RAIFFEISEN BANK INTERNATIONAL. ANNUAL FINANCIAL REPORT 2011.

Raiffeisen Bank International

Overview

Raiffeisen Bank International Group Monetary values in € million	2011	Change	2010	RBI pro forma 2009	Raiffeisen International 2008	Raiffeisen International 2007
Income statement						
Net interest income	3,667	2.5%	3,578	3,282	3,232	2,419
Net provisioning for impairment losses	(1,064)	(10.9)%	(1,194)	(2,232)	(780)	(357)
Net fee and commission income	1,490	(0.1)%	1,491	1,421	1,496	1,250
Net trading income	363	10.7%	328	419	168	128
General administrative expenses	(3,120)	4.7%	(2,980)	(2,715)	(2,633)	(2,184)
Profit before tax	1,373	6.7%	1,287	790	1,429	1,238
Profit after tax	974	(17.2)%	1,177	531	1,078	973
Consolidated profit	968	(11.0)%	1,087	450	982	841
Statement of financial position						
Loans and advances to banks	25,748	19.6%	21,532	38,582	9,038	11,053
Loans and advances to customers	81,576	7.8%	75,657	72,566	57,902	48,880
Deposits from banks	37,992	12.9%	33,659	49,099	26,213	19,927
Deposits from customers	66,747	15.8%	57,633	55,407	44,206	40,457
Equity	10,936	5.1%	10,404	9,326	6,518	6,622
Total assets	146,985	12.1%	131,173	145,638	85,397	72,743
Key ratios						
Return on equity before tax	13.7%	0.0 PP	13.7%	9.5%	22.0%	25.7%
Return on equity after tax	9.7%	(2.8) PP	12.5%	6.4%	16.6%	20.2%
Consolidated return on equity	10.8%	(2.1) PP	13.0%	7.1%	17.4%	20.1%
Cost/income ratio	57.0%	1.8 PP	55.1%	52.5%	54.0%	57.6%
Return on assets before tax	0.98%	0.07 PP	0.90%	0.53%	1.77%	1.98%
Net interest margin	2.61%	0.10 PP	2.51%	3.73%	3.99%	3.86%
NPL ratio	8.6%	(0.3) PP	9.0%	8.8%	3.1%	2.1%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.38%	(0.3) PP	1.66%	2.89%	1.32%	0.84%
Bank-specific information[1]						
Risk-weighted assets (credit risk)	77,150	2.0%	75,601	70,555	60,388	49,802
Total own funds	12,858	2.0%	12,608	12,019	6,992	6,684
Total own funds requirement	7,624	0.5%	7,585	7,137	5,767	4,317
Excess cover ratio	68.6%	2.4 PP	66.2%	68.4%	21.2%	54.8%
Core tier 1 ratio, total	9.0%	0.2 PP	8.9%	8.5%	7.4%	9.6%
Tier 1 ratio, credit risk	12.2%	0.0 PP	12.2%	11.8%	9.7%	11.4%
Tier 1 ratio, total	9.9%	0.2 PP	9.7%	9.4%	8.1%	10.5%
Own funds ratio	13.5%	0.2 PP	13.3%	13.5%	9.7%	12.4%
Stock data						
Earnings per share in €	3.95	(13.5)%	4.56	1.29	6.39	5.80
Price in €	20.07	(51.0)%	41.00	–	19.30	103.60
High (closing prices) in €	45.10	5.5%	42.75	–	110.20	122.50
Low (closing prices) in €	14.16	(51.2)%	29.01	–	16.23	98.25
Number of shares in million	195.51	0.0%	195.51	195.51	154.67	154.67
Market capitalization in € million	3,924	(51.1)%	8,016	–	2,985	16,024
Dividend per share in €	1.05[2]	–	1.05	–	0.93	0.93
Resources						
Number of employees as of reporting date	59,261	(0.9)%	59,782	59,211	63,376	58,365
Business outlets	2,928	(1.1)%	2,961	3,029	3,231	3,015

[1] Calculated according to the Austrian Banking Act (Bankwesengesetz, BWG). Raiffeisen Bank International (RBI) as part of the RZB Group is not subject to the Austrian Banking Act.
[2] Proposal to the Annual General Meeting.
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.

Content

Remark: In this report, RBI AG refers to Raiffeisen Bank International AG (the parent company). RBI, however, refers to the Group Raiffeisen Bank International.

Please note that minor differences may occur if the rounded amounts are added or subtracted. Changes in rates (percentages) are based on the actual figures and not on the rounded figures presented.

with cooperation of: RBI Financial Accounting, RBI Investor Relations (Parts of Management Report), RBI Integrated Risk Management (Parts of Risk Report)

Consolidated financial statements

Statement of comprehensive income

Income statement

€ 000	Notes	2011	2010	Change
Interest income		6,614,417	6,364,799	3.9%
Current income from associates		89	200	(55.5)%
Interest expenses		(2,947,356)	(2,786,831)	5.8%
Net interest income	**[2]**	**3,667,150**	**3,578,168**	**2.5%**
Net provisioning for impairment losses	[3]	(1,063,551)	(1,194,084)	(10.9)%
Net interest income after provisioning		**2,603,599**	**2,384,084**	**9.2%**
Fee and commission income		1,795,257	1,753,233	2.4%
Fee and commission expense		(305,330)	(262,441)	16.3%
Net fee and commission income	**[4]**	**1,489,927**	**1,490,792**	**(0.1)%**
Net trading income	[5]	363,261	328,121	10.7%
Net income from derivatives and designated liabilities	[6]	412,828	(84,185)	–
Net income from financial investments	[7]	(141,077)	137,223	–
General administrative expenses	[8]	(3,120,440)	(2,979,745)	4.7%
Other net operating income	[9]	(232,167)	6,297	–
Net income from disposal of group assets	[10]	(2,575)	4,734	–
Profit before tax		**1,373,355**	**1,287,322**	**6.7%**
Income taxes	[11]	(399,243)	(110,161)	262.4%
Profit after tax		**974,113**	**1,177,161**	**(17.2)%**
Profit attributable to non-controlling interests		(6,449)	(89,685)	(92.8)%
Consolidated profit		**967,663**	**1,087,475**	**(11.0)%**

Transition to total comprehensive income

	Total		Group equity		Non-controlling interests	
€ 000	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Consolidated profit	**974,113**	**1,177,161**	**967,663**	**1,087,475**	**6,449**	**89,685**
Exchange differences	(349,606)	188,893	(302,230)	180,388	(47,376)	8,506
hereof unrealized net gains (losses) of the period	(349,606)	188,893	(302,230)	180,388	(47,376)	8,506
Capital hedge	31,321	(11,332)	31,321	(11,332)	0	0
Hyperinflatin	95,152	0	83,486	0	11,666	0
Net gains (losses) on derivatives hedging fluctuating cash flows	(45,951)	38,578	(45,951)	38,578	0	0
hereof unrealized net gains (losses) of the period	(46,904)	38,578	(46,904)	38,578	0	0
hereof net gains (losses) reclassified to income statement	953	0	953	0	0	0
Changes in equity of companies valued at equity	39	0	39	0	0	0
Net gains (losses) on financial assets available-for-sale	150,824	10,140	150,824	10,140	0	0
hereof unrealized net gains (losses) of the period	153,967	10,140	153,967	10,140	0	0
hereof net gains (losses) reclassified to income statement	(3,143)	0	(3,143)	0	0	0
Deferred taxes on income and expenses directly recognized in equity	(44,556)	(7,680)	(44,556)	(7,680)	0	0
Other comprehensive income	**(162,777)**	**218,599**	**(127,066)**	**210,094**	**(35,711)**	**8,506**
Total comprehensive income	**811,336**	**1,395,760**	**840,597**	**1,297,569**	**(29,262)**	**98,191**

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.

Due to changed intentions regarding a part of the held-to-maturity portfolio, a volume of € 3,165,000 thousand of held-to-maturity securities was reclassified as available-for-sale. This reclassification caused an increase in other comprehensive income in the amount of income recognized of € 116,917 thousand (after tax).

Through the application of IAS 29 (hyperinflation accounting) in Belarus € 95,152 thousand was recognized directly in other comprehensive income.

Due to a change in hedging strategy some cash flow hedging was ended in the second quarter 2011 and replaced by portfolio hedging. The valuation losses on the termination of cash flow hedges amounted to € 36 million (after deferred tax).

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)	Hyper-inflation	Deferred tax
As of 1/1/2010	**(1,336,732)**	**52,703**	**7,316**	**38,006**	**0**	**309,404**
Unrealized net gains (losses) of the period	180,388	(11,332)	38,578	10,140	0	(7,680)
As of 31/12/2010	**(1,156,344)**	**41,371**	**45,894**	**48,146**	**0**	**301,723**
Unrealized net gains (losses) of the period	(302,230)	31,321	(46,904)	153,967	83,486	(44,556)
Net gains (losses) reclassified to income statement	0	0	953	(3,143)	0	0
As of 31/12/2011	**(1,458,574)**	**72,692**	**(57)**	**198,970**	**83,486**	**257,167**

Earnings per share

In €	Notes	2011	2010	Change
Earnings per share	[12]	3.95	4.56	(0.62)

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.
In the fiscal year 2011, the number of common shares outstanding was 194,552 thousand compared with 194,530 thousand in the previous year.

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

Quarterly results

The quarterly results are as follows:

€ 000	Q1/2011	Q2/2011	Q3/2011	Q4/2011
Net interest income	884,252	896,934	942,574	943,390
Net provisioning for impairment losses	(208,197)	(196,820)	(376,587)	(281,947)
Net interest income after provisioning	**676,055**	**700,114**	**565,988**	**661,443**
Net fee and commission income	357,108	379,835	387,560	365,423
Net trading income	123,425	132,767	36,786	70,283
Net income from derivatives and designated liabilities	2,798	37,841	108,412	263,776
Net income from financial investments	25,067	(13,085)	(157,706)	4,646
General administrative expenses	(753,016)	(761,300)	(772,372)	(833,753)
Other net operating income	(23,902)	(2,609)	(15,415)	(190,240)
Net income from disposal of group assets	(2,494)	(91)	6	4
Profit before tax	**405,042**	**473,472**	**153,258**	**341,583**
Income taxes	(99,684)	(101,388)	(70,895)	(127,276)
Profit after tax	**305,358**	**372,084**	**82,363**	**214,307**
Profit attributable to non-controlling interests	(35,346)	(26,944)	47,962	7,879
Consolidated profit	**270,012**	**345,140**	**130,326**	**222,186**

€ 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**

Statement of financial position

Assets € 000	Notes	31/12/2011	31/12/2010	Change
Cash reserve	[14, 35]	11,401,747	4,806,891	137.2%
Loans and advances to banks	[15, 35, 36]	25,748,044	21,532,406	19.6%
Loans and advances to customers	[16, 35, 36]	81,576,235	75,657,061	7.8%
Impairment losses on loans and advances	[17, 35]	(5,053,212)	(4,755,872)	6.3%
Trading assets	[18, 35, 36]	10,616,671	8,068,393	31.6%
Derivatives	[19, 35, 36]	1,404,809	1,488,036	(5.6)%
Financial investments	[20, 35, 36]	16,534,964	19,630,902	(15.8)%
Investments in associates	[21, 35, 36]	5,017	4,961	1.1%
Intangible fixed assets	[22, 24, 35]	1,065,548	1,219,816	(12.6)%
Tangible fixed assets	[23, 24, 35]	1,511,477	1,453,630	4.0%
Other assets	[25, 35, 36]	2,173,703	2,066,890	5.2%
Total assets		**146,985,003**	**131,173,114**	**12.1%**

Equity and liabilities € 000	Notes	31/12/2011	31/12/2010	Change
Deposits from banks	[26, 35, 36]	37,991,809	33,659,182	12.9%
Deposits from customers	[27, 35, 36]	66,747,234	57,633,113	15.8%
Debt securities issued	[28, 35, 36]	14,366,814	16,555,382	(13.2)%
Provisions for liabilities and charges	[29, 35, 36]	770,957	671,908	14.7%
Trading liabilities	[30, 35, 36]	9,714,926	5,741,591	69.2%
Derivatives	[31, 35, 36]	791,720	1,263,528	(37.3)%
Other liabilities	[32, 35, 36]	1,515,024	1,243,387	21.8%
Subordinated capital	[33, 35, 36]	4,150,733	4,001,098	3.7%
Equity	[34, 35]	10,935,786	10,403,925	5.1%
Consolidated equity		8,825,228	8,250,760	7.0%
Consolidated profit		967,663	1,087,475	(11.0)%
Non-controlling interests		1,142,894	1,065,690	7.2%
Total equity and liabilities		**146,985,003**	**131,173,114**	**12.1%**

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 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**
Capital increases	0	0	0	0	0	168,930	168,930
Transferred to retained earnings	0	0	0	683,186	(683,186)	0	0
Dividend payments	0	0	0	0	(404,289)	(58,498)	(462,788)
Total comprehensive income	0	0	0	(127,066)	967,663	(29,262)	811,336
Own shares/share incentive program	89	0	2,904	0	0	0	2,993
Other changes	0	0	0	15,356	0	(3,966)	11,390
Equity as of 31/12/2011	**593,412**	**2,500,000**	**2,570,778**	**3,161,038**	**967,663**	**1,142,894**	**10,935,786**

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

Other changes in equity are due to currency differences between the income statement and the statement of financial position and changes in shares in Group units.

The effects due to the merger of the principal business areas of RZB with Raiffeisen International in the year 2010 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 target and the acquiring 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	2011	2010
Profit after tax	**974,113**	**1,177,161**
Non-cash positions in profit and transition to net cash from operating activities:		
Write-downs/write-ups of tangible fixed assets and financial investments	671,303	341,948
Net provisioning for liabilities and charges and impairment losses	1,316,152	1,503,170
Gains (losses) from disposals of tangible fixed assets and financial investments	(98,695)	(11,505)
Other adjustments (net)	611,542	132,854
Subtotal	**3,474,415**	**3,143,628**
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:		
Loans and advances to banks and customers	(9,666,520)	13,332,712
Trading assets/trading liabilities (net)	1,576,554	1,829,844
Other assets/other liabilities (net)	(4,629,542)	(1,894,152)
Deposits from banks and customers	13,046,255	(13,256,519)
Debt securities issued	(1,933,292)	(3,366,047)
Net cash from operating activities	**1,867,870**	**(210,534)**
Proceeds from sale of:		
Financial investments	8,156,189	4,253,340
Tangible and intangible fixed assets	87,840	70,471
Proceeds from disposal of group assets	3	0
Payments for purchase of:		
Financial investments	(2,536,354)	(4,147,648)
Tangible and intangible fixed assets	(580,305)	(618,706)
Net cash from investing activities	**5,127,373**	**(442,543)**
Capital increases	168,930	3,013
Inflows/outflows of subordinated capital	149,635	(312,759)
Dividend payments	(462,788)	(384,141)
Net cash from financing activities	**(144,223)**	**(693,887)**

€ 000	2011	2010
Cash and cash equivalents at the end of previous period	**4,806,891**	**4,179,572**
Effects due to the merger	0	1,913,574
Net cash from operating activities	1,867,870	(210,534)
Net cash from investing activities	5,127,373	(442,543)
Net cash from financing activities	(144,223)	(693,887)
Effect of exchange rate changes	(256,163)	60,709
Cash and cash equivalents at the end of period	**11,401,747**	**4,806,891**

Payments for taxes, interest and dividends	2011	2010
Interest received	6,517,369	6,486,758
Dividends received	19,320	1,172
Interest paid	(2,848,428)	(2,496,266)
Income taxes paid	(190,806)	(118,789)

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.

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. Inflows and outflows from trading assets and liabilities, from derivatives, as well as from other assets and other liabilities are also 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

Segmentation principles

As a rule, internal management reporting at RBI is based on the current organizational structure. This matrix structure means that each member of the Management Board is responsible both for individual countries and for specific business activities (country and functional responsibility model). A cash generating unit within the Group is either a country or a business activity. Accordingly, the RBI management bodies – Management Board and Supervisory Board – make key decisions that determine the resources allocated to any given segment based on its financial strength and profitability, which is why these reporting criteria are an essential component in the decision-making process. Thus, the division into segments was also undertaken in accordance with IFRS 8.

Markets in Central and Eastern Europe are thereby grouped together into regional segments in which countries with comparable economic profiles and similar long-term economic growth expectations are bundled into the same segment. Business activities outside the CEE region that have been newly added as a result of the merger with the principal business areas of RZB are divided according to business area.

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

The following segments resulted thereof:

Central Europe
This segment encompasses the most advanced banking markets in the EU-countries in Central and Eastern Europe, namely Poland, Slovakia, Slovenia, the Czech Republic and Hungary. They are also the markets in which RBI has been operating the longest. In each of the countries, RBI is represented by a bank, leasing companies and other specialized financial institutions. In Poland, in addition to the main activity of the credit business with corporate customers and small and medium-sized enterprises (also via leasing and factoring), the focus is on retail banking and increasingly on affluent customers too. In Slovakia, RBI is likewise active in its business divisions of Corporate and Retail Customers, including leasing, while at the same time expanding banking services for affluent customers. In Slovenia, the Group provides universal banking services and also leasing, with Group units concentrating in particular on local corporate customers. In the Czech Republic, RBI offers real estate leasing in addition to traditional banking services with corporate and retail customers. In Hungary, the Group provides services to private and corporate customers via the Bank's tightly knit network and also through leasing companies. In addition, RBI is represented in Slovakia and the Czech Republic through branches of its direct bank ZUNO.

Southeastern Europe
The Southeastern Europe segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Croatia, Romania and Serbia. In these countries, RBI is represented by banks, leasing companies, as well as, in some markets, by separate capital management and asset management companies and pension funds. In Albania and Kosovo, financial services are offered across all business divisions. In Kosovo, RBI also offers a comprehensive product range. In Bosnia and Herzegovina the emphasis is on small and medium-sized enterprises, while also boasting a wide range of products for retail customers. In Croatia the focus is on large and medium-sized corporate customers and also on retail customers (pension funds business). In Romania a broad range of financial services is offered via its tightly knit branch network. Moreover, the the Moldovan corporate customer market is also served from Romania. In Serbia, the market is serviced by a universal bank and a leasing company.

Russia
Raiffeisenbank is one of the leading foreign banks in Russia and services both corporate and retail customers. The national branch network also offers products tailored for affluent private individuals. The product range in Russia is rounded off by leasing business. In view of the size of the banking market and its high natural and industrial potential, the Russia segment is of key significance for RBI.

CIS Other

This segment comprises Belarus, Kazakhstan and Ukraine. In Belarus, RBI is represented by a bank and a leasing company, whilst in Kazakhstan it is represented in the leasing business .In Ukraine RBI is represented by a bank, a leasing and a card-processing company and provides a full range of financial services and products via a tightly knit branch network.

Group Corporates

The Group Corporates segment covers business with Austrian and international – notably Western European – corporate customers of the RBI AG managed from Vienna, and grouped within the Corporate Customers profit center. These customers include Austria's largest companies and multinational customers.. The segment also comprises the large corporate business with Central and Eastern European customers as well multinationals with CEE-business, included in the Network Corporate Customers & Support profit center. The Corporate Customers and Network Corporate Customers & Support profit centers also include net income from structured trade financing for commodity traders, documentary business, project financing and a range of cofinancing solutions. Corporate customer business in further countries is operated via the Singapore, China, Malaysia and Malta branches, which are also included in this segment. Financing companies in USA and Hong Kong, which focus on niche market customers with selected products, are also allocated to this segment.

Group Markets

The Group Markets segment covers RBI AG's customer and proprietary business related to the capital market. Income from currency, interest and securities trading as well as from trading in structured products for financial institutions is also allocated to this segment, as is proprietary business. The same applies to proprietary trading and market maker activities in Vienna, and to the branches in Singapore, China and London. This segment includes net income from customer business, sales of all banking products and business relationships with banks, institutional customers, governments and local authorities too. Furthermore, income from Raiffeisen Centrobank (equity trading and capital market financing) and from Kathrein & Co. Privatgeschäftsbank is also booked under this segment.

Corporate Center

The Corporate Center segment encompasses all of the services provided by Group headquarters in various divisions that serve to implement the Group's overall strategy and that are allocated to this segment to ensure comparability. Moreover, this segment includes the following areas: Liquidity management and balance sheet structure management as part of proprietary trading, participations (in particular those of subsidiaries in CEE), income from banking operations carried out by Group headquarters and by the Maltese subsidiary for refinancing Group units, the Austrian transaction services business operated by Raiffeisen Daten Service Center GmbH, which offers a wide range of order processing products and services for financial services providers, as well as income from the holding and other companies that do not fall directly under another 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 equity (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, whereby 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, whereby 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 and/or business division 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 intragroup 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 internal management income statement.

Financial year 2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Corporates
Net interest income	1,102,442	919,084	590,101	415,451	429,344
Net fee and commission income	490,576	364,937	237,692	175,546	177,798
Net trading income	76,670	41,448	38,155	(511)	21,062
Other net operating income	(1,731)	40,098	(12,595)	(6,578)	5,952
Operating income	**1,667,957**	**1,365,567**	**853,353**	**583,909**	**634,156**
General administrative expenses	(938,370)	(746,465)	(487,695)	(335,975)	(140,992)
Operating result	**729,587**	**619,102**	**365,658**	**247,935**	**493,164**
Net provisioning for impairment losses	(646,147)	(257,872)	42,062	(127,685)	(115,520)
Other results	(50,487)	(9,967)	25,989	(14,626)	(3,966)
Profit/loss before tax	**32,953**	**351,263**	**433,708**	**105,624**	**373,678**
Income taxes	(65,676)	(46,552)	(112,129)	(51,611)	(75,950)
Profit/loss after tax	**(32,723)**	**304,710**	**321,579**	**54,013**	**297,727**
Profit attributable to non-controlling interests	21,819	(15,937)	163	(3,202)	0
Profit/Loss after deduction of non-controlling interests	**(10,904)**	**288,773**	**321,742**	**50,811**	**297,727**

Share of profit before tax	2.2%	23.4%	28.9%	7.0%	24.9%
Risk-weighted assets (credit risk)	21,510,076	16,324,786	10,516,501	5,489,957	15,732,909
Total own funds requirement	1,965,168	1,524,020	1,032,772	532,183	1,333,051
Assets	34,851,819	22,827,461	14,217,958	6,760,777	22,842,660
Liabilities	31,798,430	19,829,743	12,135,402	5,723,562	15,377,841
Net interest margin	3.16%	4.07%	4.47%	6.10%	1.97%
NPL ratio	9.8%	11.3%	5.8%	29.7%	3.0%
Coverage ratio	60.7%	58.6%	100.2%	68.2%	66.7%
Cost/income ratio	56.3%	54.7%	57.2%	57.5%	22.2%
Net provisioning ratio (average risk-weighted assets, credit risk)	2.76%	1.56%	0.29%	2.38%	0.31%
Average equity	2,739,633	2,008,833	1,274,757	699,066	1,667,298
Return on equity before tax	**1.2%**	**17.5%**	**34.0%**	**15.1%**	**22.4%**
Business outlets	552	1,161	191	1,011	8

Financial year 2011 € 000	Group Markets	Corporate Center	Reconciliation	Total
Net interest income	229,251	362,936	(381,459)	3,667,150
Net fee and commission income	114,603	(64,740)	(6,485)	1,489,927
Net trading income	176,015	37,648	(27,226)	363,261
Other net operating income	27,855	19,670	(304,838)	(232,167)
Operating income	**547,723**	**355,514**	**(720,008)**	**5,288,171**
General administrative expenses	(263,594)	(317,693)	110,345	(3,120,440)
Operating result	**284,128**	**37,821**	**(609,663)**	**2,167,731**
Net provisioning for impairment losses	(13,544)	55,157	(2)	(1,063,551)
Other results	(4,337)	(157,640)	484,209	269,175
Profit/loss before tax	**266,293**	**(64,663)**	**(125,501)**	**1,373,355**
Income taxes	(71,629)	24,353	(49)	(399,243)
Profit/loss after tax	**194,664**	**(40,309)**	**(125,548)**	**974,113**
Profit attributable to non-controlling interests	(879)	(17)	(8,396)	(6,449)
Profit/Loss after deduction of non-controlling interests	**193,784**	**(40,326)**	**(133,943)**	**967,663**
Share of profit before tax	17.8%	(4.3)%	–	100.00%
Risk-weighted assets (credit risk)	5,128,754	19,595,510	(17,148,006)	77,150,488
Total own funds requirement	841,134	1,682,990	(1,287,189)	7,624,128
Assets	25,731,849	53,835,243	(34,082,764)	146,985,003
Liabilities	29,357,601	43,818,972	(21,992,334)	136,049,217
Net interest margin	0.85%	0.80%	–	2.61%
NPL ratio	6.5%	0.0%	–	8.6%
Coverage ratio	107.8%	0.0%	–	68.4%
Cost/income ratio	48.1%	89.4%	–	57.0%
Net provisioning ratio (average risk-weighted assets, credit risk)	0.19%	(0.47)%	–	1.38%
Average equity	1,363,455	1,917,504	(1,638,511)	10,032,035
Return on equity before tax	**19.5%**	**–**	**–**	**13.7%**
Business outlets	4	1	–	2,928

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)
Profit/Loss after deduction of non-controlling interests	**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)
Profit/Loss after deduction of non-controlling interests	**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%	–	2.51%
NPL ratio	5.7%	0.0%	–	9.0%
Coverage ratio	88.9%	0.0%	–	66.3%
Cost/income ratio	46.9%	71.9%	–	55.1%
Net provisioning ratio (average risk-weighted assets, credit risk)	0.43%	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	–	2,961

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. Raiffeisen-Landesbanken-Holding GmbH indirectly holds the majority stake in Raiffeisen Bank International AG and therefore RBI is entered into the consolitdated financial statements of Raiffeisen-Landesbanken-Holding GmbH. Raiffeisen Zentralbank Österreich Aktiengesellschaft is the superordinated credit institution and RBI forms part of this credit institution group.

Raiffeisen Bank International (RBI) is a universal bank focusing on corporates and private customers in Central and Eastern Europe (CEE) and exclusively on corporates in Austria. In CEE, RBI consists of a closely-knit network of banks, leasing companies and numerous specialized financial service providers with 2,928 business outlets. In Austria, RBI concentrates on the top 1,000 corporate customers and it is one of Austria's most prominent corporate finance and export and trade finance banks. Cash and asset management, treasury operations and investment banking are further fields of activity. RBI's focus as a highly specialized financial engineer 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.

The consolidated financial statements were signed by the Management Board on 12 March 2012 and 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 2011 and the comparative figures for the financial year 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as far as they were adopted by the EU on the basis of IAS Regulation (EC) 1606/2002. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC) that were already applicable have been considered. All standards published by the IASB as International Accounting Standards to be applied to financial statements for 2011 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. 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.

Application of new and revised standards

Since the beginning of 2011 the application of the revised IAS 24 became mandatory (Related party transactions; entered into force on January 1st, 2011). On the one hand it provides a partial exemption from disclosure requirements for businesses under the control, joint control or where there is significant influence by the public sector and on the other hand contains a clarification of the definition of a related party. RBI AG and its subsidiaries are not companies that are under the control, joint control or are significantly influenced by the public sector. Therefore, these changes have no material impact on the consolidated financial statements for 2011

The amendments to IAS 32 (Classification of rights issues; entered into force on 1st February 2010) relating to the classification of granted rights, options or warrants to acquire a fixed number of own shares at a fixed price in any currency. These rights should be recognized as equity if they are granted on a pro rata to all existing shareholders of the same class of share. The changes in IAS 24 have no material impact on the consolidated financial statements for 2011

Changes in IFRS 1 have been added (indicating relief concerning the statements for first time adoption of IFRS) which bring relief for the initial implementation of those additional disclosure requirements which were adopted in IFRS 7 in March 2009 for the first time. Since RBI is not a first time adopter of IFRS, IFRS 1 has had no effect on the consolidated financial statements for 2011.

IFRIC 14 (The limit on a defined benefit asset, minimum funding requirements and their interaction; entered into force on January 1st, 2011) specifies additional criteria which limits the recognition of plan assets determined under IAS 19. The company must have use of excess assets for reducing future payments, to be able to recognize these as an asset. These changes have no effect on the consolidated financial statements for 2011.

IFRIC 19 (Repayment of financial liabilities with equity instruments; entered into force July 1st, 2010) now clarifies that equity instruments issued to creditors to extinguish a financial liability are part of the consideration paid pursuant to IAS 39.41 and the equity instruments should be measured at fair value. If this cannot be reliably determined, the equity instruments should be shown at the fair value of the extinguished liability. These changes have no effect on the consolidated financial statements for 2011

Furthermore, in the framework of the "Improvements Project - 2010" the following standards and interpretations were amended.

- The changes to IFRS 1 (Content of an interim report, exemption rules as deemed cost or cost of production, price controls; entered into force January 1st, 2011) bring relief from the initial application of IFRS. Since RBI is not a first timeadopter of IFRS, the IFRS 1 changes have no effect on the consolidated financial statements for 2011.

- The revised IFRS 3 clarifies on the one hand that the requirements in IAS 39, IAS 32 and IFRS 7 are not applicable for conditional purchase agreements on corporate mergers, whose acquisition date is before the date of adoption of the revised IFRS, and on the other hand, how non-controlling interests are to be measured. Furthermore the loophole in IFRS 3 concerning how share-based payment arrangements are accounted for in a business combination has been closed. These changes have no effect on the consolidated financial statements for 2011.

- IFRS 7 (changes in the necessary disclosures; came into force on January 1st, 2011) now includes clarification for the quantification of the financial impact of any collateral held on the risk of default. These changes have no material impact on the consolidated financial statements for 2011.

- The amendment to IAS 1 (Presentation of financial statements; entered into force on January1st, 2011) clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. These changes have no material impact on the consolidated financial statements for 2011.

- The revised IAS 27 (Consolidated and separate financial statements; into force July 1st, 2010) now clarifies that the consequential amendments from to IAS 21, IAS 28 and IAS 31, which result from former amendments to IAS 27, are to be applied at the same time as the new regulation of IAS 27. 'These changes have no material impact on the consolidated financial statements for 2011.

- The amendment to IAS 34 (Interim financial reporting; entered into force on January 1st, 2011) now highlights that it is necessary to disclose relevant transactions and events in the interim reporting. There are additional provisions regarding data on changes in the fair value and the updating of relevant information from the most recent annual report. These changes have no material impact on the consolidated financial statements for 2011.

No early adoption of other new and amended standards and interpretations that have been adopted, but whose use is not mandatory, was made. This applies to IFRS 9 (Financial instruments; entry into force January 1st, 2015), IFRS 10 (Consolidated financial statements; entry into force on January 1st, 2013), IFRS 11 (Joint arrangements; entry into force January 1st, 2013), IFRS 12 (Details of shareholdings in other companies; entry into force on January 1st, 2013), IAS 27 Separate financial statements;entry into force on January 1st, 2013), IAS 28 (Investments in associates and joint ventures; entry into force January 1st, 2013), IFRS 13 (Assessment of fair value; entry into force on January 1st, 2013), IFRS 1 (First-time adoption of International Financial Reporting Standards; entry into force on July 1st, 2011), IAS 1 (Presentation of financial statements; entry into force July 1st, 2011), IAS 12 (Income tax, entry into force on January 1st, 2012) and IFRS 7 (Financial instruments: transfer of financial asset values; entry into force July 1st, 2011).

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 – with a year end reporting date on 30 June and which are therefore accounted for with interim financial statements – all fully consolidated companies prepare 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 consolidated financial statements are based on the principle of going concern. 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 statement of comprehensive income and 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 fully consolidated. In principle, these subsidiaries are firstly integrated in the consolidated group on the date when RBI obtains control of the company and are excluded when it no longer has control of the company. The Group reviews the adequacy of previously made decisions on which companies to consolidate at least every quarter. Accordingly, any organizational changes are immediately taken into account. These include, apart from changes in ownership, also changes due to existing or newly signed contractual obligations by a unit of the Group. . 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) 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 whether 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 – where the Group exerts a significant influence on financial and operating polices of these companies – are valued at equity and reported under the item "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 the item "financial investments" and are measured at acquisition 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 partly in net interest income and partly in net trading income. Other differences were shown in the item "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 then 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. It was used to calculate the recoverable amount of a planning horizon of 10 years assumed to represent the medium-term developments in the CEE region better. The planning period is divided into two phases, whereby phase I covers the first ten years, phase II covers the period over ten years.

During 2011 impairment charges of € 187 million were made against goodwill on RBI Group level. The largest impairment charge (€ 183 million) arose in the Ukrainian Raiffeisen Bank Aval JSC due to the changed macro-economic outlook (GDP, growth rate, CPI, banking assets development). The recovery of the Ukrainian economy was slower than was forecasted in 2010. As a result the targeted market share and ROE were lower than last year's assumptions. The discount rate used for the impairment test for goodwill of Raiffeisen Bank Aval JC was between 21.7per cent and 13.7 per cent, depending on parameter. There were minor goodwill impairment charges amounting to € 3.4 million for the Hungarian Raiffeisen Bank Zrt. and € 0.6 million for the Slovenian Raiffeisen Bank Sh.a...

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).

Cash generating units **In € million**	**AVAL**	**RBRU**	**RBCZ**	**RBAL**	**UPC**
Goodwill	29	257	40	53	15
Group equity	96.2%	100.0%	51.0%	100.0%	100.0%
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)	13.7% – 21.7%	13.8% – 15.1%	9.3% – 9.9%	11.2% – 14.8%	13.7% – 21.7%
Growth rates in phase II	6.5%	7.0%	3.0%	4.0%	0.0%
Planning period	10 years	10 years	10 years	10 years	10 years
Impairment	Yes	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 given assumptions. From a number of options for this analysis, two parameters were selected, namely, the cost of equity and the reduction in earnings. The table below shows to what extent an increase in the cost of equity or a reduction in earnings could be made without the fair value of the cash-generating units sinking below the carrying value (equity plus goodwill):

Maximum sensitivity[1]	**AVAL**	**RBRU**	**RBCZ**	**RBAL**	**UPC**
Increase in discount rate	–	7.3 PP	9.6 PP	15.4 PP	13.4 PP
Reduction in earnings	–	(48.0)%	(58.0)%	(76.0)%	(53.0)%

[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:

Number of units	Fully consolidated		Equity method	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
As of beginning of period	**132**	**135**	**1**	**1**
Included in the course of merger	0	38	0	0
Included for the first time in the financial period	8	6	0	0
Excluded in the financial period	(5)	(47)	0	0
As of end of period	**135**	**132**	**1**	**1**

Of the 135 entities in the Group, 29 are domiciled in Austria (2010: 27) and 106 abroad (2010: 105). They comprise 21 banks, 60 financial institutions, 19 companies rendering bank-related ancillary services, 10 financial holding companies and 25 other companies. Because of their minor importance in giving a view of the Group's assets, financial and earnings position 231 subsidiaries were not included in the consolidated financial statements (2010: 173). They are recognized at cost under financial investments. The total assets of the companies not included 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 258 ff.

Included units

In the financial year 2011, the following companies were included into the consolidated financial statements for the first time:

Name	Share	Included as of	Reason
Financial institutions			
Raiffeisen Investment Financial Advisory Services Ltd. Co., Istanbul (TR)	78.11 %	1/6	Start of operations
Financial holding companies			
Raiffeisen CIS Region Holding GmbH, Vienna (AT)	100.0 %	1/12	Start of operations
Raiffeisen RS Beteiligungs GmbH, Vienna (AT)	100.0 %	1/11	Materiality
RIRE Holding GmbH, Vienna (AT)	100.0 %	1/3	Materiality
Companies rendering banking-related ancillary services			
OOO "R3", Novosibirsk (RUS)	100.0 %	1/3	Materiality
S.C. PLUSFINANCE ESTATE 1 S.R.L., Bucharest (RO)	100.0 %	1/9	Materiality
Other companies			
Julius Baer Multiflex SICAV-SIF Verto Recovery Fund, Vienna (AT)	100.0 %	1/12	Start of operations
Viktor Property, s.r.o., Praha (CZ)	65.15 %	1/4	Materiality

Excluded units

In the financial year 2011, the following companies were excluded from the consolidated group:

Name	Share	Excluded as of	Reason
Financial institutions			
ICS Raiffeisen Leasing s.r.l, Chisinau (MD)	75.22 %	28/2	Immaterial
MOVEO Raiffeisen-Leasing GmbH, Vienna (AT)	51.00 %	28/2	Immaterial
OOO "Vneshleasing", Moscow (RUS)	100,0 %	28/2	Immaterial
Financial holdings			
R.L.H. Holding GmbH, Vienna (AT)	100,0 %	28/2	Immaterial
Other companies			
REH Limited, Limassol (CY)	100,0 %	31/3	End of operations

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 four subsidiaries not headquartered in the euro-area, the US-Dollar was the reporting currency for measurement purposes given the economic substance of the underlying transactions and because both the transactions and the refinancing were undertaken in US-Dollars.

The following exchange rates were used for currency translation:

Rates in units per €	2011		2010	
	As of 31/12	Average 1/1-31/12	As of 31/12	Average 1/1-31/12
Albanian lek (ALL)	138.930	140.498	138.770	138.041
Belarusian rouble (BYR)	10.800.000	7.056.431	3.972.600	3.953.672
Bosnian marka (BAM)	1.956	1.956	1.956	1.956
Bulgarian lev (BGN)	1.956	1.956	1.956	1.379
Croatian kuna (HRK)	7.537	7.444	7.383	0.858
Czech koruna (CZK)	25.787	24.635	25.061	10.550
Great Britain Pound (GBP)	0.835	0.870	0.861	1.956
Hungarian forint (HUF)	314.580	280.460	277.950	276.039
Kazakh tenge (KZT)	191.720	204.444	195.230	25.356
Lithuanian Litas (LTL)	3.453	3.453	3.453	276.039
Moldovan leu (MDL)	15.074	16.421	16.105	16.436
Polish zloty (PLN)	4.458	4.125	3.975	196.093
Romanian leu (RON)	4.323	4.242	4.262	16.436
Russian rouble (RUB)	41.765	41.022	40.820	4.013
Serbian dinar (RSD)	104.641	102.306	105.498	40.447
Singapore Dollar (SGD)	1.682	1.751	1.714	1.812
Swedish Krona (SEK)	8.912	9.004	8.966	4.218
Swiss Franc (CHF)	1.216	1.233	1.250	102.903
Turkish lira (TRY)	2.443	2.333	2.069	2.333
Ukrainian hryvnia (UAH)	10.298	11.092	10.573	10.550
US-Dollar (USD)	1.294	1.395	1.336	1.330

Accounting in highly inflationary economies - IAS 29

Since 1 January 2011, Belarus has been classified in accordance with IAS 29 (Financial reporting in hyperinflationary economies) as a highly inflationary economy. Thus, the local activities of RBI are no longer recognized on the basis of historical acquisition and production costs, but have been adjusted for the effects of inflation. For this purpose the local inflation index has been used.

The application of the relevant provisions in IAS 29 in connection with IFRIC 7 (Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies) impacts the financial statements of RBI on 31 December 2011, as well as the financial statements of subsequent periods. Previously published consolidated financial statements of previous periods are not restated.

The application of IAS 29 (financial reporting in hyperinflationary countries) has the following effects on RBI:

On 31 December 2011 all non-monetary assets were subjected to a one-off inflation adjustment starting from the date of purchase, or starting from the end of the last application of IAS 29 in 2006. This led to a revaluation of non-monetary balance sheet items, and, as a result thereof, to higher depreciation charges. In subsequent periods, these non-monetary items will be continued to be adjusted by the inflation factor for the reporting period.

All items in the profit and loss account as of 1 January 2011 will be adjusted for inflation with retroactive effect and converted into EUR using the exchange rate. Gains and losses resulting from the inflation adjustment of monetary assets and liabilities are shown separately.

The application of IAS 29 is made in Belarusian roubles, that is, before foreign currency translation.

Recognition and measurement principles

Financial instruments: Recognition and measurement (IAS 39)

According to IAS 39, all 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 consists of money market rates, future rates and swap rates and does 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 the item "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.

In 2011, the valuation methodology for capital-guaranteed products was adapted to the changed legal framework. The capital-guaranteed products (guarantee funds and pension plans) are shown as sold put options on the respective funds to be guaranteed. The valuation is based on a Monte-Carlo simulation. The RBI has provided capital guarantee obligations as part of the government-funded state-sponsored pension plans according to Section 108h (1) Z 3 EStG. The bank guarantees the retirement annuity, available for the payment amount, is not less than the sum of the amounts paid by the taxpayer plus credited for such taxable premiums within the meaning of the -Section 108g EStG.

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 for the user of the financial statements. This is the case for those financial assets, which belong to a portfolio, which is managed and its performance evaluated on a fair value basis.

These instruments are bonds, notes and other fixed-interest securities or shares 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, financial 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 of the issuers.

In the fourth quarter of 2011 the worsening financial crisis led to inactivity in the markets to the extent that for the valuation of the credit risk the observable market prices were no longer available. Therefore, the valuation method was changed. A weighted credit spread was determined to assess own creditworthiness composed of the credit spreads from private placement volumes of the last 12 months and market indications for own benchmark issues. The weighting was made in proportion to the volumes placed. The calculation of the credit spread of subordinated emissions is based on the average observable subordinated spreads for the last 12 months in the iTraxx Senior Financials. The financial liabilities are mostly structured bonds. The fair value of these financial liabilities is calculated by discounting the contractual cash flows with a credit-risk-adjusted yield curve, which reflects the level at which the Group could issue similar financial instruments at the balance sheet date. The market risk parameters are evaluated according to similar financial instruments that are held as financial asssets. Valuation results for liabilities that are designated as a financial instrument at fair value are recognized in income from derivative financial instruments.

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 item "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 explicitly 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 impaired loans are recognized in the income statement in the item "net provisioning for impairment losses." Moreover, debt instruments are also stated here if there is no active market for them. 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 equity participations and those financial instruments 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 the item "financial investments."

5. Financial liabilities
Liabilities are predominantly 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 circumstancesThe effects resulting from such reclassifications 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 best 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 primarily 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 most notably 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 certain hedging instruments as fair value hedges, cash flow hedges or capital hedges. Most of these are derivatives. 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 regularly 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 individual loans or refinancing. Thus, hedges are formally documented, continuously assessed, and rated to be highly effective. In other words, throughout the term of a hedge, it can be assumed 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).

For the first time in 2011, in RBI the hedging of interest rate risk has been made on the portfolio level. Individual transactions or groups of transactions with similar risk structures, divided into maturities according to the expected repayment and interest rate adjustment date in a portfolio were hedged. Portfolios can be assets only, liabilities only or both. For hedge accounting, the change in the value of the hedged asset or liability is shown as a separate item in other assets/liabilities. The hedged amount of the hedged items is determined in the consolidated financial statements excluding sight or savings deposits (the rules of the EU carve-out are thereby not applied).

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, changes in its clean price are recorded as separate item in other comprehensive income. The ineffective portion is recognized in profit or loss on the other hand, in the position derivative financial instruments and designated liabilities.

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) are 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 are no deferred taxes calculated for the income from capital hedge 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 Group 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 Group 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. Expenses for operating 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 OAO Impexbank (meanwhile merged with ZAO Raiffeisenbank) and eBanka a.s. (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 there.

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. Risks and uncertainties are taken into account in the estimate. Long-term provisions are recognized at their present value.

Provisions for pensions and similar obligations

All defined benefit plans relating to so-called social capital (provisions for pensions, provisions for severance payments and 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	2011	2010
Interest rate	4.5	4.25
Effective salary increase for active employees	3.0	2.5
Individual career trend for active employees	–	2.5
Expected increase in retirement benefits	2.0	2.0
Expected return on plan assets	4.5	4.25

Calculations are based on an assumed retirement accession age of 65 years for men and 62 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	2011	2010
Interest rate	4.5	4.25
Average increase in salary	3.0	2.5
Individual career trend	–	2.5

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.

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.

Employee compensation plans

Variable Remuneration - special remuneration policies
In RBI variable compensation is based on bonus pools on the bank or profit center level. Every variable pay system has fixed minimum and maximum levels and thus defines maximum payout values.
For the fiscal year 2010, the bonus pools were based on the ratios net profit after tax, the cost/income ratio and return on risk adjusted capital (RORAC) where a comparison of the budget with the year-end figures was made. The bonus of all board members of affiliated banks in Central and Eastern Europe was already in2010 treated as a deferred payment where 30 percent of the annual bonus will be deferred over 3 years. The payout at the beginning of 2014 is dependent on the average annual target achievement (comparison of the budget with the year-end figures) of the ratios net profit after tax and RORAC of the respective Group's unit.

As of the fiscal year 2011, the general and specific principles, as represented on page (general HR part) for the allocation, for the claim and for the payment of variable remuneration (including the payment of the deferred portion of the bonus) for board members of RBI AG and certain Group units and identified staff ("personnel with an impact on the risk profile") are applied:

- 60 per cent of the annual bonus will be paid out on a proportional basis as 50 per cent cash immediately (up-front), and 50 per cent through a phantom share plan, which will pay out after a holding period (retention period) of one year. An exception to this are the banks in Bulgaria, 40 percent up-front portion and a retention period of two years, and the Czech Republic with a holding period of 1.5 years.
- 40 per cent of the annual bonus will be deferrred over a period of three (in Austria, five) years. Payment will be made on a proportional basis, 50 per cent cash and 50 per cent based on the phantom share plan.

The allocation, the claim and the payment of the variable remuneration (including the payment of a portion of the deferred bonus) depend on the following criteria:

- earning a net profit,
- the achievement of the legally required hard core capital ratio of the RBI Group.
- additionally, in Group units on the local level from achieving the legally required local minimum 'core tier 1 ratio excluding buffers," and
- the performance of the business areas and the affected person.

The obligation from number 11 of the annex to Section 39b of the Austrian Banking Act, under which a proportion of at least 50 per cent of variable compensation for risk personnel should take the form of shares or equivalent non-cash payment instruments, is covered in the RBI Group by a stock phantom plan. Proportionally 50 per cent of the "Up-front" and "deferred" bonus section will be divided by the average closing price of RBI's shares on the Vienna Stock Exchange for that year serving as the basis for calculating the bonus. Thereby, a certain amount of phantom shares will be determined. This amount will be fixed for the entire duration of the deferral period. After the expiration of the respective retention period the amount of specified phantom shares will be multiplied by RBI's share price for the previous fiscal year. The resulting cash will be paid when the next available monthly salary is paid.

These rules are valid unless any applicable local laws prescribe a different procedure.

Further details of the employee compensation plans are described in the management report.

Share based compensation
The Management Board, with approval by the Supervisory Board, of RBI AG has approved the existence of a share incentive program (SIP) which offers performance based allotments of shares to eligible employees at home and abroad for a given period. Eligible employees are current board members and selected executives of RBI AG, as well as executives of its affiliated bank subsidiaries and other affiliated companies.

The number of ordinary shares of RBI AG which will ultimately be transferred depends on the achievement of two performance criteria: the targeted return on equity (ROE) and the performance of the share of the RBI AG compared to the total shareholder return of the shares of companies in DJ EURO STOXX Banks index after a three-year holding period. Furthermore, an employment contract must exist with RBI. Participation in the SIP is voluntary.

Expenses related to the share incentive program in accordance with IFRS 2 (share-based payment) are charged to equity.

Subordinated capital

This 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 at least 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.

Net interest income

Interest and interest-like 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 expenses and interest-like expenses 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 transfer business, 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 of the Group for current taxes 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 achieved 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 no longer 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 the item "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 net investments 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 fulfill 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.

Own shares

Own shares of RBI AG at the balance sheet date, are deducted directly from equity. Gains and losses on own shares have no impact on the income statement.

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 capital, and participation capital. All other cash flows are – according to international practices for financial institutions – assigned to 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 in particular contains detailed information on the issue of 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 according to the Austrian Banking Act.

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	2011	2010
Net gains (losses) on financial assets and liabilities held-for-trading	**778,573**	**304,784**
Financial assets and liabilities at fair value through profit or loss	**378,787**	**364,155**
Interest income	330,247	252,385
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	48,540	111,770
Financial assets available-for-sale	**(49,875)**	**20,638**
Interest income	48,439	9,666
Net realized gains (losses) on financial assets available-for-sale	13,752	15,728
Impairment on financial assets available-for-sale	(112,066)	(4,756)
Loans and advances	**4,430,597**	**4,134,392**
Interest income	5,494,091	5,342,692
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	8,147	2,879
Impairment on financial assets not measured at fair value through profit and loss	(1,071,641)	(1,211,179)
Financial assets held-to-maturity	**534,990**	**452,050**
Interest income	442,795	445,896
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	94,364	5,010
Impairment on financial assets not measured at fair value through profit and loss	(2,169)	1,144
Financial liabilities	**(2,937,351)**	**(2,784,131)**
Interest expenses	(2,937,351)	(2,784,131)
Derivatives (hedging)	**23,729**	**(10,324)**
Net interest income	(6,104)	(9,718)
Net gains (losses) from hedge accounting	29,834	(606)
Net revaluations from exchange differences	**79,072**	**283,481**
Other operating income/expenses	**(1,865,166)**	**(1,477,723)**
Profit before tax from continuing operations	**1,373,355**	**1,287,322**

(2) Net interest income

The net interest income position includes interest income and expenses from items of banking business, dividend income, and fees and commissions with interest-like characteristics.

€ 000	2011	2010
Interest and interest-like income, total	**6,614,417**	**6,364,799**
Interest income	6,529,231	6,334,282
from balances at central banks	61,796	84,969
from loans and advances to banks	441,781	447,943
from loans and advances to customers	4,743,939	4,571,885
from financial investments	770,497	696,577
from leasing claims	222,377	221,448
from derivative financial instruments (non-trading), net	288,841	311,460
Current income	50,983	11,369
from shares and other variable-yield securities	2,544	1,703
from shares in affiliated companies	44,853	5,474
from other interests	3,586	4,192
Interest-like income	34,203	19,148
Current income from associates	**89**	**200**
Interest expenses and interest-like expenses, total	**(2,947,356)**	**(2,786,831)**
Interest expenses	(2,905,336)	(2,740,480)
on deposits from central banks	(10,004)	(2,700)
on deposits from banks	(649,222)	(678,759)
on deposits from customers	(1,410,681)	(1,251,006)
on debt securities issued	(616,433)	(610,492)
on subordinated capital	(218,995)	(197,523)
Interest-like expenses	(42,020)	(46,351)
Net interest income	**3,667,150**	**3,578,168**

The interest margin on the respective averages of the stated base has developed as follows:

Per cent	2011	2010
Interest margin (total assets)	2.61	2.51
Interest margin (risk-weighted assets, credit risk)	4.77	4.97

Interest income includes interest income (unwinding) from impaired loans to customers and impaired loans to banks in the amount of € 204,960 thousand (2010: € 234,803 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.

(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	2011	2010
Individual loan loss provisions	**(1,176,630)**	**(1,196,101)**
Allocation to provisions for impairment losses	(1,678,462)	(1,681,809)
Release of provisions for impairment losses	558,700	530,848
Direct write-downs	(132,780)	(90,047)
Income received on written-down claims	75,912	44,907
Portfolio-based loan loss provisions	**104,932**	**(862)**
Allocation to provisions for impairment losses	(280,577)	(390,664)
Release of provisions for impairment losses	385,510	389,802
Gains from loan termination or sale	**8,147**	**2,879**
Total	**(1,063,551)**	**(1,194,084)**

Details on risk provisions are shown under note (17) impairment losses on loans and advances.

Ratios	2011	2010
Net provisioning ratio (average risk-weighted assets, credit risk)	1.38%	1.66%
Net provisioning ratio (total loans outstanding)	0.57%	0.71%
Loss rate	0.38%	0.41%
Portfolio rate (total loans outstanding)	2.80%	2.90%

(4) Net fee and commission income

€ 000	2011	2010
Payment transfer business	611,021	599,023
Loan and guarantee business	280,453	281,567
Securities business	118,790	134,553
Foreign currency, notes/coins, and precious-metals business	329,765	329,909
Management of investment and pension funds	26,550	26,337
Sale of own and third party products	41,323	47,176
Credit derivatives business	1,462	2,804
Other banking services	80,563	69,423
Total	**1,489,927**	**1,490,792**

(5) Net trading income

The position net trading income includes interest and dividend income, refinancing costs, commissions and any changes in fair value of trading portfolios.

€ 000	2011	2010
Interest-based transactions	170,643	211,076
Currency-based transactions	107,334	121,171
Equity-/index-based transactions	4,583	9,570
Credit derivatives business	2,132	(700)
Other transactions	78,569	(12,996)
Total	**363,261**	**328,121**

In the year 2011 there was a change in the method of valuation used for given capital guarantees due to legislative changes. This adjustment had an effect on earnings in the amount of € 81,224 thousand in other transactions. The effect on the previous year's figures cannot be quantified.

Currency-based transactions contained an effect due to the application of IAS 29 hyperinflation in Belarus in the amount of € 84,345 thousand.

(6) Net income from derivatives and designated liabilities

€ 000	2011	2010
Net income from hedge accounting	3,373	(605)
Net income from credit derivatives	31,669	2,348
Net income from other derivatives	194,231	(63,384)
Net income from liabilities designated at fair value	183,555	(22,544)
Total	**412,828**	**(84,185)**

Net income from hedge accounting includes on the one hand, a valuation gain from derivatives of € 87,529 thousand (2010: minus € 15,312 thousand) and on the other hand, changes in the carrying amount of the fair value hedged items of minus € 84,156 thousand (2010: plus € 14,707 thousand).

Net income from other derivatives includes valuation results from those derivatives, which are held to hedge against market risks (except trading assets/liabilities). They are, however, 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 € 248,491 thousand (2010: € 33,000) and a negative effect 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 securities of the 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	2011	2010
Net income from financial investments held-to-maturity	**92,195**	**6,153**
Net valuations of financial investments held-to-maturity	(2,169)	1,143
Net proceeds from sales of financial investments held-to-maturity	94,364	5,010
Net income from equity participations	**(97,844)**	**11,024**
Net valuations of equity participations	(111,595)	(4,704)
Net proceeds from sales of equity participations	13,752	15,728
Net income from securities at fair value through profit and loss	**(135,430)**	**120,046**
Net valuations of securities at fair value through profit and loss	(124,630)	57,869
Net proceeds from sales of securities at fair value through profit and loss	(10,800)	62,177
Total	**(141,077)**	**137,223**

As a result of the material increase in regulatory own capital required by the European Banking Authority (EBA) use was made of IAS 39 AG22e in 2011 which allowed for the sale of parts of the held-to-maturity portfolio in the amount of € 2,551,102 thousand without triggering the sanctions concerning the premature sale of securities from the held-to-maturity-portfolio. As a result a gain of € 94,364 thousand was realized. Due to the requirements set by the EBA, the RZB credit institute group is required to have a 9 per cent core tier 1 capital ratio as at 30 June 2012.

(8) General administrative expenses

General administrative expenses of the Group contain staff expenses, other administrative expenses and depreciation on tangible and intangible fixed assets. They break down as follows:

€ 000	2011	2010
Staff expenses	**(1,539,615)**	**(1,452,948)**
Wages and salaries	(1,192,361)	(1,115,001)
Social security costs and staff-related taxes	(281,294)	(265,055)
Other voluntary social expenses	(42,928)	(40,656)
Expenses on severance payments, retirement benefits and anniversary payments	(15,822)	(26,761)
Expenses on share incentive program (SIP)	(7,210)	(5,475)
Other administrative expenses	**(1,209,106)**	**(1,186,515)**
Office space expenses	(331,113)	(332,055)
IT expenses	(222,533)	(202,026)
Communication expenses	(92,992)	(94,886)
Legal, advisory and consulting expenses	(118,699)	(117,535)
Advertising, PR and promotional expenses	(112,967)	(109,662)
Deposit insurance fees	(84,994)	(73,422)
Office supplies	(31,668)	(32,605)
Car expenses	(20,848)	(20,724)
Security expenses	(50,530)	(45,382)
Traveling expenses	(25,200)	(25,080)
Training expenses for staff	(18,803)	(17,915)
Sundry administrative expenses	(98,760)	(115,223)
Depreciation of intangible and tangible fixed assets	**(371,718)**	**(340,282)**
Tangible fixed assets	(194,297)	(180,354)
Intangible fixed assets	(142,934)	(128,093)
Leased assets (operating lease)	(34,488)	(31,835)
Total	**(3,120,440)**	**(2,979,745)**

Legal, advisory and consulting expenses include audit fees of the Group companies which comprise expenses for the audit of financial statements amounting to € 8,018 thousand (2010: € 7,345 thousand) and tax advisory as well as other additional consulting services provided by the auditors amounting to € 5,035 thousand (2010: € 2,977 thousand). Thereof, € 2,312 thousand (2010: € 1,651 thousand) are accounted for the group auditor for the audit of the consolidated financial statement and the individual financial statement and € 346 thousand (2010: € 670 thousand) is accounted for the other consulting services.

Amortization of intangible fixed assets capitalized in the course of initial consolidation amounted to € 5,854 thousand (2010: € 5,994 thousand). This relates to scheduled amortization of the acquired customer base.

The depreciation of tangible and intangible fixed assets includes an impairment of € 20,040 thousand (2010: € 5,332 thousand).

(9) Other net operating income

The position other net operating income contains, 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	2011	2010
Net income arising from non-banking activities	30,730	35,232
Sales revenues from non-banking activities	715,015	834,260
Expenses arising from non-banking activities	(684,285)	(799,028)
Net income from additional leasing services	(6,438)	(2,607)
Revenues from additional leasing services	82,958	91,823
Expenses from additional leasing services	(89,396)	(94,430)
Rental income from operating lease (vehicles and equipment)	38,086	36,468
Rental income from investment property incl. operating lease (real estate)	21,037	12,616
Net proceeds from disposal of tangible and intangible fixed assets	(9,421)	(9,233)
Other taxes	(130,883)	(73,810)
hereof special bank levies	(93,429)	(41,439)
Impairment of goodwill	(187,318)	0
Income from release of negative goodwill	299	0
Net expense from allocation and release of other provisions	(11,558)	(27,208)
Sundry operating income	69,628	77,174
Sundry operating expenses	(46,329)	(42,335)
Total	**(232,167)**	**6,297**

The other net operating income includes impairment of goodwill amounting to € 187,318 thousand from the Ukraine, Hungary and Slovenia.

(10) Net income from disposal of group assets

In the reporting period, four subsidiaries were excluded from the consolidated group due to materiality reasons. One subsidiary was excluded due to the end of operations. Net income from this disposal of group assets amounted to minus € 2,575 thousand (2010: € 4,734 thousand).

(11) Income taxes

Income taxes break down as follows:

€ 000	2011	2010
Current income taxes	(340,730)	(357,066)
Austria	(24,519)	(41,338)
Foreign	(316,211)	(315,728)
Deferred taxes	(58,512)	246,905
Total	**(399,243)**	**(110,161)**

RBI AG and eight of its domestic subsidiaries are members of a joint tax entity headed by Raiffeisen Zentralbank Österreich Aktiengesellschaft.

The following reconciliation shows the relation between profit before tax and the effective tax burden:

€ 000	2011	2010
Profit before tax	**1,373,355**	**1,287,322**
Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent	**(343,339)**	**(321,830)**
Effect of divergent foreign tax rates	92,334	60,901
Tax decrease because of tax-exempted income from equity participations and other income	156,585	102,649
Tax increase because of non-deductible expenses	(132,282)	(55,781)
Other tax deductions and tax increases	(172,540)	103,900
Effective tax burden	**(399,243)**	**(110,161)**
Tax rate in per cent	**29.1**	**8.6**

Other tax deductions and tax increases include mainly deferred tax assets built on tax loss carry-forwards and belated tax payments.

(12) Earnings per share

€ 000	2011	2010
Consolidated profit	967,663	1,087,475
Less dividend for participation capital	(200,000)	(200,000)
Adapted consolidated profit	**767,663**	**887,475**
Average number of ordinary shares outstanding in thousand	194,552	194,530
Earnings per share in €	**3.95**	**4.56**

There were no conversion or option rights outstanding, so undiluted earnings per share are equal to diluted earnings per share. The capital increase of 40.837.624 ordinary shares issued, due to the merger of the prinical business areas of the RZB with Raiffeisen International in the year 2010, was considered retrospectively with regard to the calculation of the average number of outstanding common shares.

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	2011	2010
Trading assets	**11,595,130**	**8,631,020**
Positive fair values of derivative financial instruments	8,271,215	4,187,176
Shares and other variable-yield securities	209,935	430,428
Bonds, notes and other fixed-interest securities	3,107,108	4,013,416
Call/time deposits from trading purposes	6,872	0
Financial assets at fair value through profit or loss	**7,359,794**	**8,070,267**
Shares and other variable-yield securities	254,094	279,787
Bonds, notes and other fixed-interest securities	7,105,700	7,790,480
Investments in associates	**5,017**	**4,961**
Financial assets available-for-sale	**3,866,077**	**393,620**
Investments in other affiliated companies	291,473	233,011
Other interests	152,535	160,609
Bonds, notes and other fixed-interest securities	3,422,069	0
Loans and advances	**115,807,124**	**99,267,608**
Loans and advances to banks	37,148,037	26,338,989
Loans and advances to customers	81,538,596	75,617,601
Other non-derivative financial assets	2,173,703	2,066,890
Impairment losses on loans and advances	(5,053,212)	(4,755,872)
Financial assets held-to-maturity	**5,348,485**	**11,206,783**
Bonds, notes and other fixed-interest securities	5,309,092	11,167,015
Purchased loans	39,393	39,768
Derivatives (hedging)	**426,350**	**925,409**
Positive fair values of derivatives (hedging)	426,350	925,409
Other assets	**2,577,025**	**2,673,446**
Intangible and tangible fixed assets	2,577,025	2,673,446
Total assets	**146,985,003**	**131,173,114**

Equity and liabilities according to measurement categories € 000	2011	2010
Trading liabilities	**10,463,944**	**6,528,355**
Negative fair values of derivative financial instruments	9,154,948	5,317,680
Short-selling of trading assets	565,628	425,730
Certificates issued	743,369	784,945
Financial liabilities	**121,425,703**	**110,534,766**
Deposits from banks	37,991,809	33,659,182
Deposits from customers	66,747,234	57,633,113
Debt securities issued	11,020,903	13,997,986
Subordinated capital	4,150,733	4,001,098
Other non-derivative financial liabilities	1,515,024	1,243,387
Liabilities at fair value through profit and loss	**3,345,911**	**2,557,396**
Debt securities issued	3,345,911	2,557,396
Derivatives (hedging)	**42,702**	**476,763**
Negative fair values of derivatives (hedging)	42,702	476,763
Provisions for liabilities and charges	**770,957**	**671,909**
Equity	**10,935,786**	**10,403,925**
Total equity and liabilities	**146,985,003**	**131,173,114**

(14) Cash reserve

€ 000	2011	2010
Cash in hand	2,054,026	1,639,507
Balances at central banks	9,347,721	3,167,384
Total	**11,401,747**	**4,806,891**

(15) Loans and advances to banks

€ 000	2011	2010
Giro and clearing business	2,482,117	1,516,736
Money market business	19,177,856	14,789,329
Loans to banks	3,079,250	3,766,415
Purchased loans	120,374	34,510
Leasing claims	414	754
Claims evidenced by paper	888,032	1,424,662
Total	**25,748,044**	**21,532,406**

Of the purchased loans amounting to € 120,374 thousand, € 118,620 thousand are assigned to the measurement category loans and advances (2010: € 34,203 thousand) and € 1,754 thousand to held-to-maturity (2010: € 307 thousand).

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

€ 000	2011	2010
Austria	13,126,727	10,794,273
Foreign	12,621,316	10,738,133
Total	**25,748,044**	**21,532,406**

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

€ 000	2011	2010
Central banks	1,817,016	1,483,988
Commercial banks	23,925,437	20,038,435
Multilateral development banks	5,591	9,983
Total	**25,748,044**	**21,532,406**

(16) Loans and advances to customers

€ 000	2011	2010
Credit business	53,945,245	48,763,542
Money market business	4,883,948	5,000,582
Mortgage loans	17,944,342	16,887,910
Purchased loans	1,234,357	1,138,650
Leasing claims	3,064,394	3,108,925
Claims evidenced by paper	503,949	757,452
Total	**81,576,235**	**75,657,061**

Purchased loans amounting to € 1,196,718 thousand (2010: € 1,099,190 thousand) are assigned to the measurement category loans and advances. Purchased loans classified as held-to-maturity totaled € 37,639 thousand (2010: € 39,460 thousand).

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

€ 000	2011	2010
Sovereigns	1,356,087	1,493,464
Corporate customers – large corporates	55,222,286	49,201,202
Corporate customers – mid market	3,674,424	3,828,783
Retail customers – private individuals	19,004,397	18,548,815
Retail customers – small and medium-sized entities	2,291,056	2,441,270
Other	27,986	143,527
Total	**81,576,235**	**75,657,061**

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

€ 000	2011	2010
Austria	7,854,741	7,913,930
Foreign	73,721,494	67,743,131
Total	**81,576,235**	**75,657,061**

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

€ 000	2011	2010
Banks	227,643	255,020
Sovereigns	5,912	996
Corporate customers – large corporates	2,619,090	2,431,647
Corporate customers – mid market	427,176	407,459
Retail customers – private individuals	1,524,426	1,417,968
Retail customers – small and medium-sized entities	248,965	242,782
Total	**5,053,212**	**4,755,872**

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

31/12/2011 € 000	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	25,499,535	25,748,044	231,069	208,591	19,052	25,520,401
Sovereigns	1,263,107	1,356,087	11,277	5,912	0	1,350,175
Corporate customers – large corporates	51,244,569	55,250,272	4,075,045	2,245,407	373,682	52,631,183
Corporate customers – mid market	3,277,301	3,674,424	643,956	394,552	32,624	3,247,248
Retail customers – private individuals	18,080,500	19,004,397	2,306,586	1,281,724	242,701	17,479,972
Retail customers – small and medium-sized entities	2,117,024	2,291,056	333,803	217,414	31,551	2,042,091
Total	**101,482,036**	**107,324,280**	**7,601,736**	**4,353,600**	**699,610**	**102,271,070**

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 corporates	46,229,254	49,344,729	3,597,547	2,025,674	405,973	46,913,082
Corporate customers – mid market	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**

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:

31/12/2011	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	231,069	208,591	22,478	0	1,514
Sovereigns	11,277	5,912	5,365	5,224	118
Corporate customers – large corporates	4,075,045	2,245,407	1,829,638	1,272,792	110,715
Corporate customers – mid market	643,956	394,552	249,404	221,291	24,752
Retail customers – private individuals	2,306,586	1,281,724	1,024,862	800,645	58,958
Retail customers – small and medium-sized entities	333,803	217,414	116,389	80,951	8,902
Total	**7,601,736**	**4,353,600**	**3,248,136**	**2,380,903**	**204,960**

ILLP: individual loan loss provisions

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 corporates	3,597,547	2,025,675	1,571,872	1,114,480	104,469
Corporate customers – mid market	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**

ILLP: individual loan loss provisions

(18) Trading assets

The trading assets consist of the following securities and derivative instruments held-for-trading:

€ 000	2011	2010
Bonds, notes and other fixed-interest securities	**3,107,108**	**4,013,416**
Treasury bills and bills of public authorities eligible for refinancing	889,762	1,083,173
Other securities issued by the public sector	430,402	870,387
Bonds and notes of non-public issuers	1,786,944	2,059,856
Shares and other variable-yield securities	**209,935**	**430,428**
Shares	155,296	267,613
Mutual funds	41,818	72,323
Other variable-yield securities	12,821	90,492
Positive fair values of derivative financial instruments	**7,292,755**	**3,624,549**
Interest-based transactions	6,391,197	2,818,894
Currency-based transactions	717,528	642,939
Equity-/index-based transactions	81,985	95,885
Credit derivatives business	89,123	47,789
Other transactions	12,923	19,042
Call/time deposits from trading purposes	**6,872**	**0**
Total	**10,616,671**	**8,068,393**

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	2011	2010
Positive fair values of derivatives in fair value hedges (IAS 39)	**426,350**	**360,827**
Interest-based transactions	426,350	360,827
Positive fair values of derivatives in cash flow hedges (IAS 39)	**0**	**564,583**
Interest-based transactions	0	564,583
Positive fair values of credit derivatives	**74,723**	**9,472**
Positive fair values of other derivatives	**903,736**	**553,154**
Interest-based transactions	724,937	453,263
Currency-based transactions	178,682	98,547
Equity-/index-based transactions	117	1,344
Total	**1,404,809**	**1,488,036**

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 which are to be hedged against 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.

This item also includes the positive fair values of derivative financial instruments that are neither 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	2011	2010
Bonds, notes and other fixed-interest securities	**15,836,862**	**18,957,495**
Treasury bills and bills of public authorities eligible for refinancing	7,675,075	9,886,294
Other securities issued by the public sector	3,856,656	3,687,021
Bonds and notes of non-public issuers	4,284,813	5,363,862
Other	20,318	20,318
Shares and other variable-yield securities	**254,094**	**279,787**
Shares	85,302	93,917
Mutual funds	165,452	182,532
Other variable-yield securities	3,340	3,338
Equity participations	**444,008**	**393,620**
Interest in affiliated companies	291,474	233,012
Other interests	152,535	160,608
Total	**16,534,964**	**19,630,902**

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.

The carrying amount of the securities reclassified into the category held-to-maturity amounted at the date of reclassifications to € 452,188 thousand. Thereof, reclassifications in 2008 amounted to € 371,686 thousand and in 2011 to € 80,502 thousand. As of 31 December 2011, the carrying amount was € 304,247 thousand and the fair value totaled € 305,775. In 2011, a result from the reclassified securities of € 13,955 thousand (2010: € 16,343 thousand) was shown in the income statement. If the reclassification had not been made, a gain of € 4,812 thousand (2010: € 9,042 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 2011 totaled € 806,491 thousand and the fair value was € 795,978 thousand. In 2011, a result from the reclassified securities of € 27,306 thousand (2010: € 41,306) was shown in the income statement. If the reclassification had not been made, a loss of € 36,298 thousand (2010: € 69,648) would have arisen.

The carrying amount of the securities that were reclassified from held-to-maturity into the category of financial assets available-for-sale at 31 December 2011 was € 3,193,708 thousand.

Equity participations valued at amortized cost for which fair values could not be measured reliably amounted to € 87,946 thousand (2010: € 80,549 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	2011	2010
Investments in associates	5,017	4,961

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)	75,112	4,168	102	15,054

Further information regarding associated companies is stated on page 260.

(22) Intangible fixed assets

€ 000	2011	2010
Goodwill	408,456	613,681
Software	530,859	479,826
Other intangible fixed assets	126,234	126,309
Total	**1,065,548**	**1,219,816**

The item "software" comprises acquired software amounting to € 471,627 thousand (2010: € 424,611 thousand) and developed software amounting to € 59,232 thousand (2010: € 55,215 thousand).

The carrying amount of goodwill breaks down on the following cash generating units as follows:

€ 000	2011	2010
ZAO Raiffeisenbank, Moscow	257,171	263,124
Raiffeisen Bank Sh.a., Tirane	52,650	52,711
Raiffeisenbank a.s., Prague	39,697	42,443
Raiffeisen Bank Aval JSC, Kiev	29,138	220,606
Ukrainian Processing Center PJSC, Kiev	15,377	14,977
Other	14,424	19,820
Total	**408,456**	**613,681**

Goodwill impairment of € 187,318 thousand was made at the Group units in the Ukraine, Hungary and Slovenia. Information about the impairment tests can be found in the chapter business combinations on page 153.

(23) Tangible fixed assets

€ 000	2011	2010
Land and buildings used by the Group for own purpose	610,056	553,590
Other land and buildings (investment property)	121,006	112,730
Office furniture, equipment and other tangible fixed assets	448,876	507,331
Leased assets (operating lease)	331,539	279,979
Total	**1,511,477**	**1,453,630**

The fair value of investment property totaled € 122,804 thousand (2010: € 110,630 thousand).

(24) Development of fixed assets

Tangible and intangible fixed assets developed in the financial year 2011 as follows:

	Cost of acquisition or conversion						
€ 000	As of 1/1/2011	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As of 31/12/2011
Intangible fixed assets	**1,836,783**	**(1,360)**	**(31,801)**	**215,748**	**(19,407)**	**21**	**1,999,984**
Goodwill	639,234	0	(2,355)	0	(1,624)	0	635,255
Software	1,017,529	60	(30,576)	200,914	(16,450)	10,952	1,182,429
Other intangible fixed assets	180,020	(1,420)	1,130	14,834	(1,333)	(10,931)	182,300
Tangible fixed assets	**2,443,714**	**29,579**	**(34,124)**	**364,557**	**(215,749)**	**(21)**	**2,587,956**
Land and buildings used by the Group for own purpose	737,325	0	(12,731)	102,208	(32,472)	16,206	810,536
Other land and buildings	119,812	29,482	2,355	44,569	(1,714)	(56,306)	138,198
of which land value of developed land	13,901	0	146	7	(384)	0	13,670
Office furniture, equipment and other tangible fixed assets	1,234,854	97	(15,861)	141,490	(111,856)	(18,287)	1,230,437
Leased assets (operating lease)	351,723	0	(7,887)	76,290	(69,707)	58,366	408,785
Total	**4,280,497**	**28,219**	**(65,925)**	**580,305**	**(235,156)**	**0**	**4,587,940**

€ 000	Write-ups, amortization, depreciation, impairment Cumulative	hereof Write-ups	hereof Depreciation	Carrying amount 31/12/2011
Intangible fixed assets	**(934,436)**	**0**	**(330,149)**	**1,065,548**
Goodwill	(226,799)	0	(187,215)	408,456
Software	(651,570)	0	(135,436)	530,859
Other intangible fixed assets	(56,066)	0	(7,498)	126,234
Tangible fixed assets	**(1,076,479)**	**1,395**	**(228,785)**	**1,511,477**
Land and buildings used by the Group for own purpose	(200,480)	643	(31,653)	610,056
Other land and buildings	(17,192)	0	(13,444)	121,006
of which land value of developed land	(6)	0	(7)	13,664
Office furniture, equipment and other tangible fixed assets	(781,561)	226	(149,200)	448,876
Leased assets (operating lease)	(77,246)	526	(34,488)	331,539
Total	**(2,010,915)**	**1,395**	**(558,934)**	**2,577,025**

Intangible and tangible fixed assets developed in the financial year 2010 as follows:

€ 000	Cost of acquisition or conversion 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**

Additions to intangible and tangible assets did not include major individual investments.

(25) Other assets

€ 000	2011	2010
Tax assets	417,630	494,235
Current tax assets	59,608	31,547
Deferred tax assets	358,021	462,688
Receivables arising from non-banking activities	107,529	140,216
Prepayments and other deferrals	260,535	263,197
Clearing claims from securities and payment transfer business	457,827	356,015
Lease in progress	51,340	82,319
Assets held for sale (IFRS 5)	26,564	5,293
Inventories	174,278	146,973
Valuation fair value hedge portfolio	6,987	0
Any other business	671,014	578,641
Total	**2,173,704**	**2,066,889**

Deferred taxes break down as follows:

€ 000	2011	2010
Deferred tax assets	358,021	462,688
Provisions for deferred taxes	(17,358)	(8,368)
Net deferred taxes	**340,663**	**454,320**

The net deferred taxes result from the following items:

€ 000	2011	2010
Loans and advances to customers	71,701	97,391
Impairment losses on loans and advances	123,428	120,723
Tangible and intangible fixed assets	14,137	20,339
Other assets	26,333	5,079
Provisions for liabilities and charges	53,904	56,852
Trading liabilities	18,111	4,684
Other liabilities	62,021	77,922
Tax loss carry-forwards	240,419	269,811
Other items of the statement of financial position	48,858	43,715
Deferred tax assets	**658,912**	**696,516**
Loans and advances to banks	209	3,170
Loans and advances to customers	30,541	37,397
Impairment losses on loans and advances	56,219	23,326
Trading assets	6,360	17,690
Tangible and intangible fixed assets	71,925	67,451
Deposits from customers	13,527	887
Provisions for liabilities and charges	43	9,808
Other liabilities	11,799	12,236
Other items of the statement of financial position	127,627	70,231
Deferred tax liabilities	**318,249**	**242,196**
Net deferred taxes	**340,663**	**454,320**

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry-forwards which amounted to € 240,419 thousand (2010: € 269,811 thousand). The tax loss carry-forwards are mainly without any time limit. The Group did not recognize deferred tax assets of € 78,414 thousand (2010: € 22,074 thousand) because from a current point of view there is no prospect of realizing them within a reasonable period of time.

(26) Deposits from banks

€ 000	2011	2010
Giro and clearing business	2,290,776	2,326,285
Money market business	26,923,561	21,168,107
Long-term refinancing	8,777,471	10,164,790
Total	**37,991,809**	**33,659,182**

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	2011	2010
Austria	20,648,519	16,046,386
Foreign	17,343,289	17,612,796
Total	**37,991,809**	**33,659,182**

Deposits from banks break down into the following bank segments:

€ 000	2011	2010
Central banks	837,458	1,399,269
Commercial banks	35,236,763	30,948,498
Multilateral development banks	1,917,587	1,311,415
Total	**37,991,809**	**33,659,182**

(27) Deposits from customers

€ 000	2011	2010
Sight deposits	27,472,114	23,780,971
Time deposits	37,994,210	32,382,372
Savings deposits	1,280,910	1,469,770
Total	**66,747,234**	**57,633,113**

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

€ 000	2011	2010
Sovereigns	1,318,407	1,722,770
Corporate customers – large corporates	33,187,082	26,924,075
Corporate customers – mid market	2,438,661	2,489,184
Retail customers – private individuals	25,422,490	22,122,522
Retail customers – small and medium-sized entities	3,722,779	3,672,733
Other	657,814	701,829
Total	**66,747,234**	**57,633,113**

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

€ 000	2011	2010
Austria	6,102,123	5,718,613
Foreign	60,645,111	51,914,500
Total	**66,747,234**	**57,633,113**

(28) Debt securities issued

€ 000	2011	2010
Bonds and notes issued	12,761,801	15,917,240
Money market instruments issued	828,722	51
Other debt securities issued	776,291	638,091
Total	**14,366,814**	**16,555,382**

The following table contains debt securities issued exceeding € 200,000 thousand nominal value:

Issuer	ISIN	Type	Currency	Nominal value in € 000	Coupon	Due
RBI AG	XS0412067489	senior government guaranteed	EUR	1,500,000	3.6%	5/2/2014
RBI AG	XS0417093753	senior government guaranteed	EUR	1,250,000	3.0%	13/3/2012
RBI AG	XS0584381544	senior public placements	EUR	1,000,000	3.6%	27/1/2014
RBI AG	XS0597215937	senior public placements	EUR	1,000,000	2.4%	4/3/2013
RBI AG	XS0305474461	senior public placements	EUR	500,000	4.8%	15/6/2012
RBI AG	XS0284781431	senior public placements	GBP	440,180	1.1%	2/2/2012
RBI AG	XS0307006436	senior public placements	EUR	350,000	1.5%	25/6/2012
RBI AG	QOXDBA005028	senior private placements	PLN	213,728	0.0%	30/11/2015
RBI AG	AT000B011804	senior private placements	EUR	200,000	3.1%	30/1/2012
RBI AG	AT000B012000	senior private placements	EUR	200,000	5.0%	16/10 /2012
RBI AG	XS0341159316	senior public placements	EUR	200,000	2.3%	21/1/2013

(29) Provisions for liabilities and charges

€ 000	As of 1/1/2011	Change in consolidated group	Allocation	Release	Usage	Transfers, exchange differences	As of 31/12/2011
Severance payments	60,770	0	13,557	(12,021)	(2,325)	(14)	59,968
Retirement benefits	13,879	0	9,202	(2)	(25)	259	23,313
Taxes	107,131	(238)	128,489	(11,957)	(49,291)	(682)	173,451
Current	98,763	0	116,135	(9,307)	(49,134)	(363)	156,093
Deferred	8,368	(238)	12,354	(2,650)	(157)	(319)	17,358
Contingent liabilities and commitments	132,419	0	96,020	(66,977)	(2,839)	(7,639)	150,984
Pending legal issues	107,755	0	13,681	(15,243)	(14,443)	(1,305)	90,446
Overdue vacation	50,236	(10)	7,680	(5,311)	0	(840)	51,756
Bonus payments	148,413	(15)	141,443	(11,661)	(97,485)	(3,646)	177,050
Restructuring	5,037	0	0	(2,643)	(469)	(273)	1,653
Other	46,270	(1,075)	31,229	(14,167)	(21,514)	1,595	42,337
Total	**671,910**	**(1,338)**	**441,303**	**(139,981)**	**(188,391)**	**(12,546)**	**770,957**

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 € 90,446 thousand (2010: € 107,755 thousand). In a Russian network unit, a provison of € 15,834 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. Beyond that, there were no single cases exceeding € 10,000 thousand.

Provisions for severance payments and similar obligations developed as follows:

€ 000	2011	2010
Defined benefit obligation (DBO) as of 1/1	60,770	9,404
Exchange differences	10	(285)
Changes in consolidated group	0	42,464
Service cost	3,934	3,107
Interest cost	2,333	1,915
Payments	(5,950)	(4,378)
Actuarial gain/loss	(1,129)	8,543
Defined benefit obligation (DBO) as of 31/12 (=provision)	**59,968**	**60,770**

Provisions for retirement benefits developed as follows:

€ 000	2011	2010
Defined benefit obligation (DBO) as of 1/1	24,873	4,960
Change in consolidated group/transfer	8,956	16,798
Current service cost	1,044	886
Past service costs	500	0
Interest cost	1,080	1,039
Benefit payments	(120)	(31)
Actuarial gain/loss	(346)	1,221
Defined benefit obligation (DBO) as of 31/12	**35,986**	**24,873**

Plan assets developed as follows:

€ 000	2011	2010
Plan assets at fair value as of 1/1	10,994	0
Change in consolidated group/transfer	1,952	9,945
Expected return on plan assets	476	433
Contributions to plan assets	446	483
Plan payments	(63)	0
Actuarial gain/loss	(1,132)	133
Plan assets at fair value as of 31/12	**12,673**	**10,994**

The reconciliation of DBO to provision is as follows:

€ 000	2011	2010
Defined benefit obligation (DBO)	35,986	24,873
Plan assets at fair value	12,673	10,994
Provision as of 31/12	**23,313**	**13,879**

The structure of plan assets breaks down as follows:

Per cent	2011	2010
Bonds	55%	46%
Equities	26%	38%
Alternative investments	7%	9%
Property	4%	1%
Cash	8%	6%

Actual return on plan assets was as follows:

€ 000	2011	2010
Actual return on plan assets	(656)	566

The partition of DBO into wholly/partly funded or wholly unfunded is as follows:

€ 000	2011	2010
Wholly funded	11,585	10,122
Partly funded	17,624	9,066
Wholly unfunded	6,776	5,685
Defined benefit obligation (DBO)	**35,986**	**24,873**

(30) Trading liabilities

€ 000	2011	2010
Negative fair values of derivative financial instruments	**8,405,930**	**4,530,916**
Interest-based transactions	6,390,887	3,019,044
Currency-based transactions	1,366,865	923,460
Equity-/index-based transactions	566,323	525,677
Credit derivatives business	67,530	43,920
Other transactions	14,325	18,815
Short-selling of trading assets	**565,628**	**425,730**
Certificates issued	**743,369**	**784,945**
Total	**9,714,926**	**5,741,591**

(31) Derivatives

€ 000	2011	2010
Negative fair values of derivatives in fair value hedges (IAS 39)	**37,315**	**23,487**
Interest-based transactions	37,315	23,487
Negative fair values of derivatives in cash flow hedges (IAS 39)	**5,387**	**453,276**
Interest-based transactions	5,387	453,276
Negative fair values of credit derivatives	**12,967**	**18,332**
Negative fair values of derivative financial instruments	**736,050**	**768,433**
Interest-based transactions	653,304	479,373
Currency-based transactions	58,437	245,169
Equity-/index-based transactions	24,309	43,891
Total	**791,720**	**1,263,528**

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,deposits from banks and debt securities issued, which are taken to hedge against interest rate risk.

Due to a change in the hedging strategy, cash-flow hedging was ended in the second quarter 2011 and replaced by portfolio hedges.

(32) Other liabilities

€ 000	2011	2010
Liabilities from non-banking activities	123,942	114,581
Accruals and deferred items	187,569	189,719
Liabilities from dividends	478	541
Clearing claims from securities and payment transfer business	416,961	405,518
Valuation fair value hedge portfolio	22,432	0
Any other business	763,641	533,028
Total	**1,515,024**	**1,243,387**

(33) Subordinated capital

€ 000	2011	2010
Hybrid tier 1 capital	819,010	819,077
Subordinated liabilities	2,729,183	2,576,374
Supplementary capital	602,540	605,647
Total	**4,150,733**	**4,001,098**

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
RBI AG	XS0619437147	Subordinated capital	EUR	500,000	6.625%	18/5/2021
RFJ4	XS0253262025	Hybrid tier 1 capital	EUR	500,000	5.169%	–
RBI AG	XS0289338609	Subordinated capital	EUR	500,000	4.500%	5/3/2019
RBI AG	XS0326967832	Supplementary capital	EUR	600,000	5.770%	29/10/2015

[1] Current interest rate, interest clauses are agreed.
RFJ4 … RZB Finance (Jersey) IV Limited, St. Helier

In the reporting period, expenses on subordinated capital totaled € 215,149 thousand (2010: € 193,147 thousand).

(34) Equity

€ 000	2011	2010
Consolidated equity	8,825,228	8,250,759
Subscribed capital	593,412	593,323
Participation capital	2,500,000	2,500,000
Capital reserves	2,570,778	2,567,874
Retained earnings	3,161,038	2,589,562
Consolidated profit	967,663	1,087,475
Non-controlling interests	1,142,894	1,065,690
Total	**10,935,786**	**10,403,925**

The statement of changes in equity is shown on page 9.

Subscribed capital

As of 31 December 2011, 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. After deduction of own shares of 943,771, the stated subscribed capital totaled € 593,412 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.

Own shares

The Annual General Meeting held on 8 July 2010 authorized the Management 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, of 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.

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 Management Board and executive employees. These bonus payments are carried out in the form of company shares. In fiscal year 2011 29,138 own shares were allocated to eligible executives and board members on 12 April 2011.

The Annual General Meeting held on 8 July 2010 also authorized the Management 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, of 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 Management Board was authorized by the Annual General Meeting held on 8 June 2011, within 5 years after registration of the respective change in the articles of incorporation in the Company Register, to increase the share capital up to € 298,145 thousand against contribution in cash and/or in kind by issuing 97,752,562 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 (AktG), 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 Management Board was given the authorization pursuant to Section 174 (2) of the Austrian Joint Stock Companies Act (AktG) to issue – with the approval of the Supervisory Board – convertible bonds, also in several tranches, within 5 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 100 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 (AktG), the subscribed capital has been increased contingently by a maximum of € 47,174 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.

Participation rights

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 Joint Stock Corporation Act (AktG) in a total nominal amount of up to € 2 billion within 5 years as of 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 the transferring company 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.

Dividend proposal

The Management 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 2011, which represents a maximum distribution of € 205,280 thousand, and the remaining amount be carried forward.

The number of shares outstanding developed as follows:

Number of shares	2011	2010
Number of shares issued as of 1/1	195,505,124	154,667,500
New shares issued	0	40,837,624
Number of shares issued as of 31/12	**195,505,124**	**195,505,124**
Own shares as of 1/1	(972,909)	(984,511)
Purchase of own shares	0	0
Sale of own shares	29,138	11,602
Less own shares as of 31/12	**(943,771)**	**(972,909)**
Number of shares outstanding as of 31/12	**194,561,353**	**194,532,215**

Share-based remuneration

In 2011, the third allotment of the share incentive program (SIP – SIP allotment 2008) matured. In accordance with the terms and conditions (published in euro adhoc on 29 May 2008) the number of shares shown in the table below was actually transferred:

Share incentive program (SIP) 2008 Group of persons	Number of due shares	Amount with share price of € 39.00 at the allotment day (12/4/2011)	Number of effective distributed shares
Members of the management board of the company	11,839	461,721	7,866
Members of the management boards of bank subsidiaries affiliated with the company	21,348	832,572	18,244
Executives of the company and other affiliated companies	5,515	215,085	3,028

In order to avoid legal uncertainties and in accordance with the program's terms and conditions, eligible employees in 2 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 – so also in 2011. However, because of the merger of Raiffeisen International with the principal business areas of RZB, no SIP tranche was issued in 2010. This means that on the reporting date contingent shares for 2 allotments were assigned. As of 31 December 2011, the contingent allotment of shares came to 608,964 shares (of which 370,092 shares were attributable to the 2009 allotment and 238,872 shares to the 2011 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 2008. This is shown on an aggregated level in the following table:

Share incentive program (SIP) 2009 (2011) Group of persons	Number of contingently alloted shares as of 31/12/2011	Minimum of allotment of shares	Maximum of allotment of shares
Members of the management board of the company	197,135	59,141	295,703
Members of the management boards of bank subsidiaries affiliated with the company	287,754	86,326	431,631
Executives of the company and other affiliated companies	124,075	37,223	186,113

In the financial year 2011, no own shares were bought back for the share incentive program.

(35) Breakdown of remaining terms to maturity

31/12/2011 € 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	11,401,747	0	0	0	0
Loans and advances to banks	2,918,155	17,467,034	2,246,951	2,074,937	1,040,966
Loans and advances to customers	7,149,662	15,713,952	14,023,158	28,383,105	16,306,358
Impairment losses on loans and advances	(5,053,212)	0	0	0	0
Trading assets	285,826	585,897	1,103,401	4,416,329	4,225,218
Financial investments	628,842	3,494,911	2,569,972	7,170,697	2,670,542
Investments in associates	5,017	0	0	0	0
Sundry assets	3,047,575	1,239,553	502,560	806,366	559,483
Total assets	**20,383,612**	**38,501,348**	**20,446,043**	**42,851,433**	**24,802,567**
Deposits from banks	2,180,314	20,490,714	4,179,972	8,769,752	2,371,055
Deposits from customers	26,688,689	22,323,240	11,200,812	4,302,527	2,231,966
Debt securities issued	0	3,282,638	2,495,268	8,238,888	350,020
Trading liabilities	506,363	904,648	628,585	3,683,967	3,991,363
Subordinated capital	0	5,364	9,243	822,521	3,313,605
Sundry liabilities	1,842,399	669,463	72,870	182,570	310,400
Subtotal	**31,217,765**	**47,676,067**	**18,586,749**	**26,000,225**	**12,568,410**
Equity	10,935,786	0	0	0	0
Total equity and liabilities	**42,153,551**	**47,676,067**	**18,586,749**	**26,000,225**	**12,568,410**

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**

(36) Related parties

Companies can carry out business with related parties that may affect the entity's asset, financial and earnings position. Information about related parties refers to the top ot the consolidated group of Raiffeisen-Landesbanken-Holding GmbH. 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 2011, the transactions with related parties were as follows:

31/12/2011 € 000	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	11,017,455	222,519	234,676	213,899
Loans and advances to customers	0	1,237,346	406,106	356,152
Trading assets	0	29,249	16,861	3,229
Financial investments	0	292,440	2,477	300,771
Investments in associates	0	0	5,017	0
Other assets including derivatives	842	9,270	177	616
Deposits from banks	13,005,726	3,027	6,002,400	156,443
Deposits from customers	942	442,173	243,325	562,534
Debt securities issued	51,779	391	0	0
Provisions for liabilities and charges	0	64	0	51
Trading liabilities	0	16,197	37,355	2,178
Other liabilities including derivatives	3,573	770	636	95
Guarantees given	0	61,451	70,789	23,019
Guarantees received	0	414,494	145,720	2,605

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
Guarantees given	0	73,637	264,031	4,937
Guarantees received	0	389,086	142,505	998

(37) Foreign currency volumes

The consolidated financial statements consist of the following volumes of assets and liabilities denominated in foreign currencies:

€ 000	2011	2010
Assets	63,743,917	59,512,105
Liabilities	53,369,512	45,622,385

(38) Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria are as follows:

€ 000	2011	2010
Assets	107,453,372	105,181,063
Liabilities	86,575,711	75,992,302

(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 RBI's securitization transactions is to ease the strain relief on the Group's regulatory own funds and to use additional refinancing sources.

In the financial year 2011 no new securitizations were made. Both true sale transactions (Warehousing) ROOF Bulgaria 2008-1 and ROOF Romania 2008-1 already closed in 2008 have not yet been transferred to final securitization. The reason for this is the developments on the international capital markets, and the resulting narrow liquidity. Instead, 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 2011 the non-derecognized loans of ROOF Bulgaria 2008-1 amounted to € 73,099 thousand (2010: € 104,031 thousand), those of ROOF Romania 2008-1 came to € 103,899 thousand (2010: € 140,747 thousand).

Regarding true sale transaction ROOF Poland 2008-1 consisting of car leasing contracts, the total volume of the loans amounts to € 84,574 thousand as of 31 December 2011 (2010: € 195,020 thousand). The decline in volume is due to the maturing of the portfolio and to fluctuating exchange rates.

From a Group view, the non-derecognized loans arising from the true sale transaction ROOF Russia 2007-1 amounted to € 18,764 thousand at year-end 2011 (2010: € 53,178 thousand). In this case, the decrease of the carrying value is mainly explained by the maturity of the consumer loan volume in original currency as well as the currency translation effect resulting from conversion from USD to euro. Within the space of a year, the consumer loan volume in original currency matured by € 34.414 thousand. The possibility to replenish already redeemed volumes were no longer perceived.

Within the scope of synthetic securitizations ROOF CEE 2006-1, the non-derecognized loans amounted to € 162,480 thousand at year-end 2011 (2010: € 392,616 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.

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 also acts as an investor in ABS-structures. Essentially, this is about investments in Structured Credit Products. During the financial year 2011 market value changes led to a negative valuation result of about € 2 million (2010: positive valuation result of € 9 million).

As of 31 December 2011, RBI reported the following investment exposure (excluding CDS):

€ 000	Outstanding notional amount	Carrying amount
Asset-backed securities (ABS)	88,081	88,070
Mortgage-backed securities (MBS)	255,093	250,939
Collateralized debt obligation (CDO)	143,843	26,243
Other	29,504	1,004
Total	**516,521**	**366,255**

As of 31 December 2010 the corresponding exposure of Structured Credit Products composed as stated in the below table:

€ 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**

(40) Genuine sale and repurchase agreements

The following repurchase and redelivery commitments are shown as of 31 December:

€ 000	2011	2010
Genuine repurchase agreements as borrower		
Deposits from banks	1,548,670	4,976,815
Deposits from customers	3,719,912	1,342,934
Total	**5,268,582**	**6,319,750**

€ 000	2011	2010
Genuine repurchase agreements as lender (reverse repurchase agreement)		
Loans and advances to banks	3,577,362	1,457,117
Loans and advances to customers	1,468,720	110,791
Total	**5,046,083**	**1,567,908**

€ 000	2011	2010
Securities sold in genuine sale and repurchase agreement	**4,801,503**	**5,415,578**
hereof sold or repledged	4,742,840	5,355,684
hereof bonds, notes and other fixed-interest securities	4,607,688	5,355,684
Securities purchased in a genuine sale and repurchase agreement	**4,851,646**	**1,483,131**
hereof sold or repledged	1,485,715	57,059
hereof bonds, notes and other fixed-interest securities	1,453,894	56,433
hereof shares and other variable-yield securities	31,326	0
hereof loans and advances	495	626

Within the framework of securities lending, borrowed securities amounted to € 1,053,999 thousand (2010: € 973,283 thousand) and loaned securities amounted to € 2,335,047 thousand (2010: 3,912,527 thousand).

(41) Assets pledged as collateral

The following liabilities are secured by assets shown in the statement of financial position:

€ 000	2011	2010
Deposits from banks	5,092,553	8,145,418
Deposits from customers	157,652	111,290
Debt securities issued	0	21,802
Other liabilities	154,992	157,208
Contingent liabilities and commitments	1,266	2,232
Total	**5,406,464**	**8,437,949**

The following assets are provided as collateral for the obligations:

€ 000	2011	2010
Loans and advances to banks	3,569,940	4,126,775
Loans and advances to customers	1,366,315	2,632,093
Trading assets	285,047	647,692
Financial investments	2,581,263	2,032,816
Total	**7,802,565**	**9,439,376**

(42) Finance leases

€ 000	2011	2010
Gross investment value	**3,469,649**	**3,466,303**
Minimum lease payments	3,469,649	3,463,930
Up to 3 months	425,202	437,505
More than 3 months, up to 1 year	840,204	882,153
More than 1 year, up to 5 years	1,852,608	1,769,251
More than 5 years	351,635	375,021
Non-guaranteed residual value	0	2,373
Unearned finance income	**476,184**	**407,330**
Up to 3 months	48,394	49,796
More than 3 months, up to 1 year	116,918	114,246
More than 1 year, up to 5 years	249,014	203,685
More than 5 years	61,858	39,603
Net investment value	**2,993,465**	**3,058,973**

As of 31 December 2011, write-offs on unrecoverable minimum lease payments outstanding totaled € 61,205 thousand (2010: € 39,958 thousand).

Assets under finance leases break down as follows:

€ 000	2011	2010
Vehicles leasing	1,791,830	1,814,022
Real estate leasing	581,392	587,099
Equipment leasing	620,242	657,852
Total	**2,993,465**	**3,058,973**

(43) Operating leases

Operating leases from view of lessor

Future minimum lease payments under non-cancelable operating leases are as follows:

€ 000	2011	2010
Up to 1 year	41,670	46,961
More than 1 year, up to 5 years	66,907	64,388
More than 5 years	66,499	84,068
Total	**175,075**	**195,417**

Operating leases from view of lessee

Future minimum lease payments under non-cancelable operating leases are as follows:

€ 000	2011	2010
Up to 1 year	81,047	92,936
More than 1 year, up to 5 years	163,769	167,327
More than 5 years	14,618	22,356
Total	**259,434**	**282,619**

Risk report

(44) Risks arising from financial instruments

Active risk management is a core competency of RBI. In order to effectively identify, measure, and manage risks the Group continues to develop its comprehensive risk management system. Risk management is 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. The risk report describes the principles and organization of risk management and explains the current risk exposures in all material risk categories.

Risk Management Principles

RBI has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at controlling and managing material risks at all banks and specialist companies in the Group. The risk policies and risk management principles are laid out by the Management Board of RBI. The principles include the following risk policies:

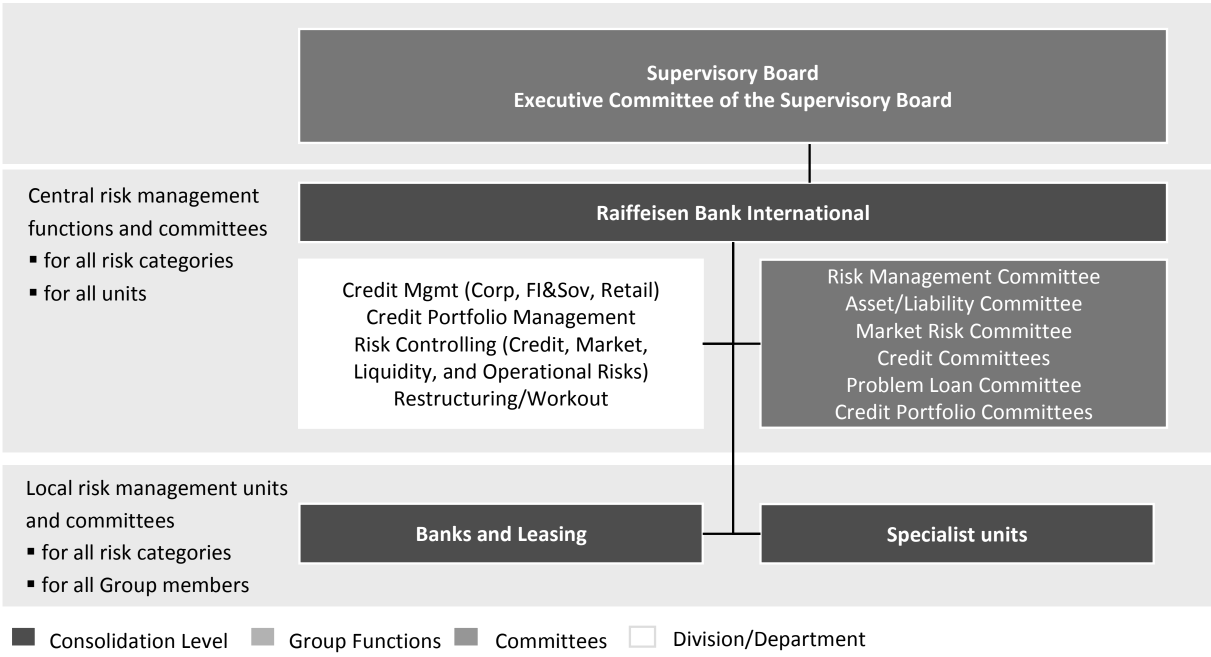
- Integrated risk management: Credit, country, market, liquidity, and operational risks are managed as main risks on a Group-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies: Risk measurement and risk limitation methods are standardized Group-wide in order to ensure a consistent and coherent approach to risk management. This is efficient for the development of risk management methods andit forms 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 preventing risk concentrations.
- Independent control: A clear personnel and organizational separation is maintained 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 conducted only 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 Group 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 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 Management Board of RBI 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 Management Board is supported in implementing these tasks by independent risk management units and special committees.



Risk management functions are performed on different levels in the Group. RBI AG develops and implements the relevant concepts in coordination with RZB AG as the parent credit institution 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 group directives and set business-specific standards, tools, and practices for all Group entities.

In addition, local risk management units are established in the different Group entities 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 report them to central risk management units via defined 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 Management 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 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 Management 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 relies on profit and loss reports, the amount of risks taken and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks for 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 decide upon the specific lending criteria for different customer segments and countries. And they approve all credit decisions concerning them according to the credit approval authority (depending on rating and exposure size).

The Group Asset/Liability Committee assesses and manages balance sheet and liquidity risks and defines the standards for internal funds transfer pricing. In this context it plays an important role for the Group's long-term funding planning and the hedging of structural interest rate and foreign exchange risks.

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 make sure 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 – if actions are necessary for closing any deficiencies – is also responsible for tracking their implementation.

Two very important functions in assuring independent oversight are performed by the divisions Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Audit periodically assesses all business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board of RBI which discusses them on a regular basis in its 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 helps to prevent 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. Finally, RBI is continuously supervised by the Austrian Financial Markets Authority and by local supervisors in those countries, where RBI is represented by branches or banking subsidiaries.

Overall bank risk management

Maintaining an adequate level of capital is a core objective of risk management at RBI. Capital requirements are monitored regularly based on the actual risk level as measured by internal models, and inchoosing appropriate models the materiality of risks is taken into account. This concept of overall bank risk management provides for capital requirements from a regulatory point of view (sustainability and going concern perspective) and from an economic point of view (target rating perspective). Thus it covers the quantitative aspects of the internal capital adequacy assessment process (ICAAP) as required by Basel II (Pillar 2) regulations. The full ICAAP process of RBI is audited during the supervisory review process for RZB Group of Credit Institutions by the Austrian Financial Markets Authority on an annual basis.

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 default probability implied by the target rating
Going-Concern-Perspektive	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 a 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

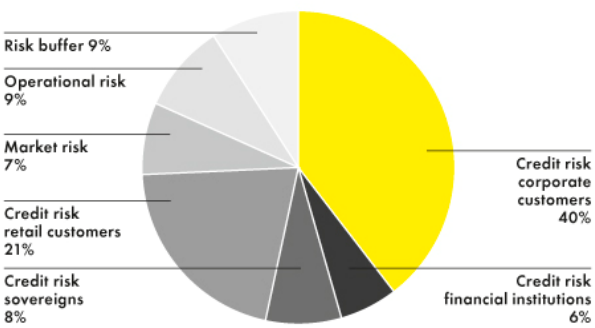
Target rating perspective

Risks in the target rating perspective are measured based on economic capital which represents 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, participation, market, and operational risk). In addition, a general buffer for other risks not explicitly quantified is held on Group level.

RBI uses a confidence level of 99.95 per cent for calculating economic capital. This confidence level is derived from the probability of default implied by the target rating. The objective of calculating economic capital is to determine the amount of capital that would be required for servicing all of the claims of customers and creditors even in the case of such an extremely rare event.

In total, economic capital has been reduced by 6 per cent compared to last year. It shows – as in the previous year – that credit risk of asset class corporate customers remains the dominant risk category for RBI. Its share in total risk is 39 per cent; credit risks in total accounts for 74 per cent of economic capital. Market risk accounts for 7 per cent and operational risk for 9 per cent. In addition a general risk buffer is allocated for other risks as well.

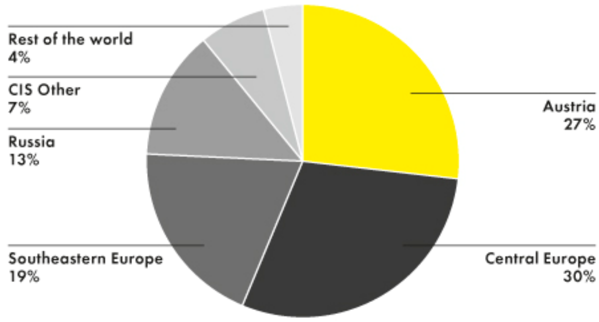
Risk contribution of indvidual risk types to economic capital as of 31/12/2011



The economic capital is compared to internal capital, which mainly denotes equity and subordinated capital of the Group. This capital form serves as a primary provision for risk coverage, for servicing claims of senior debtors if the bank should incur losses. Total utilization of available risk capital (the ratio of economic capital to internal capital) was 62.7 per cent at year end (2010: 74.2 per cent).

In the regional break down of economic capital as of 31 Decmber 2011 the largest share, at around 30 per cent (2010: 26 per cent), is allocated to Group units located in Central Europe. Network units in the Czech Republik and Slovakia contribute most to this total risk potential, due to their high credit exposure.

Regional allocation of economic capital according to booking unit



Economic capital is an important instrument in overall bank risk management. Economic capital limits are allocated to individual 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 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 substantially 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 is used in turn as a key figure for overall bank management, for future capital allocations to business units, and influences the 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 a focus on regulatory capital and minimum capital requirements.

In line with 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 thereof 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.

Internal targets for regulatory capital ratios consequently 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. In this process, regulatory capital requirements are calculated on Group level according to Austrian regulations. Additional local regulatory capital requirements for individual Group units can be met by adequate structural balance sheet measures.

In the year 2011 this objective has been continuously met on Group level. The slight reduction of the risk taking capacity during the first three quarters is mainly explained by the regulatory treatment of accrued profits. They are counted (net of planned dividend payments) to eligible own funds only after the annual report has been audited and thus only increase risk taking capacity as of December. Regulatory capital requirements, on the other hand, have increased already during the year, in particular due to higher lending volumes.

Sustainabiltiy perspective

The main goal of the sustainability perspective is to ensure that RBI can maintain a sufficiently high core capital ratio at the end of a multi-year planning period also in a severe macroeconomic downturn scenario. This analysis 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, as well as 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 at the end of the multi-year period. It should not fall below a sustainable level and thus neither require the bank to substantially increase capital nor to significantly reduce business activities. The current minimum amount of core capital thus is determined by the size of the potential economic downturn. In this downturn scenario 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 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 positions, industries, or geographical regions) and gives insight into the profitability, liquidity situation, and solvability under extreme situations. Based on these analyses risk management in RBI enhances 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

In RBI, credit risk stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. It is by far the most important risk category in RBI, as also indicated by internal and regulatory capital requirements. Credit risk thus is analyzed and monitored both on an individual loan and customer basis as well as on a portfolio basis in the Group. 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, roll-overs, 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 higher-ranking credit authority.

The whole limit application process is based on defined uniform principles and rules. Account management for multinational customers, who do business simultaneously with more than one member of RBI, is supported by the Global Account Management System, for example. This is made possible by Group-wide unique customer identification in non-retail asset classes.

The limit application process in the retail segment is stronger automated due to the high number of applications and lower exposure amounts. Limit applications often are assessed and approved in central processing centers based on credit score cards. This process is facilitated by the respective IT systems.

Credit portolio 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 and thus represents the total credit exposure. 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 total assessment of credit risks. The total credit exposure is used – if not explicitly stated otherwise – for showing exposures in all subsequent charts in the risk report. The reasons for different values used for internal portfolio management and external financial accounting are the different scope of consolidation (regulatory vs. accounting rules according to IFRS), other definitions for the loan exposure and different valuation rules.

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

€ 000	2011	2010[1]
Cash reserve	9,347,721	4,806,891
Loans and advances to banks	25,748,044	21,532,406
Loans and advances to customers	81,576,235	75,657,061
Trading assets	10,616,671	8,068,393
Derivatives	1,404,809	1,488,036
Financial investments	15,836,862	19,246,754
Other assets	239,822	227,152
Contingent liabilities	13,280,487	11,855,528
Commitments	12,624,734	11,755,884
Revocable credit lines	14,847,947	11,992,462
Valuation and disclosure differences	1,176,923	1,683,746
Total	**186,700,256**	**168,314,313**

1 Adjustments of previous year figures due to different mapping.
2 Balance positions containing only credit risk parts

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. Default probabilities assigned to individual rating grades are estimated for each asset class separately. As a consequence the default probability of the same ordinal rating grade (e.g. corporates 1.5, financial institutions A3, and sovereigns A3) is different between 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 10 classes. For retail asset classes, country specific scorecards are developed 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 must also be taken into account:

€ 000		2011	Share	2010	Share
0.5	Minimal Risk	1,266,170	1.4%	1,171,229	1.4%
1.0	Excellent credit standing	7,899,653	8.9%	7,642,774	9.4%
1.5	Very good credit standing	8,938,731	10.0%	7,729,205	9.6%
2.0	Good credit standing	12,745,701	14.3%	9,959,642	12.3%
2.5	Sound credit standing	15,629,626	17.5%	11,205,972	13.8%
3.0	Acceptable credit standing	14,551,590	16.3%	12,313,993	15.2%
3.5	Marginal credit standing	12,505,943	14.0%	13,182,943	16.3%
4.0	Weak credit standing/sub-standard	6,384,399	7.2%	7,663,581	9.5%
4.5	Very weak credit standing/doubtful	3,803,250	4.3%	4,282,039	5.3%
5.0	Default	4,609,661	5.2%	4,287,339	5.3%
NR	Not rated	831,022	0.9%	1,472,076	1.8%
Total		**89,165,748**	**100.0%**	**80,910,794**	**100.0%**

The maximum credit exposure to corporates in 2011 amounted to € 89.165.748 thousand. Group Corporates (€ 37.283.636 thousand) is the largest segment, followed by Central Europe (€ 18.649.280 thousand) and Southeastern Europe (€ 11.230.092 thousand). Russisa (€ 10.795.370 thousand), CIS Other (€ 4.093.986 thousand), Group Markets (€ 6.185.496 thousand) and Corporate Center at € 927.888 thousand complete the picture.

The average credit portfolio quality in the corporate credit book improved significantly during the reporting period. The share of loans with weak or lower credit standing has been reduced by 5.6 percentage points to 25.5 per cent. Vice versa loans with good credit standing up to minimal risk increased from 32.8 per cent to 34.6 per cent. On the one hand, this improvement resulted from rating upgrades of existing customers, where the positive economic development compared to the previous year (e.g. in the Ukraine) lead to an improvement in the internal rating. On the other hand, this also reflects active credit portfolio management, which directs credit growth mainly to economically successful markets like e.g. Russia or Asia; and the high lending standards demand that new loans are extended mainly to customers with good credit ratings. Segment Group Corporates shows the highest exposure increase compared to last year and at the same time has the lowest average default probability. Due to the economic and political development in Hungary (bank tax and foreign currency conversion) the exposure of corporate customers in Hungary decreased by € 282.051 thousand.

All in all the credit exposure in targeted industries (e.g. consumer non-cyclical, energy) increased strongly whereas credit growth in restricted industries such as real estate and construction was much weaker in comparison.

Defaulted exposures according to Basel II (rating 5.0) amounted to 5.2 per cent of the total credit exposure (€ 4,609,661 thousand), with the segment Central Europe affected most with € 1,234,996 thousand. Slightly less than half of the unrated credit exposure is due to small loans. The share of unrated exposure against corporates, which increased in 2010 due to the merger, has been strongly reduced again.

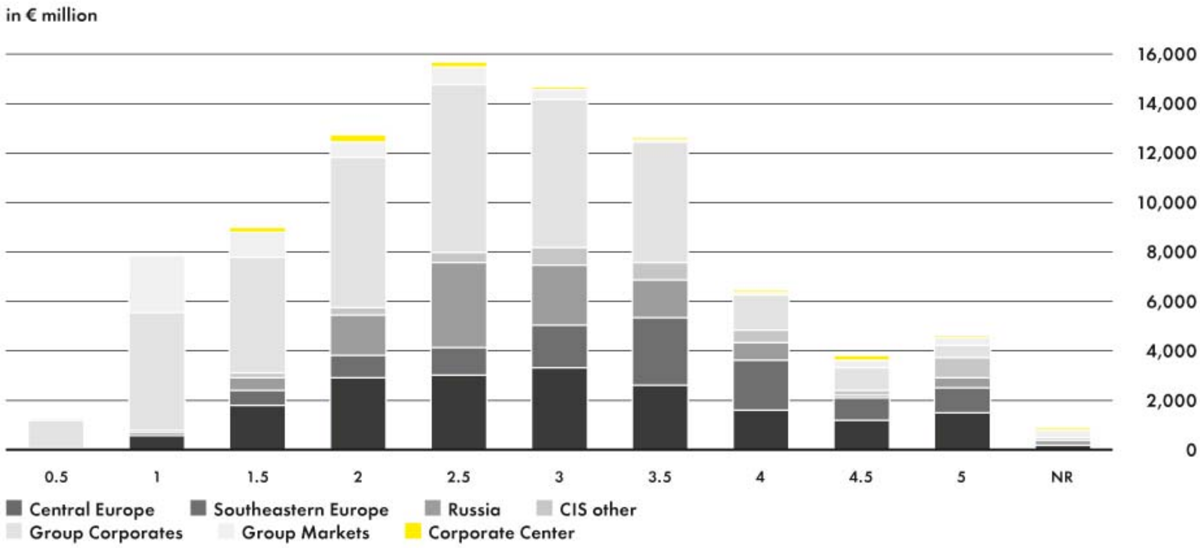
The following table provides a breakdown by county of risk of the maximum credit exposure for corporate customers structured by regions:

€ 000	2011	Share	2010	Share
Central Europe	18,649,280	20.9%	18,410,566	20.6%
Western Europe	11,658,129	13.1%	10,911,767	12.2%
Southeastern Europe	11,230,092	12.6%	11,330,339	12.7%
Russia	10,795,370	12.1%	9,614,875	10.8%
Austria	17,215,202	19.3%	16,332,452	18.3%
CIS Other	4,093,986	4.6%	4,398,099	4.9%
Asia	8,547,278	9.6%	5,690,192	6.4%
Other	6,976,412	7.8%	4,222,704	4.7%
Total	**89,165,748**	**100.0%**	**80,910,994**	**90.7%**

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

€ 000	2011	Share	2010	Share
Wholesale and retail trade	23,672,410	24.2%	20,892,193	24.0%
Manufacturing	21,157,256	21.7%	19,552,703	22.4%
Real estate	10,417,753	10.7%	12,387,219	14.2%
Financial intermediation	9,300,475	9.5%	6,832,519	7.8%
Construction	7,323,572	7.5%	4,906,941	5.6%
Transport, storage and communication	3,680,616	3.8%	4,799,418	5.5%
Other industries	22,079,483	22.6%	17,739,102	20.4%
Total	**97,631,564**	**100.0%**	**87,110,094**	**100.0%**

Corporates: maximum credit exposure by internal rating and segment



The rating model for project finance has five different grades which provide both individual default probabilities and collateral. The project finance volume is composed as shown in the table below:

€ 000		2011	Share	2010	Share
6.1	Excellent project risk profile – very low risk	2,846,811	33.6%	2,459,758	39.7%
6.2	Good project risk profile – low risk	3,265,276	38.6%	2,035,163	32.8%
6.3	Acceptable project risk profile – average risk	1,241,476	14.7%	912,439	14.7%
6.4	Poor project risk profile – high risk	675,624	8.0%	369,901	6.0%
6.5	Default	419,125	5.0%	365,215	5.9%
NR	Not rated	17,504	0.2%	56,824	0.9%
Total		**8,465,817**	**100.0%**	**6,199,300**	**100.0%**

The maximum credit exposure in project finance amounted to € 8,465,817 thousand at year end 2011. Projects 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 represent the highest share of the portfolio. This reflects mainly the high level of collateralization in specialized lending transactions. Unrated projects decreased to 0.2 per cent (€ 17,504 thousand) year-on-year.

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 of the behavioral scoring based on account data. The table below provides a breakdown of the maximum retail credit exposure of RBI:

€ 000	31.12.2011	Share	31.12.2010	Share
Retail customers – private individuals	20,778,317	89.0%	20,301,385	88.3%
Retail customers – small and medium-sized entities	2,567,762	11.0%	2,687,265	11.7%
Total	**23,346,079**	**100.0%**	**22,988,650**	**100.0%**
hereof non-performing loans	2,451,979	10.5%	2,399,036	10.4%
hereof individual loan loss provision	1,498,552	6.4%	1,308,243	5.7%
hereof portfolio based loan loss provision	274,839	1.2%	353,230	1.5%

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

2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Retail customers – private individuals	9,659,418	6,614,983	2,781,432	1,710,895	11,589
Retail customers – small and medium-sized entities	1,527,542	845,700	48,052	146,376	92
Total	**11,186,960**	**7,460,683**	**2,829,484**	**1,857,271**	**11,681**
hereof non-performing loans	929,489	576,045	211,753	729,067	1,403
hereof individual loan loss provision	457,106	371,882	184,542	480,336	126
hereof portfolio based loan loss provision	173,915	65,334	7,433	28,156	0

2010 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Retail customers – private individuals	9,793,983	6,292,846	2,092,568	2,061,706	9,651
Retail customers – small and medium-sized entities	1,673,386	802,226	20,035	190,823	0
Total	**11,467,369**	**7,095,072**	**2,112,603**	**2,252,529**	**9,651**
hereof non-performing loans	918,913	544,086	212,068	717,988	196
hereof individual loan loss provision	332,314	346,625	177,951	445,441	196
hereof portfolio based loan loss provision	198,742	100,996	8,846	44,646	0

Compared to year end 2010 the retail credit portfolio increased by € 357,429 thousand to € 23,346,079 thousand. The highest amount (€ 11,186,960 thousand) is booked in segment Central Europe. This is a reduction by € 280,409 thousand compared to last year, mainly caused by negative exchange rate developments of the Hungarian forint and the Polish zloty. The second largest segment is Southeastern Europe with € 7,258,423 thousand. Compared to the previous year the exposure increased by € 163,351 thousand in this segment. This is mainly due to higher exposure against private individuals in Romania.

Another strong increase was achieved in the asset class private individuals in Russia which rose by approximately one third mainly due to consumer loans. On the other hand in segment CIS Other, the retail credit portfolio declined due to hyperinflation in Belarus..

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

€ 000	2011	Share	2010	Share
Mortgage loans	10,678,823	46%	11,308,761	49%
Personal loans	5,708,251	24%	5,217,686	23%
Car loans	2,149,028	9%	2,055,963	9%
Credit cards	2,036,026	9%	1,635,330	7%
Overdraft	1,754,043	8%	1,922,619	8%
SME financing	1,019,907	4%	848,291	4%
Total	**23,346,079**	**100%**	**22,988,650**	**100%**

2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Mortgage loans	6,063,036	2,770,691	935,647	909,450	0
Personal loans	1,589,928	2,651,948	900,104	564,619	1,653
Car loans	1,116,266	477,156	466,680	88,926	0
Overdraft	1,098,658	524,903	75,607	54,875	0
Credit cards	682,203	696,144	451,446	206,233	0
SME financing	636,869	339,842	0	33,168	10,028
Total	**11,186,960**	**7,460,684**	**2,829,484**	**1,857,271**	**11,681**

2010 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Mortgage loans	6,716,428	2,538,609	665,593	1,373,135	160
Personal loans	1,500,020	2,610,339	739,796	330,943	0
Car loans	942,930	452,550	438,858	221,624	0
Overdraft	1,362,217	536,725	42	16,637	6,998
Credit cards	649,646	548,257	255,602	179,332	2,493
SME financing	296,128	408,593	12,713	130,857	0
Total	**11,467,369**	**7,095,072**	**2,112,603**	**2,252,529**	**9,651**

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 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	2011	Share	2010[1]	Share
Euro	3,321,774	42.3%	3,011,385	35.3%
Swiss franc	2,903,199	37.0%	3,539,300	41.4%
US-Dollar	1,444,798	18.4%	1,740,966	20.4%
Other foreign currencies	187,252	2.4%	250,566	2.9%
Loans in foreign currencies	**7,857,024**	**100.0%**	**8,542,217**	**100.0%**
Share of total loans	**33.7%**		**37.2%**	

[1] Adjustments of previous year figures due to different mapping

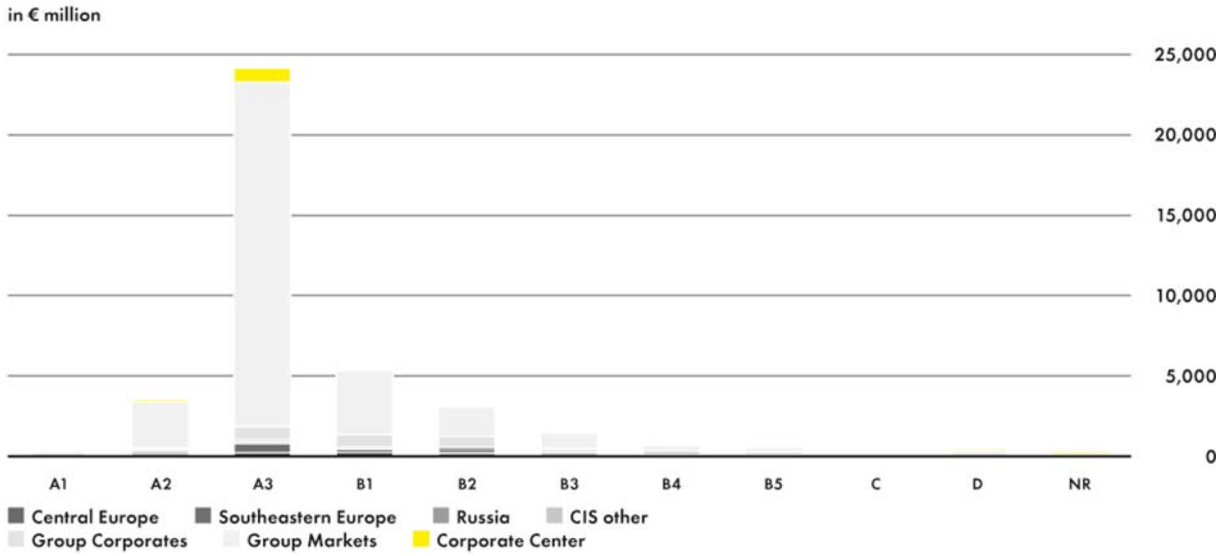
While loans in Swiss franc and US-Dollar decreased, euro loans showed a slight increase.

The following table shows the maximum credit exposure of this asset class by segment:

2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Euro	378,652	2,926,908	5,503	10,711	0
Swiss franc	1,923,962	978,616	0	9	613
US-Dollar	7,131	4,251	313,059	1,119,376	981
Other foreign currencies	17,640	164,017	0	156	5,440
Loans in foreign currencies	**2,327,386**	**4,073,791**	**318,562**	**1,130,252**	**7,034**
Share of total loans	**20.8%**	**56.1%**	**11.3%**	**60.9%**	**60.2%**

2010 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Markets
Euro	317,662	2,423,713	10,143	14,298	0
US-Dollar	5,007	2,122	382,613	1,348,334	435
Swiss franc	2,410,560	638,081	0	104	1,273
Other foreign currencies	27,701	222,612	0	248	0
Loans in foreign currencies	**2,760,930**	**3,286,528**	**392,756**	**1,362,984**	**1,708**
Share of total loans	**24.1%**	**46.3%**	**18.6%**	**60.5%**	**17.7%**

Financial Institutions: maximum credit exposure by internal rating and segment



Credit porftolio – Financial Institutions

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

The following table shows the maximum credit exposure by internal rating for financial institutions. 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 a combination of internal and external data.

€ 000		2011	Share	2010	Share
A1	Excellent credit standing	85,187	0.2%	245,698	0.8%
A2	Very good credit standing	3,409,172	8.8%	2,172,623	6.7%
A3	Good credit standing	24,221,051	62.4%	18,250,722	56.4%
B1	Sound credit standing	5,233,225	13.5%	4,497,943	13.9%
B2	Average credit standing	2,992,969	7.7%	3,526,746	10.9%
B3	Mediocre credit standing	1,276,922	3.3%	1,603,434	5.0%
B4	Weak credit standing	620,881	1.6%	892,881	2.8%
B5	Very weak credit standing	370,186	1.0%	474,075	1.5%
C	Doubtful/high default risk	184,310	0.5%	128,145	0.4%
D	Default	352,391	0.9%	383,262	1.2%
NR	Not rated	83,273	0.2%	184,876	0.6%
Total		**38,829,566**	**100.0%**	**32,360,405**	**100.0%**

The maximum credit exposure of these customers was € 38,829,566 thousand at year end 2011. With respect to the rating distribution in this asset class, the rating class A3 contributed € 24,221,051 thousand or 62.4 per cent. The strong increase in this rating class results mainly from segment Group Markets. Taking all rating classes together, segment Group Markets accounts for the largest portfolio share (€ 32,490,734 thousand or 83.7 per cent) followed by the segment Group Corporates at € 2,444,968 thousand or 6.3 per cent.

The share of not rated financial institutions was 0.2 per cent at year end 2011. This exposure was mainly caused by short-term loans to small banks, where the rating process had not yet been completed.

Part of this credit exposure is held against financial institutions that are indirect shareholders of RBI. Due to the multi-layered structure of the Austrian Raiffeisen Banking Group, exposure resulting from liquidity management within the Austrian 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.

Time 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 grades (e.g. in repo transactions or through netting-agreements) depending on the type of product.

RBI continues to reduce the unsecured exposure in this asset class according to its strategy. New business in this asset class thus mainly stems from repurchase agreements, counterparty credit exposure from derivatives and short-term money market deposits. Credit business with other financial institutions in the Raiffeisen Banking Group which are participating in a joint risk monitoring system of course is not restricted.

The table below shows the maximum credit exposure to financial institutions (excluding central banks) selected by products:

€ 000	2011	Share	2010	Share
Money market	13,126,781	33.8%	11,301,592	34.9%
Derivatives	12,464,006	32.1%	6,307,713	19.5%
Loans	4,984,158	12.8%	5,010,547	15.5%
Bonds	4,450,385	11.5%	6,166,179	19.1%
Repo	2,681,168	6.9%	589,936	1.8%
Other	1,123,069	2.9%	2,984,437	9.2%
Total	**38,829,566**	**100.0%**	**32,360,405**	**100.0%**

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		31.12.2011	Share	31.12.2010	Share
A1	Excellent credit standing	9,567,285	35.6%	8,386,362	32.4%
A2	Very good credit standing	465,012	1.7%	624,248	2.4%
A3	Good credit standing	4,518,891	16.8%	3,927,021	15.2%
B1	Sound credit standing	1,785,503	6.6%	1,639,803	6.3%
B2	Average credit standing	758,451	2.8%	1,398,508	5.4%
B3	Mediocre credit standing	5,513,313	20.5%	5,951,377	23.0%
B4	Weak credit standing	2,253,625	8.4%	2,097,273	8.1%
B5	Very weak credit standing	1,658,844	6.2%	1,691,510	6.5%
C	Doubtful/high default risk	155,561	0.6%	39	0.0%
D	Default	139,390	0.5%	60,035	0.2%
NR	Not rated	77,172	0.3%	78,988	0.3%
Total		**26,893,046**	**100.0%**	**25,855,164**	**100.0%**

The maximum credit exposure to sovereigns amounted to € 26,893,046 thousand at year-end and represents 14.4 per cent of the bank's total credit exposure. The highest portfolio share with 35.6 per cent is held in rating class Minimal Risk (rating A1), which results mainly from new securities investments in government bonds.

The medium rating grades Good credit standing (rating A3) to Mediocre credit standing (rating B3) form 46.7 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 Southeastern Europe. They were mandatory for meeting the respective minimum reserve requirements or used in order to manage excess liquidity on a short-term basis and therefore were intrinsically linked to the banking business in these countries. The exposure in rating class B4 remained stable compared to the previous year, at € 2,253,625 thousand or 8.4 per cent and results mainly from short-term deposits at the central banks in the Russia and in CIS Other segments.

The lower credit rating grades (rating C and D) has increased, due to local government financing in Hungary and higher exposures at the central bank in Belarus.

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

€ 000	2011	Share	2010	Share
Bonds	13,105,606	48.7%	15,633,532	60.5%
Loans	9,023,119	33.6%	8,038,685	31.1%
Derivatives	1,028,086	3.8%	979,587	3.8%
Other	3,736,234	13.9%	1,203,361	4.7%
Total	**26,893,046**	**100%**	**25,855,164**	**100.0%**

The table below shows the credit exposure to the public sector in non-investment grade (rating B3 and below):

€ 000	2011	Share	2010	Share
Romania	2,000,334	20.4%	2,242,595	22.7%
Hungary	1,911,614	19.5%	2,016,987	20.4%
Croatia	1,303,903	13.3%	1,226,787	12.4%
Albania	1,218,253	12.4%	1,144,440	11.6%
Ukraine	992,915	10.1%	1,072,953	10.9%
Other	2,370,885	24.2%	2,175,459	22.0%
Total	**9,797,904**	**100.0%**	**9,879,222**	**100.0%**

The credit exposure to the public sector in non-investment grade (rating B3 and below) was to year end 2011 with € 9,809,234 thousand virtually unchanged from 2010 and resulted primarily from deposits of group units with the local central banks in Central and Southeastern Europe. They were used for completion of the minimum reserve requirements, and the short-term investment of excess liquidity, and were therefore inextricably linked to the business activities in these countries.

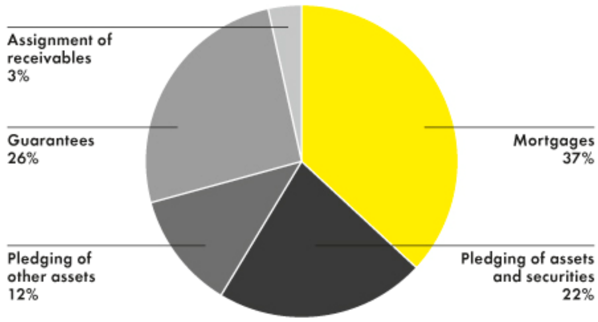
Credit risk mitigation

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 catalog 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.

Loans and advances to banks and customers net of allocated loan loss provisions (net exposure), the additional off-balance sheet exposure (contingent liabilities, commitments, and revocable credit lines), and the the market prices (fair value) of collateral pledged in favor of RBI are shown in the following table:

Collateral types as of 31/12/2011



31/12/2011 € 000	Maximum credit exposure Net exposure	 Commitments/ guarantees issued	Fair value of collateral
Banks	25,520,401	2,020,872	5,292,895
Sovereigns	1,350,175	257,206	275,271
Corporate customers – large corporates	52,631,182	34,804,357	42,004,417
Corporate customers – mid market	3,247,248	898,882	2,610,682
Retail customers – private individuals	17,479,971	2,402,307	11,078,089
Retail customers – small and medium-sized entities	2,042,090	369,784	1,424,577
Total	**102,271,067**	**40,753,408**	**62,685,931**

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 corporates	46,913,082	29,969,898	35,232,395
Corporate customers – mid market	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
Total	**92,433,587**	**35,604,148**	**55,467,958**

Collateral ready to be sold or repledged in the absence of default of the debtor amounted to € 24,047,224 thousand (2010: € 16,820,440 thousand).

Problem loan management

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. Such 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 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 experience. 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.

Problem loan management 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 workout process customers are classified into three categories "early," "late," and "recovery," for which a standardized customer handling process is defined.

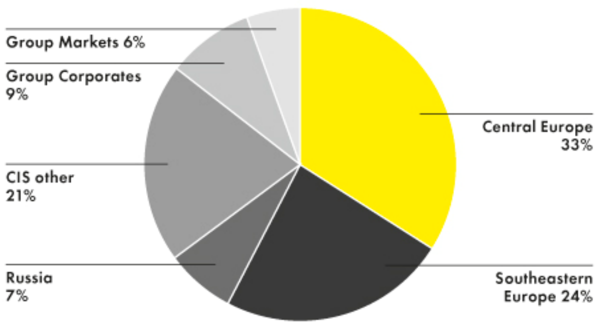
The assessment of the expected recovery value is heavily influenced by the number of days payments are late. The following table shows the amount of overdue – not impaired – credit exposure of banks and customers for different time bands.

31/12/2011	Current	Overdue					Collaterals
€ 000		Up to 31 days	More than 31 days, up to 90 days	More than 91 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	25,511,384	5,567	12	11	0	0	0
Sovereigns	1,227,571	113,325	2,318	1,090	409	97	1,945
Corporate customers – large corporates	49,266,382	1,386,511	384,682	35,783	32,085	69,784	771,902
Corporate customers – mid market	2,796,533	138,788	65,798	7,724	5,878	15,747	165,846
Retail customers – private individuals	14,903,347	1,273,137	272,541	126,934	22,331	99,520	791,279
Retail customers – small and medium-sized entities	1,667,764	203,741	47,978	16,979	9,385	11,405	217,041
Total	**95,372,981**	**3,121,068**	**773,329**	**188,522**	**70,088**	**196,554**	**1,948,012**

31/12/2010	Current	Overdue					Collaterals
€ 000		Up to 31 days	More than 31 days, up to 90 days	More than 91 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 corporates	44,258,902	1,002,845	401,880	17,470	30,215	35,871	696,622
Corporate customers – mid market	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	1,107,656[1]
Retail customers – small and medium-sized entities	1,778,858	231,361	63,091	21,500	12,034	14,513	255,929
Total	**86,274,515**	**2,870,071**	**899,802**	**248,108**	**87,928**	**148,464**	**2,268,470**[1]

[1] Adjustments of previous year figures due to different mapping.

Breakdown of non-performing loans by segment



Restructuring of loans

As of 31 December 2011 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 € 811,108 thousand (2010: € 588,276 thousand). Split by asset classes € 317,269 thousand is attributable to corporate customers and € 493,213 thousand to retail customers.-

Non-performing loans and provisioning

A default and thus non-performing loan (NPL) is internally defined as the event where a specific debtor is unlikely to pay its credit obligations to the bank in full, 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 in the non-retail segment. These include 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 workout unit is considering stepping in to help a company restore its financial soundness.

Within the RBI a Group-wide default database has been created for collecting and documenting customer defaults. The database tracks defaults and the reasons for defaults, which enables the calculation and validation of own 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 allocating 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 loans and advances to banks and loans and advances to customers (excluding off-balance sheet positions) as reported in the statement of financial position for the reporting period:

€ 000	As of 1/1/2011	Change in consolidated group	Exchange differences	Additions	Disposals	As of 31/12/2011
Corporate customers	4,381,436	(335)	(88,103)	1,667,432	(1,369,134)	4,591,296
Retail customers	2,396,213	(73)	(56,706)	891,115	(778,570)	2,451,979
Sovereigns	12,098	0	(215)	3,935	(3,544)	12,274
Total nonbanks	**6,789,747**	**(408)**	**(145,025)**	**2,562,483**	**(2,151,248)**	**7,055,549**
Banks	267,834	0	1,904	97,172	(125,634)	241,276
Total	**7,057,581**	**(408)**	**(143,121)**	**2,659,655**	**(2,276,882)**	**7,296,825**

€ 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 nonbanks	**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**

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

2011 € 000	Central Europe	Southeastern Europe	Russia	CIS Other	Group Corporates	Group Markets
Corporate customers						
Non-performing loans	1,536,008	1,149,787	312,359	776,591	648,651	167,900
of which collateralized	592,362	631,340	75,893	226,813	103,671	14,977
Impairment losses on loans and advances	867,863	571,833	332,971	518,713	510,998	174,929
Loans	14,962,818	7,799,131	6,533,679	3,371,684	21,745,289	3,727,457
NPL ratio	10.3%	14.7%	4.8%	23.0%	3.0%	4.5%
Coverage ratio	56.5%	49.7%	106.6%	66.8%	78.8%	104.2%
Retail customers						
Non-performing loans	929,489	576,045	211,753	729,067	4,222	1,403
of which collateralized	411,722	162,724	22,144	401,603	500	100
Impairment losses on loans and advances	631,021	437,216	191,975	508,492	4,480	126
Loans	10,041,331	6,916,882	2,533,061	1,704,574	0	42,594
NPL ratio	9.3%	8.3%	8.4%	42.8%	–	3.3%
Coverage ratio	67.9%	75.9%	90.7%	69.7%	106.1%	9.0%
Sovereigns						
Non-performing loans	12,210	0	0	64	0	0
of which collateralized	720	0	0	0	0	0
Impairment losses on loans and advances	5,848	0	0	64	0	0
Loans	376,738	605,089	5,842	273	0	147
NPL ratio	3.2%	–	–	23.6%	–	–
Coverage ratio	47.9%	–	–	99.4%	–	–
Banks						
Non-performing loans	2,627	596	1,149	191	1,065	235,648
of which collateralized	0	0	0	0	0	55,671
Impairment losses on loans and advances	2,164	598	967	191	1,951	212,506
Loans	2,045,995	2,334,777	2,824,827	626,994	1,810,243	19,204,697
NPL ratio	0.1%	0.0%	0.0%	0.0%	0.1%	1.2%
Coverage ratio	82.4%	100.3%	84.2%	99.7%	183.2%	90.2%

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%

In asset class corporate customers, non-performing loans increased by 5 per cent (€ 209,860 thousand) to € 4,591,296 thousand. Segment Southeastern Europe where NPLs increased by 46 per cent and Central Europe where NPLs increased by 13 per cent were especially affected. In contrast NPLs have been reduced in Russia by 31 per cent and in Group Corporates by 26 per cent. Loan loss provisions have been stocked up by 7 per cent (€ 207,160 thousand) to € 3,046,266 thousand which increased the coverage ratio by 1.6 percentage points to 66.3 per cent.

In the retail portfolio, non-performing loans grew by 2 per cent (€ 55,767 thousand) to € 2,451,979 thousand. The main increase took place in Southeastern Europe by 6 per cent, whereas Russsia reported a decline by 3 per cent. The total NPL ratio in the retail asset class increased by 0.1 percentage points to 11.5 per cent. Loan loss provisions have been increased for retail customers to € 1,773,391 thousand which improves the coverage ratio by 3.0 percentage points to 72.3 per cent.

In the asset class financial institutions non-performing loans amount to € 241,276 thousand at year-end, for which loan loss provisions of € 227,643 thoausand 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 the corresponding items from the statement of financial position:

€ 000	As of 1/1/2011	Change in consolidated group	Allocation[1]	Release	Usage [2]	Transfers, Exchange differences	As of 31/12/2011
Individual loan loss provisions	**4,000,292**	**(182)**	**1,735,331**	**(558,699)**	**(653,749)**	**(81,575)**	**4,441,418**
Loans and advances to banks	236,579	0	(3,666)	(4,540)	(21,540)	1,758	208,591
Loans and advances to customers	3,710,716	(182)	1,673,030	(531,357)	(629,370)	(77,827)	4,145,010
Off-balance sheet obligations	52,997	0	65,966	(22,802)	(2,839)	(5,506)	87,817
Portfolio-based loan loss provisions	**887,999**	**(15)**	**280,577**	**(385,510)**	**0**	**(20,275)**	**762,777**
Loans and advances to banks	18,440	0	634	(41)	0	19	19,052
Loans and advances to customers	790,137	(15)	249,889	(341,293)	0	(18,160)	680,558
Off-balance sheet obligations	79,422	0	30,054	(44,176)	0	(2,134)	63,167
Total	**4,888,291**	**(197)**	**2,015,908**	**(944,209)**	**(653,749)**	**(101,849)**	**5,204,195**

[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 1/1/2010	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.

The following table shows the breakdown of loan loss provisions according to business segments:

€ 000	As of 1/1/2011	Change in consolidated group	Allocation[1]	Release	Usage [2]	Transfers, Exchange differences	As of 31/12/2011
Individual loan loss provisions	**4,000,292**	**(182)**	**1,735,331**	**(558,699)**	**(653,749)**	**(81,575)**	**4,441,418**
Central Europe	979,605	1,249	880,668	(210,113)	(233,327)	(91,687)	1,326,396
Southeastern Europe	722,948	(117)	436,869	(121,623)	(146,507)	(9,734)	881,836
Russia	536,126	0	106,810	(115,988)	(65,290)	(10,411)	451,247
CIS Other	858,566	0	184,505	(22,471)	(105,571)	16,891	931,920
Group Corporates	664,733	(1,315)	111,005	(26,166)	(80,756)	(19,229)	648,272
Group Markets	238,314	0	15,377	(4,847)	(21,870)	(41,936)	185,039
Corporate Center	0	0	97	(57,491)	(430)	74,533	16,709
Portfolio-based loan loss provisions	**887,999**	**(15)**	**280,577**	**(385,510)**	**0**	**(20,275)**	**762,777**
Central Europe	286,415	0	128,239	(149,428)	0	(10,802)	254,424
Southeastern Europe	205,800	(15)	39,117	(93,136)	0	(993)	150,773
Russia	134,771	0	32,953	(64,264)	0	(2,484)	100,976
CIS Other	142,795	0	35,398	(69,746)	0	(6,777)	101,670
Group Corporates	100,118	0	39,619	(8,936)	0	1,361	132,162
Group Markets	18,100	0	3,014	0	0	(580)	20,534
Corporate Center	0	0	2,237	0	0	0	2,237
Total	**4,888,291**	**(197)**	**2,015,908**	**(944,209)**	**(653,749)**	**(101,849)**	**5,204,195**

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

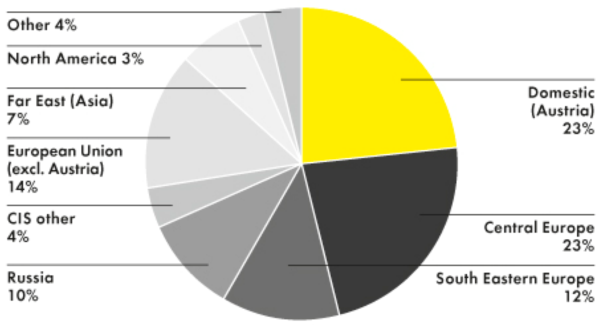
€ 000	As of 1/1/2010	Change in consolidated group	Allocation[1]	Release	Usage [2]	Transfers, Exchange differences	As of 31/12/2010
Individual loan loss provisions	**2,383,348**	**983,277**	**1,726,950**	**(530,849)**	**(687,742)**	**125,308**	**4,000,292**
Central Europe	759,283	(743)	628,490	(222,897)	(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.

Country risk

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 markets. In these markets political and economic risks to some extent are still seen as comparatively significant.

Credit exposure to customers by region



Active country risk management in RBI is based on the country risk policy which is set by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries. Consequently. 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. The limit size for individual countries is set by using a model which takes into account the internal rating for the sovereign, the size of the country, and RBI's own capitalization.

Country risk also is reflected via the internal funds transfer pricing system in product pricing and in risk-adjusted performance measurement. Business units therefore can benefit from country risk mitigation by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries. The insights gained from country risk analysis are not only used for limiting the total cross border exposure, but also for limiting the total credit exposure in each individual country (i.e. including the exposure that is funded by local deposits). Thereby RBI realigns its business activities according to the macro-economic development within different markets and enhances the broad diversification of its credit portfolio.

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 ten largest corporate credit exposures of the corporate customer division (before taking into account risk mitigation effects) corresponds to 62.7 per cent of core capital. In line with the credit risk policy these customers all have excellent ratings or – in exceptional cases and given high collateralization (and high fungibility of collateral) – acceptable credit standing.

The regional breakdown of the loans reflects the broad diversification of credit business in RBI's markets. The following table shows the regional distribution of the credit exposure of all asset classes by the borrower's home country grouped by regional segments.

€ 000	2011	Share	2010[1]	Share
Austria	**43,686,612**	**23.4%**	**39,318,974**	**23.4%**
Central Europe	**42,629,955**	**22.8%**	**41,525,314**	**23.8%**
Slovakia	11,862,258	6.4%	11,833,966	7.0%
Czech Republic	10,936,576	5.9%	10,031,591	6.0%
Hungary	8,882,980	4.8%	9,938,056	5.9%
Poland	8,807,810	4.7%	8,232,270	4.9%
Other	2,140,331	1.1%	1,489,432	0.0%
European Union	**26,501,393**	**14.2%**	**20,392,970**	**12.1%**
Germany	7,492,208	4.0%	5,708,349	3.4%
Great Britain	7,365,436	3.9%	3,999,797	2.4%
Netherlands	2,951,067	1.6%	2,137,477	1.3%
Other	8,692,683	4.7%	8,547,347	5.1%
Southeastern Europe	**23,186,616**	**12.4%**	**25,436,398**	**15.1%**
Romania	8,558,494	4.6%	8,046,808	4.8%
Croatia	6,163,001	3.3%	6,189,578	3.7%
Bulgaria	4,327,667	2.3%	3,958,753	2.4%
Serbia	2,549,271	1.4%	2,557,240	1.5%
Other	1,588,183	0.9%	4,684,019	2.8%
Russia	**18,484,518**	**9.9%**	**14,452,671**	**8.6%**
Far East	**12,277,528**	**6.6%**	**7,721,888**	**4.6%**
China	6,555,672	3.5%	3,348,754	2.0%
Other	5,721,856	3.1%	4,373,134	2.6%
CIS Other	**7,787,066**	**4.2%**	**7,882,562**	**4.7%**
Ukraine	4,657,059	2.5%	6,156,235	3.7%
Other	3,130,008	1.7%	1,726,327	1.0%
USA	**5,230,635**	**2.8%**	**4,368,637**	**2.6%**
Rest of the world	**6,915,932**	**3.7%**	**7,214,900**	**5.1%**
Total	**186,700,256**	**100.0%**	**168,314,313**	**100.0%**

[1] Adjustments of previous year figures due to different mapping.

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 credit financing and capital market 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 portfolio management in RBI take into account the industry class of customers as well. Banking and insurance represents the largest industry class, which, however, is mostly attributed to exposures to members of the Austrian Raiffeisen Sector (central liquidity balancing function). The second largest industry class is private households, primarily consisting of loans to retail customers in Central and Eastern European countries. The following table shows the maximum credit exposure of the Group by the customers' industry classification:

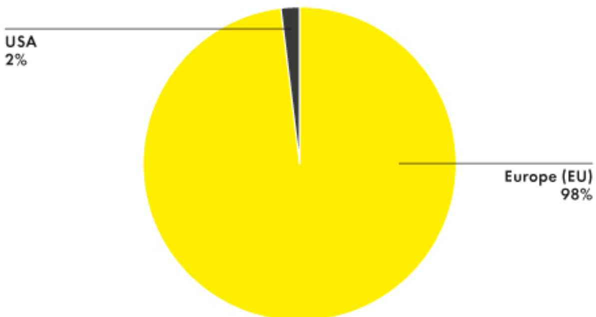
€ 000	2011	Share	2010[1]	Share
Banking and insurance	60,073,254	32.2%	48,146,001	28.6%
Private households	21,922,149	11.7%	22,554,206	13.4%
Wholesale trade and commission trade (except car trading)	17,893,915	9.6%	15,217,496	9.0%
Other manufacturing	13,651,445	7.3%	11,900,352	7.1%
Public administration and defence and social insurance institutions	13,267,030	7.1%	16,182,139	9.6%
Real estate activities	10,875,944	5.8%	12,346,591	7.3%
Construction	7,280,578	3.9%	4,949,963	2.9%
Other business activities	6,355,789	3.4%	6,708,734	4.0%
Retail trade except repair of motor vehicles	5,315,068	2.8%	4,087,343	2.4%
Manufacture of basic metals	3,643,075	2.0%	2,939,420	1.7%
Electricity, gas, steam and hot water supply	3,448,995	1.8%	3,516,158	2.1%
Manufacture of food products and beverages	2,535,234	1.4%	2,986,865	1.8%
Land transport, transport via pipelines	2,218,839	1.2%	2,231,069	1.3%
Other transport	1,998,082	1.1%	2,606,332	1.5%
Extraction of crude petroleum and natural gas	1,580,433	0.8%	1,277,371	0.8%
Sale of motor vehicles	1,577,151	0.8%	1,796,372	1.1%
Manufacture of machinery and equipment	1,547,073	0.8%	1,729,813	1.0%
Other industries	11,516,203	6.2%	7,138,089	4.2%
Total	**186,700,256**	**100.0%**	**168,314,313**	**100.0%**

[1] Adaption of previous year figures due to a new codex for industries (ÖNACE 2008)

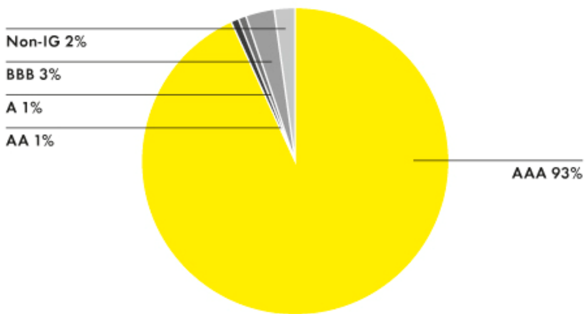
Structered credit portfolio

RBI's strategy for the structured credit 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 on page 206. Around 95 per cent of this portfolio is rated A or better by external rating agencies. The pools mainly contain exposures to European customers.

Breakdown of structered credit portfolio by region



Breakdown of structered credit portfolio by rating



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 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.

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 Treasury division by closing internal contracts with customer divisions. Treasury is responsible for managing structural market risks and for complying with the Group's overall limit. The Capital Markets division comprises proprietary trading, market making, and customer business with money market and capital market products.

Organization of market risk management
RBI measures, monitors, and manages all 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 Management 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 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 catalog. 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 the main steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach, where 5000 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 illiquid 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 the 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 € 000	VaR as of 31/12/2011	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2010
Currency risk[1]	63,564	53,959	37,119	82,891	53,021
Interest rate risk	6,715	8,154	5,656	16,022	11,187
Credit spread risik	877	3,369	845	9,145	2,049
Share price risk	2,328	1,973	1,345	2,958	1,399
Total	48,039	56,623	40,817	81,800	60,073

[1] Exchange rate risk on total bank level also includes equity positions of subsidiaries denominated in foreign currency.

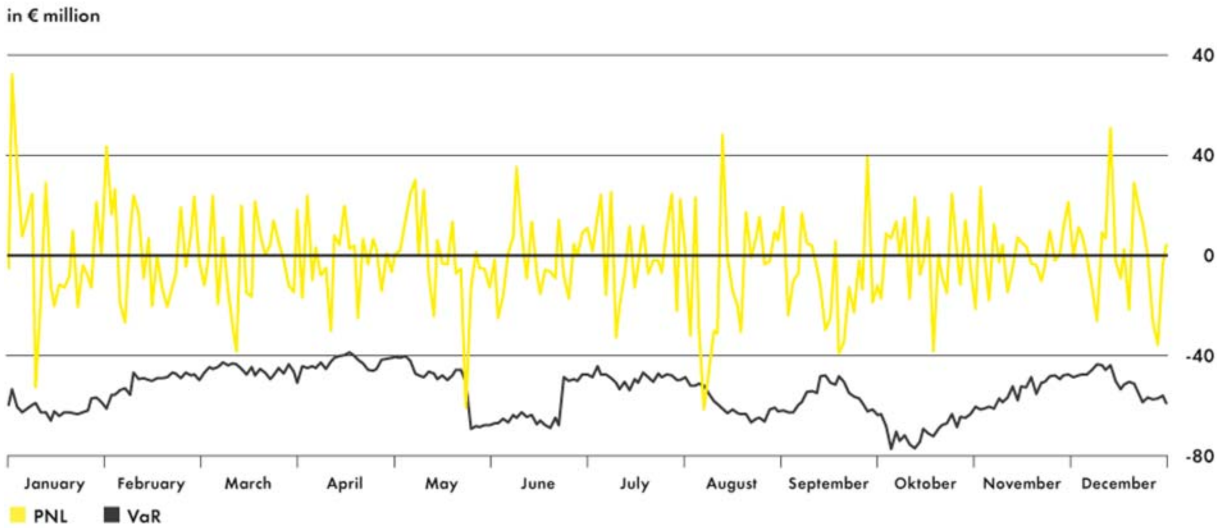
Banking book VaR 99% 1d € 000	VaR as of 31/12/2011	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2010
Interest rate risk	46,571	53,717	27,884	112,909	69,753
Credit spread risik	10,613	29,263	9,894	47,608	29,949
Total	29,756	55,982	29,756	113,502	66,081

Total VaR 99% 1d € 000	VaR as of 31/12/2011	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2010
Currency risk[1]	63,564	53,961	37,119	82,891	53,021
Interest rate risk	46,284	54,191	26,462	116,618	70,163
Credit spread risik	10,662	31,336	9,417	47,787	31,065
Share price risk	2,328	1,973	1,345	2,958	1,399
Total	51,278	81,158	49,800	125,988	86,932

[1] Exchange rate risk on total bank level also includes equity positions of subsidiaries denominated in foreign currency.

The risk measurement approaches employed are verified – besides analyzing returns qualitatively – on an ongoing basis through backtesting and statistical validation techniques. If model weaknesses are identified, then they are improved accordingly. In the reporting period, there were two backtesting violations for RBI's trading book (including equity positions in network banks) as shown in the backtesting chart. This chart compares VaR and theoretical profits and losses on a daily basis. VaR denotes the maximum loss that will not be exceeded with 99 per cent confidence level on the next day. It is compared to the theoretical profits and losses, which shows the hypothetical returns that the bank would have realized due to the actual changes in market parameters on the next day. It is possible to see that the model correctly reproduces market volatility regimes and quickly reacts to changed market conditions. Starting with the year 2012, the Stressed VaR as defined by regulatory requirements will be reported in addition to the VaR.

Value-at-Risk and theoretical market price changes of RBI's trading book



Exchange rate risk and capital (ratio) hedge

Market risk in RBI results primarily from exchange rate risk, which stems 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 as of 31 December 2011 and the corresponding values for the previous year. Those numbers include both trading positions as well as equity stakes in subsidiaries with foreign currency denominated statements of financial position.

€ 000	31/12/2011	31/12/2010
ALL	244,810	187,135
BAM	217,268	167,305
BGN	(59,632)	90,655
BYR	109,977	137,443
CNY	97,353	94,341
CZK	678,626	133,831
HRK	755,662	811,689
HUF	290,401	526,303
PLN	765,891	781,200
RON	636,767	538,897
RSD	518,498	475,253
RUB	2,280,107	2,132,097
UAH	1,733,777	1,537,677
USD	(616,156)	(707,173)

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. Moreover, 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 the consolidated equity amount; however, the regulatory capital requirement for credit risks stemming from assets denoted in foreign currencies also changes 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 2011 and 31 December 2010. Currencies where the total interest rate sensitivity exceeds € 10 thousand are shown separately. There are only minor changes in the risk factors compared to the previous year.

31/12/2011 € 000	Total	> 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>20y
ALL	(31)	0	(1)	(8)	(10)	(10)	(1)	0	0	0	0	0
BGN	(10)	(1)	0	0	(2)	(1)	(4)	0	0	0	0	0
CHF	17	4	12	(2)	2	4	(3)	3	(3)	1	(1)	(1)
CZK	(27)	(1)	1	(3)	(8)	(11)	16	(14)	(1)	(6)	0	0
EUR	426	1	11	39	12	(8)	181	132	130	(50)	5	(27)
HRK	(14)	0	0	0	0	(1)	(10)	(2)	0	0	0	0
RUB	(185)	(1)	(14)	(22)	(38)	(59)	(28)	(21)	(2)	0	0	0
USD	87	9	(45)	26	(2)	(44)	(5)	(9)	32	(65)	(18)	207
Other	1	7	(11)	9	(2)	(3)	7	(2)	(3)	0	0	0

[1] The representation of currencies has changed year on year depending on the absolute value of the interest rate sensitivity

31/12/2010 € 000	Total	> 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>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

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 RBI. 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 Treasury division and of individual network banks, which are supported by 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 is subject to quarterly reporting in the context of the interest rate risk statistic submitted to the banking supervisor. This report shows 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 2011, 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 RBI's banking book given a one-basis-point interest rate increase for the whole yield curve in € thousand for reporting dates 31 December 2011 and 31 December 2010. Currencies with total interest rate sensitivity exceeding € 10 thousand are shown separately. Interest rate risk in the banking book decreased mainly due to a reduction of holdings in government bonds.

31/12/2011 € 000	Total	> 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>20y
ALL	(45)	3	(4)	6	(33)	(13)	(1)	(4)	0	0	0	0
BGN	16	0	3	9	0	5	(1)	0	0	0	0	0
CHF	(154)	8	(5)	(1)	(16)	(2)	(11)	(19)	(37)	(49)	(23)	0
CNY	37	(10)	16	32	0	0	0	0	0	0	0	0
CZK	12	8	(4)	19	0	(2)	3	(10)	(4)	2	(1)	0
EUR	(607)	84	121	177	185	12	(130)	(629)	(202)	(118)	(8)	(98)
HRK	(16)	(1)	0	4	(5)	(4)	(3)	(4)	(3)	0	0	0
HUF	(88)	(5)	(7)	(8)	(7)	(21)	(25)	(11)	(5)	1	0	0
RON	(108)	1	(2)	2	(8)	(31)	(11)	(35)	(23)	0	0	0
RSD	(25)	(1)	(1)	(5)	(7)	(7)	(3)	(1)	0	0	0	0
RUB	66	(36)	2	(7)	13	68	113	(6)	(28)	(40)	(13)	0
UAH	(248)	(6)	(5)	(26)	(60)	(57)	(65)	(11)	(10)	(6)	(1)	0
USD	(755)	26	(12)	24	(25)	(98)	(115)	(157)	(151)	(211)	(32)	(4)
Other	(7)	(9)	(1)	(8)	2	5	9	(1)	(3)	0	0	(1)

[1] The representation of currencies has changed year on year depending on the absolute value of the interest rate sensitivity

31/12/2010 € 000	Total	> 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>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)	0
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)

Credit spread risk

The market risk management framework uses time-dependent bond and CDS-spread curves as 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 RBI AG in this risk category, where a major part of securities positions of the Group are booked. The rollout 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 its ability to pay at all times, is performed both centrally by the 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 Asset/Liability Committee of the bank.

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, RBI appears to be well prepared for the new regulations.

Short-term liquidity risk

The following table shows excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for select maturities on a cumulative basis, taking into account balance sheet items and off-balance-sheet transactions. Based on expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates on the prolongation of defined assets, the so-called sediment of customer deposits, and the liquidity counterbalancing capacity (in particular, assets that are eligible for refinancing at central banks and that can be used as collateral in repo transactions). Excess liquidity has been further increased in all maturity buckets. In particular the ongoing effort to acquire stable customer deposits and the prudential management of available liquidity lead to the high liquidity ratio.

€ 000		2011			2010	
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	20,692,286	17,937,132	7,093,711	15,996,552	13,132,935	5,994,321
Liquidity ratio	175%	130%	105%	172%	126%	105%

Internal limits have been established in each Group unit in order to limit liquidity risk. They require a positive short-term liquidity gap based on the internal liquidity model. The Group holds sizeable amounts of 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 strategy 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, RBI arranges medium-term and long-term funding for 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 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:

31/12/2011 **€ 000**	**Carrying amount**	**Contractual cash flows**	**Up to 3 months**	**3-12 months**	**More than 1 year, up to 5 years**	**More than 5 years**
Non-derivative liabilities	**126,080,611**	**137,989,157**	**77,555,375**	**20,574,411**	**26,714,055**	**13,145,319**
Deposits from banks	37,991,809	42,071,887	22,361,668	5,482,472	11,368,842	2,858,906
Deposits from customers	66,747,234	70,263,681	48,917,920	12,265,438	4,602,652	4,477,671
Debt securities issued	14,366,814	17,010,194	3,504,640	2,562,491	9,404,260	1,538,805
Other liabilities	2,824,021	3,862,737	2,747,897	188,588	809,046	117,206
Subordinated capital	4,150,733	4,780,658	23,250	75,422	529,255	4,152,731
Derivative liabilities	**9,197,649**	**17,903,100**	**7,568,858**	**2,878,354**	**6,152,849**	**1,303,039**
Derivatives in the trading book	8,405,930	15,818,157	6,605,117	2,610,327	5,449,666	1,153,048
Hedging derivatives	42,702	49,372	541	4,782	13,065	30,984
Other derivatives	736,050	1,979,476	959,303	242,754	658,502	118,917
Credit derivatives	12,967	56,095	3,897	20,491	31,616	90

31/12/2010 **€ 000**	**Carrying amount**	**Contractual cash flows**	**Up 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

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.

Risk identification

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) are important tasks for controlling operational risks.

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 by generic business processes and event types (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 analytical tool with specific scenarios. Individual Group units furthermore run additional scenarios depending on their individual risk profile and local specifics. In 2011 RBI also participated in an exchange of scenario definitions within the ORX consortium, of which it is a member since 2010.

Monitoring

In order to monitor operational risks, key risk indicators (KRIs) are used that allow promptly identifying and mitigating operational risks. These are also specifically tailored to individual Group units.A common cataloge of key risk indicators, which is defined by the head office for internal benchmarking purposes, is mandatory for all Group units.

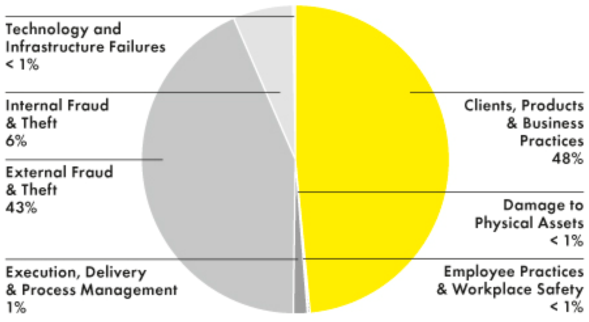
Loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner and on a Group-wide basis according to the event type and the business line. Collecting losses stemming from operational risks is a prerequisite for implementing a statistical loss 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 further develop advanced operational risk management tools.
The results of analyses as well as loss events resulting from operational risks are reported in a comprehensive manner to the Group Risk Committee on a regular basis. The distribution of losses in the Group by event type shows an increase in category Clients, Products & Business Practices in the year 2011, which is mainly caused by losses stemming from foreign currency loan conversions in Hungary.

Quantification and mitigation

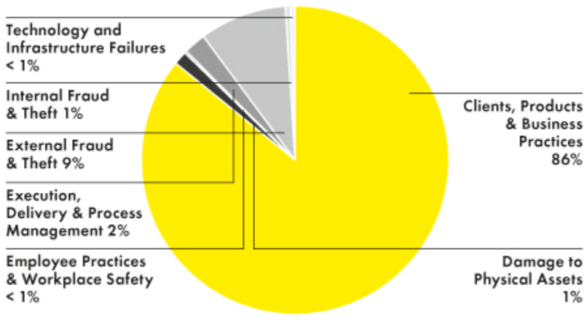
RBI currently calculates regulatory capital requirements for operational risks according to Basel II using the Standardized Approach. This approach applies to all major Group units.

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 losses in fact occur. In addition, several dedicated organizational units provide support to business units for reducing operational risks. An important roleis taken on 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 2011 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	**122,281,901**	**145,038,007**	**82,455,387**	**349,775,296**	**8,697,565**	**(9,197,650)**
Interest rate contracts	**67,754,329**	**132,690,032**	**79,386,786**	**279,831,147**	**7,542,484**	**(7,086,893)**
OTC products						
Interest rate swaps	54,278,011	126,661,289	74,347,901	255,287,201	7,334,004	(6,901,548)
Interest rate futures	10,138,796	824,586	0	10,963,382	17,509	(12,836)
Interest rate options – purchased	799,522	2,536,276	2,188,593	5,524,391	181,485	0
Interest rate options – sold	1,137,239	2,667,881	2,689,606	6,494,726	0	(167,279)
Products trading on stock exchange						
Interest rate futures	1,138,261	0	10,686	1,148,947	5,824	(1,975)
Interest rate options	262,500	0	150,000	412,500	3,662	(3,255)
Foreign exchange rate and gold contracts	**51,886,998**	**8,971,521**	**1,894,690**	**62,753,209**	**896,210**	**(1,425,303)**
OTC products						
Cross-currency interest rate swaps	2,533,555	7,584,615	1,867,979	11,986,149	267,410	(593,889)
Forward foreign exchange contracts	46,624,332	1,187,839	0	47,812,171	578,005	(682,160)
Currency options – purchased	1,247,261	60,005	1,519	1,308,785	48,138	0
Currency options – sold	1,311,728	132,279	1,645	1,445,652	0	(120,046)
Other similar currency contracts	10	0	0	10	10	0
Gold commodity contracts	8,305	6,783	23,547	38,635	930	(25,154)
Products trading on stock exchange						
Currency contracts (futures)	161,807	0	0	161,807	1,717	(4,054)
Equity/index contracts	**1,453,433**	**1,144,659**	**382,450**	**2,980,542**	**82,102**	**(590,632)**
OTC products						
Equity-/index-based options - purchased	177,063	344,239	201,960	723,262	33,306	0
Equity-/index-based options - sold	233,653	321,498	57,226	612,377	0	(172,634)
Other similar equity/index contracts	181,165	405,559	121,965	708,689	4,980	(369,640)
Products trading on stock exchange						
Equity/index futures - forward pricing	596,579	458	1,299	598,336	26,881	(31,793)
Equity/index futures	264,973	72,905	0	337,878	16,935	(16,565)
Commodities	**155,274**	**83,595**	**24,645**	**263,514**	**12,924**	**(9,623)**
Credit derivatives	**1,017,437**	**2,127,287**	**753,226**	**3,897,950**	**163,845**	**(80,498)**
Precious metals contracts	**14,430**	**20,913**	**13,590**	**48,934**	**0**	**(4,701)**

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 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)
Other similar currency contracts	0	0	0	0	1	0
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)**

(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 1 year. Variable-interest loans and advances and deposits are taken into account if they have an interest rollover period of more than 1 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.

	2011			2010		
€ 000	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Cash reserve	11,401,747	11,401,747	0	4,806,891	4,806,891	0
Loans and advances to banks	25,499,535	25,520,401	(20,866)	21,270,497	21,532,406	(6,890)
Loans and advances to customers	75,982,501	76,750,667	(768,165)	71,399,994	71,156,209	243,785
Financial investments	5,849,430	5,693,528	155,902	11,641,567	11,485,536	156,032
Intangible and tangible fixed assets	2,578,823	2,577,025	1,798	2,671,347	2,673,446	(2,100)
Other assets	2,173,704	2,173,704	0	2,066,890	2,066,890	0
Liabilities						
Deposits from banks	37,908,510	37,991,809	(83,298)	33,774,445	33,659,182	115,263
Deposits from customers	66,699,404	66,747,234	(47,830)	57,934,072	57,633,113	300,959
Debt securities issued	14,032,278	14,366,814	(334,536)	16,646,729	16,555,382	91,347
Subordinated capital	3,677,219	4,150,733	(473,514)	3,866,338	4,001,098	(134,760)
Other liabilities	1,515,024	1,515,024	0	1,243,387	1,243,387	0

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

	2011			2010		
€ 000	Level I	Level II	Level III	Level I	Level II	Level III
Trading assets	**2,861,986**	**8,630,262**	**102,882**	**3,599,448**	**5,031,317**	**255**
Positive fair values of derivatives[1]	166,781	8,001,726	102,707	69,408	4,117,769	0
Shares and other variable-yield securities	198,196	11,739	0	320,380	110,048	0
Bonds, notes and other fixed-interest securities	2,497,009	609,924	175	3,209,660	803,501	255
Call/time deposits from trading purposes	0	6,872	0	0	0	0
Financial assets at fair value through profit or loss	**5,056,336**	**2,268,679**	**34,780**	**5,613,367**	**2,301,548**	**155,352**
Shares and other variable-yield securities	130,371	118,978	4,745	146,778	131,714	1,294
Bonds, notes and other fixed-interest securities	4,925,965	2,149,701	30,035	5,466,589	2,169,834	154,058
Financial assets available-for-sale	**3,486,659**	**0**	**0**	**80,060**	**0**	**0**
Other interests[2]	64,589	0	0	80,060	0	0
Bonds, notes and other fixed-interest securities	3,422,069	0	0	0	0	0
Derivatives (hedging)	**0**	**426,350**	**0**	**0**	**925,409**	**0**
Positive fair values of derivatives from hedge accounting	0	426,350	0	0	925,409	0

[1] Including other derivatives.
[2] Includes only securities 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	2011 Level I	2011 Level II	2011 Level III	2010 Level I	2010 Level II	2010 Level III
Trading liabilities	**670,907**	**9,680,705**	**112,332**	**1,575,769**	**4,952,538**	**48**
Negative fair values of derivatives financial instruments[1]	105,421	8,992,319	57,208	555,680	4,761,952	48
Short-selling of trading assets	565,486	142	0	424,912	818	0
Certificates issued	0	688,244	55,125	595,177	189,769	0
Liabilities at fair value through profit and loss	**0**	**3,345,911**		**0**	**2,557,396**	**0**
Debt securities issued	0	3,345,911	0	0	2,557,396	0
Derivatives (hedging)	**0**	**42,702**	**0**	**0**	**476,764**	**0**
Negative fair values of derivatives from hedge accounting	0	42,702	0	0	476,764	0

[1] Including other derivatives.

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

Movements in Level 3 rated financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose valuation models are based on unobservable parameters.

€ 000	As of 1/1/2011	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	255	0	7	0	(4,251)
Financial assets at fair value through profit or loss	155,352	0	(1,090)	697	(126,089)

€ 000	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As of 31/12/2011
Trading assets	103,843	0	3,027	0	102,882
Financial assets at fair value through profit or loss	2,565	0	3,507	(161)	34,780

€ 000	As of 1/1/2011	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading liabilities	48	0	0	2,236	0

€ 000	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As of 31/12/2011
Trading liabilities	2,678	0	107,418	(48)	112,332

Gains and losses resulting from financial instruments of the level III fair value hierarchy amounted to a gain of € 106,408 thousand (2010: € 20,196 thousand).

(48) Contingent liabilities and commitments

€ 000	2011	2010
Contingent liabilities	**13,280,487**	**11,855,528**
Acceptances and endorsements	43,693	32,119
Credit guarantees	7,417,798	6,662,119
Other guarantees	2,698,867	2,266,742
Letters of credit (documentary business)	3,072,307	2,875,765
Other contingent liabilities	47,821	18,782
Commitments	**12,624,734**	**11,992,462**
Irrevocable credit lines and stand-by facilities	12,624,734	11,992,462
Up to 1 year	4,842,840	4,546,505
More than 1 year	7,781,894	7,445,957

The following table contains revocable credit lines which are unweighted according to Basel II:

€ 000	2011	2010
Revocable credit lines	**14,847,947**	**11,755,884**
Up to 1 year	11,965,514	9,686,820
More than 1 year	2,882,434	2,069,064

RBI AG is a member of Raiffeisen-Kundengarantiegemeinschaft Austria. 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 the Austrian Banking Act (BWG).

(49) Fiduciary business

Fiduciary business not recognized in the statement of financial position was concluded with the following volumes on the balance sheet date:

€ 000	2011	2010
Loans and advances to banks	9,509	9,442
Loans and advances to customers	342,863	385,666
Financial investments	7,262	31,285
Other fiduciary assets	45,741	48,891
Fiduciary assets	**405,374**	**475,284**
Deposits from banks	113,085	143,303
Deposits from customers	239,457	276,545
Other fiduciary liabilities	52,832	55,436
Fiduciary liabilities	**405,374**	**475,284**

Fiduciary income and expenses break down as follows:

€ 000	2011	2010
Fiduciary income	7,019	8,723
Fiduciary expenses	827	1,489

The following table contains the funds managed by RBI:

€ 000	2011	2010
Retail investment funds	**4,976,007**	**5,148,417**
Equity-based and balanced funds	3,004,068	3,031,164
Bond-based funds	1,700,639	1,684,183
Money market funds	232,330	373,362
Other	38,970	59,708
Special funds	**992,300**	**922,181**
Property-based funds	**69,699**	**63,286**
Total	**6,038,006**	**6,133,884**

(50) Capital management and regulatory own funds according to the Austrian Banking Act (BWG)

Capital was and is an integral part of bank management. 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 comprise all risk types (including trading book, currency risk and operational risk). The current planning/budgeting is shaped by the developments in Basel and Brussels regarding the advancement and harmonising 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 (full expansion stage Basel 3) in order to avoid regulatory limitations regarding management decisions (e.g. amount of dividend). An additional dimension has been added with the requirements of the European Banking Authority (EBA). Here the underlying rules differ from the previously valid BWG, as well as from the draftscontained in the CRR/CRD 4.

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 in the control is on the core tier 1 ratio (common-equity Tier 1). 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 falling short of the regulatory minimum capital values. Accordingly, the mixture of capital instruments (several kinds of tier-1, tier-2 andtier 3 capitals) has an important role due to the complex mutual consideration limits. Tier 3 capital, however, plays a minor role, since this kind of capital will no longer be eligible under Basel 3 and CRR I/CRD IV. Furthermore the use of Tier 2 under the regulations becoming effective in 2013 (Basel 3) will be more limited than under Basel 2.

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 3) 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 above defined 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 is 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	2011	2010
Paid-in capital	4,933,077	4,913,878
Earned capital	3,031,101	2,958,229
Non-controlling interests	1,171,016	1,003,313
Hybrid tier 1 capital	800,000	800,000
Intangible fixed assets	(501,178)	(469,346)
Core capital (tier 1 capital)	**9,434,016**	**9,206,074**
Deductions from core capital	(18,591)	(14,845)
Eligible core capital (after deductions)	**9,415,426**	**9,191,229**
Supplementary capital according to Section 23 (1) 5 BWG	598,742	599,792
Provision excess of internal rating approach positions	233,696	230,555
Hidden reserves	0	55,400
Long-term subordinated capital	2,535,571	2,480,171
Additional own funds (tier 2 capital)	**3,368,009**	**3,365,918**
Deduction items: participations, securitizations	(18,591)	(14,845)
Eligible additional own funds (after deductions)	**3,349,419**	**3,351,073**
Deduction items: insurance companies	(7,075)	(3,817)
Tier 2 capital available to be redesignated as tier 3 capital	100,079	69,078
Total own funds	**12,857,848**	**12,607,563**
Total own funds requirement	**7,624,128**	**7,584,851**
Excess own funds	5,233,720	5,022,712
Excess cover ratio	68.6%	66.2%
Core tier 1 ratio, total	9.0%	8.9%
Tier 1 ratio, credit risk	12.2%	12.2%
Tier 1 ratio, total	9.9%	9.7%
Own funds ratio	13.5%	13.3%

The total own funds requirement is as follows:

€ 000	2011	2010
Risk-weighted assets according to section 22 BWG	**77,150,488**	**75,601,318**
of which 8 per cent minimum own funds for the credit risk according to sections 22a to 22 h BWG	6,172,039	6,048,105
Standardized approach	3,056,099	2,974,035
Internal rating approach	3,115,940	3,074,070
Settlement risk	7	27
Own funds requirement for position risk in bonds, equities and commodities	519,912	326,655
Own funds requirement for open currency positions	140,139	385,622
Own funds requirement for operational risk	792,031	824,442
Total own funds requirement	**7,624,128**	**7,584,851**

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

€ 000	2011	2010
Risk-weighted assets according to section 22 BWG on standardized approach	**38,201,238**	**37,175,443**
Central governments and central banks	3,518,188	3,712,388
Regional governments	99,000	95,175
Public administration and non-profit organizations	22,250	41,638
Banks	699,488	1,013,263
Corporate customers	21,186,063	18,800,172
Retail customers	9,443,875	10,088,583
Covered bonds	1,313	0
Mutual funds	117,575	124,513
Securitization position	0	18,050
Other positions	3,113,488	3,281,663
Risk-weighted assets on internal rating approach	**38,949,250**	**38,425,875**
Central governments and central banks	38,838	878,513
Banks	4,378,813	5,047,688
Corporate customers	32,097,350	29,586,425
Retail customers	2,170,575	2,464,663
Equity exposures	225,725	313,500
Securitization position	37,950	135,088
Total	**77,150,488**	**75,601,318**

(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	2011	2010
Salaried employees	59,046	58,148
Wage earners	975	1,040
Total	**60,021**	**59,188**

Full-time equivalents	2011	2010
Austria	2,709	2,637
Foreign	57,312	56,551
Total	**60,021**	**59,188**

(52) Expenses on severance payments and retirement benefits

€ 000	2011	2010
Members of the management board and senior staff	7,033	4,129
Other employees	14,267	20,624
Total	**21,299**	**24,753**

The same regulations for employees are in principle valid for six members of the Management 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 Management Board has a defined benefit plan. Four members of the Management Board additionally have individual retirement benefits, which are funded by a reinsurance policy. For one member of the Management Board a further individual retirement benefit which is being funded by a single premium, in the amount of € 1,500 thousand m under a reinsurancepolicy thausand was made.

In the event of termination of function or employment contract and retirement from the company, two members of the Management Board are in principle entitled to severance payments according to the Salaried Employees Act (Angestelltengesetz) or Bank Collective Agreement (Bankenkollektivvertrag), two members of the Management Board according to contractual agreements and three members of the Management 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 Management Board in case of termination by the employee. For one member of the Management Board entitlement to severance payments has been converted in the course of merger-related changes of existing contracts. Corresponding payments are made in the years 2011 and 2012, in the financial year 2011 these amounted to € 2,022 thousand.

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. The severance payments in case of premature termination of office without good cause shall not exceed more than two years total remuneration.

(53) Relations to key management

Group relations of key management

Key management refers to the members of the Management 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	2011	2010
Sight deposits	155	26
Bonds	1,184	1,291
Shares	4,250	6,032
Time deposits	54	101
Leasing claims	71	67

The following table shows relations of close family members of key management to Raiffeisen Bank International:

€ 000	2011	2010
Shares	45	92
Time deposits	25	0

Moreover, as of 31 December 2011 guarantees for a loan granted to a member of the Management Board amounted to € 765 thousand (2010: € 765 thousand). There is no compensation agreed between the company and their members of the Management Board and Supervisory Board or employees in the case of a takeover bid.

Remuneration of members of the Management Board

The members of the Management Board of Raiffeisen Bank International AG are remunerated as follows:

€ 000	2011	2010
Fixed and performance-based remunerations	7,545	8,191
Payments to pension funds and business insurances	1,703	183
Share-based payments (performance-based)	373	156
Total	**9,621**	**8,530**

The table contains fixed and performance-based remuneration, remunerations for membership of boards of affiliated subsidiaries, bonus payments, and benefits in kind. In the financial year, the share of performance-based remuneration components was 10.0 per cent (2010: 1.9 per cent).

Performance-based remuneration components of the Management Board normally consist of bonus payments of the year 2010 that are linked to the achievement of the Group objectives regarding profit after tax, return on risk adjusted capital (RORAC), cost/income ratio, to the personal objectives that are agreed upon annually and to the amount of allotment regarding SIP (see page 168 share-based remuneration). For three members of the Management Board who changed from RZB to RBI the bonus calculation for 2010 was performed according to RZB return on equity (ROE). According to the contractual provisions applicable to these persons until the end of 2010 bonus payments were granted in the amount of € 941 thousand, which will be due in 2012 (€ 297 thousand) and 2013 (€ 644 thousand). The actual payment is at the discretion of the Personel Committee of RBI.

The members of the RI Management Board that had waived their rights to the bonus payments in 2010 were awarded a one-time voluntary gratuity in the amount of € 1,400 thousand which was processed by the system according to displaced bonus payments described in note (34) Equity.

It should be noted that the figures of the remuneration of the Management Board for 2011 are not directly comparable with those of 2010, because two board members resigned during the year 2010.

For one member of the Management Board liabilities existed as of 31 December 2011 in the amount of € 765 thousand (2010: € 765 thousand).

Remuneration of members of the Supervisory Board
The members of the Supervisory Board are remunerated as follows:

€ 000	2011	2010
Remunerations supervisory board	423	380

The Annual General Meeting held on 8 June 2011 decided an annual remuneration for the members of the Supervisory Board of € 423 thousand and transferred the distribution to the Board itself. The members of the Supervisory Board settled the distribution in their meeting on 8 June 2011 as follows: Chairman € 70 thousand, Deputy Chairman € 60 thousand, members of the Supervisory Board € 50 thousand. Session fees are not paid.

Thus, in the financial year, € 423 thousand was paid to the members of the Supervisory Board. In the previous year, the members of the Supervisory Board received remunerations of € 380 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 2011.

(54) Boards

Management Board

The Management Board of Raiffeisen Bank International AG is as follows:

	First assignment	End of period
Herbert Stepic, Chairman	14 June 2001	31 December 2015[1]
Karl Sevelda, Deputy Chairman	22 September 2010	31 December 2015[1]
Aris Bogdaneris	1 October 2004	31 December 2015[1]
Patrick Butler	22 September 2010	15 April 2012[2]
Martin Grüll	3 January 2005	31 December 2015[1]
Peter Lennkh	1 October 2004	31 December 2015[1]
Johann Strobl	22 September 2010[3]	31 December 2015[1]

[1] In the board meeting on 7 June 2011 the renewal ot mandates of the board was decided to 31 December 2015.
[2] After the retirment of Patrick Butler – at his own request – the Management Board appinted Klemens Breuer as successor for this function for the duration from 16 April 2012 until 31 December 2015.
[3] Assignment effective with registration of the merger in the Companies Register as of 10 October 2010.

The members of the Management Board had mandates in the Supervisory Board or similar functions, board functions, business management mandates and interest in companies at home and abroad which are not included in the consolidated group:

- Herbert Stepic: OMV AG, Österreichische Kontrollbank AG, "NONUSDECIMUS" FRANKE IMMOBILIEN HANDEL KG, "SEPTIMUS" FRANKE IMMOBILIEN HANDEL KG, H. Stepic F.C. GmbH
- Karl Sevelda: Bene Privatstiftung, BestLine Privatstiftung, Bene AG, Milletertius Kreihsler Immobilienhandel KG, SECUNDUS FRANKE IMMOBILIEN HANDEL KG, Michael Stranz Immobilienverwaltung Gamma KG
- Johann Strobl: Raiffeisen Leasing Management GmbH, Raiffeisen Zentralbank Österreich AG, Österreichische Raiffeisen-Einlagensicherung eGen
- Patrick Butler: CEESEG AG, Wiener Börse AG
- Aris Bogdaneris: Visa Global Advisory Board
- Martin Grüll: Stefan Stolitzka Privatstiftung

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 2016
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 2014
Kurt Geiger	9 June 2009	AGM 2014
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 as of 10 October 2010
[2] Staff council delegates

The members of the Supervisory Board had further mandates in the Supervisory Board or similar functions in quoted companies at home and abroad:

- Walter Rothensteiner: UNIQA Versicherungen AG
- Erwin Hameseder: AGRANA Beteiligungs-AG, STRABAG SE, UNIQA Versicherungen AG, Südzucker AG, Flughafen Wien AG
- Ludwig Scharinger: voestalpine AG, Austria Metall AG
- Christian Teufl: AGRANA Beteiligungs-AG, VK Mühlen AG
- Hannes Schmid: UNIQA Versicherungen AG
- Kurt Geiger: Demir Bank OJSC

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	–

(55) Subsequent events

Acquisition of Polbank

RBI signed an agreement with the Greek EFG Eurobank Ergasias S.A. (Eurobank EFG) on 3 February 2011 for the acquisition of a majority share of 70 per cent in its business unit Polbank EFG (Polbank) as a first step. With its strong focus on private customers, Polbank would complement Raiffeisen Bank Polska ideally, which mainly focuses on corporate customers.

Significant steps towards acquiring Polbank – for example the approvals by the European Commission and the transition to an independently licensed bank – as well as the preparations for the future organizational structure of the merged bank were successfully carried out in the 2011 financial year. Closing the transaction now depends on the regulatory approval in Poland.

Strengthening the core capital

The tender offer period for buying back several RBI hybrid bonds ended on 5 March 2012. In total, RBI bought back securities with a total nominal value and at a liquidation preference amount of € 358 million. The buyback increases the core tier 1 capital by approximately € 113 million (the difference between the nominal and redemption amount) or the core tier 1 ratio by 0.12 percentage points. This strengthens the capital structure accordingly against the backdrop of the changes in the regulatory requirements.

RBI optimizes structure of participations to prepare for Basel III

In the course of its measures to prepare for the Basel III guidelines that will be in force as of 2013, Raiffeisen Bank International AG (RBI) is currently optimizing its structure of participations. The European implementation of Basel III will limit the recognition of the capital contributions provided by minority shareholders. In order to avoid this effect, RBI will acquire the minority shareholdings that Raiffeisen Zentralbank Österreich AG (RZB) holds in the Slovak Tatra banka a.s. and the Czech Republic's Raiffeisenbank a.s. By doing so, RBI will increase its already existing majority shareholdings in these network banks and will further simplify the shareholder structure.

On the completion of this measure – which is still subject to approval from the relevant regulatory authorities – RBI's equity share in Tatra banka in Slovakia will increase from 65.8 per cent to 78.6 per cent and from 51.0 per cent to 75.0 per cent in Raiffeisenbank in the Czech Republic. The purchase price for the shares will total approximately € 344 million, which will initially impact RBI's core tier 1 ratio by around 0.35 percentage points.

(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)	19,800,000	RON	100.0%	BR
Centrotrade Chemicals AG, Zug (CH)	5,000,000	CHF	100.0%	OT
Centrotrade Deutschland GmbH, Eschborn (DE)	1,000,000	EUR	100.0%	OT
Centrotrade Minerals & Metals Inc., Chesapeak (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
JLLC "Raiffeisen-leasing", Minsk (BY)	4,300,250,000	BYR	83.9%	FI
Kathrein & Co. Vermögensverwaltung GmbH, Vienna (AT)	125,000	EUR	80.0%	FI
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	20,000,000	EUR	100.0%	BA
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)	1,250,893,080	PLN	100.0%	BA
Raiffeisen Bank S.A., Bucharest (RO)	1,200,000,000	RON	99.5%	BA
Raiffeisen Bank Sh.a., Tirana (AL)	9,926,093,000	ALL	100.0%	BA
Raiffeisen Bank Zrt., Budapest (HU)	165,023,000,000	HUF	70.3%	BA
Raiffeisen banka a.d., Belgrade (RS)	27,466,157,580	RSD	100.0%	BA
Raiffeisen Banka d.d., Maribor (SI)	17,578,052	EUR	86.4%	BA
Raiffeisen Centrobank AG, Vienna (AT)	47,598,850	EUR	100.0%	BA
Raiffeisen Compulsory Pension Fund Management d.d., Zagreb (HR)	110,000,000	HRK	75.0%	FI
Raiffeisen Energy Service Ltd., Budapest (HU)	20,000,000	HUF	72.7%	OT
Raiffeisen Equipment Leasing Kft., Budapest (HU)	50,400,000	HUF	69.0%	FI
Raiffeisen Factoring Ltd., Zagreb (HR)	15,000,000	HRK	75.0%	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 INSURANCE BROKER EOOD, Sofia (BG)	5,000	BGN	100.0%	BR
Raiffeisen Investment Aktiengesellschaft, Vienna (AT)	730,000	EUR	100.0%	FI
Raiffeisen Leasing Aval LLC, Kiev (UA)	180,208,527	UAH	93.4%	FI
Raiffeisen Leasing Bulgaria OOD, Sofia (BG)	5,900,000	BGN	81.1%	FI
Raiffeisen Leasing d.o.o., Belgrade (RS)	226,389,900	RSD	87.5%	FI
Raiffeisen Leasing d.o.o., Ljubljana (SI)	3,738,107	EUR	75.0%	FI
Raiffeisen Leasing d.o.o., Sarajevo (BA)	17,191,063	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., Tirana (AL)	208,031,014	ALL	93.8%	FI
Raiffeisen Lizing Zrt., Budapest (HU)	50,600,000	HUF	72.7%	BA
Raiffeisen Malta Bank plc., Sliema (MT)	340,000,000	EUR	100.0%	BA
Raiffeisen Property International GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	603,447,952	BGN	100.0%	BA
Raiffeisenbank a.s., Prague (CZ)	7,511,000,000	CZK	51.0%	BA
Raiffeisenbank Austria d.d., Zagreb (HR)	3,621,432,000	HRK	75.0%	BA
Raiffeisen-Leasing d.o.o., Zagreb (HR)	30,000,000	HRK	75.0%	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 Service Center GmbH, Vienna (AT)	2,000,000	EUR	51.9%	BR
RZB Finance (Jersey) II Ltd, St. Helier (JE)	100,000,002	EUR	*[2]	FI
RZB Finance (Jersey) III Ltd, St. Helier (JE)	200,001,000	EUR	*[2]	FI
RZB Finance (Jersey) IV Limited, GBJ-St. Helier JE4 8PX, St. Helier (GBJ)	500,002,000	EUR	*[2]	FI
Tatra Asset Management sprav.spol., a.s., Bratislava (SK)	1,659,700	EUR	65.8%	FI
Tatra banka a.s., Bratislava (SK)	64,326,228	EUR	65.8%	BA
Tatra Leasing 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
[2] Companies, that are consolidated based on the economic control according to the IFRS framework

(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	Type[1]
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	131,074,560	RON	33.3%	BA

[1] 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	Type[1]
CEESEG Aktiengesellschaft, Vienna (AT)	18,620,720	EUR	7.0%	SC
ELIOT, s. r. o., Bratislava (SK)	1,613,556	EUR	100.0%	BR
Fondul de Garantare a Creditului Rural S.A., Bucharest (RO)	10,930,530	RON	33.3%	FI
LLC "Insurance Company 'Raiffeisen Life", Moscow (RU)	60,000,000	RUB	25.0%	VV
OOO "Raiffeisen Capital", Moscow (RU)	225,000,000	RUB	100.0%	FI
Österreichische Raiffeisen-Einlagensicherung eGen, Vienna (AT)	3,100	EUR	9.7%	OT
Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG)	250,000	BGN	100.0%	FI
Raiffeisen Capital & Investment S.A., Bucharest (RO)	1,600,000	RON	100.0%	FI
Raiffeisen consulting d.o.o., Zagreb (HR)	14,900,000	HRK	100.0%	FI
Raiffeisen Factoring Ltd., Sofia (BG)	1,000,000	BGN	100.0%	FI
Raiffeisen Financial Services Polska Sp. z o.o., Warsaw (PL)	3,847,500	PLN	100.0%	FI
RAIFFEISEN FUTURE AD, Belgrade (RS)	143,204,921	RSD	100.0%	FI
Raiffeisen Insurance and Reinsurance Broker S.R.L, Bucharest (RO)	180,000	RON	100.0%	BR
Raiffeisen Invest a.d., Belgrade (RS)	56,207,706	RSD	100.0%	FI
Raiffeisen Invest d.o.o., Zagreb (HR)	8,000,000	HRK	100.0%	FI
Raiffeisen Investment (Bulgaria) EOOD, Sofia (BG)	60,050	BGN	100.0%	FI
Raiffeisen Investment Fund Management JSC, Budapest (HU)	100,000,000	HUF	100.0%	FI
Raiffeisen Non-Government Pension Fund, Moscow (RU)	353,000,000	RUB	100.0%	FI
Raiffeisen Pension Insurance d.o.o., Zagreb (HR)	14,400,000	HRK	100.0%	FI
Raiffeisen Pensions Sh.A., Tirana (AL)	90,000,000	ALL	100.0%	FI
Raiffeisen Research GmbH, Vienna (AT)	55,000	EUR	51.0%	BR
Raiffeisen stavebni sporitelna, a.s., Prague (CZ)	650,000,000	CZK	10.0%	BA
RAIFFEISEN TRAINING CENTER LTD., Zagreb (HR)	20,000	HRK	100.0%	BR
Raiffeisen Voluntary Pension Funds Management d.o.o., Zagreb (HR)	33,445,300	HRK	100.0%	FI
RLKG Raiffeisen-Leasing GmbH, Vienna (AT)	40,000	EUR	12.5%	FI
Tatra Group Servis, s.r.o., Bratislava (SK)	12,281,750	EUR	100.0%	BR
The Zagreb Stock Exchange joint stock company, Zagreb (HR)	40,408,000	HRK	3.3%	SC

[1] Company type: BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT…Other companies, , VV… Insurance, WP … Securities firms

Vienna, 12 March 2012

The Management 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 2011 to 31 December 2011. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2011, 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 2011 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 2011 and of its financial performance and its cash flows for the year from 1 January to 31 December 2011 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, 12 March 2012

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Rainer Hassler
Wirtschaftsprüfer

Mag. Bernhard Mechtler
Wirtschaftsprüfer

(Austrian Chartered Accountants)

Group management report

Market development

Slugsh growth in Europe and US

2011 started off well but from spring onwards the eurozone economy became increasingly sluggish. In the first quarter, real gross domestic product (GDP) was still rising at a rate of 0.8 per cent, while in each of the following two quarters it increased only by approximately 0.2 and 0.1 per cent, respectively. In the fourth quarter, the eurozone even slipped into recession. For 2011 as a whole, GDP growth of 1.5 per cent is expected. At an average 2.7 per cent, the inflation rate in 2011 was significantly higher than the ECB's official target. The main cause for the rise in inflation was an increase in energy prices.

The US economy had grown by 3 per cent in 2010, but in 2011 growth also here slowed down again. This was mainly due to the sharp rise in oil prices as a result of the Arab Spring, modest rises in wages and salaries and the exceptionally high unemployment relative to US standards, which dragged private consumption down, especially in the first half of the year. Moreover, the steps taken to consolidate the budget slowed the momentum down. However, thanks to the lower rise in prices and higher capital expenditure by companies, the economy recovered in the second half of the year, with real US GDP growing by 1.7 per cent in 2011.

Diverging developments in CEE

In the Central and Eastern European (CEE) countries, which in 2010 had already somewhat recovered from the financial crisis, achieving economic growth of 3.5 per cent, the positive trend continued in 2011. Exports continued to be the main engine of growth while domestic demand slowed considerably almost everywhere. Public sector expenditure contributed modestly towards economic output in light of the budgetary consolidation measures being introduced in many places. The drag on the economy generated by events in the eurozone, however, slowed the generally positive growth in 2011.

Poland and Slovakia reported the highest growth in Central Europe in 2011. While Poland benefited once more from robust domestic demand, achieving solid growth of 4.3 per cent, Slovakia generated a growth rate of 3.3 per cent thanks to its strong export sector. As a result of cost-cutting efforts, economic growth in the Czech Republic lost momentum somewhat in 2011, falling to 1.7 per cent. Slovenia's weak banking sector put a strain on its growth, which consequently amounted to minus 0.2 per cent. Hungary's strong export sector made up for its weak domestic demand, resulting in GDP growth of 1.7 per cent.

At 1.9 per cent, GDP growth in Southeastern European countries was positive in 2011 after having suffered noticeably from the crisis with figures of minus 0.7 per cent in 2010 and minus 5.4 per cent in 2009. Governments, however, could do little to boost the economy in view of the strenuous budgetary constraints. Even though domestic demand remained at a low level, it still contributed to the reduction of current account deficits. The main driving force behind a return to growth represented exports, although they also dropped.

In 2011, the economy continued to recover in the Commonwealth of Independent States (CIS). At 4.3 per cent, Russian economic growth remained at the previous year's level, mainly as a result of the persistently high prices for fuels and other commodities. Strong domestic demand, robust exports and a solid harvest accounted for economic growth of 5.2 per cent in Ukraine. In contrast, economic growth in Belarus came to a virtual standstill in the second half of 2011 as a result of the country's economic problems.

Overall, a considerable slowdown in economic growth in Central and Eastern Europe is expected in 2012, mainly due to the significant deterioration of the situation in the eurozone as a result of the sovereign debt crisis. Thanks to Russia acting as its engine of growth, the CIS region is likely to continue to record the strongest growth. As a global recession is not expected, prices for commodities, especially oil, will probably remain stable, which will support the region's economic model which is based on exports of commodities. By contrast, Southeastern Europe is expected to record a significant drop in exports in view of its geographical proximity to the eurozone members in Southern Europe that are under serious pressure. Within Central Europe, Poland is forecasted to see positive economic growth in 2012, supported - as before - by largely stable domestic demand. The other economies in Central Europe are suffering from a drop in foreign demand from the eurozone, which will probably push them back into recession in the first half of 2012. Analysts do not expect a boost to the economy of the CEE region as a whole until the second half of the year when the situation in the eurozone is expected to improve.

Annual real GDP growth in per cent compared to the previous year

Country	2010	2011e	2012f	2013f
Czech Republic	2.7	1.7	(0.2)	1.4
Hungary	1.3	1.7	(0.5)	1.5
Poland	3.9	4.3	2.8	3.7
Slovakia	4.0	3.3	0.8	2.5
Slovenia	1.4	(0.2)	0.0	1.5
CE	**3.2**	**3.1**	**1.4**	**2.7**
Albania	3.9	2.0	2.5	3.5
Bosnia and Herzegovina	0.7	1.9	0.0	2.0
Bulgaria	0.4	1.7	1.0	2.5
Croatia	(1.2)	0.2	(1.0)	1.0
Kosovo	3.9	4.0	3.0	4.0
Romania	(1.6)	2.5	0.5	2.5
Serbia	1.0	2.0	0.0	1.0
SEE	**(0.7)**	**1.9**	**0.3**	**2.1**
Belarus	7.6	5.3	3.0	3.0
Russia	4.3	4.3	3.7	4.0
Ukraine	4.2	5.2	3.5	4.0
CIS	**4.4**	**4.4**	**3.7**	**4.0**
CEE	**3.5**	**3.7**	**2.6**	**3.4**
Austria	**2.3**	**3.1**	**0.3**	**1.3**
Germany	**3.6**	**3.1**	**0.0**	**1.1**
Eurozone	**1.8**	**1.5**	**(0.5)**	**1.1**

Positive trends in Austria

After the 2009 collapse in economic output (real GDP: minus 3.8 per cent), the Austrian economy performed very well in 2010 (real GDP up 2.3 per cent) as well as in the first half of 2011. This economic expansion was driven by high growth in exports and an increase in investment. In the second half of 2011, however, growth slowed down considerably; in the fourth quarter real GDP even declined slightly year-on-year. Nevertheless, the good first half year ensured strong growth for the full year (real GDP: plus 3.1 per cent). These generally positive trends led to a further decline in unemployment, which, compared to the eurozone, was already very low. In contrast, inflation rose sharply to 3.5 per cent as a result of higher crude oil prices in the first half of 2011 and government measures, such as tax increases. Inflation, however, had passed its peak in September (Harmonized Index of Consumer Prices: 3.9 per cent p.a.).

Asia remains growth egine

Asia remained by far the most dynamic region in the world in 2011, although it was slowed down noticeably in the second quarter by the events in Japan. Investments and a credit expansion fueled domestic demand in China, leading to a 9.2 per cent increase in 2011 after a 10.4 per cent rise in 2010. Signs of overheating, however, led to a rapid rise in inflation which was countered by restrictive monetary policy measures. The Chinese government was equally restrictive in tackling the looming real estate bubble. The slowdown in economic growth that has been evident since the second half of 2011 is likely to continue in 2012. India also suffered from high inflation which stood on average at more than 9 per cent in 2011. Combined with a decrease in demand from Europe, this led to a slowdown in economic growth to 6.1 per cent in the fourth quarter of 2011, after 6.9 per cent in the third quarter and 7.7 per cent in the second quarter of 2011.

Sovereign debt crisis puts a strain on financial markets

The European sovereign debt crisis had already had a negative impact on the financial markets in 2010 but the situation only deteriorated in 2011. Following Greece and Ireland, Portugal became the third country in the eurozone forced to resort to help from the EFSF/IMF safety net as of April 2011. While Ireland and Portugal were largely successful in implementing the restructuring programs negotiated with the EU and the IMF, it became increasingly clear as 2011 progressed that Greece would come nowhere near to meeting the targets it had agreed on for the consolidation of its budget. It soon became evident that another "rescue package" would have to be put together to avoid a default. EU finance ministers approved this second rescue package for Greece in July; in addition to further official loans, it stipulated a "voluntary" agreement by private bondholders to give up 21 per cent of their claims.

The fear that participation by the private sector would lead to a wave of contagion spreading to countries like Spain and Italy became reality in August 2011. Measured by GDP, Italy is the second-most heavily indebted country in the eurozone after Greece and its government bonds came under particularly heavy pressure. Even intervention by the ECB, which added Italian and Spanish papers to the government bonds it was buying at the beginning of August, only gave short-term relief. By the time the contagion reached Italy and Spain, at the latest, the sovereign debt crisis had become systemic with major negative effects on the whole financial sector and, in turn, on the real economy. To stop this downward spiral, eurozone heads of state and government agreed on a package of measures at the end of October. However, the plans for a coordinated capitalization of the European banking sector, a leveraging of the EU safety net (the EFSF) and an increase of the amount of claims to be given up by the private sector as agreed in the second package for Greece only led to a brief interruption in the sell-off of bonds issued by European peripheral states. The ECB's decision at the end of 2011 to improve the European banks' liquidity supply by issuing triennial refinancing operations caused a more sustainable relief in the European bond markets.

Global currencies

The sovereign debt crisis in the eurozone continued to dominate movements in the euro and US dollar exchange rates in 2011, with the negative developments in the US (such as the downgrading of its credit rating and the blocking of the budget reforms) only playing a secondary role. At 1.31, the euro started the year at a relatively low level against the US dollar but gradually recovered in the first few months – in view of hopes for progress on the sovereign debt crisis – reaching the peak of 1.49 EUR/USD at the beginning of May. As the debt crisis then escalated, and especially when it extended to countries like Italy and Spain in the summer, the euro weakened noticeably in the second half of the year, hitting its low of 1.29 EUR/USD in December.

As a consequence of the euro debt crisis and the increased need for security by investors, the Swiss franc continued its upward trend against the euro that had started in the fall of 2007. The resulting strong franc increasingly became a problem for the Swiss export sector. In August the Swiss National Bank (SNB) initially tried to counter the franc's appreciation with a significant expansion in liquidity. When these attempts failed and the Swiss currency briefly came close to parity with the euro, the SNB decided at the beginning of September to introduce an exchange rate floor of 1.20 EUR/CHF. So far the SNB has managed to defend this mark without any problems.

CEE currencies

CEE currencies had initially remained stable up to the middle of 2011, but lost ground as the sovereign debt crisis deteriorated from mid-August onwards. This particularly affected the liquid currencies in Central Europe (the Czech koruna, Hungarian forint and Polish zloty), which dropped heavily against the euro. The rise in risk aversion due to the lack of a solution to the eurozone's problems spilled over into CEE and, as during the financial crisis, induced investors to treat the whole region indiscriminately.

The Polish zloty has been subject to particularly heavy market pressure since the beginning of the sovereign debt crisis in the eurozone. The reason behind this is the very high liquidity in the Polish currency and bond markets. However, interventions in the markets by the Polish authorities in the course of 2011 temporarily stabilized the zloty. The Czech koruna also fell sharply against the euro from August onwards, but the Hungarian forint was most affected: Political decisions and a downgrading of Hungary's credit rating pushed it back to its 2009 lows against the euro. While the currencies of countries in Central Europe were subject to strong fluctuations, Southeastern European currencies did not fully reflect the uncertainties and increase in risk aversion on a direct basis. However, indirect effects, such as a decline in foreign investment, were certainly noticeable and led, in particular in the second half of 2011, to a depreciation of the Croatian kuna, Romanian leu and Serbian dinar. This trend is likely to continue in 2012.

Development of the banking sector

Continued banking sector growth in Central and Eastern Europe

The shortage and higher cost of external financing for banks and governments and the lower demand for credit – both due to banks' more restrictive lending policies – resulted in stagnant credit growth in CEE (minus 1.5 per cent year-on-year) in 2009. The situation recovered in 2010 with credit in CEE expanding by almost 14 per cent overall. In 2011, a 14 per cent credit growth is expected to be achievable once more. CEE credit expansion rates were, however, generally much lower in 2010 and 2011 than in the years preceding the crisis from 2004 to 2008.

The positive trend continued in the first half of 2011 and lending increased slightly, above all for corporate customers. Faced with stricter lending standards, however, CEE credit growth weakened noticeably in the second half of 2011. This trend is likely to continue in 2012 in light of the challenging regulatory environment and economic trends, above all in the first half of the year. Current forecasts for 2012 expect lending to expand only by 5 to 10 per cent in Central Europe and the CIS, and by 1 to 3 per cent in Southeastern Europe.

After rising by only 0.6 per cent in 2009, the banking sector's total assets (expressed in euros) grew by 13 per cent in 2010 and 14 per cent in 2011. As with the credit growth, these growth rates were significantly lower than in the pre-crisis years of 2004 through 2008. Over the next few years, percentage increases in total assets throughout the CEE region are forecast to be in the low single digits but differing widely between the various countries. For instance, a low double-digit percentage increase in total assets should still be possible in Russia over the next few years, while it is likely to be in high single digits in Central European countries (except for Hungary). In view of the challenging environment (such as high ratios of loans to deposits and a high level of lending in relation to the strength of the economy), percentage growth in total assets in Southeastern European countries is likely to only be in low single digits.

Governments and banks facing difficult financing environment

The financing environment for CEE states improved significantly in 2010 and the first half of 2011, securing both refinancing and new issues of sovereign debt on the local and global bond markets. Many countries took advantage of the favorable situation to pre-finance their requirements. Yields on local sovereigns trended sideways for a long time. This was partly due to the ongoing expansionary monetary policy in Western Europe and partly to the decline in risk premiums. At the same time, investors took a very differentiated view of the individual CEE countries on the debt market. Risk factors such as indebtedness, budget deficits and political uncertainty were all reflected in bond prices. This environment will continue to benefit the CEE countries promoting reforms. Risk premiums for many CEE countries are currently lower than those for a number of eurozone economies such as Italy, Portugal or Spain. The financing environment for CEE governments and banks, however, deteriorated significantly in the second half of 2011, which means that support measures (involving the IMF) for individual CEE countries cannot be ruled out for 2012.

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) as applied in the EU. RBI AG also prepares separate financial statements in accordance with the Austrian Commercial Code (UGB) in conjunction with the Austrian Banking Act (BWG), which provide the formal basis of assessment for calculating dividend distributions and the tax assessment. 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 Raiffeisen Zentralbank Österreich AG (RZB), which makes it part of the RZB Group. RZB held a stake of around 78.5 per cent at the end of 2011; the remaining shares were free float. As of 31 December 2011, RBI's scope of consolidation comprised 135 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 the relevant sections in the notes.

Performance

Profit before tax up

RBI's profit before tax for 2011 rose by 7 per cent to € 1,373 million. The performance of the individual earnings components in the income statement differed widely. Performance also varied at regional level. While many CEE countries – in particular Russia (up 63 per cent to € 434 million), Slovakia (up 51 per cent to € 185 million) and the Group Corporates segment (up 26 per cent to € 373 million) – achieved significant growth in earnings, Hungary reported a loss before tax of € 375 million. The situation in Hungary is partly the result of measures taken at political level (legislation allowing early repayment of foreign currency mortgage loans at preferential rates) and partly of a further decline in the quality of the loan portfolio in the local Group units.

Positive trend in net provisioning

Net provisioning for impairment losses dropped sharply – in total by 11 per cent or € 131 million – in most countries with the exception of Hungary as a result of the ongoing improvement in the economic environment and actively managed measures to stabilize the loan portfolio. While significantly fewer loan loss provisions had to be allocated in many countries, net provisioning for impairment losses in Hungary rose as a result of its economic and political situation by € 282 million to € 478 million, thus making up almost half of the loan loss provisioning throughout the Group. Net provisioning for individual loan losses at RBI stood at € 1,177 million, representing a year-on-year decline of around 2 per cent. Owing to releases of provisions for Russia, Hungary, Ukraine and Slovakia, there was a net release of portfolio-based loan loss provisions in the reporting year amounting to € 105 million. The net provisioning ratio based on average credit risk-weighted assets fell by 28 basis points to 1.38 per cent. The NPL ratio – the proportion of non-performing loans in the loan portfolio – improved, falling for the first time in several years by 0.3 percentage points to 8.65 per cent.

Valuation gains on derivatives and designated liabilities

Year-on-year, net income from derivatives and designated liabilities turned positive and came to € 413 million. This was partly due to a € 258 million rise in net income from revaluations of derivative instruments entered into for steering purposes, in particular because of the yield curve becoming flatter from the second quarter onwards. At the same time, the value of designated liabilities arising from own issues decreased as a result of the significant widening in RBI's credit spread following the developments on the capital markets; this led to a valuation gain of € 184 million.

Market-related valuation losses on securities

The increased volatility on the financial markets caused by the European sovereign debt crisis is reflected in the valuation losses on securities and participations and the € 278 million drop in net income from financial investments to minus € 141 million.

Macroeconomic outlook required impairment of goodwill

The changed macroeconomic outlook for Ukraine and the rise in the discount rate used for valuations resulted in a partial impairment of goodwill at Raiffeisen Bank Aval of € 183 million. This left the bank with goodwill on its balance sheet of € 29 million at the end of 2011. The low goodwill stated on the balance sheets of the banks in Hungary (€ 3 million) and Slovenia (less than € 1 million) were written down in full. Total goodwill at year-end stood at € 408 million.

Slight increase in operating income

Operating income excluding impairment of goodwill rose by 1 per cent or € 72 million to € 5,475 million. Net interest income increased by 3 per cent, thus making up two thirds of operating income. Slight volume-based declines stood in contrast to an increase of the net interest margin by 10 basis points to 2.61 per cent. At € 1,490 million, net fee and commission income remained virtually unchanged compared to the previous year, while net trading income rose year-on-year by 11 per cent. This is mainly attributable to valuation gains owing to a change in the valuation model to adapt to the alteration in legislation for capital guarantees. Negative effects arose from hyperinflation accounting (for Belarus), which had to be applied for the first time in the fourth quarter of 2011. At minus € 45 million, other net operating income (excluding impairment of goodwill) was short of the prior-year figure by € 51 million. This is mainly due to the introduction of the Austrian bank levy, which resulted in additional expenses for RBI of € 83 million. This was reported as other non-income related taxes under other net operating income.

Moderate rise in general administrative expenses

General administrative expenses rose year-on-year by just under 5 per cent or € 141 million to € 3,120 million. The cost/income ratio (excluding impairment of goodwill) increased as a result by 1.8 percentage points to 57.0 per cent. Staff expenses rose year-on-year by 6 per cent or € 87 million. This was caused particularly by market-related salary adjustments and bonus payments in a number of markets and by changes in legislation for social security contributions in Russia and Slovakia. The average number of staff rose by 1 per cent or 833 to 60,021, primarily as a result of increases in staff numbers in Ukraine, Russia and Romania. The biggest increases were reported in the Czech Republic, Ukraine and Russia. Year-on-year, other administrative expenses increased by 2 per cent or € 23 million. Major factors here were the rise in deposit insurance fees (up 16 per cent) and IT expenses (up 10 per cent). The number of business outlets fell by 33 to 2,928 in the reporting year. Expansion in the Czech Republic (plus 17) was offset by declines in Ukraine (minus 22), Serbia (minus 10) and Hungary (minus 10).

Disproportionate rise in taxes

At € 399 million, income taxes were € 289 million higher than in the previous year. This is due to non-recurring effects with deferred taxes in the reporting year and in 2010. In 2011, the losses in Hungary could not be made fully deductible for tax purposes by recognizing tax loss carry-forwards and, in addition, gains on own liabilities increased deferred taxes. By contrast, 2010 brought some tax relief, particularly as a result of deferred tax income arising from the recognition of tax loss carry-forwards in Austria (€ 120 million); a change in tax legislation in Ukraine provided additional tax relief (€ 26 million). In total the effective tax rate rose from 8.6 per cent to 29.1 per cent. Without the one-off effects above, the effective tax rate would have been 20 per cent.

Consolidated profit of just under € 1 billion

Compared to profit after tax, profit attributable to non-controlling interests fell to a sharply disproportionate extent by 93 per cent to minus € 6 million. This decline was primarily due to the losses in Hungary in which non-controlling interests had a share of around 30 per cent. In addition, the rises in earnings were largely attributable to Group units with few non-controlling interests, if any. After deducting profit attributable to non-controlling interests, the consolidated profit accounted for by RBI amounted to € 968 million, which represents a decline of 11 per cent or € 120 million year-on-year.

Earnings per share of € 3.95

Earnings on each of the 194.6 million shares outstanding amounted to € 3.95 in 2011 after € 4.56 in the previous year. The Management Board will propose to the Annual General Meeting in June 2012 that a dividend of € 1.05 per share be paid for 2011, as for 2010. This would result in a total payment of € 205 million.

ROE before tax unchanged at 13.7 per cent

Return on equity before tax, an important figure for measuring performance, stood unchanged year-on-year at 13.7 per cent. This is primarily due to the straight-line increase in the components used to calculate it. Besides profit before tax, the average equity that underlies the calculation of ROE grew by 7 per cent to € 10,032 million. While retained earnings made a positive contribution, currency movements and dividend distributions had a dampening effect. Excluding the impairment of goodwill, at 15.6 per cent, ROE would have been higher year-on-year. Consolidated ROE – based on the capital attributable to RBI shareholders – fell as a result of higher taxes by 2.1 percentage points to 10.8 per cent.

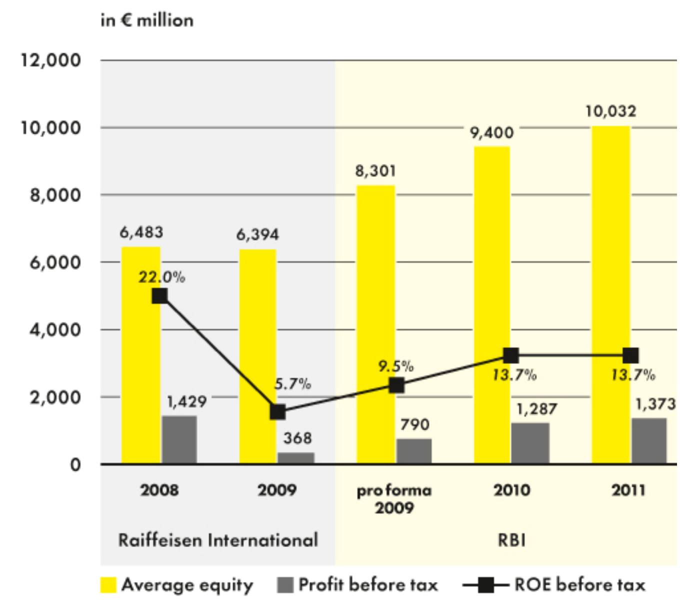
Equity up 5 per cent to € 10.9 billion

Equity including non-controlling interests rose by 5 per cent or € 532 million compared with the beginning of the year to € 10,936 million. An increase from other comprehensive income of € 811 million and contributions by non-controlling interests of € 169 million were offset by dividend distributions for 2010 totaling € 463 million. Of this amount, € 204 million was attributable to RBI shareholders, € 200 million to the participation capital and € 58 million to non-controlling interests.

Other comprehensive income was determined on the one side by the profit after tax of € 974 million and, on the other side, by currency differences and capital hedges due to write-downs in Russia, Belarus and Poland totaling minus € 318 million. Net income from financial assets available-for-sale represented a valuation gain after tax of € 113 million. Reversing through profit or loss the valuation gain that arose from cash flow hedging as a result of the end of this hedging activity led to a minus of € 36 million (after taking deferred taxes into account). The hyperinflation accounting that it became necessary to apply in Belarus increased comprehensive income by € 95 million.

Changes in profit and return on equity

In € million



Increase in tier 1 ratio to 9.9 per cent

Regulatory own funds rose by 2 per cent year-on-year to € 12,858 million. The changes described in equity (excluding net valuation gains on financial assets available-for-sale that are not relevant for regulatory purposes) raised tier 1 capital by 2 per cent to € 9,434 million, while additional own funds (tier 2) remained unchanged at € 3,368 million. Short-term additional own funds (tier 3) increased by 45 per cent to € 100 million as a result of tier 2 issues approaching maturity.

Despite the introduction of the CRD III regulations, which mainly affected market risk and were responsible for a rise of € 324 million, the own funds requirement remained virtually unchanged, increasing by € 39 million to € 7,624 million. A 2 per cent increase in credit risk and a 66 per cent increase in market risk were offset by a 65 per cent reduction in the own funds requirement for foreign currency risk as a result of a change in methodology.

The tier 1 ratio (total risk) increased by 0.2 percentage points to 9.9 per cent. The own funds ratio rose by 0.2 percentage points to 13.5 per cent. The core tier 1 ratio (without taking hybrid capital into account) improved from 8.9 per cent to 9.0 per cent.

Liquidity-related rise in total assets by 12 per cent

Total assets gained 12 per cent or € 15.8 billion from the beginning of 2011, rising to € 147.0 billion. In all, currency effects reduced total assets by around 1 per cent. The growth in assets reflected higher short-term loans to banks, partly including repo transactions, which raised loans and advances to banks by € 4.2 billion. Cash reserves also increased by € 6.6 billion due to higher balances at central banks. Loans and advances to customers after provisioning rose by € 5.6 billion, largely as a result of loans to major customers and repo transactions with non-banks. On the liabilities side, the increase was mainly due to two items: deposits from customers increased by € 9.1 billion, which was mainly on account of institutional and corporate customers (€ 6.3 billion) and private individuals (€ 3.3 billion). The loan/deposit ratio (loans and advances to customers divided by customer deposits) improved by 9 percentage points compared with the end of 2010 to 122 per cent. Deposits from banks also rose by € 4.3 billion as a result of an inflow of short-term deposits, while debt securities issued declined by € 2.2 billion as a result of various issues maturing – in particular a € 1.5 billion state-guaranteed bond issued in 2009.

Detailed review of items in the income statement

Operating result

In € million	1/1-31/12/2011	1/1-31/12/2010	Change absolute	Change in %
Net interest income	3,667	3,578	89	2.5%
Net fee and commission income	1,490	1,491	(1)	(0.1)%
Net trading income	363	328	35	10.7%
Other net operating income[1]	(45)	6	(51)	–
Operating income	**5,475**	**5,403**	**72**	**1.3%**
Staff expenses	(1,540)	(1,453)	(87)	6.0%
Other administrative expenses	(1,209)	(1,187)	(23)	1.9%
Depreciation of intangible and tangible fixed assets	(372)	(340)	(31)	9.2%
General administrative expenses	**(3,120)**	**(2,980)**	**(141)**	**4.7%**
Operating result	**2,355**	**2,424**	**(69)**	**(2.8)%**

[1] Excl. impairment of goodwill

Net interest income

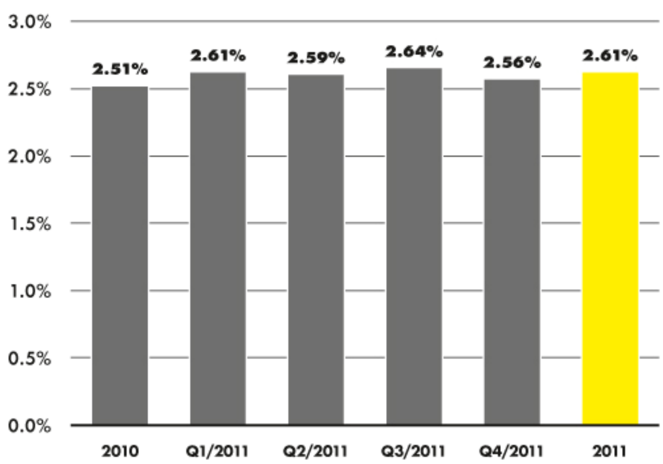
RBI's net interest income rose 3 per cent in 2011, adding € 89 million to reach € 3,667 million. Net interest income therefore made up 67 per cent of operating income. The net interest margin (calculated using average total assets) improved by 10 basis points, coming in at 2.61 per cent. Average total assets were down 1 per cent.

Net interest income was influenced by various factors in the reporting year. Business with customers improved considerably in Russia, Romania, Austria and Slovakia, and in addition, the more favorable refinancing conditions boosted net interest income. Net interest income from financial investments benefited from higher interest on government bonds acquired in Ukraine and Poland to place excess liquidity.

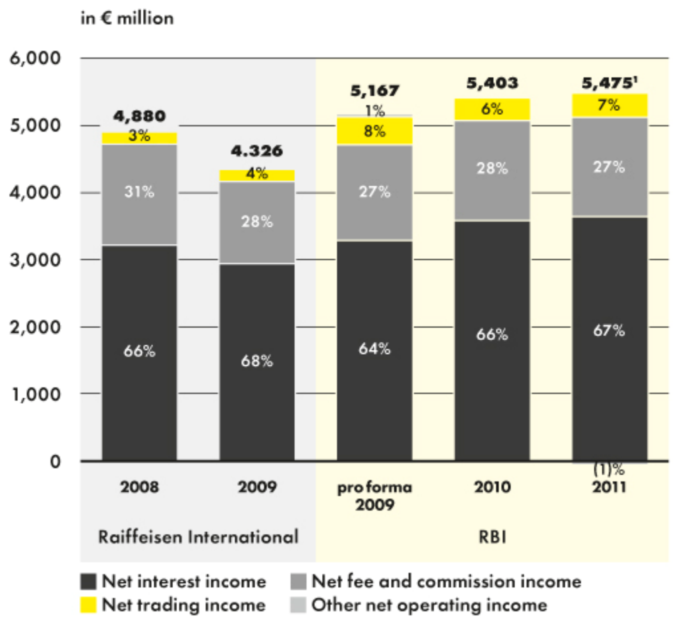
In Hungary, on the other hand, income fell by € 42 million due to the difficult credit environment and a decline in customer volumes. Belarus also saw income decrease by € 18 million, as the closing price on the reporting date was used for income statement items in line with IAS 29 (hyperinflation accounting).

The net interest margin recorded the strongest gain, advancing 34 basis points to 1.97 per cent as a result of more profitable new lending volumes within the Group Corporates segment. In Russia, the net interest margin rose due to increased new business and improved refinancing conditions, up 33 basis points to 4.47 per cent. In the Group Markets segment the net interest margin increased 14 basis points to 0.85 per cent, while it increased 17 basis points to close at 4.07 per cent in the segment Southeastern Europe. This is largely due to improved refinancing and lower rates on

Development of the interest margin



Development of operating income



¹ Excl. goodwill impairment

customer deposits linked to excess liquidity in most SEE countries. The net interest margin in the CIS Other segment declined, mainly due to lower net interest income in Belarus, down 9 basis points to 6.10 per cent. In the Central Europe segment the net interest margin lost 13 basis points, coming in at 3.16 per cent due to the difficult market conditions and the resultant decline in customer volumes.

Net fee and commission income

Net fee and commission income remained stable year-on-year at € 1,490 million, accounting for 27 per cent of operating income. Net income from the payment transfer business increased by € 12 million, while net income from other banking services gained € 11 million. In contrast, income from the securities business decreased by € 16 million. Net income from the sale of own and third-party products declined € 6 million year-on-year.

Net income from the payment transfer business rose € 12 million to € 611 million, making it the largest component of net fee and commission income at 41 per cent. The increase was driven by the improved economic climate and the accompanying rise in transaction volumes. With € 103 million, Ukraine made the largest contribution, while optimized pricing policies in the Czech Republic generated a € 13 million increase.

Net income from the loan and guarantee business remained unchanged year-on-year at € 280 million, with Russia and Romania accounting for the largest contributions at € 60 million and € 47 million respectively. While Russia recorded a € 26 million gain, narrower margins and lower volumes prompted a € 25 million decline in Romania.

Net income from the securities business declined € 16 million to € 119 million, partly due to developments in the Group Markets segment.

At € 330 million, net income from the foreign currency, notes/coins, and precious-metals business was on a par with the previous year. The main part of income was generated in Russia, Poland, the Czech Republic and Romania. Reflecting increased volumes, the highest gains were recorded in Russia and the Czech Republic.

Net income from the management of investment and pension funds remained unchanged year-on-year at € 27 million; the majority of income was generated in Slovakia and Croatia.

Net trading income

RBI's net trading income rose 11 per cent or € 35 million to € 363 million. The figure encompasses net income from interest - based transactions (down € 40 million), net income from currency-based transactions (down € 14 million), net income from equity and index-based transactions (down € 5 million), the credit derivatives business (up € 3 million) and from other transactions (up € 92 million).

Net income from interest-based transactions declined 19 per cent, or € 40 million, to end the year at € 171 million. Net income in Russia dropped by € 15 million year-on-year, the 2010 figure, however, had been particularly high due to valuation gains on interest-rate products. Net income also fell in Croatia, driven by valuation losses on government bonds, which came under a great pressure due to the European sovereign debt crisis. The yield curve for the Group Markets and Group Corporates segments also flattened, which resulted in a lower net income from interest swaps.

Net income from currency-based transactions was down 11 per cent, dropping € 14 million to close at € 107 million. IAS 29 was used to report hyperinflation in Belarus, which had a negative impact of € 84 million. However, this effect was partially offset by a € 44 million valuation gain linked to the high devaluation of the Belarusian rouble in relation to an existing strategic currency position taken to hedge equity. Net income in Russia on the other hand deteriorated due to valuation losses on currency transactions. In Central Europe, net income from currency-based transactions was improved by valuation gains on currency swaps, currency forwards and spot transactions in Poland, Hungary and the Czech Republic. Net income rose in Austria, boosted mainly by valuation gains on currency futures and the notes and coins business, which increased from € 17 million to € 25 million.

Net income from other business stemmed largely from capital guarantees issued. The valuation method was adjusted here to reflect changes to the statutory requirements, which resulted in a net income of € 81 million.

Other net operating income

Other net operating income excluding impairment of goodwill fell from € 6 million in 2010 to minus € 45 million. This was largely due to the bank levy introduced in 2011 in Austria amounting to € 83 million. In connection with the "Home Protection Plan" in Hungary, losses from the restructuring of non-performing loans could be offset against the bank levy, reducing it by € 31 million to € 10 million in the reporting year.

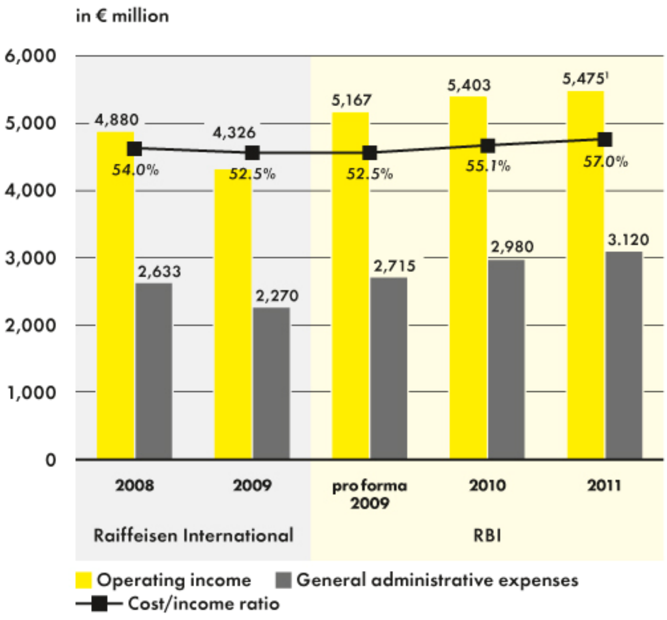
Rental income from investment property including operating leasing (land and buildings not used by the Group) added € 8 million year-on-year, largely due to new leasing contracts in Croatia and the turnover of a new Group unit in Russia. Net expense from allocation and release of other provisions declined by € 16 million to minus € 12 million. This was because of the need for higher provisions in 2010 for pending legal issues in Russia and Slovakia.

Net income from non-banking activities fell slightly year-on-year, as did net income from additional leasing services.

General administrative expenses

General administrative expenses rose by 5 per cent, up € 141 million to € 3,120 million. The cost/income ratio came to 57.0 per cent (2010: 55.1 per cent).

Cost/income ratio performance



[1] Excl. goodwill impairment

Staff expenses

Staff expenses, which constituted the largest item in administrative expenses at 49 per cent, rose by 6 per cent or € 87 million year-on-year, to € 1,540 million.

This increase was mainly the result of market-related salary adjustments and bonus payments in a number of markets as well as changes to statutory social security contributions in Russia and Slovakia. At the same time, the rise in the average number of staff increased staff expenses in the Czech Republic (especially due to the expansion of the branch network), Ukraine, Russia, Poland and Slovakia. The average number of staff employed by the Group (full-time equivalents) rose 1 per cent or 833 persons to 60,021 employees. The largest increases were recorded in the Czech Republic (up 349), Ukraine (up 189), Russia (up 137), Poland (up 87) and Slovakia (up 75).

Other administrative expenses

Other administrative expenses increased by 2 per cent or € 23 million to € 1,209 million. This was the result of increases in IT expenditure (up 10 per cent), deposit insurance fees (up 16 per cent), security expenses (up 11 per cent), and advertising, PR and promotional expenses (up 3 per cent). In contrast, other administrative expenses (down 14 per cent), office supplies (down 3 per cent) and communication expenses (down 2 per cent) all declined.

The rise in IT expenses was mainly driven by new projects and software service agreements in Russia, Romania, Poland and Slovakia. In the Czech Republic, new calculation rules resulted in higher deposit insurance fee expenses. Advertising, PR and promotional expenses rose due to additional marketing activities in Slovakia and the Czech Republic. Security expenses were higher as a result of increased volumes of precious-metal transactions.

The number of business outlets decreased by 33 to 2,928 at year-end. The bulk of these reductions were recorded in Ukraine (down 22) and Serbia (down 10), while the number of outlets increased in the Czech Republic by 17 and in Romania by 8.

Depreciation of tangible and intangible fixed assets

The depreciation of tangible and intangible fixed assets rose € 31 million year-on-year to € 372 million (2010: € 340 million). The depreciation of intangible assets recorded the most marked increase, advancing € 15 million to € 143 million. This was partly linked to the implementation of new software and a shorter useful life for the systems being replaced. New software projects in Ukraine, Romania, Russia and Austria also triggered further depreciation. The depreciation of tangible assets increased € 14 million, coming in at € 194 million. The main reason for this increase was an € 11 million impairment relating to property in Russia.

In the reporting year, investment in the Group totaled € 580 million. Of this, 49 per cent (€ 288 million) was on Group tangible assets. Investments in intangible assets, mainly in relation to software systems, accounted for 35 per cent of investment. Assets of the operating leasing business accounted for the remainder.

Consolidated profit

In € million	1/1-31/12/2011	1/1-31/12/2010	Change absolute	Change in %
Operating result	**2,355**	**2,424**	**(69)**	**(2.8)%**
Net provisioning for impairment losses	(1,064)	(1,194)	131	(10.9)%
Other results[1]	82	58	24	41.7%
Profit before tax	**1,373**	**1,287**	**86**	**6.7%**
Income taxes	(399)	(110)	(289)	262.4%
Profit after tax	**974**	**1,177**	**(203)**	**(17.2)%**
Profit attributable to non-controlling interests	(6)	(90)	83	(92.8)%
Consolidated profit	**968**	**1,087**	**(120)**	**(11.0)%**

[1] Incl. impairment of goodwill

Net provisioning for impairment losses

Signs of economic recovery in most of RBI's markets in 2011 improved borrower ratings and thereby decreased the growth of non-performing loans. As a result, net provisioning for impairment losses (the balance of allocations and releases of provisions for the lending business and direct write-offs against income received on amounts for written-down claims) was lower in 2011. In addition, during the financial and economic crisis RBI had already taken action to stabilize and improve the quality of the loan portfolio, as for example with the targeted loan restructuring. Overall, net provisioning for impairment losses declined 11 per cent or € 131 million to € 1,064 million in 2011. This item also included income from the sale of impaired loans totaling € 8 million. Although the improved economic climate resulted in significant improvements in net provisioning for impairment losses in most markets, net provisioning rose 144 per cent to € 478 million in Hungary. Marked improvements were recorded in the Russia (down € 119 million), CIS Other (down € 86 million) and Southeastern Europe segments (down € 77 million), largely due to the improved environment for corporate customers. Net provisions in the Corporate Customers division decreased 17 per cent to € 470 million, while in the Retail Customers division it remained virtually unchanged year-on-year at € 600 million, mainly because of the situation in Hungary.

The marked decline in Hungary as compared to the previous year was triggered by the market environment and the new legal conditions for foreign currency mortgage loans to retail customers, which required elevated loan loss provisions. This resulted in an increase of € 282 million in net provisioning, bringing the total to € 478 million. This figure included € 109 million in provisions for the government's "Home Protection Plan": a new legislation passed by the Hungarian Parliament, specifying that foreign currency mortgage loans could be repaid early at favorable exchange rates (with the cost being borne by the banks). The associated loan loss provisions allow for an expected repayment ratio of 29 per cent for the relevant foreign currency loans.

Individual loan loss provisions were down 2 per cent or € 19 million year-on-year at € 1,177 million, against the release of portfolio-based loan loss provisions totaling € 105 million. The situation was improved by a decline in the volume of non-performing loans in Russia and Slovakia as well as lower default rates among corporate and retail customers in Ukraine.

The net provisioning ratio – net provisioning for impairment losses to average credit risk-weighted assets – was 1.38 per cent, an improvement of 28 basis points. The loss rate – charged-off loans to total lending – was 0.38 per cent (2010: 0.41 per cent).

After currency effects, the value of non-performing loans was up € 266 million at € 7,056 million, with the biggest rises recorded in Hungary and Bulgaria. The NPL ratio, the ratio of non-performing loans to total customer loans, improved 0.3 percentage points to 8.6 per cent. Non-performing loans were covered by provisioning totaling € 4,826 million. This results in a coverage ratio of 68.4 per cent, an improvement of 2.1 percentage points against year-end2010.

Other results

Net income from derivatives and designated liabilities

Net income from derivatives and designated liabilities advanced € 497 million to € 413 million. This item comprises net income from hedge accounting (up € 4 million), credit derivatives (up € 29 million), other derivatives (up € 258 million) and liabilities designated at fair value (up € 206 million).

Fixed interest swaps by Group headquarters accounted for the bulk of net income from other derivatives, which gained € 258 million to € 194 million. The sustained decline of the long-term euro yield curve since the first quarter of 2011 had a positive effect on valuation gains for these products.

Liabilities designated at fair value (fair value option, applied since 2007) also served to increase net income from derivatives. This portfolio containing RBI issues generated valuation gains totaling € 249 million in the reporting year as a result of higher credit spreads. Combined with the interest component, this generated a plus of € 184 million, compared with minus € 22 million in 2010.

These valuation gains do not affect regulatory own funds, and as such are not relevant when calculating regulatory capital ratio (EBA).

Net income from financial investments

In the period under review, the international capital markets were hit particularly hard by the European sovereign debt crisis, which resulted in a volatile development of the fair value of securities. In turn, this prompted a decline in net income from financial investments of € 278 million to minus € 141 million.

Net income from securities at fair value through profit or loss, comprising valuation gains and income from sales, decreased from € 120 million to minus € 135 million in 2011. Share valuation losses in Austria, falls in the value of municipal bonds in Hungary and fixed-income securities in Ukraine all contributed to the decline.

Net income from equity participations dropped € 109 million year-on-year. This was mainly linked to converting a Bulgarian loan recognized in Austria to an equity participation, which was then written off. As the associated loan loss provision was released at the same time, the transaction had no effect on consolidated profit.

The sale of government bonds generated gains totaling € 94 million, which boosted net income from financial assets held-to-maturity. The sale was linked to the European Banking Authority's (EBA) increased regulatory capital requirements.

Impairment of goodwill
The other results were strongly affected by the € 187 million impairment in goodwill recorded in Ukraine, Hungary and Slovenia: The revised macroeconomic forecast for Ukraine and the rise in the applicable discount rate generated a partial impairment of goodwill of € 183 million at Raiffeisen Bank Aval, which left the balance sheet showing goodwill for the Bank of € 29 million. Goodwill was already low for the banks in Hungary (€ 3 million) and Slovenia (less than € 1 million), and was completely written off. As at the end of the year, total goodwill came to € 408 million.

Net income from disposal of Group assets
In 2011, net income from the disposal of Group assets was minus € 3 million. Five subsidiaries were no longer consolidated, four of them on the grounds of immateriality. One subsidiary was dropped from the consolidation following closure. The companies are primarily active in leasing, investment and financial services.

Income taxes

Taxes in the reporting period came to € 399 million, against € 110 million in 2010.

The increase was driven above all by deferred tax expenses, which came to € 59 million in the financial year 2011. Deferred tax income of € 247 million had been recorded in 2010. This change was largely the result of valuation gains on derivatives and liabilities designated at fair value in Austria. Moreover, it was not possible to offset losses in Hungary fully for tax purposes by recognizing tax loss carry-forwards. By contrast, 2010 had brought some tax relief, notably through deferred tax income arising from the recognition of tax loss carry-forwards in Austria (€ 120 million) as well as changes to tax legislation in Ukraine (€ 26 million).

Current taxes fell due to lower taxes in Austria, down to € 341 million in 2011 (2010: € 357 million).

The net result is that the effective tax rate rose from 8.6 per cent to 29.1 per cent. Without the one-off effects, the effective tax rate would have been around 20 per cent.

Comparison of results with previous quarter

Operating result

In € million	Q4/2011	Q3/2011	Change absolute	Change in %
Net interest income	943	943	1	0.1%
Net fee and commission income	365	388	(22)	(5.7)%
Net trading income	70	37	34	91.1%
Other net operating income[1]	(3)	(15)	13	(81.1)%
Operating income	**1,376**	**1,352**	**25**	**1.8%**
Staff expenses	(399)	(385)	(14)	3.7%
Other administrative expenses	(325)	(298)	(27)	9.2%
Depreciation of intangible and tangible fixed assets	(110)	(90)	(20)	22.1%
General administrative expenses	**(834)**	**(772)**	**(61)**	**7.9%**
Operating result	**542**	**579**	**(37)**	**(6.3)%**

[1] Excl. impairment of goodwill

Net interest income

Net interest income in the fourth quarter of 2011 remained virtually unchanged at € 943 million. However, the net interest margin (calculated on average total assets) fell 8 basis points to 2.56 per cent. Average total assets increased by 3 per cent.

Broken down by segment, Central Europe showed the biggest decline, with the net interest margin decreasing by 25 basis points to 2.89 per cent. The main reason for this was the difficult economic environment in Hungary. In Southeastern Europe, the net interest margin fell 12 basis points to 4.04 per cent. The net interest margin also declined in CIS Other, from 6.79 per cent to 5.91 per cent. The main cause was hyperinflation in Belarus, while in Russia, net interest income rose due to the significant increase in the corporate customer portfolio.

In the Group Corporates segment the net interest margin improved by 8 basis points to 2.16 per cent as a result of the expansion in business activities. The Group Markets segment showed a decrease of 7 basis points to 0.86 per cent, due to the sale of parts of the portfolio of securities held-to-maturity.

Net fee and commission income

Net fee and commission income declined in the fourth quarter by € 22 million to € 365 million. This was mainly the result of lower net income from the loan and guarantee business and lower income from the securities business.

Net trading income

Net trading income rose quarter-on-quarter by 91 per cent or € 34 million to € 70 million. Net income from other business rose by € 117 million, due to the change in the valuation model for capital guarantees and valuation gains mentioned earlier. At the same time, net income from equity-based transactions turned around from minus € 19 million to € 8 million. This was due to valuation gains from a positive trend in the EURO STOXX and ATX in the fourth quarter of 2011.

Net income from currency-based transactions declined, falling from € 29 million in the third quarter of 2011 to minus € 55 million. This was mainly due to the drop in net income in Belarus following the application of IAS 29 (hyperinflation accounting), which was offset by valuation gains on a strategic currency position.

Net income from credit derivatives business decreased quarter-on-quarter by € 13 million.

Net income from other transactions relates entirely to capital guarantees. Here, the valuation methodology was adapted to the change in the legislation. This adjustment resulted in net income of € 81 million.

Other net operating income

Other net operating income (excluding impairment of goodwill) in the fourth quarter was minus € 3 million, after minus € 15 million in the third quarter. There was a positive effect in the fourth quarter from other taxes due to the reduction in the bank levy in Hungary. In connection with the "Home Protection Plan", losses from the repayment of overdue loans could be offset against the bank levy. Expenses on allocations to provisions were higher in the fourth quarter at € 11 million than in previous quarters. Net income from non-banking activities made no contribution to other net operating income in the fourth quarter due to the lower billing of services, compared to the € 8 million achieved in the third quarter.

General administrative expenses

General administrative expenses in the fourth quarter totaled € 834 million, € 61 million more than in the previous quarter. Staff expenses rose € 14 million due to the expenses for future bonus payments recognized in the fourth quarter. As a result of the increase in the fourth quarter in legal, advisory and consulting expenses, security expenses, as well as advertising, PR and promotional expenses, other administrative expenses rose by € 27 million to € 325 million. Depreciation on tangible and intangible assets totaled € 110 million in the fourth quarter, up € 20 million compared to the previous quarter. The main reason for this was a depreciation of € 11 million on a building in Russia.

Consolidated profit

In € million	Q4/2011	Q3/2011	Change absolute	Change in %
Operating result	**542**	**579**	**(37)**	**(6.3)%**
Net provisioning for impairment losses	(282)	(377)	95	(25.1)%
Other results[1]	81	(49)	130	–
Profit before tax	**342**	**153**	**188**	**122.9%**
Income taxes	(127)	(71)	(56)	79.3%
Profit after tax	**214**	**82**	**132**	**160.1%**
Profit attributable to non-controlling interests	8	48	(40)	(83.5)%
Consolidated profit	**222**	**130**	**92**	**70.4%**

[1] IIncl. impairment of goodwill

Net provisioning for impairment losses

Net provisioning for impairment losses declined quarter-on-quarter by 25 per cent to € 282 million. This decrease is due primarily to provisioning already effected in the third quarter for impairment losses in Hungary. In connection with the "Home Protection Plan", under which the Hungarian Government allows private borrowers to repay foreign currency mortgage loans prematurely on favorable terms, a further € 56 million to provisioning for impairment losses was posted in the fourth quarter. With a repayment ratio of 29 per cent, this meant a full-year loss for RBI of € 108 million. In the Group Corporates segment, individual cases among large international corporate customers required an increase of € 64 million in provisioning for impairment losses.

The Southeastern Europe and CIS Other segments recognized slightly lower provisions in the fourth quarter. In Russia, net releases of provisions for loan losses totaled € 63 million. This was due to premature repayments and sales of non-performing loans, increased collateral and the reversal of portfolio-based loan loss provisions due to lower loss rates.

Non-performing loans remained virtually unchanged in the first three quarters of 2011, with a slight organic increase offset by currency effects. However, in the fourth quarter there was a currency-adjusted increase in non-performing loans of € 234 million. This was due almost entirely to Hungary with an increase of € 97 million, and Bulgaria with an increase of € 145 million. However, the loans in question are mostly well collateralized. There was a significant decrease in non-performing loans in Austria and Russia.

Other results

Net income from derivatives and designated liabilities
Net income from derivative financial instruments rose in the fourth quarter of 2011 by € 154 million to € 264 million. The main reason for this was a gain of € 135 million from liabilities designated at fair value. This item shows the net income from RBI issues, which generated valuation gains in the fourth quarter due to the higher spreads.

Net income from financial investments
Net income from financial investments rose quarter-on-quarter by € 162 million to € 5 million. There was an increase here in net income from securities held-to-maturity due to a profit of € 94 million on the sale of government bonds. This sale was connected to the increase in regulatory own funds requirement by the European Banking Authority (EBA). Valuation gains from securities were stable in the fourth quarter, following significant losses in the third quarter due to the turbulence in the financial market.

Impairment of goodwill
Other net income was adversely affected in the fourth quarter of 2011 by the impairment of goodwill in the amount of € 183 million in Ukraine.

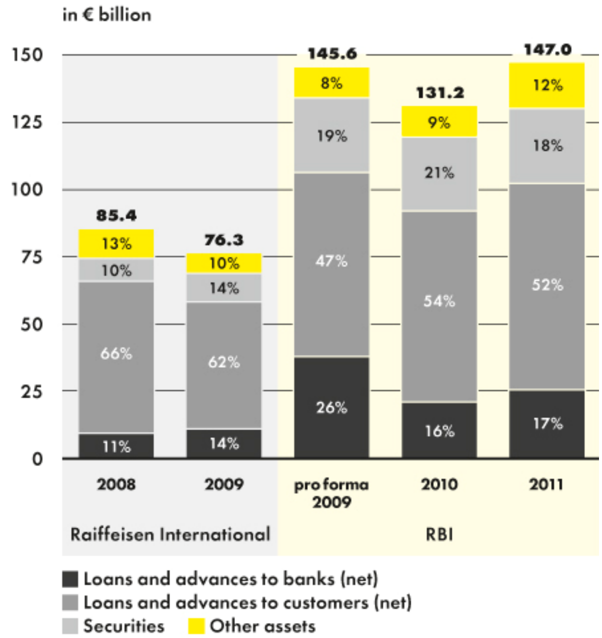
Income taxes

RBI reported taxes of € 127 million in the fourth quarter of 2011 (Q3/2011: € 71 million). Expenses on current taxes increased by € 19 million, mainly due to higher earnings before tax in Russia. In the fourth quarter, deferred tax expense due to net income from the revaluation of derivatives and own issues in Austria measured at fair value totaled € 32 million (Q3/2011: income of € 5 million). Moreover, it was not possible to offset losses in Hungary fully for tax purposes by recognizing tax loss carry-forwards.

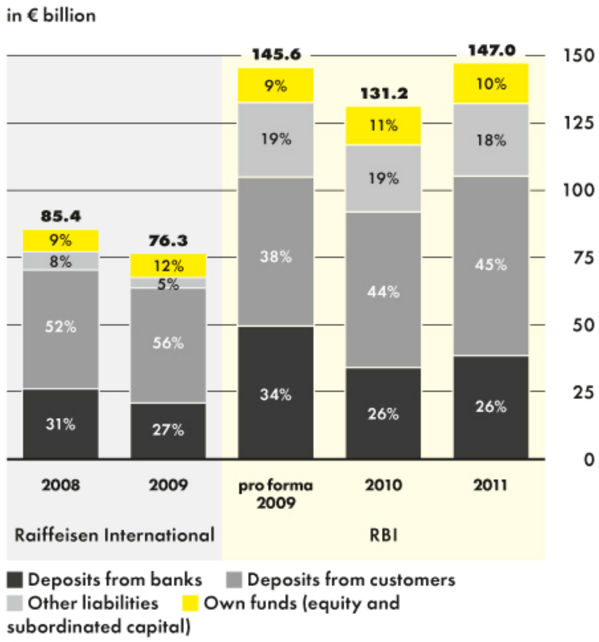
Statement of financial position

As of 31 December 2011, total assets at RBI amounted to € 147.0 billion. This was 12 per cent or € 15.8 billion above the comparable figure for the end of 2010.

Breakdown of balance sheet assets



Breakdown of equity and liabilities on the balance sheet



Assets

On the assets side of RBI's statement of financial position, the figures at the balance sheet date were as follows:

Assets were dominated by loans and advances to customers (after provisioning), which accounted for a share of 52 per cent. The overall volume of financial investments (including those held-for-trading) amounted to 19 per cent, loans and advances to banks to 17 per cent, and other assets to 12 per cent.

Loans and advances to customers (before provisioning) rose 8 per cent or € 5.9 billion to € 81.6 billion in 2011. Of the overall loans and advances to customers, the credit business represented € 53.9 billion or 66 per cent and mortgage loans accounted for € 17.9 billion or 22 per cent. Credit business with corporate customers amounted to € 58.9 billion, of which large corporate customers represented € 55.2 billion. The corporate customer business registered the highest credit growth of 11 per cent or € 5.9 billion, above all in the Group headquarters, Asia and Russia. Loans to retail customers totaled € 21.3 billion at year-end, of which private individuals accounted for € 19.0 billion. At the end of 2011 the loan/deposit ratio (the ratio of customer loans to customer deposits) improved to 122 per cent (2010: 131 per cent).

Loans and advances to banks rose by 20 per cent or € 4.2 billion to € 25.7 billion. Due to market-related liquidity requirements, short-term interbank transactions were increased.

At the end of the year, the impairment losses on loans and advances totaled € 5.1 billion. Of this, € 4.8 billion represented provisions for loans and advances to customers and € 0.2 billion represented provisions for loans and advances to banks. € 3.0 billion of the customer-related loan loss provisions were related to corporate customers and € 1.8 billion affected retail customers. At € 1.6 billion, the highest amounts of loan loss provisions were attributed to Central Europe. The CIS Other segment and Southeastern Europe accounted for € 1.0 billion of loan loss provisions each, Group Corporates € 0.7 billion, Russia € 0.6 billion and Group Markets € 0.2 billion, respectively.

Compared to the end of 2010, financial investments (including those held-for-trading) decreased by 2 per cent or € 0.5 billion to € 27.2 billion. While assets held-for-trading increased by approximately € 2.5 billion due to the valuation of derivatives, financial investments contracted (minus € 3.1 billion). This reduction in financial investments was mainly due to the sale of financial assets held-to-maturity to meet the higher EBA regulatory own funds requirement, as well as to market developments.

Other assets increased by 59 per cent year-on-year to € 17.6 billion (2010: € 11.0 billion), virtually all of which was due to the higher cash reserve (up € 6.6 billion). Other assets were made up of the cash reserve (€ 11.4 billion), tangible and intangible fixed assets (€ 2.6 billion), derivatives (€ 1.4 billion) and the remaining item of other assets (€ 2.2 billion).

Equity and liabilities

Equity and liabilities were dominated by deposits from customers, which accounted for a share of 45 per cent. Deposits from banks remained unchanged at 26 per cent. Equity and subordinated capital represented 10 per cent of the equity and liabilities side of the statement of financial position and the other liabilities totaled 19 per cent.

Deposits from customers rose by 16 per cent or € 9.1 billion to € 66.7 billion year-on-year. Of the total customer deposits, € 35.6 billion was attributable to corporate customers, who were responsible for a rise in deposits of € 6.2 billion. Of this, some € 3.7 billion was from repos. For retail customers, deposits rose € 3.4 billion to € 29.1 billion. This growth was almost entirely due to the higher number of deposits in the Czech Republic, Russia and Poland. ZUNO Bank contributed € 0.7 billion.

Deposits from banks amounted to € 38.0 billion. This represents an increase of 13 per cent or € 4.3 billion compared to the previous year's figure. This growth resulted primarily from deposits by commercial banks.

Other liabilities rose by 7 per cent or € 1.7 billion to € 27.2 billion. The largest growth came from trading liabilities with an increase of 69 per cent or € 4.0 billion to € 9.7 billion, caused primarily by swap valuations in Austria. Debt securities issued dropped by 13 per cent or € 2.2 billion to € 14.4 billion. Unsecured issues were no longer an option due to the market environment, so RBI moved increasingly towards private placements. Overall, the maturity of one of a total of three state-guaranteed RBI bonds led to a decrease of € 1.5 billion.

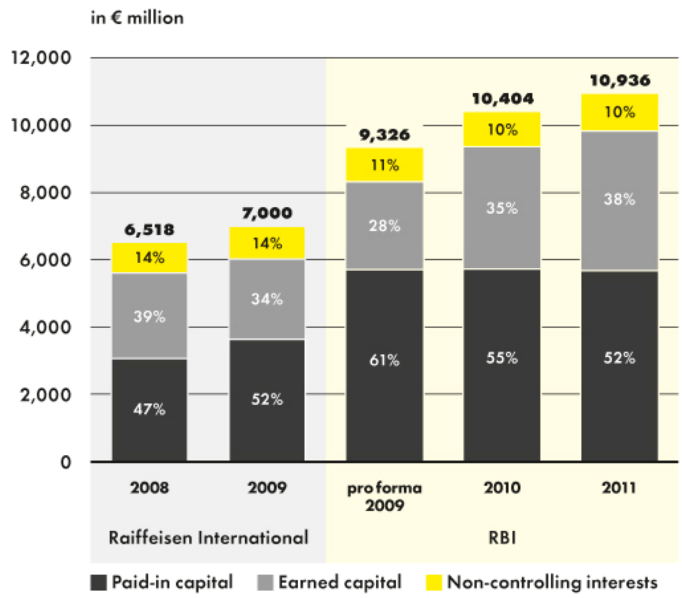
Equity

Equity on the statement of financial position

The bank's balance sheet equity, consisting of consolidated equity, consolidated profit and non-controlling interests, increased since the end of 2010 by 5 per cent or € 532 million to € 10,936 million.

Consolidated equity, consisting of subscribed capital, participation capital, capital reserves and retained earnings increased by € 574 million to € 8,825 million. The growth in retained earnings was due primarily to the transfer of earnings of € 683 million from the financial year 2010. Other comprehensive income reduced retained earnings by € 127 million, primarily due to exchange differences totaling minus € 271 million (including capital hedges). Net income from the valuation of financial assets available-for-sale was € 113 million after deferred taxes. The effects from the application of hyperinflation accounting in Belarus amounted to € 83 million. As a result of a change in the hedging strategy, cash flow hedging was ended in the second quarter of 2011 and replaced by portfolio hedges. Valuation losses on ending the cash flow hedge (after taking deferred taxes into account) amounted to € 36 million.

Breakdown of equity



RBI AG's Annual General Meeting in June 2011 approved the payment of a dividend of € 1.05 per share for the financial year 2010, which involved a distribution totaling € 204 million. In addition, a dividend of € 200 million was paid on the participation capital. Consolidated profit amounted to € 968 million.

Capital of non-controlling interests rose € 77 million to € 1,143 million, due primarily to capital contributions of € 169 million, mainly for Group units in Hungary, Slovakia and the Czech Republic. In addition, dividends amounting to € 58 million were distributed on non-controlling interests. The share of non-controlling interests in the effects of hyperinflation in Belarus amounted to € 12 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 as 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 US is measured using the internal ratings based approach (foundation IRB approach). A large part of the loans and advances to retail customers in Slovakia and Hungary are measured under this approach. Market risk is predominantly calculated according to the standard approach in accordance with Section 22 of the BWG, RBI AG carries out the calculation in part according to the internal model. The consolidated values shown below have been calculated in accordance with the provisions of the BWG and are assumed in calculation figures for the RZB credit institution group.

Consolidated own funds pursuant to BWG amounted to € 12,858 million as of 31 December 2011, which represents an increase of 2 per cent or € 250 million.

Core capital rose 3 per cent or € 228 million to € 9,434 million, primarily due to profit from the financial year. The presumed dividend for distribution in the financial year 2011 has already been deducted from this. The depreciation of in particular the Belarusian rouble, Hungarian forint and Polish zloty against the euro had a negative impact on own funds.

Additional own funds remained virtually unchanged from the previous year at € 3,368 million. This item consists of long-term subordinated capital, of which the largest part pertained to RBI AG at € 2,259 million, supplementary capital of RBI AG of € 599 million, and the provision excess of internal rating approach positions of € 234 million. Hidden reserves released in the reporting period pursuant to Section 57 of the BWG increased core capital by € 55 million.

Short-term subordinated capital rose € 31 million to € 100 million as a result of maturing tier 2 issues. The deduction items relating to participations, securitizations and insurance companies amounted to € 44 million (2010: € 34 million).

Own funds stood in contrast to a slightly higher own-funds requirement of € 7,624 million, an increase of € 39 million. The own funds requirement for credit risk was € 6,172 million (an increase of € 124 million), of which € 3,056 million related to the standardized approach and € 3,116 million to the IRB approach. The requirement for position risk in bonds, equities and commodities increased by € 193 million to € 520 million, primarily due to the introduction of the CRD III regulations. Despite increases due to CRD III, own funds required for open currency positions fell by € 245 million to € 140 million, resulting from a change in the calculation method. The requirement for operational risk was € 792 million (2010: € 824 million).

This led to an improvement of 2.4 percentage points in the excess cover ratio to 68.6 per cent or € 5,234 million.

The tier 1 ratio – based on credit risk – was 12.2 per cent. Based on total risk, the tier 1 ratio was 9.9 per cent, with a core tier 1 ratio of 9.0 per cent. The own funds ratio totaled 13.5 per cent.

Measures to achieve EBA requirements

European banks are required to raise their core tier 1 ratio as defined by the European Banking Authority (EBA) to 9 per cent by 30 June 2012 to shore up the financial system.

For RZB, this results in an additional need for roughly € 2.1 billion according to EBA calculations published in December 2011. RBI itself was not covered by the EBA study, as RZB acts as a superordinate banking institution. RZB is taking the necessary measures to comply with the new requirements without resorting to state funds.

To this end, RZB – with the involvement of RBI – is implementing some 20 work streams which are divided into three main areas and will contribute some € 3 billion to meet the target.

These include, among others:
- Reducing the capital required through a "capital clean-up" and reducing especially non-core business with a focus on market risk positions
- Generating regulatory capital through transformation of other own funds into core tier 1 capital according to EBA definition for 30 June 2012
- Release of hidden reserves, allowing for and allocating earnings (on a pro rata basis of regular dividend distributions)
- A multiplicity of smaller measures, e.g. liability management

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, it 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. RBI also develops individual solutions to hedge a broad spectrum of risks – from interest rate risk and currency risk through to commodity price risk.

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 descriptions for the preparation, quality control, approval, publication, implementation and monitoring of 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 within the framework of a dedicated function.

Risk assessment
Significant risks relating to the 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 examined by an independent auditor, are 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.

In addition to the Management Board, the general control system also encompasses 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 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.

The main department Accounting & Reporting is responsible for compiling the consolidated results to produce the final consolidated financial statements. These consolidated financial statements are examined by an independent auditor. In addition, the management summary (Group management report) provides verbal comments on the consolidated results in accordance with the statutory requirements.

The Group produces consolidated quarterly reports. Statutory interim reports are produced that conform to 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 € 596,290,628.20 and is divided into 195,505,124 voting common bearer shares. Of those, 943,771 are own shares as of 31 December 2011, which means that 194,561,353 shares were outstanding as of the balance sheet date. Please consult the notes on equity (34) 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 appointment and dismissal of members of the Management Board and the Supervisory Board or regarding amendments to the Company's articles of association beyond the provisions of the relevant laws.

(7) Pursuant to Section 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 8 June 2011 to increase the capital stock – in one or more tranches – by up to € 298,145,314.10 by issuing up to 97,752,562 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, 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 more installments, for one or more purposes, 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 at 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 of RZB's principal business areas with Raiffeisen International to form RBI with effect from 10 October 2010, the mutual loans and liabilities of the receiving and the transferring company 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 on equity (34) for more information.

In the course of the merger of the principal business areas of RZB with Raiffeisen International on 10 October 2010, the RZB issue "Raiffeisen-Partizipationskapital 2008/2009" in the amount of € 2.5 billion was transferred to RBI on unchanged terms.

Pursuant to Section 102a of the Austrian Banking Act (BWG), the Annual General Meeting of 8 June 2011 authorized the Management Board of the Company, within five years of recording the relevant amendment to the articles of association in the commercial register, to retire either the participation capital in its entirety or the participation capital of individual tranches that were differentiated on issue, with the approval of the Supervisory Board and taking into account the terms of issue; partial retirement of participation capital of individual issues or tranches is permissible, provided the equal treatment of eligible holders of participation capital is ensured.

(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:

- The following is provided in the context of the Company's D&O insurance:
  "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 RBI 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."

- Furthermore, the syndicate agreements concluded by RBI in relation to individual subsidiaries with the relevant shareholders will automatically be terminated upon a change of control.

- The brand agreement concluded with RZB AG on the unrestricted use of the name and logo of Raiffeisen Bank International for an indefinite period of time in all jurisdictions in which the brand is registered now or in the future includes a right of cancellation upon a change of control.

(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 refinance themselves using equity, customer deposits and various capital and interbank market tools. In 2011 the banking environment was heavily influenced by the sovereign debt crisis, which made refinancing difficult for banks – particularly via the financial markets.

Continuing uncertainty in the capital markets

The refinancing environment for banks deteriorated, particularly in the second half of 2011, as it was impossible to insulate it from the developments in the financing of sovereigns. The public debate on equity requirements for European banks and their holdings of sovereign bonds also contributed to the general uncertainty.

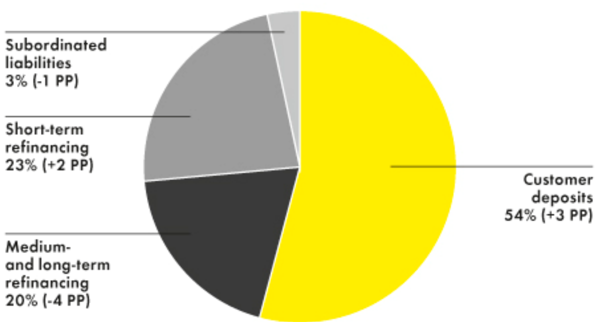
There is still a demand for far-reaching solutions, and particularly for an intervention by the European Central Bank (ECB) in the form of even more extensive purchases of sovereign bonds issued by the peripheral European states. In the face of this situation, the ECB announced on 8 December 2011 that it will support banks by increasing liquidity, specifically through refinancing transactions with a maturity of 36 months. At the same time, the ECB has eased requirements for securities it will accept for repo transactions, and prior to this had reduced the main refinancing rate to 1 per cent.

Even so, the excessive dependance on central bank financing is not a long-term solution. Given the current climate and relatively limited progress on the political level, banks – particularly from the peripheral European states – will continue to face higher risk premiums.

Stable basis for refinancing

RBI refinancing is based on two key elements. First, there are customer deposits which at the end of 2011 accounted for € 66.7 billion or 54 per cent of refinancing, and second there is wholesale funding, which totaled € 56.5 billion, or the remaining 46 per cent. The high share of customer deposits creates a stable refinancing basis, making RBI less vulnerable to the upheaval in the financial markets.

Structure of funding



Diversified funding sources

In 2011 some 64 per cent of medium- and long-term wholesale funding of the RBI Group was generated by Group headquarters. The remaining 36 per cent came from the network banks.

The network banks in CEE also used the international markets for financing, e.g. through a syndicated loan by the Romanian subsidiary, with participation by the European Bank for Reconstruction and Development (EBRD), or structured financing in Croatia. Especially important for CEE subsidiaries is long-term financing from sources which are less affected by changes in the international capital market. These should become even more important in future. Besides financing backed by the Export Credit Agency (ECA), supranational institutions are another source of funding. At the end of 2011, some 11 per cent of the outstanding volume came from institutions like the European Investment Bank (EIB) or EBRD. These loans are generally long-term, and significantly improve the structure of the financing mix. Cooperation with these supranational institutions is an important element of funding in the regions where RBI operates, and will continue to play an important role. RBI cooperates with these institutions not only in financing but also in other areas, e.g. in risk sharing programs which optimize risk-weighted assets.

In addition, the network banks benefit in financing from support by the Austrian Raiffeisen Banking Group (RBG). This longstanding partnership aids in both procurement of liquidity via the Raiffeisen sector and placement of the sector's funding instruments with its customers.

A key goal of RBI's funding activities is the broadest possible diversification of financing sources for the network banks. In combination with customer deposits, this is intended to lead to an even more sustainable and independent structure for network bank financing in the future.

Successful benchmark issues

RBI's resources for medium- to long-term refinancing include two issue programs, the "EUR 25,000,000,000 Debt Issuance Program" and the "EUR 20.000.000.000 Emissionsprogramm der Raiffeisen Bank International AG." Under these programs, bonds can be issued in different currencies and with different structures. The total volume of outstanding bonds under the programs may not exceed € 25 billion or € 20 billion respectively. At the end of the year 2011, there was a total of € 12 billion outstanding in the two programs.

In view of the difficult market environment, RBI implemented its funding plan quickly in 2011, with two-thirds of the total funding requirement raised in the first quarter via wholesale funding, through the placement of two senior benchmark bonds. In January, the first benchmark bond was issued as a senior fixed-rate bond with a total volume of € 1 billion and a three-year maturity. This issue makes RBI the first Austrian bank to issue an unsecured bond for over € 500 million since the start of the financial crisis. It was placed at 145 basis points over mid-swaps, with a coupon of 3.625 per cent. The issue was significantly oversubscribed.

A few weeks later, RBI took advantage of the more positive market environment in March 2011 to issue a second benchmark bond with a volume of € 1 billion. This issue was also significantly oversubscribed. The bond had a variable coupon with a premium of 90 basis points over 3 month EURIBOR and a maturity of two years.

In May 2011 RBI was the only Austrian bank to place a subordinated bond for € 500 million with a ten-year maturity. This replaced a bond for € 366 million that had been called. It was placed at 325 basis points over mid-swaps, with a coupon of 6.625 per cent.

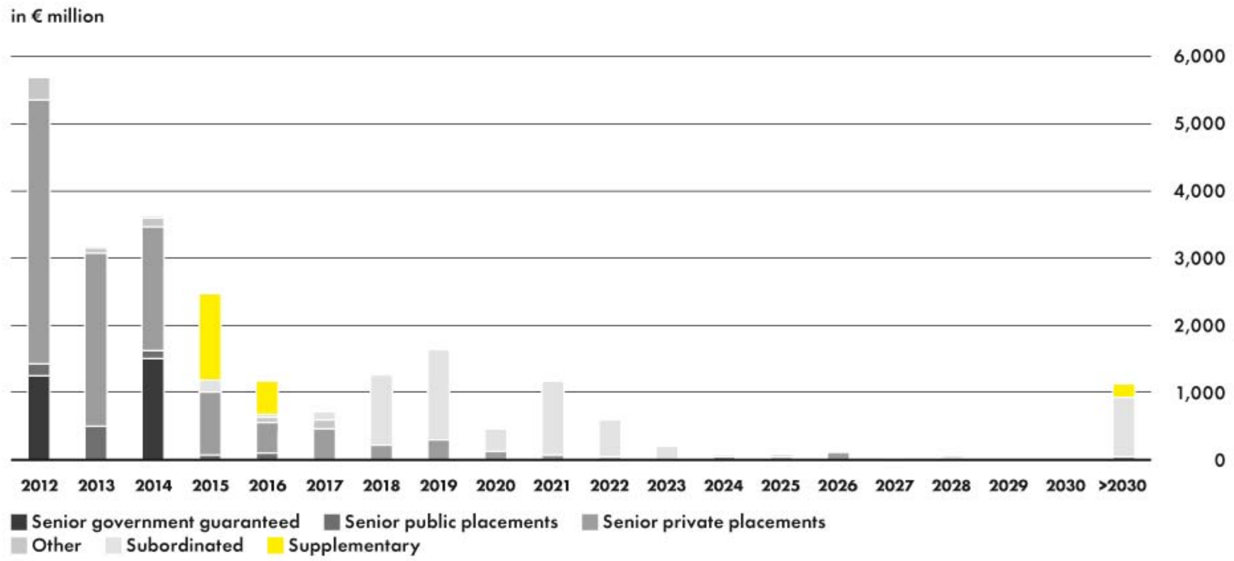
Further refinancing measures

For short-term funding RBI used both the interbank market and its two programs for short-term issues (commercial papers), the "European Commercial Paper Program" and the "US Commercial Paper Program." Under these two programs RBI can issue commercial papers in various currencies, thereby enabling it to refinance also outside the interbank market.

To diversify its funding sources, RBI is also working actively on developing secured refinancing sources where longer-term funding can be secured by otherwise illiquid assets. The resulting mobilization of assets is to become increasingly important in the future.

Besides the difficult market environment for refinancing USD by non-US banks, RBI's move to advance its funding activities to the first quarter of 2011 for security purposes is reflected in net interest income for 2011. The early implementation of the 2011 funding plan made a positive contribution to profit.

Maturity profile for securitised liabilities



Risk management

2011 was marked by enormous market uncertainty. While the recovery of the global economy from 2010 continued in the first six months of the year, the second half of 2011 offered a different setting. The sovereign debt crisis in the peripheral European states and the protracted negotiations, and in particular the political tensions regarding the countermeasures to be adopted, fueled anxiety and caused distrust on the European markets. During summer, financial institutions started stockpiling their excess liquidity and placed it in "the safe haven" of the ECB rather than providing liquidity to the interbank market. Compared to previous years, the number and volume of new issues declined sharply. The increased nervousness was also reflected on the stock markets, both by the high price volatility and some significant declines in value, especially of financial stocks.

In this environment, RBI Risk Management took into account the increased market volatility by using existing and new management tools and thus was able to respond in time to the changes in economic conditions. Particular emphasis was placed on maintaining a strong liquidity position and on reducing existing exposure to countries and financial institutions especially in the markets affected by the sovereign debt crisis. Furthermore, internal processes and structures were critically evaluated, both to ensure the desired efficiency of the risk control systems as well as to uncover potential risks from operational processes at an early stage and be able to manage them. All of these measures contributed towards further enhancing the robustness of the RBI loan portfolio.

Stress tests

In the first six months of 2011 the European Banking Authority (EBA) performed a stress test in which 90 European banks took part. The test analyzed the impact of various economic development scenarios, using variables such as GDP growth rates, exchange rates and risk premiums, on future capital requirements, required loan loss provisioning as well as revenue and capital components. The direct and indirect influences of predetermined crisis scenarios were examined in detail.

The EBA in this case defined a core capital ratio of 5 per cent (core tier 1 capital ratio pursuant to CRD III) as a target over a two-year period after the onset of the crisis scenarios. RBI clearly exceeded this level with 7.8 per cent. In addition, the only minimal decline in the capital ratio of 0.3 percentage points over the stress period showed RBI's ability to withstand the crisis compared to the scenarios presented.

Especially the detailed publication of the banks' loans and advances to countries provided the financial markets with fundamental information for risk assessment. Thereby RBI was shown to hold only a very small amount of debt from the peripheral European states and since publication has reduced it even further. To this end, risk management reduced both the limits as well as the outstanding risk exposure, to counteract negative consequences arising from the European sovereign debt crisis.

After analyzing the results of the stress tests and in view of the macroeconomic developments in the fall of 2011, the EBA decided to re-examine the capital adequacy of banks. Thereby it investigated the capital requirements necessary for the participating banks to achieve a capital ratio of 9 per cent. To shore up European financial institutions against the volatile market environment and to ensure the stability of the financial markets, banks must now attain this ratio by the end of June 2012. RBI only participated indirectly in this exercise as part of RZB; consequently there are no detailed results for RBI. Nevertheless, RBI developed a number of initiatives as part of RZB, to attain the prescribed ratio. The implementation of these measures already started in 2011.

In addition to the core tier 1 capital ratio of 9 per cent, EBA identified further capital requirements as a buffer for the banks' portfolios of sovereign risk, arising from unrealized losses from loans and advances to countries whose market value fell during the sovereign debt crisis. For RZB, there was no additional capital requirement.

Besides the regulatory stress tests carried out by the regulatory authorities, RBI also performed internal analyses for further scenarios and potential risk drivers in 2011. Through close cooperation of all areas of risk management and the involvement of other experts from the network banks and controlling, these internal stress tests took into account a large number of risk factors and their impact on solvency. Market risks, operational risks, increased funding costs and numerous other capital and income components were included in the integrated approach, in addition to the increased capital requirement and high write-downs on the loan portfolio in case of stress. The Management Board was regularly informed of the stress test results and their analyses, so that the rapid introduction of countermeasures in case of a threatening situation is ensured.

Hungary

Both economic development as well as the political environment in Hungary posed special challenges to risk management in 2011. Compared to other Central and Eastern European countries, the Hungarian economy shows lower growth rates; for 2012 Raiffeisen Research even expects a decline in real GDP to about 0.5 per cent. In light of this, RBI expects a further increase in the NPL ratio for the Hungarian market, which stood at 22.7 per cent as of year-end 2011. In order to minimize potential losses, RBI credit risk management therefore employs an early warning system, which identifies any potential deterioration in credit quality and actively pursues the reduction of the credit exposure as well as the increase of collateral for clients with a poor credit rating.

In 2011 provisions for impairment losses totaling € 478 million were booked for Hungary. While € 521 million was allocated to individual loan loss provisions, portfolio-based loan loss provisions generated a release of € 43 million. Thus, the coverage ratio increased to about 61.7 per cent.

In addition to the bank levy introduced in Hungary in 2010 and the existing legal restrictions on banks, e.g. in property sales, legislation passed by the Hungarian Parliament on 20 September 2011 facilitated the premature repayment of mortgage loans in Swiss francs, euros and Japanese yen at fixed exchange rates. These were 180 HUF per CHF, 250 HUF per EUR and 200 HUF per 100 JPY. In comparison, the actual exchange rates on 31 December 2011 were 259.3 HUF per CHF, 314.8 HUF per EUR and 310.5 HUF per 100 JPY. The fixed exchange rates on 31 December 2011 for the Swiss franc were some 31 per cent, for the euro some 21 per cent and for the Japanese yen roughly 36 per cent below the actual rates. The regulation applies to bank customers who took on their foreign currency loans at a time when the rates were not above these levels. These clients had until 30 December 2011 to state their intention of full repayment which would then have to be completed within 60 days.

The following table shows the volume of foreign currency mortgage loans to retail customers in Hungary:

In € million	2011	Share	2010	Share
Euro	34	2.8%	38	2.6%
Swiss franc	1,185	97.2%	1,429	97.3%
Other foreign currencies	0	<0.1%	0	<0.1%
Total	1,218	100.0%	1,468	100.0%

The volume of actual or expected repayments as at 31 December 2011 totaled € 401 million, which corresponds to an acceptance rate of 28.9 per cent. Roughly half were already converted in 2011 and appropriate measures were taken for the remainder. The resulting loss amounted to € 109 million. Lower interest income in subsequent periods lies at around € 18 million.

Liquidity risk

Liquidity risk management was one of the most affected risk control units in 2011. In addition to the increased frequency of internal reporting and the high number of additional analytical tasks, especially since the new issues markets dried up, measures were taken to ensure that RBI maintained its strong liquidity buffer. At the same time, the crisis scenario analyses used for internal risk measurement and management were further developed and more closely integrated into the liquidity and the balance sheet management of the principal Group units.

The cash flow modeling for the expected base case was also revised in 2011 to include findings from past years, in order to adjust the resulting forecasts for capital commitment and refinancing needs. On the one hand, this should increase transparency with respect to actual costs and risks, and on the other hand naturally set a course for the correct management decisions.

The planned implementation of the liquidity requirements according to Basel III in 2011 was another issue regarding liquidity risk. Although there is still no final draft of the regulatory requirements and these can therefore be interpreted very differently, calculations have already been conducted for RBI and individual Group units. The implementation of the required data landscape and of the corresponding calculation applications has also already been introduced and will constitute a key area of activity in 2012.

The Liquidity Contingency Committee (LCC) is a committee that concerns itself with liquidity management and measures in the case of difficult market situations or crises. Due to the difficult market situation, the LCC was convened in the second half of 2011 and had met several times by year-end.

Simulation of net interest income

RBI's interest income represents a significant earnings factor and thus makes a material contribution towards stabilizing the capital base and to the success of the business model. To do justice to this significance, risk management of interest flows is realized in its own entity independently of liquidity risk. Here, particularly the impact of different interest rate scenarios on interest income is simulated. In close cooperation with the front-office units, RBI thus prepares for various developments on the market and can react quickly in the case of negative trends. The emphasis in this area in 2011 was on further developing the available analytical and reporting tools on the one hand and on harmonizing these systems within the Group on the other.

Market risk

Since January 2010 market risk management has been based on figures from an internal model. This is calculated using a hybrid approach; in other words, a combination of historical and Monte Carlo simulation with 5,000 scenarios, the value-at-risk (VaR) for changes in the risk factors of foreign currencies, interest rate development, credit spreads from 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, numerous approaches were integrated into the model. These include the enhancement of the scenarios to include extreme events or the consideration of the current volatility levels in generating scenarios and different time horizons in the volatility estimate. This choice of model access already today forms the basis for putting in place the strict Basel III requirements in internal models. The model was additionally expanded to include a stressed-VaR module that meets the regulatory requirements that have been in effect since 31 December 2011.

Having passed the review process of the FMA and the Oesterreichische Nationalbank (OeNB), the model has been used since 30 August 2010 for calculating own funds requirements of foreign currency and the general interest rate risk in the trading book for Group headquarters. The daily scope of management includes the RBI trading and banking books based on the VaR on a holding period of 1 day and a confidence interval of 99 per cent as well as sensitivity limits. The market risk position, the limit process and the presentation of all capital market activities in the income statement are among the items on the fixed agenda for the weekly market risk committee meeting.

To ensure the quality of the model, daily back testing is performed. The results of these tests were always within the limits of the model expectations and have also featured no significant deviations in recent months. Based on these positive results, the internal model is to be allocated to the best class ("green status") from a regulatory perspective.

Management of non-performing loans

The fact that 2011 was a difficult year for the CEE region and thus for RBI's home market, was reflected in an increase in non-performing loans to non-banks (up 4 per cent or € 266 million compared to 2010). However, the allocation of corresponding loan loss provisions was partially offset by high returns from reorganization measures. Furthermore, adequate coverage was ensured through write-downs. This will also be one of the priorities in 2012.

In 2011, RBI also made significant process improvements in the early recognition of troubled loans and their processing, thus largely preventing a further increase in non-performing loans. The larger range of the portfolios considered and the improved process efficiency, the further development of the reporting system and the continuous exchange of experience between the individual members of the Group are significant cornerstones here.

Basel II and III – regulatory environment

Once more, RBI was intensively involved with current and pending regulatory developments in 2011. The majority of the expected changes result from the EU CRD III guidelines on capital requirements and the even more extensive CRD IV/CRR legislation proposed by the EU Commission. The potential impact on RBI of new and amended legislation has been analyzed in detail. The corresponding internal guidelines were adopted where necessary, for example, in relation to the remuneration policy and the appropriateness of remuneration.

In addition to the measures already taken in connection with the new Basel III regulations, risk management focused in 2011 on the ongoing implementation of the advanced Basel II approach. The Basel II related activities included the implementation of the internal ratings-based approach (IRB) in the retail- and non-retail sector in the subsidiaries in the CEE region, further development of the internal market risk model as well as the introduction of the standardized approach to operational risk throughout the Group.

The following table gives an overview of the current status of these projects. The implementation of the IRB approach in subsidiaries in the CEE region will continue in 2012.

	Credit risk		Market risk	Operational risk
Unit	Non-retail	Retail		
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 risk related to the open currency positions and general interest rate risk in the trading book
3 STA = Standard approach
4 Only on a consolidated basis

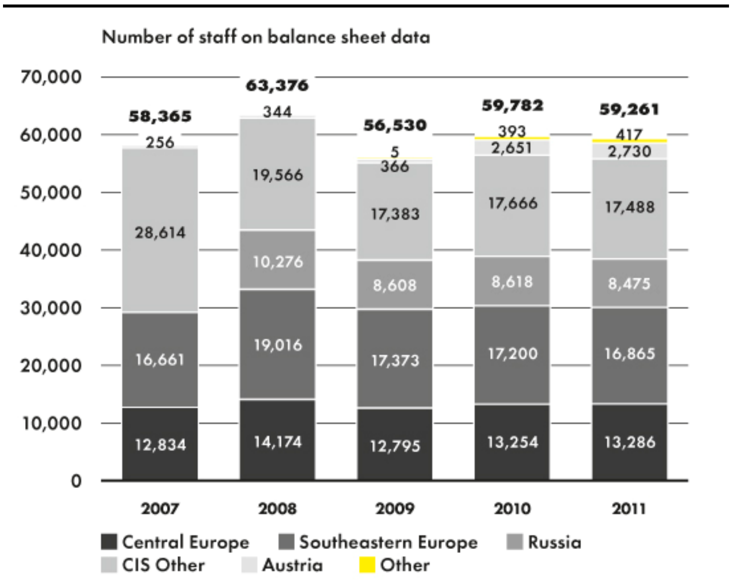
The standard approach is currently used in all principal Group units for the capital backing of operational risk in accordance with Basel II.

Human Resources

Human Resources (HR) management is closely linked to RBI's economic performance. As a result, 2011 was a year of contrasts. The first half of the year was marked by optimism and forecasts of growth, which prompted investments in recruitment and training, plus alterations to compensation principles. The situation changed in the second half of the year, however, and cost-cutting programs were introduced in all countries.

As of 31 December 2011, RBI had 59,261 employees (measured on a full-time equivalent basis), down 1 per cent or 521 people against the end of 2010. The largest cutbacks, based on the total number of employees in a particular country, were recorded in Bosnia and Herzegovina, Croatia, Hungary and Romania. The average age of employees remained relatively low at 36 years, which reflects the image of RBI as a young and dynamic bank. Graduates accounted for 74 per cent of employees, indicating a highly skilled workforce. 68 per cent of employees were women.

Development of personnel



Performance management

The performance management process was adapted to comply with the CRD III Requirements Directive (further details at the end of the section). In 2011, the bulk of improvements to HR tools and guidelines was based on these requirements. The key priorities lay in matching individual managers' performance targets to the business strategy, providing intensive training for managers and staff, and improving processes.

Training and international transfer of knowledge

The priorities of professional development are closely linked to the RBI Group business strategy. Consequently, the 2011 training programs focussed on capital market products and risks with a view to enhancing corporate customer advisors' skills in this area, as well as on risk management and premium banking. All staff has access to a wide range of courses. In order to increase the impact of Group-wide training, so-called master trainers were appointed at each network bank. These serve as multipliers, facilitating the transfer of knowledge and expertise.

Alongside traditional training, the promotion of intra-Group mobility and the international exchange of knowledge and personnel were key aspects. For example, international trainee programs in Risk Management and Treasury encouraged a purposeful exchange of know-how and experience between the network banks.

The range of e-learning courses – a vital component in ongoing training – was further expanded in the period under review. E-learning is primarily used to provide the best possible support for training on common topics as well as on local and Group-wide initiatives. Improvements to the technical infrastructure and more user-friendly features resulted in considerably higher levels of use and acceptance in 2011.

Talent management and management development

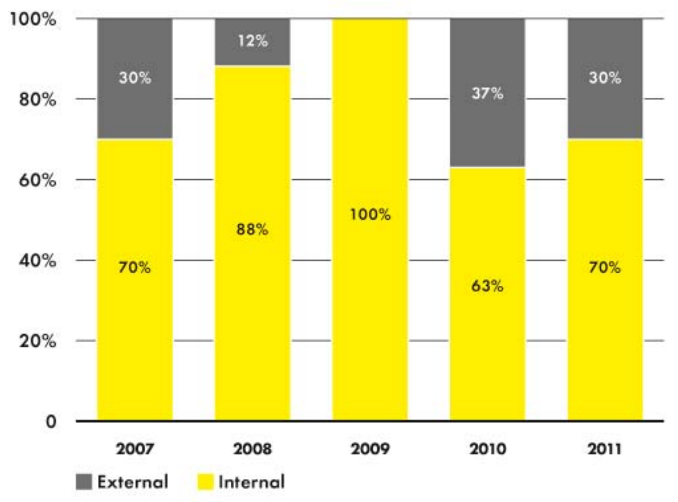
As an employer, RBI creates an environment that challenges employees, thereby developing and supporting their personal skills. In order to highlight the career options open to the most talented specialists and to encourage them to stay with the company, RBI wants to ensure that attractive alternatives to a career in management are available to them. The requisite structures have been established and provide the basis for a broad range of talent management measures.

Top companies for leaders

In recognition of its management development strategy and programs, RBI became the first Austrian company to be recognized in the international study "Top Companies for Leaders 2011." RBI came in sixth in the European ranking of the study, which was conducted by the American Fortune magazine in cooperation with human resources consultancies AonHewitt and the RBL Group. RBI was one of only a few banks to make it onto the list. Evaluation criteria included the strength of leadership practices and culture, examples of leader development on a global scale, alignment of leadership and business strategy, business performance, and company reputation.

RBI's talent management features clear processes and effective tools. RBI has an impressive pool of top talent comprised of more than 120 individuals meaning that most high-level positions can be filled by internal candidates.

Filling of Board positions in network banks



Numerous Group-wide and local initiatives

In order to give key managers detailed feedback on their current performance – including a market comparison – RBI developed a Group-wide top management audit in 2011. The audit forms the basis for individual development plans that promote internationalization and a diversification of management skills.

In addition, a wide variety of local initiatives were set up to identify and encourage high potentials, such as assessment centers for branch managers in Kosovo, for middle management in Russia and for top local talents in Hungary, as well as the Croatian School of Excellence and the Executive Education Program launched in cooperation with local and international business schools in Russia and Poland.

Long-standing successful management development programs for various target groups and management grades, as well as coaching and "360-degree feedback", continued in 2011. RBI also worked with the training teams of the Austrian Raiffeisen Banking Group (RBG) on the Raiffeisen Campus project – a project designed to foster more transparent talent management within the Raiffeisen Group as a whole in the medium term.

Employee surveys

Many Raiffeisen units conducted employee surveys in 2011; in addition to Austria also Albania, Croatia, Kosovo, Poland, Romania and Serbia. In Austria more than 70 per cent of employees completed the survey. Alongside questions regarding working conditions, cooperation, information, communication and job satisfaction, one focus of the survey was dedicated to the concept of leadership. After evaluating the results over 60 projects were developed and initiated in 2011. Moreover, measures were taken to improve internal information and communication. Furthermore, various features of the performance management and compensation systems were modified.

Joining forces in Human Resources

Group-wide management, knowledge management and mutual learning remained key issues for RBI's Human Resources management activities in 2011. Priorities included implementing Group standards and promoting cooperation between subsidiary banks, particularly the exchange of experiences and best practices. The annual meeting of RBI HR managers was held in April and covered current topics such as job grading, change projects, compensation programs, performance management, and incentive schemes. Moreover, two regional meetings held in Minsk and Zagreb looked at different regional and national requirements. The spotlights here were on optimal HR structure, employee development, and the optimization of administrative HR processes.

New compensation rules

The Austrian Banking Act (Section 39b BWG), amended to comply with new EU legislation (Capital Requirements Directive III, CRD III), requires banks to have variable remuneration schemes from 2011 onwards. The aim is to motivate employees to adopt practices promoting sustainability and long-term growth. Consequently, RBI modified its remuneration schemes in 2011, introducing special rules for managers, risk buyers (roles where business decisions directly affect the risk profile), employees with supervisory duties, and employees who fall into the same remuneration group as managers and risk buyers and whose activities have a significant impact on the risk profile ("identified staff").

All RZB Group companies were evaluated to determine how certain criteria (e.g. business model, assets, economic capital, etc.) affect risk, after which decisions were taken on how to apply the new remuneration guidelines (in full, partially, or the basic minimum) and who qualified as "identified staff". Based on that assessment, a detailed set of compensation principles was developed that form the backbone of remuneration policy and practices in RBI and RZB banks. This provides a framework across the Group to ensure that employee remuneration is aligned with the new legal requirements:

General RBI Compensation Principles

- Compensation principles support the business strategy and the long-term company targets, interests and values through using the RBI key performance indicators (KPI) set and key cultural competencies.
- Compensation principles incorporate measures to avoid conflicts of interests.
- Compensation principles and policies are consistent with effective risk-taking management practices and avoid incentives for inappropriate risk taking through KPIs and different management processes (e.g. performance management process, risk committees, bonus pool approach).
- Compensation is driven by a functional structure (e.g. grading structure) and is performance-related.
- Compensation is competitive and affordable and is defined according to the relative value of the job, market value and practices.
- Fixed compensation is defined in accordance with local market conditions.
- The pay-mix (portion of variable compensation to fixed compensation) is well balanced which allows every employee an adequate living based on fixed income, thus allowing a full flexible variable remuneration policy including the possibility of no variable remuneration.
- The variable compensation may consist of:
    - Short-term Incentive (STI): for performance of up to one year measured at Group, bank, business unit and individual level using quantitative and qualitative criteria.
    - To ensure that total organization/unit performance is reflected in short-term incentives, bonus pools define total amounts of payments.
    - Mid-/Long-term Incentive (LTI): for sustained performance up to five years based on mid- and long-term measurements.
- All variable compensation programs include regulations for thresholds and caps.
- The total variable remuneration is not allowed to limit the ability of the institution to strengthen its capital base.
- Variable remuneration is not to be paid through vehicles or methods that facilitate the avoidance of the requirements of this corporate directive.
- Performance is the basis for all variable compensation schemes and takes into account:

   - the bank, business unit (where applicable) and individual performance (including compliance with the RZB Group Code of Conduct and the compliance regulations).
   - the costs of risks, liquidity and capital.
- Individual performance is the output of achieved results and behaviors/competencies based on both quantitative and qualitative measures, assessed within the performance management process and by taking into account financial and non-financial criteria.
- Group/unit performance is the output of achieved results based on quantitative measures following the RBI Group KPI set.
- Employees engaged in control functions are compensated independent of the business unit they supervise, have appropriate authority and their remuneration is determined on the basis of achievement of their organizational objectives, regardless of the results of the business activities they monitor.
- The pension benefits are in line with the business strategy, objectives, values and long-term interests of the institution. If the employee leaves the company before retirement, discretionary pension benefits will be held for a period of five years in the form of the equity/non-cash instruments. In case of an employee reaching retirement, discretionary pension benefits shall be paid to the employee in the form of equity instruments subject to a 5-year retention period.
- Guaranteed variable payments are used only as an exception limited to the first year of employment.

Additional rules apply to "identified staff", such as deferring parts of the variable remuneration for a stipulated period.

New compensation rules were introduced in all Group units, in line with the Group principles and the relevant local statutory requirements. In some countries, this involved altering existing variable remuneration schemes, as was the case for the annual bonus system in Bosnia and Herzegovina and the incentive schemes for individual retail units in Serbia.

In the course of the merger of Raiffeisen International with the principal business areas of RZB in 2010, the compensation structures in Austria were standardized and harmonized. This process was completed in 2011. The compensation and bonus systems were completely overhauled to comply with the new regulatory demands. The basic compensation model was compared against market standards, and salary margins were defined for all function groups. With these steps, the compensation scheme harmonization process – a key component in the development of a new corporate culture – was completed.

Outlook

Economic prospects

Central Europe

Having benefited from stable growth in export markets in 2011, Central Europe's economic forecast for 2012 is significantly gloomier. In this climate, Poland's GDP growth is likely to drop from 4.3 per cent in 2011 to 2.8 per cent in 2012. The situation is similar in Slovakia, which was still reporting growth of 3.3 per cent in 2011, but is likely to suffer a drop in economic output to 0.8 per cent in 2012. With domestic demand remaining weak and exports falling as a result of the expected recession in the eurozone, total economic output in the Czech Republic is expected to fall by 0.2 per cent in 2012. Similar developments are expected in Slovenia where the heavy dependence on exports, a fragile banking sector and a delay in political reforms generate grim prospects. The latest political decisions in Hungary have had an impact on investor confidence. Combined with low domestic demand, the forecast here in 2012 is for economic output to fall by 0.5 per cent.

Southeastern Europe

The renewed slowdown in the eurozone's economy, combined with persistently weak investment activity, is, as in the case of Central Europe, likely to have a dampening effect on Southeastern Europe and could lead to stagnation or even recession in some countries. Tighter lending, persistently high unemployment and a drop in transfers from Southeastern Europeans working abroad are impairing consumer spending. Governments there also have limited resources to significantly increase consumption or finance investments. Consequently, GDP is expected to rise only marginally by around 0.3 per cent in 2012.

CIS

Even though oil prices are expected to remain high, lower growth is forecasted for the Russian Federation in 2012. Russia is increasingly struggling to transform its export price level into significant economic growth. Nevertheless, at 3.7 per cent it should still be well within positive territory and above the average eurozone level. Domestic factors boosting the economy – through both private demand and investments – are likely to be somewhat weaker year-on-year. Similar developments are expected in Ukraine. Like Russia, it is heavily dependent on the volatile prices of commodities and, as such, is particularly exposed to risk in the current global environment. Growth in the economy is likely to drop from 5.2 per cent to 3.5 per cent. Domestic consumption remains high, while exports are decreasing slightly. Belarus will still have to struggle with the consequences of the economic crisis in 2012. With pressure from inflation and depreciation still high, GDP growth of 3.0 per cent is expected.

Eurozone

Current forecasts predict a distinctive economic downturn at the end of 2011/beginning of 2012. Owing to the high financing costs, fiscal counter steering is nearly impossible in most countries. On the contrary, persistent restrictive fiscal policies are to be expected for the majority of eurozone countries in 2012. Furthermore, the political environment will remain turbulent. Budget cutbacks and structural changes on the national, as well as bail-out packages on the European level will most likely be accompanied by criticism and protests. In light of these circumstances, a noticeable recession is anticipated from year-end 2011 until mid-2012. On the eurozone demand side this will be characterized by a decline in the demand for investments and public consumption. It is likely that some eurozone countries will experience a decline in their economic performance: Austria (0.3 per cent), Belgium (minus 0.2 per cent), Finland (0.0 per cent), France (0.1 per cent), Germany (0.0 per cent), Ireland (minus 0.7 per cent), Italy (minus 1.8 per cent) and Spain (minus 1.2 per cent). The largest GDP declines are forecast for Greece (minus 5.5 per cent) and Portugal (minus 3.8 per cent).

Asia

China will remain the motor for growth in Asia in 2012, even though economic growth will be noticeably slower due to the worldwide decline in demand for exports, as well as internal imbalances in the real estate market. Decreasing inflation enables monetary countermeasures. At the same time, it is expected that fiscal policy will not interfere quite as strongly as it did in 2009 (strong increase in investments), but that smaller measures, geared towards stimulating consumption and supporting low income households, will be taken. In general, the government's targeted growth of 7.5 per cent in 2012 will be exceeded. India also faces a significant slow-down in economic growth that will reach its low in the first half of 2012. For 2012 the growth forecast stands at an average of 7.0 per cent.

Outlook for RBI

In the context of expected overall economic developments, particularly in CEE, we are aiming, with the inclusion of the acquisition of Polbank, for a return on equity before tax of around 15 per cent in the medium term. This is excluding future acquisitions, any capital increases, as well as unexpected regulatory requirements from today's perspective.

In 2012, we expect a stable business volume due to the economic environment and restrictive regulatory requirements. 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 business volume accounted for by our Retail Customers division.

Against the backdrop of a permanently changing regulatory environment and further strengthening of our balance sheet structure we are continuously evaluating the level and structure of our regulatory capital to be able to act promptly and flexibly. Depending on market developments, a capital increase also continues to be a possible option.

Despite the cautious economic growth forecast, we expect to see a stabilization of the net provisioning ratio along with only a marginal increase in non-performing loan volumes. Due to current developments on the economic and political fronts, it is not possible to accurately predict when we will reach a turning point as far as non-performing loans are concerned.

In 2012, we expect higher bank levies than in the previous year. In Austria and CEE this will presumably result in a negative earnings effect of some € 160 million (of which approximately € 100 million in Austria, € 40 million in Hungary and € 20 million in Slovakia).

We plan to raise around € 4.6 billion in long-term wholesale funding (maturity of more than one year) for the RBI Group in 2012. In the capital markets we intend to raise € 2.1 billion in wholesale funding, of which around € 1.3 billion had already been placed as of mid-March.

In 2012 we will once again pay increased attention to cost development. Therefore, we have implemented Group-wide cost efficiency programs in order to achieve a flat cost development. The number of Group outlets is to remain fairly stable in 2012 (excluding Polbank), although there may continue to be some optimization of our network in some countries.

Events after the balance sheet date

Acquisition of Polbank

RBI signed an agreement with the Greek EFG Eurobank Ergasias S.A. (Eurobank EFG) on 3 February 2011 for the acquisition of a majority share of 70 per cent in its business unit Polbank EFG (Polbank) as a first step. With its strong focus on private customers, Polbank would complement Raiffeisen Bank Polska ideally, which mainly focuses on corporate customers.

Significant steps towards acquiring Polbank – for example the approvals by the European Commission and the transition to an independently licensed bank – as well as the preparations for the future organizational structure of the merged bank were successfully carried out in the 2011 financial year. Closing the transaction now depends on the regulatory approval in Poland.

Strengthening the core capital

The tender offer period for buying back several RBI hybrid bonds ended on 5 March 2012. In total, RBI bought back securities with a total nominal value and at a liquidation preference amount of € 358 million. The buyback increases the core tier 1 capital by approximately € 113 million (the difference between the nominal and redemption amount) or the core tier 1 ratio by 0.12 percentage points. This strengthens the capital structure accordingly against the backdrop of the changes in the regulatory requirements.

RBI optimizes structure of participations to prepare for Basel III

In the course of its measures to prepare for the Basel III guidelines that will be in force as of 2013, RBI is currently optimizing its structure of participations. The European implementation of Basel III will limit the recognition of the capital contributions provided by minority shareholders. In order to avoid this effect, RBI will acquire the minority shareholdings that RZB holds in the Slovak Tatra banka a.s. and the Czech Republic's Raiffeisenbank a.s. By doing so, RBI will increase its already existing majority shareholdings in these network banks and will further simplify the shareholder structure.

On the completion of this measure – which is still subject to approval from the relevant regulatory authorities – RBI's equity share in Tatra banka in Slovakia will increase from 65.8 per cent to 78.6 per cent and from 51.0 per cent to 75.0 per cent in Raiffeisenbank in the Czech Republic. The purchase price for the shares will total approximately € 344 million, which will initially impact RBI's core tier 1 ratio by around 0.35 percentage points.

Annual financial statements

Balance sheet

Assets

		31/12/2011 in €	31/12/2010 in € 000
1.	Cash in hand and balances with central banks	7,114,977,051	588,709
2.	Treasury bills and other bills eligible for refinancing with central banks	2,329,835,256	4,662,197
3.	Loans and advances to credit institutions	28,176,733,742	23,959,622
	a) Repayable on demand	1,584,184,289	794,875
	b) Other loans and advances	26,592,549,453	23,164,748
4.	Loans and advances to customers	28,314,212,243	24,617,523
5.	Debt securities and other fixed-income securities	5,336,575,902	7,028,253
	a) issued by public bodies	38,662,217	59,289
	b) issued by other borrowers	5,297,913,685	6,968,964
	hereof: own debt securities	81,441,466	85,651
6.	Shares and other variable-yield securities	175,492,199	235,688
7.	Participating interests	30,128,098	27,930
	hereof: in credit institutions	0	0
8.	Shares in affiliated untertakings	7,429,054,495	6,381,168
	hereof: in credit institutions	3,304,010,830	5,382,507
9.	Intangible fixed assets	94,096,750	99,443
10.	Tangible assets	14,577,167	13,287
	hereof: land and buildings occupied by a credit insitution for its own activities	0	0
11.	Own shares	15,806,242	34,721
12.	Other assets	8,187,775,027	4,940,945
13.	Prepayments and accrued income	106,881,308	93,034
	Total assets	**87,326,145,479**	**72,682,520**

Liabilities

		31/12/2011 in €	31/12/2010 in € 000
1.	Liabilities to credit institutions	37,500,798,192	29,944,617
	a) Repayable on demand	2,283,825,931	2,511,185
	b) With agreed maturity dates or periods of notice	35,216,972,262	27,433,432
2.	Liabilities to customers (non-banks)	16,910,998,104	12,676,359
	a) Savings deposits	0	0
	b) Other liabilities	16,910,998,104	12,676,359
	aa) Repayable on demand	4,704,709,046	3,679,617
	bb) With agreed maturity dates or periods of notice	12,206,289,058	8,996,742
3.	Securitised liabilities	13,071,866,187	14,610,918
	a) Debt securities issued	10,476,102,946	13,217,478
	b) Other securitised liabilities	2,595,763,242	1,393,440
4.	Other liabilities	8,948,432,531	5,458,303
5.	Accruals and deferred income	208,345,549	169,488
6.	Provisions	242,412,495	201,155
	a) Provisions for severance payments	33,787,340	34,116
	b) Provisions for pensions	20,397,813	11,480
	c) Provisions for taxation	73,767,426	45,891
	d) Other Provisions	114,459,917	109,668
7.	Subordinated liabilities	2,367,796,945	2,211,843
8.	Supplementary capital	1,400,000,000	1,400,000
9.	Participation capital	2,500,000,000	2,500,000
10.	Subscribed capital	596,290,628	596,291
11.	Capital reserves	1,949,658,503	1,949,659
	a) Committed	1,852,592,104	1,852,592
	b) Uncommitted	97,066,399	97,067
12.	Retained earnings	1,040,485,081	404,485
	a) Legal reserve	5,500,000	5,500
	b) Other reserves	1,034,985,081	398,985
	hereof: reserves for own shares	15,806,242	34,721
13.	Liability reserve pursuant to Article 23 (6) BWG	383,015,000	351,442
14.	Net profit for the year	206,046,263	207,960
	Total liabilities	**87,326,145,479**	**72,682,520**

Income statement

		2011 in €	2010 in € 000
1.	Interest receivable and similar income	2,197,057,999	2,185,318
	hereof: from fixed-income securities	377,033,537	411,438
2.	Interest payable and similar expenses	(1,666,543,171)	(1,587,623)
I.	**NET INTEREST INCOME**	**530,514,827**	**597,695**
3.	Income from securities and participating interests	478,315,110	363,309
	a) Income from shares and other variable-yield securities	2,712,494	50,793
	b) Income from participating interests	361,970	783
	c) Income from shares in affiliated undertakings	475,240,646	311,733
4.	Commissions receivable	207,400,450	214,741
5.	Commissions payable	(50,563,301)	(66,143)
6.	Net profit or net loss on financial operations	89,867,958	39,057
7.	Other operating income	81,203,362	85,559
II.	**OPERATING INCOME**	**1,336,738,406**	**1,234,218**
8.	General administrative expenses		
	a) Staff costs	(270,693,165)	(249,141)
	aa) Wages and salaries	(214,673,800)	(189,600)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(40,019,553)	(38,202)
	cc) Other social expenses	(6,057,282)	(5,456)
	dd) Expenses für pensions and assistance	(4,460,993)	(4,341)
	ee) Allocation to provision for pensions	(1,190,563)	(372)
	ff) Expenses for severance payments and contributions to severance funds	(4,290,975)	(11,170)
	b) Other administrative expenses	(238,880,426)	(247,832)
9.	Value adjustments in respect of asset items 9 and 10	(30,719,940)	(31,127)
10.	Other operating expenses	(14,888,882)	(16,398)
III.	**OPERATING EXPENSES**	**(555,182,413)**	**(544,498)**
IV.	**OPERATING RESULT**	**781,555,993**	**689,720**
11./ 12.	Net income/expenses from the disposal and valuation of loans and advances and specific securities	(59,408,725)	(179,441)
13./ 14.	Net income/expenses from the disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests	(183,287,582)	(40,063)
V.	**PROFIT ON ORDINARY ACTIVITIES**	**538,859,686**	**470,216**
15.	Extraordinary income	665,612,413	0
16.	Extraordinary expenses	0	0
VI.	**EXTRAORDINARY RESULT**	**665,612,413**	**0**
17.	Tax on profit or loss	(39,460,436)	(62,442)
18.	Other taxes not reported under Item 17	(95,063,340)	(75)
VII.	**PROFIT FOR THE YEAR AFTER TAX**	**1,069,948,322**	**407,699**
19.	Changes in reserves	(667,573,000)	(500)
	hereof: allocation to liability reserve	(31,573,000)	(351,442)
VIII.	**NET INCOME BEFORE DISTRIBUTION ON PARTICIPATION CAPITAL**	**402,375,322**	**407,199**
20.	Distribution on participation capital	(200,000,000)	(200,000)
IX.	**NET INCOME AFTER DISTRIBUTION ON PARTICIPATION CAPITAL**	**202,375,322**	**207,199**
21.	Profit brought forward	3,670,940	761
X.	**NET PROFIT FOR THE YEAR**	**206,046,263**	**207,960**

Off-balance sheet items

	ASSETS	31/12/2011 in €	31/12/2010 in € 000
1.	Foreign assets	44,559,429,923	44,048,508

	LIABILITIES	31/12/2011 in €	31/12/2010 in € 000
1.	Contingent liabilities	10,827,027,106	9,922,556
	Guarantees and assets pledged as collateral security	10,827,027,106	9,922,556
2.	Commitments	12,179,519,177	11,415,054
3.	Commitments arising from agengy services	306,303,330	370,587
4.	Eligible capital pursuant to Article 23 (14) BWG	10,205,589,000	9,479,823
	hereof: own funds pursuant to Article 23 (14) no. 7 BWG	93,830,000	65,000
5.	Capital requirement pursuant to Article 22 (1) BWG	3,586,274,000	3,162,574
	hereof: capital requirement pursuant to Article 22 (1) nos. 1 and 4 BWG	3,168,619,000	2,926,689
6.	Foreign liabilities	31,408,682,466	22,702,010

Notes

Accounting and valuation methods

General principles

The annual financial statements for the year ending 31 December 2011 were prepared in accordance with the Austrian Commercial Code (UGB), taking into account the special provisions of the Austrian Banking Act (BWG). In accordance with the principles of proper accounting, and taking into account standard practice as described in Section 222 (2) of the Austrian Commercial Code (UGB), to the best of our knowledge the annual financial statements give a true and fair view of the company's net assets, financial position and earnings.

The consolidated financial statements were prepared in compliance with the principle of balance sheet continuity.

Assets and liabilities are valued on the principle of individual valuation and on the assumption that the company will continue to exist. The principle of prudence is applied, taking into account the special characteristics of the banking business.

Stock market prices are used to determine the fair value of listed products. If stock market prices are not available, prices for original financial instruments and forward transactions are determined based on the calculated present value. The prices for options are determined based on suitable option price models. The calculation of present value is based on a yield curve composed of money-market, futures and swap rates and does not include a credit spread. Option pricing formulas as described by Black-Scholes 1972, Black 1976 and Garman-Kohlhagen are used together with other common models for the valuation of structured options.

Amounts in foreign currencies

Assets and liabilities in foreign currencies are converted at the ECB's reference exchange rates as at 31 December 2011 pursuant to Section 58 (1) of the Austrian Banking Act (BWG).

Financial instruments in the banking book

Securities intended to serve business purposes on a permanent basis (investment portfolio) are valued as fixed assets. The difference between the purchase cost and repayment amount is written off or recognized pro rata over the residual term.

The securities under other current assets are recognized at fair value. Exchange-traded derivatives in the banking book are also recognized at fair value. These are recognized in item 11/12 of the income statement: "Net income/expenses from the disposal and valuation of loans and advances and specific securities".

Interest rate derivatives (interest rate swaps, options and forwards) and exchange rate derivatives (cross-currency interest rate swaps and forward foreign exchange transactions) are reported based on the accrued-interest method.

The banking book also includes portfolios that contain derivatives which do not meet the criteria of a trading book. The focus is not on short-term gains but on making profits through positioning based on medium- to long-term market opinion. Derivatives in this clearly-defined portfolio are valued on a mark-to-market basis.

Credit derivatives (credit default swaps) appear in the income statement as follows: The paid or received margins (including accruals/deferrals) are shown under fees and commissions; the valuations of these instruments (based on the clean present value method) are shown in item 11/12 of the income statement: "Net income/expenses from the disposal and valuation of loans and advances and specific securities".

Financial instruments in the trading book

The securities in the trading portfolio are valued on a mark-to-market basis. All derivatives transactions in the trading book are also recognized at fair value.

The capital-guaranteed products (guarantee funds and pension provisions) are reported as sold put options on the respective funds to be guaranteed. Their valuation is based on a Monte Carlo simulation.
Modifications were made to the model in 2011 to bring it in line with the amended statutory framework.

Risks in the lending business

When the loan portfolio is valued, appropriate value adjustments or provisions are made for all identifiable risks, and the principle of prudence is observed. In addition, a general loan loss provision (portfolio-based provision) is recorded on the basis of the respective averages of the historic default rates of the last five years in each rating category, with linear weighting for corporates. In the 2011 financial year, valuation reserves were released in full pursuant to Section 57 (1) of the Austrian Banking Act (BWG).

Investments and shares in affiliated companies

The investments and shares in affiliated companies are valued at the cost, provided sustained losses or reduced equity do not necessitate depreciation of the equity, income value or market price.

If there are exchange rate hedges for investments in the form of valuation units, the individual valuation principle is applied at the level of the valuation unit.

Tangible fixed assets

Intangible fixed assets and tangible fixed assets are valued at acquisition or production cost less scheduled depreciation. Scheduled depreciation is on a straight-line basis.

Scheduled depreciation is based on the following periods of use (in years):

Buildings	50	Software	4 to 10
Office equipment	5 to 8	Hardware	3 to 4
Office fixtures and fittings	5 to 10	Business equipment	5 to 10
Vehicles	5	Tenancy rights	10
Goodwill	5		

Low-value fixed assets are written off in full in the year of acquisition.

Own shares

Own shares are valued on a mark-to-market basis at the market price prevailing on the reporting date. These include own shares held in the trading portfolio and intended for the share incentive program (SIP) for members of the management boards of the bank's subsidiaries. Own shares for employees of RBI AG intended for the SIP are written down on a straight-line basis over the residual term of the respective program (the term is three years for the 2009 tranche and five years for the 2011 tranche), to the lower market price where necessary.

The Management Board of RBI decided, with the approval of the Supervisory Board, to introduce a share incentive program (SIP) in order to commit key employees to the company and to reward loyalty. Based on essentially similar agreements, a performance-based allocation of shares in the company to its top executives is planned after a qualifying period of three years or, for tranches as of 1 January 2011, after a period of five years.

The share incentive program applies for the Management Board of the former RI, as well as for members of the management boards of the bank's subsidiaries, and for selected executives of the former RI. Top executives had to make their own investment and purchase shares in RI in order to benefit from the program. Shares purchased in this way have to remain in the possession of the manager concerned for a period of three years or, for tranches as of 1 January 2011, for a period of five years.

Shares are allocated based on two equally weighted performance indicators. One is the performance of RBI compared to the ROE target, calculated as the average value over the qualifying period. The other is the total shareholder return of the RBI share compared to all banks included in the Dow Jones Euro Stoxx Banks index.

One tranche of the program (SIP tranche 2008) matured in the 2011 financial year. In accordance with the terms of the program, the maximum number of shares to be allocated was not reached because the performance criteria were not met.

Issue costs

Issue and management fees and premiums or discounts for bonds issued are distributed over the given term. Other issue costs are expensed immediately.

Pension and severance payment obligations

The provisions for pension and severance payment obligations are determined in accordance with IAS 19 (Employee Benefits) based on the projected unit credit method. The corridor method is not used.

The actuarial calculation of pension obligations for active employees is based on an interest rate of 4.5 per cent a year and an effective salary increase of 3.0 per cent a year. The parameters for retired employees are a capitalization rate of 4.5 per cent a year and an expected increase in retirement benefits of 2.0 per cent a year. The calculations are based on an assumed retirement age of 62 for women and 65 for men, subject to transitional statutory requirements and special arrangements contained in individual contracts.

The actuarial calculation of severance payment and long-service bonus obligations is also based on an interest rate of 4.5 per cent a year and an average salary increase of 3.0 per cent a year.

The basis for the calculation of provisions for pensions, severance payments and long-service bonuses is provided by *AVÖ 2008-P Rechnungsgrundlagen für die Pensionsversicherung* (Computational Framework for Pension Insurance) *by Pagler & Pagler*, using the variant for salaried employees.

Other provisions

Other provisions are recorded at the level at which they are likely to be required. They take into account all identifiable risks and liabilities, the level of which is not yet known.

For the first time, other provisions include provisions for bonuses for identified staff (pursuant to European Banking Authority CP 42, 46). RBI AG fulfills the obligations set forth in the Annex to Section 39b of the Austrian Banking Act (BWG) as follows: 60% of the annual bonus is paid out in part (50%) as an upfront payment and in part (50%) as a phantom share plan with a retention period of one year. 40% of the annual bonus is subject to a five-year deferral period and likewise paid out in part (50%) in accordance with the criteria of the phantom share plan. The phantom shares are converted using the average price of the preceding financial year.

30% of the bonus for three members of the Management Board who were paid a bonus in 2010 was paid out in cash as of 31 December 2011. The remainder was retained in accordance with the aforementioned system to be paid out in the form of deferred payments.

Liabilities

These are recognised at the higher of the nominal value or the repayment amount. Zero-coupon bonds, on the other hand, are recognized at their pro rata annual values.

Company

Raiffeisen Bank International AG (RBI) originated in October 2010 from the merger of Raiffeisen International with the main business segments of Raiffeisen Zentralbank Austria AG (RZB) – the corporate banking business together with the affiliated companies. The merger has further strengthened RBI's position as a leading bank in the CEE countries and in Austria. Even before the merger, Raiffeisen International had been able to raise equity capital as a listed company by issuing shares. The merger has provided RBI with access to the debt capital market, allowing the bank to raise debt also via bank-specific instruments, e.g. those traded on the interbank market. A further key advantage of the new Group structure is the optimization of risk management. The integration of service departments enables all markets that had previously been served separately by Raiffeisen International and RZB to be served by RBI from a single source in bundled fashion.

Service relationships between RZB and RBI

There are mutual service relationships between RZB and RBI that are covered by service level agreements (SLAs). On the basis of a framework agreement and an SLA template, which regulate the rights and obligations of the contracting parties and the settlement modalities between them, there are a variety of SLAs covering dealings between RZB and RBI in different areas. These are subject to an annual review process based on the services actually provided.

On the reporting date there were 24 SLAs regulating services provided by RBI. The most important of these are:

- Treasury
- Credit management
- Payment transfer business
- Information technology
- Risk controlling
- Accounting, Taxes
- Legal and Compliance

In return, RZB provides services that represent group guidelines, such as group management instruments. These are regulated in six SLAs concerning primarily RZB group corporate responsibility, risk strategy, public relations and marketing.

Notes on individual balance sheet items

Breakdown of maturities

The loans and advances to credit institutions and loans and advances to customers that are not due on a daily basis break down by their residual terms as follows:

values in € million	31/12/2011	31/12/2010
Loans and advances to credit institutions		
Up to 3 months	14,226.2	10,033.2
More than 3 months, up to 1 year	3,839.2	4,779.2
More than 1 year, up to 5 years	6,482.5	6,762.1
More than 5 years	2,044.6	1,590.3
Loans and advances to customers		
Up to 3 months	9,345.0	6,740.9
More than 3 months, up to 1 year	5,205.5	4,286.0
More than 1 year, up to 5 years	10,301.8	10,406.2
More than 5 years	2,266.8	2,055.4

The deposits from banks and deposits from customers that are not due on a daily basis break down by their residual terms as follows:

values in € million	31/12/2011	31/12/2010
Liabilities to credit institutions		
Up to 3 months	22,606.9	13,480.8
More than 3 months, up to 1 year	3,681.1	5,315.9
More than 1 year, up to 5 years	7,265.3	6,670.4
More than 5 years	1,663.7	1,966.3
Liabilities to customers (non-banks)		
Up to 3 months	6,206.2	4,739.9
More than 3 months, up to 1 year	3,297.0	1,809.4
More than 1 year, up to 5 years	705.4	477.2
More than 5 years	1,997.6	1,970.2

Bonds and other fixed-interest securities worth € 2,019.6 million (2010: € 1,967.3 million) will become due in the next financial year.

Bonds and notes issued worth € 3,651.1 million (2010: € 5,202.3 million) will become due in the next financial year.

Securities

The table below lists the securities approved for trading and treated as asset items, broken down into listed and unlisted securities (amounts incl. interest accrued).

Securities values in € million	Listed 31/12/2011	Unlisted 31/12/2011	Listed 31/12/2010	Unlisted 31/12/2010
Debt securities and other fixed-income securities	5,242.0	94.6	6,994.7	0.0
Shares and other variable-yield securities	141.0	0.0	190.2	0.0

Bonds and other fixed-interest securities that have the characteristics of financial investments and are therefore valued as fixed assets amount, including deferred interest, amount to € 3,807.9 million (2010: € 5,579.0 million).

RBI sold fixed asset securities in the nominal amount of € 2,551.1 million in the reporting year, realizing a net gain of € 108.6 million:

balance sheet item	Nominal amount in € million	Net gain in € million
Treasury bills and other bills eligible for refinancing with central banks	2,107.5	92.4
Debt securities and other fixed-income securities	443.6	16.2
Total	**2,551.1**	**108.6**

Difference between the acquisition cost and the repayment amount for securities (except zero-coupon bonds) in the investment portfolio (banking book):

The difference between the amortized costs and the repayment amounts is made up of € 38.3 million (2010: € 116.2 million) to be recognized in the future as expenditure and € 48.6 million (2010: € 84.7 million) to be recognized as income.

In the case of securities recognized at fair value that do not have the characteristics of financial investments, the difference between the higher of the acquisition cost and the fair value is € 13.2 million (2010: € 83.5 million).

The item "Loans and advances to credit institutions" contains own bonds that are not admitted for public trading worth € 19.1 million (2010: € 8.8 million).

Securities worth € 2.440,0 million (2010: € 4.178,3 million) are the subject of genuine repurchase transactions on the reporting date, whereby RBI is the seller and the securities continue to be recognised on the balance sheet.

The volume of RBI's trading book pursuant to Section 22q (2) of the Austrian Banking Act (BWG) is € 316,482.4 million (2010: € 230,303.3 million), with € 677.8 million (2010: € 978.1 million) accounted for by securities and € 315,804.6 million (2010: € 229,325.3 million) accounted for by other financial instruments.

Investments and shares in affiliated companies

The list of investments is shown separately in Note 3. There are no cross-shareholdings and no profit and loss transfer agreements as at 31 December 2011.

In the past, RI concluded exchange rate hedging transactions with RZB to hedge the currency risk represented by the equity of the following companies held in local currency:

- OAO Priorbank, Minsk
- Raiffeisen banka a.d., Belgrade
- Raiffeisenbank a.s., Prague
- Raiffeisenbank Austria d.d., Zagreb

- Raiffeisen Bank Polska S.A., Warsaw
- RI-RBHU Holding GmbH, Vienna (Raiffeisen Bank Zrt., Budapest)
- Tatra banka a.s., Bratislava
- Ukrainian Processing Center JSC, Kiev
- VAT Raiffeisen Bank Aval, Kiev
- ZAO Raiffeisenbank, Moscow

The hedging strategy was modified in 2011, as a result of which hedges still in place as of 31 December 2010 were closed out in the course of the 2011 reporting year. No additional valuation units were created following the close-out.

Loans and advances to and deposits from affiliated companies and companies linked by virtue of a participating interest:

values in € million	31/12/2011	31/12/2010
Loans and advances to credit institutions		
to affiliated companies	18,453.0	17,081.9
To companies linked by virtue of a participating interest	414.1	492.7
Loans and advances to customers		
to affiliated companies	6,039.8	6,347.9
To companies linked by virtue of a participating interest	664.2	738.6
Debt securities and other fixed-income securities		
from affiliated companies	81.4	4.5
from companies linked by virtue of a participating interest	165.0	183.1
Liabilities to credit institutions		
from affiliated companies	17,639.1	9,379.3
from companies linked by virtue of a participating interest	6,084.3	6,991.4
Liabilities to customers (non-banks)		
from affiliated companies	606.6	580.8
from companies linked by virtue of a participating interest	549.3	101.7

Fixed assets

The statement of fixed assets is shown separately in Note 1.

RBI was not directly involved in the leasing business as a lessor in 2011.

The obligations from the use of tangible assets not recognised in the balance sheet amount to € 27.7 million for the following financial year (2010: € 27.5 million). Total obligations for the following five years amount to € 147.8 million (2010: € 147.0 million).

The balance sheet item “Intangible fixed assets” includes goodwill worth € 17.3 million (2010: € 23.0 million). The historical cost of goodwill arising on the merger of the main business segments of RZB and RI stands at € 28.7 million.

The goodwill is written off over a period of five years. This is recognised under other operating expenses.

The balance sheet item “Intangible fixed assets” contains intangible assets worth € 3.9 million (2010: € 4.5 million) acquired from affiliated companies.

Own shares

The item "Own shares" amounting to € 15.8 million (2010: € 34.7 million) includes 943,771 (2010: 972,909) own shares (representing 0.483 per cent, or € 2,879 thousand of the total capital stock), of which 596,647 (2010: 473,018) are intended for the share incentive program (SIP). Of this amount, 357,775 shares were allocated to the SIP in 2009 and 238,872 shares in 2011. The shares required for the SIP are obtained from own shares included in the repurchase program. No SIP tranche was issued in 2010 on the occasion of the merger of RI with the main business segments of RZB.

29,138 own shares were required for the payout of the SIP in 2008, of which 10,894 were allocated to members of the Management Board and to selected executives of the former RI, and 18,244 were allocated to executives of network banks. These claims were serviced through suitable use of shares intended for the SIP. The sale of shares allocated to the executives of affiliated subsidiaries to the corresponding network companies and other companies affiliated with RBI AG resulted in a loss of € 86,305. A write-up of € 846,378 was allocated to the SIP in 2008.

The portfolio of own shares (654,965 shares) was written down by € 12,855,161 to the market price of € 20.063 as at 31 December 2011. Own shares for RBI employees intended for the SIP (288,806 shares) were additionally written down on an unscheduled basis by € 1,692,063 to the lower market price using the straight-line method.

Other assets

Breakdown of other assets:

As at 31 December 2011, other assets totaled € 8,187.8 million (2010: € 4,940.9 million). This item also contains loans and advances from treasury transactions (primarily positive market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book – refer to Annex 2 for details) in the amount of € 7,723.2 million (2010: € 4,426.3 million). This item also includes dividends receivable totaling € 118.4 million (2010: € 127.1 million), loans and advances for coined and uncoined precious metals in the amount of € 72.5 million (2010: € 16.0 million) and loans and advances from payroll amounting to € 38.0 million (2010: € 26.9 million).

Income that does not become available as cash until after the reporting date:

values in € million	31/12/2011	31/12/2010
Interest for interest-rate and cross-currency swaps	283.5	361.2
Participation income	118.4	127.1

Other liabilities

Breakdown of other liabilities:

As at 31 December 2011, other liabilities totaled € 8,948.4 million (2010: € 5,458.3 million). This item also contains liabilities from treasury transactions (primarily negative market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book – refer to Annex 2 for details) in the amount of € 8,366.8 million (2010: € 4,781.6 million) and interest for participation capital amounting to € 200.0 million (2010: € 200.0 million). It also includes liabilities from short positions in bonds in the amount of € 83.1 million (2010: € 33.9 million). Capital guarantees for funds are valued at € 44.6 million (2010: € 167.7 million).

Expenditure that does not become available as cash until after the reporting date:

values in € million	31/12/2011	31/12/2010
Interest for interest-rate and cross-currency swaps	119.8	153.1
Interest for supplementary capital of RBI	25.1	25.1
Expenditure for participations	17.7	9.5

Provisions

Provisions are valued at € 242.4 million, representing a year-on-year increase of € 41.2 million.

Provisions amount to € 33.8 million (2010: € 34.1 million) for severance payments, € 20.4 million (2010: € 11.5 million) for pensions, € 73.8 million (2010: € 45.9 million) for tax provisions and € 114.5 million (2010: € 109.7 million) for other provisions.

Tax provisions of € 73.8 million amount to € 52.7 million (2010: € 37.0 million) for corporate income tax, € 6.2 million for value-added tax, € 8.1 million for interest arrears and € 6.8 million (2010: € 8.9 million) for income tax at the Singapore branch.

The change in other provisions mainly resulted, on the one hand, from the lower need for provisions for operational and litigation risk and, on the other hand, from increased provisions for staff bonuses and premiums. This increase arises from a higher provision for the performance/deferred bonus. Due to the positive performance of RBI AG, a provision to cover the higher equity requirement was allocated to the share incentive program (SIP) in 2009.

Breakdown of other provisions in € million	31/12/2011	31/12/2010
Provisions for bonus payments	40.0	24.5
Provisions for participations	4.0	0.0
Provisions for process risks	11.5	16.1
Provisions for audit costs	0.9	0.8
Provisions for anniversary payments	8.2	7.8
Provisions for overdue vacation	13.0	13.0
Provisions for guarantee loans	15.3	15.6
Provisions for Supervisory Board fees	0.5	0.4
Provisions for other expenses/outstanding invoices	5.9	10.3
Provisions for operational risk/losses/other	15.2	21.2
Total	**114.5**	**109.7**

Equity

Subscribed capital

The company's capital stock as at 31 December 2011 remained unchanged from the previous balance sheet date and amounted to € 596,290,628.20, consisting of 195,505,124 no-par value shares (bearer shares).

By a resolution passed at the Annual General Meeting of 8 June 2011, the Management Board's authorization to increase the capital stock by up to € 217,724,250.00 was revoked and, at the same time, the Management Board was authorized, with the approval of the Supervisory Board, to increase the capital stock by a maximum of € 298,145,314.10 in total (authorized capital) within five years of the relevant amendment to the articles of association being recorded in the commercial register by issuing up to 97,752,562 new common bearer shares with voting rights against contributions in cash and/or in kind, while preserving shareholders' subscription rights.

No use was made of this authorization in the reporting year.

At the annual general meeting on 10 June 2008, the Management Board was authorized, pursuant to Section 174 (2) of the Austrian Stock Corporation Act (AktG), to issue, with the approval of the Supervisory Board and in one or more tranches, convertible bonds with a total nominal amount of up to € 2,000,000,000.00 within five years of the date of the resolution. The convertible bonds have associated conversion or subscription rights to up to 15,466,750 common bearer shares in the company with a proportionate share of the capital stock of up to € 47,173,587.50. Due to the guarantee for issues of a convertible bond, it can also be issued indirectly through a wholly-owned subsidiary (directly or indirectly) with conversion rights to shares in the company. The Management Board was also authorized to set all further conditions for the issue (including the issue currency) and the applicable conversion method for the convertible bonds. The subscription rights of shareholders are excluded.

At the same annual general meeting, the capital stock was increased on a conditional basis (contingent capital) by up to € 47,173,587.50 through the issue of up to 15,466,750 common bearer shares pursuant to Section 159 (2) 1 of the Austrian Stock Corporation Act (AktG). The contingent capital increase may only be carried out to the extent that the holders of convertible bonds make use of their right to convert such bonds into shares in the company. The issue amount and conversion ratio are to be determined by means of recognized financial methods and by means of the current price of the shares in the company in a recognized pricing method. The issue amount must not be under the proportionate amount of the capital stock. The newly issued shares of the contingent capital increase have a dividend entitlement that corresponds to that of the shares in the company traded at the time of the issue. The Management Board is authorized, with the approval of the Supervisory Board, to specify further details in relation to the execution of the conditional capital increase, and the Supervisory Board can approve corresponding amendments to the articles of association.

Participation rights

At the annual general meeting on 9 June 2009, the Management Board was authorized, pursuant to Section 174 of the Austrian Stock Corporation Act (AktG), to issue, with the approval of the Supervisory Board and in one or more tranches, participation rights with the characteristics of equity in a total nominal amount of up to € 2,000,000,000.00 within five years of the date of the resolution.

On 4 August 2009 and with the prior approval of the Supervisory Board, RI (now RBI) issued participation rights pursuant to Section 174 of the Austrian Stock Corporation Act with the nominal amount of € 600,000,000.00. The participation rights were subscribed in full by Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna. With effect from 31 December 2009, the participation rights were spun off from Raiffeisen Zentralbank to Cembra and were lost in the course of the merger.

Participation capital

Raiffeisen Zentralbank Österreich Aktiengesellschaft issued participation capital pursuant to Section 23 (4) and (5) of the Austrian Banking Act (BWG) with a nominal amount of € 2,500,000,000.00 with subscription rights of shareholders beeing excluded. The capital is available for as long as the company remains in existence and may not be terminated by the supplier of the participation capital. The capital was issued in two tranches. The first tranche with a nominal amount of € 750,000,000.00 was paid on 30 December 2008. The second tranche with a nominal amount of € 1,750,000,000.00 was paid on 6 April 2009. The participation certificates were issued for 100 per cent of the nominal value. The participation certificates are associated with a dividend entitlement of 8 per cent a year of their nominal value. For each of the financial years 2014 and 2015, the participation dividend will increase by 50 basis points, for the financial year 2016 by 75 basis points and for each subsequent financial year by 100 basis points. The upper limit is the 12-month EURIBOR plus 1,000 basis points.

The participation capital was transferred from Raiffeisen Zentralbank Österreich Aktiengesellschaft to Cembra in the course of the spin-off and subsequently to RBI in the merger by universal succession.

Capital reserves

The appropriated capital reserves amounting to € 1,852,592,104.11 and the unappropriated capital reserves totalling € 97,066,398.80 did not change at all during the financial year.

Retained earnings and liability reserves

Retained earnings consist of statutory reserves of € 5,500,000.00 (2010: € 5,500 thousand) and other free reserves amounting to € 1,034,985,080.83 (2010: € 398,985 thousand). € 15,806,242.17 of the other free reserves was reallocated to own shares.

Liability reserves

As at 31 December 2011, liability reserves stood at € 383,015,000.00 (2010: € 351,442 thousand).

Additional own funds from own issues in own inventory
Subordinated bonds

values in € million	31/12/2011	31/12/2010
6.625 % RBI Schuldverschreibung 2011(202)1	2.9	0.0
Raiffeisen FRN Medium Term Note 2006(2016)	0.0	1.0
0 % Raiffeisen Garant 2008(2020)/PP/10	0.0	1.1
0 % Raiffeisen Garant 2008(2020)/PP/11	0.0	0.5
0 % Raiffeisen Garant 2008(2018)/PP/14	0.0	0.9
0 % Raiffeisen Garant 2008(2020)/PP/15	0.0	0.1
0 % Raiffeisen Garant 2008(2023)/PP/16	0.0	0.4
0 % Raiffeisen Garant 2009(2020)/PP/19	0.0	0.7
0 % Raiffeisen Garant 2009(2023)/PP/20	0.0	0.2

Supplementary capital

values in € million	31/12/2011	31/12/2010
Raiffeisen FLR Medium Term Note 2007(2015)	1.3	0.2

Subordinated liabilities

List of subordinated loans that exceed 10 per cent of the total subordinated liabilities of € 3,767.8 million (i.e. that exceed € 376.8 million):

Name	Nominal value in € million	Maturity date	Interest rate
Subordinated Supplementary Capital Fixed FRCN Serie 74	600	29.10.2015	5,770%
Deposit of RZB Finance Jersey IV	500	16.5.2016	5,182%
Subordinated Capital Fixed FRCN Serie 54	500	05.3.2019	4,500%
Subordinated Notes 2021 Serie 4	500	18/5/2021	6.625%

The modalities for the listed subordinated liabilities and all other subordinated liabilities are in accordance with Section 23 (8) of the Austrian Banking Act (BWG).

Expenses for subordinated liabilities

The expenses for subordinated liabilities in the financial year amount to € 190.7 million (2010: € 227.2 million).

Additional information

Notes on liability arrangements:

In the government-promoted, subsidized forward private planning scheme, RBI has issued capital guarantee obligations in accordance with Section 108 (1) 3 of the Income Tax Act (EStG). In this context, the bank guarantees that in the event of transferring the capital into a perpetual annuity the payment amount available for this annuity is not less than the sum of the contributions made by the taxpayer plus the premiums credited to this taxpayer pursuant to Section 108g EStG. As at 31 December 2011, the volume of these guarantees was € 1,831 million (2010: € 1.583 million).

As at 31 December 2011, RBI also issued capital guarantees in connection with structured financial products, with a guarantee volume of € 279 million (2010: € 346 million). A modification was made to the valuation model in November 2011.

RBI is a member of the *Raiffeisen-Kundengarantiegemeinschaft Österreich* (Deposit Guarantee Association of Austria). Members of the Association assume contractual liability under which they jointly guarantee the timely honouring of all customer deposits and securities issues of an insolvent member of the Association up to an amount equalling the sum of the individual financial strength of the other member institutions. The individual financial strength of a member institution is determined based on its available reserves, taking into account the relevant provisions of the Austrian Banking Act (BWG).

The liability was met by inserting a noted below-the-line item of one euro on the balance sheet, as it is not possible to determine the exact amount of RBI's potential liability in connection with the cross-guarantee system.

As at 31 December 2011, the following soft letters of comfort had been issued:

Network bank	Eligible bank	Exchange	Outstanding amount in € million
Raiffeisen banka a.d., Belgrad	Europäische Bank für Wiederaufbau und Entwicklung, London	EUR	10.0
Raiffeisen Bank S.A., Bukarest	KfW Frankfurt am Main	EUR	30.0
Raiffeisenbank (Bulgaria) EAD	KfW Frankfurt am Main	EUR	20.0
Raiffeisen banka a.d., Belgrad	KfW Frankfurt am Main	EUR	10.0
Raiffeisen banka a.d., Belgrad	DEG - Deutsche Investitions- und EntwicklungsgmbH, Köln	EUR	30.0
Raiffeisen Leasing d.o.o., Sarajevo	DEG - Deutsche Investitions- und EntwicklungsgmbH, Köln	EUR	7.9
Raiffeisen Leasing d.o.o., Sarajevo	ABS Banka dd, Sarajevo	BAM	0.5
Raiffeisen Leasing d.o.o., Sarajevo	DZ Bank AG, Frankfurt	EUR	16.3
Raiffeisen Rent DOO, Belgrad	WGZ-Bank	EUR	7.5
Raiffeisen Rent DOO, Belgrad	LRP Landesbank Rheinland-Pfalz	EUR	8.8

Open capital commitments on share capital in the amount of € 4.0 million (2010: € 4.0 million) exist exclusively vis-ŕ-vis European Investment Fund S.A., Luxembourg.

As at 31 December 2011, € 10,827.0 million (2010: € 9,922.6 million) in contingent liabilities was reported below the line. Of this, € 8,008.4 million (2010: € 7,588.5 million) was attributable to guarantees and € 2,510.0 million (2010: € 2,250.4 million) to letters of credit.

As at 31 December 2011, € 12,179.5 million (2010: € 11,415.1 million) in credit risks was reported under liabilities below the line. In the reporting year, credit risks are fully attributable to unused, irrevocable credit lines.

There are no other transactions with considerable risks or benefits that are not reported in the balance sheet or in a below-the-line item.

Total assets and liabilities in foreign currency:

values in € million	31/12/2011	31/12/2010
Assets in foreign currency	21,426.2	17,672.5
Liabilities in foreign currency	16,042.7	12,393.7

Subordinated assets contained under assets:

values in € million	31/12/2011	31/12/2010
Loans and advances to credit institutions	1,003.6	1,056.6
hereof to affiliated companies	999.5	1,055.0
hereof to companies linked by virtue of a participating interest	1.6	1.6
Loans and advances to customers	17.5	9.3
hereof to affiliated companies	4.3	9.3
hereof to companies linked by virtue of a participating interest	0.0	0.0
Debt securities and other fixed-income securities	111.0	2.0
hereof from affiliated companies	0.0	0.0
hereof from companies linked by virtue of a participating interest	0.0	2.0
Shares and other variable-yield securities	21.9	1.0
hereof from affiliated companies	0.0	0.0
hereof from companies linked by virtue of a participating interest	0.0	1.0

Open forward transactions as at the balance sheet date are listed in Annex 2 to the Notes.

The derivative financial instruments listed in Annex 2 are recognized in the balance sheet at fair value:

Derivatives	Positive fair values		Negative fair values	
values in € million	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Derivatives in the trading book				
a) Interest rate contracts	6,347.3	3,155.9	6,295.0	3,246.2
b) Foreign exchange rate contracts	944.2	799.2	1,229.2	832.3
c) Share and index contracts	5.0	9.1	60.8	98.3
d) Credit derivatives	89.1	47.9	67.5	43.9
e) Other derivatives	12.4	19.0	13.9	18.8
Derivatives in the banking book				
a) Interest rate contracts	339.2	367.7	426.7	399.2
b) Foreign exchange rate contracts	0.0	0.0	0.0	0.0
c) Share and index contracts	0.0	0.9	24.2	43.2
d) Credit derivatives	75.1	6.2	14.3	6.0

As at the balance sheet date, there were restrictions related to asset availability (in accordance with Section 64 (1) 8 BWG):

values in € million	31/12/2011	31/12/2010
Indemnification for securities lending transactions	385.5	297.8
Loans assigned to OeKB	3,912.6	6,500.6
Indemnification for OeNB tender	0.0	0.0
Loans assigned to EIB	210.7	187.1
Arrangement deposit in favour of OeKB	1.9	0.0
Trust deposit for domestic credit institutions	21.1	21.2
Trust deposit for foreign credit institutions	22.8	77.0
Margin requirements	218.8	0.0
Cover pool for partial debentures issued	522.8	23.0
Treasury call deposits for contractual netting agreements	1,473.8	1,072.0
Total	**6,770.0**	**8,178.7**

For the following financial instruments within financial assets, the fair value is lower than the book value:

	Financial investments values in € million	Carrying amount 31/12/2011	Fair value 31/12/2011	Carrying amount 31/12/2010	Fair value 31/12/2010
1.	Treasury bills and other bills eligible for refinancing with centralbank	21.4	21.1	276.0	272.9
2.	Loans and advances to credit institutions	160.7	153.0	258.5	247.5
3.	Loans and advances to customers	368.1	365.7	252.5	251.7
4.	Debt securities and other fixed-income securities				
	a) issued by public bodies	6.9	6.7	4.7	4.6
	b) issued by other borrowers	2,061.7	1,983.1	2,737.5	2,650.6
5.	Shares and other variable-yield securities	20.0	16.8	20.0	17.8
Total		**2,638.8**	**2,546.4**	**3,549.2**	**3,445.1**

An unscheduled writedown (in accordance with Section 204 (2) 2 of the Austrian Commercial code [UGB]) is not accounted for as the assessment of the credit rating of the security borrower is such that scheduled interest payments and repayments are expected to be made.

Notes to the income statement

Breakdown of income by geographic market in accordance with Section 64 (1) 9 BWG:

A regional allocation to segments according to the business outlets' registered offices results in the following distribution:

values in € million	Total	Austria	Rest of Europe	Asia
Interest receivable and similar income	2,197.2	1,960.0	0.0	237.1
hereof: from fixed-income securities	377.1	368.8	0.0	8.3
Income from variable-yield securities and participations	478.3	478.3	0.0	0.0
Commissions receivable	207.4	170.3	0.0	37.1
Net profit or net loss on financial operations	89.9	63.9	0.1	25.8
Other operating income	81.2	76.2	0.5	4.5

A modification to the valuation model for capital guarantee obligations was made in the reporting year and resulted in a positive one-time impact of € 81.2 million on income/expenses from financial transactions.

Other operating income includes staff and administrative expenses passed on for other non-banking services in the amount of € 63.7 million (2010: € 24.3 million), as well as reimbursements for services provided to the sector totaling € 11.6 million (2010: € 57.1 million).

Expenses for severance payments and benefits for occupational employee pension funds include € 2.9 million. (2010: € 9.7 million) in expenses for severance payments.

The item net income/expenses from the disposal and revaluation of securities held as financial assets, as well as of shares in affiliated companies and investments, includes impairments on the investment carrying amounts of Raiffeisen Bank Aval JSC, Kiev, in the amount of € 181.8 million, of FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna, in the amount of € 70.5 million, of Raiffeisen Banka d.d., Maribor, in the amount of € 15.2 million and of RZB PE Handels- und Beteiligungs GmbH, Vienna, in the amount of € 14.5 million.

Extraordinary income of € 665.6 million results from the transfers of RBI's direct holdings in Raiffeisenbank a.s., Prague, as well as in Tatra banka a.s., Bratislava to its own subsidiary Raiffeisen RS Beteiligungs GmbH, Vienna, at market values, pursuant to Section 202 of the Austrian Commercial Code (UGB).

In addition, Raiffeisen CEE Region Holding GmbH, Vienna, was brought into Raiffeisen RS Beteiligungs GmbH, Vienna, at book values. This reorganization resulted in transfer acquisitions and divestitures in the amount of € 2,280.9 million.

The company has been a Group member of Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna in accordance with Section 9 of the Corporation Tax Act (KStG) since 2005.

Other

The company did not conclude any significant transactions with related companies or persons at unfair market conditions.

In the 2011 financial year the company had an average of 2,057 employees (2010: 1.998).

Expenses for severance payments and pensions can be broken down as follows:

Values in € 000	Pension expenditure		Severance payments	
	2011	2010	2011	2010
Members of the managing board and senior staff	3,288	1,157	2,113	1,800
Employees	4,369	3,309	1,997	9,370
Total	**7,656**	**4,466**	**4,110**	**11,170**

The Management Board of Raiffeisen Bank International AG is comprised as follows:

	First appointed	Mandate ends
Dr. Herbert Stepic, Chairman	14 June 2001	31 December 2015[1]
Dr. Karl Sevelda, Deputy Chairman	22 September 2010[3]	31 December 2015[1]
Aris Bogdaneris, M.A.	1 October 2004	31 December 2015[1]
Patrick Butler, M.A.	22 September 2010[3]	15 April 2012[2]
Mag. Martin Grüll	3 January 2005	31 December 2015[1]
Mag. Peter Lennkh	1 October 2004	31 December 2015[1]
Dr. Johann Strobl	22 September 2010[3]	31 December 2015[1]

[1] At the Supervisory Board meeting of 7 June 2011 it was resolved to extend all Management Board mandates until 31 December 2015.
[2] After Patrick Butler stepped down from his position at his own request, the Supervisory Board appointed Klemens Breuer to succeed in this post for the period from 16 April 2012 through 31 December 2015.
[3] Appointment with effect from the entry of the merger in the commercial register on 10 October 2010.

The Supervisory Board of Raiffeisen Bank International AG is comprised as follows:

	First appointed	Mandate ends
Dr. Walter Rothensteiner, Chairman	11 May 2001	Annual General Meeting in 2016
Mag. Erwin Hameseder, First Deputy Chairman	8 July 2010[1]	Annual General Meeting in 2015
Dr. Ludwig Scharinger, Second Deputy Chairman	8 July 2010[1]	Annual General Meeting in 2015
Mag. Markus Mair, Third Deputy Chairman	8 July 2010[1]	Annual General Meeting in 2015
Stewart D. Gager	24 January 2005	Annual General Meeting in 2014
Dr. Kurt Geiger	9 June 2009	Annual General Meeting in 2014
Dr. Hannes Schmid	8 July 2010[1]	Annual General Meeting in 2015
Dr. Johannes Schuster	8 July 2010[1]	Annual General Meeting in 2015
Dr. Friedrich Sommer	8 July 2010[1]	Annual General Meeting in 2015
Mag. Christian Teufl	8 July 2010[1]	Annual General Meeting in 2015
Martin Prater[2]	10 October 2010	Until further notice
Mag. Rudolf Kortenhof[2]	10 October 2010	Until further notice
Mag. Peter Anzeletti-Reikl[2]	10 October 2010	Until further notice
Sabine Chadt[2]	10 October 2010	Until further notice
Mag. Helge Rechberger[2]	10 October 2010	Until further notice

[1] Appointment with effect from 10 October 2010
[2] Delegated by the Works' Council

State commissioners:

- Senior Legal Secretary Mag. Alfred Lejsek, State Commissioner (from 1. January 2011)
- Senior Legal Secretary Dr. Anton Matzinger, Deputy State Commissioner (from 1. April 2011)

Remuneration of the Management Board

The following remuneration was paid to the Management Board of Raiffeisen Bank International *AG*:

Values in € 000	2011	2010
Fixed and performance-based remunerations	7,545	8,191
hereof remuneration from affiliated companies (SB remuneration)	144	732
Payments to pension funds and reinsurance policies	1,703	183
Share-based payments (performance-based)	373	156
Total	**9,621**	**8,530**

The table contains fixed and performance-related remuneration, including fees for performing executive functions at affiliated companies, and bonus payments, as well as severance payments and benefits in kind. The share of performance-related remuneration components in the reporting year was 10.0 per cent (2010: 1.9 per cent).

Performance-related components of the Management Board's remuneration usually consist of bonus payments for 2010 that are tied to the achievement of corporate objectives for after-tax profit, return on risk-adjusted capital (RORAC), cost/income ratio and the achievement of annually agreed personal goals, in addition to the value of an allocation of shares under the SIP (refer to share-based remuneration). The 2010 bonus for three board members who transferred from RZB to RBI was allocated on the basis of a (RZB) return on equity (ROE) criterion.

According to the contractual provisions applicable to these persons until the end of 2010, total bonus commitments in the amount of € 941 thousand were made; these are payable in 2012 (€ 297 thousand) and 2013 (€ 644 thousand). The actual payment is at the discretion of the RBI Personnel Committee.

Management Board members from RI who had waived their right to bonus payments for 2010 received a one-time voluntary benefit in the amount of € 1,400 thousand, which was processed in accordance with the aforementioned system (Notes on equity) for deferred bonus payments.

As at 31 December 2011, there were loan claims on a member of the Management Board amounting to € 765,000 (2010: € 765,000).

Share Incentive Program

The second tranche of the Share Incentive Program (2008 tranche) matured in 2011. Pursuant to the SIP's requirements (published by euro adhoc on 29 May 2008) the number of shares actually transferred is listed in the table below:

Share Incentive Program (SIP) 2008	Number of due shares	Amount with share price of € 39,00 at the allotment day (4/12/2011) in €	Number of effective distributed shares
Members of the Managing Board of RBI	11,839	461,721	7,866
Members of the managing boards of RBI bank subsidiaries affiliated with the company	21,348	832,572	18,244
Executives of RBI and other affiliated companies	5,515	215,085	3,028

In order to avoid legal uncertainties and in accordance with the program requirements, eligible employees in two countries received a cash settlement in lieu of a share transfer. In Austria, eligible employees were also given the option to receive a cash settlement in lieu of half of the mature shares, which could be used to settle the income tax at the time of the transfer. For these reasons, the number of shares actually transferred is lower than the number of mature shares. As a result, the number of own shares was reduced by the lesser amount of shares actually transferred.

To date, a new tranche has been issued every year under the SIP. However, due to the merger of RI with the main business areas of RZB, no new SIP tranche was issued in 2010. This means that as at the balance sheet date, contingent shares were only allotted to two tranches. As at 31 December 2011, the number of contingent shares amounted to 596,647 (of which 357,775 shares were allotted in 2009 and 238,872 were allotted in 2011).The originally announced number of contingent allotted shares changed as a result of various personnel changes in the Group units and the maturing of SIP tranche 2008, and is presented in the following table in aggregate form:

Share Incentive Program (SIP) 2009 and 2011	Number of contingently alloted shares as of 31/12/2011	Minimum of allotment of shares	Maximum allotment of shares
Members of the Managing Board of RI	184,818	55,445	227,227
Members of the managing boards of RI bank subsidiaries affiliated with the company	287,754	86,326	431,631
Executives of RI and other affiliated companies	124,075	37,223	186,113

No shares were repurchased for the SIP in 2011.

Remuneration of the Supervisory Board

The following remuneration was received by the Supervisory Board:

In € thousand	2011	2010
Remuneration of the Supervisory Board	423	380

On 8 June 2011 the annual general meeting authorized annual compensation for the Supervisory Board members amounting to € 423,000 and assigned its distribution to the Supervisory Board. At its meeting on 8 June 2011, the Supervisory Board decided on the following distribution: chairman € 70,000, deputy chairman € 60,000, Supervisory Board member € 50,000. Attendance fees were not paid.
Therefore, the Supervisory Board received remuneration of € 423,000 in 2011. In 2010, the Supervisory Board received remuneration of € 380,000.

In 2011, no agreements were concluded with members of the Supervisory Board which required approval in accordance with Section 95 (5) 12 of the Austrian Stock Corporation Act (AktG).

The company has a corporate group relationship with Raiffeisen-Landesbanken-Holding GmbH, Vienna (top-level parent company) and its affiliated companies and is a fully-consolidated member. The consolidated financial statements are stored at the company's registered office. In addition, the company is included in the consolidated financial statements of Raiffeisen Zentralbank Österreich AG, Vienna.

As shares in the company are traded on a regulated market as defined by Section 2. 37 BWG, Raiffeisen Bank International must also prepare consolidated financial statements in accordance with Section 245 (5) UGB, which comply with the International Financial Reporting Standards.

Vienna, 12. March 2012

The Management Board

Dr. Herbert Stepic | Dr. Karl Sevelda

Aris Bogdaneris, M. A. | Patrick Butler M. A.

Mag. Martin Grüll | Mag. Peter Lennkh | Dr. Johann Strobl

Annex 1: Statement of fixed assets in 2011 financial year

Values in € 000		Cost of acquisition or conversion						Writing up/depreciation/revaluation							Carrying amount	
Item	Description of fixed assets	As of 1/1/2011	Exchange differences	Additions	Disposals	Reclassification	As of 31/12/2011	Cumulative depreciaton and amortization as at 1/1/2011	Exchange differences	Cumulative depreciation and amortization disposal	Write-ups	Depreciation	Reclassification	Cumulative depreciaton and amortization as at 31/12/2011	31/12/2011	31/12/2010
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	Treasury bills and other bills eligible for refinancing with central banks	4,387,962	0	3,937	(2,291,571)	6,960	2,107,289	(10,516)	0	2,546	2,847	(10,503)	0	(15,625)	2,091,663	4,377,446
2.	Loans and advances to credit institutions	217,051	360	5,283	(97,679)	(9,980)	115,035	882	0	(877)	1	0	0	6	115,041	217,933
3.	Loans and advances to customers	157,120	4,289	128,373	(121,590)	0	168,192	(3,504)	0	2,967	228	(1,089)	0	(1,398)	166,794	153,616
4.	Debt securities and other fixed-income securities	5,723,149	29,098	350,563	(2,269,465)	3,020	3,836,365	(234,328)	0	115,479	12,633	(6,007)	0	(112,222)	3,724,141	5,488,819
a)	issued by public bodies	14,377	0	0	(957)	(6,960)	6,460	638	0	(345)	130	0	0	423	6,882	15,014
b)	own debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
c)	issued by other borrowers	5,708,772	29,098	350,563	(2,268,508)	9,980	3,829,905	(234,966)	0	115,824	12,503	(6,007)	0	(112,645)	3,717,259	5,473,805
5.	Shares and other variable-yield securities	20,000	0	0	0	0	20,000	0	0	0	0	0	0	0	20,000	20,000
6.	Participating interests	28,352	0	10,534	0	0	38,886	(423)	0	0	0	(8,336)	0	(8,758)	30,128	27,929
7.	Shares in affiliated untertakings	6,807,504	0	1,349,087	(47,307)	0	8,109,283	(426,336)	0	25,544	3,850	(283,287)	0	(680,229)	7,429,054	6,381,168
8.	Intangible fixed assets	249,928	4	25,743	(1,863)	0	273,812	(150,485)	(4)	1,208	0	(30,434)	0	(179,715)	94,097	99,442
9.	Tangible assets	62,878	380	7,513	(9,783)	0	60,989	(49,590)	(171)	9,383	3	(6,036)	0	(46,411)	14,578	13,288
10.	Other assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	**17,653,944**	**34,131**	**1,881,033**	**(4,839,258)**	**0**	**14,729,851**	**(874,300)**	**(175)**	**156,250**	**19,562**	**(345,692)**	**0**	**(1,044,352)**	**13,685,496**	**16,779,641**

Annex 2: Open forward transactions as at 31 December 2011

	Nominal amount by maturity in € 000					Market value	
Name	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	positive	negative
Total	**109,966,620**	**144,729,281**	**83,160,907**	**337,856,808**	**309,723,052**	**8,577,793**	**(8,377,573)**
a) Interest rate contracts	**65,338,839**	**132,171,352**	**80,183,060**	**277,693,251**	**253,128,399**	**7,440,823**	**(6,958,524)**
OTC products							
Interest rate swaps	55,357,841	126,776,631	75,150,393	257,284,865	233,331,511	7,246,098	(6,782,937)
Floating Interest rate swaps	0	0	0	0	0	0	0
Interest rate futures	6,660,976	167,154	0	6,828,130	6,828,129	4,136	(3,276)
Interest rate options - buy	809,522	2,525,730	2,187,139	5,522,391	5,157,161	181,433	0
Interest rate options - sell	1,137,239	2,701,837	2,695,528	6,534,604	6,288,337	0	(167,174)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Interest rate futures	1,110,761	0	0	1,110,761	1,110,761	5,494	(1,882)
Interest rate options	262,500	0	150,000	412,500	412,500	3,662	(3,255)
b) Foreign exchange rate contracts	**43,183,739**	**10,406,753**	**1,907,811**	**55,498,303**	**53,771,674**	**959,091**	**(1,242,387)**
OTC products							
Cross-currency interest rate swaps	3,307,417	9,492,986	1,904,647	14,705,050	13,146,531	434,795	(610,088)
Forward foreign exchange contracts	38,601,441	747,956	0	39,349,397	39,181,287	434,816	(542,894)
Currency options – purchased	606,947	83,528	1,519	691,994	691,994	89,480	0
Currency options – sold	667,934	82,283	1,645	751,862	751,862	0	(89,405)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Currency contracts (futures)	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0
c) Securities-related transactions	**346,049**	**3,000**	**316,810**	**665,859**	**83,356**	**1,462**	**(82,114)**
OTC products							
Securities-related forward transactions	0	0	0	0	0	0	0
Equity/Index options -buy	116,902	0	316,810	433,712	13,921	1,462	0
Equity/Index options -sell	229,147	3,000	0	232,147	69,435	0	(82,114)
Exchange-traded products	0	0	0	0	0	0	0
Exchange-traded products							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0

Name	Nominal amount by maturity in € 000 Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	Market value positive	negative
d) Commodity contracts	**80,556**	**20,889**	**0**	**101,445**	**101,445**	**12,486**	**(13,964)**
OTC products							
Commodity forward transactions	69,554	20,889	0	90,443	90,443	12,426	(13,889)
Exchange-traded products							
Commodity futures	11,002	0	0	11,002	11,002	60	(75)
e) Credit derivative contracts	**1,017,437**	**2,127,287**	**753,226**	**3,897,950**	**2,638,178**	**163,931**	**(80,584)**
OTC products							
Credit default swaps	1,017,437	2,127,287	753,226	3,897,950	2,638,178	163,931	(80,584)

Annex 3: List of investments of Raiffeisen Bank International Aktiengesellschaft

Affiliated companies

Company, registered office (country)	Total nominal value in currency		Direct share of RBI	Equity in € 000		Result in € 000[1]	From annual financial statements[2]
BAILE Handels- und Beteiligungsgesellschaft m.b.H., A(1030) Vienna	40,000	EUR	100%	161,677	5	19,860	31/12/2011
BUXUS Handels- und Beteiligungs GmbH, A(103)0 Vienna	35,000	EUR	100%	32		(3)	31/12/2011
Central Eastern European Finance Agency B.V., NL(107)6 AZ Amsterdam[4]	2,000,000	EUR	100%	2,538		78	31/12/2011
Centralised Raiffeisen International Services & Payments S.R.L., RO(020335) Bucharest 2[4]	19,800,000	RON	100%	1,175		(2,005)	31/12/2011
CP Projekte Muthgasse Entwicklungs GmbH, A(106)0 Vienna	40,000	EUR	0%	8,918		(116)	31/12/2010
Eastern European Invest Holding GmbH, A(103)0 Vienna	35,000	EUR	100%	62,136		(4)	31/12/2011
Extra Year Investments Limited, VG-Tortola[4]	50,000	USD	100%	0		0	31/12/2010
FARIO Handels- und Beteiligungsgesellschaft m.b.H., A(103)0 Vienna	40,000	EUR	100%	5,908	5	(59,815)	31/12/2011
Ferrokonstrukt-Bauerrichtungen Ges.m.b.H., A(102)0 Vienna	4,000,000	ATS	100%	(262)		(5)	31/12/2010
Golden Rainbow International Limited, VG-Tortola[4]	1	USD	100%	134,003		12,028	31/12/2011
Julius Baer Multiflex SICAV-SIF Verto Recovery Fund, L(166)1 Luxemburg[4]	42,829,975	EUR	100%	*			
Kathrein Privatbank Aktiengesellschaft, A(101)0 Vienna[3]	20,000,000	EUR	0%	29,947		3,265	31/12/2011
KIWANDA Handels- und Beteiligungs GmbH, A(103)0 Vienna	35,000	EUR	100%	32		(3)	31/12/2011
LOTA Handels- und Beteiligungs-GmbH, A(103)0 Vienna	35,000	EUR	100%	673		(2)	31/12/2011
NAURU Handels- und Beteiligungs GmbH, A(103)0 Vienna	35,000	EUR	100%	37		(8)	31/12/2011
P & C Beteiligungs Gesellschaft m.b.H., A(103)0 Vienna	36,336	EUR	100%	6,474		(7)	31/12/2011
Priorbank JSC, BY(220002) Minsk[4]	412,279,277,350	BYR	88%	168,742		3,562	31/12/2011
R.L.H. Holding GmbH, A(103)0 Vienna	35,000	EUR	100%	1,500		(3)	31/12/2011
Raiffeisen Bank Aval JSC, UA(010)11 Kiev[4]	3,002,774,908	UAH	96%	850,646		49,404	31/12/2011
Raiffeisen Bank d.d. Bosna i Hercegovina, BiH(710)00 Sarajevo[4]	237,388,000	BAM	97%	256,038		22,421	31/12/2011
Raiffeisen Bank Kosovo J.S.C., SRB(100)00 Pristina[4]	58,000,000	EUR	100%	98,947		12,500	31/12/2011
Raiffeisen Bank Polska S.A., PL(00,549) Warsaw[4]	1,250,893,080	PLN	100%	646,817		73,410	31/12/2011
Raiffeisen Bank S.A., RO(011857) Bucharest 1[4]	1,200,000,000	RON	99%	617,413		95,712	31/12/2011
Raiffeisen Bank Sh.a., AL-Tirana[4]	9,926,093,000	ALL	100%	216,153		48,925	31/12/2011
Raiffeisen banka a.d., SRB(110)70 Belgrade[4]	27,466,157,580	RSD	100%	526,026		48,399	31/12/2011
Raiffeisen Banka d.d., SLO(200)0 Maribor[4]	17,578,052	EUR	86%	74,176		(5,498)	31/12/2011
Raiffeisen International Invest Holding GmbH, A(103)0 Vienna	35,000	EUR	100%	99,930		(8)	31/12/2011
Raiffeisen Malta Bank plc., M-Sliema, SLM1607[4]	340,000,000	EUR	100%	426,985		59,505	31/12/2011
Raiffeisen Research GmbH, A(103)0 Vienna	55,000	EUR	51%	64		(45)	31/12/2011
Raiffeisen RS Beteiligungs GmbH, A(103)0 Vienna	35,000	EUR	100%	2,527,107		44	31/12/2011
RAIFFEISEN TRAINING CENTER LTD., HR(10,000) Zagreb[4]	20,000	HRK	20%	298		40	31/12/2011
Raiffeisenbank (Bulgaria) EAD, BG(150)4 Sofia[4]	603,447,952	BGN	100%	484,416		25,973	31/12/2011
Raiffeisenbank Austria d.d., HR(10,000) Zagreb[4]	3,621,432,000	HRK	75%	762,881		43,169	31/12/2011
Rail-Rent-Holding GmbH, A(103)0 Vienna	40,000	EUR	60%	182		(3)	31/12/2011
RB International Finance (Hong Kong) Ltd., HK-Hong Kong[4]	10,000,000	HKD	100%	10,307		8,393	31/12/2011
RB International Finance (USA) LLC, USA-NY 10036 New York[4]	1,510,000	USD	100%	37,399		18,731	31/12/2011
RB International Markets (USA) LLC, USA-New York, NY 10036[4]	3,000,000	USD	100%	2,128		(191)	31/12/2011
RBI LEA Beteiligungs GmbH, A(103)0-Vienna	70,000	EUR	100%	216		(4)	31/12/2011

Company, registered office (country)	Total nominal value in currency		Direct share of RBI	Equity in € 000	Result in € 000[1]	From annual financial statements[2]
Regional Card Processing Center s.r.o., SK(81106) Bratislava[4]	539,465	EUR	100%	2,283	836	31/12/2011
REH Limited, CY(303)6 Limassol[4]	45,453	USD	100%	45	(380)	31/8/2011
RI Eastern European Finance B.V., NL(107)6 AZ Amsterdam[4]	400,000	EUR	100%	11,059	636	31/12/2011
RIRE Holding B.V., NL(107)6 AZ Amsterdam[4]	2,000,000	EUR	100%	1,775	(80)	31/12/2011
RL Leasing Gesellschaft m.b.H., D(657)60 Eschborn[4]	50,000	DEM	25%	604	44	31/12/2010
RLI Holding Gesellschaft m.b.H., A(103)0 Vienna	40,000	EUR	75%	88,014	(7)	31/12/2011
RSC Raiffeisen Service Center GmbH, A(119)0 Vienna	2,000,000	EUR	52%	2,229	45	31/12/2010
RZB Consultants Pte. Ltd., SGP-Singapore (048624)[4]	30,000	SGD	100%	418	(28)	31/12/2010
RZB IB Beteiligungs GmbH, A(103)0 Vienna	35,000	EUR	0%	51	25,312	31/12/2011
RZB KI Beteiligungs GmbH, A(103)0 Vienna	48,000	EUR	100%	(3,977)	(8,318)	31/12/2011
RZB PE Handels- und Beteiligungs GmbH, A(103)0 Vienna	150,000	EUR	100%	53,431	(1,008)	31/12/2010
Tatra Leasing s r.o., SK(811) 06 Bratislava[4]	6,638,784	EUR	1%	27,231	2,711	31/12/2011
Ukrainian Processing Center PJSC, UA(040)73 Kiev[4]	180,000	UAH	100%	14,007	4,932	31/12/2011
ZHS Office- & Facilitymanagement GmbH, A(103)0 Vienna[3]	36,336	EUR	1%	184	54	31/12/2011

Companies linked by virtue of a participating interest

Company, registered office (country)	Total nominal value in currency		Direct share of RBI	Equity in € 000	Result in € 000[1]	From annual financial statements[2]
Unic-Beteiligungsgesellschaft m.b.H., A(8010) Graz	198,436	EUR	28%	32,414	(4)	31/12/2011

1 The result (in part from the consolidated financial statements) in € thousand corresponds to the annual profit/loss; equity is reported in accordance with Section 224 (3) lit a UGB, including untaxed reserves (lit b).

2 The 2011 annual financial statements are provisional financial statements.

3 For these fully consolidated domestic companies, the equity and annual profit figures are accounted for in accordance with the International Financial Reporting Standards (IFRS).

4 For the fully consolidated foreign companies, the equity and annual profit figures are accounted for in accordance with the International Financial Reporting Standards (IFRS).

5 For the values of the listed equity, proposed same-period distributions have already been deducted.

* Founded in 2011

Management Report

Market development

Sluggish growth in Europe and US

2011 started off well but from spring onwards the eurozone economy became increasingly sluggish. In the first quarter, real gross domestic product (GDP) was still rising at a rate of 0.8 per cent, while in each of the following two quarters it increased only by approximately 0.2 and 0.1 per cent, respectively. In the fourth quarter, the eurozone even slipped into recession. For 2011 as a whole, GDP growth of 1.5 per cent is expected. At an average 2.7 per cent, the inflation rate in 2011 was significantly higher than the ECB's official target. The main cause for the rise in inflation was an increase in energy prices.

The US economy had grown by 3 per cent in 2010, but in 2011 growth also here slowed down again. This was mainly due to the sharp rise in oil prices as a result of the Arab Spring, modest rises in wages and salaries and the exceptionally high unemployment relative to US standards; which dragged private consumption down, especially in the first half of the year. Moreover, the steps taken to consolidate the budget slowed the momentum down. However, thanks to the lower rise in prices and higher capital expenditure by companies, the economy recovered in the second half of the year, with real US GDP growing by 1.7 per cent in 2011.

Diverging developments in CEE

In the Central and Eastern European (CEE) countries, which in 2010 had already somewhat recovered from the financial crisis, achieving economic growth of 3.3 per cent, the positive trend continued in 2011. Exports continued to be the main engine of growth while domestic demand slowed considerably almost everywhere. Public sector expenditure contributed modestly towards economic output in light of the budgetary consolidation measures being introduced in many places. The drag on the economy generated by events in the eurozone, however, slowed the generally positive growth in 2011.

Poland and Slovakia reported the highest growth in Central Europe in 2011. While Poland benefited once more from robust domestic demand, achieving solid growth of 3.9 per cent, Slovakia generated a growth rate of 3.3 per cent thanks to its strong export sector. As a result of cost-cutting efforts, economic growth in the Czech Republic lost momentum somewhat in 2011, falling to 1.7 per cent. Slovenia's weak banking sector put a strain on its growth, which consequently amounted to minus 0.2 per cent. Hungary's strong export sector made up for its weak domestic demand, resulting in GDP growth of 1.7 per cent.

At 1.9 per cent, GDP growth in Southeastern European countries was positive in 2011 after having suffered noticeably from the crisis with figures of minus 0.8 per cent in 2010 and minus 5.4 per cent in 2009. Governments, however, could do little to boost the economy in view of the strenuous budgetary constraints. Even though domestic demand remained at a low level, it still contributed to the reduction of current account deficits. The main driving force behind a return to growth represented exports, although they also dropped.

In 2011, the economy continued to recover in the Commonwealth of Independent States (CIS). At 4.3 per cent, Russian economic growth remained at the previous year's level, mainly as a result of the persistently high prices for fuels and other commodities. Strong domestic demand, robust exports and a solid harvest accounted for economic growth of 5.2 per cent in

Ukraine. In contrast, economic growth in Belarus came to a virtual standstill in the second half of 2011 as a result of the country's economic problems.

Overall, a considerable slowdown in economic growth in Central and Eastern Europe is expected in 2012, mainly due to the significant deterioration of the situation in the eurozone as a result of the sovereign debt crisis. Thanks to Russia acting as its engine of growth, the CIS region is likely to continue to record the strongest growth. As a global recession is not expected, prices for commodities, especially oil, will probably remain stable, which will support the region's economic model which is based on exports of commodities. By contrast, Southeastern Europe is expected to record a significant drop in exports in view of its geographical proximity to the eurozone members in Southern Europe that are under serious pressure. Within Central Europe, Poland is forecasted to see positive economic growth in 2012, supported - as before - by largely stable domestic demand. The other economies in Central Europe are suffering from a drop in foreign demand from the eurozone, which will probably push them back into recession in the first half of 2012. Analysts do not expect a boost to the economy of the CEE region as a whole until the second half of the year when the situation in the eurozone is expected to improve.

Positive trends in Austria

After the 2009 collapse in economic output (real GDP: minus 3.8 per cent), the Austrian economy performed very well in 2010 (real GDP up 2.3 per cent) as well as in the first half of 2011. This economic expansion was driven by high growth in exports and an increase in investment. In the second half of 2011, however, growth slowed down considerably; in the fourth quarter real GDP even declined slightly year-on-year. Regardless, the good first half year ensured strong growth for the full year (real GDP: plus 3.1 per cent). These generally positive trends led to a further decline in unemployment, which, compared to the eurozone, was already very low. In contrast, inflation rose sharply to 3.5 per cent as a result of higher crude oil prices in the first half of 2011 and government measures, such as tax increases. Inflation, however, had passed its peak in September (Harmonized Index of Consumer Prices: 3.9 per cent p.a.).

Asia remains growth engine

Asia remained by far the most dynamic region in the world in 2011, although it was slowed down noticeably in the second quarter by the events in Japan. Investments and a credit expansion fueled domestic demand in China, leading to a GDP rise of 9.2 per cent in 2011 after a 10.4 per cent rise in 2010. Signs of overheating, however, led to a rapid rise in inflation which was countered by restrictive monetary policy measures. The Chinese government was equally restrictive in tackling the looming real estate bubble. The slowdown in economic growth that has been evident since the second half of 2011 is likely to continue in 2012. India also suffered from high inflation which stood on average at more than 9 per cent in 2011. Combined with a decrease in demand from Europe, this led to a slowdown in economic growth to 6.1 per cent in the fourth quarter of 2011, after 6.9 per cent in the third quarter and 7.7 per cent in the second quarter of 2011.

Sovereign debt crisis puts a strain on financial markets

The European sovereign debt crisis had already had a negative impact on the financial markets in 2010 but the situation only deteriorated in 2011. Following Greece and Ireland, Portugal became the third country in the eurozone forced to resort to help from the EFSF/IMF safety net as of April 2011. While Ireland and Portugal were largely successful in implementing the restructuring programs negotiated with the EU and the IMF, it became increasingly clear as 2011 progressed that Greece would come nowhere near to meeting the targets it had agreed on for the consolidation of its budget. It soon became evident that another "rescue package" would have to be put together to avoid a default. EU finance ministers approved this second rescue package for Greece in July; in addition to further official loans, it stipulated a "voluntary" agreement by private bondholders to give up 21 per cent of their claims.

The fear that participation by the private sector would lead to a wave of contagion spreading to countries like Spain and Italy became reality in August 2011. Measured by GDP, Italy is the second-most heavily indebted country in the eurozone after Greece and its government bonds came under particularly heavy pressure. Even intervention by the ECB, which added Italian and Spanish papers to the government bonds it was buying at the beginning of August, only gave short-term relief. By the time the contagion reached Italy and Spain, at the latest, the sovereign debt crisis had become systemic with major negative effects on the whole financial sector and, in turn, on the real economy. To stop this downward spiral, eurozone heads of state and government agreed on a package of measures at the end of October. However, the plans for a coordinated capitalization of the European banking sector, a leveraging of the EU safety net (the EFSF) and an increase of the amount of claims to be given up by the private sector as agreed in the second package for Greece only led to a brief interruption in the sell-off of bonds issued by European peripheral states. The ECB's decision at the end of 2011 to improve the European banks' liquidity supply by issuing triennial refinancing operations caused a more sustainable relief in the European bond markets.

Global currencies

The sovereign debt crisis in the eurozone continued to dominate movements in the euro and US dollar exchange rates in 2011, with the negative developments in the US (such as the downgrading of its credit rating and the blocking of the budget reforms) only playing a secondary role. At 1.31, the euro started the year at a relatively low level against the US dollar but gradually recovered in the first few months – in view of hopes for progress on the sovereign debt crisis – reaching the peak of 1.49 €/USD at the beginning of May. As the debt crisis then escalated, and especially when it extended to countries like Italy and Spain in the summer, the euro weakened noticeably in the second half of the year, hitting its low of 1.29 €/USD in December.

As a consequence of the euro debt crisis and the increased need for security by investors, the Swiss franc continued its upward trend against the euro that had started in the fall of 2007. The resulting strong franc increasingly became a problem for the Swiss export sector. In August the Swiss National Bank (SNB) initially tried to counter the franc's appreciation with a significant expansion in liquidity. When these attempts failed and the Swiss currency briefly came close to parity with the euro, the SNB decided at the beginning of September to introduce an exchange rate floor of 1.20 €/CHF. So far the SNB managed to defend this mark without any problems.

CEE currencies

CEE currencies had initially remained stable up to the middle of 2011, but lost ground as the sovereign debt crisis deteriorated from mid-August onwards. This particularly affected the liquid currencies in Central Europe (the Czech koruna, Hungarian forint and Polish zloty), which dropped heavily against the euro. The rise in risk aversion due to the lack of a solution to the eurozone's problems spilled over into CEE and, as during the financial crisis, induced investors to treat the whole region indiscriminately.

The Polish zloty has been subject to particularly heavy market pressure since the beginning of the sovereign debt crisis in the eurozone. The reason behind this is the very high liquidity in the Polish currency and bond markets. However, interventions in the markets by the Polish authorities in the course of 2011 temporarily stabilized the zloty. The Czech koruna also fell sharply against the euro from August onwards, but the Hungarian forint was most affected: Political decisions and a downgrading of Hungary's credit rating pushed it back to its 2009 lows against the euro. While the currencies of countries in Central Europe were subject to strong fluctuations, Southeastern European currencies did not fully reflect the uncertainties and increase in risk aversion on a direct basis. However, indirect effects, such as a decline in foreign investment, were certainly noticeable and led, in particular in the second half of 2011, to a depreciation of the Croatian kuna, Romanian leu and Serbian dinar. This trend is likely to continue in 2012.

Development of the banking sector

Continued banking sector growth in Central and Eastern Europe

The shortage and higher cost of external financing for banks and governments and the lower demand for credit – both due to banks' more restrictive lending policies – resulted in stagnant credit growth in CEE (minus 1.5 per cent year-on-year) in 2009. The situation recovered in 2010 with credit in CEE expanding by almost 14 per cent overall. In 2011, a 14 per cent credit growth is expected to be achievable once more. CEE credit expansion rates were, however, generally much lower in 2010 than in the years preceding the crisis from 2004 to 2008.

The positive trend continued in the first half of 2011 and lending increased slightly, above all for corporate customers. Faced with stricter lending standards, however, CEE credit growth weakened noticeably in the second half of 2011. This trend is likely to continue in 2012 in light of the challenging regulatory environment and economic trends, above all in the first half of the year. Current forecasts for 2012 expect lending to expand only by 5 to 10 per cent in Central Europe and the CIS, and by 1 to 3 per cent in Southeastern Europe.

After rising by only 0.6 per cent in 2009, the banking sector's total assets (expressed in euros) grew by 13 per cent in 2010 and 14 per cent in 2011. As with the credit growth, these growth rates were significantly lower than in the pre-crisis years of 2004 through 2008. Over the next few years, percentage increases in total assets throughout the CEE region are forecast to be in the low single digits but differing widely between the various countries. For instance, a low double-digit percentage increase in total assets should still be possible in Russia over the next few years, while it is likely to be in high single digits in Central European countries (except for Hungary). In view of the challenging environment (such as high ratios of loans to deposits and a high level of lending in relation to the strength of the economy), percentage growth in total assets in Southeastern European countries is likely to only be in low single digits.

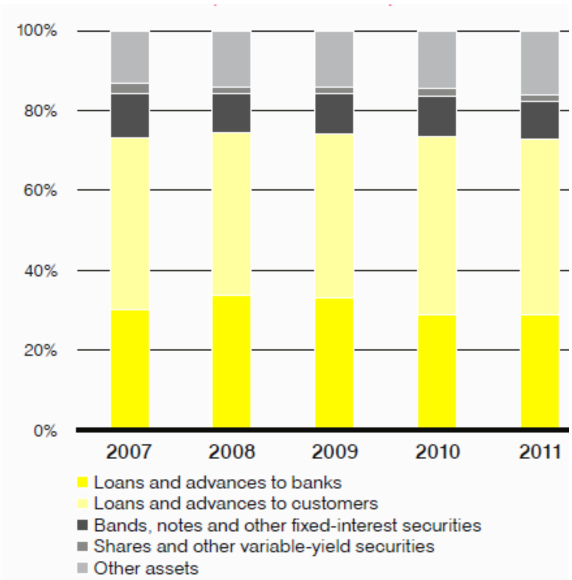
Governments and banks facing difficult financing environment

The financing environment for CEE states improved significantly in 2010 and the first half of 2011, securing both refinancing and new issues of sovereign debt on the local and global bond markets. Many countries took advantage of the favorable situation to pre-finance their requirements. Yields on local sovereigns trended sideways for a long time. This was partly due to the ongoing expansionary monetary policy in Western Europe and partly to the decline in risk premiums. At the same time, investors took a very differentiated view of the individual CEE countries on the debt market. Risk factors such as indebtedness, budget deficits and political uncertainty were all reflected in bond prices. This environment will continue to benefit the CEE countries promoting reforms. Risk premiums for many CEE countries are currently lower than those for a number of eurozone economies such as Italy, Portugal or Spain. The financing environment for CEE governments and banks, however, deteriorated significantly in the second half of 2011, which means that support measures (involving the IMF) for individual CEE countries cannot be ruled out for 2012.

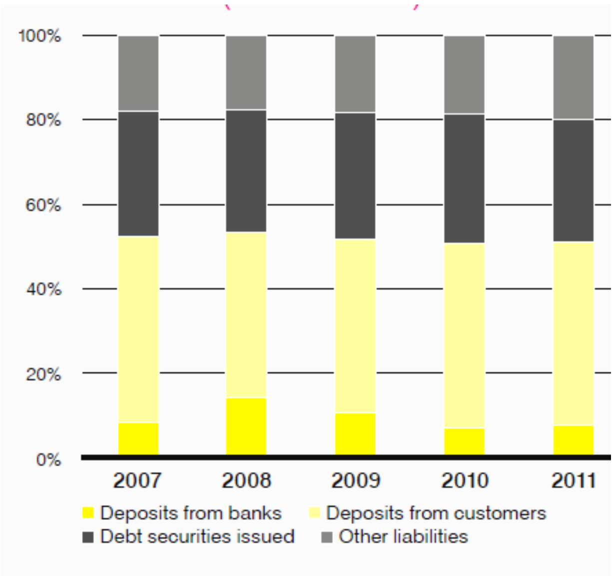
Development of the Austrian Banking sector

The non-consolidated business volume of the Austrian banks reached € 998.0 million at the end of 2011, thereby posting its first increase for two years. Year-on-year the total balance sheet increased by approximately 4.6 per cent. Loans and advances to non-banks increased by 3.8 per cent and, at 44.5 per cent, accounted for the largest proportion of the asset side of the Austrian banking sector. Liabilities with non-banks increased by 4.4% and, at 34.0 per cent, accounted for the largest proportion of the liabilities side. Due to this development the loans and advances to liabilities ratio (to non-banks) fell to 130.8 per cent, compared with a non-consolidated loan-deposit ratio in the client business of 110.2 per cent. The second-largest proportion on the balance sheet was on the assets side with approximately 28.6% from loans and advances to banks, and on the liabilities side with 28.1 per cent from liabilities in respect of banks. This gives, year-on-year, an increase in loans and advances of 4.2 per cent and an increase in liabilities of 6.7 per cent.

Development of assets in the Austrian banking sector (non-consolidated)



Development of libabilities in the Austrian banking sector (non-consolidated)



At the end of 2011 the non-consolidated operating profit for the Austrian banks was expected to be € 7.4 billion. This corresponds to a fall of slightly more than 3 per cent on the previous year. The reason for this change was a slight decline in operating income (- 0.2%), compared with an increase in operating expenses of 1.9%. The positive change in net interest income (5.8%), however, further strengthened the already great importance of this revenue stream. In 2011 the proportion of interest income in operating profits was more than 50 per cent.

The Austrian banks ended 2010 in a manifestly positive fashion with an annual profit of € 3.3 billion. Final figures for 2011 are not yet available but the banks forecast an annual profit for the year of approximately € 1.2 billion, down on the previous year. In respect of provision for risks (valuation allowances) the Austrian banks predict an increase of 48.4 per cent to € 5.7 billion for 2011, to which the increase in the balance from valuation allowances on securities and equity participations shows a clear effect in comparison with the corresponding income from their liquidation.

European stress tests, EBA core capital regulations and "Austrian Finish"

In 2011 the European banking supervisory authority again carried out stress tests on approximately 70 selected European banks, the results of which were published in detail in the summer. The Austrian banks tested included Bank Austria (their profit was incorporated in the UniCredit Group and was not published separately), Erste Group, the RZB subgroup RBI and the ÖVAG Group. Whereas the first three stress scenarios were successfully passed, ÖVAG posted an unsatisfactory capital ratio as a result of the stress assumptions made.

Due to the sovereign debt crisis the EBA also surveyed, in autumn 2011, what effects a market price evaluation of the sovereign exposure would have on the banks observed within the framework of the Europe-wide stress tests. For this a more than doubled "hard" core capital ratio of 9 per cent (Core Tier 1) was assumed to measure the capital requirement. This ratio was made a requirement for banks on 27 October 2011, to be complied with by 30 June 2012.

This meant a doubling of the core capital ratio to be complied with within a few months. Since the EBA does not recognise the previously recognised core capital components – in the same way as that of participation capital from Austrian banks invested with private investors – this meant additional hardship for many banks.

As a consequence the Austrian banking supervisory authority, the FMA and the OeNB were active and, on 20 November 2011 demanded, within the framework of the so-called "Austrian Finish" that those large Austrian banks which were operating in Central and Eastern Europe introduce Basel III early, by 1 January 2013. In addition, these banks must, from 1 January 2016, maintain a CEE capital buffer of up to 3 per cent. In addition, from 1 January 2012, the ratio of loans to local deposits in the individual CEE countries in new business of the subsidiary banks of Austrian groups was covered 110 per cent.

Business of Raiffeisen Bank International AG

Business development

Raiffeisen Bank International AG (RBI) regards Central and Eastern Europe (CEE), including Austria, as its home market and core region. RBI has been active in the CEE region for nearly 25 years, where today it operates a dense network of subsidiary banks, leasing companies and numerous specialised financial service providers in 17 markets. As a universal bank, it ranks as one of the top five banks in 13 countries, occupying a particularly strong position in Russia. The bank's strong position is supported by the Raiffeisen brand, which is one of the best-known brands in the region. Following a strategic realignment in 2010, RBI is positioned in the CEE region as a fully integrated corporate and retail banking group. It has good access to retail and corporate clients backed by an extensive range of products. The CEE markets enjoy higher economic growth than Western Europe. RBI benefits not only from this growth trend, but also from potential opened up by the region's catch-up demand in the banking business. At the end of 2011, 56,114 employees in Central and Eastern Europe served approximately 13.8 million clients in 2,915 branches.

RBI is one of the leading corporate and investment banks in Austria. It serves primarily Austrian but also international clients, as well as major multinational clients operating in Central and Eastern Europe. Moreover, RBI has a presence in global financial centres, with branches and representative offices in Asia as well. RBI has 2,113 employees and total assets of an estimated € 87 billion.

Corporates

A primary focus is to serve Austrian and international – notably Western European – corporate clients grouped within the Corporate Customers segment. These clients include the largest companies in Austria, which possess outstanding credit quality for the most part. This segment was restructured as part of the Corporate Banking strategy. In addition to the existing regional focus, the bank built teams with an industry focus. In 2011 the sales management was also significantly strengthened through the introduction of strategic planning instruments on a Group-wide basis. The appropriate measures have been successfully implemented. Thanks to the bank's regional and industry-specific focus, client-specific requirements can be identified more quickly and accommodated collectively. Group-wide strategic planning of client activities facilitates more efficient, comprehensive customer service and constitutes a key criterion for success in international Corporate Banking.

A second key focus includes the corporate business with the central and eastern European customers combined under Network Corporate Customers & Support. The existing Global Account Management System was further optimized here to provide the many RBI customers who do business across borders with coordinated support throughout the Group and - together with product specialists possessing the proper expertise - to be able to provide an even more extensive range of products (Group products) across borders throughout the entire network.

In addition, results from business with structured trade financing for commodities trading companies that operate worldwide as well as from documentary business, project financing and various types of co-financing are contributing to the sound performance of the corporate business. In Asia, the focus of the Bank business outlets in Singapore, China and Malaysia is on the trade financing business. Financing companies in the US and Hong Kong focus on niche business using selected products. Trade financing is of particular note here, along with corporate financing, primarily on a syndicate basis.

Corporate Customers assets fell 4 per cent to € 14.8 billion. This was due, in the main, to financing shifts, in particular, from Raiffeisen sector companies to RZB. Due to the higher-margin new business, profit from interest nevertheless rose 5 per cent, with net fee and commission income also rising 9 per cent. Due to halved risk provisions of € 43 million the profit for the year was up 49 per cent at € 128 Million.

Network Corporate Customers & Support increased its assets in FY 2011 by 26 per cent to € 4.9 billion. On the liabilities side, clearly higher customer deposits were also achieved. Net interest income rose 6 per cent, fee and commission income posted even higher growth rates at +25%, due in particular to capital market sales, payment transfers and trade financing. Due to slightly higher risk provisions and general administrative expenses, pre-tax profit was down on the previous year by 3 per cent.

Financial Institutions & Sovereigns

Financial Institutions & Sovereigns business in 2011 was characterized by an increasing degree of uncertainty on the international and, in particular, European financial markets in the second half of the year. This was due to rumours about Greece's debt restructuring and increasing pressure on other southern European countries based on a tense financial situation. The delayed implementation in increasing the European Financial Stability Facility (EFSF) also contributed to uncertainty and caution in the financial industry.

The traditional credit business continues to be characterized by a trend towards a strict focus on customer relationships with high cross-selling potential and the resulting selective range of transactions. Smaller transaction volumes and shorter loan maturities complete the present picture. In addition, a significant streamlining of business activities made allowances for the restrictive framework conditions and a focus was placed on selling products which preserve own funds.

The very positive market environment in the first half of the reporting period favoured the issuing business for institutional issuers, also benefitting Financial Institutions & Sovereigns which acquired a series of lead management mandates. In the second half of the year a marked slowdown was seen in the capital market activities of institutional customers due to framework conditions which had become noticeably more difficult.

Assets in Financial Institutions & Sovereigns rose year-on-year to € 8.14 billion, due primarily to the transfer of insurance customers. Whereas net interest income fell by 8 per cent to € 40 million, the net fee and commission income rose 18% to € 59 million. Due to revaluation gains, pre-tax profit rose by 5 per cent to € 49 million, despite higher general administration costs.

Capital Markets

The European debt crisis, the rise in the debt upper limit in the USA and political unrest in 2011 made for highly volatile markets and great uncertainty on the financial markets. In this difficult environment the Capital Markets business posted excellent profit with innovative solution strategies.

The "FX Raiffeisen" Internet platform was introduced for customers, providing a new level of service. Active advice in questions of foreign currency management enhanced both customer satisfaction and product sales. A clear rise in profit was achieved by the broadening of notes/coins and precious metal trade. Numerous foreign customers were gained by the securing of their interest-rate risks for the conclusion of interest rate swaps and caps.

The money market business also posted an increase in secured transactions and shorter maturities. As security ECB-eligible and blue chip equities were accepted, on the basis of which customers benefitted from the favourable financing costs in the repo business.

In the Fixed Income business products were offered to secure refinancing and special solutions for the restructuring of existing business. Inflation and foreign currency bonds showed heightened demand. In Asia several USD Multi Callable Notes were invested, thereby strengthening RBI's presence in this region.

The assets of the Capital Markets business fell by 27 per cent in the financial year, due to the sale of securities and shifts of assets into treasury. Net interest income remained down on the previous year by 11 per cent at € 175 million. This clear fall resulted, in addition to the volume reduction, from the change in the interest rate curve. More stable success was achieved in proprietary trading with active management with reduced volumes.

Treasury

Approximately 64 per cent of the medium- and long-term Wholesale Funding of the RBI Group was generated by the Group headquarters in 2011.

For medium- to long-term refinancing RBI uses two issue programs, the "EUR 25,000,000,000 Debt Issuance Program" and the "EUR 20,000,000,000" issue program of Raiffeisen Bank International AG. These programs offer bonds in various currencies and structures. The total volume of outstanding bonds from these programs must not exceed € 25 billion and € 20 billion respectively. At the end of FY 2011 a total of € 12 billion was outstanding in the two programs.

In view of the difficult market environment, RBI implemented its funding plan quickly in 2011, with two-thirds of the total funding requirement raised in the first quarter through wholesale funding, with the placement of the two senior benchmark bonds. In January, the first benchmark bond was issued as a senior fixed-rate bond with a total volume of € 1 billion and a three-year maturity. This issue makes RBI the first Austrian bank to issue an unsecured bond for over € 500 million since the start of the financial crisis. It was placed at 145 basis points over mid-swaps, with a coupon of 3.625 per cent.

Just a few weeks later RBI took advantage of the more friendly market environment in March 2011 to issue a second benchmark bond with a volume of € 1 billion. This issue was also significantly oversubscribed. The bond had a variable coupon with a premium of 90 basis points over the 3-month Euribor and a maturity of 2 years.

In May 2011 RBI was the only Austrian bank to place a subordinated bond for € 500 million with a ten-year maturity. This replaced an announced bond for € 366 million. It was placed at 325 basis points over mid-swaps, with a coupon of 6.625 per cent.

For short-term funding RBI used both the interbank market and its two programs for short-term issues (commercial paper), the European Commercial Paper Program and the US Commercial Paper Program. Under these two programs RBI can issue commercial paper in various currencies, enabling it to refinance outside the interbank market.

To diversify its funding sources RBI is also working actively on developing secured refinancing sources where longer-term funding can be secured by otherwise illiquid assets.

Branches and representative offices

RBI has a total of five branches in London, Singapore, Beijing, Xiamen and Labuan, Malaysia. RBI also has representative offices in Frankfurt, Paris, Milan, Stockholm, Madrid, Moscow, New York, Mumbai, Seoul, Ho Chi Minh City and China (Hong Kong, Zhuhai and Harbin).

The RBI branches in Asia – Beijing and Xiamen in China, Singapore and Labuan in Malaysia – recorded very good results above the budget for the year 2011 as a whole despite the economic crisis in Europe. Pre-tax profits in Asia amounted to around € 126 million. The Investment Banking business in Southeast Asia was also very successful. Operating functions, particularly risk management, were centralized in Asia to optimize governance.

Despite the difficult environment, the Asian RBI representative offices fared well, with Seoul and Zhuhai in particular continuing their profitable business. Preparations are currently being made to convert the Hong Kong representative office into a branch in order to expand cross-border transactions in the Chinese currency (renminbi). Operations are expected to begin in the second quarter of 2012.

As in previous years, the European representative offices are – in addition to their communication function – an important source of business for the entire network in CEE. The London branch no longer has any of its own business and from now on will support capital market sales for the entire Group.

Financial performance indicators

Balance sheet

Total assets of Raiffeisen Bank International AG (RBI) increased in the 2011 financial year by € 14.6 billion or 20 per cent to € 87.3 billion.

On the assets side, the cash reserve rose year-on-year by € 6.5 billion to € 7.1 billion due to a higher credit balance with the Austrian National Bank. Public-sector debt instruments decreased by 50 per cent to € 2.3 billion, mainly due to the decline of Republic of Austria government bonds. Loans and advances to banks increased by 18 per cent or € 4.2 billion to a total of € 28.2 billion. A large portion of the increase (€ 3.4 billion) is attributed to Austrian banks. Loans and advances to customers rose by 15 per cent or € 3.7 billion to € 28.3 billion and resulted almost exclusively from an increase in loans and advances to foreign customers. In total, the share of loans and advances to foreign customers was 73 per cent.

Bonds and other fixed-interest securities fell year-on-year to € 5.3 billion by 24 per cent or € 1.7 billion. The reduction was primarily due to the sale of securities. Equities and other variable-yield securities amounted to € 0.2 billion as in the previous year. Shares in affiliated companies rose by 16 per cent in total or € 1.0 billion to € 7.4 billion. The overwhelming majority of additions came from investor subsidies of € 0.5 billion and effects from reorganization measures of € 0.7 billion.

Under liabilities, *deposits from banks* rose 25 per cent to € 37.5 billion. These continue to represent the largest share of RBI's refinancing base, at 43 per cent of total liabilities. Deposits from banks were split between Austrian banks (59 per cent) and foreign banks (41 per cent). *Deposits from customers* amounted to € 16.9 billion as at the balance sheet date, an increase of € 4.2 billion. The share of deposits from foreign customers rose 67 per cent year-on-year.

Liabilities evidenced by paper, subordinated liabilities and supplementary capital fell by 8 per cent year-on-year or € 1.4 billion to € 16.8 billion. Placements of new issues in 2011 totaled € 3.9 billion (2010: € 1.2 billion) in contrast to disposals from debt securities of € 6.3 billion from repayments. In addition, short-term money market certificates of € 0.8 billion were issued. The *participation capital* balance sheet item amounted to € 2.5 billion as at 31 December 2011 and included the participation capital of € 1.75 billion subscribed by the Republic of Austria in 2009 under the Financial Market Stability Act.

The *equity capital requirement* as at 31 December 2011 was € 3.6 billion, of which € 3.0 billion was for credit risk. This represents a total increase year-on-year of € 0.4 billion or 13 per cent. The *eligible core capital (Tier I)* amounted to € 6.4 billion as at 31 December 2011, the same figure as in the previous year. The *eligible additional equity capital (Tier II)* totaled € 3.7 billion as at the same date. *Tier III capital* amounted to € 0.1 billion, and *equity capital* totaled € 10.2 billion. This resulted in *excess equity capital* of 185 per cent or € 6.6 billion (2010: 200 per cent or € 6.3 billion). The decline in excess cover resulted primarily from an in increase in the *equity capital requirement for market risk* by € 0.2 billion to € 0.4 billion. The *core capital ratio* in regard to the total risk amounted to 14.2 per cent in 2011 (2010: 14.3 per cent). The *equity ratio* as at 31 December 2011 was 22.8 per cent (31 December 2010: 24.0 per cent).

Earnings

In the 2011 financial year, Raiffeisen Bank International (RBI) reported a decrease in *net interest income* by 11 per cent or € 67.2 million to € 530.5 million. The interest expense rose faster than interest income in comparison with the previous year.

Income from securities and equity investments, which rose by € 115.0 million to € 478.3 million, was primarily a result of the increase in *income from shares in affiliated companies* by 52 per cent or € 163.5 million, which resulted from the dividends from affiliated companies in 2011.

Net fee and commission income recorded a modest improvement of € 8.2 million to € 156.8 million (2010: € 148.6 million), with the largest share (36 per cent) derived from income from the securities business (€ 57.0 million).

The *balance of income and expenses from financial transactions* showed positive net income of € 89.9 million, a year-on-year increase of 130 per cent which was largely due to the change in the valuation of capital guarantees.

Other net operating income fell by € 4.4 million to € 81.2 million. This includes income from various services to network banks (73 per cent) and the parent company RZB AG (8 per cent).

Operating expenses recorded a figure of € 1,336.7 million, which was an increase of 8 per cent year-on-year.

In contrast, total *operating expenses* experienced a slight increase from the previous year by 2 per cent to € 555.2 million.

Personnel expenses rose from € 249.1 million to € 270.7 million and resulted from the increase in the number of employees and generally higher salaries.

Other administrative expenses declined slightly by € 9.0 million or 4 per cent to € 238.9 million with most of the expenses going towards IT and communication (27 per cent) and fees for advisory services and audits (15 per cent).

Depreciation on tangible assets amounted to € 30.7 million, which was virtually unchanged from the previous year.

Other operating expenses at RBI fell by 9 per cent or € 1.5 million to € 14.9 million in 2011.

After deducting total operating expenses from operating income, RBI reported an *operating profit* of € 781.6 million for the 2011 financial year, which represented an increase of 13 per cent or € 91.8 million over the same period in 2010.

This resulted in a *cost/income ratio* of 41.5 per cent (previous year: 44.1 per cent).

The *net income/expense from the disposal and valuation of loans and advances and certain securities* showed a loss of € 59.4 million in 2011, which was an improvement of 67 per cent year-on-year (2010: loss of € 179.4 million). The key factors here were the reversal of the provision allocated according to Section 57 BWG and a lower net allocation for individual impairment loss provisions.

The negative figure for *net income/expenses from the disposal and valuation of financial investments* increased from € 40.1 million in 2010 to € 183.3 million in 2011, owing to higher write-downs on investments and affiliated companies. The loss was offset in part by the sale of securities of fixed assets.

This resulted in a *profit from ordinary activities* of € 538.9 million for the past financial year, which represented an increase of 14.6 per cent from the previous year.

The *extraordinary result* of € 665.5 million came from the transfer of the direct investment in Raiffeisenbank a.s. and Tatra banka a.s. at market values to the own subsidiary Raiffeisen RS Beteiligungs GmbH.

The result was a *return on equity before tax* of 19.0 per cent (2010: 8.1 per cent).

Income taxes fell from € 62.4 million to € 39.5 million. In the previous year higher, provisions were allocated for tax payments from previous periods.

Expenses for *other taxes* increased to € 95.1 million mainly due to the first-time stability charge for banks in the amount of € 82.8 million.

Return on equity after tax came in at 16.9 per cent (2010: 7.0 per cent).

Annual profit as at 31 December 2011 totaled € 1,069.9 million (2010: € 407.7 million). From this profit, liability reserves of € 31.6 million were allocated according to Section 23 (6) BWG. An amount of € 636.0 million was transferred to retained earnings.

Holders of participation certificates received a dividend of € 200.0 million from the remaining annual tax profit. Accounting for the profit brought forward of € 3.7 million leaves a distributable net income of € 206.0 million.

Proposed distribution of profit

The Management Board will propose the distribution of a dividend of € 1.05 per ordinary share to the Annual General Meeting. Based on the total issued shares, this means a maximum amount of € 205.3 million.

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 € 596,290,628.20 and is divided into 195,505,124 voting common bearer shares. Of those, 943,771 are own shares as of 31 December 2011, which means that 194,561,353 shares were outstanding as of the balance sheet date.

(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 appointment and dismissal of members of the Management Board and the Supervisory Board or regarding amendments to the Company's articles of association beyond the provisions of the relevant laws.

(7) Pursuant to Section 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 8 June 2011 to increase the capital stock – in one or more tranches – by up to € 298,145,314.10 by issuing up to 97,752,562 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, 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 more installments, for one or more purposes, 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 at 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 of RZB's principal business areas with Raiffeisen International to form RBI 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 (page no. 17) for more information.

In the course of the merger of the principal business areas of RZB with Raiffeisen International on 10 October 2010, the RZB issue "Raiffeisen-Partizipationskapital 2008/2009" in the amount of €2.5 billion was transferred to RBI on unchanged terms.

Pursuant to Section 102a of the Austrian Banking Act (BWG), the Annual General Meeting of 8 June 2011 authorized the Management Board of the Company, within five years of recording the relevant amendment to the articles of association in the commercial register, to retire either the participation capital in its entirety or the participation capital of individual tranches that were differentiated on issue, with the approval of the Supervisory Board and taking into account the terms of issue; partial retirement of participation capital of individual issues or tranches is permissible provided the equal treatment of eligible holders of participation capital is ensured.

(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:

- The following is provided in the context of the Company's D&O insurance:
  "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 RBI 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."

- Furthermore, the syndicate agreements concluded by RBI in relation to individual subsidiaries with the relevant shareholders will automatically be terminated upon a change of control.

- The brand agreement concluded with RZB AG on the unrestricted use of the name and logo of Raiffeisen Bank International for an indefinite period of time in all jurisdictions in which the brand is registered now or in the future includes a right of cancellation upon a change of control.

(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.

Non-financial performance indicators

Staff report

As at 31 December 2011, RBI AG had 2,113 employees (full-time equivalent, not including employees delegated to other Group companies), which represented an increase of 5.1 per cent compared with 2010 (2,054 employees, incl. 44 delegated to other Group companies). The traditionally very high proportion of female employees remained at 47.8 per cent. In the interest of an optimal life-work balance, RBI offers variable working hours without core time, as well as telecommuting and a range of part-time options. There is still strong demand for parental leave, so the share of employees in part-time employment as at the balance sheet date was 12.4 per cent in all.

Critical positions in particular had to be filled on account of normal staff turnover. During the reporting period, the staff turnover rate was 7.9 per cent (for 2010 it was 8.1 per cent).

Significant changes to remuneration

Changes to the Austrian Banking Act (section 39 b BWG) based on an EU directive (Capital Requirements Directive III, CRD III) meant that, since 2011, banks have had to put a number of requirements in place for their variable remuneration systems. The aim here is to motivate employees to act in a way that is oriented more towards sustainability and a long-term view. Against this backdrop, RBI adjusted its remuneration systems in 2011 and put in place special rules for senior executives, high-risk buyers, employees with control functions and employees belonging to the same remuneration category as senior executives and high-risk buyers and whose activity has a significant effect on the risk profile ("identified staff").

For all companies in the RZB Group, the effect of defined criteria (e.g. business model, assets, economic capital, etc.) on risk was examined, the application of the newly designed remuneration guidelines ("full", "limited" or "minimized") was determined, and identified staff were defined. Following on from this, much more detailed general remuneration principles were drawn up as a basis for the remuneration policy and practice at RBI AG. A framework was thereby created which ensures that employee remuneration will follow the new legal rules across the Group and thus also at RBI AG.

For identified staff, special additional principles were implemented, e.g. the deferral of parts of their variable remuneration over a defined period and payment in the form of instruments.

The harmonization and redesign of pay structures, which began in 2010 as a result of the merger between RZB and RI, was continued and completed in 2011. Because there was also further major restructuring in 2011 (in particular in IT/OPS), another revision of numerous job descriptions was carried out in summer 2011. These were then evaluated according to the Group standard (Towers Watson method). This process was completed at the end of November and the revised job structure now serves as the basis for a range of HR programs and standards.

One of the most extensive tasks undertaken in 2011 was the design of a new, uniform pay system (including a new bonus system) for the company, which is in line with the new regulatory framework. Over the course of the summer, the new system was explained in detail to all internal managers, and the system's logic is already being applied for the 2011 financial year. The base salary structures also underwent a market comparison and salary ranges were developed for a wide range of function groups. The new pay guidelines and systems were described in detail and published in the "Corporate Directive Total Rewards Management".

For the company's top management, a uniform company car policy was defined and the details of the existing share incentive program (SIP) were adjusted in line with the new regulatory requirements.

Continued organizational change in 2011

As a result of the merger in 2010, a number of units were combined, restructured or newly established. This process of developing the company's organizational structure was continued in 2011.

In the Corporate Customers segment, a new departmental structure was implemented which reflects both industry-specific and regional aspects. In a process managed by HR, all employees in this unit were invited to apply for a wide range of tasks, which created effective new teams. In these new teams, the managers immediately initiated team development processes in order swiftly to achieve a shared understanding with regard to collaboration and implementation of the new strategy.

The most far-reaching organizational change took place in the COO/Retail Banking executive department. The project ("Peacock") dealt with analysis and improvement in a wide range of areas: client satisfaction with IT services within the Group, internal procedures, project management, collaboration, management style, etc.

The aim of the project was to design more efficient IT management and IT architecture, alter the management and performance culture, and improve IT services on an ongoing basis. A project team of top managers defined the general direction in conjunction with advisors, and all employees in Operations and IT were involved in the process of change. The new organizational and operational structure is just one result of the work done so far. The budgeting process was also simplified, projects were prioritized or stopped, and new functionalities were put in place (e.g. Cost Management and Lean & Service Excellence). HR assisted in this process of change and will continue to support and drive the wide-ranging work under way.

Apart from various organizational changes, 2011 also saw a significant step forward being taken in the post-merger integration process at RBI: human resources, in conjunction with the Works Council, renegotiated and reformulated all existing RZB operational agreements. This both allowed outdated formulations that are no longer applicable to be eliminated, and ensured that the new circumstances following the merger were duly reflected. In redesigning employee benefits, the following aspects in particular were taken into account:

(1) Promotion of the economic, social, health-related and cultural interests of employees,
(2) Employees' attachment to the company,
(3) Promotion of commitment,
(4) Promotion of environmental protection,
(5) Promotion of a healthy work-life balance.

Employee survey

Another employee survey was conducted this year. The guiding principle of the survey this time was "employee commitment" rather than "employee satisfaction." Just over 70 per cent of all staff took part in the survey. In addition to the usual questions about employees' work situations, collaboration, information, communication and satisfaction, another focal point was the subject of management. This enabled all staff to give feedback on the quality of management as they experience it. After a busy period communicating the results, there is now work to implement about 50 short-term, departmental and selected cross-departmental improvement projects.

Career development

On the basis of similar projects in the past at some of the network banks, in 2011 RBI AG began revising and introducing a stronger structuring of specialist careers. The aim is to offer our employees an attractive alternative to management careers, and to point our most valuable experts in the direction of prospects for their professional development and thereby enhance their commitment to the company. In 2011, country job maps, career paths and development opportunities were drawn up in a number of selected pilot areas as a start. Based on this model, the project is to be implemented in all key specialist areas by the end of 2012.

Performance management

The adjustment of performance management (PM) processes in line with the requirements resulting from the CRD III directive formed the focus of the work in 2011 to further develop tools and guidelines in this area. Particular attention was paid to the comprehensible implementation of the corporate strategy through the individual performance targets of managers, to intensive training of managers and their staff, and to process improvements. For many employees, the integration of interpersonal skills into the Performance Agreement was a new aspect. The aim in this is to extend the assessment to include employees' conduct in agreement with Group values. To ensure that managers have the necessary skills for this, extensive training courses were provided.

Corporate Responsibility

Lasting values in dynamic times

The values which guide all Raiffeisen organizations to this day date back to the social reformer Friedrich Wilhelm Raiffeisen (1818–1888). He saw it as his duty to alleviate economic hardship and, in founding the first cooperative banking association in 1862, he laid the foundation for today’s global organisation of Raiffeisen cooperatives. Principles such as the willingness to provide mutual assistance as well as the self-administration of the cooperative by its members have remained valid to this day. The Raiffeisen structure of values has consistently provided a stable foundation – even in times of change.

Creating sustainable success

Social and corporate responsibility form an integral and self-evident part of the way RBI perceives itself and conducts its business. True to the motto, "We create sustainable success," active commitment contributes towards a sustainable development of both the company and society alike. Thereby, the responsibility extends to all three pillars of sustainability: business, environment and society. Across all business divisions, RBI remains dedicated to its goal of being a responsible bank, fair partner and committed corporate citizen.

A review of key measures and current initiatives is set out below. Detailed information on RBI's activities and its sustainability goals may be found in the RZB Group's 2010 Sustainability Report, available for download at www.rzb.at/CorporateResponsibility/EN. The RZB Group publishes its Sustainability Reports every two years, with the content being based on the standards of the Global Reporting Initiative (GRI). The next report is scheduled to appear in 2013.

Responsible banker

RBI's core business and financial services are consciously oriented towards its future sustainability. RBI's investments, commitments and business dealings are structured in such a way that they positively contribute to sustainable development of all regions and economies in which RBI conducts its operations. This is, in RBI's view, the most effective lever for sustainable growth.

Code of Conduct ensures compliance with high ethical standards

RBI's pledge to conduct its business management in a transparent and responsible manner is disclosed in the Code of Conduct (CoC), which is binding Group-wide. It defines RBI's core values and builds the foundation for a legally compliant and ethically minded corporate culture. Moreover, it ensures that the highest ethical standards are maintained. By the same measure, the Compliance Department exercises a comprehensive control function in the banking group as a whole. Among other things, the CoC dictates that no business may be conducted which could have a negative effect on the environment. Business dealings in sensitive areas such as weapons or nuclear power are likewise off limits. RBI also strictly adheres to international specifications concerning embargoes and trade restrictions.

RBI is a member of the UN Global Compact and, in its capacity as a listed company, has committed itself to comply with the Austrian Corporate Governance Code.

Engaging in regular dialog with stakeholders

A central pillar of RBI's business practices is the respectful interaction with all stakeholders in the spirit of partnership. An active and open dialog with all stakeholders provides the essential basis, which also serves to broaden the perspectives of the company and its decision-makers. An open exchange thus not only broadens the perspective on relevant topics for stakeholders, but also on RBI's internal and external perception.

The goal of this dialog is to gain a deeper, more meaningful mutual understanding. To this effect, a stakeholder council of the banking group was held in autumn 2011 for the second time, at which selected internal and external stakeholders from different areas and organizations discussed their expectations regarding the company. At this event, a forward-looking development path for the company was jointly charted out.

Self-empowered consumers through improved financial knowledge
"Helping people to help themselves" – one of Raiffeisen's founding principles – involves not only material support, but also an educational mandate to improve the knowledge of customers and non-customers on financial aspects. In order to meet this challenge, RBI has taken extensive measures in all of its markets, which are either implemented by the relevant local bank on its own or in cooperation with specialized partners.

Environmental and climate protection

One declared objective of RBI is to promote environmental and climate protection and to take positive action against climate change. The creation of a meaningful connection between a profit-oriented business policy and climate protection represents a major ecological and economic challenge. In the environmental management of the company itself, the highest priority has been assigned to climate protection measures, a subject area that presents considerable risks, but also offers great opportunities.

Making a contribution through the conservation of resources
A major focus for the Group is the sparing use of resources and materials. This entails the use and acquisition of 'green' materials on the one hand, and the efficient use of resources combined with the best possible waste and emissions avoidance on the other. The most economical use of means of transport is just as much a priority as an efficient energy supply which primarily makes use of renewable resources.

Carbon Disclosure Leadership Index
The Carbon Disclosure Project (CDP), launched in 2000, is aimed at increasing transparency in the reporting of greenhouse gas emissions. Since 2011, RBI has voluntarily provided information on its CO_2 emissions, business-related climate risks and reduction targets as part of this program. The published data is compiled in the so-called Carbon Disclosure Leadership Index, which consists of input from the 30 highest scoring companies based on the criterion of completeness of reporting. With a score of 84 out of a possible 100 points, RBI ranks 13th and is thus the best ATX company. All of the information entered is available at www.cdproject.net.

Social commitment

As a major economic force in the markets in which it conducts business, RBI is committed to upholding the responsibility of serving society as is demonstrated by its extensive measures and support for various initiatives. Below is a brief description of a few of current RBI projects.

Community Day
In September 2011, RBI organized its first Community Day in cooperation with Caritas Vienna. A room for children and youths at the Caritas "House Amadou," a shelter for refugees and migrants, was redesigned on a Saturday. More than 30 employees – some of them with their children – voluntarily took part in "Project Rocking Horse," as the venture was called. The costs for the required materials were funded in part by RBI. The event was rounded off with a communal barbecue.

Children Protection Award MYKI59
The children protection organization "the seagull" was established in 1989. As the first social organization of its kind in Austria, it is dedicated to addressing the taboo topic of child abuse and mistreatment, offering help for mistreated and abused children and young people. The Austrian Children Protection Award MYKI, which is presented in five categories, was established in 2011 in order to contribute in this way to improving child protection and welfare. As the main sponsor, Raiffeisen presented the prize in the category of "Material security and social integration", two elements which RBI, as a financial service provider, regards as very essential.

H. Stepic CEE Charity

The H. Stepic CEE Charity, a non-profit association, was founded in 2006 to improve living conditions for children, youths and women in Central and Eastern Europe. The association collects donations, 100 per cent of which go to the aid projects initiated by the charity itself. These projects are realized together with partners such as Caritas, Hilfswerk, the Austrian Red Cross and the charity association "kleine herzen." In November 2011, the H. Stepic CEE Charity broke new ground by jointly hosting a fundraising dinner with "kleine herzen", at which € 106,000 was raised. In addition, the German-language cookbook "Herzensküche", featuring recipes from Central and Eastern Europe reinterpreted by 12 internationally renowned chefs who agreed to waive their fees, serves as a culinary vehicle for effectively channeling donations. Proceeds from the sale of the cookbook go to support construction of a family home for orphans in Ukraine. The integration of the Raiffeisen network ensures that all aid is received promptly and in an unbureaucratic way wherever it is needed.

Fair treatment of staff in the spirit of partnership

RBI employs 59,261 staff from over 50 countries. In view of such a high degree of diversity, equal opportunity and integration are as much a central component of corporate culture as is the fair treatment of all employees.

As an employer, RBI creates an environment in which it challenges its employees, while also promoting and supporting their individual skills and capabilities. RBI is firmly committed to the principle of merit while, however, also endorsing an open corporate culture in which employees are able to continue developing on both a professional and personal basis.

Detailed information relating to the area of Human Resources can be found in staff report.

Risikomanagement

2011 was marked by enormous market uncertainty. While the recovery of the global economy from 2010 continued in the first six months of the year, the second half of the year was another story. The sovereign debt crisis in the periphery EU member states and the lengthy negotiations, and in particular the political tensions regarding the countermeasures to be adopted, fuelled anxiety and caused enormous distrust on the European markets. During the summer, financial institutions started stockpiling their cash surpluses and placed them in "the safe haven" that is the European Central Bank rather than providing liquidity to the interbank market. Compared to previous years, the number and volume of new issues declined dramatically. The increased nervousness was also reflected on the stock markets, both by the enormous price volatility and some significant declines in value, especially of financial stocks.

In this environment, RBI Risk Management took into account the increased market volatility by using existing and new management tools and thus was able to respond in a timely fashion to the changes in economic conditions. Particular emphasis was placed on maintaining a strong liquidity position and on reducing existing exposure to countries and financial institutions especially in the markets affected by the national debt crisis. Furthermore, internal processes and structures were critically evaluated, both to ensure the desired efficiency of the risk control systems as well as to uncover potential risks from operational processes at an early stage and be able to manage them. All of these measures contributed towards further enhancing the robustness of the RBI loan portfolio.

Stresstests

In the first six months of 2011 the European Banking Authority (EBA) performed a stress test in which 90 European banks took part. The test analysed the impact of various economic development scenarios, using variables such as GDP growth rates, exchange rates and risk premiums, on future capital requirements, required loan loss provisioning as well as revenue and capital components. The direct and indirect influences of predetermined crisis scenarios were examined in detail.

The EBA in this case defined a core capital ratio of 5 per cent (i.e. a hard core capital ratio pursuant to CRD III) as a target over a two-year period after the onset of the crisis scenarios. The RBI clearly exceeded this level with 7.8 per cent. In addition, the minimal decline only in the capital ratio of 0.3 percentage points over the stress period showed RBI's ability to withstand the crisis compared to the scenarios presented.

Especially the detailed publication of loans and advances to banks compared to countries, provided the financial markets with fundamental information for risk assessment. RBI revealed only very little outstanding debt compared to the European periphery states and since publication has reduced it even further. Thus, risk management reduced both the limits as well as the outstanding risk exposure, to counteract negative consequences arising from the European sovereign debt crisis.

After analysing the results of the stress tests and in view of the macroeconomic developments in the fall of 2011, the EBA decided to re-examine the capital adequacy of banks. In this way it investigated the capital requirements necessary for the participating banks to achieve a capital ratio of 9 per cent. To shore up European financial institutions against the volatile market environment and to ensure the stability of the financial markets, banks must now attain this ratio by the end of June 2012. RBI only participated indirectly in this exercise as part of RZB; consequently there are no detailed results for RBI. Nevertheless, RBI developed a number of initiatives as part of RZB, to attain the prescribed ratio. The implementation of these measures had already started in 2011.

In addition to the hard core capital ratio of 9 per cent, EBA identified further capital requirements as a buffer for hidden encumbrances in the bank's portfolios of sovereign risk, arising from unrealised losses from loans and advances to countries whose market value has fallen during the sovereign debt crisis. For RZB, there was no additional capital requirement.

Besides the regulatory stress tests carried out by the regulatory authorities, RBI in 2011 also performed internal analyses for further scenarios and potential risk drivers. Through close cooperation with all areas of risk management and the involvement of other experts from the network banks and controlling, these internal stress tests took into account a large number of risk factors and their impact on solvency. Market risks, operational risks, increased funding costs and numerous other capital and income components were also included in the integrated approach, in addition to the increased capital requirement and high write-downs on the loan portfolio in case of stress. The Board was regularly informed of the stress test results and their analyses to enable the rapid introduction of countermeasures in any threatening situation.

Liquidity risk

Liquidity risk management was one of the hardest hit and challenged risk control units in 2011. In addition to the increased frequency of internal reporting and the enormous number of additional analytical tasks, especially since the new issues markets dried up, extraordinary measures were also taken, to ensure RBI maintained its strong liquidity buffer . At the same time, the crisis scenario analyses used for internal risk measurement and management were further developed and more closely integrated into the liquidity and the balance sheet management of the group entities with material business operations.

Even the cash flow modelling for the expected base case was revised in 2011 to include findings from past years, to adjust the resulting forecasts for capital commitment and refinancing needs. This should increase transparency with respect to actual costs and risks on the one hand , but naturally set a course for the correct management decisions on the other.

The planned implementation of the liquidity requirements according to the Basel III regime in 2011 was another topic tied in with liquidity risk. Although there is still no final draft of the regulatory requirements and these can therefore be interpreted very differently, calculations have already been conducted for RBI and individual group entities . The implementation of the required data landscape and of the corresponding calculation applications was also already introduced and will constitute a key areas of activity in 2012.

The Liquidity Contingency Committee (LCC) is a committee that concerns itself with liquidity management and measures in the case of difficult market situations or crises. Due to the difficult market situation , the LCC was convened in the second half of 2011 and had met multiple times by year-end.

Simulation of net interest income

RBI's interest income represents a significant earnings factor and thus makes a material contribution towards stabilising the capital base and to the success of the business model. To do justice to this significance, risk management of interest flows in a single entity regardless of the liquidity risk was realised. Here, the impact of different interest rate scenarios on interest income in particular, is simulated. In close cooperation with the front-office units, RBI thus prepares for various developments on the market and can react quickly in the case of negative trends. The emphasis in this area in 2011 was on further developing the available analytical and reporting tools on the one hand and on harmonising these innovative systems within the group on the other.

Market Risk

Since January 2010 market risk management has been based on figures from an internal model. This is calculated using a hybrid approach; in other words, a combination of historical and Monte Carlo simulation with 5,000 scenarios, the value-at-risk (VaR) for the change in risk factors of foreign currencies, interest rate development, credit spreads from bonds and credit default swaps as well as equity indices. To better illustrate the risk factors where the probability of extreme rate changes is higher than in a normal distribution, numerous approaches were integrated into the model. These include the enhancement of the scenarios to include extreme events or the consideration of the current volatility levels in generating scenarios and different time horizons in the volatility estimate. This choice of model access already today forms the basis for putting in place the strict Basel-III requirements in internal models. The model was additionally expanded to include a stressed-VaR module that meets the regulatory requirements that have been in effect since 31 December 2011.

Having passed the FMA/OeNB's assessment process , the model has been used since 30 August 2010 for calculating capital requirements of foreign currency and the general interest rate risk in the trading book for the corporate headquarters. The daily scope of management includes the RBI trading and banking books based on the VaR on a holding period of 1 day and a confidence interval of 99 per cent as well as sensitivity limits. The market risk position, the limit process and the presentation of all capital market activities in the income statement are among the items on the fixed agenda for the weekly market risk committee meeting.

To ensure the quality of the model, daily back testing is performed. The results of these tests were always within the limits of the model expectations and have featured no significant deviations in recent months. Based on these encouraging results, the internal model should be allocated to the best class ("green status") from a regulatory perspective.

Management of non-performing loans

2011 was a difficult year for RBI's core markets, but non-performing loans at RBI AG were reduced by 22 per cent or € 254 million through restructuring and disposals. RBI also focused in 2011 on significant procedural improvements in the early identification of troubled loans and in dealing with them, which helped in preventing a further build-up of non-performing loans. Key achievements here are the larger number of portfolios examined and the enhanced effectiveness of the procedures, the further development of reporting, and regular comparison of notes between members of the banking group.

Basel II and III – regulatory environment

The RBI was also intensively involved in 2011 with current and pending regulatory developments. Much of the expected change results from the EU CRD III guidelines on capital requirements and the even more extensive CRD IV/CRR legislation proposed by the EU Commission. The potential impact on RBI of new and amended legislation has been analysed in detail. The corresponding internal guidelines were adopted where necessary, for example , in relation to the remuneration policy and the appropriateness of remuneration.

In addition to the measures already taken in connection with the new Basel-III regulations, risk management focused in 2011 on the on-going implementation of the advanced Basel-II. The Basel-II-related activities included the implementation of the internal ratings-based approach (IRB) in the retail- and non-retail sector in the subsidiaries in the CEE region, further development of the internal market risk model as well as the introduction of the standard approach to operational risk throughout the group. The following table gives an overview about the current status of these projects. The implementation of the IRB approach in subsidiaries in the CEE region will continue in 2012.

Risks arising from financial instruments (Risk report)

Active risk management is a core competency of Raiffeisen Bank International AG (RBI). In order to identify, categorize and manage risks effectively, the Bank develops its comprehensive risk management system on an ongoing basis. Risk management is an integral part of managing the bank as a whole and, as well as taking on board legal and supervisory requirements, looks at the type, size and complexity of transactions and the risks resulting from them. The risk report explains the principles and organizational structure of risk management and sets out the current risk position for all material risks.

Principles of risk management

RBI has a system of risk principles and risk measurement and monitoring procedures aimed at keeping a careful eye on and managing the risks of all banks and all the Bank's specialist companies. Risk policy and the principles of risk management are decided on by the Management Board of RBI; the Bank's risk principles include the following:

- Integrated risk management
  Credit and country risk, market and liquidity risk, equity holding risk and operational risks are managed across the Group as principal risks. In doing so, these risks are measured, limited, aggregated and set against the available risk coverage amounts.

- Uniform methods
  In order to ensure a consistent and coherent risk management approach, uniform methods are applied to assessing and limiting risk across the Group. This manner of acting is efficient in terms of developing risk management methods and forms the basis for unified Group management across all countries and business segments of RBI.

- Ongoing planning
  Risk strategies and risk capital are reviewed and approved as part of the annual budgeting and planning process. In this, a great deal of attention is paid to avoiding a concentration of risk.

- Independent control
  There is a clear division in terms of staffing and functions between transaction activity and all risk management and risk controlling activities.

- Pre- and post-calculation
  Risks are consistently taken into account in product distribution and in risk-adjusted performance measurement. This ensures that transactions in principle are concluded only after due consideration of the risk-reward relationship and that incentives to enter into high levels of risk are avoided.

Organization of risk management

The Management Board of RBI ensures an appropriate organizational structure and ongoing development of risk management. It decides on the procedures used to identify, measure and monitor risk and makes risk management decisions on the basis of the evaluations and analyses produced. In performing these duties, the Management Board is assisted by independent risk management units and specific committees.

Risk management fundamentally takes place at several levels within the Group. RBI develops and implements the appropriate concepts in coordination with RZB as the parent credit institution and in collaboration with the individual Group subsidiary units. The risk management units at RBI often have a dual responsibility: they ensure appropriate execution of the risk management processes across the entire Group, while also implementing the risk policy in the different risk categories and managing the business at RBI within the approved risk budgets.

Central and independent risk controlling as required by the Austrian Banking Act is carried out by the Risk Controlling organizational unit. The responsibilities of this unit include the drawing up of Group-wide and cross-risk-category rules for Group risk management, and independent and neutral reporting on the risk profile to the Management Board as a whole and to the individual divisional heads.

Risk committees

The Risk Management Committee is responsible for the ongoing development and implementation of the methods and parameters used in risk measurement and for fine-tuning the management tools. This committee also assesses the current risk situation, taking account of the need for suitable capital backing and the applicable risk limits. It approves the various risk management and control activities (e.g. the allocation of risk budgets) and assists the Management Board in these activities.

The Market Risk Committee manages market risk arising from trading book and banking book transactions at RBI and determines the relevant limits and procedures. Its management is based in particular on business results, the risks ascertained, the measured limit utilization and the results of scenario analyses and stress tests with regard to market risks.

The Credit Committees are made up of representatives from the market and back office operations, with the staffing of the committees divided up according to client groups for commercial clients, financial institutions and the public sector. They determine specific lending criteria for individual client segments and countries, and they make all relevant credit decisions within the framework of the credit approval process and of the rating and volume-based division of responsibilities.

The Group Asset/Liability Committee assesses and manages balance sheet structure risk and liquidity risk and determines the methods for the internal transfer pricing system. It performs major duties in this context concerned with long-term refinancing planning and the determination of hedging measures for structural interest rate and currency risk.

The Credit Portfolio Committees define the relevant credit portfolio strategy for different client segments. On these committees, representatives of the market and risk management units work together to evaluate the risks and potential of different client groups (e.g. branches of industry, countries, client segments). On this basis, the credit portfolio management develops lending guidelines and limits for shaping the credit portfolio going forward.

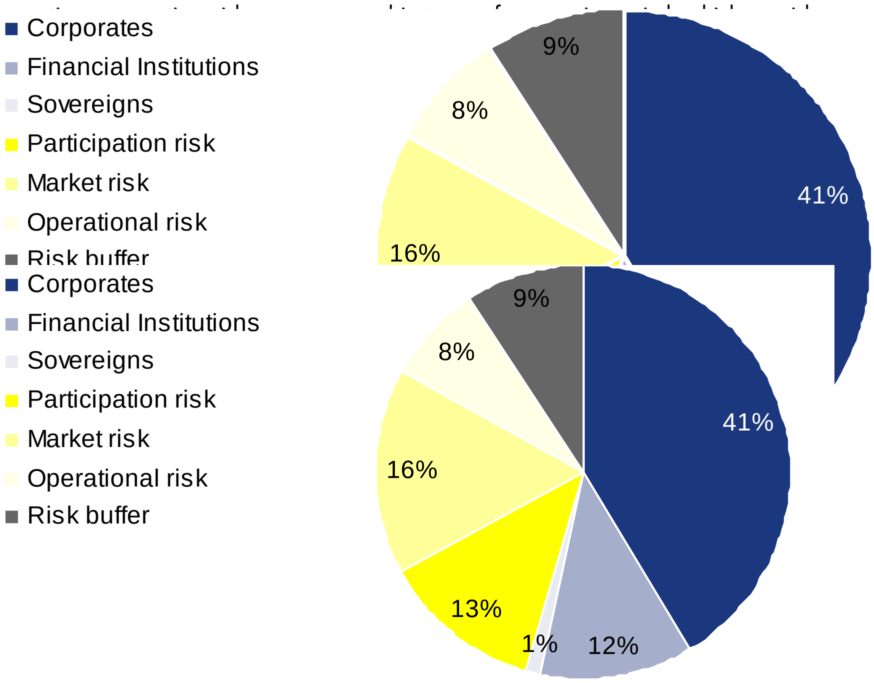
Risk management for the Bank as a whole

Ensuring appropriate capital backing is one of the key aims of risk management at RBI. In doing so, the required capital is regularly assessed on the basis of the risk ascertained by internal models, whereby the significance of the risk is taken into account when selecting the models to be used. This Group risk management approach considers capital requirements from both a regulatory perspective (sustainability and going concern perspective) and an economic point of view (target rating perspective). This puts it in line with the quantitative procedure for assessing the suitability of internal capitalization (ICAAP), as required by Pillar 2 of Basel II. The entire ICAAP process at RBI is checked annually by the Austrian Financial Market Authority as part of the supervisory evaluation of the RZB banking group.

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 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

Target rating perspective

In ... parable risk number for ... categories (credit, equity ... s a controlling stake are ... entire bank for other risk



In order to calculate economic capital, RBI applies a confidence level of 99.95 per cent, which is derived from the probability of default for the RBI rating aimed at. The aim in calculating economic capital is to ascertain the level of capital that would be required to meet the claims of clients and creditors even in the event of such a rare loss event.

The economic capital shows the greatest risk as being in credit risk for the commercial clients debt category. This makes up 41 per cent of total risk, while credit risk as a whole accounts for 54 per cent of economic capital. The share for market risk is 16 per cent, while a general buffer for other risks is allocated in addition. The contribution to risk from Group subsidiaries is shown under equity holding risk. However, their transactions and risks are considered in a way that is integrated into RBI and managed in the different risk categories according to Group guidelines.

Economic capital serves as an important tool in managing risk at the Bank as a whole and is used when allocating risk budgets. Limits for economic capital are also allocated to the individual divisions in the annual budgeting process, while volume, sensitivity or value-at-risk limits are added to them for the purpose of operational management. This planning takes place on a revolving basis at RBI for periods of three years and takes on board both future changes in economic capital and the internal capital available. Thus, economic capital has a significant effect on the planning of future lending and on the overall limit for market risks.

The risk-adjusted performance measurement is also based on this standard of risk. In it, the income of a business unit is set against the economic capital attributable to this unit (ratio of risk-adjusted income to risk-adjusted capital, RORAC). This provides a comparable performance figure for all of the Bank's business units, which is then also used in the overall bank management, future capital allocation in this respect and the remuneration of senior executives.

Going concern perspective

In parallel with the above perspective, appropriate capital backing is also assessed with a focus on the continued existence of the Bank on the basis of the going concern principle. Here, too, risk is set against corresponding risk-bearing capacity – with a view to meeting regulatory capital and equity requirements.

In pursuit of the objective of covering risk, expected earnings, expected risk provisions and excess equity (taking into account the different limits on counting them in) are added up to form a total for risk-bearing capacity. This is set against a value-at-risk figure (including expected losses), the calculation of which is based on procedures (with a lower confidence level of 99 per cent) comparable to those used in the target rating perspective. Through this approach, the Bank ensures it is adequately capitalized from a regulatory perspective (going concern) with the desired confidence level. The internal objectives for regulatory capital ratios are consciously set higher than the legal requirements, in order to ensure the Bank meets legal minimum equity requirements at all times and, in addition, to cover other risks that are not quantified for supervisory purposes.

Sustainability perspective

The aim of the sustainability perspective is to ensure that RBI would maintain a sufficiently high core capital ratio at the end of the multi-year planning horizon, even in the event of an unexpected downturn in the macroeconomic environment. The analysis of the sustainability perspective is based on a multi-year macroeconomic stress test which simulates hypothetical market developments in a severe but realistic economic downturn scenario. The risk parameters include interest rate curves, exchange rates and securities prices, or even 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 at the end of the multi-year period. A minimum sustainable level is set for this figure which will ensure that there is no need for substantial capital increases or wide-ranging restrictions on business volumes. The minimum amount of core capital is thus determined by the size of the potential economic downturn. The need to allocate loan loss provisions, potential procyclical effects that increase regulatory capital requirements, the impact of foreign exchange fluctuations as well as other valuation and earnings effects resulting from the downturn scenario are incorporated in this analysis.

This perspective therefore complements traditional risk measurement based on the value-at-risk concept, which is largely based on historic data. Therefore it can incorporate exceptional market situations that have not been observed in the past and estimate the potential impact of such developments. The stress test also enables the analysis of risk concentrations (e.g. in individual exposures, industries, or geographical regions) and gives insight into the bank's profitability, liquidity and solvency under extreme conditions. RBI's risk management actively manages portfolio diversification on the basis of these stress tests, for example via limits for the total exposure to 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. It is by far the most important risk category at RBI, as is indicated by the internal and regulatory capital requirements. Credit risks are therefore 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 corresponding tools and processes that have been developed for this purpose. The internal control system for credit risks includes different types of monitoring measures, which are integrated directly into the work flow from the customer's initial credit application, through to the bank's credit approval, and finally to the repayment of the loan.

No loans are extended in the non-retail segments without first being run through the limit application process. This process is also consistently applied – in addition to new lending – to increases in existing limits, extensions, overdrafts, and in the event of changes to the risk profile of a borrower (e.g. with respect to the financial situation of the borrower, the purpose for which the loan is being used, or collateral) compared to the time the original lending decision was made. In addition, it is also used when setting counterparty limits in trading and issue transactions, for other credit limits subject to credit risk, and for equity participations.

Credit decisions are made on the basis of a hierarchical chain of authority depending on the type and size of a loan. The approval of the business and credit risk management divisions is always required for individual limit decisions or when performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction is escalated to the next decision-making level.

Credit portfolio management

RBI's portfolio strategy is one of the main methods used to manage the credit portfolio. This strategy limits the exposure in different countries, industries or product types and thus prevents undesirable concentration of risk. In addition, the long-term potential of the different markets is analyzed on a regular basis. This allows for an early strategic repositioning of future lending activities.

RBI's credit portfolio is well diversified both in terms of geographical region and industry. The regional breakdown of credit exposure reflects the broad diversification in European markets. The breakdown of lending by region based on the customer's home country is as follows (countries with a maximum credit exposure of over € 2 billion are shown separately):

in € 000	2011	Percentage	2010	Percentage
Austria	43,160,721	39.8 %	37,452,772	39.8 %
Far East	10,195,644	4.8 %	4,543,899	4.8 %
Great Britain	6,874,440	3.8 %	3,596,069	3.8 %
Germany	6,564,952	5.2 %	4,904,336	5.2 %
Netherlands	3,532,012	3.2 %	3,013,764	3.2 %
Russia	3,427,942	4.2 %	3,987,371	4.2 %
USA	3,413,901	3.8 %	3,569,132	3.8 %
Romania	2,687,040	2.5 %	2,352,522	2.5 %
Poland	2,511,336	2.3 %	2,144,293	2.3 %
Siwss	2,100,721	2.2 %	2,037,187	2.2 %
Ukraine	1,988,852	2.7 %	2,549,181	2.7 %
Others	20,719,299	19.3 %	23,874,699	25.4 %
Total	**107,176,859**	**100.0 %**	**94,025,226**	**100.0 %**

Risk policies and credit assessments at RBI also take the customer's industry into account. Lending accounts for the largest exposure by industry; this is mostly attributable to the Austrian Raiffeisen sector as a result of its liquidity balancing function. Exposure to the public sector mostly reflects securities holdings with the Republic of Austria as an issuer. The table below shows the credit exposure by the customer's industry classification:

in € 000	2011	Percentage	2010	Percentage
Financial Intermediation	64,278,615	60.0%	51,115,979	54.4 %
Real estate, renting and business activities	12,282,700	11.5%	13,251,409	14.1 %
Wholesale and retail trade; repair of motor vehicles, motorcyles and personal and household goods	8,622,820	8.0%	6,910,234	7.3 %
Manufacturing	8,062,563	7.5%	7,184,988	7.6 %
Public administration and defence, compulsory social sPerecurity	3,991,714	3.7%	6,360,135	6.8 %
Construction	1,891,164	1.8%	1,152,369	1.2 %
Electricity, gas and water supply	1,463,583	1.4%	1,567,290	1.7 %
Agriculture, hunting and forestry; fishing; mining and quarrying	1,247,712	1.2%	922,491	1.0 %
Transport, storage and communication	1,179,118	1.1%	1,616,917	1.7 %
Education; health and social work; other community, social and personal service activities	1,014,157	0.9%	701,226	0.7 %
Others	3,142,715	2.9%	3,242,189	3.4 %
Total	**107,176,859**	**100.0 %**	**94,025,226**	**100.0 %**

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings are tailored to the customer and are therefore performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organization unit. Rating models in the main non-retail asset classes – corporates, financial institutions and sovereigns – rank creditworthiness in ten classes. Customer rating as well as validation is supported by specific software tools (e.g. business valuation, rating and default database).

Collateralization is one of the main strategies used to reduce potential credit risk and is pursued actively. The value of the 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. The recognized types of collateral are defined in the collateral catalogue and the valuation guidelines for collateral that go with it. The collateral value is calculated according to specified methods, which include standardized calculation formulas based on market values, predefined minimum discounts, and expert assessments.

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 and to keep abreast of the borrower's financial situation. A review of this type is conducted at least once annually in the non-retail asset classes of corporates, financial institutions and sovereigns. This includes a rating review and the re-evaluation of financial and real estate collateral.

Problem loans (where borrowers 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, problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Early involvement of the staff in this department can help reduce losses resulting from problem loans.

According to the internal definition given, default occurs and therefore a loan is deemed non-performing when it is clear that a customer cannot meet the full terms of their credit obligations to the bank or is overdue with a material financial obligation to the bank for more than 90 days. At RBI, twelve separate indicators are used for non-retail customers to determine a debt default. For example, it is deemed a debt default if the customer is involved in an insolvency or similar process, if an impairment provision has been allocated or a direct write-down has been carried out on a customer account receivable, or if the Credit Risk Management has considered a customer account receivable to be not wholly recoverable and the Work-out Unit is considering stepping in to help a company regain its financial strength.

During the course of the Basel II project, a company-wide default database was created to register and document customer defaults. In this database, defaults and default reasons were also recorded, thus making the calculation and validation of default probabilities easier. Risk provisions are created in line with defined guidelines, which are based on IFRS accounting rules, and cover all identifiable credit risks. In the non-retail sector, problem loans are decided on the make-up of individual lending related credit risk provisions.

Country Risk

Country risk covers transfer and convertibility risk as well as political risk. It arises from cross-border transactions or direct investment in third-party countries. RBI is exposed to this risk through its operations in the convergence markets of Central and Eastern Europe, in which some of the political and economic risks are still viewed as significant.

The active country risk management of RBI is based on the country risk policy determined by the board, which as part of the credit portfolio limit system sets a well-defined upper limit for cross-border transactions for individual countries. In day-to-day work, the business units have to submit limit applications for the respective countries for all cross-border transactions in addition to the limit applications for the counterparties. The definitive upper limit for the various countries is determined using models, which contain the internal country rating and size of the country as well as the capital backing of RBI.

Country risk also influences the internal transfer price system for product calculation and risk-adjusted performance measurement. The Bank therefore offers an incentive for the business units to hedge third-party country risk through insurance (e.g. with export credit insurance agencies) or guarantees. Assessments gained from country risk analysis are not just used to set the upper limit for total volume of cross-border transactions; their application also limits the overall exposure in certain countries (also those that are refinanced by local deposits). In this way, RBI aligns its business operations with the expected economic development in various markets and accelerates the broad diversification of the credit portfolio.

Counterparty default risk

A counterparty default for derivate, pension or securities lending transactions can cause losses through the replacement costs of an equivalent contract. This risk is measured by RBI using the market valuation method, which takes into consideration the current market value and a predefined add-on for any possible changes to the exposure value in the future. The total volume of the potential, expected credit liabilities from derivatives transactions can be found in the tables for the customer segments. For internal control, potential price changes, which influence the fair value of these instruments, are ascertained in an instrument category-specific manner on the basis of historic market value fluctuations.

A prerequisite for the conclusion of derivative contracts is observance of the credit approval process, for which the same risk classification, limitation and monitoring processes apply as in the conventional credit business. A fundamental strategy for the reduction of this risk is the use of credit risk mitigation techniques, e.g. netting agreements and collateralization. In general, RBI strives to establish a standardized ISDA master agreement for all material derivative transactions with market participants related to bilateral netting and a corresponding Credit Support Annex (CSA) to provide risk coverage for current market values on a daily basis.

Investment risk

As a portion of the banking book will also contain risks arising from listed and unlisted investments, they are shown separately in this risk category. The majority of direct or indirect investments by RBI are fully consolidated in the group balance sheet (e.g. network banks, leasing companies) and their risk is recorded in detail. For the risks arising from these investments, the control, measurement and monitoring methods described in the other risk categories are employed.

Investment risk and default risk have similar roots: a deterioration of the financial position of an investment is usually followed by a rating downgrade (or default) on the entity. However, the method used for value-at-risk calculations and internal risk capital calculations for investments is comparable with the method used for price risks on equity holdings. On the other hand, due to the long-term strategic character of investments, annual volatility (rather than daily changes) calculated over several years of observation is used.

The investments by RBI are managed by the investments business unit. This business unit monitors the risks arising from the long-term orientated equity investment and is also responsible for the performance that results. The board of RBI only enters into new investments on the basis of a separate due diligence process.

Market risk

RBI defines market risk as the potential negative change in the market price of trading and investment positions. Market risk is affected by the volatility of exchange rates, interest rates, credit spreads, equity prices and commodity prices as well as other relevant market parameters, e.g. implicit volatilities.

Market risk in the retail sector is transferred to the treasury business unit through the transfer pricing method. Treasury is responsible for the management of these structural risks as well as compliance with total bank limits. The capital markets business unit incorporates proprietary trading, market making and retail operations for money and capital market products.

Organization of market risk management

RBI measures, monitors and controls all market risks at the level of the bank as a whole.

The strategic market risk management role is performed by the Market Risk Committee, which is responsible for the management and control of all market risks. The combined bank limit is set by the board and takes in to consideration risk bearing-capacity and income budget. This limit is apportioned to sub-limits in accordance with the respective company business units according to strategy, business model and risk appetite.

The Market Risk Management department ensures that the transaction volume and product range stay within the defined and agreed strategy and risk appetite. It is responsible for the development and advancement of the risk management process, policies, methods of measurement, risk management infrastructure and systems for all market risk categories and the market risk-induced derivative transaction credit risks. Furthermore, this department carries out the daily independent measurement and reporting of all market risks.

All products in which open positions are held are set out in the product catalogue. New products are first recorded in this list once they have successfully passed the product introduction process. Product applications are subjected to thorough risk analysis and only approved if mapping in the front and back office as well as risk management systems is guaranteed.

Limit system

RBI follows a comprehensive risk management approach for trading and banking books (total-return approach). Control of market risk is consistently applied to all trading and banking books. The following variables are measured and limited in the market risk management system on a daily basis:

- Value at risk (VAR) confidence interval 99 per cent over one-day horizon
  The VaR limit restricts the maximum loss to a confidence interval of 99 per cent, which will not be exceeded within one day. It is the main control instrument in liquid markets in normal market situations.

- Sensitivities (to changes in currency rates and interest rates, gamma, vega, share and commodities prices)
  Sensitivity limits should avoid concentrations in normal market situations and are the main control instrument in distressed situations or in illiquid or structurally difficult-to-measure markets.

- Stop loss
  This limit aids the discipline of the trader when managing proprietary positions, as potential losses are not allowed to mount and instead are quickly closed out.

This multi-stage limit system is supplemented by a comprehensive stress testing environment, in which the potential changes in value for the total portfolio are investigated through the application of various scenarios. The risk concentrations revealed by these stress tests are reported in the Market Risk Committee and the limits are set. Stress test reports for every portfolio are part of daily market risk reporting.

Value-At-Risk (VAR)

The measurement of VAR is based on a hybrid simulation approach in which 5,000 scenarios are simulated and which combines the advantages of historical simulation with those of Monte Carlo simulation The market parameters used are based on historical time series covering 500 days. The distribution assumptions implement modern properties such as volatility declustering, random time change and extreme event containers, in order to well simulate heavy tailed and asymmetric distributions. The model is approved by the Austrian Financial Market Authority as an internal model for measuring equity capital requirements. The VAR results are used not only in risk limitation, but also in economic capital allocation. As at the end of 2011, VAR has been joined by stressed VAR as a regulatory requirement in reporting.

RBI's VAR is dominated by the structural interest risks and spread risks from bond books held as a liquidity buffer.

Trading book VaR 99% 1d	**31/12/2011**	**Avg 2011**	**Maximum 2011**	**Minimum 2011**
Currency risk	1,005	703	2,001	337
Interest rate risk	4,633	5,852	11,878	2,363
Credit spread risk	812	2,412	8,273	743
Total	**2,665**	**7,813**	**12,673**	**2,665**

Trading book VaR 99% 1d	**31/12/2010**	**Avg 2010**	**Maximum 2010**	**Minimum 2010**
Currency risk	2,523	1,050	5,714	420
Interest rate risk	4,694	4,612	7,612	934
Credit spread risk	2,049	3,784	13,390	2,029
Total	**7,263**	**8,692**	**16,040**	**4,953**

Banking book VaR 99% 1d	**31/12/2011**	**Avg 2011**	**Maximum 2011**	**Minimum 2011**
Interest rate risk	9,384	17,315	31,550	6,918
Credit spread risk	10,293	27,700	44,282	7,909
Total	**8,704**	**28,118**	**51,358**	**8,704**

Bankbuch VaR 99% 1d	**31/12/2010**	**Avg 2010**	**Maximum 2010**	**Minimum 2010**
Interest rate risk	23,121	17,429	38,949	6,466
Credit spread risk	29,949	43,373	100,502	24,996
Total	**28,129**	**43,275**	**96,432**	**27,634**

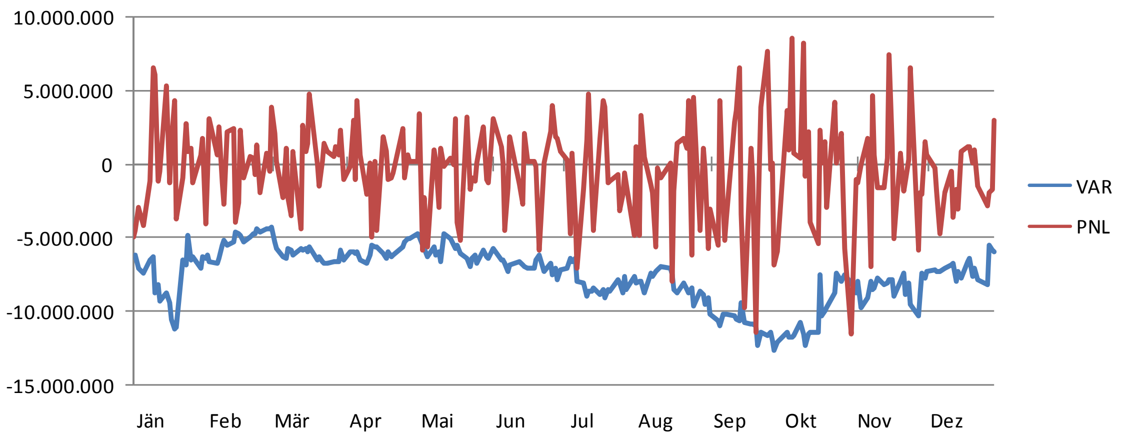
Total VaR 99% 1d	**31/12/2011**	**Avg 2011**	**Maximum 2011**	**Minimum 2011**
Currency risk	1,005	703	2,001	337
Interest rate risk	6,494	12,635	27,301	5,007
Credit spread risk	10,618	29,088	44,599	7,824
Total	**7,955**	**28,431**	**48,908**	**7,955**

Gesamt VaR 99% 1d	31/12/2010	Avg 2010	Maximum 2010	Minimum 2010
Currency risk	2,523	1,042	5,714	418
Interest rate risk	19,611	13,106	31,853	3,135
Credit spread risk	31,065	45,868	108,503	25,989
Total	**28,668**	**45,955**	**109,718**	**27,802**

In addition to qualitative analyses of profitability, the risk measurement methods used are continuously monitored using back-testing and statistical validation techniques and are modified if modeling weaknesses are identified. Last year there were four cases of overshooting in the RBI trading book. The following graphic shows VAR (99 per cent, 1d) for the market risk pitted against the hypothetical gains and losses for the RBI trading book on a daily basis. The blue line is the VAR, showing the maximum loss within one day which will not be exceeded with a confidence level of 99 per cent. The red line shows the associated hypothetical gain or loss on the following day, given the actual movement of the market. It is clear that the model correctly captures the market volatility regime and reacts very quickly to changing circumstances.

Value-at-risk and hypothetical market value changes for the RBI trading book for 2011

€ thousand



Interest rate risk in the trading book

The following table shows the biggest present value changes in the RBI trading book for a parallel increase of one basis point in interest rates (separately for the major currencies with sensitivity greater than € 10,000). There have been only insignificant changes in the relevant risk factors in the reporting period.

Present value change 31/12/2011	total	0 - 3 months	3 - 6 months	6 -12 months	1 - 2 years	2 - 3 years	3 - 5 years	5 - 7 years	7 - 10 years	10 - 15 years	15 - 20 years	> 20 years
CHF	12	- 1	13	- 2	2	4	- 3	3	- 3	1	- 1	- 1
CZK	1	0	1	0	0	0	0	0				
EUR	461	- 4	27	51	4	12	170	133	142	- 52	5	- 27
GBP	- 2	- 1	0	0	0	0	0	0	- 1			
HUF	1	0	1	0	1	0	- 1	0				
JPY	- 1	- 1	0	0	0	0	0	0	0	0	0	0
NOK	1	1	0	0	0	- 1	1					
PLN	0	0	0	1	0	0	0	- 1	0			
SGD	0	0	0									
USD	120	13	- 45	25	6	- 40	14	- 9	32	- 65	- 18	207

Present value change 31/12/2010	total	0 - 3 months	3 - 6 months	6 -12 months	1 - 2 years	2 - 3 years	3 - 5 years	5 - 7 years	7 - 10 years	10 - 15 years	15 - 20 years	> 20 years
CHF	1	3	0	- 1	2	- 1	3	0	- 3	- 1	0	- 1
CZK	- 1	0	0	- 1	2	- 2	0	0	0			
EUR	478	12	- 22	- 7	- 56	37	199	167	212	9	21	- 94
GBP	- 18	0	0	0	- 1	0	0	0	- 5	0	- 1	- 11
HUF	- 3	- 1	2	1	- 1	- 1	- 2	1	- 2			
JPY	- 1	- 1	0	0	0	0	0	- 1	1	0	0	0
NOK	1	1	0	0	0	0	0					
PLN	5	- 1	0	1	1	0	3	1	0			
SGD	0	- 1	0	1	0							
USD	- 13	0	- 3	- 3	- 3	1	- 4	1	- 1	0	0	- 1

Interest rate risks in the banking book

Different maturities and interest rate adjustment conditions for the products offered as well as refinancing from customer deposits and the money and capital markets result in interest rate exposure at RBI. This arises primarily from the incomplete offsetting of interest rate sensitivity of anticipated payments, their interest rate adjustment periodicity and other optional features. Interest rate risks in the banking book exist primarily in the main currencies EUR and USD and in the local currencies of Group subsidiaries in Central and Eastern Europe.

This risk is fundamentally secured by a combination of on-balance-sheet and off-balance-sheet transactions, using primarily interest rate swaps and (to a lesser extent) interest rate futures transactions and interest rate options. Balance sheet management is a core function of the Treasury department, which is assisted in this by the Group Asset/Liability Committee. This uses scenarios and analyses to simulate net interest income for the purpose of ensuring optimal positioning in line with the view of interest rates and in the scope of risk appetite.

To quantify the interest rate change risk in the banking book, the VAR calculation is supplemented by classical methods of capital and interest rate commitment analysis. The present value change in the RBI banking book with a parallel interest rate increase of one basis point is presented separately in the following table for the key currencies. The reduction of interest rate exposure in the banking book is due primarily to the decrease in sovereign bond holdings.

Present value change 31/12/2011	total	0 - 3 months	3 - 6 months	6 -12 months	1 - 2 years	2 - 3 years	3 - 5 years	5 - 7 years	7 - 10 years	10 - 15 years	15 - 20 years	> 20 years
AUD	- 2	- 2	0	0	0	0	0					
CAD	- 1	0	- 1	0	0							
CHF	- 77	7	0	- 1	1	- 1	- 7	- 14	- 25	- 24	- 13	
CNY	37	- 10	15	32								
EUR	- 536	61	82	141	130	51	- 92	- 573	- 165	- 100	- 1	- 70
GBP	- 3	- 1	0	0	0	0	0	0	0	- 1	0	- 1
JPY	- 3	- 2	- 1	0	0	0	0					
PLN	- 2	1		0	- 1	0	- 1	- 1	0			
SEK	- 1	1	- 2	0	0	0	1	- 1	0	0		
SGD	- 8	- 1			- 1	- 3	- 3					
USD	- 70	26	- 19	- 5	- 20	- 11	- 8	- 32	- 1	2	0	- 2

Present value change 31/12/2010	total	0 - 3 months	3 - 6 months	6 -12 months	1 - 2 years	2 - 3 years	3 - 5 years	5 - 7 years	7 - 10 years	10 - 15 years	15 - 20 years	> 20 years
AUD	- 4	- 4	0	0	0	0	0					
CAD	- 2	- 1	- 1	0	0	0						
CHF	- 76	- 6	- 1	0	- 2	3	- 2	- 14	- 16	- 22	- 16	
CNY	24	- 14	3	35								
EUR	- 1814	133	152	41	- 75	193	- 96	- 712	- 1184	- 205	35	- 96
GBP	- 3	- 2	0	0	0	0	0	0	0	0	0	- 1
JPY	- 4	- 2	- 2	0	0	0	0					
PLN	- 1	- 1	0	0	0	0	0					
SEK	2	0	- 1	0	0	0	- 1	- 1	4	1		
SGD	- 8	- 4	- 1	0	- 1	1	- 3					
USD	- 90	- 43	- 11	6	3	- 6	- 4	- 15	- 12	6	- 6	- 8

Credit spread risk

The market risk management system takes into account time-related bond and CDS spread curves as risk factors in determining credit spread risks. This market risk category accordingly reflects the specific interest rate risk for all the capital market instruments in the trading and banking book.

Liquidity risk

Liquidity maturity transformation plays a key role for banks in the international finance market. This is the result of investors' desire to be able to access their investments in the short term and the contrasting desire of borrowers for long-term financing. Performing this function constantly involves surpluses or shortfalls in liquidity, which banks balance under normal market conditions by exchanging liquidity with other financial market participants.

Liquidity management and thus ensuring the bank's solvency at all times is carried out by *Treasury*. An internal monitoring system calculates and analyses payment flows daily by currency. Based on this information, the Bank draws up liquidity balance sheets and carries out analyses to ensure compliance with statutory requirements for liquidity and defined liquidity limits. Other analyses include specifically market and bank-specific crisis situations in scenario-based cash flow forecasts, which are also a matter for the Group Asset/Liability Committee.

Short-term liquidity risk

The following report shows the liquidity surplus and the ratio of anticipated inflows of funds and additional potential liquidity (counterbalancing capacity) to fund outflows (liquidity ratio) on a cumulated basis for selected maturities, including all balance sheet accounts and off-balance-sheet transactions. The calculation is based on expert opinions and statistical analyses, allowing for country-specific differences, and includes assumptions of the prolongation of defined assets, the deposit base for customer deposits, and the acquisition of additional liquidity (particularly through assets eligible for refinancing at central banks and collateral in the securities lending business). The constant effort to maintain stable customer deposits and careful management of available liquidity is reflected in the high liquidity ratio.

in € Tausend		**31/12/2011**	
Maturity	**1 week**	**1 month**	**1 year**
Liquidity gap	10,935,914	8,934,745	1,665,197
Liquidity ratio	165%	122%	102%

in € 000		**31/12/2010**	
Maturity	**1 week**	**1 month**	**1 year**
Liquidity gap	6,353,883	4,201,575	656,282
Liquidity ratio	145%	113%	101%

In order to limit the liquidity risk, limits are used which require a positive liquidity gap in the short term for the liquidity positions modeled. To ensure liquidity in the various currencies, the Bank also maintains extensive liquid holdings of securities and gives preference to tenderable assets in lending. In the event of a liquidity shortage, contingency plans are used.

Structural liquidity risk

Structural liquidity risks are triggered primarily by a change in lenders' risk appetite or a deterioration of a refinancing bank's rating. Refinancing costs and opportunities rise and fall with the risk premiums demanded, which vary depending on the specific market and institution.

The long-term refinancing potential accordingly depends on general restoration of trust in banks and the increased effort to bring in savings. RBS refinances through money and capital market transactions, and also acts as a central liquidity balancing entity for the various local group companies in Central and Eastern Europe.

The RBI refinancing plan pays special attention to a balanced financing structure in order to contain the structural liquidity risk. Funds are accepted within the Group not only by RBI as the parent company but also by many subsidiary banks, then coordinated and optimized under a common concept. RBI also enables its subsidiaries to borrow in the medium and long term through syndicated loans, bilateral bank refinancing and global loans by supranational institutions. These refinancing sources are utilized on the basis of long-standing business relationships.

Operational risks

Operational risk is the risk of losses due to the inadequacy or failure of internal procedures, people and systems or external events, including litigation risk. Within this risk category, both internal risk factors – e.g. unauthorized actions, theft and fraud, processing and procedural errors, business or system outages – and external risk factors – including damage to physical assets and fraud – are monitored and managed.

The analysis and management of these risks is based on an internal historical collection of data on losses and the results of risk evaluation. Another element in management is an incentive system for internal capital allocation which rewards high data quality and low anticipated losses by individual business units.

Analogously with the other risk categories, the RBI applies the principle of separation of functions in risk management and controlling for operational risk as well. The risk controlling units for operational risk in the individual Group units are responsible for implementing and improving operational risk management (e.g. carrying out self-assessment, defining and monitoring early warning indicators) and reporting to central operational risk controlling. The segment management implements management and reduction measures for operational risk. It decides on the use of management instruments, e.g. taking out insurance or other risk reduction procedures.

Risk identification

A key step in managing operational risks is the identification and evaluation of risks that would endanger the continuing operations of the Group (although these have a very low probability) and other segments where losses are more frequent (although involving only minor losses).

OOperational risks are evaluated in a structured and uniform manner throughout the Group using a two-dimensional matrix for generic business processes and types of events (depending on the area of business or product group) and are evaluated for all new products. All Group units evaluate the effect of probable events with small losses (high probability/low impact) and improbable events with major loss potential (low probability/high impact) for a time horizon of one year or ten years in relation to earnings. The low probability/high impact events are measured using standardized scenarios. Group units also apply other scenarios customized for their risk profile and local situations. RBI also participated in an exchange of scenario definitions in the internationally recognized data pool ORX Consortium, of which it has been a member since 2010.

Monitoring

Early warning (key risk) indicators are used to monitor operational risks, making prompt recognition and lower of losses possible. Operational losses are recorded in the central ORCA (Operational Risk Controlling Application) database, broken down by business area and type of event. Such a collection of data on losses will make it possible in the future to implement statistical loss distribution models, and is a requirement for applying the standard approach. This data on losses (together with documentation of losses that ultimately fail to materialize) also provides a basis for scenarios for risk identification and sharing with international loss databases for developing more advanced measurement techniques.

The results of the analyses and cases of operational risk are reported regularly and comprehensively to the Risk Management Committee.

Measurement and risk reduction

RBI currently uses the standard approach (STA) for capital backing for operational risk in accordance with Basel II. In order to reduce operational risk, segment managers use primarily preventive measures to reduce and transfer risk, the progress and effectiveness of which are monitored by risk controlling. The management also develops crisis plans and identifies individuals or departments to initiate the necessary measures if losses actually occur. In addition, a number of specialist units support the segments in avoiding operational risks. Fraud Management plays a key role in this, using monitoring and preventative measures to combat fraud. RBI also carries out extensive staff training on an ongoing basis, and has a wide range of emergency plans and backup systems.

Internal control and risk management system for accounting

For Raiffeisen Bank International AG (RBI), establishing and structuring an appropriate internal control and risk management system for accounting is a matter of crucial importance. The annual financial statements of RBI are prepared in the Financial Accounting department, which is in the CFO's executive department. Foreign branches supply financial statements to Head Office, for which they are directly responsible.

The Group's annual financial statements are drawn up on the basis of Austrian laws governing the preparation of consolidated financial statements, primarily the Austrian Banking Act (BWG) and Business Enterprise Code (UGB).

At RBI the general ledger is kept on the core bank system GEBOS, which also handles the sub-ledger function of credit and deposit processing (GIRO). There are also a number of other sub-ledgers, specifically:
- Wall Street Systems (Treasury)
- GEOS (securities processing)
- NIKOS (nostro securities management)
- Payment transfer business
- Banktrade (guarantees and L/Cs)
- UBIX (securities derivatives)
- SAP (debtors, creditors, investment accounting)

The accounting process can be described as follows:
- Current accounting: The accounting records are entered both directly in GEBOS (loan and deposits processing) and indirectly through various sub-ledgers (subsystems), the entries of which are aggregated and passed through interfaces to the general ledger (GEBOS).
- RBI's individual financial statements are compiled in accordance with UGB/BWG and IFRS. Based on the raw balance sheet from GEBOS, a large number of supplementary accounting entries are made. This is then the basis used to prepare the balance sheet and income statements in accordance with UGB/BWG.

Control system

The RZB Group Directive Database can be used to call up all instructions. For accounting purposes the Group Accounts Manual is particularly important, which includes a description of the following:
- General accounting rules
- Valuation methods
- Necessary (quantitative) information in the Notes
- Accounting rules for special transactions (e.g. leasing, ABS, tax issues, etc)

In addition, there are guidelines which only affect RBI or intradepartmental functions. As examples for accounting, guidelines can be cited which govern the process for settling incoming invoices or managing clearing accounts.

Risk assessment

The assessment of risks of incorrect financial reporting are based on various criteria. Valuations of complex financial instruments can lead to an increased risk of error. In addition, the assets and liabilities must be measured in preparing the annual financial statements, where there is a risk in the impairment testing of receivables, securities and equity investments based on estimates of future developments.

Control measures

The key control measures cover a number of reconciliation processes. In addition to the cross-check principle, there are automated controls and monitoring instruments related to the degree of risk. Examples include reconciliations between the general ledger and sub-ledgers and the reconciliation of results between Financial Accounting and Midoffice Treasury. The functions assigned to the individual offices are documented in writing and continuously updated. Particular attention is paid to ensuring functional deputization arrangements to avoid problems with appointments if a staff member is absent.

The annual financial statements and management report are reviewed by the Supervisory Board Audit Committee and are also adopted by the Supervisory Board. They are published in the Wiener Zeitung and entered in the commercial register.

Information and communication

There is an ongoing exchange of information between the departments about the booking and accounting of products. In the Capital Market segment, for example, there are regular monthly meetings where the accounting of complex products is covered. Regular departmental meetings ensure that staff constantly receives training on new features in UGB/BWG and IFRS accounting.

As part of the reporting procedure, the Management Board receives monthly and quarterly reports analyzing RBI's results. The Supervisory Board also receives reports on results at its regular meetings, ensuring monitoring of the internal control system.

External reporting is largely limited to the consolidated results of RZB. Reports are half-yearly. In addition to the consolidated financial statements, a half-year financial report is also published for the Group. There are also ongoing regulatory reporting requirements for the FMA.

Monitoring

The Management Board and the mid-office departments are responsible for ongoing company-wide internal monitoring. The quality of the ongoing monitoring is ensured by the activities of the Internal Audit department. This reports regularly to the Management Board and Supervisory Board Audit Committee.

The consolidated financial statements for publication are submitted to senior managers of the Accounting & Reporting department and the CFO for final approval and then submitted to the Supervisory Board's Audit Committee.

Events after the balance sheet date

Acquisition of Polbank

RBI signed an agreement with the Greek EFG Eurobank Ergasias S.A. (Eurobank EFG) on February 3, 2011 for the acquisition of a majority 70 percent share in its operating unit Polbank EFG (Polbank) as a first step. With its strong focus on private clients, Polbank would be a good addition to Raiffeisen Bank Polska, which mainly focuses on corporate clients.

Significant steps towards acquiring Polbank – for example the approvals by the European Commission and the transition to an independently licensed bank – as well as the preparations for the future organizational structure of the merged bank were successfully carried out in the 2011 financial year. Closing the transaction now depends on the regulatory approval in Poland.

Strengthening the tier-1 capital

The tender floating period for buying back several RBI bonds ended on March 5, 2012. In total, RBI bought back securities with a total nominal value and at a liquidation preference amount of € 358 million. The buyback increased the core tier-1 capital by the difference between the nominal and redemption amount, which strengthened the capital structure accordingly against the backdrop of the changes in the regulatory requirements.

RBI optimizes structure of participations to prepare for Basel III

In the course of its measures to prepare for the Basel III guidelines that will be in force as of 2013, Raiffeisen Bank International AG (RBI) is currently optimizing its structure of participations. The European implementation of Basel III will limit the recognition of the capital contributions provided by minority shareholders. In order to avoid this effect, RBI will acquire the minority shareholdings that Raiffeisen Zentralbank Österreich AG (RZB) holds in Tatra banka a.s. and the Czech Republic's Raiffeisenbank a.s. By doing so, RBI will increase its already existing majority shareholdings in these network banks and will further simplify the shareholder structure.

On the completion of this measure – which is still subject to approval from the relevant regulatory authorities – RBI's equity share in Tatra banka in Slovakia will increase from 65.77 per cent to 78.57 per cent and from 51.00 per cent to 75.00 per cent in Raiffeisenbank in the Czech Republic. The purchase price for the shares will total approximately € 344 million, which will initially impact RBI's Core Tier 1 Ratio by around 0.35 percentage points.

Outlook

Economic prospects

Central and Eastern Europe

Central Europe

Having benefited from stable growth in export markets in 2011, Central Europe's economic forecast for 2012 is significantly gloomier. In this climate, Poland's GDP growth is likely to drop from 4.3 per cent in 2011 to 2.8 per cent in 2012. The situation is similar in Slovakia, which was still reporting growth of 3.3 per cent in 2011, but is likely to suffer a drop in economic output in real terms of 0.5 per cent in 2012. With domestic demand remaining weak and exports falling as a result of the expected recession in the eurozone, total economic output in the Czech Republic is expected to fall by 0.2 per cent in 2012. Similar developments are expected in Slovenia where the heavy dependence on exports, a fragile banking sector and a delay in political reforms generate grim prospects. The latest political decisions in Hungary have had an impact on investor confidence. Combined with low domestic demand, the forecast here in 2012 is for economic output to fall by 0.5 per cent.

Southeastern Europe

The renewed slowdown in the eurozone's economy, combined with persistently weak investment activity, is, as in the case of Central Europe, likely to have a dampening effect on Southeastern Europe and could lead to stagnation or even recession in some countries. Tighter lending, persistently high unemployment and a drop in transfers from Southeastern Europeans working abroad are impairing consumer spending. Governments there also have limited resources to significantly increase consumption or finance investments. Consequently, GDP is expected to rise only marginally by around 0.3 per cent in 2012.

CIS

Even though oil prices are expected to remain high, lower growth is forecasted for the Russian Federation in 2012. Russia is increasingly struggling to transform its export price level into significant economic growth. Nevertheless, at 3.7 per cent it should still be well within positive territory and above the average eurozone level. Domestic factors boosting the economy – through both private demand and investments – are likely to be somewhat weaker year-on-year. Similar developments are expected in Ukraine. Like Russia, it is heavily dependent on the volatile prices of commodities and, as such, is particularly exposed to risk in the current global environment. Growth in the economy is likely to drop from 5.2 per cent to 3.5 per cent. Domestic consumption remains high, while exports are decreasing slightly. Belarus will still have to struggle with the consequences of the economic crisis in 2012. With pressure from inflation and depreciation still high, GDP growth of 3.0 per cent is expected.

Eurozone

Current forecasts predict a distinctive economic downturn at the end of 2011/beginning of 2012. Owing to the high financing costs, fiscal counter steering is nearly impossible in most countries. On the contrary, persistent restrictive fiscal policies are to be expected for the majority of eurozone countries in 2012. Furthermore, the political environment will remain turbulent. Budget cutbacks and structural changes on the national, as well as bail-out packages on the European level will most likely be accompanied by criticism and protests. In light of these circumstances, a noticeable recession is anticipated from year-end 2011 until mid-2012. On the eurozone demand side this will be characterized by a decline in the demand for investments and public consumption. It is likely that some eurozone countries will experience a decline in their economic performance: Austria (0.3 per cent), Belgium (minus 0.2 per cent), Finland (0.0 per cent), France (0.1 per cent), Germany (0.0 per cent), Ireland (minus 0.7 per cent), Italy (minus 1.8 per cent) and Spain (minus 1.2 per cent). The largest GDP declines are forecast for Greece (minus 5.5 per cent) and Portugal (minus 3.8 per cent).

Asia

China will remain the motor for growth in Asia in 2012, even though economic growth will be noticeably slower due to the worldwide decline in demand for exports, as well as internal imbalances in the real estate market. Decreasing inflation enables monetary countermeasures. At the same time, it is expected that fiscal policy will not interfere quite as strongly as it did in 2009 (strong increase in investments), but that smaller measures, geared towards stimulating consumption and supporting low income households, will be taken. In general, the government's targeted growth of 7.5 per cent in 2012 will be exceeded. India also faces a significant slow-down in economic growth that will reach its low in the first half of 2012. For 2012 the growth forecast stands at an average of 7.0 per cent.

Outlook for RBI

In the context of expected overall economic developments, particularly in CEE, we are aiming, with the inclusion of the acquisition of Polbank, for a return on equity before tax of around 15 per cent in the medium term. This is excluding future acquisitions, any capital increases, as well as unexpected regulatory requirements from today's perspective.

In 2012, we expect a stable business volume due to the economic environment and restrictive regulatory requirements. 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 business volume accounted for by our Retail Customers division.

Against the backdrop of a permanently changing regulatory environment and further strengthening of our balance sheet structure we are continuously evaluating the level and structure of our regulatory capital to be able to act promptly and flexibly. Depending on market developments, a capital increase also continues to be a possible option.

Despite the cautious economic growth forecast, we expect to see a stabilization of the net provisioning ratio along with only a marginal increase in non-performing loan volumes. Due to current developments on the economic and political fronts, it is not possible to accurately predict when we will reach a turning point as far as non-performing loans are concerned.

In 2012, we expect higher bank levies than in the previous year. In Austria and CEE this will presumably result in a negative earnings effect of some € 160 million (of which approximately € 100 million in Austria, € 40 million in Hungary and € 20 million in Slovakia).

We plan to raise around € 4.6 billion in long-term wholesale funding (maturity of more than one year) for the RBI Group in 2012. In the capital markets we intend to raise € 2.1 billion in wholesale funding, of which around € 1.2 billion had already been placed as of the beginning of March.

In 2012 we will once again pay increased attention to cost development. Therefore, we have implemented Group-wide cost efficiency programs in order to achieve a flat cost development. The number of Group outlets is to remain fairly stable in 2012 (excluding Polbank), although there may continue to be some optimization of our network in some countries.

Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of

Raiffeisen Bank International AG,
Vienna, Austria

for the **year from 1 January 2011 to 31 December 2011**. These financial statements comprise the balance sheet as of 31 December 2011, the income statement for the year ended 31 December 2011 and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

Auditors' Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the 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 Company'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 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 financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 December 2011 and of its financial performance for the year from 1 January 2011 to 31 December 2011 in accordance with Austrian Generally Accepted Accounting Principles.

Report on Other Legal Requirements (Management Report)

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the 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 is consistent with the financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 12 March 2012

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Rainer Hassler
Wirtschaftsprüfer

Mag. Bernhard Mechtler
Wirtschaftsprüfer

(Austrian Chartered Accountants)

This report is a translation of the original report in German, which is solely valid.

Publication of the financial statements together with our auditor's opinion may only be made if the financial statements and the management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

Statement of the board of Management pursuant to Art. 82 (4) Austrian Stock Exchange Act

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 principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the separate finacial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 12 March 2012

The Managing Board

Herbert Stepic
Chief Executive Officer responsible for Internal Audit, Legal & Compliance, Human Resources, Management Secretariat, Organization & 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 Credit Services, Collections, Consumer Banking, Group & Austrian IT, Group Project Management Office, International Operations & IT, IT - Markets & Treasury, Lean & Service Excellence, Small Business & Premium Banking and Transaction Services

Patrick Butler
Member of the Management Board 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 Management Board responsible for International Business Units and Participations

Johann Strobl
Chief Risk Officer responsible for Risk Controlling, Financial Institutions and Country Risk & Group Portfolio, Management, Retail Risk Management, Credit Management Corporates, Workout and Risk Excellence & Projects