RS)		1/1	Immaterial
12 subsidiaries of Raiffeisen-Leasing Real Estate s.ro.o, Prague (CZ)		1/1	Immaterial
OOO "Raiffeisen Capital" Asset Management Company, Moscow (RU)	100.0%	1/1	Immaterial
Raiffeisen Auto Leasing Bulgaria EOOD, Sofia (BG)	81.1%	1/1	Immaterial
Raiffeisen Capital & Investment S.A., Bucharest (RO)	99.5%	1/1	Immaterial
Raiffeisen Car Leasing Ltd., Budapest (HU)	72.7%	1/1	Immaterial
Raiffeisen Factoring Ltd., Sofia (BG)	100.0%	1/1	Immaterial
Raiffeisen Invest d.o.o., Zagreb (HR)	73.4%	1/1	Immaterial
Raiffeisen Investment Fund Management Zrt., Budapest (HU)	70.3%	1/1	Immaterial
RB Russia Finance Limited, Dublin (IR)	100.0%	1/1	Immaterial
RI FINANCE (JERSEY) PCC, St. Helier (JE)	100.0%	30/11	End of operations
ROOF Global Bond CBO 2008-1, Dublin (IR)	0.0%	31/3	End of operations
ROOF Global Bond CBO 2008-2, Dublin (IR)	0.0%	31/3	End of operations
ROOF Global Loan CLO 2009-1, Dublin (IRL)	0.0%	31/3	End of operations
ROOF Global Loan CLO 2009-2, Dublin (IRL)	0.0%	31/3	End of operations
SCT Investment Ltd., Budapest (HU)	55.1%	1/1	Immaterial
Financial holdings			
Extra Year Investments Limited, Tortola (VG)	100.0%	1/1	Immaterial
Companies rendering banking-related ancillary services			
2 subsidiaries of Tatra banka a.s., Bratislava (SK)		1/1	Immaterial
GSI Group Software Investment AG, Zug (CH)	100.0%	1/1	End of operations
Other companies			
7 subsidiaries Raiffeisen Financial Services Company Zrt., Budapest (HU)		1/1	Immaterial
Raiffeisen Insurance and Reinsurance Broker S.R.L., Bucharest (RO)	75.0%	1/1	Immaterial
Raiffeisen International Liegenschaftsbesitz GmbH, Vienna (AT)	100.0%	1/1	Immaterial

In the reporting period, there was no effect on cash flow resulting from disposal of group assets, as the disposal was mainly due to reasons of immateriality.

Foreign currency translation

Financial statements of fully consolidated companies prepared in foreign currencies were translated into euros employing the modified current rate method in accordance with IAS 21. Equity was translated at its historical exchange rates while all other assets, liabilities and the notes were translated at the prevailing foreign exchange rates as of the reporting date. Differences arising from the translation of equity (historical exchange rates) were offset against retained earnings.

The items of the income statement were translated at the average exchange rates during the year calculated on the basis of month-end rates. Differences arising between the exchange rate as of the reporting date and the average exchange rate applied in the income statement were offset against equity.

In the case of three subsidiaries not headquartered in the euro-area, the euro, and for three subsidiaries, the US dollar was the reporting currency for measurement purposes given the economic substance of the underlying transactions. Roof Russia S.A., Luxemburg, carries out its business transactions and refinancing in US dollars, therefore the functional currency is the US dollar.

Golden Rainbow International Limited, Tortola, converted the functional currency from the euro to the Singapore dollar due to changed refinancing.

The following exchange rates were used for currency translation:

Rates in units per €	2010		2009	
	As of 31/12	Average as of 31/12	As of 31/12	Average as of 31/12
Albanian lek (ALL)	138.770	138.041	137.960	131.975
Belarusian rouble (BYR)	3,972.600	3,953.672	4,106.110	3,841.162
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)	7.383	7.295	7.300	7.345
Czech koruna (CZK)	25.061	25.356	26.473	26.525
Great Britain Pound (GBP)	0.861	0.858	0.888	0.895
Hungarian forint (HUF)	277.950	276.039	270.420	280.304
Kazakh tenge (KZT)	195.230	196.093	212.840	203.742
Moldovan leu (MDL)	16.105	16.436	17.625	15.510
Polish zloty (PLN)	3.975	4.013	4.105	4.332
Romanian leu (RON)	4.262	4.218	4.236	4.225
Russian rouble (RUB)	40.820	40.447	43.154	44.068
Serbian dinar (RSD)	105.498	102.903	95.889	93.695
Singapore dollar (SGD)	1.714	1.812	2.019	2.022
Swiss franc (CHF)	1.250	1.379	1.484	1.506
Ukrainian hryvnia (UAH)	10.573	10.550	11.449	10.893
US-dollar (USD)	1.336	1.330	1.441	1.396

Recognition and measurement principles

Financial instruments: Recognition and measurement (IAS 39)

According to IAS 39, financial assets, financial liabilities and derivative financial instruments are to be recognized on the statement of financial position. A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Measurement of financial instruments is effected according to the measurement categories to which they belong. They are defined as follows:

1. Financial assets or liabilities at fair value through profit and loss
   a. Trading assets/liabilities
   b. Designated financial instruments at fair value
2. Financial assets held-to-maturity
3. Loans and advances
4. Financial assets available-for-sale
5. Financial liabilities

1. Financial assets or liabilities at fair value through profit and loss

a. Trading assets/liabilities
Trading assets/liabilities are acquired or incurred principally for the purpose of generating profit from short-term fluctuations in market prices. Securities (including short selling of securities) and derivative financial instruments held-for-trading are recognized at their fair values. If securities are listed, the fair value is based on stock exchange prices. Where such prices are not available, internal prices based on present value calculations for originated financial instruments and futures or option pricing models for options are applied. Present value calculations are based on an interest curve which consist of money market rates, future rates and swap rates and do not include risk premium. As option price formulas Black-Scholes 1972, Black 1976 or Garman-Kohlhagen are applied depending on the kind of option.

Derivative financial instruments held-for-trading are also shown under trading assets or trading liabilities. Positive fair values including accrued interest (dirty price) are shown under trading assets. Negative fair values are recorded under trading liabilities. Positive and negative fair values are not netted. Changes in dirty prices are recognized in net trading income. Derivatives that are used neither for trading purposes nor for hedging purposes are recorded under the item derivatives. Furthermore, any liabilities from the short selling of securities are shown in trading liabilities.

b. Designated financial instruments at fair value
This category comprises mainly all those financial assets that are irrevocably designated as financial instrument at fair value (so called fair value option) upon initial recognition in the statement of financial position independent of the intention to trade. An entity may use this designation only when doing so results in more relevant information, because a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis.

These instruments are debt securities and other fixed-interest securities or equities and other variable-yield securities. These financial instruments are valued at fair value under IAS 39. In the statement of financial position, they are shown under the item financial investments, current income is shown under net interest income, valuation results and proceeds from disposals are shown in net income from financial investments.

On the other hand, liabilities are designated as financial instruments at fair value to avoid valuation discrepancies with related derivatives. The fair value of financial obligations under the fair value option contains all market risk factors, including those related to the credit risk of the Group. These financial obligations are mainly structured bonds. The fair value of these financial obligations is determined by discounting the contractual cash flows using a credit risk adjusted yield curve, which reflects the level at which a similar financial instrument could be issued at the reporting date. Market risk parameters are evaluated in comparison to similar financial instruments that are held as assets. Valuation results for liabilities that are designated as financial instruments at fair value are reported in net income from derivatives and designated liabilities.

2. Financial assets held-to-maturity

Non-derivative financial assets (securities with fixed or determinable payments and fixed maturities) purchased with the intention and ability to hold them to maturity are reported in the position financial investments. They are recognized at amortized cost and differences are amortized over the term to maturity and recognized in the income statement under net interest income. If impairment occurs it is taken account of when determining the amortized cost and impairment is shown in net income from financial investments. Coupon payments are also recognized under net interest income. A sale of these financial instruments is only allowed in cases as stated in IAS 39.

3. Loans and advances

Non-derivative financial assets with fixed or determinable payment for which there is no active market are allocated to this category. They are measured at amortized cost. If impairment occurs it is taken account of when determining the amortized cost. If there is a difference between the amount paid and face value – and this has interest character – the effective interest method is used and the amount is accrued as profit or loss. Profits from the sale of loans are recognized in the income statement item net provisioning for impairment losses. Moreover, debt instruments are also stated there if there is no active market. Derecognition of financial assets within the framework of securitizations is – after checking if the securitized special purpose entity has to be integrated into the consolidated accounts – done on a risk and rewards or control test according to IAS 39 after identifying loss of control over the contractual rights arising from the financial asset.

4. Financial assets available-for-sale

The category of financial assets available-for-sale contains those financial instruments (mainly equity participations for which there is no active market) that did not qualify for any of the other three categories. They are stated at fair value, if a fair value is reliably measurable. Valuation differences are shown in other comprehensive income and only recognized in the income statement under net income from financial investments if there is an objective indication of impairment. For equity instruments impairment exists, among other things, if the fair value is either significantly or for a prolonged period of time below cost.

In the Group, equity instruments classified as available-for-sale are written-off when the fair value over the last six months before the reporting date was consistently more than 20 per cent below carrying value, or in the last twelve months, on average, more than 10 per cent below carrying value. In addition to these quantitative indications (trigger events), qualitative indications from IAS 39.59 are considered. It is not permitted to include the appreciation in value in the income statement for equity instruments classified as available for sale, but rather this should be recognized in other comprehensive income under the item fair value reserve (available-for-sale financial assets). This means that only impairments or disposals are to be shown in the income statement.

Unquoted equity instruments, for which reliable fair values cannot be assessed regularly, are valued at cost less impairment losses and it is not possible to show an appreciation in value.

This kind of financial instruments is reported under financial investments.

5. Financial liabilities

Liabilities are recognized at amortized cost. Discounted debt securities and similar obligations are measured at their present value. Financial liabilities measured at fair value are shown in the category liabilities at fair value through profit and loss.

Reclassification

In accordance with IAS 39.50, non-derivative financial instruments classified as trading assets and available-for-sale financial instruments can be reclassified as financial assets held-to-maturity and loans and advances in exceptional circumstances. In 2010, no use was made of the possibility to reclassify. The effects resulting from the reclassification of previous years are shown in the notes under (20) financial investments.

Fair value

The fair value is the amount for which an asset could be exchanged and liability settled between knowledgeable, willing parties in an arm's length transaction.

Quotation on an active market (level I)

If market prices are available, the fair value is reflected by the market price. This category contains equity instruments traded on the stock exchange, debt instruments traded on the interbank market, and derivatives traded on the stock exchange.

Measurement techniques based on observable market data (level II)

When current bid and asking prices for financial instruments are unavailable, the prices of similar financial instruments provide evidence of the current fair value or are determined by accepted measurement methods enclosing observable prices or parameters (in particular present value calculation or option price model). These methods concern the majority of the OTC-derivates and non-quoted debt instruments.

Measurement techniques not based on observable market data (level III)

If no observable stock exchange prices or prices are available, the fair value will be measured by adequate measurement models. The utilization of these models requires assumptions and estimates of the management. The scope of assumptions and estimates depend on the price transparency of the financial instrument, the market and the complexity of the instrument.

Categories of financial instruments according to IFRS 7

As the nature of the financial instruments is already shown by the classification of the items of the statement of financial position, the formation of categories is built in line with these items, which include financial instruments. Categories of financial instruments on the asset side are cash reserve, loans and advances to banks, loans and advances to customers, trading assets, derivative financial instruments, derivatives for hedge accounting, and financial investments (among this category are separately financial assets not traded on an active market and which are shown at cost). Categories of financial instruments on the liability side are liabilities from trading activities, derivative financial instruments, derivatives for hedge accounting, deposits from banks, deposits from customers, debt securities issued and subordinated capital.

Classes	Measurement Fair Value	Amortized Cost	Others	Category according to IAS 39
Asset classes				
Cash reserve			Nominal value	n/a
Trading assets	X			Held-for-trading
Derivatives	X			Held-for-trading
Loans and advances to banks		X		Loans and advances
Loans and advances to customers		X		Loans and advances
of which finance lease business		X		n/a
Financial investments	X			At fair value through profit and loss
Financial investments	X			Available-for-sale
Financial investments		X		Held-to-maturity
of which not traded on an active market			At Cost	Available-for-sale
Positive fair values of derivatives for hedge accounting (IAS 39)	X			n/a
Liability classes				
Trading liabilities	X			Held-for-trading
Derivatives	X			Held-for-trading
Deposits from banks		X		Financial liabilities
Deposits from customers		X		Financial liabilities
Subordinated capital		X		Financial liabilities
Debt securities issued		X		Financial liabilities
Debt securities issued	X			At fair value through profit and loss
Negative fair values of derivatives for hedge accounting (IAS 39)	X			n/a

Derivatives

The Group uses derivates including swaps, standardized forward contracts, futures, credit derivatives, options and similar contracts. Within the operating activity, the Group carries out different transactions with derivative financial instruments for trading and hedging purposes. The Group applies derivatives in order to meet the requirements of the clients concerning their risk management, to manage and secure risks and to generate profit in proprietary trading. Derivatives are initially recognized at the time of the transaction at fair value and subsequently revalued to fair value. The resulting valuation gain or loss is recognized immediately in net income from derivatives, unless the derivative is designated as a hedging instrument for hedge accounting purposes and the hedge is effective. Here the timing of the recognition will depend on the type of hedging relationship.

Derivatives, which are used for hedging against market risk (excluding trading assets/liabilities) for a non-homogeneous portfolio, do not meet the conditions for IAS 39 hedge accounting. These are recognized as follows: the dirty price is booked under derivatives in the statement of financial position (positive fair values on the asset side and negative fair values on the liability side). The change in value of these derivatives, on the basis of the clean price, is shown in net income from derivatives and interest is shown in net interest income.

Credit derivatives, the value of which is dependent on future specified credit (non-) events are shown under derivatives (positive fair values on the asset side and negative fair values on the liability side). Changes in valuation are recognized under net income from derivatives.

Hedge Accounting

If derivates are held for the purpose of risk management and if the respective transactions meet specific criteria, the Group uses hedge accounting. The Group designates hedging instruments, primarily derivatives, as either fair value hedge, cash-flow hedge or hedge of a net investment in a foreign operation (capital hedge). At the beginning of the hedging relationship, the relationship between underlying and hedging instrument, including the risk management objectives, is documented. Furthermore, it is necessary to document from the beginning and during the hedging relationship that the fair value or cash flow hedge is effective to a large degree.

a. Fair value hedge

Hedge Accounting according to IAS 39 applies for those derivatives that are used to hedge the fair values of financial assets and liabilities. The credit business is especially subject to such fair value risks if it deals with fixed-interest loans. Interest-rate swaps that satisfy the prerequisites for hedge accounting are contracted to hedge against the interest-rate risks arising from loans. Hedges are formally documented, continuously assessed, and rated to be highly effective. In other words, throughout the term of a hedge, one can assume that changes in the fair value of a hedged item will be nearly completely offset by a change in the fair value of the hedging instrument and that the actual outcome will lie within a band of 80 to 125 per cent.

Derivative instruments held to hedge the fair values of individual items in the statement of financial position (except trading assets/liabilities) are recognized at their fair values (dirty prices) under derivatives (on the assets side: positive dirty prices; on liabilities side: negative dirty prices). Changes in the carrying amounts of hedged items (assets or liabilities) are allocated directly to the corresponding items of the statement of financial position and reported separately in the notes. Both the effect of changes in the carrying values of positions requiring hedging and the effects of changes in the clean prices of the derivative instruments are recorded under net income from derivatives (net income from hedge accounting).

b. Cash flow hedge

Cash flow hedge accounting according to IAS 39 applies for those derivatives that are used to hedge against the risk of fluctuating future cash flows. Variable-interest liabilities are especially subject to such cash flow risks. Interest rate swaps used to hedge against the risk of fluctuating cash flows arising from specific variable interest-rate items, are recognized as follows: The hedging instrument is recognized at fair value, therefore changes in its clean price are recorded as separate item in other comprehensive income.

c. Hedge of a net investment in a foreign operation (capital hedge)

In the Group, hedges of investments in economically independent sub-units (IAS 39.102) were made in order to reduce differences arising from the translation of equity. Liabilities in foreign currency, currency options, currency futures and currency swaps are mainly used as hedging instruments.

Where the hedge is effective the resulting gains or losses from foreign currency translation are recognized and shown separately in other comprehensive income.

Any ineffective part of this hedge relation is recognized in net trading income. The related interest components are shown in net interest income. There were no deferred taxes calculated due to the applied exception regulations according to IAS 12.39.

Offsetting

In the case of identity of borrower and lender, offsetting of loans and liabilities with matching maturities and currencies occurs, only if a legal right, by contract or otherwise, exists and offsetting is in line with the actually expected course of the business.

Cash reserve

The cash reserve includes cash in hand and balances at central banks that are due on call. They are shown with their nominal value.

Impairment losses on loans and advances

At each reporting date an assessment is made as to 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 reporting date (a 'loss event'),
- that loss event 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 are 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 non-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 loan loss 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.

Derecognition of financial assets and liabilities

Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows arising from a financial asset expire or when the Group has transferred the rights or if the Group has the obligation in case that certain criterion occurs to transfer the cash flows to one or more receivers. A transferred asset is also derecognized if all material risks and rewards of ownership of the assets are transferred.

Securitization transactions

The group securitizes several financial assets from transactions with private customers and business customers by selling them to a special purpose entity that issues securities to investors. The assets transferred are derecognized fully or partly. Rights to securitized financial assets can be retained in the form of junior or subordinated tranches, interest claims or other remaining claims (retained rights).

Derecognition of financial liabilities

The Group derecognizes a financial liability if the obligations of the Group have been paid, expired or revoked.

Genuine sale and repurchase agreements

In a genuine sale and repurchase transaction, the transferor sells assets to a third party and agrees at the same time to repurchase these assets at an agreed price and time. The assets remain on the statement of financial position of the transferor and are measured like the item in the statement of financial position where they are shown. Cash inflows arising from a sale and repurchase transaction are recognized in the statement of financial position as deposits from banks or deposits from customers depending on the counterparty.

Under reverse repurchase agreements, assets are acquired with the obligation to sell them in the future. Cash outflows arising from reverse repurchase agreements are recorded in the statement of financial position under loans and advances to banks or loans and advances to customers.

Interest expense from sale and repurchase agreements and interest income from reverse sale and repurchase agreements are accrued in a straight line over their term to maturity and are shown under net interest income.

Securities lending

Securities lending transactions are shown in the same way as genuine sale and repurchase agreements. This means loaned securities continue to remain in the securities portfolio and are valued according to IAS 39. Borrowed securities are not recognized and not valued. Cash collateral provided for securities-lending transactions are shown as a claim and collateral received are shown as a liability.

Leasing

Leases are classified according to their contractual structure as follows:

Finance leases

When nearly all the risks and rewards of a leased asset are transferred to the lessee, the Group as lessor recognizes a loan to banks or customers. The loan amount is the amount of the net investment. The proceeds from the finance lease are distributed at a constant periodic rate of the outstanding net investment in the leases. Under a finance lease the lessee holds assets that are shown under the relevant tangible fixed asset item, which corresponds to a lease liability.

Operating leases

An operating lease occurs when the risks and rewards of ownership remain with the lessor. The leased assets are allocated to the Group under tangible fixed assets and depreciated in accordance with the principles applicable to the type of fixed assets. Rental income from the corresponding lease object is amortized on a straight-line basis over the term of the leasing contract and reported in other net operating income. Operating expenses for leases are generally amortized on a straight-line basis over the term of leasing contract and reported as administrative expenses.

Equity participations

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 shares prices are available.

Other shareholdings are categorized as financial assets available-for-sale upon initial recognition. Changes in value are therefore recognized in other comprehensive income. Impairment is shown in net income from financial investments.

Intangible fixed assets

Under this item, internally developed and acquired software, brand rights, acquired customer bases and especially goodwill are stated. Intangible fixed assets acquired in a business combination are reported separately from goodwill and measured at fair value. Goodwill and other intangible fixed assets (e.g. brand rights) without definite useful lives are tested for impairment at each reporting date and also during the year whenever trigger events occur. Whenever events or changes in circumstances indicate that the expected benefit no longer exists, impairment must be made pursuant to IAS 36.

Acquired intangible fixed assets (software, customer base) with determinable useful lives are capitalized at acquisition cost and amortized over their estimated useful lives.

Internally developed intangible fixed assets comprise exclusively of software. Software is capitalized if it is probable that the future economic benefits attributable to the asset will accrue to the enterprise and the cost of the asset can be measured reliably. Expenses for research are recognized as an expense when they are incurred. The useful life of software is between four and six years and may be longer for major software projects. The useful life of the acquired customer base was set at seven years for corporate customers and for the acquired customer base in the retail segment of Raiffeisen Bank Aval JSC at 20 years and for Impexbank (meanwhile merged with ZAO Raiffeisenbank) and eBanka (meanwhile merged with Raiffeisenbank a.s.) at five years.

Tangible fixed assets

Tangible fixed assets are measured at cost of acquisition or conversion less scheduled depreciation. The straight-line method is used for depreciation and is based on the following useful life figures:

Useful life	Years
Buildings	25 – 50
Office furniture and equipment	5 – 10
Hardware	3 – 5

Land is not subject to scheduled depreciation.

Expected useful lives, residual values and depreciation methods are reviewed annually and any necessary future change of estimates are taken into account. If a permanent impairment is to be expected, extraordinary write-downs are carried out. In the event that the reason for the write-down no longer applies, a write-up will take place up to the amount of the amortized cost of the asset.

The resulting gain or loss from the sale of any asset is determined as the difference between the proceeds and the carrying value of the asset and is recognized in other net operating income. When assets are retired, the remaining carrying amount is also recognized in the income statement.

Investment property

This means property that is held to earn rental income and/or for capital appreciation. Investment property is reported at amortized cost using the cost model permitted by IAS 40 and is shown under tangible fixed assets because of minor importance. Income resulting from investment property is shown in other net operating income.

Inventory

Inventories are measured at the lower of cost or net realizable value. Write-downs are made if the acquisition cost is above the net realizable value as of the reporting date or if limited usage or longer storage periods have impaired the value of the inventory.

Non-current assets held for sale and discontinued operations

Non-current assets and discontinued operations are classified as held for sale when the related carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is only considered met if the sale is highly probable and the asset (or discontinued operation) is immediately available for sale and furthermore that the management has committed itself to a sale. Moreover, the sale transaction must be completed within 12 months.

Non-current assets and discontinued operations classified as held for sale are valued at the lower amount of their original carrying value or fair value less costs to sell and are reported under other assets.

Provisions for liabilities and charges

Provisions are recognized when the Group has a present obligation from a past event, where it is likely that it will be obliged to settle, and a reliable estimate of the amount is possible. The level of provisions is the best possible estimate of expected outflow of economic benefits at the reporting date while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation.

Provisions for pensions and similar obligations

All defined benefit plans relating to so-called social capital (provisions for pensions, provisions for severance payments, provisions for anniversary bonuses) are measured using the Projected Unit Credit Method in accordance with IAS 19 – Employee Benefits.

The actuarial calculation of pension obligations for active employees is based on the following assumptions:

Per cent	2010	2009
Interest rate	4.25	4.75
Effective salary increase for active employees	2.5	3.0
Individual career trend for active employees	2.5	2.0
Expected increase in retirement benefits	2.0	2.0
Expected return on plan assets	4.25	4.25

Calculations are based on an assumed retirement accession age of 65 years for men and 60 years for women and are subject to transitional statutory regulations and special arrangements in individual contracts. Actuarial gains or losses calculated for pension obligations are recognized immediately in profit. No use was made of the corridor method according to IAS 19.92.

The actuarial computation of severance payments and anniversary bonuses is based on the following assumptions:

Per cent	2010	2009
Interest rate	4.25	4.75
Average increase in salary	2.5	3.0
Individual career trend	2.5	2.0

The biometrical basis for the calculation of provisions for pensions, severance payments and anniversary bonuses of Austrian companies is provided by AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance) – Pagler & Pagler, using the variant for salaried employees. In other countries, comparable actuarial parameters are used for calculation.

Other provisions

Other provisions are made to uncertain liabilities against third parties in the amount of the expected claim. These provisions are not discounted because the resulting interest effect is immaterial.

Defined contribution plans

Under defined contribution plans, the company pays fixed contributions into a separate entity (a fund). These payments are recognized as staff expenses in the income statement.

Subordinated capital

The item comprises subordinated capital and supplementary capital. Liabilities documented or undocumented are subordinated if, in the event of liquidation or bankruptcy, they can only be met after the claims of the other – not subordinated – creditors have been satisfied. Supplementary capital contains all paid-in own funds which are available for the company for more than eight years, for which interest is paid only from the profit and which can be repaid in the case of solvency only after all other debtors are satisfied.

Share-based remuneration

The Managing Board of RBI AG obtained Supervisory Board approval to institute a share incentive program (SIP) offering performance-based allotments of company shares for eligible employees at home and abroad for a given period of time. All former Managing Board members and selected upper management personnel of RBI AG and managing board members of affiliated bank subsidiaries and other affiliated companies are eligible to participate.

The number of common shares in RBI AG to be actually transferred will depend on meeting two performance criteria: the targeted average return on equity (ROE) and the total shareholder return (TSR) for RBI AG shares in relation to TSRs of shares in the DJ EURO STOXX BANKS index after a three-year holding period. Moreover, beneficiaries have to be in active service for RBI. SIP participation is voluntary.

All share-based remunerations are recognized according to IFRS 2 (Share-based Payment) as staff expenses and recognized directly against equity.

Net interest income

Interest and similar income mainly includes interest income on loans and advances to banks and customers and from fixed-interest securities. In addition, current income from shares and other variable-yield securities (especially dividends), income from equity participations and from investments accounted for at equity, and similar income calculated as interest are also reported under net interest income. Dividend income is recognized if the entitlement of the owner for payment exists. Interest paid and similar charges mainly include interest paid on deposits from banks and customers and on debt securities issued and subordinated capital. Interest income and interest expenses are accrued in the reporting period.

Net fee and commission income

Net fee and commission income mainly includes income and expenses arising from payment transfers, foreign exchange business and credit business. Fee and commission income and expenses are accrued in the reporting period.

Net trading income

Net trading income comprises the trading margins resulting from the foreign exchange business, results due to foreign exchange revaluations and all realized and unrealized gains and losses from financial assets and liabilities at fair value. In addition, it includes all interest and dividend income attributable to trading activities and related refinancing costs.

General administrative expenses

General administrative expenses include staff and other administrative expenses as well as amortization/depreciation and impairment losses for tangible and intangible fixed assets.

Income taxes

Current taxes are calculated on the basis of taxable income of the current year. The taxable income deviates from the profit of the statement of comprehensive income due to expenses and income which are taxable or tax-deductible in the following years or which are never taxable or tax-deductible. The liability is recognized on the basis of the actual tax rate or the future tax rate which is enacted by the end of the reporting period.

Deferred taxes are recognized and calculated in accordance with IAS 12 applying the liability method. Deferred taxes are based on all temporary differences that result from comparing the carrying amounts of assets and liabilities in the IFRS accounts with the tax bases of assets and liabilities, and which will reverse in the future. Deferred taxes are calculated by using tax rates applicable in the countries concerned. A deferred tax asset should also be recognized on tax loss carry-forwards if it is probable that sufficient taxable profit will be available against which the tax loss carry-forwards can be utilized within the same entity. On each reporting date, the carrying amount of the deferred tax assets is reviewed and impaired if it is not probable that sufficient taxable income is available in order to partly or fully realize the tax assets. Deferred tax assets and deferred tax liabilities within the same entity are netted.

Income tax credits and income tax obligations are recorded separately under other assets and tax provisions respectively.

Current and deferred taxes are recognized as profit or loss. In case that they are linked to items which are recognized in other comprehensive income, current and deferred taxes are also directly recognized in other comprehensive income.

Other comprehensive income

Other comprehensive income comprises all income and expenses directly recognized in equity according to IFRS standards. Other comprehensive income contains currency differences resulting from the translation of equity held in foreign currency, changes resulting from the hedging of a net investment in a foreign entity (capital hedge), the effective part of a cash flow hedge, changes resulting from valuation of available-for-sale financial assets as well as deferred taxes on the mentioned items.

Fiduciary business

Transactions arising from the holding and placing of assets on behalf of third parties are not shown in the statement of financial position. Fees arising from these transactions are shown under net fee and commission income.

Financial guarantees

According to IAS 39, a financial guarantee is a contract under which the guarantor is obliged to make payments that compensate the party to whom the guarantee is issued for a loss arising in the event that a particular debtor does not meet payment obligations on time as stipulated in the original terms of the debt instrument. At the date of recognition of a financial guarantee, the initial fair value corresponds under market conditions to the premium at the date of signature of the contract. For subsequent valuations the credit commitment has to be presented as provision according to IAS 37.

Contingent liabilities and commitments

The Group has contingent liabilities from guarantees, credit guarantees, letters of credit and loan commitments recognized at face value. Guarantees are used in situations in which the Group guarantees payment to the creditor to fulfill the obligation of a third party. Irrevocable credit lines must be reported when a credit risk may occur. These include commitments to provide loans, to purchase securities or to provide guarantees and acceptances. Loan loss provisions for contingent liabilities and irrevocable loan commitments are reported under provisions for liabilities and charges.

Statement of cash flows

The cash flow statement reports the change in the cash and cash equivalents of the company through the net cash from operating activities, investing and financing activities. Cash flows for investing activities mainly include proceeds from the sale, or payments for the acquisition of financial investments and tangible fixed assets. The net cash from financing activities shows all cash flows from equity capital, subordinated debt, and participation capital. All other cash flows are – according to international practices for financial institutions – assigned to cash flows from operating activities.

Segment reporting

Notes on segment reporting are to be found in the chapter segment reports.

Notes to the nature and extent of risks

Information about risks arising from financial instruments is disclosed in the explanatory notes. The risk report contains detailed information in the sections credit risk, country risk, concentration risk, market risk and liquidity risk.

Capital management

Information on capital management, regulatory own funds and risk-weighted assets are disclosed under note (53) capital management and regulatory own funds.

Notes to the income statement

(1) Income statement according to measurement categories

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

€000	2010	2009
Net gains (losses) on financial assets and liabilities held-for-trading	**304,784**	**348,485**
Financial assets and liabilities at fair value through profit or loss	**364,155**	**253,136**
Interest income	252,385	213,645
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	111,770	39,491
Financial assets available for sale	**20,638**	**6,474**[1]
Interest income	9,666	3,009[1]
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	15,728	8,540
Impairment on financial assets not measured at fair value through profit and loss	(4,756)	(5,075)
Loans and advances	**4,134,392**	**3,271,232**
Interest income	5,342,692	5,009,115
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	2,879	12,652
Impairment on financial assets not measured at fair value through profit and loss	(1,211,179)	(1,750,534)
Financial assets held-to-maturity	**452,050**	**183,816**
Interest income	445,896	185,421
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	5,010	3
Impairment on financial assets not measured at fair value through profit and loss	1,144	(1,607)
Financial liabilities	**(2,784,131)**	**(2,645,736)**
Interest expenses	(2,784,131)	(2,645,736)
Derivatives (hedging)	**(10,324)**	**(11,642)**
Net interest income	(9,718)	(14,083)
Net gains (losses) from hedge accounting	(606)	2,441
Net revaluations from exchange differences	**283,481**	**25,819**
Other operating income/expenses	**(1,477,723)**	**(1,063,987)**[1]
Profit before tax from continuing operations	**1,287,322**	**367,597**

1 Adaption of previous year figures due to different mapping.

(2) Net interest income

The net interest income position includes income and expenses from items of banking business, dividend income, and fees and commissions with interest-like characteristics.

€000	2010	2009
Interest and interest-like income, total	**6,364,799**	**5,588,567**
Interest income	6,334,282	5,578,983
from balances at central banks	84,969	108,972
from loans and advances to banks	447,943	120,786
from loans and advances to customers	4,571,885	4,498,805
from financial investments	696,577	399,036
from leasing claims	221,448	283,266
from derivative financial instruments (non-trading), net	311,460	168,118
Current income	11,369	3,038
from shares and other variable-yield securities	1,703	30
from shares in affiliated companies	5,474	1,473
from other interests	4,192	1,535
Interest-like income	19,148	6,546
Current income from associates	**200**	**2,931**
Interest expenses and interest-like expenses, total	**(2,786,831)**	**(2,654,996)**
Interest expenses	(2,740,480)	(2,650,285)
on deposits from central banks	(2,700)	(9,259)
on deposits from banks	(678,759)	(827,940)
on deposits from customers	(1,251,006)	(1,593,821)
on debt securities issued	(610,492)	(131,415)
on subordinated capital	(197,523)	(87,850)
Interest-like expenses	(46,351)	(4,711)
Net interest income	**3,578,168**	**2,936,502**

The interest margin on the respective averages of the stated base is as follows:

Per cent	2010	2009
Interest margin (total assets)	2.51	3.73
Interest margin (risk-weighted assets, credit risk)	4.97	5.38

Interest income includes interest income (unwinding) from impaired loans to customers and impaired loans to banks in the amount of € 234,803 thousand (2009: € 304,849 thousand). Interest income from impaired loans and advances to customers and banks is recognized with the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss. In the Ukrainian network unit, the method used to calculate interest on impaired loans was changed, which resulted in an effect of € 70,399 thousand, however this does not affect income as an equal and opposite entry was made to net provisioning for impairment losses.

(3) Net provisioning for impairment losses

Net provisioning for impairment losses on items reported on and off the statement of financial position is as follows:

€000	2010	2009
Individual loan loss provisions	**(1,196,101)**	**(1,564,705)**
Allocation to provisions for impairment losses	(1,681,809)	(1,774,035)
Release of provisions for impairment losses	530,848	271,455
Direct write-downs	(90,047)	(87,978)
Income received on written-down claims	44,907	25,853
Portfolio-based loan loss provisions	**(862)**	**(185,829)**
Allocation to provisions for impairment losses	(390,664)	(474,261)
Release of provisions for impairment losses	389,802	288,432
Gains from loan termination or sale	**2,879**	**12,652**
Total	**(1,194,084)**	**(1,737,882)**

The change of method in the Ukrainian network unit as described under net interest income led to a reduction of net provisioning for impairment losses of € 70,399 thousand.

Details on risk provisions are shown under note (17) impairment losses on loans and advances.

Ratios	2010	2009
Net provisioning ratio (average risk-weighted assets, credit risk)	1.66%	3.19%
Net provisioning ratio (total loans outstanding)	0.71%	1.95%
Loss rate	0.41%	0.30%
Portfolio rate	2.90%	3.53%

(4) Net fee and commission income

€000	2010	2009
Payment transfer business	599,023	543,283
Loan and guarantee business	281,567	199,835
Securities business	134,553	42,587
Foreign currency, notes/coins, and precious-metals business	329,909	332,878
Management of investment and pension funds	26,337	25,747
Sale of own and third party products	47,176	45,613
Credit derivatives business	2,804	(1,258)
Other banking services	69,423	34,372
Total	**1,490,792**	**1,223,057**

(5) Net trading income

The position net trading income also includes interest and dividend income, refinancing costs, commissions and any changes in fair value of trading portfolios.

€000	2010	2009
Interest-based transactions	211,076	116,903
Currency-based transactions	121,171	70,893
Equity-/index-based transactions	9,570	(1,471)
Credit derivatives business	(700)	0
Other transactions	(12,996)	15
Total	**328,121**	**186,340**

(6) Net income from derivatives and designated liabilities

€000	2010	2009
Net income from hedge accounting	(605)	2,441
Net income from credit derivatives	2,348	(3,100)
Net income from other derivatives	(63,384)	8,864
Net income from liabilities designated at fair value	(22,544)	0
Total	**(84,185)**	**8,205**

Net income from hedge accounting includes on the one hand, a valuation loss from derivatives of € 15,312 thousand (2009: positive result of € 1,564 thousand) and on the other hand, changes in the carrying amount of the fair value hedged items of plus € 14,707 thousand (2009: plus € 877 thousand).

Net income from other derivatives includes valuation results, which are held to hedge against market risks (except trading assets/liabilities). They are based on an inhomogeneous portfolio and do not satisfy the requirements for hedge accounting according to IAS 39.

Net income from liabilities designated at fair value comprises a profit from changes in own credit risk amounting to € 33,000 thousand (2009: € 0) and negative effects from changes in market interest rates.

(7) Net income from financial investments

The position net income from financial investments comprises valuation results and net proceeds from disposal of financial investment portfolio (held-to-maturity), from securities at fair value through profit and loss, and equity participations which include shares in affiliated companies, companies valued at equity, and other companies.

€000	2010	2009
Net income from financial investments held-to-maturity	**6,153**	**(1,605)**
Net valuations of financial investments held-to-maturity	1,143	(1,608)
Net proceeds from sales of financial investments held-to-maturity	5,010	3
Net income from equity participations	**11,024**	**3,464**
Net valuations of equity participations	(4,704)	(5,076)
Net proceeds from sales of equity participations	15,728	8,540
Net income from securities at fair value through profit and loss	**120,046**	**39,491**
Net valuations of securities at fair value through profit and loss	57,869	22,588
Net proceeds from sales of securities at fair value through profit and loss	62,177	16,903
Total	**137,223**	**41,350**

(8) General administrative expenses

General administrative expenses contain staff expenses, other administrative expenses and depreciation on tangible and intangible fixed assets. They break down as follows:

€000	2010	2009
Staff expenses	**(1,452,948)**	**(1,054,167)**
Wages and salaries	(1,115,001)	(805,599)
Social security costs and staff-related taxes	(265,055)	(207,757)
Other voluntary social expenses	(40,656)	(33,078)
Expenses on severance payments, retirement benefits and anniversary payments	(26,761)	(3,950)
Expenses on share incentive program (SIP)	(5,475)	(3,783)
Other administrative expenses	**(1,186,515)**	**(970,184)**
Office space expenses	(332,055)	(308,037)
IT expenses	(202,026)	(143,038)
Communication expenses	(94,886)	(80,833)
Legal, advisory and consulting expenses	(117,535)	(99,883)
Advertising, PR and promotional expenses	(109,662)	(80,303)
Deposit insurance fees	(73,422)	(66,388)
Office supplies	(32,605)	(30,714)
Car expenses	(20,724)	(18,532)
Security expenses	(45,382)	(35,928)
Traveling expenses	(25,080)	(15,964)
Training expenses for staff	(17,915)	(13,029)
Sundry administrative expenses	(115,223)	(77,535)

€000	2010	2009
Depreciation of intangible and tangible fixed assets	**(340,282)**	**(245,375)**
Tangible fixed assets	(180,354)	(146,689)
Intangible fixed assets	(128,093)	(68,570)
Leased assets (operating lease)	(31,835)	(30,116)
Total	**(2,979,745)**	**(2,269,726)**

Legal, advisory and consulting expenses include audit fees of the Group companies which comprise expenses paid for the audit of financial statements amounting to € 7,345 thousand (2009: € 5,315 thousand) and tax advisory as well as other additional consulting services provided by the auditors amounting to € 2,977 thousand (2009: € 1,954 thousand). T thereof, € 1,651 thousand (2009: € 300 thousand) are accounted for by the group auditor for the audit of the consolidated financial statement and the individual financial statement and € 670 thousand (2009: € 130 thousand) is accounted for the by other consulting services.

Amortization of intangible fixed assets capitalized in the course of initial consolidation amounted to € 5,994 thousand (2009: € 5,687 thousand). This is due to scheduled amortization of the acquired customer base.

(9) Other net operating income

The position other net operating income captures, among other things, sales revenues and expenses from non-banking activities, income and expenses from disposal as well as income from the revaluation of tangible and intangible fixed assets.

€000	2010	2009
Sales revenues from non-banking activities	834,260	118,627
Expenses arising from non-banking activities	(799,028)	(114,522)
Revenues from additional leasing services	91,823	84,502
Expenses from additional leasing services	(94,430)	(88,357)
Rental income from operating lease (vehicles and equipment)	36,468	35,330
Rental income from investment property incl. operating lease (real estate)	12,616	9,167
Net proceeds from disposal of tangible and intangible fixed assets	(9,233)	(3,080)
Other taxes	(73,810)	(51,679)
hereof special bank levies	(41,439)	0
Income from release of negative goodwill	0	28
Net expense from allocation and release of other provisions	(27,208)	(3,951)
Sundry operating income	77,174	33,411
Sundry operating expenses	(42,335)	(39,801)
Total	**6,297**	**(20,325)**

(10) Net income from disposal of group assets

In the reporting period, 41 subsidiaries were excluded from the consolidated group due to changed materiality limits. six subsidiaries were excluded due to end of operations. Net income from disposal of group assets amounted to € 4,734 thousand (2009: € 76 thousand).

(11) Income taxes

Income taxes break down as follows:

€000	2010	2009
Current income taxes	(357,066)	(148,722)
Austria	(41,338)	10,745
Foreign	(315,728)	(159,467)
Deferred taxes	246,905	68,222
Total	**(110,161)**	**(80,500)**

Raiffeisen Bank International AG and nine of its domestic subsidiaries are members of a joint tax entity headed by Raiffeisen Zentralbank Österreich Aktiengesellschaft. A tax benefit of € 12 thousand (2009: € 13,198 thousand) was granted to RBI AG by RZB AG to balance the tax effects.

The following reconciliation shows the relation between profit before tax and the effective tax burden:

€000	2010	2009
Profit before tax	**1,287,322**	**367,597**
Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent	**(321,830)**	**(91,899)**
Effect of divergent foreign tax rates	60,901	51,792
Tax decrease because of tax-exempted income from equity participations and other income	102,649	97,436
Tax increase because of non-deductible expenses	(55,781)	(81,243)
Other tax decreases and tax increases	103,900	(56,586)
Effective tax burden	**(110,161)**	**(80,500)**
Tax rate in per cent	**8.6**	**21.9**

Other tax deductions and tax increases include mainly deferred tax assets built on tax loss carry-forwards and belated tax payments. In the reporting period, the parent company built deferred tax assets on tax loss carry-forwards of € 119,905 thousand based on a new mid-term planning allowing that deferred tax assets can be realized within a reasonable period of time.

(12) Earnings per share

€000	2010	2009
Consolidated profit	1,087,475	212,181
Less dividend for participation capital/participation rights	(200,000)	(60,000)
Adapted consolidated profit	**887,475**	**152,181**
Average number of ordinary shares outstanding in thousand	194,530	153,674
Earnings per share in €	**4.56**	**0.99**

There were no conversion or option rights outstanding, so undiluted earnings per share are equal to diluted earnings per share. The capital increase by issuing 40,837,624 non-par shares in the course of the merger were considered in the calculation of the average number of ordinary shares outstanding.

Notes to the statement of financial position

(13) Statement of financial position according to measurement categories

The following table shows the statement of financial position according to IAS 39 measurement categories:

Assets according to measurement categories €000	2010	2009
Trading assets	**8,631,020**	**4,020,769**
Positive fair values of derivative financial instruments	4,187,699	857,630
Shares and other variable-yield securities	429,905	10,642
Bonds, notes and other fixed-interest securities	4,013,416	3,152,497
Financial assets at fair value through profit or loss	**8,070,267**	**3,233,527**
Shares and other variable-yield securities	279,787	197,118
Bonds, notes and other fixed-interest securities	7,790,480	3,036,409
Investments in associates	**4,961**	**5,437**[1]
Financial assets available for sale	**393,620**	**118,959**[1]
Investments in other affiliated companies	233,011	60,447
Other interests	160,609	58,512
Loans and advances	**99,267,608**	**62,709,168**
Loans and advances to banks	26,338,989	14,489,573
Loans and advances to customers	75,617,601	50,483,342
Other non-derivative financial assets	2,066,890	820,276
Impairment losses on loans and advances	(4,755,872)	(3,084,023)
Financial assets held-to-maturity	**11,206,783**	**3,949,790**
Bonds, notes and other fixed-interest securities	11,167,015	3,918,060
Purchased loans	39,768	31,730
Derivatives (hedging)	**925,409**	**21,565**
Positive fair values of derivatives (hedging)	925,409	21,565
Other assets	**2,673,446**	**2,216,114**
Intangible and tangible fixed assets	2,673,446	2,216,114
Total assets	**131,173,114**	**76,275,329**

1 Adaption of previous year figures due to different mapping.

Equity and liabilities according to measurement categories €000	2010	2009
Trading liabilities	**6,528,355**	**723,606**
Negative fair values of derivative financial instruments	5,337,984	719,535
Short-selling of trading assets	405,426	4,071
Certificates issued	784,945	0
Financial liabilities	**110,534,766**	**68,189,984**
Deposits from banks	33,659,182	20,110,170
Deposits from customers	57,633,113	42,578,249
Debt securities issued	13,997,986	2,526,651
Subordinated capital	4,001,098	2,470,285
Other non-derivative financial liabilities	1,243,387	504,629
Liabilities at fair value through profit and loss	**2,557,396**	**0**
Debt securities issued	2,557,396	0
Derivatives (hedging)	**476,764**	**50,026**
Negative fair values of derivatives (hedging)	476,764	50,026
Provisions for liabilities and charges	**671,908**	**311,531**
Equity	**10,403,925**	**7,000,182**
Total equity and liabilities	**131,173,114**	**76,275,329**

(14) Cash reserve

€000	2010	2009
Cash in hand	1,639,507	1,367,591
Balances at central banks	3,167,384	2,811,981
Total	**4,806,891**	**4,179,572**

(15) Loans and advances to banks

€000	2010	2009
Giro and clearing business	1,516,736	2,125,688
Money market business	14,789,329	7,903,797
Loans to banks	3,766,415	278,058
Purchased loans	34,510	208
Leasing claims	754	1,659
Claims evidenced by paper	1,424,662	691
Total	**21,532,406**	**10,310,101**

Of the purchased loans amounting to € 34,510 thousand, € 34,203 thousand are assigned to the measurement category loans and advances (2009: € 107 thousand) and € 307 thousand to held-to-maturity (2009: € 101 thousand).

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

€000	2010	2009
Austria	10,794,273	5,673,192
Foreign	10,738,133	4,636,909
Total	**21,532,406**	**10,310,101**

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

€000	2010	2009
Central banks	1,483,988	1,951,611
Commercial banks	20,038,435	8,335,838
Multilateral development banks	9,983	22,652
Total	**21,532,406**	**10,310,101**

(16) Loans and advances to customers

€000	2010	2009
Credit business	48,763,542	26,723,556
Money market business	5,000,582	2,148,354
Mortgage loans	16,887,910	17,874,752
Purchased loans	1,138,650	499,425
Leasing claims	3,108,925	3,266,872
Claims evidenced by paper	757,452	2,012
Total	**75,657,061**	**50,514,971**

Purchased loans amounting to € 1,099,190 thousand (2009: € 467,796 thousand) are assigned to the measurement category loans and advances. Purchased loans classified as held-to-maturity totaled € 39,460 thousand (2009: € 31,629 thousand).

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

€000	2010	2009
Sovereigns	1,493,464	1,157,831
Corporate customers – large	49,201,202	25,371,785
Corporate customers – small business	3,828,783	3,815,092
Retail customers – private individuals	18,548,815	17,790,107
Retail customers – small and medium-sized entities	2,441,270	2,351,931
Other	143,527	28,225
Total	**75,657,061**	**50,514,971**

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

€000	2010	2009
Austria	7,913,930	31,685
Foreign	67,743,131	50,483,286
Total	**75,657,061**	**50,514,971**

(17) Impairment losses on loans and advances

Provisions for impairment losses are formed in accordance with uniform Group standards and cover all recognizable credit risks. A table with the development of the impairment losses on loans and advances can be found in the risk report on page 200 Provisions for impairment losses are allocated to the following asset classes according to the Basel II definition:

€000	2010	2009
Banks	255,020	3,438
Sovereigns	996	2,915
Corporate customers – large	2,431,647	1,364,783
Corporate customers – small business	407,459	332,662
Retail customers – private individuals	1,417,968	1,169,892
Retail customers – small and medium-sized entities	242,782	210,333
Total	**4,755,872**	**3,084,023**

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

31/12/2010 €000	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	21,270,497	21,532,406	271,087	236,579	18,440	21,277,387
Sovereigns	1,404,555	1,493,464	12,489	996	0	1,492,468
Corporate customers – large	46,229,254	49,344,729	3,597,547	2,025,674	405,973	46,913,082
Corporate customers – small business	3,468,804	3,828,783	670,167	375,802	31,657	3,421,324
Retail customers – private individuals	17,918,352	18,548,815	1,789,377	1,115,494	302,474	17,130,847
Retail customers – small and medium-sized entities	2,379,029	2,441,270	319,913	192,749	50,033	2,198,488
Total	**92,670,491**	**97,189,467**	**6,660,580**	**3,947,294**	**808,577**	**92,433,596**

31/12/2009 €000	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	10,306,241	10,310,101	4,241	3,430	8	10,306,663
Sovereigns	1,142,721	1,157,831	80,344	2,915	0	1,154,916
Corporate customers – large	24,477,546	25,371,785	2,776,422	1,137,224	227,559	24,007,002
Corporate customers – small business	3,664,984	3,815,092	581,853	279,927	52,735	3,482,430
Retail customers – private individuals	17,595,666	17,790,107	1,192,012	777,874	392,018	16,620,215
Retail customers – small and medium-sized entities	2,275,519	2,351,931	270,943	156,639	53,694	2,141,599
Other	28,453	28,224	129	0	0	28,224
Total	**59,491,130**	**60,825,071**	**4,905,944**	**2,358,009**	**726,014**	**57,741,049**

Impaired assets

The following table shows the carrying amount of individually impaired assets, the amount of individually allocated provisions and the corresponding net value of available collaterals:

31/12/2010	Impairments and collaterals				
€000	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
Banks	271,087	236,579	34,508	0	4,623
Sovereigns	12,489	996	11,493	32	853
Corporate customers – large	3,597,547	2,025,675	1,571,872	1,114,480	104,469
Corporate customers – small business	670,167	375,802	294,365	288,731	26,233
Retail customers – private individuals	1,789,377	1,115,494	673,883	638,964	87,960
Retail customers – small and medium-sized entities	319,913	192,749	127,164	95,020	10,664
Total	**6,660,580**	**3,947,295**	**2,713,285**	**2,137,228**	**234,803**

31/12/2009	Impairments and collaterals				
€000	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
Banks	4,241	3,430	811	391	27
Sovereigns	80,344	2,915	77,429	8,099	1,816
Corporate customers – large	2,776,422	1,137,223	1,639,199	1,349,302	121,169
Corporate customers – small business	581,853	279,927	301,926	477,086	40,496
Retail customers – private individuals	1,192,012	777,874	414,138	719,163	118,627
Retail customers – small and medium-sized entities	270,943	156,640	114,303	194,501	22,713
Other	129	0	129	0	0
Total	**4,905,944**	**2,358,009**	**2,547,935**	**2,748,541**	**304,849**

(18) Trading assets

The trading assets consist of the following securities and derivative instruments held-for-trading:

€000	2010	2009
Bonds, notes and other fixed-interest securities	**4,013,416**	**3,152,498**
Treasury bills and bills of public authorities eligible for refinancing	1,083,173	1,300,762
Other securities issued by the public sector	870,387	1,094,950
Bonds and notes of non-public issuers	2,059,856	756,786
Shares and other variable-yield securities	**430,428**	**10,642**
Shares	267,613	8,578
Mutual funds	72,323	1,734
Other variable-yield securities	90,492	330
Positive fair values of derivative financial instruments	**3,624,549**	**546,312**
Interest-based transactions	2,818,894	333,073
Currency-based transactions	642,939	210,515
Equity-/index-based transactions	95,885	2,710
Credit derivatives business	47,789	0
Other transactions	19,042	14
Total	**8,068,393**	**3,709,452**

Pledged securities ready to be sold or repledged by transferee are allocated to the appropriate securities category in the table above. Further details are shown under note (40) genuine sale and repurchase agreements.

(19) Derivatives

€000	2010	2009
Positive fair values of derivatives in fair value hedges (IAS 39)	**360,827**	**21,565**
Interest-based transactions	360,827	21,151
Currency-based transactions	0	414
Positive fair values of derivatives in cash flow hedges (IAS 39)	**564,583**	**0**
Interest-based transactions	564,583	0
Positive fair values of credit derivatives	**9,472**	**165**
Positive fair values of other derivatives	**553,154**	**311,152**
Interest-based transactions	453,263	102,901
Currency-based transactions	98,547	203,303
Equity-/index-based transactions	1,344	4,948
Total	**1,488,036**	**332,882**

As long as the conditions for hedge accounting according to IAS 39 are fulfilled, derivative financial instruments are measured at their fair values (dirty prices) in their function as hedging instruments. The hedged items in connection with fair value hedges are loans and advances to customers and debt securities issued. The hedged risks are interest rate risks. The changes in carrying amount of the hedged underlying transactions in IAS 39 fair value hedges are included in the respective items of the statement of financial position.

The item also includes the positive fair values of derivative financial instruments that neither are held for trading nor constitute fair value hedging instruments under IAS 39.

(20) Financial investments

This position consists of securities available-for-sale, financial assets at fair value through profit or loss, and securities held-to-maturity as well as strategic equity participations held on a long-term basis.

€000	2010	2009
Bonds, notes and other fixed-interest securities	**18,957,495**	**6,954,469**
Treasury bills and bills of public authorities eligible for refinancing	9,886,294	3,345,967
Other securities issued by the public sector	3,687,021	2,429,753
Bonds and notes of non-public issuers	5,363,862	1,178,749
Other	20,318	0
Shares and other variable-yield securities	**279,787**	**197,118**
Shares	93,917	433
Mutual funds	182,532	196,685
Other variable-yield securities	3,338	0
Equity participations	**393,620**	**118,960**
Interest in affiliated companies	233,012	60,448
Other interests	160,608	58,512
Total	**19,630,902**	**7,270,547**

Pledged securities ready to be sold or repledged by the transferee are allocated to the appropriate securities category in the table above. Further details are shown under note (40) genuine sale and repurchase agreements.

As in the previous year, no reclassification was made for securities held-for-trading to the categories held-to-maturity and loans and advances. The carrying amount of the securities reclassified into the category held-to-maturity amounted to € 371,686 thousand at the date of reclassification in 2008. As of 31 December 2010, the carrying amount was € 238,188 thousand and the fair value totaled € 244,238. In 2010, a result from the reclassified securities of € 16,343 thousand (2009: € 13,709 thousand) was shown in the income statement. If the reclassification had not been made, a gain of € 9,042 thousand (2009: € 3,983 thousand) would have arisen.

The carrying amount of the securities reclassified into the category loans and advances amounted to € 1,559,682 thousand at the date of reclassification in 2008. The carrying amount as of 31 December 2010 totaled € 1,316,691 thousand and the fair value was € 1,317,946 thousand. In 2010, a result from the reclassified securities of € 41,306 thousand (2009: 0) was shown in the income statement. If the reclassification had not been made, a gain of € 69,648 0 thousand (2009: € 0) would have arisen.

Equity participations valued at amortized cost for which fair values could not be measured reliably amounted to € 80,549 thousand (2009: € 33,590 thousand).

For the following subsidiaries syndicate contracts between RBI AG and the respective shareholders exist: Raiffeisenbank a.s. (Czech Republic), Tatra banka a.s. (Slovakia), Raiffeisen Bank, Zrt. (Hungary), and Raiffeisen-RBHU Holding GmbH (Austria), and Raiffeisen Banka d.d. (Slovenia), respectively, as well as Raiffeisenbank Austria d.d. (Croatia). These syndicate contracts regulate especially purchase options between direct and indirect shareholders.

The syndicate contracts expire automatically if control over the company changes – also in the case of a takeover bid. The following agreement has been made with the European Bank for Reconstruction and Development (EBRD) regarding Priorbank, OAO (Belarus): If control over the company changes, EBRD has the option to sell all shares held in Priorbank to the company.

(21) Investments in associates

The shares in companies valued at equity are as follows:

€000	2010	2009
Investments in associates	4,961	5,437

Financial information on associated companies is as follows:

€000	Total assets	Total revenues	Profit/loss after taxes	Shareholders' equity
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	75,002	4,519	99	14,886

Further information regarding associated companies is stated on page 252.

(22) Intangible fixed assets

€000	2010	2009
Goodwill	613,681	581,374
Software	479,826	274,912
Other intangible fixed assets	126,309	115,595
Total	**1,219,816**	**971,881**

The item software comprises acquired software amounting to € 424,611 thousand (2009: € 274,244 thousand) and developed software amounting to € 55,215 thousand (2009: € 669 thousand).

The carrying amount of goodwill as basis for the impairment test was allocated to the following cash generating units, whereby changes in the carrying amounts are entirely attributable to currency differences:

€000	2010	2009
Raiffeisen Bank Aval JSC, Kiev	220,606	204,622
OOO Raiffeisen-Leasing, Moscow	263,124	248,893
Raiffeisenbank a.s., Prague	42,443	40,758
Raiffeisen Bank Sh.a., Tirane	52,711	53,020
Ukrainian Processing Center PJSC, Kiev	14,977	13,831
Other	19,820	20,250
Total	**613,681**	**581,374**

Information about the impairment tests can be found in the chapter business combinations on page 142.

(23) Tangible fixed assets

€000	2010	2009
Land and buildings used by the Group for own purpose	553,590	526,408
Other land and buildings (investment property)	112,730	26,864
Office furniture, equipment and other tangible fixed assets	507,331	479,421
Leased assets (operating lease)	279,979	211,540
Total	**1,453,630**	**1,244,233**

The fair value of investment property totaled € 110,630 thousand (2009: € 26,864 thousand).

(24) Development of fixed assets

Tangible and intangible fixed assets developed in the financial year 2010 as follows:

	Cost of acquisition or conversion						
€000	As of 1/1/2010	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As of 31/12/2010
Intangible fixed assets	**1,337,153**	**273,842**	**46,985**	**203,413**	**(28,322)**	**3,713**	**1,836,783**
Goodwill	611,140	22	29,152	0	(1,080)	0	639,234
Software	573,774	268,071	7,132	182,583	(25,852)	11,822	1,017,529
Other intangible fixed assets	152,239	5,749	10,701	20,830	(1,390)	(8,109)	180,020
Tangible fixed assets	**2,032,101**	**120,079**	**37,011**	**415,293**	**(157,057)**	**(3,713)**	**2,443,714**
Land and buildings used by the Group for own purpose	673,711	19,167	17,255	38,625	(15,536)	4,103	737,325
Other land and buildings	32,669	4,757	1,445	83,923	(1,222)	(1,760)	119,812
of which land value of developed land	8,826	4,617	421	37	0	0	13,901
Office furniture, equipment and other tangible fixed assets	1,054,926	96,155	19,493	170,601	(102,628)	(3,693)	1,234,854
Leased assets (operating lease)	270,795	0	(1,182)	122,144	(37,671)	(2,363)	351,723
Total	**3,369,254**	**393,921**	**83,996**	**618,706**	**(185,379)**	**0**	**4,280,497**

	Write-ups, amortization, depreciation, impairment			Carrying amount
€000	Cumulative	hereof Write-ups	hereof Depreciation	31/12/2010
Intangible fixed assets	**(616,967)**	**1,258**	**(128,093)**	**1,219,816**
Goodwill	(25,553)	0	0	613,681
Software	(537,703)	0	(118,977)	479,826
Other intangible fixed assets	(53,711)	1,258	(9,115)	126,309
Tangible fixed assets	**(990,084)**	**636**	**(212,189)**	**1,453,630**
Land and buildings used by the Group for own purpose	(183,735)	0	(33,304)	553,590
Other land and buildings	(7,082)	0	(4,923)	112,730
of which land value of developed land	0	0	0	13,901
Office furniture, equipment and other tangible fixed assets	(727,523)	432	(142,127)	507,331
Leased assets (operating lease)	(71,744)	204	(31,835)	279,979
Total	**(1,607,051)**	**1,894**	**(340,282)**	**2,673,446**

Intangible and tangible fixed assets developed in the financial year 2009 as follows:

€000	Cost of acquisition or conversion: As of 1/1/2009	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As of 31/12/2009
Intangible fixed assets	**1,270,718**	**2,687**	**(42,838)**	**133,305**	**(26,724)**	**5**	**1,337,153**
Goodwill	640,679	0	(29,539)	0	0	0	611,140
Software	471,224	2,687	(6,404)	125,244	(21,987)	3,010	573,774
Other intangible fixed assets	158,815	0	(6,895)	8,061	(4,737)	(3,005)	152,239
Tangible fixed assets	**1,956,706**	**5,561**	**(61,854)**	**284,056**	**(152,363)**	**(5)**	**2,032,101**
Land and buildings used by the Group for own purpose	620,278	1,714	(25,526)	61,616	(19,803)	35,432	673,711
Other land and buildings	15,433	2,607	(1,296)	18,179	(3,786)	1,532	32,669
of which land value of developed land	6,304	0	(277)	2,799	0	0	8,826
Office furniture, equipment and other tangible fixed assets	1,053,552	1,240	(35,051)	155,635	(84,067)	(36,383)	1,054,926
Leased assets (operating lease)	267,443	0	19	48,626	(44,707)	(586)	270,795
Total	**3,227,424**	**8,248**	**(104,692)**	**417,361**	**(179,087)**	**0**	**3,369,254**

€000	Write-ups, amortization, depreciation, impairment: Cumulative	hereof Write-ups	hereof Depreciation	Carrying amount 31/12/2009
Intangible fixed assets	**(365,272)**	**154**	**(68,570)**	**971,881**
Goodwill	(29,766)	0	0	581,374
Software	(298,862)	154	(60,535)	274,912
Other intangible fixed assets	(36,645)	0	(8,035)	115,594
Tangible fixed assets	**(787,868)**	**79**	**(176,805)**	**1,244,233**
Land and buildings used by the Group for own purpose	(147,303)	0	(25,345)	526,408
Other land and buildings	(5,805)	0	(2,191)	26,864
of which land value of developed land	0	0	0	8,826
Office furniture, equipment and other tangible fixed assets	(575,505)	48	(119,154)	479,421
Leased assets (operating lease)	(59,254)	31	(30,115)	211,541
Total	**(1,153,140)**	**233**	**(245,375)**	**2,216,114**

Additions to intangible and tangible assets did not include major individual investments.

(25) Other assets

€000	2010	2009
Tax assets	494,235	229,472
Current tax assets	31,547	109,403
Deferred tax assets	462,687	120,069
Receivables arising from non-banking activities	140,216	27,199
Prepayments and other deferrals	263,197	220,733
Clearing claims from securities and payment transfer business	356,015	95,942
Lease in progress	82,319	141,438
Assets held for sale (IFRS 5)	5,293	1,820
Inventories	146,973	30,424
Any other business	578,641	73,248
Total	**2,066,889**	**820,276**

Deferred taxes break down as follows:

€000	2010	2009
Deferred tax assets	462,688	120,069
Provisions for deferred taxes	(8,368)	(13,234)
Net deferred taxes	**454,320**	**106,835**

The net deferred taxes result from the following items:

€000	2010	2009
Loans and advances to customers	97,391	69,914
Impairment losses on loans and advances	120,723	77,483
Tangible and intangible fixed assets	20,339	4,469
Other assets	5,079	8,766
Provisions for liabilities and charges	56,852	29,947
Trading liabilities	4,684	24,961
Other liabilities	77,922	35,445
Tax loss carry-forwards	269,811	79,107
Other items of the statement of financial position	43,715	326
Deferred tax assets	**696,516**	**330,418**
Loans and advances to banks	3,170	497
Loans and advances to customers	37,397	38,881
Trading assets	17,690	21,373
Tangible and intangible fixed assets	67,451	51,974
Deposits from customers	887	743
Provisions for liabilities and charges	9,808	9,359
Other liabilities	12,236	9,925
Other items of the statement of financial position	93,557	90,831
Deferred tax liabilities	**242,196**	**223,583**
Net deferred taxes	**454,320**	**106,835**

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry-forwards which amounted to € 269,811 thousand (2009: € 79,107 thousand). The tax loss carry-forwards are mainly without any time limit. The Group did not recognize deferred tax assets of € 56 thousand (2009: € 2,464 thousand) because from current point of view there is no prospect of realizing them within a reasonable period of time.

(26) Deposits from banks

€000	2010	2009
Giro and clearing business	2,326,285	733,283
Money market business	21,168,107	3,145,124
Long-term refinancing	10,164,790	16,231,763
Total	**33,659,182**	**20,110,170**

RBI refinances itself periodically with international commercial banks and multinational development banks. These credit contracts contain ownership clauses normally used in business. These clauses give permission to an exceptional termination in the case of change in direct or indirect control over RBI AG, e.g. if Raiffeisen Zentralbank Österreich Aktiengesellschaft loses the majority shareholding in RBI AG. This can lead to increased refinancing costs for RBI in the future.

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

€000	2010	2009
Austria	16,046,386	12,735,914
Foreign	17,612,796	7,374,256
Total	**33,659,182**	**20,110,170**

Deposits from banks break down into the following bank segments:

€000	2010	2009
Central banks	1,399,269	490,019
Commercial banks	30,948,498	18,772,845
Multilateral development banks	1,311,415	847,306
Total	**33,659,182**	**20,110,170**

(27) Deposits from customers

€000	2010	2009
Sight deposits	23,780,971	17,140,431
Time deposits	32,382,372	24,044,766
Savings deposits	1,469,770	1,393,052
Total	**57,633,113**	**42,578,249**

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

€000	2010	2009
Sovereigns	1,722,770	1,558,512
Corporate customers – large	26,924,075	14,180,912
Corporate customers – small business	2,489,184	2,330,959
Retail customers – private individuals	22,122,522	21,103,804
Retail customers – small and medium-sized entities	3,672,733	3,129,147
Other	701,829	274,915
Total	**57,633,113**	**42,578,249**

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

€000	2010	2009
Austria	5,718,613	404,630
Foreign	51,914,500	42,173,619
Total	**57,633,113**	**42,578,249**

(28) Debt securities issued

€000	2010	2009
Bonds and notes issued	15,917,240	1,925,044
Money market instruments issued	51	112
Other debt securities issued	638,091	601,495
Total	**16,555,382**	**2,526,651**

The following table contains debt securities issued exceeding € 200,000 thousand nominal value:

Issuer	ISIN	Type	Currency	Nominal value in €000	Coupon	Due
RBI	XS0426089719	senior government guaranteed	EUR	1,500,000	2.5%	4/5/2011
RBI	XS0412067489	senior government guaranteed	EUR	1,500,000	3.6%	5/2/2014
RBI	XS0417093753	senior government guaranteed	EUR	1,250,000	3.0%	13/3/2012
RBI	XS0371504365	senior public placements	EUR	1,250,000	5.9%	20/6/2011
RBI	XS0242395357	senior public placements	EUR	921,610	1.1%	2/2/2011
RBI	XS0305474461	senior public placements	EUR	500,000	4.8%	15/6/2012
RBI	XS0284781431	senior public placements	EUR	427,165	0.8%	2/2/2012
RBI	XS0307006436	senior public placements	EUR	350,000	1.1%	25/6/2012
RBI	XS0385075758	senior public placements	EUR	340,000	6.2%	3/10/2011
RBRU	RU000A0JQ1K7	senior public placements	RUB	244,931	13.5%	3/12/2013
RBI	AT000B011804	senior private placements	EUR	200,000	2.5%	28/1/2012
RBI	AT000B012000	senior private placements	EUR	200,000	3.0%	16/10/2012
RBI	XS0341159316	senior public placements	EUR	200,000	1.6%	21/1/2013

RBI … Raiffeisen Bank International AG, Vienna
RBRU … ZAO Raiffeisenbank, Moscow

(29) Provisions for liabilities and charges

€000	As of 1/1/2010	Change in consolidated group	Allocation	Release	Usage	Transfers, exchange differences	As of 31/12/2010
Severance payments	9,404	44,286	10,516	(1,180)	(748)	(1,508)	60,770
Retirement benefits	4,960	7,981	961	0	(23)	0	13,879
Taxes	26,156	26,886	79,573	(3,472)	(34,627)	12,615	107,131
Current	12,922	29,772	78,788	(1,052)	(33,910)	12,243	98,763
Deferred	13,234	(2,886)	785	(2,420)	(717)	372	8,368
Contingent liabilities and commitments	69,837	11,840	110,838	(41,764)	(18,947)	615	132,419
Pending legal issues	39,799	34,811	35,765	(3,246)	(164)	790	107,755
Overdue vacation	28,708	13,812	12,358	(5,054)	0	412	50,236
Bonus payments	92,211	37,327	113,183	(4,265)	(92,997)	2,954	148,413
Restructuring	3,202	0	20,713	(65)	(19,052)	239	5,037
Other	37,254	20,931	51,257	(18,593)	(45,527)	948	46,270
Total	**311,531**	**197,874**	**435,164**	**(77,639)**	**(212,085)**	**17,065**	**671,910**

RBI is involved in pending legal issues, which may occur in the banking business. RBI does not expect that these legal cases will have a material impact on the financial position of the Group.

In the reporting period, provisions for pending legal issues amounted to € 107,755 thousand. In a Russian network unit, a provisons of € 15,109 thousand was built in connection with the cancellation of a rent agreement by Raiffeisenbank Moscow. In RBI AG, a provision of € 12,000 thousand was built for a legal issue regarding the law suit of customers of a funds management company in connection with the payment transfer done by the former RZB. Moreover, there were no single cases exceeding € 10,000 thousand.

Provisions for severance payments and similar obligations developed as follows:

€000	2010	2009
Defined benefit obligation (DBO) as of 1/1	9,404	8,047
Exchange differences	(285)	(284)
Changes in consolidated group	42,464	453
Service cost	3,107	1,006
Interest cost	1,915	132
Payments	(4,378)	(433)
Actuarial gain/loss	8,543	484
Defined benefit obligation (DBO) as of 31/12 (=provision)	**60,770**	**9,404**

Provisions for retirement benefits developed as follows:

€000	2010	2009
Defined benefit obligation (DBO) as of 1/1	4,960	4,769
Changes in consolidated group	16,798	719
Current service cost	886	11
Interest cost	1,039	211
Benefit payments	(31)	0
Actuarial gain/loss	1,221	(749)
Defined benefit obligation (DBO) as of 31/12	**24,873**	**4,960**

Plan assets developed as follows:

€000	2010	2009
Plan assets at fair value as of 1/1	0	0
Changes in consolidated group	9,945	0
Expected return on plan assets	433	0
Contributions to plan assets	483	0
Actuarial gain/loss	133	0
Plan assets at fair value as of 31/12	**10,994**	**0**

The reconciliation of DBO to provision is as follows:

€000	2010	2009
Defined benefit obligation (DBO)	24,873	4,960
Plan assets at fair value	10,994	0
Provision as of 31/12	**13,879**	**4,960**

The structure of plan assets breaks down as follows:

Per cent	2010	2009
Bonds	46%	0%
Equities	38%	0%
Alternative investments	9%	0%
Property	1%	0%
Cash	6%	0%

Actual return on plan assets was as follows:

€000	2010	2009
Actual return on plan assets	566	0

The partition of DBO into wholly/partly funded or wholly unfunded is as follows:

€000	2010	2009
Wholly funded	10,122	0
Partly funded	9,066	0
Wholly unfunded	5,685	4,960
Defined benefit obligation (DBO)	**24,873**	**4,960**

(30) Trading liabilities

€000	2010	2009
Negative fair values of derivative financial instruments	**4,530,916**	**510,128**
Interest-based transactions	3,019,044	340,066
Currency-based transactions	923,460	167,323
Equity-/index-based transactions	525,677	2,725
Credit derivatives business	43,920	0
Other transactions	18,815	14
Short-selling of trading assets	**425,730**	**4,071**
Certificates issued	**784,945**	**0**
Total	**5,741,591**	**514,199**

(31) Derivatives

€000	2010	2009
Negative fair values of derivatives in fair value hedges (IAS 39)	**23,487**	**5,113**
Interest-based transactions	23,487	5,113
Negative fair values of derivatives in cash flow hedges (IAS 39)	**453,276**	**44,913**
Interest-based transactions	453,276	44,913
Negative fair values of credit derivatives	**18,332**	**0**
Negative fair values of derivative financial instruments	**768,433**	**209,407**
Interest-based transactions	479,373	95,755
Currency-based transactions	245,169	108,819
Equity-/index-based transactions	43,891	4,833
Total	**1,263,528**	**259,433**

As long as the conditions for hedge accounting according to IAS 39 are fulfilled, derivative financial instruments are measured at their fair values (dirty prices) in their function as hedging instruments. The hedged items in connection with fair value hedges are loans and advances to customers and deposits from banks. The hedged risks are interest rate risks.

(32) Other liabilities

€000	2010	2009
Liabilities from non-banking activities	114,581	62,112
Accruals and deferred items	189,719	111,467
Liabilities from dividends	541	468
Clearing claims from securities and payment transfer business	405,518	168,583
Any other business	533,028	161,999
Total	**1,243,387**	**504,629**

(33) Subordinated capital

€000	2010	2009
Hybrid tier 1capital	819,077	1,169,030
Subordinated liabilities	2,576,374	1,209,885
Supplementary capital	605,647	91,370
Total	**4,001,098**	**2,470,285**

In the course of the merger with the principal business areas of RZB, the main part of subordinated capital signed by RZB and its subsidiaries as shown in the previous year was offset.

The following table contains borrowings that exceed 10 per cent of the subordinated capital:

Issuer	ISIN	Type	Currency	Nominal value in €000	Coupon[1]	Due
RFJ4	XS0253262025	Hybrid tier 1capital	EUR	500,000	5.169%	–
RBI	XS0289338609	Subordinated capital	EUR	500,000	4.500%	5/3/2019
RBI	XS0326967832	Supplementary capital	EUR	600,000	5.770%	29/10/2015

1 Current interest rate, interest clauses are agreed.
RBI … Raiffeisen Bank International AG, Vienna
RFJ4 … RZB Finance (Jersey) IV Limited, St. Helier

In the reporting period, expenses on subordinated capital totaled € 193,147 thousand (2009: € 93,850 thousand).

(34) Equity

€000	2010	2009
Consolidated equity	8,250,759	5,790,463
Subscribed capital	593,323	468,733
Participation capital/Participation rights	2,500,000	600,000
Capital reserves	2,567,874	2,569,132
Retained earnings	2,589,562	2,152,598
Consolidated profit	1,087,475	212,181
Non-controlling interests	1,065,690	997,538
Total	**10,403,925**	**7,000,182**

Subscribed capital

As of 31 December 2010, the subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 596,291 thousand. The subscribed capital consists of 195,505,124 non-par bearer shares. The subscribed capital was increased by the issuance of 40,837,624 new bearer shares amounting to € 124,555 thousand in order to perform the merger. After deduction of own shares of 972,909, the stated subscribed capital totaled € 593,323 thousand.

Participation capital

The participation capital according to Section 23 (4) and (5) of the Austrian Banking Act (BWG) issued by Raiffeisen Zentralbank Österreich Aktiengesellschaft and transferred during the merger into Raiffeisen Bank International AG amounted to € 2,500,000 thousand. The participation capital is available for the life of the corporation and the participation issuer may not request redemption. The payment of the first tranche amounting to € 750,000 thousand was made as of 30 December 2008. The payment of the second tranche amounting to € 1,750,000 thousand was carried out as of 6 April 2009. The participation certificates were issued at 100 per cent of par value. The participation certificates are linked to an 8 per cent profit entitlement from par value per year. For the business years 2014 and 2015, the profit entitlement will be raised by 50 basis points each year, for the business year 2016 by 75 basis points and for every following business year by 100 basis points. The upper limit is 12 month EURIBOR plus 1,000 basis points.

In the course of the merger, receivables and liabilities of the absorbing and the dispensing company were offset. This was also the case for the participation rights of € 600,000 thousand which were fully held by RZB AG.

Own shares

The Annual General Meeting held on 8 July 2010 authorized the Managing Board to acquire own shares, pursuant to Section 65 (1), item 8 of the Austrian Joint Stock Companies Act (AktG), during a period of 30 months as of the date of the resolution, up to 10 per cent of the subscribed capital of the company and to withdraw if applicable. This authorization may be exercised in one or several installments by the company, by affiliated companies or, for their account, by third parties. The Management Board was further authorized to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender excluding the subscription rights of shareholders. This authorization replaces the authorization to buy back and use own shares that was granted in the Annual General Meeting of 10 June 2008. No own shares have been bought since the authorization was issued in July 2010.

The acquisition of own shares mainly serves to cover the obligation of RBI within the framework of the share incentive program (SIP) towards the members of the Managing Board and executive employees. These bonus payments are carried out in the form of company shares.

The Annual General Meeting held on 8 July 2010 also authorized the Managing Board to acquire own shares for the purpose of securities trading in accordance with Section 65 (1), item 7 of the Austrian Joint Stock Companies Act (AktG) during a period of 30 months from the date of the resolution, up to a maximum of 5 per cent of the respective subscribed capital of the company. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock

Exchange on the last day of trading preceding the acquisiton. This authorization may be exercised in one or several installments by the company, by affiliated companies or, for their account, by third parties.

Authorized capital

The Managing Board was authorized by the Annual General Meeting held on 5 June 2007, within five years after registration of the respective change in the articles of incorporation in the Company Register, to increase the share capital up to € 181,437 thousand against contribution in cash and/or in kind by issuing 59,487,500 new common bearer shares with voting rights while preserving the subscription rights of the shareholders, including the indirect subscription by way of a bank pursuant to Section 153 (6) of the Austrian Joint Stock Companies Act, and to determine the offering price and terms of the issue with the approval of the Supervisory Board. The Supervisory Board or a committee authorized for this purpose by the Supervisory Board is entitled to adopt amendments to the articles of association that arise upon issuing shares from the authorized capital.

Convertible bonds

In the Annual General Meeting held on 10 June 2008, the Managing Board was given the authorization pursuant to Section 174 (2) of the Austrian Joint Stock Companies Act to issue – with the approval of the Supervisory Board – convertible bonds, also in several tranches, within five years as of the date of the resolution, for a maximum total nominal amount of € 2,000,000 thousand, to which attaches a conversion or subscription right to obtain a maximum of 15,466,750 ordinary bearer shares of the company with a corresponding pro-rata share in the subscribed capital of a maximum of € 47,174 thousand – and to do so also indirectly by means of a guarantee for an issue of convertible bonds by a subsidiary company, of which the company holds one hundred per cent directly, or indirectly, that entails conversion rights to obtain shares of that company – as well as to determine all further conditions (including the currency of the issue), the issue and the conversion procedure for the convertible bonds. The subscription right of shareholders is excluded.

Contingent capital

Pursuant to Section 159 (2) item 1 of the Austrian Joint Stock Companies Act, the subscribed capital has been increased contingently by a maximum of € 47,154 thousand by issuing a maximum of 15,466,750 common bearer shares (contingent capital). The contingent capital increase would only be carried out to the extent that holders of convertible bonds issued under the resolution of the Annual General Meeting of 10 June 2008 make use of their right to convert such bonds into shares of the Company. No convertible bonds have been issued to date, however.

Dividend proposal

The Managing Board intends to propose at the Annual General Meeting that a dividend of € 1.05 per share be distributed from Raiffeisen Bank International AG's profit for the financial year 2010, which represents a maximum distribution of € 205,280 thousand, and the remaining amount be carried forward.

The statement of changes in equity is shown on page 130.

The number of shares outstanding developed as follows:

Number of shares	**2010**	**2009**
Number of shares issued as of 1/1	154,667,500	154,667,500
New shares issued	40,837,624	0
Number of shares issued as of 31/12	**195,505,124**	**154,667,500**
Own shares as of 1/1	(984,511)	(1,029,012)
Purchase of own shares	0	(1,446)[1]
Sale of own shares	11,602	45,947
Less own shares as of 31/12	**(972,909)**	**(984,511)**
Number of shares outstanding as of 31/12	**194,532,215**	**153,682,989**

1 Return of unused shares from SIP 2005.

Share-based remuneration

In 2010, the second allotment of the share incentive plan (SIP – SIP allotment 2007) matured. In accordance with the terms and conditions (published in the official register of Wiener Zeitung on 30 May 2007) the number of shares shown in the table below was transferred:

Share incentive program (SIP) 2007 Group of persons	Number of due shares	Amount with share price of € 31.91 at the allotment date (9/3/2010)	Number of actually transferred shares
Members of the Managing Board of the company	4,899	156,327	3,971
Members of the managing boards of bank subsidiaries affiliated with the company	7,163	228,571	6,277
Executives of the company and other affiliated companies	2,189	69,851	1,354

In order to avoid legal uncertainties and in accordance with the program's terms and conditions, eligible employees in two countries were given a cash settlement instead of an allotment of shares. In Austria the eligible parties were granted the option of accepting a cash settlement instead of half of the matured shares in order to offset the wage tax payable at the time of transfer. Therefore, the number of actually transferred shares is lower than the number of due shares. The portfolio of own shares was subsequently reduced by the lower number of actually transferred shares.

Under the SIP, a new tranche was previously issued each year. However, because of the merger of Raiffeisen International with the main business areas of RZB, no SIP tranche was issued in 2010. This means that on the reporting date contingent shares for two allotments were assigned. As of 31 December 2010, the contingent allotment of shares came to 473,018 shares (of which 79,909 shares were attributable to the 2008 allotment and 393,109 shares to the 2009 allotment). The originally announced number of contingently allotted shares changed due to various personnel changes within Group units and due to the maturation of the SIP allotment 2007. This is shown on an aggregated level in the following table:

Share incentive program (SIP) 2008 – 2009 Group of persons	Number of contingently alloted shares as of 31/12/2010	Minimum of allotment of shares	Maximum allotment of shares
Members of the Managing Board of the company	147,611	43,061	221,417
Members of the managing boards of bank subsidiaries affiliated with the company	252,269	73,399	378,404
Executives of the company and other affiliated companies	73,168	21,449	109,707

In the financial year 2010, no own shares were bought back for the share incentive program.

(35) Breakdown of remaining terms to maturity

31/12/2010 €000	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash reserve	4,806,891	0	0	0	0
Loans and advances to banks	2,370,629	14,035,006	2,004,712	2,266,223	855,836
Loans and advances to customers	6,843,035	12,583,218	13,704,026	26,393,446	16,133,336
Impairment losses on loans and advances	(4,755,872)	0	0	0	0
Trading assets	472,371	898,824	1,479,581	3,194,900	2,022,717
Financial investments	651,756	2,947,111	2,383,399	8,040,134	5,608,501
Investments in associates	4,961	0	0	0	0
Sundry assets	3,100,924	1,080,104	562,630	1,120,381	364,334
Total assets	**13,494,695**	**31,544,263**	**20,134,348**	**41,015,084**	**24,984,724**
Deposits from banks	2,160,974	14,808,693	6,290,949	7,954,354	2,444,212
Deposits from customers	24,396,045	19,402,108	8,648,147	3,115,763	2,071,050
Debt securities issued	0	1,637,796	4,958,046	9,134,666	824,874
Trading liabilities	412,115	495,096	510,551	2,381,893	1,941,936
Subordinated capital	0	193,923	4,607	790,090	3,012,478
Sundry liabilities	223,768	812,496	245,627	770,423	1,126,509
Subtotal	**27,192,902**	**37,350,112**	**20,657,927**	**24,147,189**	**11,421,059**
Equity	10,403,925	0	0	0	0
Total equity and liabilities	**37,596,827**	**37,350,112**	**20,657,927**	**24,147,189**	**11,421,059**

31/12/2009 €000	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash reserve	4,179,572	0	0	0	0
Loans and advances to banks	3,423,779	6,260,802	506,574	78,554	40,392
Loans and advances to customers	4,805,182	7,003,702	9,682,985	15,509,362	13,513,740
Impairment losses on loans and advances	(3,084,023)	0	0	0	0
Trading assets	16,979	947,416	717,447	1,556,483	471,127
Financial investments	162,697	684,523	1,930,259	2,973,594	1,519,474
Investments in associates	5,437	0	0	0	0
Sundry assets	2,214,297	408,112	210,604	284,037	252,222
Total assets	**11,723,920**	**15,304,555**	**13,047,869**	**20,402,030**	**15,796,955**
Deposits from banks	902,059	2,805,116	5,474,339	10,040,891	887,765
Deposits from customers	17,886,484	15,359,082	6,892,039	2,330,231	110,413
Debt securities issued	0	371,665	802,315	1,265,635	87,036
Trading liabilities	0	133,491	156,943	171,995	51,770
Subordinated capital	0	5,458	41,030	564,765	1,859,032
Sundry liabilities	411,304	422,118	76,624	134,176	31,371
Subtotal	**19,199,847**	**19,096,930**	**13,443,290**	**14,507,693**	**3,027,387**
Equity	7,000,182	0	0	0	0
Total equity and liabilities	**26,200,029**	**19,096,930**	**13,443,290**	**14,507,693**	**3,027,387**

(36) Related parties

Companies can carry out business with related parties that may affect the entity's asset, financial and earnings position. The following related companies have been identified mainly as related parties: Parent companies are Raiffeisen-Landesbanken-Holding GmbH, Vienna, and Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna.

Disclosures on Raiffeisen Bank International's relations to key management are reported under note (53) relations to key management. As of 31 December 2010, the transactions with related parties were as follows:

31/12/2010 €000	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	7,892,302	224,153	274,313	243,860
Loans and advances to customers	0	1,113,360	437,453	353,544
Trading assets	0	17,113	20,260	18,554
Financial investments	0	233,975	2,483	351,572
Investments in associates	0	0	4,961	0
Other assets including derivatives	4,943	19,497	28	52
Deposits from banks	7,151,497	3,386	6,908,279	115,182
Deposits from customers	1,038	527,263	1,950	112,294
Debt securities issued	0	974	0	0
Provisions for liabilities and charges	0	345	0	10
Trading liabilities	0	23,476	25,840	17,756
Other liabilities including derivatives	0	57,305	25	42
Subordinated capital	0	0	0	0
Guarantees given	0	73,637	264,031	4,937
Guarantees received	0	389,086	142,505	998

As of 31 December 2009, the transactions with related parties were as follows:

31/12/2009 €000	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	4,873,278	31,921	0	807
Loans and advances to customers	0	210,856	13,526	34,846
Trading assets	90,473	2,445	0	0
Financial investments	165	60,448	10,517	58,512
Investments in associates	0	0	5,437	0
Other assets including derivatives	192,322	3,148	1	1,075
Deposits from banks	11,698,865	1,253,652	0	94,540
Deposits from customers	71	66,283	2,426	11,434
Debt securities issued	19,265	0	0	0
Provisions for liabilities and charges	3,834	29	0	0
Trading liabilities	87,457	0	0	2,119
Other liabilities including derivatives	121,344	3,083	579	15
Subordinated capital	1,528,720	587,849	0	0
Guarantees given	372,283	10,533	0	13
Guarantees received	242,475	0	0	1,021

(37) Foreign currency volumes

The consolidated financial statements consist of the following volumes of assets and liabilities denominated in foreign currencies:

€000	2010	2009
Assets	59,512,105	43,183,773
Liabilities	45,622,385	36,955,043

(38) Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria are as follows:

€000	2010	2009
Assets	105,181,063	67,784,374
Liabilities	75,992,302	55,021,811

(39) Securitization

RBI as originator

Securitization is the packaging of designated portfolios of loans or leasing claims with an appropriate level of credit enhancement and the redistribution of these portfolios to investors. The objective of Raiffeisen Bank International's securitization is to ease the strain relief on the Group's regulatory own funds and to use additional refinancing sources.

In financial year 2010, no new securitizations 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 securitization. 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. Hence, the portfolio's significant chances and risks remain within the Group as well. At year-end 2010 the non-derecognized loans of ROOF Bulgaria 2008-1 amount to € 104,031 thousand (2009: € 149,588 thousand), those of ROOF Romania 2008-1 came up to € 140,747 thousand (2009: € 167,622 thousand).

Regarding true sale transaction ROOF Poland 2008-1 consisting of car leasing contracts, the total volume of the loans amounts to € 195,020 thousand as of 31 December 2010 (2009: € 131,829 thousand). The replenishment of the already matured portfolio as well as additional investments led to the changed carrying amount.

From a Group view, the non-derecognized loans arising from the true sale transaction ROOF Russia 2007-1 amount to € 53,178 thousand at year-end 2010 (2009: € 117,077 thousand). In this case, the decrease of the carrying value is mainly explained by the maturity of the consumer loan volume in original currency (whereupon the matured portfolio wasn't refilled anymore) as well as the currency translation effect resulting from USD against the euro. Within the space of a year, the consumer loan volume in original currency matured by € 63.899 thousand.

Within the scope of synthetic securitizations ROOF CEE 2006-1, the non-derecognized loans amounted to € 392,616 thousand at year-end (2009: € 364,285 thousand). The differences compared to the volumes at the beginning of the transactions are due to maturing volumes and to changes in currency exchange rates. Furthermore, originators like Raiffeisenbank Polska, S.A., Warsaw (PL), and Raiffeisenbank a.s., Prague (CZ) exercised the option to refill the volumes and hence to exceed slightly the original values.

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	Date of contract	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%

RBI as investor

Besides the above-mentioned refinancing and packaging of designated portfolios of loans or leasing claims, RBI acts as investor in ABS-structures. Essentially, this is about investments in Structured Credit Products. The total exposure was brought in due to the merger with the main business areas of RZB. During financial year 2010 market value changes led to a positive valuation result of about € 9 million.

As of 31 December 2010, RBI reported the following investment exposure (excluding CDS):

€000	Outstanding notional amount	Carrying amount
Asset-backed securities (ABS)	145,907	145,725
Mortgage backed securities (MBS)	190,193	180,618
Collateralized debt obligation (CDO)	394,519	148,477
Other	29,203	1,466
Total	**759,821**	**476,285**

In previous year no corresponding exposure of Structured Credit Products was given.

(40) Genuine sale and repurchase agreements

The following repurchase and redelivery commitments are shown as of the reporting date:

€000	2010	2009
Genuine repurchase agreements as borrower		
Deposits from banks	4,976,815	841,724
Deposits from customers	1,342,934	13,488
Total	**6,319,750**	**855,212**

€000	2010	2009
Genuine repurchase agreements as lender (reverse repurchase agreement)		
Loans and advances to banks	1,457,117	1,234,363
Loans and advances to customers	110,791	38,757
Total	**1,567,908**	**1,273,120**

€000	2010	2009
Securities sold in genuine sale and repurchase agreement	**5,415,578**	**1,024,330**
hereof sold or repledged	5,355,684	894,255
hereof bonds, notes and other fixed-interest securities	5,355,684	894,255

€000	2010	2009
Securities purchased in a genuine sale and repurchase agreement	**1,483,131**	**8,703,593**
hereof sold or repledged	57,059	1,728,444
hereof bonds, notes and other fixed-interest securities	56,433	1,716,637
hereof shares and other variable-yield securities	0	11,248
hereof loans and advances	626	559

Within the framework of securities lending, borrowed securities amounted to € 973,283 thousand (2009: € 4,696 thousand) and loaned securities amounted to € 3,912,527 thousand (2009: 0).

(41) Assets pledged as collateral

The following liabilities are secured by assets shown in the statement of financial position:

€000	2010	2009
Deposits from banks	8,145,418	777,578
Deposits from customers	111,290	13,488
Debt securities issued	21,802	222,368
Other liabilities	157,208	725,651
Contingent liabilities and commitments	2,232	3,530
Total	**8,437,949**	**1,742,615**

The following assets are provided as collateral for the above-mentioned obligations:

€000	2010	2009
Loans and advances to banks	4,126,775	212,372
Loans and advances to customers	2632093	722
Trading assets	647,692	652,742
Financial investments	2,032,817	1,454,524
Total	**9,439,376**	**2,320,360**

(42) Finance leases

€000	2010	2009
Gross investment value	**3,466,303**	**3,658,891**
Minimum lease payments	3,463,930	3,658,891
Up to 3 months	437,505	471,893
More than 3 months, up to 1 year	882,153	950,484
More than 1 year, up to 5 years	1,769,251	1,884,002
More than 5 years	375,021	352,512
Non-guaranteed residual value	2,373	0
Unearned finance income	**407,330**	**460,986**
Up to 3 months	49,796	50,099
More than 3 months, up to 1 year	114,246	123,248
More than 1 year, up to 5 years	203,685	241,938
More than 5 years	39,603	45,701
Net investment value	**3,058,973**	**3,197,905**

As of 31 December 2010, write-offs on unrecoverable minimum lease payments outstanding totaled € 39,958 thousand (2009: € 46,597 thousand).

Assets under finance leases break down as follows:

€000	2010	2009
Vehicles leasing	1,814,022	2,016,595
Real estate leasing	587,099	530,245
Equipment leasing	657,852	651,065
Total	**3,058,973**	**3,197,905**

(43) Operating leases

Operating leases from view of lessor

Future minimum lease payments under non-cancelable operating leases are as follows:

€000	2010	2009
Up to 1 year	46,961	42,686
More than 1 year, up to 5 years	64,388	79,467
More than 5 years	84,068	51,532
Total	**195,417**	**173,685**

Operating leases from view of lessee

Future minimum lease payments under non-cancelable operating leases are as follows:

€000	2010	2009
Up to 1 year	92,936	114,668
More than 1 year, up to 5 years	167,327	238,918
More than 5 years	22,356	41,957
Total	**282,619**	**395,543**

Risk report

(44) Risks arising from financial instruments

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

Risk Management Principles

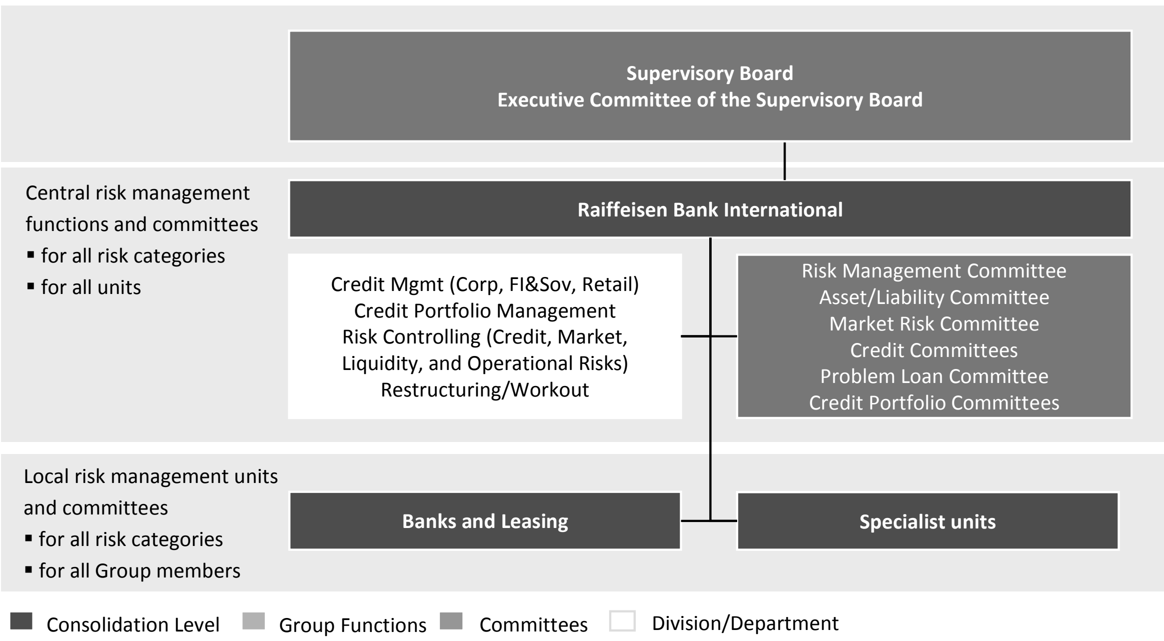
RBI has a system of risk principles and procedures in place for measuring and monitoring risk, with the aim of controlling and managing risks at all banks and specialist companies in the Group. The risk policies and risk management principles are laid out by the Managing Board of RBI. The following risk policies highlight some of the principles:

- Integrated risk management: Credit, country, market, liquidity, participation and operational risks are managed as main risks throughout the Group. For this purpose, risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies: Risk measurement and risk limitation methods are standardized in order to ensure a consistent and coherent approach to risk management. This is efficient for the implementation of risk management methods. And it is the basis for consistent overall bank management across all countries and business segments in RBI.
- Continuous planning: Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to risk concentrations.
- Independent control: Clear personal and functional firewalls are in place between business operations and any risk management or risk controlling activities.
- Ex ante and ex post control: Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is done under risk-return considerations and that there are no incentives for taking high risks.

Individual risk management units of the Group create detailed risk strategies, which set more concrete risk targets and specific standards in compliance with these general principles. The overall risk strategy is derived from the Group's business strategy and adds risk relevant aspects to the planned business structure and strategic development. These aspects include e.g. structural limits and capital ratio targets which have to be met in the budgeting process and which frame upcoming risk related business decisions. More specific targets for individual risk categories are set in detailed risk strategies. The credit risk strategy of RBI, for instance, sets credit portfolio limits for individual countries and segments and defines the credit approval authority for limit applications.

Organization of risk management

The Managing Board of Raiffeisen Bank International ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the created risk reports and analyses. The Managing Board is supported in implementing these tasks by independent risk management units and specially appointed committees.



Risk management functions are performed on different levels in the Group. RBI develops and implements the relevant concepts in coordination with RZB AG as the parent credit institution of the Group and in cooperation with its subsidiaries. The central risk management functions are responsible for the adequate and appropriate implementation of the Group's risk management processes. In particular, they establish common risk management principles and set business-specific standards, tools, and practices for all Group entities.

In addition, local risk management units are established in the different Group units of RBI. They implement the risk policies for specific risk types and take active steering decisions within the approved risk budgets in order to achieve the targets set in the business policy. For this purpose, they monitor resulting risks using standardized measurement tools and they send them to central risk management units via defined reporting interfaces.

The central Risk Controlling division assumes the independent risk controlling function required by banking law. Amongst others, this division is responsible for developing the Group-wide framework for overall bank risk management (integrating all risk types) and preparing independent reports on the risk profile for the Managing Board and the heads of individual business units. It also measures required risk coverage capital for different business units and calculates the utilization of the allocated risk capital budgets in the internal capital adequacy framework.

Risk committees

The Risk Management Committee is responsible for ongoing development and implementation of methods and parameters for risk quantification models and for refining steering instruments. The committee also analyzes the current risk situation of the Group with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and controlling activities (like the allocation of risk capital) and advises the Managing Board in these matters.

The Market Risk Committee controls market risks of trading and banking book transactions of RBI and establishes corresponding limits and processes. In particular, it uses treasury results, the amount of risks taken and the limit utilization, as well as the results from scenario analyses and stress tests for market risk controlling.

The Credit Committees are staffed by front office and back office divisions with different participants depending on the customer segment (corporate customers, financial institutions and sovereigns, and retail). They approve limit applications according to the credit approval authority (depending on rating and exposure size) and vote on all credit decisions.

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

The Credit Portfolio Committees define the credit portfolio strategies for different customer segments. In these committees, representatives from business and risk management divisions together discuss the risks and opportunities of different customer segments (e.g. industries, countries, retail products). Based on the discussion credit portfolio management then develops lending policies and sets limits steering the future credit portfolio.

Quality assurance and auditing

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This should ensure that the Group adheres to all legal requirements and that it can achieve the highest standards in risk management related operations.

All these aspects are coordinated by the central division Organization & Internal Control System, which continuously analyzes the internal control system and keeps it up to date. If actions are necessary for closing any deficiencies this division is also responsible for tracking the closure of any open issues.

Two very important functions in assuring independent oversight are performed by the divisions Internal Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Internal audit periodically assesses business processes and contributes considerably to securing and improving them. It sends its reports directly to the Managing Board of RBI, which discusses them on a regular basis in their board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements. It is supplementary to and at the same time an integral part of the internal control system and is responsible for preventing any shortcomings in daily operations.

Moreover, an independent and objective audit, free of potential conflicts, is carried out during the audit of the annual financial statements by the auditing companies.

Overall bank risk management

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

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

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

Target rating perspective

Risks in the target rating perspective are measured as economic capital presenting a comparable measure across all types of risks. It is calculated as the sum of unexpected losses stemming from different Group units and different risk categories (credit incl. country risk, market, participation, and operational risk). In addition, a general buffer for other risks not explicitly quantified is held on a Group level.

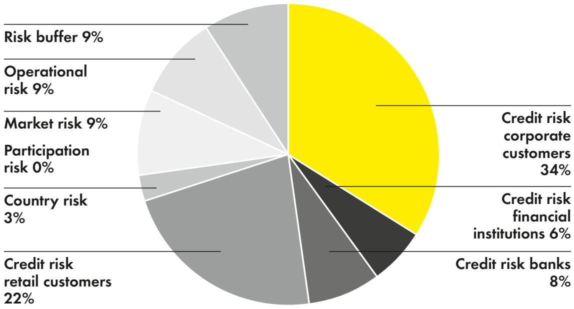
RBI uses a confidence level of 99.95 per cent for calculating unexpected losses for a 1 year horizon. This confidence level is based on the probability of default implied by the target rating. The purpose of calculating economic capital is to determine the amount of capital that would be required for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

Economic capital shows – as in the previous year – that credit risk of asset class corporate customers remains the dominant risk category. Its share in total risk is 34 per cent; credit risks in total accounts for 70 per cent of economic capital. Market risk and operational risks account for 9 per cent each and in addition a general risk buffer is allocated for other risks as well.

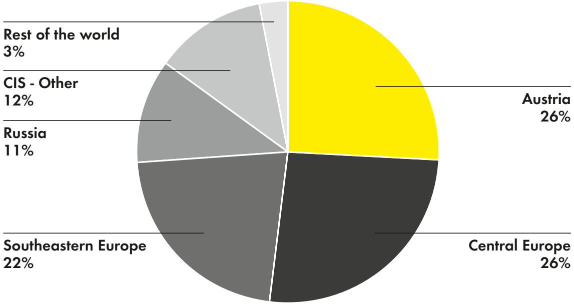
The overall risk amount is compared to internal capital, which mainly denotes equity and sub-ordinated capital. It serves as a cushion for servicing claims of senior debtors if losses are incurred. Total utilization of available risk capital (the ratio of economic capital to internal capital) was 74.2 per cent at year end.

In the regional break down of economic capital as of 31 Decmber 2010 the largest share is allocated to Group units located in Austria. About 26 per cent of economic capital is allocated there which can be attributed mostly to the head office of RBI. It contributes significantly to the total risk position in particular due to centralized functions (e.g. capital and liquidity management) and its corporate lending business.

Risk contribution of individual risk types to economic capital as of 31/12/2010



Regional allocation of economic capital according to booking unit



Economic capital is an important instrument in overall bank risk management and is used for allocating risk budgets. Economic capital budgets are allocated to business segments during the annual budgeting process and are complemented for day-to-day management by volume, sensitivity, or value-at-risk limits. In RBI this sort of planning is done on a revolving basis for the upcoming three years and incorporates the future development of economic capital as well as available internal capital. Economic capital thus influences the plans for future lending activities and the overall limit for taking market risks.

Risk-adjusted performance measurement also is based on this risk measure. The profitability of business units is set in relation to the amount of economic capital attributed to these units (risk-adjusted return on risk-adjusted capital, RORAC), which yields a comparable performance measure for all business units of the Group. This measure it is used in turn as a key figure for overall bank management, for future capital allocations to business units, and influences performance-oriented compensation of the Group's executive management.

Going concern perspective

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

According to this target, risk taking capacity is calculated as the amount of planned profits, expected risks costs, and the excess of own funds (taking into account various limits on eligible capital). This capital amount is compared to the overall value-at-risk (including expected losses). Quantitative models used in the calculation are mostly comparable to the target rating perspective, (albeit on a lower 99 per cent confidence level). Using this perspective the Group ensures adequate regulatory capitalization (going concern) with the given probability.

In this process, regulatory capital requirements are calculated on Group level according to Austrian regulations. Local regulatory capital requirements for individual Group units can be met by adequate structural balance sheet measures. Internal targets for regulatory capital ratios are intentionally set higher than the legal minimum, in order to be able to fulfill regulatory capital requirements at all times and to account for other risks, which are not considered in the regulatory requirements.

Sustainability perspective

The main goal of the sustainability perspective is to ensure that RBI can maintain a sufficiently high core capital ratio for the three year planning period also in a severe macroeconomic downturn scenario. This analysis of the sustainability perspective is based on a multi-year macroeconomic stress test where hypothetical market developments in a severe but realistic economic downturn scenario are simulated. The risk parameters considered are amongst others: interest rates, foreign exchange rates and securities prices, changes in default probabilities and rating migrations in the credit portfolio.

The main focus of this integrated stress test is the resulting core capital ratio for a multi-year period. The minimum amount of core capital is thus determined by the size of the potential economic downturn. In this analysis the need for allocating loan loss provisions, potential procyclical effects that increase minimum regulatory capital requirements, the impact of foreign exchange fluctuations as well as other valuation and earnings effects resulting from the downturn scenario are incorporated.

This perspective thus also complements traditional risk measurement based on the value-at-risk concept, which is in general based on historic data. Therefore it can incorporate exceptional market situations that have not been observed in the past and it is possible to estimate the potential impact of such developments. The stress test also allows for analyzing risk concentrations (e.g. individual items, industries, or geographical regions) and gives insight into the profitability, liquidity situation, and solvability under extreme situations.

The portfolio of RBI has been analyzed as part of RZB Group in a similar exercise for 91 European financial institutions coordinated by the Committee of European Banking Supervisors. The European Banking Authority has taken over its tasks and responsibilities with effect from 1 January 2011. These results were published at the end of July 2010. RBI already initiated several measures in reaction to the financial crisis in 2008 and 2009, e.g. it selectively reduced its portfolio, optimized the composition of its loan portfolio and improved the Group's lending processes. These measures contributed significantly to the high stability of the credit portfolio also under stress scenarios. Risk management in RBI manages portfolio diversification, for example via limits for the total exposure of individual industry segments and countries and through ongoing updates to its lending standards.

Credit risk

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

Credit risk is by far the most important risk category in RBI, as also indicated by internal and regulatory capital requirements. In the Group it is analyzed and monitored both on an individual loan and customer-by-customer basis as well as on a portfolio basis. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and the corresponding tools and processes which have been developed for this purpose.

The internal control system for credit risks includes different types of monitoring measures, which are tightly integrated into the work flow – from the customer's initial credit application, to the bank's credit approval, and finally to the repayment of the loan.

Limit application process

No lending transaction is performed in the non-retail segments without running through the limit application process beforehand. This process is also consistently applied – besides new lending – to increases in existing limits, extensions, overdrafts, and if changes in the risk profile of a borrower occur (e.g. with respect to the financial situation of the borrower, the terms and conditions, or collateral) compared to the time the original lending decision was made. In addition it is used when setting counterparty limits in treasury and investment banking operations, other credit limits, and for equity participations.

Credit decisions are made within the context of a hierarchical competence authority scheme depending on the type and size of a loan. It always requires the approval of the business and the credit risk management divisions for individual limit decisions or when performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction will have to be decided upon by the next decision-making level.

The whole limit application process is based on defined uniform principles and rules. Account management of multinational customers, who do business simultaneously with more than one member of RBI, is supported by the Global Account Management System. This is made possible by unique customer identification in non-retail asset classes.

The limit application process in the retail segment is more highly automated due to the high number of applications and lower exposure amount. Limit applications often are assessed and approved in central processing centers based on credit score cards. This process is facilitated by the respective IT system for retail customers in the Group.

Credit portfolio management

Credit portfolio management in RBI is, amongst others, based on the credit portfolio strategy. This strategy limits the exposure amount in different countries, industries or product types and thus prevents undesired risk concentrations. On top of that, analyzing the long-term potential of different markets is a routine activity. This allows for an early strategic repositioning of future lending activities.

The following table translates balance sheet items (bank and trading book positions) into the maximum credit exposure, which is used in portfolio management. It includes on-balance exposures and off-balance sheet exposures 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 alls 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.

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

€000	2010	2009
Loans and advances to banks	21,532,406	10,310,101
Loans and advances to customers	75,657,061	50,514,971
Trading assets	8,068,393	3,709,452
Derivatives	8,079,739	3,233,692
Financial investments	11,167,015	3,918,060
Other assets	1,280,748	1,152,993
Contingent liabilities	11,855,528	4,667,660
Commitments	11,755,884	5,395,147
Revocable credit lines	11,992,462	4,646,005
Reconciliation	6,925,077	1,536,862
Total	**168,314,313**	**89,084,944**

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings are performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organization unit. It should be noted that default probabilities assigned to individual rating grades are estimated for each asset class separately. In other words the default probability of the same ordinal rating grade (e.g. corporates 1.5, financial institutions A3, and sovereigns A3) is not the same for these asset classes.

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. Country specific scorecards are developed for retail asset classes based on uniform Group standards. Customer rating, as well as validation is supported by specific software tools (e.g. for business valuation, rating and default database).

Credit portfolio – 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, EBTDA margin, equity ratio, return on assets, debt amortization period), which are tailored to the various industries and financial reporting standards.

The following table provides a breakdown of the maximum credit exposure according to the internal rating of corporates (large corporates and small business) in € thousand. In the overall assessment of credit risk collateral and recovery rates are also taken into account:

€000		2010	Share	2009	Share
0.5	Minimal Risk	1,171,229	1.4%	62	< 0.1%
1.0	Excellent credit standing	7,642,774	9.4%	501,463	1.3%
1.5	Very good credit standing	7,729,205	9.6%	2,016,052	5.3%
2.0	Good credit standing	9,959,642	12.3%	3,030,803	7.9%
2.5	Sound credit standing	11,205,972	13.8%	4,801,391	12.6%
3.0	Acceptable credit standing	12,313,993	15.2%	6,998,598	18.3%
3.5	Marginal credit standing	13,182,943	16.3%	7,624,213	20.0%
4.0	Weak credit standing/sub-standard	7,663,581	9.5%	6,632,624	17.4%
4.5	Very weak credit standing/doubtful	4,282,039	5.3%	3,003,247	7.9%
5.0	Default (acc. to Basel II definition)	4,287,339	5.3%	2,531,273	6.6%
NR	Not rated (including retail)	1,472,076	1.8%	1,019,873	2.7%
Total		**80,910,794**	**100.0%**	**38,159,599**	**100.0%**

The maximum credit exposure to corporates amounted to € 80,910,794 thousand at year end 2010. Group Corporates (€ 32,709,551 thousand) is the largest segment, followed by Central Europe (€ 18,410,556 thousand) and Southeastern Europe (€ 11,330,339 thousand). Russia (€ 9,614,875 thousand), CIS Other (€ 4,398,099 thousand), Group markets (€ 3,196,036 thousand) and Corporate center at € 776,118 thousand complete the picture.

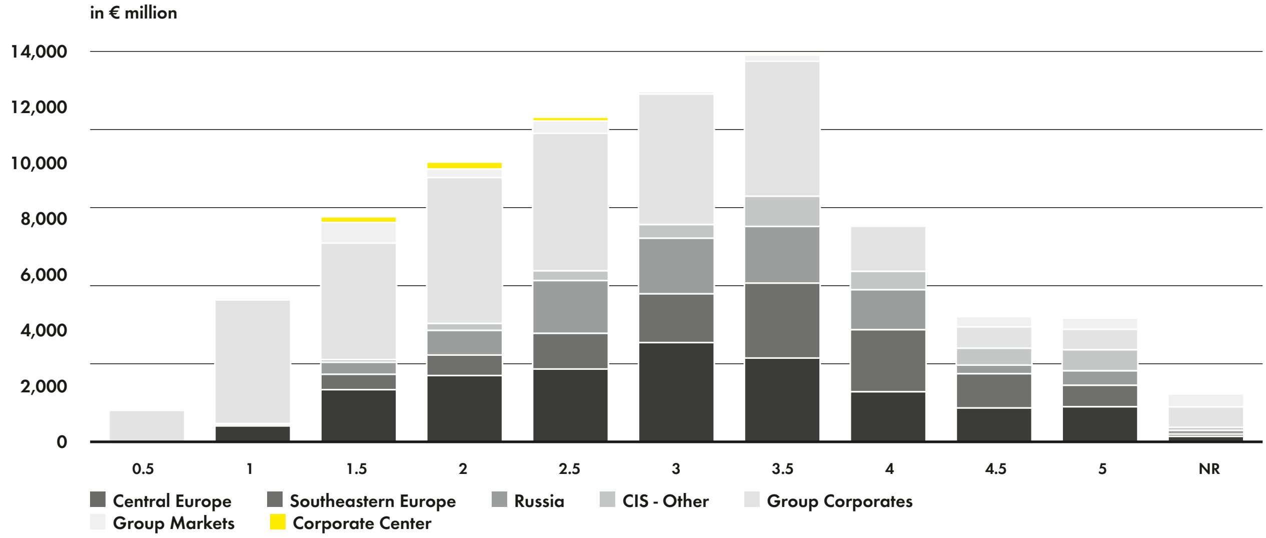
Analyzed in terms of internal rating, the portfolio is concentrated in solid rating categories. This concentration mainly results from the credit exposure to customers located in Central and Eastern European growth markets. The contributed business from Raiffeisen Zentralbank Österreich AG improves the average credit portfolio quality, as shown by the increasing share of customers with good and excellent credit standing. This is confirmed by analyzing the average credit portfolio quality as well (according to the exposure weighted average default probability). The new segment Group Corporates shows the lowest average default probability, followed by Russia and CIS other, and the segment Southeastern Europe.

If one takes into account the portfolio that was acquired from RZB during the merger as well, one can clearly see the effects of active credit portfolio management. The credit exposure in all targeted industries (e.g. consumer non-cyclical, energy) increased strongly whereas credit growth to restricted industries such as real estate and materials was weaker, or in some cases declined.

Foreign currency effects also had a significant impact on segment level as well. On overall Group level, however, these effects were mostly compensated for by the diversification in different markets and currencies. The largest impacts were observed in sub-portfolios where the local currency is linked to US-dollar (for example Singapore and China, but also Russia and Ukraine). In these portfolios the credit exposure increased by up to 10 per cent due to the US-dollar appreciating against the euro.

Defaulted exposures (rating 5.0) amounted to 5.3 per cent of the total credit exposure (€ 4,287,339 thousand), with the segment Central Europe affected most with € 1,252,363 thousand. Slightly less than half of the unrated credit exposure is due to small loans, which are loaded into the Group's data warehouse without their rating. The share of unrated exposure against corporates has been further reduced during the reporting period 2010.

Corporates: maximum credit exposure by internal rating and segment



The rating model for project finance has five different grades. The exposure from project finance is shown in € thousand in the table below. Project ratings incorporate both individual default probabilities and collateral provided:

€000		2010	Share	2009	Share
6.1	Excellent project risk profile – very low risk	2,459,758	39.7%	940,405	28.4%
6.2	Good project risk profile – low risk	2,035,163	32.8%	1,316,273	39.8%
6.3	Acceptable project risk profile – average risk	912,439	14.7%	745,345	22.5%
6.4	Poor project risk profile – high risk	369,901	6.0%	219,127	6.6%
6.5	Default	365,215	5.9%	61,534	1.9%
NR	Not rated (including retail)	56,824	0.9%	27,805	0.8%
Total		**6,199,300**	**100.0%**	**3,310,489**	**100.0%**

The maximum credit exposure in project finance amounted to € 6,199,300 thousand at year end 2010. Projects are rated either in categories 'Excellent project risk profile – very low risk' (rating 6.1) or 'Good project risk profile – low risk' (rating 6.2) account for 72 per cent and thus take the highest share of the portfolio. This reflects mainly the high level of collateralization in specialized lending transactions. Unrated projects make up less 1 per cent (€ 56,824 thousand) of the portfolio.

Credit portfolio – 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 of RBI:

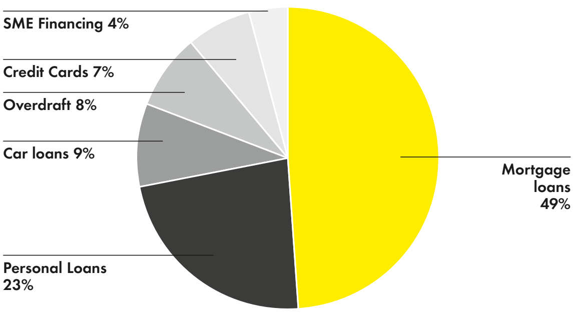
€000	2010	Share	2009	Share
Retail – private individuals	20,301,385	88.3%	19,409,046	88.5%
Retail – SME	2,687,265	11.7%	2,534,436	11.5%
Total	**22,988,650**	**100.0%**	**21,943,482**	**100.0%**
hereof non-performing loans	2,399,036	10.4%	1,852,042	8.4%
hereof individual loan loss provision	1,308,243	5.7%	934,514	4.3%
hereof portfolio-based loan loss provision	353,230	1.5%	446,579	2.0%

The total exposure shown by RBI segments:

2010 €000	Central europe	Southeastern europe	Russia	CIS other	Group markets	Corporate center
Retail – private individuals	9,793,983	6,292,846	2,092,568	2,061,706	9,651	50,631
Retail – SME	1,673,386	802,226	20,035	190,823	0	795
Total	**11,467,369**	**7,095,072**	**2,112,603**	**2,252,529**	**9,651**	**51,426**
hereof non-performing loans	918,913	544,086	217,852	717,988	196	0
hereof individual loan loss provision	332,314	346,625	177,951	445,441	196	5,716
hereof portfolio-based loan loss provision	198,742	100,996	8,846	44,646	0	0

2009 €000	Central europe	Southeastern europe	Russia	CIS other	Group markets	Corporate center
Retail – private individuals	8,762,722	6,648,863	1,950,408	2,047,053	–	–
Retail – SME	1,464,466	836,075	29,089	204,806	–	–
Total	**10,227,188**	**7,484,938**	**1,979,497**	**2,251,859**	**–**	**–**
hereof non-performing loans	652,507	436,800	202,870	559,866	–	–
hereof individual loan loss provision	191,599	255,487	149,615	337,813	–	–
hereof portfolio-based loan loss provision	217,456	115,489	42,771	70,863	–	–

Retail exposure, split by product groups



The size of the retail portfolio remained nearly constant year-on-year at € 22,988,650 thousand. The largest portfolio share is in the segment Central Europe (€ 11,467,369 thousand), which also reported the strongest increase (increasing by € 978,726 thousand). The second largest segment is Southeastern Europe (€ 7,095,072 thousand). In the retail area the business segments which have been newly created due to the merger play a minor role (€ 61,078 thousand; thereof Corporate center € 51,426 thousand).

Changes in the retail portfolio composition also took place due to exchange rate effects and due to the low demand for new loans of small and medium business customers in the Russia and CIS other segments. Another large change was the reduction of foreign currency loans in the retail asset classes.

2010 €000	Central europe	Southeastern europe	Russia	CIS other	Group markets	Corporate center	Total
Mortgage loans	6,716,428	2,538,609	665,593	1,373,135	160	14,836	11,308,761
Personal Loans	1,500,020	2,610,339	739,796	330,943	0	36,590	5,217,686
Car loans	942,930	452,550	438,858	221,624	0	0	2,055,963
Overdraft	1,362,217	536,725	42	16,637	6,998	0	1,922,619
Credit Cards	649,646	548,257	255,602	179,332	2,493	0	1,635,330
SME Financing	296,128	408,593	12,713	130,857	0	0	848,291
Total	**11,467,369**	**7,095,072**	**2,112,603**	**2,252,529**	**9,651**	**51,426**	**22,988,650**

2009 €000	Central europe	Southeastern europe	Russia	CIS other	Group markets	Corporate center	Total
Mortgage loans	6,315,414	2,560,075	653,268	1,380,285	–	–	10,909,042
Personal Loans	1,415,354	2,805,627	368,818	328,162	–	–	4,917,960
Car loans	741,845	437,080	699,446	274,222	–	–	2,152,593
Overdraft	749,904	607,041	21	17,672	–	–	1,374,639
Credit Cards	665,932	586,256	199,901	117,065	–	–	1,569,154
SME Financing	338,740	488,860	58,042	134,453	–	–	1,020,094
Total	**10,227,189**	**7,484,938**	**1,979,497**	**2,251,859**	**–**	**–**	**21,943,482**

The share of foreign currency loans in retail portfolios provides an indication for the 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' matching foreign currency income.

€000	2010	Share	2009	Share
Euro	2,765,816	35.4%	2,337,062	28.7%
US dollar	1,738,511	22.3%	2,085,478	25.6%
Swiss franc	3,050,241	39.1%	3,402,256	41.8%
Other foreign currencies	250,561	3.2%	323,624	4.0%
Loans in foreign currencies	**7,805,128**	**100.0%**	**8,148,420**	**100.0%**
Share of total loans	**34.0%**		**37.1%**	

The following table shows the maximum credit exposure of this asset class by segment:

2010 €000	Central europe	Southeastern europe	Russia	CIS other	Group markets	Corporate center
Euro	317,662	2,423,713	10,143	14,298	0	0
US dollar	5,007	2,122	382,613	1,348,334	435	0
Swiss franc	2,410,560	638,081	0	104	1,273	222
Other foreign currencies	27,701	222,612	0	248	0	0
Loans in foreign currencies	**2,760,930**	**3,286,528**	**392,756**	**1,362,984**	**1,708**	**222**
Share of total loans	**24.1%**	**46.3%**	**18.6%**	**60.5%**	**17.7%**	**0.5%**

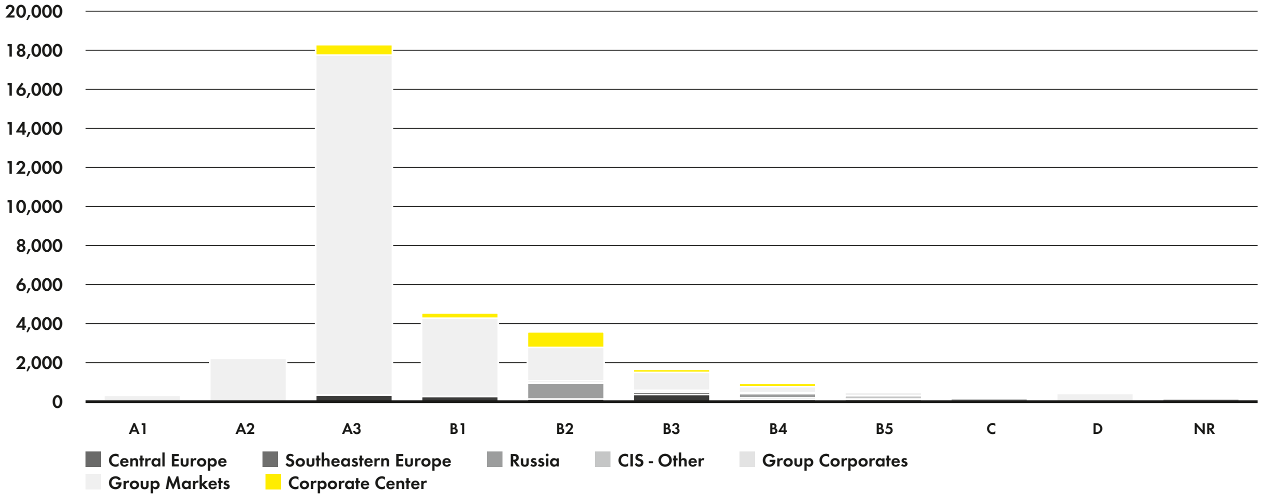
2009 €000	Central europe	Southeastern europe	Russia	CIS other	Group markets	Corporate center
Euro	205,132	2,096,615	14,779	20,536	–	–
US dollar	2,050	124,647	478,516	1,480,265	–	–
Swiss franc	2,423,997	978,039	0	220	–	–
Other foreign currencies	43,105	280,221	0	298	–	–
Loans in foreign currencies	**2,674,284**	**3,479,522**	**493,295**	**1,501,319**	**–**	**–**
Share of total loans	**26.1%**	**46.5%**	**24.9%**	**66.7%**	**–**	**–**

Credit portfolio – 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.

Financial Institutions: maximum credit exposure by internal rating and segment

in € million



The following table shows the maximum credit exposure by internal rating for financial institutions. Due to the small number of customers (or number of defaults respectively), default probabilities of individual rating grades in this asset class are estimated based on internal and external data.

€000		2010	Share	2009	Share
A1	Minimal risk	245,698	0.8%	35,527	0.3%
A2	Excellent credit standing	2,172,623	6.7%	411,278	3.7%
A3	Very good credit standing	18,250,722	56.4%	8,331,712	75.5%
B1	Good credit standing	4,497,943	13.9%	622,119	5.6%
B2	Average credit standing	3,526,746	10.9%	672,202	6.1%
B3	Mediocre credit standing	1,603,434	5.0%	493,761	4.5%
B4	Weak credit standing	892,881	2.8%	155,176	1.4%
B5	Very weak credit standing	474,075	1.5%	191,052	1.7%
C	Doubtful/high default risk	128,145	0.4%	58,156	0.5%
D	Default	383,262	1.2%	4,919	< 0.1%
NR	Not rated (including retail)	184,876	0.6%	64,626	0.6%
Total		**32,360,405**	**100.0%**	**11,040,528**	**100.0%**

The maximum credit exposure of these customers is € 32,360,405 thousand. With respect to the rating distribution in this asset class, the rating class A3 contributes € 18,250,722 thousand or a share of 56.4 per cent. The absolute increase results mainly from short-term deposits at other banks and can be mainly attributed to segment Group markets. Taking all rating classes together, the Group markets segment accounts for the largest portfolio share (€ 25,457,128 thousand or 78.7 per cent) followed by the Corporate center segment at € 2,172,623 thousand or 6.2 per cent.

Part of this credit exposure is held against financial institutions that have a shareholder relationship with RBI. Due to the multi-layered structure of the Austrian Raiffeisen Banking Group, exposure resulting from liquidity management within the Raiffeisen Banking Group is shown in this asset class as well. Bilateral netting-agreements and joint risk monitoring systems are used as risk mitigation techniques by the Group.

The share of unrated financial institutions was below 1 per cent at year-end 2010. This exposure was mainly caused by short-term loans to small banks, where the rating process had not yet been completed.

Money market deposits, repurchase agreements, potential future exposures from derivatives, sight deposits, and bonds are the main product categories in this asset class. These exposures therefore have high collateralization levels (e.g. in repo transactions or through netting-agreements) depending on the type of product.

As a result of the economic crisis and the resulting risks for this industry class, the bank's management decided that the exposure in this asset class will not be increased any further. As some existing contracts will not be renewed, the maximum credit exposure will eventually even decrease. Credit business with other financial institutions in the Raiffeisen Banking Group (which are covered by a joint risk monitoring system) is not restricted by this decision.

Credit exposure – Sovereigns

Another asset class is formed by central governments, central banks, and regional municipalities as well as other public sector entities. The table below provides a breakdown of the credit exposure to sovereigns (including central banks) by internal rating. Since defaults in this asset class are historically very rare, default probabilities are estimated using full data sets provided by external rating agencies.

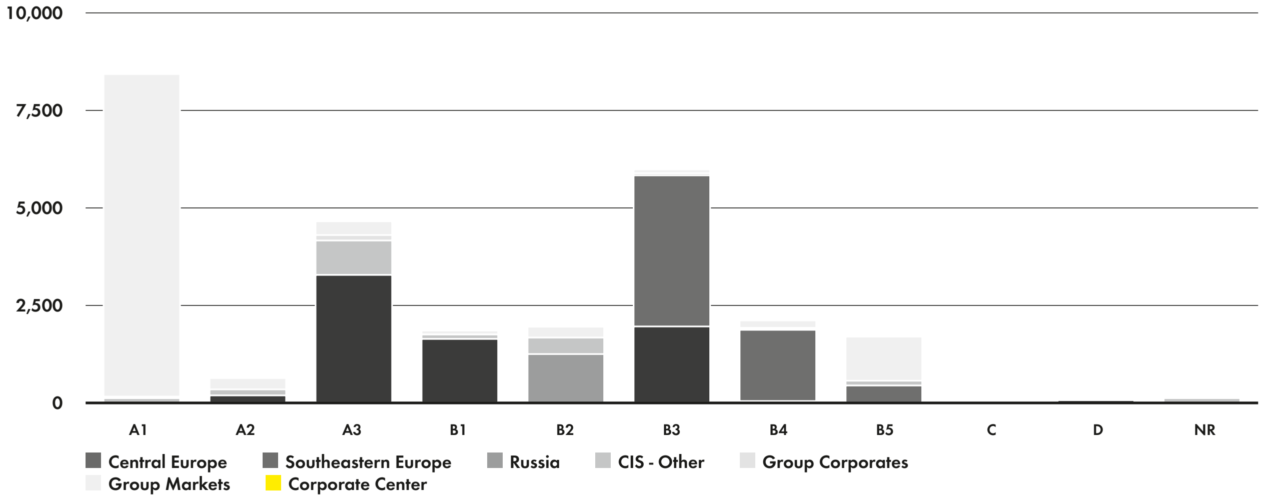
€000		2010	Share	2009	Share
A1	Minimal risk	8,386,362	32.4%	455,342	3.1%
A2	Excellent credit standing	624,248	2.4%	380,171	2.6%
A3	Very good credit standing	3,927,021	15.2%	3,687,206	25.2%
B1	Good credit standing	1,639,803	6.3%	1,061,130	7.3%
B2	Average credit standing	1,398,508	5.4%	653,250	4.5%
B3	Mediocre credit standing	5,951,377	23.0%	5,762,992	39.4%
B4	Weak credit standing	2,097,273	8.1%	1,168,817	8.0%
B5	Very weak credit standing	1,691,510	6.5%	1,373,089	9.4%
C	Doubtful/high default risk	39	0.0%	8,306	0.1%
D	Default	60,035	0.2%	19,232	0.1%
NR	Not rated (including retail)	78,988	0.3%	61,313	0.4%
Total		**25,855,164**	**100.0%**	**14,630,848**	**100.0%**

The maximum credit exposure to sovereigns amounts to € 25,855,164 thousand and represents 15.4 per cent of the bank's total credit exposure. The highest portfolio share with 32.4 per cent is held in rating class 'Minimal Risk' (rating A1), which results mainly from new securities investments in government bonds.

Average rating grades ('Very good credit standing', rating A3 to 'Mediocre credit standing', rating B3) form 49.9 per cent of the portfolio. The high exposure in these rating categories mainly results from deposits of network banks at local central banks in Central and Eastern Europe. They are mandatory for meeting the respective minimum reserve requirements or used in order to manage excess liquidity on a short-term basis and therefore are intrinsically linked to the banking business in these countries. The exposure in rating class B4 is € 2,097,273 thousand (or 8.1 per cent) and results mainly from short-term deposits at the central banks of Russia and in region CIS other.

Sovereigns: maximum credit exposure by internal rating and segment

in € million

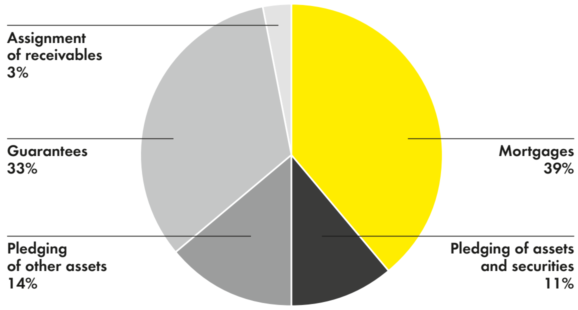


Credit risk mitigation

Collateralization is one of the main strategies and an actively pursued measure for reducing potential credit risks. The value of collateral and the effect of other risk mitigation techniques are determined within each limit application. The risk mitigation effect taken into account is the value that RBI expects to receive when selling the collateral within a reasonable liquidation period. Eligible collaterals are defined in the Group's collateral catalogue and evaluation guidelines for collateral. The collateral value is calculated according to specified methods, which include standardized calculation formulas based on market values, predefined minimum discounts, and expert assessments.

Collateral is divided into pledges (e.g. guarantees) and physical collateral. In RBI liens on residential or commercial properties are the main types of collateral used.

Collateral types as of 31/12/ 2010



The maximum credit risk exposure and the market price (fair value) of collaterals are shown in the following table:

31/12/2010 €000	Maximum credit exposure Net exposure	 Commitments/guarantees issued	Fair value of collateral
Banks	21,277,387	1,926,281	4,126,777
Sovereigns	1,492,468	260,259	577,893
Corporate customers – large	46,769,555	29,938,996	35,187,022
Corporate customers – small business	3,421,324	898,743	2,683,142
Retail customers – private individuals	17,130,847	2,201,819	11,294,349
Retail customers – small and medium-sized entities	2,198,479	347,148	1,553,402
Other	143,527	30,902	45,373
Total	**92,433,587**	**35,604,148**	**55,467,958**

31/12/2009 €000	Maximum credit exposure Net exposure	 Commitments/guarantees issued	Fair value of collateral
Banks	10,306,663	890,573	135,775
Sovereigns	1,154,916	384,002	228,464
Corporate customers – large	24,007,002	10,636,275	16,833,872
Corporate customers – small business	3,482,430	741,299	2,900,688
Retail customers – private individuals	16,620,215	1,742,211	12,570,999
Retail customers – small and medium-sized entities	2,141,599	312,526	1,513,847
Other	28,224	1,926	7,319
Total	**57,741,049**	**14,708,812**	**34,190,964**

Collateral ready to be sold or repledged in the absence of default of the debtor amounted to € 16,820,440 thousand (2009: € 15,540,905 thousand).

Default and workout process

The credit portfolio and individual borrowers are subject to constant monitoring. The main purpose of monitoring is to ensure that the borrower meets the terms and conditions of the contract as well as following the obligor's economic development. A review is conducted at least once annually in the non-retail asset classes corporates, financial institutions, and sovereigns. This includes a rating review and the re-evaluation of financial and tangible collateral.

Problem loans (where debtors might run into material financial difficulties, or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees in the individual Group units make decisions on problematic exposures. If the need for intensified treatment and workout is identified, then problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Employees of the workout units are specially trained and have extensive experienced. They typically handle medium-sized to large cases and are assisted by in-house legal departments and/or by external specialists as well. Work-out units play a decisive role in accounting and analyzing as well as booking provisions for impairment losses (write-offs, value adjustments, provisioning). Their early involvement can help reduce losses resulting from problem loans.

Default and workout standards in the retail area comprise the whole restructuring and collection process for private individuals and small enterprises. A restructuring guideline defines the Group's restructuring framework including uniform 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.

The definition of default and the assessment of the expected recovery value are heavily influenced by the number of days payments are late. The following table shows the amount of overdue – not impaired – financial assets for different time bands:

31/12/2010	Current	Overdue					Collaterals
€000		Up to 31 days	More than 31 days, up to 90 days	More than 90 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	received for assets which are past due
Banks	21,258,320	235	5	0	0	2,759	37
Sovereigns	1,468,988	5,967	5,734	177	0	109	498
Corporate customers – large	44,258,902	1,002,845	401,880	17,470	30,215	35,871	696,622
Corporate customers – small business	2,850,135	182,714	91,671	10,287	6,401	17,408	207,729
Retail customers – private individuals	14,659,312	1,446,949	337,421	198,674	39,278	77,804	1,327,697
Retail customers – small and medium-sized entities	1,778,858	231,361	63,091	21,500	12,034	14,513	255,929
Other	0	0	0	0	0	0	0
Total	**86,274,515**	**2,870,071**	**899,802**	**248,108**	**87,928**	**148,464**	**2,488,511**

31/12/2009	Current	Overdue					Collaterals
€000		Up to 31 days	More than 31 days, up to 90 days	More than 90 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	received for assets which are past due
Banks	10,305,859	0	0	0	0	0	271
Sovereigns	1,044,812	29,903	2,217	554	1	0	1,867
Corporate customers – large	21,424,631	718,445	385,138	22,228	27,282	17,640	1,083,699
Corporate customers – small business	2,902,280	192,110	107,742	10,830	12,349	7,929	324,143
Retail customers – private individuals	14,253,465	1,407,580	414,313	278,046	111,027	133,663	1,063,926
Retail customers – small and medium-sized entities	1,764,539	199,152	76,277	30,300	4,435	6,286	297,741
Other	27,750	227	119	0	0	0	0
Total	**51,723,336**	**2,547,417**	**985,806**	**341,958**	**155,094**	**165,518**	**2,771,647**

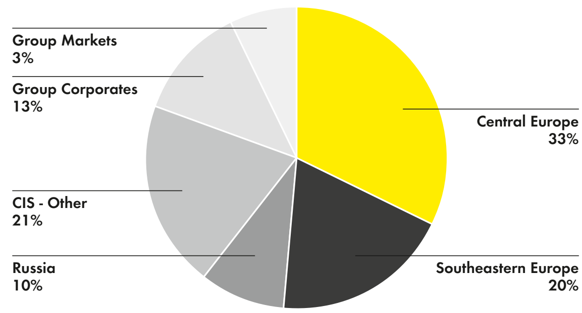
Restructuring of loans

As of 31 December 2010 the carrying amount of loans for which terms were renegotiated in connection with a substantial and immediate loss that would otherwise be past due or impaired amounted to € 588,276 thousand (2009: € 484,089). Split by asset classes € 261,604 thousand is attributable to corporate customers and € 326,672 thousand to retail customers.

Non-performing loans and provisioning

Default is internally defined as the event where a specific debtor is unlikely to pay its credit obligations to the bank from primary sources, or the debtor is overdue more than 90 days on any material credit obligation. RBI 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.

Breakdown of non-performing loans by segment



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 defaults and the reasons for defaults, which makes it suitable for calculating and validating default probabilities.

Provisions for impairment losses are formed on the basis of Group-wide standards according to IFRS accounting principles and cover all identifiable credit risks. In the non-retail segments, problem loan committees from each Group unit decide on building individual loan loss provisions. In the retail area, provisioning is performed by retail risk departments in individual Group units. They compute loan loss provisions according to defined calculation schemes on a monthly basis. The provisioning amount is then approved by local accounting departments.

The following table shows the exposure 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 (excludes off-balance sheet positions):

€000	As of 1/1/2010	Change in consolidated group	Exchange differences	Additions	Disposals	As of 31/12/2010
Corporate customers	2,576,245	938,592	124,761	1,698,860	(957,021)	4,381,436
Retail customers	1,850,220	5,434	62,691	981,084	(503,215)	2,396,213
Sovereigns	15,898	0	(136)	19,921	(23,585)	12,098
Total non-banks	**4,442,363**	**944,026**	**187,316**	**2,699,864**	**(1,483,821)**	**6,789,747**
Banks	4,233	572,507	3,470	18,772	(331,147)	267,834
Total	**4,446,596**	**1,516,533**	**190,785**	**2,718,636**	**(1,814,968)**	**7,057,581**

€000	As of 1/1/2009	Change in consolidated group	Exchange differences	Additions	Disposals	As of 31/12/2009
Corporate customers	824,049	0	(1,981)	2,284,227	(530,051)	2,576,244
Retail customers	950,744	0	(20,866)	1,304,997	(384,655)	1,850,220
Sovereigns	5,206	0	274	24,386	(13,968)	15,898
Total non-banks	**1,780,000**	**0**	**(22,573)**	**3,613,610**	**(928,675)**	**4,442,363**
Banks	431	0	143	6,181	(2,522)	4,233
Total	**1,780,431**	**0**	**(22,430)**	**3,619,792**	**(931,197)**	**4,446,596**

The following table shows the exposure outstanding in the defined asset classes from statement of financial position item positions loans and advances to banks and loans and advances to customers (excludes off-balance sheet positions) and the corresponding non-performing loans, collateral provided, and loan loss provisions by segment:

2010 €000	Central europe	Southeastern europe	Russia	CIS other	Group corporates	Group markets
Corporate customers						
Non-performing loans	1,356,775	785,401	450,382	709,630	872,866	206,382
of which collateralized	496,324	442,635	128,265	232,683	238,920	0
Impairment losses on loans and advances	687,381	458,922	443,391	502,867	563,264	183,281
Loans	14,762,049	7,305,091	5,620,499	3,247,838	20,156,890	3,583,612
NPL ratio	9.2%	10.8%	8.0%	21.8%	4.3%	5.8%
Coverage ratio	50.7%	58.4%	98.4%	70.9%	64.5%	88.8%
Retail customers						
Non-performing loans	916,596	543,776	217,852	717,988	0	0
of which collateralized	422,755	165,987	62,240	406,271	0	0
Impairment losses on loans and advances	530,350	447,609	186,797	490,083	5,716	196
Loans	10,158,568	6,713,652	1,942,586	2,058,060	2,032	42,271
NPL ratio	9.0%	8.1%	11.2%	34.9%	–	–
Coverage ratio	57.9%	82.3%	85.7%	68.3%	–	–
Sovereigns						
Non-performing loans	11,917	0	182	0	0	0
of which collateralized	0	0	0	0	0	0
Impairment losses on loans and advances	958	0	38	0	0	0
Loans	296,344	762,106	38,339	0	331	294
NPL ratio	4.0%	–	0.5%	–	–	–
Coverage ratio	8.0%	–	20.9%	–	–	–
Banks						
Non-performing loans	2,759	0	1,175	187	1,031	262,682
of which collateralized	0	0	0	0	0.0%	0.0%
Impairment losses on loans and advances	2,275	9	421	187	762	251,366
Loans	1,386,771	2,587,424	1,821,233	861,178	2,596,822	14,124,823
NPL ratio	0.2%	0.0%	0.1%	0.0%	0.0%	1.9%
Coverage ratio	82.5%	–	35.8%	100.0%	73.9%	95.7%

2009 €000	Central europe	Southeastern europe	Russia	CIS other
Corporate customers				
Non-performing loans	1,073,183	549,985	441,780	511,296
of which collateralized	409,459	339,276	172,491	325,714
Impairment losses on loans and advances	588,475	294,615	408,117	406,238
Loans	14,445,729	7,152,689	4,394,004	3,222,680
NPL ratio	7.4%	7.7%	10.1%	15.9%
Coverage ratio	54.8%	53.6%	92.4%	79.5%
Retail customers				
Non-performing loans	650,711	436,773	202,870	559,866
of which collateralized	358,453	113,781	114,112	405,873
Impairment losses on loans and advances	408,227	370,941	192,387	408,670
Loans	9,225,278	6,898,650	1,866,483	2,151,627
NPL ratio	7.1%	6.3%	10.9%	26.0%
Coverage ratio	62.7%	84.9%	94.8%	73.0%
Sovereigns				
Non-performing loans	12,935	0	2,964	0
of which collateralized	502	0	0	0
Impairment losses on loans and advances	2,343	0	572	0
Loans	1,060,919	1,724,651	127,696	218,828
NPL ratio	1.2%	–	2.3%	–
Coverage ratio	18.1%	–	19.3%	–
Banks				
Non-performing loans	4,057	0	0	176
of which collateralized	0	0	0	0
Impairment losses on loans and advances	3,245	16	0	176
Loans	1,936,906	2,110,331	3,154,166	602,254
NPL ratio	0.2%	–	–	–
Coverage ratio	80.0%	–	–	–

In the division corporate customers, non-performing loans recorded the highest growth, increasing by 70 per cent to € 4,381,436 thousand. The Southeastern Europe segment at 43 per cent, and CIS other at 39 per cent, were especially affected. For these NPL's, € 2,839,106 thousand of loan loss provisions were allocated, an increase of 67 per cent and resulted in a coverage ratio of 65 per cent.

In the retail portfolio, non-performing loans grew to € 2,396,212 thousand. This represents an increase of 30 per cent, the main players were located in the segment Central Europe with 41 per cent followed by CIS other with 28 per cent and Southeastern Europe with 24 per cent. The ratio of non-performing loans to loans and advances to customers increased by 25 percentage points to 11.5 per cent. At the same time, loan loss provisions for retail customers rose by 20 per cent to € 1,660,750 thousand, resulting in a coverage decrease of 7.0 percentage points to 69.3 per cent.

The segment financial institutions was also had non-performing loans of € 267,834 thousand at year-end, for which loan loss provisions of € 255,019 thousand were allocated.

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

€000	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	**2,383,348**	**983,277**	**1,726,950**	**(530,849)**	**(687,742)**	**125,308**	**4,000,292**
Loans and advances to banks	3,430	403,133	7,932	(4,733)	(177,363)	4,180	236,579
Loans and advances to customers	2,354,579	568,304	1,665,236	(507,066)	(491,432)	121,095	3,710,716
Off-balance sheet obligations	25,339	11,840	53,782	(19,050)	(18,947)	33	52,997
Portfolio-based loan loss provisions	**770,512**	**88,880**	**390,664**	**(389,803)**	**0**	**27,746**	**887,999**
Loans and advances to banks	8	0	18,438	(76)	0	71	18,440
Loans and advances to customers	726,006	88,880	315,170	(367,013)	0	27,094	790,137
Off-balance sheet obligations	44,498	0	57,056	(22,714)	0	581	79,422
Total	**3,153,860**	**1,072,157**	**2,117,614**	**(920,652)**	**(687,742)**	**153,054**	**4,888,291**

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

€000	As of 1/1/2009	Change in consolidated group	Allocation[1]	Release	Usage [2]	Transfers, Exchange differences	As of 31/12/2009
Individual loan loss provisions	**1,111,914**	**(2)**	**1,836,160**	**(271,456)**	**(267,063)**	**(26,205)**	**2,383,348**
Loans and advances to banks	4,050	0	194	(3)	(8)	(803)	3,430
Loans and advances to customers	1,070,121	(2)	1,816,514	(245,139)	(267,054)	(19,861)	2,354,579
Off-balance sheet obligations	37,743	0	19,452	(26,314)	(1)	(5,541)	25,339
Portfolio-based loan loss provisions	**598,725**	**0**	**474,261**	**(288,431)**	**0**	**(14,043)**	**770,512**
Loans and advances to banks	301	0	121	(283)	0	(131)	8
Loans and advances to customers	566,790	0	442,356	(269,340)	0	(13,800)	726,006
Off-balance sheet obligations	31,634	0	31,784	(18,808)	0	(112)	44,498
Total	**1,710,639**	**(2)**	**2,310,421**	**(559,887)**	**(267,063)**	**(40,248)**	**3,153,860**

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

The following table shows the breakdown of loan loss provisions according to business segments:

€000	As of 1/1/2010	Change in consolidated group	Allocation[1]	Release	Usage [2]	Exchange differences	As of 31/12/2010
Individual loan loss provisions	**2,383,348**	**983,277**	**1,726,950**	**(530,849)**	**(687,742)**	**125,308**	**4,000,292**
Central Europe	759,283	(743)	628,490	(222,897)	(199,275)	14,747	979,605
Southeastern Europe	485,439	(43)	437,706	(102,020)	(100,793)	2,659	722,948
Russia	481,877	0	229,929	(143,368)	(59,711)	27,399	536,126
CIS other	656,749	0	240,763	(4,547)	(84,817)	50,418	858,566
Group corporates	0	583,457	173,182	(54,035)	(55,243)	17,372	664,733
Group markets	0	400,606	16,878	(3,982)	(187,903)	12,715	238,314
Corporate center	0	0	0	0	0	0	0
Portfolio-based loan loss provisions	**770,512**	**88,880**	**390,664**	**(389,803)**	**0**	**27,746**	**887,999**
Central Europe	274,395	0	165,388	(161,973)	0	8,605	286,415
Southeastern Europe	198,561	(26)	69,906	(69,015)	0	6,374	205,800
Russia	136,492	0	67,113	(76,746)	0	7,912	134,771
CIS other	161,064	0	57,456	(79,275)	0	3,550	142,795
Group corporates	0	88,906	12,701	(2,794)	0	1,305	100,118
Group markets	0	0	18,100	0	0	0	18,100
Corporate center	0	0	0	0	0	0	0
Total	**3,153,860**	**1,072,157**	**2,117,614**	**(920,652)**	**(687,742)**	**153,054**	**4,888,291**

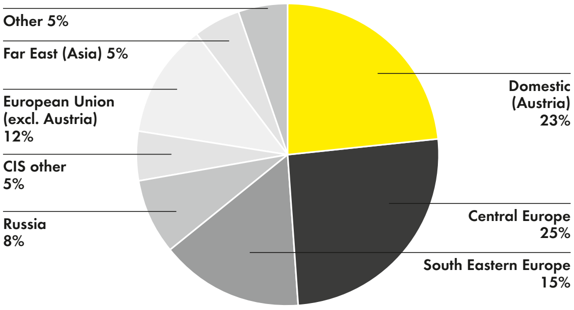
1 Allocation including direct write-downs and income on written down claims.
2 Usage including direct write-downs and income on written down claims.

€000	As of 1/1/2009	Change in consolidated group	Allocation[1]	Release	Usage [2]	Exchange differences	As of 31/12/2009
Individual loan loss provisions	**1,111,914**	**(2)**	**1,836,160**	**(271,456)**	**(267,063)**	**(26,205)**	**2,383,348**
Central Europe	449,456	0	515,223	(131,663)	(79,863)	6,130	759,283
Southeastern Europe	238,822	(2)	427,817	(75,699)	(99,766)	(5,733)	485,439
Russia	223,341	0	396,683	(57,278)	(76,608)	(4,261)	481,877
CIS other	200,295	0	496,437	(6,816)	(10,826)	(22,341)	656,749
Portfolio-based loan loss provisions	**598,725**	**0**	**474,261**	**(288,431)**	**0**	**(14,043)**	**770,512**
Central Europe	165,293	0	184,935	(79,154)	0	3,321	274,395
Southeastern Europe	148,155	0	117,689	(55,814)	0	(11,469)	198,561
Russia	150,009	0	71,317	(78,201)	0	(6,633)	136,492
CIS other	135,268	0	100,320	(75,262)	0	738	161,064
Total	**1,710,639**	**(2)**	**2,310,421**	**(559,887)**	**(267,063)**	**(40,248)**	**3,153,860**

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

Country risk

Credit exposure to customers by region



Country risk includes transfer and convertibility risks as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. RBI is exposed to this risk due to its strong business activities in the Central and Eastern European convergence markets. In these markets political and economic risks to some extent are still seen as significant.

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

In day-to-day work, business units have to submit limit applications for the respective countries for all cross-border transactions in addition to the limit applications for a customer. Country risk also is reflected in product pricing as well as in risk-adjusted performance management. Business units therefore can benefit from country risk mitigation by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries.

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

Concentration risk

The credit portfolio of RBI is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence portfolio granularity is high. The sum of the maximum credit exposure of the ten largest corporate customers (before taking into account risk mitigation effects) corresponds to 65.9 per cent of core capital. In line with the credit risk policy these customers all have excellent ratings or – given high collateralization (and high fungibility of collateral) – acceptable credit standing.

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 portfolio contributed by Raiffeisen Zentralbank during the merger leads to a strong increase for Austria and Others. "Other" in this table mainly is comprised of credit exposures to customers in Western Europe like Switzerland, Netherlands, and France. And it includes Central and Eastern European countries where RBI operates local network banks (e.g. Slovenia, Belarus,…).

€000	2010	Share	2009	Share
Austria	44,774,923	26.6%	7,420,225	8.3%
Russia	14,452,671	8.6%	9,547,443	10.7%
Czech Republic	10,031,591	6.0%	9,306,854	10.5%
Hungary	9,938,056	5.9%	9,645,335	10.8%
Slovakia	8,610,947	5.1%	10,123,017	11.4%
Poland	8,232,270	4.9%	6,930,303	7.8%
Romania	8,046,808	4.8%	7,225,958	8.1%
Croatia	6,189,578	3.7%	5,793,291	6.5%
Ukraine	6,156,235	3.7%	5,040,303	5.7%
Germany	5,708,349	3.4%	633,486	0.0%
USA	4,368,637	2.6%	466,276	0.0%
Great Britain	3,999,797	2.4%	389,192	0.0%
Bulgaria	3,958,753	2.4%	4,093,188	4.6%
Serbia	2,557,240	1.5%	2,990,563	3.4%
Far East	2,246,547	1.3%	106,315	0.0%
Other	29,041,912	17.3%	2,400,065	2.7%
Total	**168,314,313**	**100.0%**	**89,084,944**	**100.0%**

In 2010 doubts about the financial sustainability of government deficits resulted in the widening of spreads on government bonds of several countries of the European Monetary Union. RBI does not own any banking subsidiaries that are incorporated in the so-called European periphery countries. Nonetheless, some of the bank's customers are domiciled in these countries, resulting from lending to international corporate customers and investment banking activities. All in all, the bank has almost no exposure to government bonds in these countries (except for the Republic of Italy).

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

€000	2010	Share	2009[1]	Share
Banking and insurance	48,146,001	28.6%	18,731,314	21.0%
Private households	22,554,206	13.4%	18,918,705	21.2%
Public administration and defence and social insurance institutions	16,182,139	9.6%	8,069,816	9.1%
Wholesale trade and commission trade (except car trading)	15,217,496	9.0%	5,932,211	6.7%
Real estate activities	12,346,591	7.3%	5,985,553	6.7%
Other business activities	6,708,734	4.0%	1,945,479	2.2%
Construction	4,949,963	2.9%	3,403,930	3.8%
Retail trade except repair of motor vehicles	4,087,343	2.4%	1,974,017	2.2%
Electricity, gas, steam and hot water supply	3,516,158	2.1%	1,193,503	1.3%
Manufacture of food products and beverages	2,986,865	1.8%	2,278,475	2.6%
Manufacture of basic metals	2,939,420	1.7%	968,459	1.1%
Other manufacturing	11,900,352	7.1%	5,459,545	6.1%
Land transport, transport via pipelines	2,231,069	1.3%	1,501,776	1.7%
Other transport	2,606,332	1.5%	1,119,421	1.3%
Manufacture of machinery and equipment	1,729,813	1.0%	624,755	0.7%
Mining and quarrying	1,277,371	0.8%	356,375	0.4%
Sale of motor vehicles	1,796,372	1.1%	1,906,112	2.1%
Other industries	7,138,089	4.2%	8,715,498	9.8%
Total	**168,314,313**	**100.0%**	**89,084,944**	**100.0%**

1 Adjustments of previous year figures due to different mapping and definition.

Structured credit portfolio

The bank's structured credit portfolio was taken over from RZB as a consequence of the merger. RBI 's strategy for this portfolio is to reduce these investments step-by-step. This will be achieved either through repayment at maturity date or through assest sales depending on the market situation. The size of the structured credit portfolio is shown in chapter (39) securitization. More than 85 per cent of this portfolio is rated A or better by external rating agencies. The pools mainly contain exposures to European customers.

Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities or commodities lending or borrowing transaction can lead to losses from re-establishing the contract with another counterparty. In RBI this risk is measured by the mark-to-market approach where a predefined add-on is added to the current positive fair value of the contract in order to account for potential future changes. For internal management purposes potential price changes, which can affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.
For derivative contracts the standard limit approval process applies, where the same risk classification, limitation, and monitoring process is used as for traditional lending. In doing so, the weighted nominal exposure of derivative contracts is added to the customers' total exposure in the limit application and monitoring process as well as in the calculation and allocation of internal capital.

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

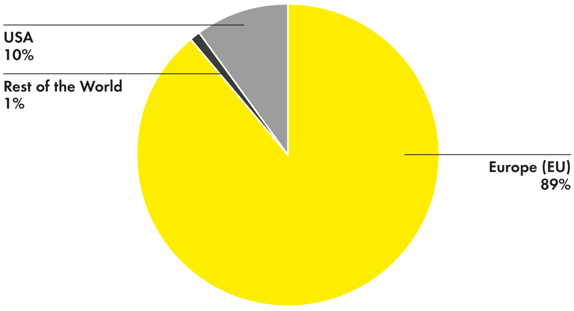
The total potential future credit exposure resulting from derivative transactions is included in the exposure tables for each particular asset class.

€000	Fair value	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 and gold 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**

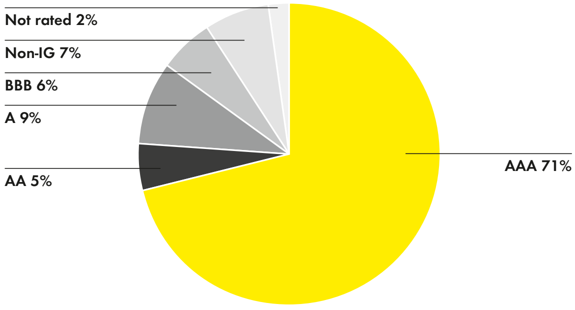
Participation risk

The banking book also contains risks arising from listed and unlisted equity participations. They are described separately under this risk heading. Risks stemming from subsidiaries that are strategically and operatively controlled by RBI are not considered in this risk category because these risks are precisely measured and reported under the other risk headings during consolidation. Most of the direct and indirect participations of RBI are fully consolidated in the Group's statement of financial position (e.g. network banks, network leasing companies) and therefore subject to the 'look through' approach. Risks arising from such participations are managed by applying controlling-, measurement-, and monitoring-tools as described for the other risk categories.

Breakdown of structured credit portfolio by region



Breakdown of structured credit portfolio by rating



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

Participations of RBI are managed by the Participations 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). New investments are made only by the Managing Board of RBI on the basis of individual due diligence. Indirect participations held by different Group units are often managed by local units themselves in coordination with RBI.

Market risk

RBI defines market risk as the risk of possible losses arising from changes in market prices of trading and banking book positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters (e.g. like implied volatilities).

Market risks are transferred to the Group Treasury division by closing internal contracts with customer divisions. Global Treasury is responsible for managing structural market risks and for complying with the Group's overall limit. The Capital Markets division is responsible for proprietary trading, market making, and for customer business with money market and capital market products.

Organization of market risk management

RBI measures, monitors and manages market risks on Group level.

The Market Risk Committee is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks in the Group. The Group's overall limit is set by the Managing Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to the strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined and enacted strategy and risk appetite of the Group. It is responsible for implementing and enhancing risk management processes, manuals, measurement techniques, risk management infrastructure and systems for all market risk categories and secondary credit risks arising from market price changes in derivative transactions. Furthermore this department independently measures and reports market risks on a daily basis.

All products in which open positions can be held are listed in the product catalogue. New products are added to this list only after completing the product approval process successfully. Product applications are investigated thoroughly for any risks. They are approved only if the new products can be implemented in the bank's front- and back-office (and risk management) systems respectively.

Limit system

RBI uses a comprehensive risk management approach for both the trading and banking book (total-return approach). Market risks are managed consistently in the trading and banking book. The following values are measured and limited on a daily basis in the market risk management system:

- Value-At-Risk (confidence level 99%, risk horizon 1 day)
  Value-at-risk (VaR) is of central importance in the design of the instrument used. It is the main steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach, where 5,000 scenarios are calculated. The approach combines the advantages of a historical simulation and a Monte Carlo simulation and derives market parameters from 500 days historical data. Distribution assumptions include modern features like volatility declustering, random time change, and extreme event containers. This helps in reproducing fat-tailed and asymmetric distributions accurately. The Austrian Financial Market Authority has approved this model such that it can be used for calculating own

funds requirements for market risks. Value-at-risk results are not only used for limiting risk but also in the internal capital allocation.

- Sensitivities (to changes in exchange rates, interest rates, gamma, vega, equity and commodity prices)
  Sensitivity limits shall ensure that concentrations are avoided in normal market situations and are the main steering instrument under extreme market situations, in illiquidity markets, and in markets that are structurally difficult to measure.

- Stop loss
  This limit strengthens the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The results on market risk concentrations shown by these stress tests are reported to the Market Risk Committee and taken into account when setting limits. Stress test reports for individual portfolios are included in daily market risk reporting.

Value-at-risk (VaR)

The following table shows risk figures (VaR 99%, 1d, in € thousand) for individual markets risk categories of the trading and banking book. RBI's VaR mainly results from exchange rate risk out of long-termed equity positions, structural interest rate risks, and credit spread risks of bonds, which are held as liquidity buffer.

Trading book VaR 99% 1d	VaR as of 31/12/2010	Average VaR	Minimum VaR	Maximum VaR	VaR[1] as of 31/12/2009
Currency risk	8,215	6,933	1,546	9,621	3,888
Interest rate risk	6,821	7,499	5,262	10,527	6,980
Credit spread risk	2,049	3,784	2,029	13,390	2,734
Share price risk	1,399	2,498	1,327	27,244	3,531
Total	12,622	15,484	9,622	47,965	12,677

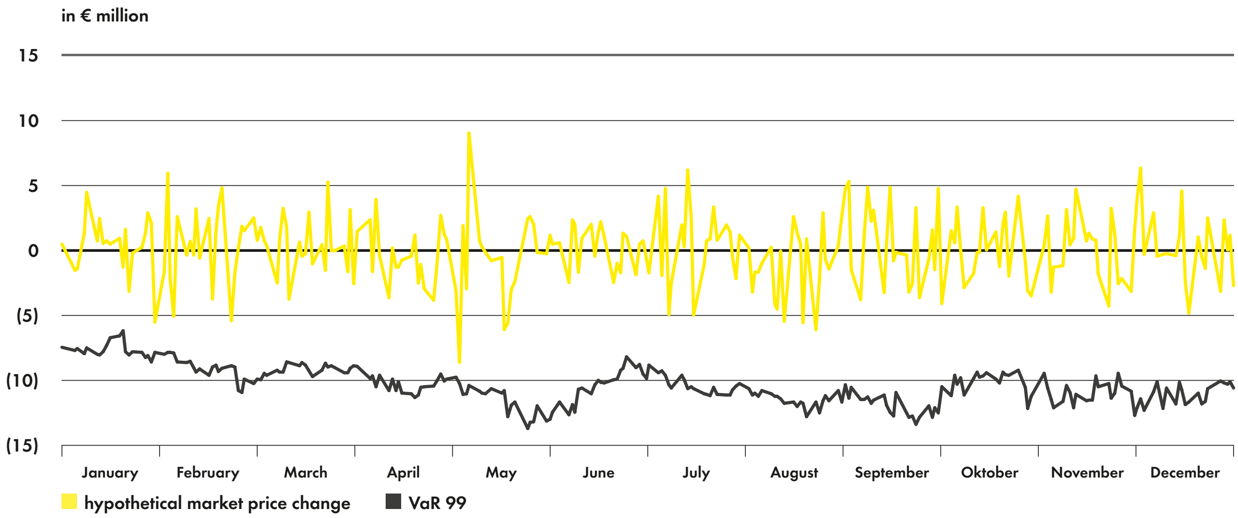
Banking book VaR 99% 1d	VaR as of 31/12/2010	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2009
Interest rate risk	69,753	42,096	15,100	72,203	14,868
Credit spread risk	29,949	43,382	24,996	100,502	43,489
Total	66,081	58,672	37,805	104,124	46,692

Total VaR 99% 1d	VaR as of 31/12/2010	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2009
Currency risk[2]	53,021	62,069	45,722	107,679	53,742
Interest rate risk	70,163	43,647	20,377	87,621	20,297
Credit spread risk	31,065	45,868	25,989	108,503	44,139
Share price risk	1,399	2,498	1,327	27,244	3,531
Total	86,932	95,218	66,288	182,552	80,169

1 Values for year end 2009 have been adjusted according to model changes.
2 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 mostly independently from short-term trading positions (see also subsequent chapter "Exchange rate risk and capital (ratio) hedge").

Risk measurement approaches in use are verified – besides analysing returns qualitatively – permanently through backtesting and statistical validation techniques. If model weaknesses are be identified, they are fixed accordingly. There were no backtesting violations for Raiffeisen Bank International's trading book as shown in the following chart. This chart compares VaR for exchange and interest rate risk (as calculated for regulatory capital requirements) and theoretical profits and losses on a daily

Value-at-risk and theoretical market price changes of RBI's trading book



basis. VaR is shown as black line and denotes the maximum loss that will not be exceeded with 99 per cent confidence level on the next day. Theoretical profits and losses are shown as yellow line indicating theoretical returns that the bank would have realized according to the actual changes in market parameters. It is possible to see that the model correctly reproduces market volatility regimes and quickly reacts to changed market conditions.

Exchange rate risk and capital (ratio) hedge

Market risk in RBI depends primarily on exchange rate risk, which results from foreign-currency denominated equity investments made in non-domestic Group units and the corresponding hedging positions entered into by the Group Asset/Liability Committee. The following table shows all material open foreign exchange rate positions (larger than € 50 million) as of 31 December 2010 and the corresponding values for the previous year in € thousand. Those numbers include both trading positions as well as equity stakes in subsidiaries with foreign currency denominated statements of financial position.

€000	31/12/2010	31/12/2009
ALL	187,135	179,625
BAM	167,305	(95,627)
BGN	90,655	(311,286)
BYR	137,443	115,690
CNY	94,341	103,717
CZK	133,831	332,370
HRK	811,689	806,266
HUF	526,303	561,305
PLN	781,200	730,488
RON	538,897	536,175
RSD	475,253	481,891
RUB	2,132,097	1,830,354
UAH	1,537,677	1,114,989
USD	(707,173)	(385,978)

In a narrow sense, exchange rate risk denotes the risk that one suffers losses due to open foreign exchange positions. Exchange rate fluctuations also influence current revenues and expenses. However, they also influence regulatory capital requirements of assets denominated in foreign currencies, even if they are refinanced in the same currency and thus do not create an open foreign exchange position.

RBI holds several large participations located outside of the European Monetary Union with their equity denoted in the corresponding local currency. Also, a significant share of risk weighted assets in RBI is denominated in foreign currencies. Changes in foreign exchange rates thus lead to a change of consolidated capital in RBI and they influence own funds requirement for credit risks as well. Basically, there are two different approaches for managing exchange rate risks:

- Preserve equity: With this hedging strategy an offsetting capital position is held on Group level for local currency denominated equity positions. However, the necessary hedging positions cannot be established in all currencies due to the required high volume. And these hedges might be inefficient for some currencies if they carry a high interest rate differential.

- Stable capital ratio: The goal of this hedging strategy is to balance core capital and risk-weighted assets in all currencies according to the targeted core capital ratio (i.e. reduce excess capital or deficits in relation to risk-weighted assets for each currency) such that the core capital ratio remains stable even if foreign exchange rates change.

RBI aims at stabilizing its core capital ratio when managing exchange rate risks. Changes in foreign exchange rates thus lead to changes in consolidated capital amounts; however, the regulatory capital requirements for credit risks stemming from assets denoted in foreign currencies also change correspondingly. This risk is managed on a monthly basis in the Group Asset/Liability Committee based on historical foreign exchange volatilities, exchange rate forecasts, and the sensitivity of the core capital ratio to changes in individual foreign exchange rates.

Interest rate risk in the trading book

The following two tables show the largest present value changes for the trading book of RBI given a one-basis-point interest rate increase for the whole yield curve in € thousand for the reporting dates 31 December 2009 and 31 December 2010. Currencies where the total interest rate sensitivity exceeds € 10 thousand are shown separately. There are only minor changes in the structure of the trading book and risk factors compared to the previous year.

31/12/2010 €000	Total	<3m	3-6m	6-12m	1-2y	2-3y	3-5y	5-7y	7-10y	10-15y	15-20y	>20y
ALL	(30)	(1)	(1)	(10)	(4)	(11)	(4)	0	0	0	0	0
BGN	(10)	(1)	0	0	(1)	(1)	(5)	0	0	0	0	0
EUR	453	6	(7)	(7)	(95)	35	208	161	219	7	21	(94)
GBP	(19)	0	0	0	(1)	0	0	0	(5)	(1)	(1)	(11)
HUF	5	4	(1)	24	(23)	10	(15)	(8)	13	3	0	0
RUB	(177)	(4)	(5)	(16)	(38)	(25)	(88)	(1)	(1)	0	0	0
USD	(32)	0	(9)	(4)	(7)	(6)	(4)	1	(1)	0	0	(1)
Other	(11)	(2)	(1)	(7)	2	(5)	9	0	(10)	(1)	0	0

31/12/2009 €000	Total	<3m	3-6m	6-12m	1-2y	2-3y	3-5y	5-7y	7-10y	10-15y	15-20y	>20y
ALL	(34)	0	(1)	(7)	(15)	(3)	(8)	0	0	0	0	0
CHF	0	0	0	0	0	0	0	0	0	0	0	0
EUR	(91)	(9)	(5)	(6)	12	(28)	(55)	32	(30)	(2)	0	0
HUF	(16)	0	2	(3)	(15)	1	3	5	(13)	4	0	0
RUB	(109)	(2)	(7)	(4)	(27)	(33)	(35)	(1)	0	0	0	0
USD	(14)	0	(6)	0	0	(4)	(1)	0	(3)	0	0	0
Other	(16)	(1)	3	(1)	(2)	(5)	(3)	(1)	(2)	0	0	0

Interest rate risk in the banking book

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

This risk is mainly hedged by a combination of on- and off-balance sheet transactions where in particular interest rate swaps and – to a smaller extend – also interest rate forwards and interest rate options are used. Balance sheet management is a core task of the central Global Treasury division 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 the traditional tools of nominal and interest rate gap analyses. Since 2002, interest rate risk has been the subject of quarterly reporting within the scope of the interest rate risk statistics submitted to the banking supervisor. These reports show the change in the present value of the banking book as a percentage of own funds in line with the requirements of Basel II. Maturity assumptions needed in this analysis are defined as specified by regulatory authorities or based on internal statistics and empirical values. In 2010, the changes in present value of banking book positions after an interest rate shock of 200 basis points were always lower than the regulatory reporting threshold of 20 per cent of eligible own funds.

The following table shows the change in the present value of Raiffeisen Bank International's banking book given a one-basis-point interest rate increase for the whole yield curve in € thousand for reporting dates 31 December 2009 and 31 December 2010. Currencies with total interest rate sensitivity exceeding € 10 thousand are shown separately. 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.

31/12/2010 €000	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)	0	0	0	0	0
BYR	30	(2)	(11)	6	1	1	34	0	0	0	0	0
CHF	(101)	2	(14)	(20)	(2)	3	(1)	(14)	(16)	(22)	(16)	
CNY	25	(14)	3	36	0	0	0	0	0	0	0	0
CZK	(42)	(12)	9	39	(82)	(34)	55	16	(17)	(16)	0	0
EUR	(2,026)	189	177	33	(38)	50	(155)	(767)	(1,244)	(210)	35	(96)
HUF	(88)	(22)	(1)	6	2	(12)	(36)	(29)	2	2	0	0
PLN	(17)	(14)	5	(5)		(2)		(1)	0	0	0	0
RON	(167)	5	(4)	(10)	(22)	(29)	(72)	(24)	(11)	0	0	0
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)	0
USD	(288)	(23)	30	27	(6)	99	(87)	(98)	(56)	(124)	(35)	(14)
Other	(34)	(18)	(13)	16	(22)	(22)	(28)	47	3	1	1	(1)

31/12/2009 €000	Total	<3m	3-6m	6-12m	1-2y	2-3y	3-5y	5-7y	7-10y	10-15y	15-20y	>20y
BGN	8	2	2	6	1	(3)	0	0	0	0	0	0
BYR	8	(2)	(5)	1	5	0	9	0	0	0	0	0
CHF	1	(5)	4	1	2	(1)	0	0	0	0	0	0
CNY	0	0	0	0	0	0	0	0	0	0	0	0
CZK	58	0	(7)	56	(21)	(25)	62	(11)	17	(13)	0	0
EUR	(113)	22	23	(25)	12	(84)	(49)	(10)	(6)	4	0	0
HUF	(54)	12	3	(10)	(15)	(15)	(16)	(19)	(5)	11	0	0
PLN	(8)	(2)	3	(1)	(6)	0	(2)	0	0	0	0	0
RON	(96)	3	(7)	(13)	(10)	(16)	(32)	(17)	(4)	0	0	0
RUB	(100)	(7)	14	(16)	(11)	(14)	29	(12)	(20)	(34)	(29)	0
UAH	(4)	6	(1)	(2)	(4)	(3)	0	0	0	0	0	0
USD	161	18	(3)	(5)	23	75	151	(30)	12	(59)	(21)	0
Other	(65)	(4)	(3)	14	(19)	(15)	(47)	13	(4)	0	0	0

1 Previous year's results adjusted in line with model changes and on a pro-forma basis (unaudited).

Credit spread risk

The market risk management system takes into account time-dependent bond and CDS-spread curves as market risk factors in order to measure credit spread risks. This market risk category thus captures the specific interest rate risk of all securities in the trading and banking book. The value-at-risk report covers Raiffeisen Bank International AG in this risk category, where a major part of securities positions are booked. The roll out of this system to all Group units is being planned.

Liquidity risk

Banks perform maturity transformation as an important role for international financial markets. The need for maturity transformation arises from the needs of depositors to access their funds within short notice and the opposite need of borrowers for long-term loans. This function constantly results in positive or negative liquidity gaps for different maturities that are managed through transactions with other market participants under normal market conditions.

Liquidity management, i.e. ensuring that the Group maintain it's ability to pay at all times, is performed both centrally by the Global Treasury division in Vienna and on a decentralized basis by local banking subsidiaries. Cash flows are calculated and analyzed by currency on a weekly basis in an internal monitoring system. Based on this data, the Group creates liquidity balances, and analyzes whether the Group conforms to legal regulations on liquidity positions and defined internal liquidity limits. Liquidity analyses also include simulations on defined market or name specific liquidity crises in scenario-based cash flow forecasts. All these analyses are discussed in the Group's Asset/Liability Committee.

Regulatory changes

The Austrian liquidity risk management directive, which implements the principles developed by the Committee of European Banking Supervision (CEBS) in Austria, became effective on 31 December 2010. RBI had already established the now mandatory instruments for liquidity risk management (amongst others a sufficiently large liquidity buffer, stress tests based on different scenarios, and liquidity contingency plans). Additional regulatory changes in the liquidity risk area will be defined in Basel III. As far as it is possible to estimate, the new liquidity ratios based on the still preliminary rules, Raiffeisen Bank International appears to be well prepared for the new regulations.

Short-term liquidity risk

The following table shows excess liquidity and the ratio of cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for select maturities on a cumulative basis, taking into account balance sheet items and off-balance-sheet transactions. Based on expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates on the prolongation of defined assets, the so-called sediment of customer deposits, and the liquidity counterbalancing capacity (in particular, assets that are eligible for refinancing at central banks and that can be used as collateral in repo transactions). Excess liquidity has been increased significantly as a result of the increased balance sheet due to the merger. The prudential liquidity risk profile also is reflected in the high liquidity ratio.

€000	2010			2009		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	15,996,552	13,132,935	5,994,321	9,024,377	10,229,915	1,607,660
Liquidity ratio	172%	126%	105%	207%	165%	103%

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. In addition the Group holds sizeable positions in liquid securities and favors assets eligible in tender transactions in the lending business in order to ensure liquidity in various currencies. In the case of a liquidity shortage in the Group, contingency plans would come into force. Such prioritized action lists for handling short-term liquidity needs (also with regard to the publicity impact) exist for all major Group units.

Funding liquidity risk

Funding liquidity risk is mainly driven by changes in the risk appetite of lenders or by a rating downgrade of a bank that needs external funding. Funding rates and supply rise and fall with credit spreads, which change due to the market- or bank-specific situation.

As a consequence, long term funding depends on restoring confidence in banks and the increased effort in collecting customer deposits. RBI's banking activities are refinanced by combining wholesale funding and the retail franchise of deposit-taking network banks. RBI is the central liquidity balancing agent for the local Group units in Central and Eastern Europe.

In RBI's funding plans, special attention is paid to a diversified structure of funding to mitigate funding liquidity risk. In the Group, funds are not only raised by RBI as the Group's parent institution, but also individually by different banking subsidiaries. Those efforts are coordinated and optimized through a joint funding plan. Moreover, Raiffeisen Bank International enables medium-term and long-term borrowing activities of its subsidiaries through syndicated loans, bilateral funding agreements with banks, and financing facilities of supranational institutions. These funding sources are based on long-term business relationships.

For managing and limiting liquidity risks, the medium term targets for loan-/deposit ratios (the ratio of customer loans to customer deposits) have been revised for individual network banks taking into account expected Basel III regulations. The limits incorporate planned future business volumes as well as the feasibility for increasing customer deposit in different countries. On the one hand, this initiative reduces external funding requirements. On the other hand, it also reduces the need for internal funding operations and the risk associated with such liquidity transfers.

The following table shows a breakdown of cash flows according to the contractual maturity of financial liabilities:

31/12/2010 €000	Carrying amount	Contractual cash flows	Upt to 3 months	3 - 12 months	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**114,302,837**	**126,753,218**	**65,467,730**	**22,721,280**	**26,830,333**	**11,733,874**
Deposits from banks	33,659,182	38,603,453	17,055,997	7,762,122	10,830,875	2,954,459
Deposits from customers	57,633,113	60,580,197	43,865,734	9,123,427	3,736,599	3,854,435
Debt securities issued	16,555,382	18,891,313	1,486,420	5,551,382	9,741,404	2,112,107
Other liabilities	2,454,062	4,193,176	3,009,533	181,791	853,683	148,170
Subordinated capital	4,001,098	4,485,079	50,046	102,558	1,667,772	2,664,703
Derivative liabilities	**5,794,444**	**13,341,347**	**6,259,396**	**2,671,943**	**2,924,899**	**1,485,107**
Derivatives in the trading book	4,530,916	10,751,156	5,200,176	2,130,544	2,320,808	1,099,627
Hedging derivatives	476,764	574,063	12,979	19,907	219,898	321,278
Other derivatives	768,432	1,998,047	1,044,143	516,696	373,679	63,529
Credit derivatives	18,332	18,081	2,098	4,796	10,514	673

31/12/2009 €000	Carrying amount	Contractual cash flows	Upt to 3 months	3 - 12 months	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**68,194,055**	**68,872,666**	**39,683,093**	**12,709,399**	**13,270,300**	**3,209,871**
Deposits from banks	20,110,170	19,577,262	4,032,782	5,157,533	9,347,284	1,039,663
Deposits from customers	42,578,249	43,198,192	34,615,528	6,533,424	1,860,708	188,531
Debt securities issued	2,526,651	2,763,853	382,558	881,960	1,287,110	212,225
Other liabilities	508,700	718,383	639,587	75,627	3,139	28
Subordinated capital	2,470,285	2,614,976	12,638	60,855	772,059	1,769,424
Derivative liabilities	**769,560**	**7,642,210**	**4,634,541**	**2,102,380**	**781,904**	**123,384**
Derivatives in the trading book	510,127	4,311,777	2,202,506	1,600,674	442,235	66,363
Hedging derivatives	50,026	107,399	6,992	38,592	61,957	(143)
Other derivatives	209,407	3,223,034	2,425,043	463,114	277,712	57,164
Credit derivatives	0	0	0	0	0	0

Operational risk

Operational risk is defined as the risk of unexpected losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers like unauthorized activities, fraud or theft, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or consciously conducted human fraud are managed and controlled as well.

This risk category is analyzed and managed on the basis of own historical loss data and the results of self assessments. Another management tool is the incentive system implemented in internal capital allocation. This system rewards high data quality and low expected operational risk costs of individual business units. Generally speaking, RBI implements a centralized - decentralized system for operational risk management. In this process, a central operational risk management function defines all basic principles and minimum requirements, which then are implemented risk type specific in the individual local units.

As with other risk types the principle of firewalling between risk management and risk controlling is also applied to operational risk in RBI. Operational risk controlling units are mainly responsible for the implementation and refinement of methods for operational risk management in different Group units (e.g. performing self assessment, defining and monitoring key risk indicators, etc.) and for reporting to the central operational risk controlling function. Business line managers are responsible for controlling and mitigating operational risks. They decide on pro-active operational risk steering actions such as buying insurance and the use of further risk mitigating instruments.

Operational risks are reported in a comprehensive manner to the Group Risk Committee on a quarterly basis. The distribution of losses in the Group by event type is shown below:

Risk identification

An important task for controlling operational risks is identifying and evaluating risky areas that might endanger the Group's existence if a loss occurs (but where losses are highly unlikely to be realized) and also areas where losses are more likely to happen frequently (but cause only smaller losses).

Operational risk self-assessment is executed in a structured and Group-wide uniform manner, where all operational risk categories and business functions are assessed in a two-dimensional matrix (per business line or product group). This applies to new products as well. All Group units grade the impact of high probability/low impact events and low probability/high impact incidents according to their estimation of the loss potential for the next year and in the next ten years in relation to profits. Low probability/high impact events are quantified by a Group-wide scenario analysis framework that includes the simulation of up to ten specific scenarios. Individual Group units furthermore run additional scenarios depending on their individual risk profile and local specifics.

Monitoring

In order to monitor operational risks, key risk indicators (KRIs) are used as measurable indicators that allow promptly identifying and mitigating operational risks. They are specifically tailored to individual Group units as well. A common catalogue of key risk indicators, which is defined by the head office for internal benchmarking purposes, is mandatory for all Group units.

Loss data is collected in a central database called ROCO (Raiffeisen Operational Risk Controlling) in a structured manner and on a Group-wide basis according to the event type for each business line. Collecting losses stemming from operational risks is a prerequisite for implementing a statistical loss distribution model and a minimum requirement for implementing the regulatory Standardized Approach. Furthermore, loss data (and near misses) is used to create and validate operational risk scenarios and for exchange with international data pools to develop advanced operational risk management tools. In 2010 RBI became a member of the ORX consortium, a reputable international data pool.

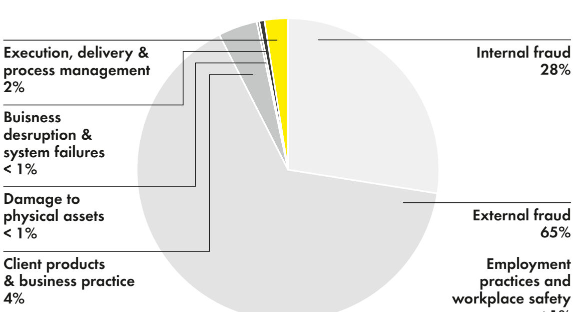
Operational losses in Raiffeisen Bank International mainly are caused by external fraud in the lending business, and thus are taken into account when building loans loss provisions. The increase in the category internal fraud results from active investigative actions in particular in the CIS region, where corresponding preventive actions already have been taken.

Quantification and mitigation

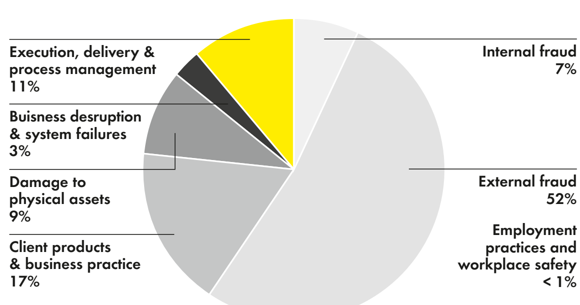
RBI currently calculates regulatory capital requirements for operational risks according to Basel II using the Standardized Approach. This approach applies to all major Group units.

Operational risk reduction is initiated by business managers who decide on preventive actions like risk mitigation or risk transfer. Progress and success of these actions is monitored by risk controlling. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if these events occur. In addition, several dedicated organizational units provide support to business units for reducing operational risks. An important role, for instance, is planed by fraud management which reduces potential fraud related losses through proactive monitoring and preventive actions. RBI also executes an extensive staff training program and has different emergency plans and back-up systems in place.

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



Breakdown of operational loss events by number of events



Other disclosures

(45) Derivative financial instruments

The total volume of unsettled financial instruments as of 31 December 2010 breaks down as follows:

	Nominal amount by maturity				Fair values	
€000	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive	Negative
Total	**89,949,792**	**109,694,268**	**70,929,143**	**270,573,203**	**5,112,586**	**(5,794,443)**
Interest rate contracts	**44,859,461**	**98,821,793**	**67,760,699**	**211,441,953**	**4,197,567**	**(3,975,179)**
OTC products						
Interest rate swaps	37,810,244	93,944,351	62,697,041	194,451,636	4,106,879	(3,866,061)
Interest rate futures	4,980,163	269,833	0	5,249,996	4,726	(5,330)
Interest rate options – purchased	743,393	2,236,711	1,738,547	4,718,651	81,841	0
Interest rate options – sold	672,707	2,107,298	2,170,300	4,950,306	0	(103,388)
Products trading on stock exchange						
Interest rate futures	652,954	263,600	1,154,811	2,071,364	4,121	(400)
Foreign exchange rate and gold contracts	**42,618,739**	**7,734,681**	**1,794,526**	**52,147,948**	**741,486**	**(1,168,629)**
OTC products						
Cross-currency interest rate swaps	2,992,522	6,362,482	1,766,434	11,121,439	263,086	(654,385)
Forward foreign exchange contracts	36,965,659	932,590	0	37,898,249	436,796	(446,719)
Currency options – purchased	1,150,438	197,053	1,476	1,348,968	39,095	0
Currency options – sold	1,318,885	238,606	1,599	1,559,091	0	(42,389)
Gold commodity contracts	5,290	3,950	25,017	34,256	899	(23,982)
Products trading on stock exchange						
Currency contracts (futures)	185,945	0	0	185,945	1,609	(1,154)
Equity/index contracts	**1,550,606**	**699,170**	**240,233**	**2,490,007**	**97,230**	**(569,568)**
OTC products						
Equity-/index-based options - purchased	135,052	333,586	125,799	594,437	72,764	0
Equity-/index-based options - sold	132,693	138,419	37,224	308,336	0	(148,200)
Other similar equity/index contracts	376,439	186,508	75,912	638,858	3,803	(408,641)
Products trading on stock exchange						
Equity/index futures – forward pricing	498,142	0	1,298	499,439	11,316	(1,319)
Equity/index futures	408,280	40,657	0	448,937	9,347	(11,408)
Commodities	**404,694**	**100,657**	**15,276**	**520,627**	**17,398**	**(3,024)**
Credit derivatives	**495,178**	**2,337,967**	**1,102,740**	**3,935,885**	**57,261**	**(62,252)**
Precious metals contracts	**21,114**	**0**	**15,669**	**36,783**	**1,644**	**(15,791)**

The surplus of negative market values for security-based transactions is offset by shares purchased for hedging purposes. These shares are recorded under trading assets and are not shown in the above table.

The total volume of unsettled financial instruments as of 31 December 2009 breaks down as follows:

€000	Nominal amount by maturity: Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Fair values: Positive	Negative
Total	**32,189,420**	**12,412,503**	**2,599,107**	**47,201,030**	**879,195**	**(769,560)**
Interest rate contracts	**16,387,543**	**9,738,833**	**2,537,566**	**28,663,942**	**457,125**	**(485,847)**
OTC products						
Interest rate swaps	10,506,999	9,176,583	2,537,566	22,221,148	444,300	(468,898)
Interest rate futures	5,566,874	511,278	0	6,078,152	9,849	(16,385)
Interest rate options – purchased	0	45,372	0	45,372	534	(534)
Products trading on stock exchange						
Interest rate futures	313,670	5,600	0	319,270	2,442	(30)
Foreign exchange rate and gold contracts	**15,660,923**	**2,511,959**	**60,506**	**18,233,388**	**414,232**	**(276,141)**
OTC products						
Cross-currency interest rate swaps	2,346,544	1,799,700	60,506	4,206,750	142,420	(116,516)
Forward foreign exchange contracts	10,223,927	425,593	0	10,649,520	229,313	(111,304)
Currency options – purchased	764,235	143,293	0	907,528	36,754	0
Currency options – sold	749,436	143,373	0	892,809	0	(37,555)
Other similar currency contracts	1,518,184	0	0	1,518,184	5,404	(10,118)
Products trading on stock exchange						
Currency contracts (futures)	58,597	0	0	58,597	341	(648)
Equity/index contracts	**140,471**	**61,712**	**1,035**	**203,218**	**7,659**	**(7,558)**
OTC products						
Equity-/index-based options - purchased	20,742	31,233	0	51,975	7,394	(7,278)
Other similar equity/index contracts	119,729	30,479	0	150,208	38	(136)
Products trading on stock exchange						
Equity/index futures	0	0	1,035	1,035	227	(144)
Commodities	**482**	**0**	**0**	**482**	**14**	**(14)**
Credit derivatives	**0**	**100,000**	**0**	**100,000**	**165**	**0**

(46) Fair value of financial instruments not reported at fair value

Fair values which are different from the carrying amount are calculated for fixed-interest loans and advances to and deposits from banks or customers, if the remaining maturity is more than one year. Variable-interest loans and advances and deposits are taken into account if they have an interest rollover period of more than one year. The fair value of loans and advances is calculated by discounting future cash flows and using interest rates at which similar loans and advances with the same maturities could have been granted to customers with similar creditworthiness. Moreover, the specific credit risk and collaterals are considered for the calculation of fair values for loans and advances.

€000	2010 Fair value	Carrying amount	Difference	2009 Fair value	Carrying amount	Difference
Assets						
Cash reserve	4,806,891	4,806,891	0	4,179,572	4,179,572	0
Loans and advances to banks	21,270,497	21,532,406	(6,890)	10,306,241	10,306,663	(422)
Loans and advances to customers	71,399,994	71,156,209	243,785	49,184,889	47,434,386	1,750,503
Financial investments	11,641,567	11,485,536	156,032	4,030,932	4,017,536	13,397
Intangible and tangible fixed assets	2,671,347	2,673,446	(2,100)	2,217,538	2,216,114	1,424
Other assets	2,066,890	2,066,890	0	820,276	820,276	0
Liabilities						
Deposits from banks	33,774,445	33,659,182	115,263	20,082,264	20,110,170	(27,906)
Deposits from customers	57,934,072	57,633,113	300,959	42,609,218	42,578,249	30,969
Debt securities issued	16,646,729	16,555,382	91,347	2,535,415	2,526,651	8,764
Subordinated capital	3,866,338	4,001,098	(134,760)	2,470,481	2,470,285	196
Other liabilities	1,243,387	1,243,387	0	504,629	504,629	0

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

	2010			2009		
€000	**Level I**	**Level II**	**Level III**	**Level I**	**Level II**	**Level III**
Trading assets	**3,599,448**	**5,031,317**	**255**	**2,635,957**	**1,351,878**	**32,934**
Positive fair values of derivatives[1]	69,408	4,117,769	0	85,846	768,055	3,729
Shares and other variable-yield securities	320,380	110,048	0	9,364	1,278	0
Bonds, notes and other fixed-interest securities	3,209,660	803,501	255	2,540,747	582,545	29,205
Financial assets at fair value through profit or loss	**5,613,367**	**2,301,548**	**155,352**	**2,338,151**	**895,371**	**5**
Shares and other variable-yield securities	146,778	131,714	1,294	40,084	157,029	5
Bonds, notes and other fixed-interest securities	5,466,589	2,169,834	154,058	2,298,067	738,342	0
Financial assets available for sale	**80,060**	**0**	**0**	**24,921**	**0**	**0**
Other interests[2]	80,060	0	0	24,921	0	0
Derivatives (hedging)	**0**	**925,409**	**0**	**0**	**21,565**	**0**
Positive fair values of derivatives from hedge accounting	0	925,409	0	0	21,565	0

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

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

€000	2010 Level I	2010 Level II	2010 Level III	2009 Level I	2009 Level II	2009 Level III
Trading liabilities	**1,575,769**	**4,952,538**	**48**	**98,041**	**625,565**	**0**
Negative fair values of derivatives financial instruments [1]	555,680	4,761,952	48	93,969	625,565	0
Call/time deposits from trading purposes	0	0	0	4,072	0	0
Short-selling of trading assets	424,912	818	0	0	0	0
Certificates issued	595,177	189,769	0	0	0	0
Liabilities at fair value through profit and loss	**0**	**2,557,396**	**0**	**0**	**0**	**0**
Debt securities issued	0	2,557,396	0	0	0	0
Derivatives (hedging)	**0**	**476,764**	**0**	**0**	**50,026**	**0**
Negative fair values of derivatives from hedge accounting	0	476,764	0	0	50,026	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

Gains and losses resulting from financial instruments of the level III fair value hierarchy amounted to € 20,196 thousand (2009: € 40,954 thousand).

(48) Contingent liabilities and commitments

€000	2010	2009
Contingent liabilities	**11,855,528**	**4,667,660**
Acceptances and endorsements	32,119	1,031
Credit guarantees	6,662,119	1,582,764
Other guarantees	2,266,742	2,606,104
Letters of credit (documentary business)	2,875,765	457,999
Other contingent liabilities	18,782	19,762
Commitments	**11,992,462**	**5,395,147**
Irrevocable credit lines and stand-by facilities	11,992,462	5,395,147
Up to 1 year	4,546,505	3,028,976
More than 1 year	7,445,957	2,366,171

The following table contains revocable credit lines which are unweighted according to Basel II:

€000	2010	2009
Revocable credit lines	**11,755,884**	**4,646,005**
Up to 1 year	9,686,820	1,763,424
More than 1 year	2,069,064	2,882,581

RBI AG is member of Raiffeisen-Kundengarantiegemeinschaft Österreich. The members of this association have a contractual obligation to guarantee jointly the punctual fulfillment of the entirety of an insolvent association member's commitments arising from customer deposits and its own issues up to the limit of the sum of the individual capacities of the remaining association members. The individual capacity of an association member is measured on the basis of its freely available reserves subject to the pertinent provisions of BWG.

(49) Fiduciary business

Fiduciary business not recognized in the statement of financial position was concluded with the following volumes:

€000	2010	2009
Loans and advances to banks	9,442	8,006
Loans and advances to customers	385,666	6,512
Financial investments	31,285	157
Other fiduciary assets	48,891	37,109
Fiduciary assets	**475,284**	**51,784**
Deposits from banks	143,303	305
Deposits from customers	276,545	16,286
Other fiduciary liabilities	55,436	35,193
Fiduciary liabilities	**475,284**	**51,784**

Fiduciary income and expenses break down as follows:

€000	2010	2009
Fiduciary income	8,723	4,066
Fiduciary expenses	1,489	962

The following table contains the funds managed by RBI:

€000	2010	2009
Retail investment funds	**5,148,417**	**2,906,574**
Equity-based and balanced funds	3,031,164	718,747
Bond-based funds	1,684,183	227,330
Money market funds	373,362	589,771
Other	59,708	1,370,726
Special funds	**922,181**	**188,897**
Property-based funds	**63,286**	**237,070**
Total	**6,133,884**	**3,332,541**

(50) Capital management and regulatory own funds

The most crucial bank steering instrument is equity. RBI as an international Group considers several control parameters. From a regulatory view, RBI is part of the RZB credit institution group. Moreover, RBI – on an individual basis – has to adhere to the legal own funds regulations.

Regulatory values are defined for RBI on a partly consolidated and on an individual basis by the Austrian Banking Act based on adequate guidelines of the EU. There are also – often deviating with regard to content – guidelines in the several countries in which RBI operates. Such guidelines have to be adhered to by the local Group units.

RBI uses target values for internal regulation, which comprises all risk types (including trading book, currency risk and operational risk). The current discussions are shaped by the developments in Basel and Brussels regarding the advancement of own funds regulations. Parallel to the development of these regulations, RBI will introduce new target values, which are sufficiently above the 7 per cent tier 1 capital in order to avoid regulatory limitations regarding management decisions (e.g. amount of dividend).

Control on a Group level is exerted in cooperation between the departments Treasury, Planning & Finance and Group Strategy. The individual Group units are responsible for the observation of the targets in coordination with central departments responsible for the participation management of the respective unit.

The main focus is on the core tier 1 ratio. Besides that, the risk taking capacity is calculated in the framework of regulatory limits. It is defined as the maximum loss, which the bank or the banking group may encounter during the current calendar year without exceeding the regulatory minimum capital values. Accordingly, the mixture of capital instruments (several kinds of tier-1, tier-2, tier-3 ratios) has an important role due to the complex mutual consideration limits.

The current regulatory discussions and publications of the Basel Committee, EU Committees and the Austrian Regulatory Authority in connection with the new regulatory guidelines (Basel III) are demonstrated in scenario calculations by Planning & Finance and Risk Controlling. The effects are immediately considered in planning and control in case of a certain occurrence probability.

The determination of the target values in relation to the compulsory minimum requirements needs additional internal control calculations. The department Risk Controlling calculates the value-at-risk in comparison with the risk taking capacity. Moreover, a balance between economic capital and the respective cover is drawn. The economic capital is integral part of the planning and control of RBI. Further details regarding this calculation are stated in the risk report.

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

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

€000	2010	2009
Paid-in capital	4,913,878	3,637,865
Earned capital	2,958,229	1,512,054
Non-controlling interests	1,003,313	1,061,571
Hybrid tier 1-capital	800,000	1,150,000
Intangible fixed assets	(469,346)	(289,483)
Core capital (tier 1 capital)	**9,206,074**	**7,072,007**
Deductions from core capital	(14,845)	(13,059)
Eligible core capital (after deductions)	**9,191,229**	**7,058,948**
Supplementary capital according to Section 23 (1) 5 BWG	599,792	91,001
Provision excess of internal rating approach positions	230,555	7,883
Hidden reserves	55,400	0
Long-term subordinated capital	2,480,171	1,003,079
Additional own funds (tier 2 capital)	**3,365,918**	**1,101,963**
Deduction items: participations, securitizations	(14,845)	(13,059)
Eligible additional own funds (after deductions)	**3,351,073**	**1,088,904**
Deduction items: insurance companies	(3,817)	(964)
Tier 2 capital available to be redesignated as tier 3 capital	69,078	181,581
Total own funds	**12,607,563**	**8,328,469**
Total own funds requirement	**7,584,851**	**5,116,816**
Excess own funds	5,022,712	3,211,653
Excess cover ratio	66.2%	62.8%
Core tier 1 ratio, total	8.9%	9.2%
Tier 1 ratio, credit risk	12.2%	14.1%
Tier 1 ratio, total	9.7%	11.0%
Own funds ratio	13.3%	13.0%

The total own funds requirement is as follows:

€000	2010	2009
Risk-weighted assets according to section 22 BWG	**75,601,313**	**50,089,600**
of which 8 per cent minimum own funds for the credit risk according to sections 22a to 22 h BWG	6,048,105	4,007,168
Standardized approach	2,974,035	2,861,668
Internal rating approach	3,074,070	1,145,500
Settlement risk	27	17
Own funds requirement for position risk in bonds, equities and commodities	326,655	136,189
Own funds requirement for open currency positions	385,622	399,109
Own funds requirement for operational risk	824,442	574,333
Total own funds requirement	**7,584,851**	**5,116,816**

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

€000	2010	2009
Risk-weighted assets according to section 22 BWG on standardized approach	**37,175,443**	**35,770,850**
Central governments and central banks	3,712,388	2,604,738
Regional governments	95,175	126,675
Public administration and non-profit organizations	41,638	38,425
Banks	1,013,263	1,683,763
Corporates	18,800,172	17,545,988
Retail (including small and medium-sized entities)	10,088,583	11,450,513
Mutual funds	124,513	122,925
Securitization position	18,050	2,713
Other positions	3,281,663	2,195,110
Risk-weighted assets on internal rating approach	**38,425,875**	**14,318,750**
Central governments and central banks	878,513	679,911
Banks	5,047,688	1,669,613
Corporates	29,586,425	11,816,963
Retail (including small and medium-sized entities)	2,464,663	0
Equity exposures	313,500	152,263
Securitization position	135,088	0
Total	**75,601,318**	**50,089,600**

(51) Average number of staff

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

Full-time equivalents	2010	2009
Salaried employees	58,148	59,105
Wage earners	1,040	1,081
Total	**59,188**	**60,186**

Full-time equivalents	2010	2009
Austria	2,637	361
Foreign	56,551	59,825
Total	**59,188**	**60,186**

(52) Expenses on severance payments and retirement benefits

€000	2010	2009
Members of the Managing Board and senior staff	4,129	1,122
Other employees	20,624	2,828
Total	**24,753**	**3,950**

The same regulations for employees are in principle valid for six members of the Managing Board. These regulations provide a basic contribution to a pension fund from the company and an additional contribution if the employee pays own contributions of the same amount. One member of the Managing Board has a defined benefit plan. Four members of the Managing Board additionally have individual retirement benefits, which are funded by reinsurance.

In the event of termination of function or employment contract and retirement from the company, of the remaining members of the Managing Board – two were retired during 2010 - two members of the Managing Board are in principle entitled to severance payments according to the Salaried Employees Act (Angestelltengesetz), two members of the Managing Board according to contractual agreements and three members of the Managing Board according to the Company Retirement Plan Act (Betrieblichen Mitarbeitervorsorgegesetz). The entitlement to receive severance payments according to the Salaried Employee Act or according to contractual agreements lapses with the exemption of one member of the Managing Board in case of termination by the employee. Moreover, three members of the Managing Board are entitled by contract to receive additional severance payments at the end of their functional period or their terminable employment. In 2010, € 967 thousand were paid due to retirement of two members of the Managing Board.

Moreover, protection against the risk of occupational invalidity exists which is covered by a pension fund and/or by individual pension agreements secured through reinsurance. The contracts are concluded for the functional duration or limited to a maximum of five years.

(53) Relations to key management

Group relations of key management

Key management refers to the members of the Managing Board and the Supervisory Board of Raiffeisen Bank International AG, the parent company and Raiffeisen Zentralbank Österreich Aktiengesellschaft, the major shareholder. Relations of key management to Raiffeisen Bank International are as follows (respective fair values):

€000	2010	2009
Sight deposits	26	194
Bonds	1,291	588
Shares	6,032	8,557
Time deposits	101	320
Leasing claims	67	0

The following table shows relations of close family members of key management to Raiffeisen Bank International:

€000	2010	2009
Shares	92	63

Moreover, as of 31 December 2010 guarantees for a loan granted to a member of the Managing Board amounted to € 765 thousand (2009: € 765 thousand). There is no compensation agreed between the company and their members of the Managing Board and Supervisory Board or employees in the case of a takeover bid.

Remuneration of members of the Managing Board

The members of the Managing Board of Raiffeisen Bank International AG are remunerated as follows:

€000	2010	2009
Fixed and performance-based remunerations	8,191	4,610
Payments to pension funds and business insurances	183	97
Share-based payments (performance-based)	156	267
Total	**8,530**	**4,974**

The table contains fixed and performance-based remuneration, remunerations for membership of boards of affiliated subsidiaries, bonus paymentss, and benefits in kind. In the financial year, the share of performance-based remuneration components was 1.9 per cent (2009: 5.5 per cent).

Performance-based remuneration components of the Managing Board normally consist of bonus payments that are linked to achieve the objectives regarding profit after tax, return on risk adjusted capital, cost/income ratio and to achieve the personal objectives that are agreed annually and of the amount of allotment regarding SIP (see page 192 share-based remuneration). For the year 2009, all members of the Managing Board waived the right for bonus payments. The value of the distributed shares in 2010 is as in the previous year 100 per cent of the performance-based remuneration. There were no material changes in principle for profit sharing against the previous year. A cash retention bonus promise of € 768 thousand payable in 2013 was granted to the former members of the Managing Board of Raiffeisen Bank International. The payment is linked to the development of RBI's share price.

It should be noted that the figures of the remuneration of the Managing Board for 2010 is not directly comparable with that of 2009 as the merger of Raiffeisen International and the principal business areas of RZB and withdrawals during the year led to a change in the composition of the Managing Board.

Remuneration of members of the Supervisory Board

The members of the Supervisory Board are remunerated as follows:

€000	2010	2009
Supervisory board	380	305

The Annual General Meeting held on 8 July 2010 decided an annual remuneration for the members of the Supervisory Board of € 380 thousand and transferred the distribution to the Board itself. The members of the Supervisory Board settled the distribution in their meeting on 8 July 2010 as follows: Chairman € 70 thousand, Deputy Chairman € 60 thousand, members of the Supervisory Board € 50 thousand. Session fees were not paid.

In the financial year, € 380 thousand was paid to the members of the Supervisory Board. In the previous year, the members of the Supervisory Board received remunerations of € 305 thousand.

Moreover, no contracts subject to approval in the meaning of Section 95 (5) items 12 Austrian Joint Stock Company Act (AktG) were concluded with members of the Supervisory Board in the financial year 2010.

(54) Boards

Managing Board

The Managing Board of Raiffeisen Bank International AG is as follows:

	First assignment	End of period
Herbert Stepic, Chairman	14 June 2001	13 June 2011
Karl Sevelda, Deputy Chairman	22 September 2010[1]	10 March 2012
Aris Bogdaneris	1 October 2004	25 September 2014
Patrick Butler	22 September 2010[1]	10 March 2012
Martin Grüll	3 January 2005	1 January 2015
Peter Lennkh	1 October 2004	25 September 2014
Johann Strobl	22 September 2010[1]	10 March 2012
Heinz Wiedner	14 June 2001	1 December 2010

1 Assignment effective with registration of the merger in the Companies Register as of 10 October 2010.

From 1 January 2010 until the legally effective registration of the merger in the Companies Register on 10 October 2010, the Managing Board of Raiffeisen International Bank-Holding AG was as follows:

	First assignment	End of period
Herbert Stepic, Chairman	14 June 2001	13 June 2011
Martin Grüll	3 January 2005	1 January 2015
Aris Bogdaneris	1 October 2004	25 September 2014
Peter Lennkh	1 October 2004	25 September 2014
Heinz Wiedner	14 June 2001	1 December 2010
Rainer Franz	20 January 2003	30 June 2010

The members of the Managing Board had mandates in the Supervisory Board or similar functions in companies at home and abroad which are not included in the consolidated group:

- Herbert Stepic: OMV AG, Österreichische Kontrollbank AG
- Karl Sevelda: Bene AG, Raiffeisen Factor Bank AG (until 24 December 2010)
- Johann Strobl: Oesterreichische Clearingbank AG
- Patrick Butler: Raiffeisen Wohnbaubank AG, Wiener Börse AG

Individuals older than 68 years of age are not eligible to be elected as a member of the Managing Board and may not be appointed for another functional period.

Supervisory Board

The Supervisory Board of Raiffeisen Bank International AG is as follows:

	First assignment	End of period
Walter Rothensteiner, Chairman	11 May 2001	AGM 2011
Erwin Hameseder, 1st Deputy Chairman	8 July 2010[1]	AGM 2015
Ludwig Scharinger, 2nd Deputy Chairman	8 July 2010[1]	AGM 2015
Markus Mair, 3rd Deputy Chairman	8 July 2010[1]	AGM 2015
Stewart D. Gager	24 January 2005	AGM 2013
Kurt Geiger	9 June 2009	AGM 2013
Hannes Schmid	8 July 2010[1]	AGM 2015
Johannes Schuster	8 July 2010[1]	AGM 2015
Friedrich Sommer	8 July 2010[1]	AGM 2015
Christian Teufl	8 July 2010[1]	AGM 2015
Martin Prater[2]	10 October 2010	Until further notice
Rudolf Kortenhof[2]	10 October 2010	Until further notice
Peter Anzeletti-Reikl[2]	10 October 2010	Until further notice
Sabine Chadt[2]	10 October 2010	Until further notice
Helge Rechberger[2]	10 October 2010	Until further notice

1 Assignment effective with registration of the merger in the Companies Register as of 10 October 2010.
2 Staff council delegates

From 1 January 2010 until the legally effective registration of the merger in the Companies Register on 10 October 2010, the Supervisory Board of Raiffeisen International Bank-Holding AG was as follows:

	First assignment	End of period
Walter Rothensteiner, Chairman	11 May 2001	AGM 2011
Manfred Url, Deputy Chairman	11 May 2001	10 October 2010
Patrick Butler	28 September 2004	10 October 2010
Stewart D. Gager	24 January 2005	AGM 2013
Kurt Geiger	9 June 2009	AGM 2013
Karl Sevelda	11 May 2001	10 October 2010
Johann Strobl	10 June 2008	10 October 2010

The members of the Supervisory Board had further mandates in the Supervisory Board or similar functions in quoted companies in Austria and abroad:

- Walter Rothensteiner: UNIQA Versicherungen AG
- Erwin Hameseder: AGRANA Beteiligungs-AG, STRABAG SE, UNIQA Versicherungen AG
- Ludwig Scharinger: voestalpine AG
- Christian Teufl: AGRANA Beteiligungs-AG
- Hannes Schmid: UNIQA Versicherungen AG
- Kurt Geiger: Raiffeisen Bank Aval JSC

All members of the Supervisory Board declared themselves to be independent in the meaning of the criteria of independence agreed by the Supervisory Board and in conformity with the Austrian Corporate Governance Codex. None of the members hold more than a 10 per cent share in the company.

Raiffeisen Zentralbank Österreich Aktiengesellschaft is entitled to send up to one third of the members of the Supervisory Board insofar as it has a shareholding in the company. Individuals older than 75 years of age are not eligible to be elected as a member of the Supervisory Board and may not be appointed for another functional period. In addition, individuals having more than eight mandates in Supervisory Boards of quoted companies may not be elected. The chairmanship in the Supervisory Board of a quoted company is counted twice.

Committees of the Supervisory Board

The committees of the Supervisory Board of Raiffeisen Bank International AG are as follows:

Members of the Supervisory Board	Working Committee	Audit Committee	Personnel Committee
Walter Rothensteiner	Chairman	Chairman	Chairman
Erwin Hameseder	1st Deputy Chairman	1st Deputy Chairman	1st Deputy Chairman
Ludwig Scharinger	2nd Deputy Chairman	2nd Deputy Chairman	2nd Deputy Chairman
Markus Mair	3rd Deputy Chairman	3rd Deputy Chairman	3rd Deputy Chairman
Johannes Schuster	Member	Member	Member
Martin Prater	Member	Member	–
Rudolf Kortenhof	Member	Member	–
Peter Anzeletti-Reikl	Member	Member	–

From 1 January 2010 until the legally effective registration of the merger in the Companies Register on 10 October 2010, the committees of the Supervisory Board of Raiffeisen International Bank-Holding AG were as follows:

Members of the Supervisory Board	Working Committee	Audit Committee	Personnel Committee
Walter Rothensteiner	Chairman	Chairman	Chairman
Manfred Url	Deputy Chairman	Deputy Chairman	Deputy Chairman
Johann Strobl	–	Member	–

(55) Subsequent events

Acquisition of a majority stake in Polbank

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

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

(56) List of fully consolidated companies

The following table shows a selection of companies of the consolidated group. The complete list of the equity participations of RBI AG is deposited with the Group parent's headquarters.

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	6,800,000	RON	100.0%	BR
Centrotrade Chemicals AG, Zug (CH)	5,000,000	CHF	100.0%	OT
Centrotrade Deutschland GmbH, Eschborn (DE)	410,000	EUR	100.0%	OT
Centrotrade Minerals & Metals Inc., Chesapeake (US)	3,002,000	USD	100.0%	OT
Centrotrade Singapore Pte. Ltd., Singapore (SG)	500,000	SGD	100.0%	OT
F.J. Elsner & Co. Gesellschaft mbH, Innsbruck (AT)	436,037	EUR	100.0%	OT
F.J. Elsner Trading Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	OT
Golden Rainbow International Limited, Tortola (VG)	1	USD	100.0%	FI
ICS Raiffeisen Leasing s.r.l, Chisinau (MD)	8,307,535	MDL	87.2%	FI
JLLC "Raiffeisen-leasing", Minsk (BY)	4,300,250,000	BYR	83.9%	FI
Kathrein & Co. Privatgeschäftsbank Aktiengesellschaft, Vienna (AT)	20,000,000	EUR	100.0%	BA
Kathrein & Co. Vermögensverwaltung GmbH, Vienna (AT)	125,000	EUR	80.0%	FI
OOO Raiffeisen-Leasing, Moscow (RU)	1,071,000,000	RUB	87.5%	FI
Priorbank JSC, Minsk (BY)	412,279,277,350	BYR	87.7%	BA
Raiffeisen Bank Aval JSC, Kiev (UA)	3,002,774,908	UAH	96.2%	BA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	237,388,000	BAM	97.0%	BA
Raiffeisen Bank Kosovo J.S.C., Pristina (RS)	58,000,000	EUR	100.0%	BA
Raiffeisen Bank Polska S.A., Warsaw (PL)	1,218,687,210	PLN	100.0%	BA
Raiffeisen Bank S.A., Bucharest (RO)	1,196,258,639	RON	99.5%	BA
Raiffeisen Bank Sh.a., Tirane (AL)	9,926,092,686	ALL	100.0%	BA
Raiffeisen Bank Zrt., Budapest (HU)	59,099,140,000	HUF	70.3%	BA
Raiffeisen banka a.d., Belgrade (RS)	27,466,157,580	RSD	100.0%	BA
Raiffeisen Banka d.d., Maribor (SI)	16,355,847	EUR	86.3%	BA
Raiffeisen Centrobank AG, Vienna (AT)	47,598,850	EUR	100.0%	BA
Raiffeisen Energy Service Ltd., Budapest (HU)	20,000,000	HUF	72.7%	OT
Raiffeisen Equipment Leasing Kft., Budapest (HU)	50,200,000	HUF	72.7%	FI
Raiffeisen Factoring Ltd., Zagreb (HR)	15,000,000	HRK	73.6%	FI
Raiffeisen Insurance Agency Sp.z.o.o., Warsaw (PL)	200,000	PLN	87.5%	BR

1 Company type: BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT…Other companies

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Raiffeisen Leasing d.o.o., Sarajevo (BA)	19,009,433	BAM	85.8%	FI
Raiffeisen Leasing IFN S.A., Bucharest (RO)	14,935,400	RON	87.2%	FI
Raiffeisen Leasing Kosovo LLC, Pristina (RS)	642,857	EUR	92.5%	FI
Raiffeisen Leasing sh.a., Tirane (AL)	123,000,000	ALL	93.8%	FI
Raiffeisen Lizing Zrt., Budapest (HU)	50,200,000	HUF	72.7%	BA
Raiffeisen Malta Bank plc., Sliema (MT)	340,000,000	EUR	100.0%	BA
Raiffeisen Mandatory Pension Fund Management d.d., Zagreb (HR)	110,000,000	HRK	73.6%	FI
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	603,447,952	BGN	100.0%	BA
Raiffeisenbank a.s., Prague (CZ)	6,564,000,000	CZK	51.0%	BA
Raiffeisenbank Austria d.d., Zagreb (HR)	3,698,932,000	HRK	73.6%	BA
Raiffeisen-Leasing d.o.o., Zagreb (HR)	30,000,000	HRK	74.3%	FI
Raiffeisen-Leasing Österreich Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	51.0%	FI
Raiffeisen-Leasing Polska S.A., Warsaw (PL)	150,003,800	PLN	87.5%	FI
Raiffeisen-Leasing Real Estate, s.r.o., Prague (CZ)	10,000,000	CZK	69.0%	FI
Raiffeisen-Leasing, spolecnost s.r.o., Prague (CZ)	50,000,000	CZK	63.0%	FI
RB International Finance (Hong Kong) Ltd., Hong Kong (HK)	10,000,000	HKD	100.0%	FI
RB International Finance (USA) LLC, New York (US)	1,510,000	USD	100.0%	FI
Regional Card Processing Center s.r.o., Bratislava (SK)	539,465	EUR	100.0%	BR
RI Eastern European Finance B.V., Amsterdam (NL)	400,000	EUR	100.0%	FI
RSC Raiffeisen Daten Service Center GmbH, Vienna (AT)	2,000,000	EUR	71.9%	BR
RZB Finance (Jersey) II Ltd, St. Helier (JE)	100,000,002	EUR	0.0%	FI
RZB Finance (Jersey) III Ltd, St. Helier (JE)	200,001,000	EUR	0.0%	FI
RZB Finance (Jersey) IV Limited, St. Helier (JE)	500,002,000	EUR	0.0%	FI
Tatra Asset Management sprav.spol., a.s., Bratislava (SK)	1,659,696	EUR	65.7%	FI
Tatra banka a.s., Bratislava (SK)	54,554,928	EUR	65.7%	BA
Tatra Leasing spol. s r.o., Bratislava (SK)	6,638,784	EUR	70.6%	FI
TOO Raiffeisen Leasing Kazakhstan, Almaty (KZ)	85,800,000	KZT	75.0%	FI
Ukrainian Processing Center PJSC, Kiev (UA)	180,000	UAH	100.0%	BR
ZAO Raiffeisenbank, Moscow (RU)	36,711,260,000	RUB	100.0%	BA
ZUNO BANK AG, Vienna (AT)	5,000,000	EUR	100.0%	BA

1 Company type: BA...Bank, BR...Company rendering banking-related ancillary services, FI...Financial institution, OT... Other companies

(57) List of equity participations

The following tables show a selection of equity participations. The complete list of the equity participations of Raiffeisen Bank International AG is deposited with the Group parent's headquarters.

Companies valued at equity

Company, domicile (country)	Subscribed capital in local currency		Share	Indirectly held[1]	Type[2]
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	131,074,560	RON	33.3%	0.0%	BA

1 Equity participations held via companies that are not included in the consolidated financial statements
2 Company type: BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT…Other companies, , VV… Insurance, WP … Securities firms

Other non-consolidated subsidiaries and equity participations

Company, domicile (country)	Subscribed capital in local currency		Share	Indirectly held[1]	Type[2]
CREDEX FINANTARI IFN SA, Bucharest (RO)	15,112,500	RON	30.0%	0.0%	FI
ELIOT, s. r. o., Bratislava (SK)	1,613,556	EUR	100.0%	99.5%	BR
Interbank Crimea Currency Exchange, Simferopol (UA)	440,000	UAH	4.5%	0.0%	WP
LLC "Insurance Company 'Raiffeisen Life", Moscow (RUS)	60,000,000	RUB	2.6%	0.0%	VV
OOO “Raiffeisen Capital” , Moscow (RU)	225,000,000	RUB	100.0%	0.0%	FI
Österreichische Raiffeisen-Einlagensicherung eGen, Vienna (AT)	3,100	EUR	40.7%	0.0%	OT
Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG)	250,000	BGN	100.0%	0.0%	FI
Raiffeisen BROKERS doo, Sarajevo (BA)	1,000,000	BAM	100.0%	0.0%	FI
Raiffeisen Capital & Investment S.A., Bucharest (RO)	1,600,000	RON	100.0%	0.0%	FI
Raiffeisen consulting d.o.o., Zagreb (HR)	14,900,000	HRK	100.0%	0.0%	FI
Raiffeisen Datennetz Gesellschaft m.b.H., Vienna (AT)	145,346	EUR	4.7%	0.0%	OT
Raiffeisen Factoring Ltd., Sofia (BG)	1,000,000	BGN	100.0%	0.0%	FI
Raiffeisen Financial Services Polska Sp. z o.o., Warsaw (PL)	3,847,500	PLN	100.0%	0.0%	FI
RAIFFEISEN FUTURE AD, Belgrade (RS)	157,804,549	RSD	100.0%	0.0%	FI
Raiffeisen Insurance and Reinsurance Broker S.R.L, Bucharest (RO)	180,000	RON	100.0%	0.0%	BR
Raiffeisen Invest a.d., Belgrade (RS)	101,798,259	RSD	100.0%	0.0%	FI
Raiffeisen Invest d.o.o., Zagreb (HR)	8,000,000	HRK	100.0%	0.0%	FI
Raiffeisen Investment Fund Management JSC, Budapest (HU)	100,000,000	HUF	100.0%	0.0%	FI
Raiffeisen Non-Government Pension Fund, Moscow (RU)	313,000,000	RUB	100.0%	0.0%	FI
Raiffeisen Pension Insurance d.o.o., Zagreb (HR)	14,400,000	HRK	100.0%	0.0%	FI
Raiffeisen Pensions Sh.A., Tirane (AL)	109,648,000	ALL	100.0%	0.0%	FI
Raiffeisen stavebni sporitelna, a.s., Prague (CZ)	650,000,000	CZK	1.0%	0.0%	BA
RAIFFEISEN TRAINING CENTER LTD., Zagreb (HR)	20,000	HRK	100.0%	20.0%	BR
Raiffeisen Voluntary Pension Fund Management d.o.o., Zagreb (HR)	33,445,300	HRK	100.0%	0.0%	FI
RLKG Raiffeisen-Leasing GmbH, Vienna (AT)	40,000	EUR	0.7%	0.0%	FI
Tatra Group Servis spol.s.r.o., Bratislava (SK)	12,281,750	EUR	100.0%	0.5%	BR
The Zagreb Stock Exchange Ltd., Zagreb (HR)	40,408,000	HRK	41.5%	0.0%	WP

1 Equity participations held via companies that are not included in the consolidated financial statements
2 Company type: BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT…Other companies, , VV… Insurance, WP … Securities firms

Vienna, 10 March 2011

The Managing Board

Herbert Stepic

Karl Sevelda

Aris Bogdaneris

Patrick Butler

Martin Grüll

Peter Lennkh

Johann Strobl

Auditor's report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Raiffeisen Bank International AG, Vienna, for the year from 1 January 2010 to 31 December 2010. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2010, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2010 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2010 and of its financial performance and its cash flows for the year from 1 January to 31 December 2010 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on the Management Report for the Group

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

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

Vienna, 11 March 2011

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca Wirtschaftsprüfer	Bernhard Mechtler Wirtschaftsprüfer

(Austrian Chartered Accountants)

Statement of the Managing Board

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

Vienna, 10 March 2011

The Managing Board

Herbert Stepic
Chief Executive Officer responsible for Internal Audit, Legal & Compliance, Human Resources, Management Secretariat, Organisation & Internal Control System, Group Strategy and PR, Marketing and Event Management

Karl Sevelda
Deputy to the Chief Executive Officer responsible for Corporate Customers, Group Products, Network Corporate Customers & Support and Corporate Sales Management & Develeopment

Aris Bogdaneris
Chief Operating Officer responsible for Information Technology, Operations & Productivity Management, Credit Services, Transaction Services, Retail CRM, Premium & Private Banking, Lending & Cards, Sales, Distribution & Service and SME Banking

Patrick Butler
Member of the Managing Board for Global Markets responsible for Credit Markets, Raiffeisen Research, Capital Markets and Institutional Clients

Martin Grüll
Chief Financial Officer responsible for Tax Management, Treasury, Planning and Finance and Investor Relations

Peter Lennkh
Member of the Managing Board for Network Management responsible for International Business Units and Participations

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

Glossary

Affiliated companies – Entities over which the investor has control (i.e. power to govern the financial and operating policies).

Affluent banking – Support for wealthy customers that includes additional and above all more individually tailored products in comparison to the customary support for private customers.

Associated companies – Entities over which the investor has significant influence.

Back testing – The backward comparison of VaR figures with actual results to test the quality of a model.

Badwill – Any remaining excess of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition as at the date of the exchange transaction.

Basel II – The body of capital adequacy regulations proposed in recent years by the "Basel Committee", an international forum dedicated to improving bank supervision. According to EU Directives 2006/48/EC and 2006/49/EC, the regulations must be applied in the member states of the European Union from 1 January 2007 onwards to all banks and financial service institutions. As in the case of the Basel I Accord, the goal is to ensure that banks have adequate capital resources and that uniform competitive conditions are created for both lending and credit trading. The main objective of the changes made by Basel II compared with Basel I is to orient capital adequacy requirements prescribed by government more strongly to actual risk and hence approximate the capital requirements internally ascertained by banks.

Basel III – Basel-II-regulatory broadened with the experiences and insights of the financial crisis to harmonize incurred risks and the banks risk-taking capacity (deduced from the equity's amount and quality).

BIS – Bank for International Settlement. International organization supporting the cooperation between the monetary and financial sphere.

BWG – Austrian Banking Act.

CAGR – Compound Annual Growth Rate is the average increase of a figure.

Cash flow – Inflows and outflows of cash and cash equivalents.

Cash flow hedge – Protection against the risk of variability in projected cash flows, resulting either from risk associated with a recognized asset or liability or risk associated with a forecasted transaction. Whereas the effective portion of the hedge relating to changes in value of the hedging instruments can be directly recognized in equity, the ineffective portion has an immediate effect on profit and loss statement.

CE – Central Europe. For RBI it is defined as the Czech Republic, Hungary, Poland, Slovakia and Slovenia.

CEBS – Committee of European Banking Supervisors. Advisor of the European Commission regarding policy and regulatory issues in banking supervision and supporting the cooperation between supervisors in the European Union, especially in developing guidelines and recommendations for financial institutions and supervisors.

CEE – Central and Eastern Europe.

CIS – Commonwealth of Independent States, consisting predominantly of territories of the former Soviet Union.

Clean price – Price of a financial instrument without accrued interest.

Consolidated ROE – Return on Consolidated Equity, i.e. the equity attributable to the shareholders of RBI. It is calculated by consolidated profit in relation to average equity on the statement of financial position (without non-controlling interests). Average equity is based on month-end figures and does not include current year profit.

Country risk – This comprises transfer and convertibility risk as well as political risk.

Core capital – So called tier 1 capital, involves regulatory core capital as defined in Section 23 BWG.

Cost/income ratio – Indicator of an enterprise's cost efficiency based on the ratio of expenses to earnings. It is calculated by comparing general administrative expenses (comprising staff expenses and other administrative expenses and depreciation on intangible and tangible fixed assets) with operating income (net interest income, net fee and commission income, net trading income and other net operating income).

Credit derivatives – Instruments designed to transfer credit risk arising from loans, bonds and other risk assets or market risk items to another party.

Credit exposure – Comprises all exposures on the statement of financial position (loans, debt securities) and all exposures off the statement of financial position (guarantees, commitments) that expose RBI to credit risk.

Credit risk – See default risk.

Credit spread (or simply "spread") – Difference in yield between top-rated bonds (usually government bonds) and bonds with the same residual maturity but lower issuer quality.

Cross-selling – Marketing strategy in which additional products and services are actively offered to existing customers.

DBO – Defined benefit obligation, i.e. the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Default risk – Risk that counterparties in a financial transaction will not be able to fulfil an obligation, causing the other party a financial loss.

Deferred tax assets – The amounts of income taxes recoverable in future periods in respect of deductible temporary differences and the carry forward of unused tax losses.

Deferred tax liabilities – The amounts of income taxes payable in future periods in respect of taxable temporary differences.

Derivatives – Financial instruments whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, that requires no initial net investment or small initial net investment and that is settled at a future date.

Dirty price – Price of a financial instrument including accrued interest.

Earnings per share (EPS) – Adjusted consolidated profit (after deduction of dividend for participation capital) divided by the weighted average number of ordinary shares outstanding.

EBRD (European Bank for Reconstruction and Development) – An institution that promotes the transition to an open market economy and to private and entrepreneurial action in the countries of Central and Eastern Europe. Through its investments, it supports activity of the private sector and strengthens financial institutions, legal systems, and development of infrastructure needed by the private sector.

EMTN (Euro Medium Term Notes) Program – Framework agreement between companies and bond traders who make it possible for the companies to issue medium-term securities in the European capital market for the purpose of flexibly procuring outside capital.

Excess cover ratio – Relation of excess own funds to total own funds requirement.

Fair value – The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value Level I – (quotation on an active market). If market prices are available, the fair value is reflected by the market price.

Fair Value Level II – (measurement techniques based on observable parameters). When current bid and asking prices are unavailable, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction (in particular present value calculations and option price models).

Fair Value Level III – (measurement techniques not based on observable parameters). If observable parameters are not available; the fair value will be measured through valuation methods appropriate for the financial instrument.

Fiduciary business – Transactions which are carried out by a trustee, often banks, on own name but on account of the beneficiary.

Finance lease – A lease that transfers substantially all the risks and rewards incidental to ownership of an asset.

Funding – All means used by banks for the purpose of refinancing.

Futures – Standardized forward contracts traded on a stock exchange under which a commodity traded in a money, capital, precious metal or currency market is to be delivered or accepted at a price fixed in an exchange environment.

Goodwill – Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction.

Gross investment value – The aggregate of minimum lease payments receivable by the lessor under a finance lease and any unguaranteed residual value accruing to the lessor.

Hedging – Designating one or more hedging instruments so that their change in fair value is an offset, in whole or in part, to the change in fair value or cash flows of a hedged item.

Held-for-trading – Securities held to take advantage of short-term market fluctuations.

Held-to-maturity – Securities with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

HGB/UGB – (Austrian) Commercial Code.

IFC (International Finance Corporation) – An institution of the World Bank that supports the establishment and strengthening of the private sector in developing countries by means of investments and advisory service.

IFRIC, SIC – International Financial Reporting Interpretations Committee – committee responsible for the official interpretation of the International Financial Reporting Standards, formerly also SIC (Standing Interpretations Committee).

IFRS, IAS – The International Financial Reporting Standards or International Accounting Standards are reporting standards published by the IASB (International Accounting Standards Board) with the goal of achieving transparent and comparable accounting on an international basis.

Interest margin – Net interest income in relation to average total assets.

Investment property – Property (land or buildings – or part of buildings – or both) which are held to earn rentals or for capital appreciation or both.

IPO – Initial public offering.

IRB (Internal Ratings-Based approach) – Approach to measure the own funds requirement for credit risks in accordance with Basel II. By applying the IRB approach, the own funds requirement is determined according to internal credit ratings. In the process, features specific to the borrower and the loan are taken into account. The ratings must be made by an independent source.

Liquidity risk – Risk that a bank could be unable to meet its current and future financial obligations in full or in good time. This arises from the danger that, e.g. refinancing can only be obtained at very disadvantageous terms or is entirely impossible.

Loss rate – Usage of previously allocated loan loss provisions plus direct write-downs and income received on written-down claims divided by credit exposure to customers.

Market capitalization – The number of issued shares multiplied by the share price.

Market risk – The risk that the value of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Monte-Carlo-Simulation – Numerical method to aggregate risks to evaluate specific risks concerning their influence on corresponding income statement items.

Net provisioning ratio (average risk-weighted assets credit risk) – Risk valuation ratio. Is calculated by provisioning for impairment losses divided by average credit risk-weighted assets.

Net provisioning ratio (total credit exposure) – Risk valuation ratio. Is calculated by provisioning for impairment losses divided by the total credit exposure.

Operating leasing – Lease under which commercial and legal ownership remains with the lessor, with the effect that the lessor must show the asset on its statement of financial position.

Operating result – In IFRS-compliant financial statements, it consists of operating income less general administrative expenses. Operating income comprises net interest income, net fee and commission income, net trading income and other net operating income. General administrative expenses comprise staff expenses and other administrative expenses and depreciation on intangible and tangible fixed assets.

Operational risk – Risk of unexpected losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

Options – Instruments that give the holder the right to purchase the underlying from a contracting party at an agreed price and at an agreed time or within an agreed period (call option) or to sell the underlying to a contracting party at an agreed price and at an agreed time or within an agreed period (put option).

OTC instruments – Financial instruments that are neither standardized nor traded on a stock exchange. They are traded directly between market participants "over-the-counter".

Own funds according to BWG – Consist of core capital (tier 1), additional and subordinated capital (tier 2) and short-term subordinated capital and rededicated tier 2 capital (tier 3).

Own funds ratio – The ratio's numerator is own funds within the meaning of the Austrian Banking Act (BWG) and its denominator is the own funds requirement multiplied by 12.5.

Own funds requirement according to BWG – Defined in Section 22 BWG and involves the requirement for the credit risk, for position risk in bonds, equities and commodities and for position risk in foreign currency and for the operational risk.

Own shares – Repurchased equity instruments (shares) held by the issuing entity itself or by its subsidiaries.

Plan assets – Assets held by a long-term employment benefit fund.

Portfolio-based loan loss provisions – Impairment provisions for portfolios of loans with identical risk profiles that may be compiled under certain conditions.

Portfolio rate – Total provisions for impairment losses divided by total credit exposure.

Projected unit credit method – An actuarial valuation method defined by IAS 19 that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method).

Quarter-on-quarter – Compared to the quarter which precedes the quarter under consideration; for example, the third quarter of 2010 in comparison to the second quarter of 2010.

RBI – The Group of Raiffeisen Bank International AG.

Repurchase agreement – During a genuine repurchase transaction (repo), the enterprise sells assets to a counterparty and concurrently agrees to reacquire the assets at an agreed time and at an agreed price.

Risk-weighted assets (credit risk) – This is the sum of the weighted accounts receivable and includes receivables in the form of asset items, items off the statement of financial position according to annex 1 of Section 22 and derivatives according to Annex 2 of Section 22 BWG.

ROE (return on equity) – Return on the total equity including non-controlling interests, i.e. profit before tax respectively after tax in relation to weighted average equity on the statement of financial position. Average equity is calculated on month-end figures and does not include current year profit.

RZB – The Group of Raiffeisen Zentralbank Österreich AG.

RZB-Kreditinstitutsgruppe – Pursuant to Section 30 of the Austrian Banking Act (BWG), RZB-Kreditinstitutsgruppe is made up of all banks, financial institutions, securities companies and companies rendering banking related services in which RZB holds direct or indirect interests or has control as a superordinate institution.

Scorecard – A statistical tool in risk management for estimating risk parameters, typically used to determine probability of default or the loss-given default-ratio.

Securitization – Special type of refinancing and the packaging of designated portfolios of loans or leasing claims with an appropriate level of credit enhancement and the redistribution of these portfolios to investors.

Segment reporting – Disclosure of earnings and asset data for segments representing the organizational structure (country and functional responsibility).

SEPA – Single European Payments Area. This is a project to create a European-wide standardized payment area. In this payment area there is no distinction between cross-border and national payments for customers anymore.

Share-based remuneration – Performance-based allotments of company shares for eligible employees for a given period of time.

Splitting – A procedure that is particularly common in US investment banking where equities that have become very highly priced are split into two or more shares or share certificates.

SPO – Secondary public offering; capital increase.

Statement of cash flows – Statement of cash flows during the financial year arising from operating activities, investing activities and financing activities and a reconciliation of cash and cash-equivalents held at the beginning and the end of the financial year.

Stress tests – Stress tests endeavor to simulate extreme fluctuations in market parameters. They are used because such fluctuations are usually inadequately captured by VaR models (VaR forecasts maximum losses under normal market conditions).

Subprime loans – Mortgage loans given to borrowers who do not qualify for the prime market interest rate due to their low credit-worthiness. Subprime loans are characterized by a relatively high risk of loss.

Swap – Exchange of interest obligations (interest swap) and/or currency positions (currency swap).

Tax rate – Relation of income taxes to profit before tax.

Tier 1 ratio (credit risk) – This ratio's numerator is core capital (tier 1) and its denominator is the risk-weighted assets of credit risk.

Total shareholder return – A ratio illustrating the development of a share investment over a period considering the dividends and changes in share price.

Trading book – Bank regulators' term for assets held by a bank for short-term resale to exploit fluctuations in prices and interest rates.

VaR – Value at risk expresses the potential loss that will, with a 99 per cent probability, not be exceeded within the period for which an asset is held in the portfolio in question.

Watson Wyatt Global Grading System – Internationally approved, market-oriented method to evaluate the value of job positions, based on role and competence requirements within a company with the aim of gaining a consistent compensation structure.

Wholesale funding – Refinancing of banks by way of external sources, i.e., not through their own funds or customer deposits.

Year-on-year – Compared to the point in time, or the time period, which occurs one year before the point in time, or the time period, under consideration; for example, the first half year of 2010 in comparison to the first half year of 2009, or 30 June 2010 in comparison to 30 June 2009.

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