

Look inside 2011

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RBI at a glance

Raiffeisen Bank International AG (RBI) regards Central and Eastern Europe (including Austria) as its home market.

It is in Central and Eastern Europe (CEE) that it operates as a universal bank through a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers in 17 markets.

In CEE, some 56,000 staff in around 2,900 business outlets serve around 13.8 million customers.

In Austria, RBI is one of the top corporate and investment banks. It is also represented in the world's financial centers and operates branches and representative offices in Asia too.

All in all, RBI employs about 59,000 staff and has total assets of approximately € 147 billion.

Overview

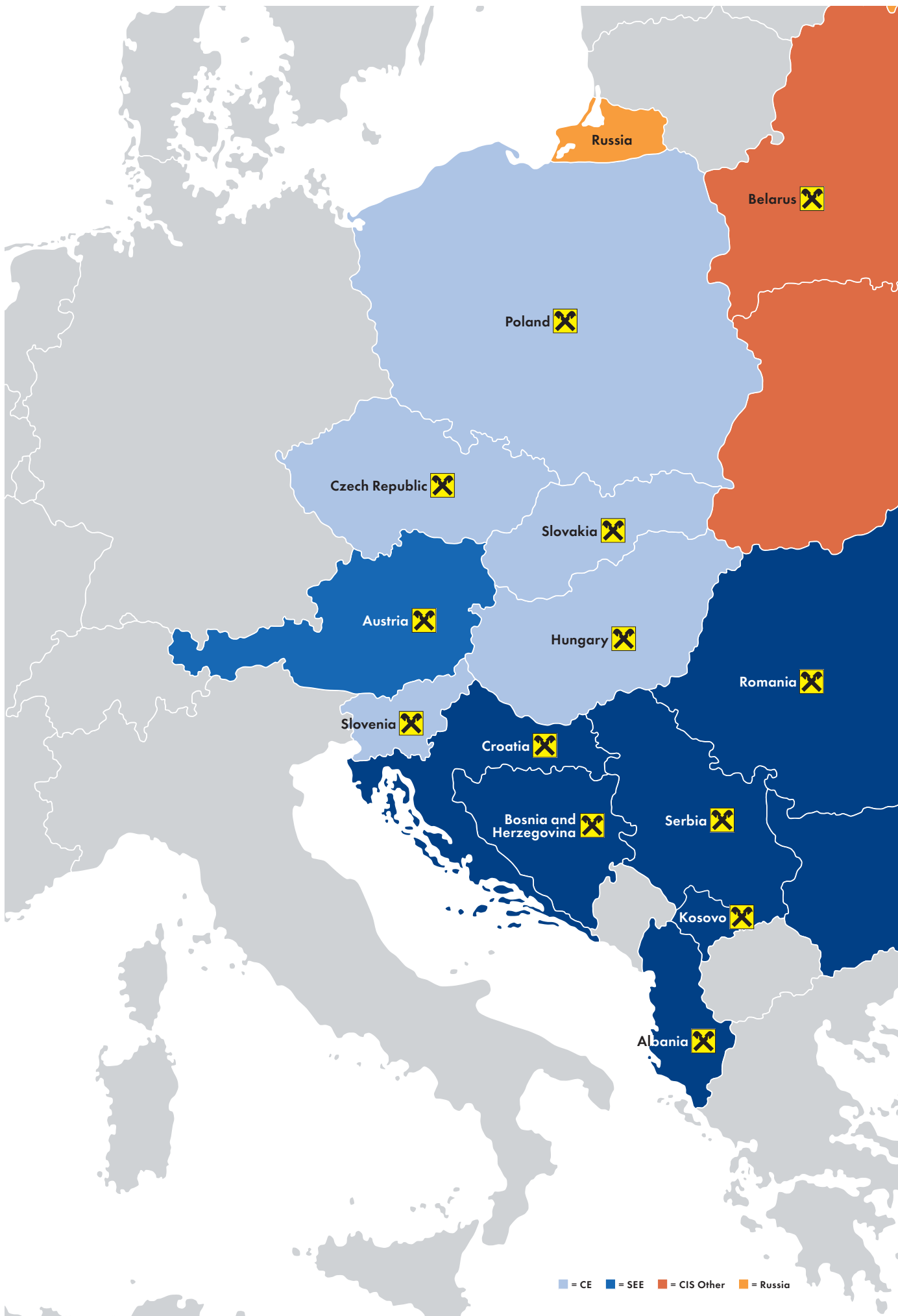
Raiffeisen Bank International Group

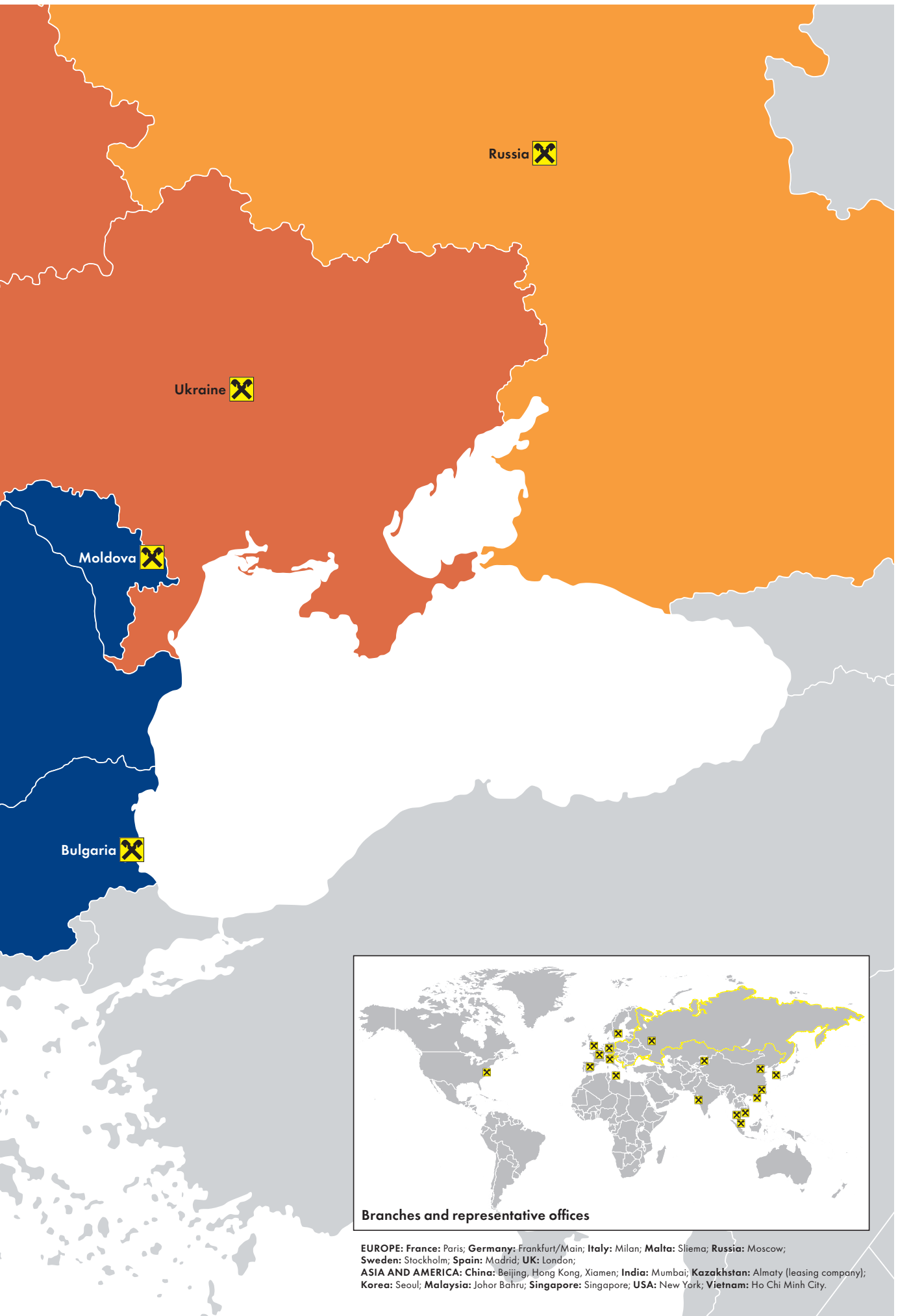
Monetary values in € million	2011	Change	2010	RBI pro forma 2009	Raiffeisen International 2008	Raiffeisen International 2007
Income statement						
Net interest income	3,667	2.5%	3,578	3,282	3,232	2,419
Net provisioning for impairment losses	(1,064)	(10.9)%	(1,194)	(2,232)	(780)	(357)
Net fee and commission 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 information¹						
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.





Russia 

Ukraine 

Moldova 

Bulgaria 



Branches and representative offices

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

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“Our result confirms our sustainable business model, which will continue to keep us very competitive!”



"... our diversification is paying off ..."

Interview with CEO Herbert Stepic

Mr. Stepic, 2011 was a fairly eventful year. What challenges did RBI face?

The developments in Europe, and particularly in the peripheral states of the eurozone, left their mark on us. We too were unable to escape the effects of the market environment following the sovereign debt crisis – which is what it really is, rather than a banking crisis. RBI has no sovereign exposure to Greece, Ireland, Portugal and Spain, and a low exposure to Italy. Nevertheless, we too had to struggle with the impact of a renewed general loss of confidence in banks.

After the merger in 2010 of the principal business areas of RZB and Raiffeisen International, what was the focus of 2011?

We made progress with all our customer groups and implemented what we had planned to do. For example in private banking, we launched the "Friedrich Wilhelm Raiffeisen" brand in CEE, a high-end platform which markets our services to currently over 30,000 customers in this segment. We will see the fruits of this investment in the years to come. Moreover, we were successful in intensifying sales of our investment banking products. In Austria, for instance, we were lead manager for nine of the 13 public corporate bonds issued by Austria's biggest corporations, making us the clear leader in this area.

So you aren't unhappy with the results for 2011?

Absolutely not. Profit before tax of € 1.4 billion in such a difficult economic environment is an achievement we can rightly be proud of. This represents a growth of 7 per cent compared to 2010. One thing that made this possible is that the markets in Central and Eastern Europe where we operate continued to show comparatively high economic growth, which also resulted in a significant improvement in our risk situation. Our result confirms our sustainable business model, which will continue to keep us very competitive!

Why was there no need for RBI to clean up its balance sheet?

There are a number of reasons, all of which are connected with our strategic orientation. Besides our traditionally low exposure to the peripheral European countries, we have always valued our CDS portfolio at market price. In addition, it has always been our goal – and we have achieved this – to acquire banking subsidiaries on favorable terms. We have been and still are relatively conservative in our provisioning, which means that we are constantly cleaning up our balance sheet. In the fourth quarter of 2008, for example, when the first signs of the crisis in CEE became noticeable,



we started provisioning on a massive scale. I also want to highlight the fact that over the course of 2011 our NPL ratio fell by 0.3 percentage points to 8.6 per cent. A particularly welcome fact is that our coverage ratio – in other words, the ratio of loan loss provisions to non-performing loans – has risen to over 68 per cent throughout the Group. As a result, we further improved our balance sheet structure even in what was not exactly an easy year.

Talking about risks, Hungary must have been your biggest concern in 2011?

Hungary is without a doubt the most difficult market for us at the moment and indeed for almost all banks active there. This is partly due to structural problems in the economy, but we are also subject to the government's arbitrariness,

as seen for example in the excessive bank levy or in the possibility of repaying foreign currency mortgage loans at fixed exchange rates. This forced us to increase provisioning, leading to a significant loss in Hungary. Despite all this, however, we must not lose sight of the fact that we made a very good profit in Hungary for many years, which enabled us to offset less favorable trends in other markets. Now, it's the other way round. It thereby becomes apparent that our diversification across countries, customers and products is paying off.

How did the other markets develop?

2011 was a very good year, particularly in Russia and Poland, but also in Austria. In Russia we are one of the leading foreign banks, with over two million customers. From this strong starting position and given the very good prospects for growth in the Russian market, we will be able to generate a significant contribution to earnings there on a long-term basis. In 2011 some 29 per cent of our profit before tax came from Russia, up from 17 per cent the previous year. In Central Europe, Poland as the biggest country with above-average growth prospects is clearly our most important market. In 2011 the country contributed nearly 9 per cent to RBI's profit before tax, 2.5 percentage points up on 2010. We are also doing well in Austria. Although we do feel the impact of the renewed downswing in the economy, we still earned around 27 per cent more in 2011 than in 2010 with Austrian and international customers we service from Vienna.

In autumn there were reports that Raiffeisen might withdraw from some markets. What was that about?

Let me be quite clear about this, it is not in line with our strategy to withdraw from individual countries. All I said was that in times where regulatory pressure is increasingly restricting the banks, we must be allowed to ponder over such extreme measures. This does not mean that this is our goal. Our aim is and will continue to be to serve our customers as far as possible throughout the entire CEE region.

Banks are facing a lot of new rules. Are banks starting to see regulators as their enemy?

Regulators naturally strive to improve confidence in the banking industry, and increased minimum capital ratios are certainly one way to do this. However, this is being done at an unfortunate time, and on top of that, in too much haste. This measure is counterproductive, and could completely choke off economic growth which is already sluggish. The regulations published by the European Banking Authority (EBA) at the end of October call for what I regard as an arbitrarily chosen core tier 1 capital ratio of 9 per cent by the end of June 2012. This is putting pressure on many banks in Europe. We – to be more exact, the RZB Group – are not in this position. We have put together a comprehensive bundle of measures, consisting of numerous individual projects. We are also in the fortunate position of making profits which are strengthening our equity. As a result, we can meet the new requirements from our own resources.

How does that match your statement in summer 2011 that RBI is considering a capital increase?

There's no contradiction there. We said that we regard a capital increase as a possible option for strengthening our capital ratio, but, of course, this depends on the development of the macroeconomic environment. It's not news that the trend has been anything but favorable for such a move. It is, therefore, both reasonable and logical to make use of other options in order to achieve the capital ratio.

The Austrian regulators too attracted attention with their early introduction of the Basel III rules and a cap on growth in lending volumes in CEE.

How is this affecting RBI?

By meeting the EBA ratio, we are also reaching the Basel III ratio of 7 per cent, which the Austrian National Bank and the Financial Market Authority have set as mandatory from the start of 2013. The additional core capital buffer of up to 3 per cent will not take effect until 2016. Besides, I don't regard the guideline that in new business only up to € 110 should be lent for every € 100 of deposits as a major restriction. As growth in lending is tied to economic growth, it is likely to be moderate in the next few years.

Refinancing is difficult for banks in the current environment. What does this mean for RBI?

Compared to others, we're very well placed. We already raised much of our total planned funding for 2011 in the first half year, when the state of the bond markets was



significantly better than after the summer. Given the high level of interest in the market, our issues were actually significantly oversubscribed, with comparatively attractive risk premiums. We are also trying to diversify our refinancing sources as far as possible, mostly through instruments which are not as sensitive to financial market turmoils. By this I mean, for example, issues in local markets, private placements or financing through supranational organizations.

Overall, we're in a downturn. How are RBI's markets developing?

You have to make a distinction here. In the eurozone we are facing a real systemic and political crisis. In Central and Eastern Europe, however, the situation is different and the economic uptrend is largely continuing. This region is and will continue to be the growth driver for Europe. Even if economic growth in the CEE region slows from 3.7 per cent in 2011 to 2.6 per cent in 2012, this is still higher than in the eurozone. This isn't a bad outlook for us!



Looking to the future, what are your plans for 2012?

Regionally, the focus will continue to be on our home market, CEE and Austria. Our priority here will still be the Corporate Customers division, which is the backbone of our company. However, we also want to expand our retail business. In all this, our absolute priority is to achieve the EBA ratio by mid-2012. We totally agree with our Raiffeisen core-shareholders that we absolutely want to avoid state influence. Thanks to the support within the Raiffeisen Banking Group, which celebrated its 125th anniversary in 2011, and thanks to the profits which we are retaining, we are able to increase equity from our own resources. To make sure this continues, we have launched a cost efficiency program to reduce both personnel and other administrative costs.

What's the status quo of Polbank?

We're right on track. All internal and external processes have run as planned, regarding both timing and desired results. We have already prepared the organizational structure for the combined bank, which leaves us ideally equipped for the time after the so-called closing, i.e. the legal completion of the transaction.

Are you planning further acquisitions?

No. Poland was the last important market where we were short of critical mass. The acquisition of Polbank puts us in a very good position in all the major CEE markets, so no further acquisitions are needed. I can, however, imagine in the medium term that we could buy smaller customer portfolios if one of our competitors withdraws from a market.

Can shareholders look forward to a more positive year in 2012?

I'm very aware that 2010 and 2011 called for a lot of patience and endurance on the part of our owners. In 2010, this was the result of massive doubts concerning our merger, which we have fortunately been able to dispel with facts and figures. Despite our good performance, 2011 suffered from the negative developments in the stock markets. I'm confident that this sentiment will turn around again. Whether this will happen already in 2012, is a question nobody can answer reliably. In any case, I would like to thank all our shareholders – our major shareholder RZB and the many institutional and private investors – for their loyalty, and to assure them that we will continue to concentrate all our efforts on the success of the company. I would like to thank our customers for their trust, and our 59,000 employees for their hard work. I know that my colleagues will continue to be fully committed in their work for RBI, even though conditions will be no easier for them in this time of austerity. My special thanks for this!



Management Board of RBI



Herbert Stepic

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



Karl Sevelda

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



Aris Bogdaneris

Consumer Banking
Collections
Credit Services
Group & Austrian IT
Group Project
Management Office
International Operations
& IT
IT-Markets & Treasury
Lean & Service Excellence
Small Business &
Premium Banking
Transaction Services



Patrick Butler

(until 15 April 2012)
Capital Markets
Credit Markets
Institutional Clients
Raiffeisen Research



Klemens Breuer

(as of 16 April 2012)

Capital Markets
Credit Markets
Institutional Clients
Raiffeisen Research



Martin Grill

Investor Relations
Planning & Finance
Tax Management
Treasury



Peter Lennkh

International Banking Units
Participations



Johann Strobl

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

Report of the Supervisory Board

Dear shareholders,

following years of crisis, the first half of 2011 was shaped by a temporary relief and improvement in the general economic situation. The second half of the year, however, was marked by the intensifying sovereign debt crisis in Europe, accompanied by a significant slowdown in economic growth. At the same time, European banks were affected by significant changes to the regulatory standards concerning capital requirements which have to be implemented within a short time frame. Raiffeisen Zentralbank Österreich AG, as the superordinate banking institute and main shareholder of RBI, has to fulfill the 9 per cent capital ratio requirement by the end of June 2012 and therefore, together with RBI, immediately started the implementation of the necessary measures after the new requirement had been announced.

Activity in 2011

As in previous years, members of the Supervisory Board and its committees were fully informed by the Management Board in a timely and comprehensive manner during regular meetings about all pertinent business developments, including risk management of the bank and associated companies. Information was provided in writing as well as verbally.

At each meeting, the Management Board reported to the Supervisory Board on business developments in the various business divisions and explained current risk developments. In addition to its regular meetings, the Supervisory Board had many opportunities to hold discussions with the Management Board. The collaboration between Management Board and Supervisory Board was characterized by open and proactive communication.

During the period under review, there were five Supervisory Board meetings. More than half of the meetings were attended by all members of the Supervisory Board. In all meetings, the Supervisory Board performed the tasks incumbent upon it by law and in accordance with the articles of association pursuant to the 2010 Austrian Corporate Governance Code. In accordance with the requirements of the Austrian Corporate Governance Code, the Supervisory Board arranged for an external assessment of its activities, the results of which were discussed in depth by the Supervisory Board.

In the meetings, as well as during talks held outside the meetings, the effects of the financial and economic crisis, in particular the risk situation, were discussed at length. Thus, the Supervisory Board regularly received reports on the current earnings situation and the Group's liquidity and risk situation. In light of the amplification of the sovereign debt crisis in Southern Europe, appropriate stress tests were presented to the Supervisory Board.

The new and stricter regulatory requirements for banks published in the second half of the year necessitated an adjustment of business policy, which the Management Board discussed in detail with the Supervisory Board. The new regulations concerning remuneration policy under banking law were also reported on several times, and resolutions were approved.

Overall, the Supervisory Board was able to fulfill its supervisory duties conscientiously and take all its decisions in a carefully reasoned way.

The Chairman of the Working Committee, Audit Committee and Personnel Committee regularly reported to the Supervisory Board on the relevant committee's work.

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

The Audit Committee monitored the accounting process, the effectiveness of the internal control system and the internal audit system, as well as the bank's risk management. It monitored the annual statutory audit and the consolidated financial statement audit. It was also responsible for verifying and monitoring the independence of the statutory auditor. It reviewed the annual financial statements and consolidated financial statements and prepared for their adoption. It also dealt with the proposed appropriation of profit, the Management Letter and Corporate Governance Report. In addition, it made a proposal in regard to the appointment of the statutory auditor.



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

At the Annual General Meeting held on 8 June 2011, Walter Rothensteiner was reelected as a member of the Supervisory Board and reappointed by the Supervisory Board as its Chairman. In addition to Alfred Lejsek, the Austrian Finance Minister appointed Anton Matzinger as Deputy State Commissioner.

Annual financial statements and consolidated financial statements

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

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

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

The Supervisory Board would like to express its gratitude to the Management Board, the Staff Council and all employees for their outstanding commitment in this constantly changing environment.

On behalf of the Supervisory Board
Walter Rothensteiner, Chairman

RBI at a glance

A leading bank in Central and Eastern Europe, including Austria

Raiffeisen Bank International AG (RBI) regards Central and Eastern Europe (including Austria) as its home market. For nearly 25 years RBI has been operating in Central and Eastern Europe (CEE), where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers in 17 markets. As a universal bank, RBI ranks among the top 5 banks in twelve CEE countries and occupies a strong position in Russia. The powerful role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. Following its strategic realignment in 2010, RBI has positioned itself as a fully integrated corporate and retail banking group in CEE. The bank not only has good access to retail and corporate customers, but also boasts a comprehensive product offering. The CEE markets are characterized by higher economic growth compared to Western Europe. RBI benefits not only from this growth, but also from the potential resulting from the region's need to catch up in terms of banking services. At the end of 2011 around 56,000 staff served approximately 13.8 million customers in around 2,900 business outlets in CEE.

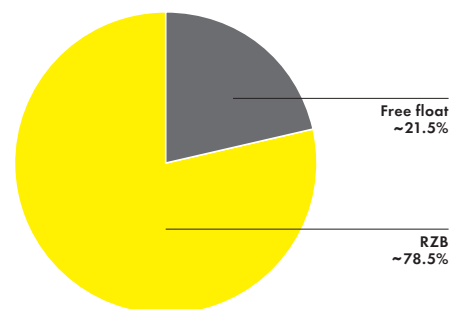
In Austria RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers as well as major multinational clients operating in CEE. Moreover, RBI is represented in the world's financial centers and operates branches and representative offices in Asia. All in all, RBI employs about 59,000 staff and has total assets of approximately € 147 billion.

RBI's development

RBI was established in October 2010 through the merger of Raiffeisen International with the principal business areas of Raiffeisen Zentralbank Österreich AG (RZB) – the corporate banking business and related participations. RBI's position as one of the leading banks in CEE and Austria was further reinforced by the merger. As a listed company, it had been possible for Raiffeisen International to raise equity capital through share issues even before the merger. But the merger enabled RBI to gain access to the debt market, where it is also able to issue debt via bank-specific instruments, e.g. those traded on the interbank market. A further key advantage of the new Group structure lies in the optimization of risk management. The integration of service areas allows RBI to offer bundled solutions from a single source to all markets that had previously been served separately by Raiffeisen International and RZB.

RBI has been listed on the Vienna stock exchange since 25 April 2005 (until 12 October 2010 as Raiffeisen International). It is represented in several leading national and international indices, including the ATX and EURO STOXX Banks. RZB, which functions as the central institution of the Austrian Raiffeisen Banking Group (RBG), remained the majority shareholder following the merger, holding approximately 78.5 per cent of the shares. The remaining 21.5 per cent of RBI's shares are in free float.

RBI's ownership structure



Long-term success story

RZB, the majority shareholder of RBI and central institution of the Austrian Raiffeisen Banking Group (RBG), was formed in 1927 as "Genossenschaftliche Zentralbank" (GZB). Raiffeisen gained its first foothold in Central and Eastern Europe back in 1987, when it established its first subsidiary bank in Hungary. Other own subsidiaries have since been established; from 2000 onwards, Raiffeisen's expansion in the CEE countries has mainly been achieved by acquiring existing banks, which are combined into a holding company that from 2003 operated under the name Raiffeisen International. Raiffeisen International was listed on the stock exchange in April 2005 in order to finance its future growth as efficiently as possible. RBI was subsequently established in 2010 through the merger of Raiffeisen International with the principal business areas of RZB.

125 years of Raiffeisen in Austria

Raiffeisen's strong roots in Austria date back more than 125 years. Raiffeisen's first Austrian credit cooperative was founded in Mühldorf near the village of Spitz in the Wachau valley in 1886. Local cooperatives soon started working together and, in turn, founded regional cooperatives marking the beginning of the multi-tiered nature of the Raiffeisen organization. This not only helped to strengthen their position in the market, but also enabled better management and risk control. Numerous product and service cooperatives were founded on the back of increasing specialization and market integration. In mid-2011 RBG, the country's largest banking group, managed € 83.8 billion in Austrian customer deposits (excluding building society savings), of which around € 50.3 billion was held in savings deposits; with a market share of 32.2 per cent, RBG has continued to expand its role as market leader among Austria's banks. RBG has achieved its strong market position through healthy organic growth.

Deposit protection through the Raiffeisen deposit guarantee association

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

The RBI segments

RBI comprises seven segments, with its main focus on retail and corporate banking in the Central Europe, Southeastern Europe, Russia and CIS Other segments, while mass market and premium retail strategies are developed on a country-specific basis.

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

The Central Europe segment encompasses the most mature banking markets in Central and Eastern Europe, namely the Czech Republic, Hungary, Poland, Slovakia and Slovenia. Southeastern Europe comprises Albania, Bosnia and Herzegovina, Croatia, Kosovo, Moldova and Serbia, as well as Bulgaria and Romania, which both joined the EU in 2007. Moldova is included as part of Romania because of its close economic ties to that country and the way it is managed in the Group as a result. In addition to the Russia segment, which contains a bank, a leasing company and a capital management company, there is also the CIS Other segment, which includes RBI's activities in Belarus, Kazakhstan and Ukraine.

The Group Corporates segment mainly comprises activities with Austrian and international – mainly Western European – customers managed from Vienna. Business with major multinational customers from Central and Eastern Europe, excluding Austria, also falls under this segment. The Group Markets segment involves customer business and proprietary trading on debt and equity capital markets. The services performed by Group headquarters for various divisions in order to implement the Group's strategy are booked under the Corporate Center segment.

The markets of RBI

31/12/2011	Total assets in € million	Change ¹	Business outlets	Number of staff
Czech Republic	8,789	11.1%	129	3,012
Hungary	7,320	(14.2)%	134	2,977
Poland	7,368	6.4%	116	3,169
Slovakia	9,682	7.9%	156	3,805
Slovenia	1,732	7.5%	17	323
Reconciliation	(40)	61.1%	-	-
CE segment	34,852	2.7%	552	13,286
Albania	2,330	16.0%	105	1,427
Bosnia and Herzegovina	2,170	5.8%	98	1,569
Bulgaria	3,681	(2.9)%	187	3,271
Croatia	5,465	(6.7)%	81	2,083
Kosovo	680	1.1%	54	720
Romania	6,359	2.1%	551	6,030
Serbia	2,207	3.6%	85	1,765
Reconciliation	(64)	51.2%	-	-
SEE segment	22,827	0.6%	1,161	16,865
Russia segment	14,218	16.8%	191	8,475
Belarus	1,223	(19.2)%	101	2,210
Kazakhstan	72	(3.1)%	1	11
Ukraine	5,467	(1.4)%	909	15,267
Reconciliation	(1)	-	-	-
CIS Other segment	6,761	(5.2)%	1,011	17,488
Group Corporates segment	22,843	(2.7)%	8	
Group Markets segment	25,732	(5.5)%	4	3,147²
Corporate Center segment	53,835	63.7%	1	
Reconciliation	(34,083)	20.3%	-	-
Total	146,985	12.1%	2,928	59,261

¹ Change of total assets versus figures 31 December 2010 expressed in local currencies varies due to fluctuation euro exchange rates.

² Allocation of staff to Group Corporates, Group Markets and Corporate Center is not possible.

RBI's strategy

Long-term value creation is the primary objective

RBI's primary strategic objective is to create long-term value for its shareholders which, in addition to free float shareholders, include the Raiffeisen Zentralbank Österreich AG (RZB) as a strong core shareholder and central institution of the Austrian Raiffeisen Banking Group. This objective is to be achieved first and foremost through a strong focus on customers and a full line of services. Taken together, these two factors lead to high customer satisfaction. Balanced portfolio- and risk diversification in RBI's home market of Central and Eastern Europe (including Austria) and sustainable risk management ensure that these objectives remain valid in the long term.

Specifically, RBI's actions are based on the following principles:

- The focus of business activities is on providing financial services to corporate customers and private customers.
- Notwithstanding high standards of quality, financial services are provided cost-efficiently.
- The balanced distribution of business activities in RBI's home market contributes to the diversification of risk in the business portfolio.
- A leading market position in its home market safeguards RBI's long-term profitability.
- Group-wide uniform risk management, corresponding to the bank's risk-taking capacity and aimed at avoiding concentration risks (loans, liquidity, etc.), safeguards the company's independence.
- RZB (and therefore indirectly the Raiffeisen Banking Group) is to remain the reliable core shareholder.
- The business model and balance sheet structure are designed in such a way as to ensure a rating comparable with the average of European banks.
- The effects on profitability and risk are constantly taken into account when using finite resources such as capital and liquidity.

The overall environment for banks is subject to a highly dynamic development. This applies particularly to the markets in which RBI operates. Changes in the market environment (competitors withdrawing, economic dynamics easing, supervisory regulations becoming more stringent, etc.) call for constant adaptation of the business focus. Strong, Group-wide coordination and collaboration among the individual corporate units is therefore of greatest importance. A consequent focus on customers and transparent decision making processes determine the bank's success in the market. The open corporate culture embodied at RBI contributes to employee motivation and therefore to the achievement of the bank's strategic objectives.

Strategic business focus

In setting the direction for its business activities, RBI pursues two strategic approaches:

1. Home market is the Central and Eastern European region (including Austria):

- RBI concentrates primarily on financial services relating to CEE (including Austria) as the country of origin of the service or business relationship. Further available resources are allocated to coverage of selected markets in Asia, where RBI acts as a niche player.
- RBI positions itself as a universal bank focusing on corporate customers and private individuals. The respective market environment or relative market position may require specialization in order to ensure a sustainable and profitable market presence.
- The focus is on the defined home market; an expansion of this sphere of operation is not planned.
- As far as it is possible, RBI's business development is organic. Acquisitions are not a strategic objective per se and are only undertaken if the businesses are compatible and synergies can be achieved.

2. Focus is on a diversified customer mix consisting of corporate and retail customers:

- RBI's focus is on business with customers. Proprietary trading activities only serve to support RBI's strategic focus.
- RBI concentrates on corporate customers and private individuals. Business activities with other customer groups that are directly related to existing customers are considered to be equivalent (e.g. trade financing, treasury services for corporate customers, asset management, etc.).
- In Austria, RBI focuses on the corporate customers with the highest turnover and on private banking activities.

Strategy by segment

RBI's business is subdivided into seven segments. While the focus in the Central Europe, Southeastern Europe, Russia and CIS Other segments is on retail and corporate banking, activities with Austrian companies and major international customers are handled by Group Corporates. Group Markets deals with capital market customers and proprietary trading and the Corporate Center segment encompasses various services that are provided by Group headquarters and that assist in the implementation of the Group's overall strategy; they are assigned to this segment to ensure comparability.

Central Europe

In each of the countries in the Central Europe segment (Czech Republic, Hungary, Poland, Slovakia and Slovenia), RBI is represented by a bank, leasing companies and other specialized financial institutions. In addition to corporate customer business, with its comprehensive range of high-end products, RBI is continuously expanding its retail customer business in this segment. The aim is to position itself as the leading universal bank in the region. The range of premium and private banking services is being extended due to the increased demand among affluent private individuals for higher-end financial and advisory services.

ZUNO Bank handles RBI's direct banking activities in the CEE region. ZUNO is currently active in the Slovakian and Czech markets, and at present offers current and savings accounts. The plan is to expand these services to include retail lending, overdraft facilities and credit card services. Furthermore, there are plans to extend its regional presence into the Polish and Hungarian markets in 2012. ZUNO's business philosophy is to handle its business relationships entirely via electronic means (e.g., e-mail, online chat, Facebook, call centers, etc.).

In Poland, the acquisition of Polbank would strengthen RBI's retail banking business, making it one of the country's strongest universal banks in terms of market share and presence. In corporate banking, a decreasing interest income is to be offset by expanding service business which is wholly in line with RBI's strategy of building up capital- and liquidity-light products. This also includes a focus on cash management, which should at the same time help to strengthen customer relationships. In retail banking, the main focus is on the acquisition of affluent retail customers and on the range of comprehensive solutions (e.g. insurance solutions). The planned merger of Polbank and Raiffeisen Bank Polska would generate synergies in sales and processing. The overall aim is to keep the development of costs stable.

In Slovakia, Raiffeisen possesses one of the best-known and most valuable brands in the Slovak banking sector through Tatra banka, which focuses on the affluent customer segment. Its innovation leadership with regard to new technologies (e.g., Internet and mobile banking, instant card issuance services, contactless payment services, etc.) is set to be extended further. Workflows are being optimized in Slovakia, as they are throughout the entire network. The number of employees was reduced from around 3,700 to around 3,400 between 2008 and 2011.

In Slovenia, RBI is concentrating on business with local corporate and retail customers and on optimizing its network. Given the market environment, another area of focus here also concerns measures to reduce costs and optimize processes.

In the Czech Republic, the main focus is on business with affluent retail customers. To this end, projects have been launched to improve the way these customers are targeted via the existing branch network. Alternative sales alliances, such as joint credit card issuance with the mobile provider Vodafone ("AQUA"), are being expanded. In corporate customer business, RBI promotes capital- and liquidity-light products. In the Czech Republic, as in other countries, RBI generally prefers to lend to existing customers with good credit ratings. Internal improvements are also being developed to supplement the market-related measures. For example, a central IT system is currently being implemented to reduce the administrative expenditure on technology and processing, while organizational workflows are also being optimized. As a result, customer services were further improved despite a 9 per cent reduction in the number of administrative employees.

In Hungary where RBI also operates as a universal bank, its business model has been adapted to the difficult market environment. Corporate customers are being segmented more strongly by industrial sector in order to better serve customers' different needs. The focus is on international corporate customers with good credit ratings, who, as in other countries, are being targeted with capital- and liquidity-light products, and on domestic small and medium-sized enterprises (SMEs). For the latter, the emphasis is increasingly on advisory and transaction-driven services such as cash management solutions. In the retail customer business, the sales network is being streamlined. In principle, lending is governed by strict rules with regard to credit ratings. Lending (particularly in foreign currencies) is defensively oriented, while the main focus for affluent retail customers is on deposit business. The number of employees in Hungary has been reduced by a total of around 10 per cent by remodeling the organizational structure and processes, streamlining middle management and introducing more flexible working hours.

Southeastern Europe

RBI operates as a universal bank in the countries of the Southeastern Europe segment (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia). It has a bank and leasing companies in each country, and in certain markets is also represented through capital management and asset management companies as well as through pension funds. The target customer group, however, varies according to country. RBI operates a leasing company in Moldova.

In Albania, the focus is on corporate and retail banking, with lending generally carried out on a selective basis. Other business activities, such as lending to financial institutions or governments, are only conducted under strict conditions. The branch network is also only being expanded on a selective basis. One major strategic initiative for 2012 is the implementation of a new central IT system.

In Bosnia and Herzegovina, the focus is on SMEs, as well as on special offerings (e.g., investment fund solutions) for affluent retail customers. Centralized product processing forms the cornerstone of a profitable branch network. Other business activities, such as the government bond portfolio, are handled on a restrictive basis or scaled back.

In Bulgaria, RBI's strategic objective is to strengthen existing relationships with corporate and retail customers. The partial withdrawal of Greek and Western European banks has created an opportunity here to become the main bank for customers with good credit ratings. The lending policy will continue to focus on good credit ratings and collateral. A cost-efficiency program is also underway in Bulgaria.

The main focus in Kosovo, besides maintaining existing relationships with corporate customers, is on the sale of financial service products (cross-selling). On the retail side, the aim is to increasingly target affluent customers from the sole trader/small entrepreneur segment. Moreover, factoring services are being tested in this market. No further expansion of the branch network is planned at present due to the strict cost management measures in place. An additional area of focus is optimizing processes and boosting productivity.

In Croatia, the focus is on large and medium-sized corporate customers and on retail customers. The strategic center of attention in corporate customer business is financial services in connection with the EU structural and cohesion funds that are linked to Croatia's accession to the EU in 2013. Regarding affluent retail customers, the focus, in addition to the sale of pension funds, is on end-to-end product solutions (cross-selling). The branch network is also being optimized.

In Romania, the focus is also on large and medium-sized corporate customers and on affluent retail customers. The ongoing optimization of processes (e.g., loan processing for retail customers, other processing in the branches, regional centralization, etc.) allows costs to be reduced while maintaining or even improving the quality of service.

The market environment in Serbia continues to demand strict cost and risk management. The main focus here is on cost-cutting measures and process optimization. For both corporate and retail customers, the key aim from a market perspective is to further develop relationships with customers that have good credit ratings. High-end services and products form the basis therefore.

Russia

RBI's aim in Russia is to consolidate its role as one of the leading foreign banks. Business development in Russia is predominantly organic, in particular through the ongoing strengthening of RBI's existing presence in the regions. In corporate customer business – where RBI occupies a strong position in the country – the bank is increasingly supporting Russian companies to expand into other RBI markets. RBI's strategic orientation as a service provider for complex treasury (e.g., currency hedging) and investment banking (e.g., capital market issues) products, and also its general advisory activities with regard to financial services, helps to strengthen this position. In affluent retail customer business, the aim is to consolidate and develop RBI's position by further expanding high-end services (e.g., expanded online banking and insurance solutions, as well as improved advisory services). The establishment of regional competence centers ensures efficient and customer-focused product processing.

CIS Other

This segment comprises Belarus and Ukraine as well as Kazakhstan, where RBI has a leasing company.

As the biggest foreign bank in Belarus, RBI is the first point of contact for investors and international corporate customers. The aim is to further consolidate its pioneering role in the field of affluent retail banking by expanding alternative sales and service channels (e.g., through Internet and mobile banking). The challenging business environment (high inflation, potential further devaluation of the currency) calls for a defensive business policy to limit RBI's risk position. This means continuing to pay close attention to customers' credit ratings, avoiding loans in foreign currencies and restricting the granting of loans.

In Ukraine, RBI offers the full range of financial services products through a dense branch network. The cooperation with supranational financial institutions (EBRD, IFC, etc.) is to be strengthened in order to further develop the Ukrainian market. The focus here is on medium-sized companies, the agricultural sector and heavy industry. Here too, RBI is meeting the demand for sophisticated treasury and investment banking services. In retail customer business, existing customer relationships are being strengthened and sales of credit cards and insurance products are being promoted.

In the countries of the CIS Other segment, as elsewhere, RBI focuses on strict cost management.

Group Corporates

The Group Corporates segment covers two key areas: firstly the Corporate Customers division, which services those Austrian companies and international – primarily Western European – corporate customers that generate the highest revenues, and secondly business with major Central and Eastern European customers, which is handled by the Network Corporate Customers & Support division. In line with the customer relationship approach, corporate customers are offered comprehensive financial services with a particular focus on advisory and service-intensive investment banking services and on offering capital- and liquidity-light products. RBI's comprehensive network in the CEE region enables it to provide cross-border customer service to both Austrian and Western European corporate customers who are also active in these markets. The Corporate Customers division was restructured in 2011 through the creation of teams with a special industry focus to complement the initial primarily regional orientation. Sales management was also substantially strengthened through Group-wide strategic planning of customer activities. This permits more efficient and comprehensive customer service, and is a substantial success factor in international corporate banking. In the Network Corporate Customers & Support division, the Global Account Management System was further optimized to enable RBI to offer its many customers with cross-border operations a customer service experience that is coordinated across the entire Group and – in conjunction with specialized product experts – an even more comprehensive product portfolio (Group products) across the whole network. The focus in the Asian branches and representative offices is on expanding existing customer relationships, particularly for selected project financing mandates and trade financing.

Group Markets

The Group Markets segment covers capital market customers and proprietary trading. In principle, activities in this segment are defensively orientated and mainly serve to support business activities in the corporate and retail divisions. This segment also includes net income from customer business, from sales of all banking products, and from business relationships with banks, institutional customers and governments. The aim is to strengthen capital- and liquidity-light products and thus improve service expertise with regard to capital market and investment banking products for governments and financial institutions. This has enabled RBI to participate in syndicates involved in successful benchmark bond issues on the international capital markets (e.g., Credit Bank of Moscow, Erste Group, Intesa Sanpaolo, UniCredit, Monte dei Paschi di Siena).

Corporate Center

The Corporate Center segment encompasses various services provided by Group headquarters (e.g. Group strategy, strategic risk management, Group accounting, Group-wide HR management and development, Group audit) that assist in the implementation of the Group's overall strategy and are assigned to this segment to ensure comparability. This segment also includes the following areas: liquidity management by means of the funds transfer pricing (FTP) concept (internal liquidity management at conditions comparable to those found on the external market) and balance sheet structure management as part of proprietary trading, participations (particularly in subsidiaries in the CEE region), income from banking operations carried out by Group headquarters and by the Maltese subsidiary for refinancing Group units, Austrian transaction services business, which comprises processing and other services for financial services providers, and income from holding and other companies that are not directly assigned to a segment.

Strategy according to business divisions

In addition to the segments, RBI also manages its business according to business divisions and has established appropriate organizational and reporting structures for this purpose. This subdivision leads to the following strategic priorities:

Corporate strategy

In the course of the merger of Raiffeisen International with RZB's principal business areas, the corporate banking strategy of the newly created RBI underwent a comprehensive adaptation to align with macroeconomic conditions. The focus in doing so was on the maximum possible exploitation of synergies in the area of sales force management (particularly by means of Group-wide customer management and customer marketing) and product development (e.g., by building product competence centers) and long-term further development of RBI's market position in the medium-sized and large corporate customer segment. Long-term, comprehensive support of corporate customers continues to be central to the corporate banking strategy (relationship customer approach). "Comprehensive" in this context means offering state-of-the-art financial services with corporate and investment banking products across borders for all customer groups – medium-sized customers, large local companies and international corporate groups.

In the context of the strategic redesign, particular attention was paid to Group-wide further development of sales planning and controlling tools (account planning), with a focus on capital- and liquidity-light products. These tools have already been implemented successfully in most countries as part of various sales initiatives (e.g., in Austria, the Czech Republic, Poland, Romania and Slovakia). In addition, Group-wide product competence centers were established to facilitate customers' access to complex financing products, e.g., in the area of project-, real estate- and export financing, and to improve internal efficiency. A further key area is the establishment of a uniform sales and service model for large and medium-sized corporate customers (e.g., by introducing more strongly industry-focused marketing in Austria and Russia or implementing mid offices in various countries). Furthermore, the bank has a special focus on continuously improving its internal processes. Best practices have been formulated in close collaboration with Risk Management and Operations, which serve as a guideline for process optimization activities in the individual countries.

Retail strategy

The objective is to position RBI as the leading universal bank in retail banking in CEE. The well-established Raiffeisen brand and the widespread distribution network will make significant contributions towards achieving this. Effective advisory, top-quality service and products with added value will support the build-up of a long-term relationship with RBI's approximately 13.5 million retail customers. There is an additional focus on business with affluent private individuals (premium banking and private banking). The introduction of the "Friedrich Wilhelm Raiffeisen" brand has created a platform for the sale of superior services for the affluent private banking segment. The rule for the retail segment as a whole is that existing customer relationships should be strengthened in order to achieve a higher value generation factor per customer. This will be achieved with an expanded range of financial services that will be even more attuned to customers' individual needs than before: starting with the simple current account and going on to consumer credits and individual insurance solutions, right through to standardized deposit products and comprehensive investment counseling concepts.

Mass Banking

The balance between lending activities, expanding the transaction service and differentiated bundles of current account products has proven to be successful and has led to an increase in the number of customers. RBI will continue this approach in 2012. Another focus will be on standardizing the range of products. In order to be able to provide an optimum mix of sales and service quality, RBI will continue to develop its sales organization.

Premium Banking

Only three years after it was set up, the Premium Banking segment, which supports affluent private individuals with liquid assets of up to € 200,000, already has nearly half a million customers. Around 1,000 account managers support these customers in the markets throughout Central and Eastern Europe. Their attention to service quality, products with high added value and attractive product bundles ensures that long-term customer relationships are developed.

Private Banking

The bank introduced the new "Friedrich Wilhelm Raiffeisen" brand to promote the private banking business. It stands for superior advisory services and provides asset management and investment advice for customers with liquid assets of at least € 200,000, depending on the region. This sub-segment, in particular, pursues a discretionary service approach and develops customized solutions (from current accounts to comprehensive capital market investments) for its customers. There are currently around 200 account managers supporting 32,000 such customers in seven countries (Czech Republic, Hungary, Poland, Romania, Russia, Slovakia and Ukraine). In addition, Kathrein Privatbank AG, a wholly owned subsidiary of RBI in Vienna, offers private banking services.

Small Business Banking

This segment makes a significant contribution to the earnings of the CEE region and represents a major opportunity for RBI. More than 90 per cent of all CEE companies are small businesses, which employ around 50 per cent of the total workforce. The strength of RBI's sales network enables it to support not only private and business customers, but also their employees.

RBI has some 2,500 relationship managers supporting more than 800,000 small businesses in 15 markets. The bank distinguishes between two customer groups in small business banking: micro businesses (with annual sales of up to € 1 million) and small businesses (with annual sales of up to € 3 – 8 million depending on the country). Great competence in advising customers and in transaction-related services is a key success factor for RBI. The bank offers its customers an extensive product line, from everyday services to financing.

RBI's sales and service model is supported by its closely knit branch network. The know-how at Group headquarters and the centralized management of all important processes, combined with the closeness to customers through the bank's local presence, ensure the best possible customer care.

Markets strategy

In the course of the merger of Raiffeisen International with RZB's principal business areas, the markets strategy was also overhauled in 2010. Its core elements are concentration on customer business in the bank's home market and the further expansion of competence in capital market and investment banking products. The main focus, also in the present market environment, is on supporting companies in initial public offerings, acquisitions and sales. Support is provided to governments, financial institutions and companies in their medium- and long-term financing. These services protect equity and liquidity for RBI, strengthen profitability and simultaneously relieve pressure on the balance sheet. A particular focus here is on the strategic hedging of customers' currency, interest rate and raw materials risks. Business transactions for the bank's own account (proprietary trading) are only carried out to support the markets strategy.

In line with the adapted market-side strategy, internal capacities are also being optimized. The bank's know-how in sales and in the product line is to be extended by more intensive training and continuing education activities. Customer marketing activities are coordinated Group-wide; in addition, a uniform Group-wide trading platform has been set up. Moreover, several initiatives have been launched to encourage further cross-border know-how transfer.

Through its direct access to all important stock exchanges in CEE and its leading position on the Vienna Stock Exchange, RBI (through its subsidiary Raiffeisen Centrobank) is strongly represented not only in equity trading in these regions, but also as a provider of certificates in Germany and Austria. At the same time, RBI as part of the Raiffeisen network is both the largest provider of mutual funds and the largest provider of third-party funds in Austria. The custody business, in which RBI already holds a leading position today, is also to be expanded in the CEE markets. The bank will make further investments in systems and service quality for this purpose.

RBI in the capital markets

RBI stock

Stock markets dominated by the European debt crisis

With strong corporate data and a generally positive global economic environment, the international stock markets got off to a dynamic start in 2011, a trend that lasted until the Japanese tsunami and nuclear catastrophe struck in March. As soon as it became clear that the effects of these events on the global economy would be limited, the markets recovered briefly. The continuous rise in oil prices through the remaining first half of the year, partially the result of the protests in the Middle East and the war in Libya, did however lead to increasing uncertainty in financial markets.

The second half of the year saw a significant deterioration in the international and particularly European financial markets. On the one hand, this was due to growing concerns regarding a slowdown in the global economy, and on the other hand to the downgrading of the US credit rating in August and a significant worsening of the sovereign debt crisis in Europe leading to substantial drops in share prices. The focus here was on the peripheral European states of Greece, Portugal, Spain, Ireland and Italy. Despite generally good corporate fundamentals, the development of the stock markets was extremely volatile, and even good news had little power to boost stock prices in this situation. At the end of 2011, most analysts revised their forecasts for 2012 downwards for both companies and the market as a whole in view of the economic slowdown.

This environment also led to perceivable uncertainties in the banking sector in the second half of the year. The concern was focused on the commitments of many financial institutions in the European peripheral states, capital adequacy and the more difficult conditions for refinancing. The downgrading of several nations by the rating agencies and the associated drop in the prices of their bonds resulted in a need for write-downs – in some cases substantial – by financial institutions which had invested in bonds from these issuers.

Political and regulatory decisions further increased the burden on the financial sector, including the “Home Protection Plan” passed by the Hungarian parliament. This allows private citizens in Hungary to choose to repay foreign currency mortgage loans early at an exchange rate well below the market rate. Moreover, the European Banking Authority (EBA) decided that European banks are required to show a core capital ratio (core tier 1 as defined by the EBA) of 9 per cent by the end of June 2012. The introduction of a special bank levy by Austria and Hungary in 2010 was followed in 2011 by the Slovakian parliament’s decision to impose such a levy from 2012 onwards.

RBI stock following the markets down

While the RBI stock price developed at a relatively stable pace at the start of the year, the events in Japan led to a decrease at the end of the first quarter, in line with most of the major share indices. Although the figures for the first quarter were well received by analysts and investors, the share was unable to escape the negative trend in the market as a whole, and lost ground in the second half of the year, due to the general uncertainty in the markets. The factors responsible for this included the raising of requirements for core capital ratios of European banks by the EBA, the passage of the Hungarian Foreign Currency Act at the expense of the banks operating in Hungary, and last but not least a general concern about a further recession in the near future.

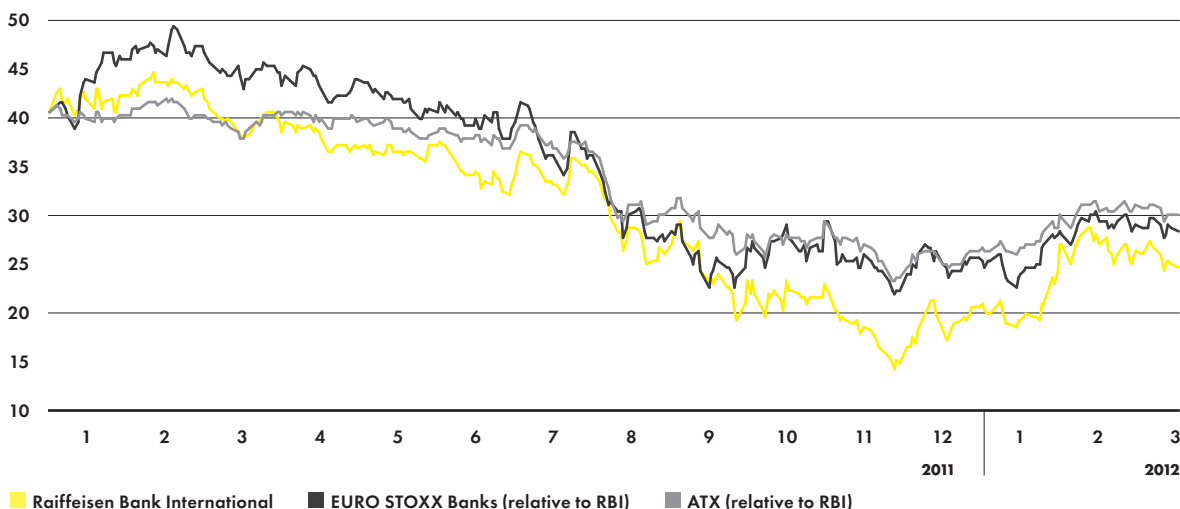
The high in RBI's share price for 2011 was on 9 February at € 45.10, its low was on 23 November at € 14.16. It opened the year at € 43.06, and the price at the end of the year was € 20.07. In all, the share accordingly lost 51 per cent over the course of the year. During the same period the ATX fell by 35 per cent and the EURO STOXX Banks fell even more sharply by 38 per cent. At the time of the editorial deadline of this report (12 March 2012) the stock stood at € 24.85. This represents a gain of 24 per cent from 31 December 2011.

At the end of 2011, the market capitalization of the 195.5 million RBI shares issued was € 3.9 billion.

In 2011, a total of 67.9 million RBI shares was traded. This represents a total volume of € 2.0 billion and an average daily volume of 273,679 shares.

Price performance since 1 January 2011 compared with ATX and EURO STOXX Banks

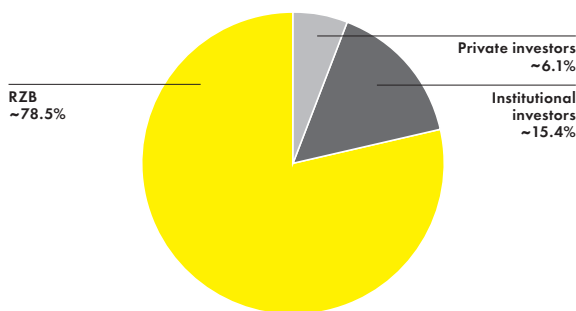
in € Index Basis = € 41.00



Shareholder structure

At the close of 2011, approximately 15 per cent of RBI shares were held by institutional investors. These continued to show a broad geographical diversification: 24 per cent were from the US, 21 per cent from Austria, 18 per cent from the UK and Ireland and 28 per cent from other EU countries. The remaining 9 per cent of institutional investors were from other countries, such as Singapore and Japan. A further 6 per cent of the free float was held by private investors, mostly from Austria.

RBI shareholder structure



RBI shares are included in the following indices: ATX, ATX Prime, EURO STOXX, EURO STOXX Banks, STOXX Europe 600, STOXX Europe 600 Banks and MSCI World.

Share data and details

Price on 31 December 2011	€ 20.07
High/low in 2011 (closing prices)	€ 45.10 / € 14.16
Earnings per share for 2011	€ 3.95
Market capitalization as of 31 December 2011	€ 3.9 billion
Average daily trading volume in 2011 (single counting)	273,679 shares
Stock exchange turnover in 2011 (single counting)	€ 2.0 billion
Free float as of 31 December 2011	21.5%
Number of shares issued as of 31 December 2011	195,505,124
Average number of shares in 2011	194,552,387
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	Prime Market

RBI bonds

Yields on European sovereign bonds continue to diverge

The bond markets were also dominated by the European sovereign debt crisis in 2011. The gap in yields between peripheral European states like Greece, Italy, Ireland, Portugal and Spain and strong core nations like Germany and Austria continued to widen. Low-rated countries duly faced rising costs of financing, while yields on German bonds continued to reach new lows. The uncertainties in the bond markets could not be reduced despite efforts to consolidate national budgets, further expand the EFSF (European Financial Stability Facility) safety net and massive intervention by the ECB.

The European banking sector in particular was affected by the sovereign debt crisis. The growing mistrust of banks among one another but also of investors, made it much more difficult for banks to refinance on the money and capital markets. In the second half of the year, European banks were almost entirely limited to secured bonds for refinancing, and even then at significantly higher interest rates than at the start of the year.

RBI successfully refinances through debt capital market

Despite the difficult market environment, RBI successfully used the international capital market for refinancing, particularly in the first half-year. For example, RBI issued unsecured benchmark bonds of € 1.0 billion in both January and March. In addition, RBI was the only Austrian bank in 2011 which placed a subordinated ten-year bond for € 500 million in May. Further information on funding activities is available starting from page 76.

RBI rating

In 2011 RBI was rated by Moody's Investors Service, Standard & Poor's and Fitch Ratings. RBI maintains regular contact with the rating agency analysts, and keeps them informed – along with the financial community in general – of trends in business, in order to ensure the most accurate evaluation possible.

Rating agency	Long-term rating	Short-term rating	Outlook
Moody's Investors Service	A1	P-1	Rating under review for downgrade
Standard & Poor's	A	A-1	negative
Fitch Ratings	A	F1	stable

Annual General Meeting

Annual General Meeting once again attracts keen interest

RBI's ordinary Annual General Meeting was held on 8 June 2011 at the Austria Center Vienna, and gave private investors in particular an appropriate platform to be informed about business developments directly by the Management Board. With some 700 participants, the 2011 Annual General Meeting was again one of the best-attended in recent Austrian capital market history.

A dividend of € 1.05 per share was authorized for the 2010 financial year and was paid out to shareholders on 16 June 2011. This translated into a total dividend payment of € 204.3 million after taking account of own shares, on which no dividends are paid.

The Annual General Meeting also decided to revoke the authorization dating back to 2007 for the Management Board to increase capital ("authorized capital" – Section 169 Austrian Stock Corporation Act) with regard to the as yet unused portion. In connection with this, the Management Board was authorized to increase capital against cash and/or contributions in kind subject to shareholders' statutory pre-emptive rights as well as to repay all or part of participation capital.

The reports and presentations from the 2011 Annual General Meeting and a video of the Management Board presentations are available at www.rbinternational.com → Investor Relations → Events → Annual General Meeting.

Proposed dividend

The next ordinary Annual General Meeting will take place on 20 June 2012 at the Austria Center Vienna. For the 2011 financial year the Management Board will propose to the Annual General Meeting the distribution of a dividend of € 1.05 per share; this represents a total dividend of € 205 million. Subject to approval by the Annual General Meeting, the dividend will be paid to shareholders on 27 June 2012, which will also be the ex-dividend date.

Capital market communications

Since the merger of Raiffeisen International with the principal business areas of RZB, Group Investor Relations has been responsible not only for services to equity investors and analysts, but also for maintaining relationships with debt investors and analysts. A great deal of information was required, particularly by the latter, as a result of the two successfully placed benchmark issues and the placement of a lower tier 2 issue in 2011. To this end the Investor Relations Team participated in 18 roadshows in Amsterdam, Bologna, Cologne, Frankfurt, Helsinki, London, Milan, New York, Paris, Singapore, Stockholm and Zurich.

There was a particularly strong interest in the RBI Investor Presentation in London as part of the results announcement for the 2010 financial year. More than 110 analysts and equity and bond investors, as well as members of the RBI Management Board and the Investor Relations Team participated in this event, which was marked by intense audience interest and a detailed discussion.

As a major stock exchange player, RBI took part in a UBS conference in New York in May, where the presentation to an audience of over 100 was followed by numerous one-on-ones. In addition, RBI management completed a two-week roadshow, which opened on 15 September with the invitation of over 50 participants to an investor lunch in Vienna. Following the opening, the Management Board gave a series of presentations in London, Warsaw, Washington DC and New York.

Further roadshows – in total 20 – were conducted in Frankfurt, Geneva, Kitzbühel, Paris, Stockholm, Zurich and Zürs. The investor relations activities in 2011 closed with visits to investor conferences in New York and London.

Alongside personal contact, RBI offers comprehensive information on its Investor Relations website at www.rbinternational.com → Investor Relations. In addition to annual and interim reports, presentations and information on all aspects of the RBI shares, there are also live webcasts of events. Moreover, publications can be ordered and you can register with the RBI e-mail service for investors and potential investors.

Financial calendar

29 March 2012	Annual Report 2011, Analyst Conference, Conference Call
30 March 2012	RBI Investor Presentation, London
10 May 2012	Start of Quiet Period
24 May 2012	First Quarter Report, Conference Call
20 June 2012	Annual General Meeting
27 June 2012	Ex-Dividend and Dividend Payment Date
15 August 2012	Start of Quiet Period
29 August 2012	Semi-Annual Report, Conference Call
14 November 2012	Start of Quiet Period
28 November 2012	Third Quarter Report, Conference Call

Group Investor Relations Contact for equity and debt investors

E-mail: ir@rbinternational.com
 Internet: www.rbinternational.com → Investor Relations
 Phone: +43-1-71707 2089
 Fax: +43-1-71707 2138

Raiffeisen Bank International AG
 Group Investor Relations
 Am Stadtpark 9
 1030 Vienna
 Austria

Corporate Governance Report

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

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

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

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

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

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

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

The 2011 financial year was shaped, as was the previous year, albeit with less intensity, by the merger of Raiffeisen International with the principal business areas of RZB. Measures were taken in relation to the internal control system and the restructuring of the organization. The framework of Group and company directives constitutes the key element of the internal control system. The focus in 2011 was on improving the quality and user-friendliness of existing directives. To this end, existing regulations were tightened, and, where possible, consolidated in higher-level units with a common theme. A stricter review process was also implemented and the access to the underlying database was further improved. Additionally, Operations & IT was restructured and merged with the executive division of Retail Banking due to the downsizing of the RBI Management Board.

Composition of the Management Board

In the 2011 financial year the Management Board consisted of seven members:

Management Board member	Year of birth	Original appointment	End of term
Herbert Stepic, Chairman	1946	14 June 2001	31 December 2015 ¹
Karl Sevelda, Deputy Chairman	1950	22 September 2010	31 December 2015 ¹
Aris Bogdaneris	1963	1 October 2004	31 December 2015 ¹
Patrick Butler	1957	22 September 2010	15 April 2012 ²
Martin Grill	1959	3 January 2005	31 December 2015 ¹
Peter Lennkh	1963	1 October 2004	31 December 2015 ¹
Johann Strobl	1959	22 September 2010	31 December 2015 ¹

¹ At the Supervisory Board meeting held on 7 June 2011, all mandates of the Management Board members were extended until 31 December 2015.

² After the withdrawal of Patrick Butler on his own accord, the Supervisory Board appointed Klemens Breuer as the successor in this function for the period of 16 April 2012 to 31 December 2015.

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

- Herbert Stepic:
 - OMV AG (Supervisory Board member)
 - Oesterreichische Kontrollbank AG (Supervisory Board member)
 - “NONUSDECIMUS” FRANKE IMMOBILIEN HANDEL KG (shareholder)
 - “SEPTIMUS” FRANKE IMMOBILIEN HANDEL KG (shareholder)
 - H. Stepic F.C. GmbH (shareholder)
- Karl Sevelda:
 - Bene Private Foundation (Management Board member)
 - BestLine Private Foundation (Management Board member)
 - BENE AG (Supervisory Board member)
 - Millettertius Kreihlsler Immobilienhandel KG (shareholder)
 - “SECUNDUS” FRANKE IMMOBILIEN HANDEL KG (shareholder)
 - Michael Stranz Immobilienverwaltung Gamma KG (shareholder)
- Johann Strobl:
 - Raiffeisen Leasing Management GmbH (Supervisory Board member)
 - Raiffeisen Zentralbank Österreich AG (Management Board member)
 - Österreichische Raiffeisen-Einlagensicherung eGen (Management Board member)
- Patrick Butler:
 - Wiener Börse AG (Supervisory Board member)
 - CEESEG AG (Supervisory Board member)
- Aris Bogdaneris:
 - Visa Global Advisory Board (Advisory Council)
- Martin Grill:
 - Stefan Stoltzka Private Foundation (Management Board member)

Composition of the Supervisory Board

During the financial year 2011, the Supervisory Board comprised:

Supervisory Board member	Year of birth	Original appointment	End of term
Walter Rothensteiner, Chairman	1953	11 May 2001	Annual General Meeting 2016
Erwin Hameseder, First Deputy Chairman	1956	8 July 2010 ¹	Annual General Meeting 2015
Ludwig Scharinger, Second Deputy Chairman	1942	8 July 2010 ¹	Annual General Meeting 2015
Markus Mair, Third Deputy Chairman	1964	8 July 2010 ¹	Annual General Meeting 2015
Stewart D. Gager	1940	24 January 2005	Annual General Meeting 2014
Kurt Geiger	1946	9 June 2009	Annual General Meeting 2014
Hannes Schmid	1953	8 July 2010 ¹	Annual General Meeting 2015
Johannes Schuster	1970	8 July 2010 ¹	Annual General Meeting 2015
Friedrich Sommer	1948	8 July 2010 ¹	Annual General Meeting 2015
Christian Teufl	1952	8 July 2010 ¹	Annual General Meeting 2015
Martin Prater ²	1953	10 October 2010	Until further notice
Rudolf Kortenhof ²	1961	10 October 2010	Until further notice
Peter Anzeletti-Reikl ²	1965	10 October 2010	Until further notice
Sabine Chadt ²	1970	10 October 2010	Until further notice
Helge Rechberger ²	1967	10 October 2010	Until further notice

¹ Effective from 10 October 2010

² Delegated by the Works Council

Independence of the Supervisory Board

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

- The Supervisory Board member shall not in the past five years have been a member of the Management Board or a leading employee of the company or of a subsidiary.
- The Supervisory Board member shall not have, or have had in the previous year, any significant business relationships with the company or any of its subsidiaries. This also applies to business relationships with companies in which the Supervisory Board member has a considerable financial interest, however, not with regard to carrying out executive functions within the company. The approval of individual transactions by the Supervisory Board according to L Rule 48 of the ACGC does not automatically lead to a qualification of 'not independent.'
- Company circumstances and the mere exercise of the function of a Board member or managing director by a Supervisory Board member does not, as a rule, lead to the company concerned being regarded as a "company in which a Supervisory Board member has a considerable financial interest," to the extent that circumstances do not support the presumption that the Supervisory Board member derives a direct personal advantage from doing business with the company.

- The Supervisory Board member shall not have been an auditor of the company, or a shareholder or an employee of the auditor in the previous three years.
- The Supervisory Board member shall not be a member of the Management Board of another company in which a Management Board member of the company is a member of the Supervisory Board.
- The Supervisory Board member shall not be part of the Supervisory Board for longer than 15 years. This does not apply to Supervisory Board members who are shareholders with business interests in the company or who represent the interests of such shareholders.
- The Supervisory Board member shall not be a close family relation (direct descendant, spouse, partner, father, mother, uncle, aunt, brother, sister, nephew, niece) of a member of the Management Board or of persons who fill one of the positions described in the preceding points.

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

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

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

- Walter Rothensteiner: UNIQA Versicherungen AG
- Erwin Hameseder: AGRANA Beteiligungs-AG, STRABAG SE, UNIQA Versicherungen AG, Südzucker AG, Flughafen Wien AG (chairman as of 31 August 2011)
- Ludwig Scharinger: voestalpine AG, Austria Metall AG (as of 31 March 2011)
- Christian Teuffl: AGRANA Beteiligungs-AG, VK Mühlen AG
- Hannes Schmid: UNIQA Versicherungen AG
- Kurt Geiger: Demir Bank OJSC

Members of the Committees

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

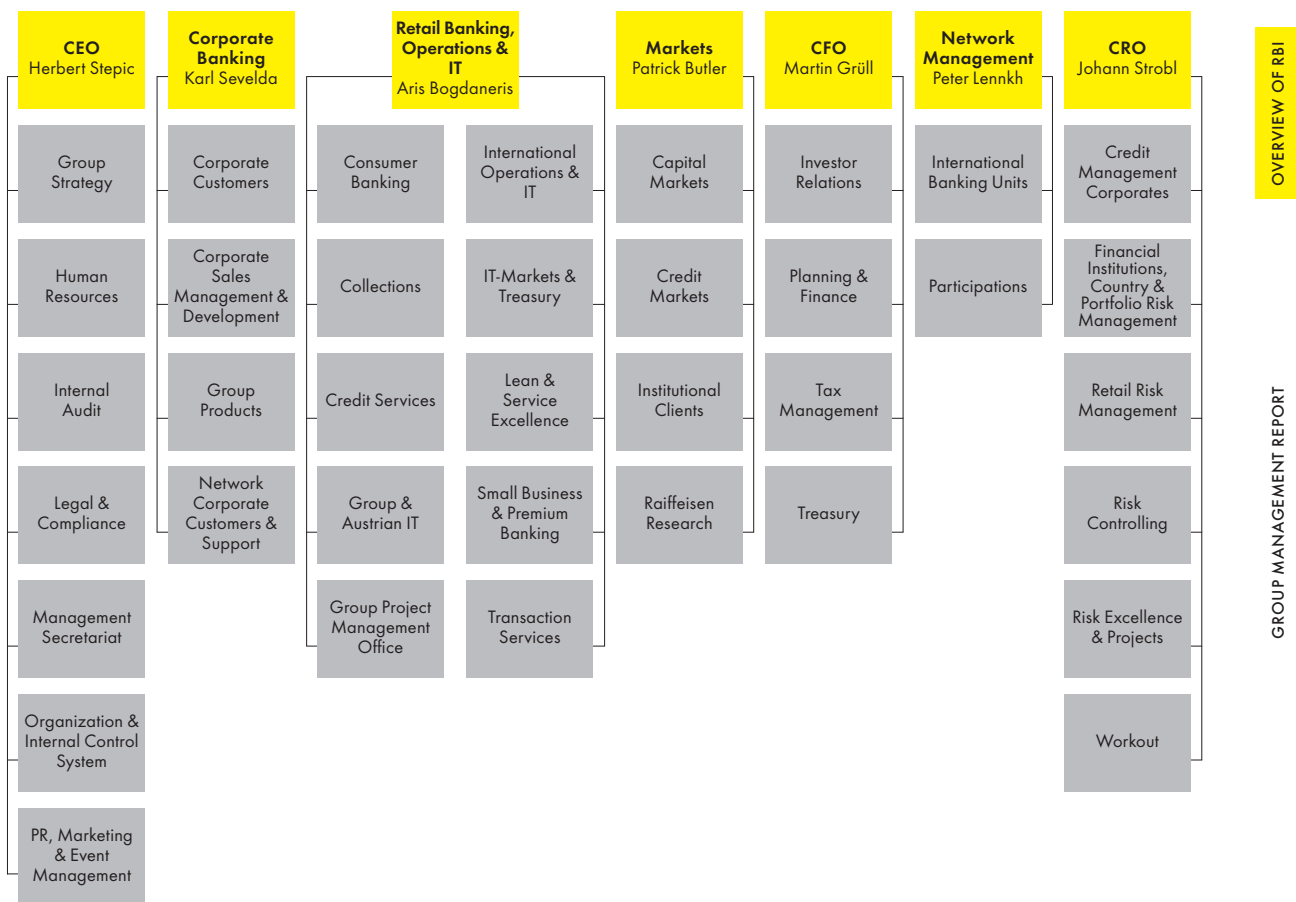
Supervisory Board member	Working Committee	Audit Committee	Personnel Committee
Walter Rothensteiner	Chairman	Chairman	Chairman
Erwin Hameseder	First Deputy Chairman	First Deputy Chairman	First Deputy Chairman
Ludwig Scharinger	Second Deputy Chairman	Second Deputy Chairman	Second Deputy Chairman
Markus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

Functioning of the Management Board and of the Supervisory Board

Allocation of duties and functioning in the Management Board

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

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



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

Decision-making authority of the Committees

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

The Working Committee is responsible for all matters that are brought before it by the Supervisory Board. Thus it is called on to approve matters not reserved for the Supervisory Board. In particular, these include the creation and dissolution of

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subsidiaries and the acquisition of shares up to a certain book value, the conclusion and termination of syndicate and voting agreements with shareholders, the execution of functions in the management bodies of other companies by members of the Management Board, and the appointment of persons to the Management Boards and supervisory bodies of banks within the Group. Furthermore, the Working Committee approves the acceptance of operational banking risk above a certain level.

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

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

Number of meetings of the Supervisory Board and of the committees

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

The Working Committee held eight meetings in the 2011 financial year. The Audit and the Personnel Committee each held two meetings.

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

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

Remuneration of the Management Board

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

in € thousands	2011	2010
Fixed and performance-based remuneration	7,545	8,191
Of which amounts from affiliated companies (Supervisory Board 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-based remuneration, including compensation for functions in the management bodies of associated companies, bonus payments and benefits in kind. In the financial year the share of performance-based components amounted to 10 per cent (2010: 1.9 per cent).

The performance-based components of the Management Board's remuneration normally consist of bonus payments for 2010 that are linked to the achievement of the company's goals relating to profit after tax, return on risk-adjusted capital (RORAC) and the cost/income ratio, as well as the achievement of annually agreed personal goals and the value of an allocation of shares under the Share Incentive Program (SIP) (see note (34) equity share-based remuneration). The bonus payments for 2010 for three members of the Management Board who had transferred from Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB) to RBI were measured in accordance with a criterion defined by RZB on the basis of return on equity (ROE). In accordance with the contractual provisions applicable to these persons up until the end of 2010, bonus payments totaling € 940,500 were calculated and will be due for payment in 2012 (€ 297,000) and 2013 (€ 643,500). The amount actually paid will be determined at the discretion of the Personnel Committee of RBI's Supervisory Board. The members of the Management Board coming from the former Raiffeisen International Bank-Holding AG (Raiffeisen International) who had waived bonus payments for 2010 were granted a non-recurring voluntary payment of a total of € 1,400,000, which is being executed in accordance with the system for deferred bonus payments described under note (34) equity.

It should be noted that the Management Board remuneration paid in 2011 is not directly comparable with that for 2010, as two members left the Management Board and three members transferred from RZB to RBI in 2010.

Principles of the remuneration policy and practices in accordance with Section 39 (2) in conjunction with Section 39b of the Austrian Banking Act (BWG)

In accordance with Section 39 (2) in conjunction with Section 39b of the Austrian Banking Act (BWG) including annexes (Austrian provisions for the implementation of Section 22 (2) in conjunction with Annex V Part 11 of Directive 2006/48/EC in the version enacted by Directive 2010/76/EU), RBI's Supervisory Board approved the "General Principles of the Remuneration Policy and Practice" in 2011, monitors these regularly and is responsible for implementing them. Remuneration of the Management Board and other "risk personnel" must comply with these principles. In particular, the new principles will be applied to bonus payments for 2011 and subsequent years.

Share Incentive Program

In 2011 the third tranche of the SIP (Share Incentive Program - SIP, 2008 tranche) matured. In accordance with the terms and conditions of the program (published in "euro adhoc" on 29 May 2008), the number of shares actually transferred was as follows:

SIP 2008

Group of persons	Number of due shares	Value at share price of € 39.00 at the allotment day (12/4/2011) in €	Number of actually transferred shares
Members of the Management Board of RBI	11,839	461,721	7,866
Members of the Management Boards of bank subsidiaries affiliated with RBI	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's terms and conditions, eligible employees in two countries were given a cash settlement instead of an allotment of shares. In Austria the eligible parties were granted the option of accepting a cash settlement in lieu of half of the matured shares in order to offset the wage tax payable at the time of transfer. Therefore, fewer shares were actually transferred than the number that had matured. The portfolio of own shares was subsequently reduced by the lower number of shares actually transferred.

Under the SIP, a new tranche has hitherto been issued each year - including 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 balance sheet date, contingent shares for only two tranches were allocated. As of 31 December 2011 the number of these contingent shares was 608,964 (of which 370,092 were attributable to the 2009 allocation and 238,872 to the 2011 allocation). The number of contingently allotted shares originally announced changed due to various personnel alterations within Group units and the maturing of the 2008 SIP tranche, and is aggregated in the following table:

SIP 2009-2011

Group of persons	Number of contingently allotted shares as at 31/12/2011	Minimum of allotment of shares	Maximum of allotment of shares
Members of the Management Board of RBI	197,135	59,141	295,703
Members of the Management Boards of bank subsidiaries affiliated with RBI	287,754	86,326	431,631
Executives of RBI and other affiliated companies	124,075	37,223	186,113

No shares were repurchased for the SIP in 2011.

Expenditure for severance payments and pensions

For six members of the Management Board essentially the same rules apply as for employees, which provide for a basic contribution to a pension fund on the part of the company and an additional contribution, if the employee makes his own contributions in the same amount. One member of the Management Board has a performance-based pension benefit. For four members of the Management Board, additional individual pension benefits apply, which are financed by a reinsurance policy. One member of the Management Board has been granted a further individual pension commitment, which is being funded by a single premium under a reinsurance policy (in an amount of € 1,500,000).

In the event of the termination of their function or service contract and departure from the company, two members of the Management Board are entitled to severance payments in accordance with the Salaried Employees Act and the Banking Sector Pay Scale Agreement, two members in accordance with contractual agreements and three members in accordance with the Employee Benefit Act. In principle, the severance payment claims under the Salaried Employees Act or contractual agreements expire, with the exception of one member of the Management Board, when the employee terminates the employment relationship. In the case of one member of the Management Board, existing severance payment claims were converted in connection with the merger-related changes. Corresponding payments are being made in part in 2011 and 2012; in the 2011 financial year, these payments came to € 2,022,022. Furthermore, protection is in place against occupational disability risk through one pension fund and/or on the basis of an individual pension benefit, which is secured by a reinsurance policy. The contracts for members of the Management Board are concluded for the duration of their term in office or are limited to a maximum of five years. In case of a premature termination of office by a member of the Management Board without cause, the severance payments will not exceed the remuneration of two years.

Remuneration of the Supervisory Board

The Annual General Meeting on 8 June 2011 passed a resolution concerning the annual remuneration for the members of the Supervisory Board for the 2010 financial year totaling € 422,500. Attendance fees were not paid.

in €	2010
Chairman of the Supervisory Board	70,000
Deputy Chairman of the Supervisory Board	60,000
Member of the Supervisory Board	50,000

D&O insurance

In the 2011 financial year, a D&O (directors and officers) pecuniary damage and liability insurance policy was concluded with UNIQA Sachversicherung AG for the Management Board and the Supervisory Board, the cost of which will be carried by the company.

Annual General Meeting

The Annual General Meeting for the 2010 financial year was held on 8 June 2011 at the Austria Center Vienna. The next Annual General Meeting for the 2011 financial year will take place on 20 June 2012. The convening notice will be published a minimum of 28 days before the Annual General Meeting in electronic form and in the Wiener Zeitung's official register.

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

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

Report on the measures taken by the company to promote women on the Management Board, the Supervisory Board and in executive positions (Section 80 of the Austrian Stock Corporation Act [AktG]) as laid down in Section 243b (2) 2 of the Austrian Commercial Code (UGB)

One of Raiffeisen's fundamental values has always been to offer equal opportunities for equal performance regardless of gender or any other factors. For this reason, it is important to take suitable measures already during the recruiting process to ensure that the same standards are applied in the selection of staff. The relatively high proportion of 68 per cent of female employees at RBI underscores the efficacy of these activities. A corresponding framework has been established within the company to continue promoting the advancement of women; in this connection, existing programs have been strengthened and extended. These programs particularly seek to increase the ability to reconcile family and career. Among other things, they include flexible working hours, part-time models and teleworking. These models are implemented in nearly all the countries in which the Group is active, in accordance with the local statutory provisions. They are supplemented with further national initiatives, such as the company kindergarten with employee-friendly hours of operation at the Vienna site, or the "Mother Care" program at Raiffeisenbank Polska S.A., which supports women from the initial announcement of pregnancy until the child's first birthday.

The Management Board is committed to consistently promoting the existing initiatives as well as maintaining its openness to new initiatives, in order to further increase the percentage of women in highly qualified positions.

As of the end of 2011, around 55 per cent of the functions with staff responsibility in RBI Group are held by women; in the case of Tier 2 and Tier 3 management, this figure equals around 47 per cent. Training and continuing education programs are specifically offered to promote management skills and meet with a favorable response. 27 per cent of the participants in the Group-wide top-management program "Execute" were women. Female employees accounted for 49 per cent of the restructured Advanced Leadership Training program for middle management.

Currently, 20 per cent of Board positions throughout the RBI Group are held by women. The fact that the proportion of female Board appointments stood at 43 per cent in 2011 demonstrates RBI's successful promotion of women.

Transparency

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

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

Conflicts of interest

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

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

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

Accounting and audit of financial statements

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

The Annual General Meeting selected KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna as its external auditor and bank auditor for the 2011 financial year. KPMG has confirmed to RBI that it has the certification of a quality auditing system. It has also declared that there are no grounds for disqualification or prejudice. The auditor prepares the statutory audit report and is responsible for exercising its disclosure obligations. The auditor also prepares a management letter to the Management Board, which includes details of weaknesses within the company. The management letter and the report on the efficiency of the risk management is presented to the Chairman of the Supervisory Board, who shall ensure that the management letter is addressed by the Audit Committee and is reported on in the Supervisory Board.

Vienna, March 2012

The Management Board



Herbert Stepic



Karl Sevelda



Aris Bogdaneris



Patrick Butler



Martin Grill



Peter Lennkh



Johann Strobl

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 organization 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 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.

The regularly updated CoC is available on RBI's website, as well as on the websites of its network banks in their respective languages. It was last revised in 2011.

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 Codex. The Corporate Governance Report may be found from page 33 onwards.

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. In Bosnia and Herzegovina, Raiffeisen Bank is making an important contribution through its so-called "Financial News" and the "Alphabet of Economics," which receives regular coverage both on television and in the print media.

The Hungarian Raiffeisen Bank keeps its customers well informed on its products and services in easily understandable terms and, with its "I save" initiative, aims at providing comprehensive information on a range of topics, such as building up financial reserves. Another initiative called "Everyday Financials" encompasses a wide spectrum of the financial sector. As one of its partners, Raiffeisen Bank offers practical knowledge about managing money and financial services to the general public.

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 CO₂ 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 85 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.

ENERGY GLOBE Award goes to Raiffeisen Bank in Romania

In November 2011 the "I Love Velo" cooperation project between the Romanian Raiffeisen Bank and NGO Green Revolution was honored with the ENERGY GLOBE Award in the Upper Austrian city of Wels. Raiffeisen in Romania had initiated an internal project back in 2009 to encourage employees to ride bikes. In order to reach a wider public, Raiffeisen – in conjunction with Green Revolution – launched the "I Love Velo" program, Romania's first free of charge bike-sharing project. In 2010, the Bank had also received the "Silver PR Award for Excellence" in the category of "Social Responsibility and Stakeholder Dialogue" for this project.

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 the 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.

Several network banks also support Volunteer Days. The Czech Raiffeisen Bank, for example, played post office for the children of the children’s home “KlokaneK” and their letters to Santa. Approximately 80 of the wishes posted were fulfilled.

Children Protection Award MYKI

The children protection organization “die möwe” 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 voluntary and honorary involvement of the Raiffeisen network ensures that help is delivered quickly, unbureaucratically and without administrative costs to where it is needed. Aid 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 twelve 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.



Fair treatment of staff in the spirit of partnership

RBI employs around 59,000 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 from page 83 onwards.

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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 3.0 per cent in 2010, but in 2011 growth here also 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, all of 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 massive 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 was 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
CE				
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
SEE				
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
CIS				
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 trend 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 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 9.2 per cent increase in 2011 after a 10.4 per cent rise 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 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 at the end of 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 development 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 € 374 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

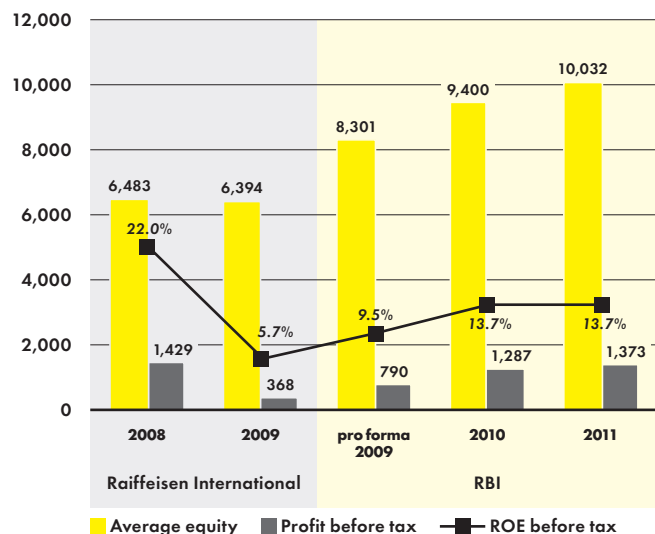
Earnings on each of the 194.6 million shares outstanding amounted to € 3.95 in 2011 after € 4.56 in the previous year. The Management Board will propose to the Annual General Meeting in June 2012 that a dividend of € 1.05 per share be paid for 2011, as for 2010. This would result in a total payment of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

Changes in profit and return on equity

in € million



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.

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

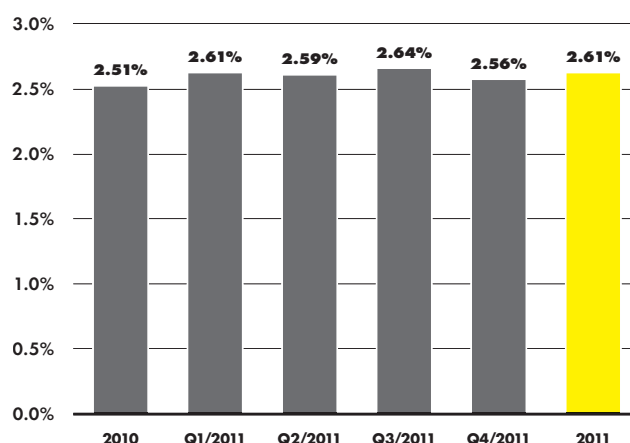
RBI's net interest income rose 3 per cent in 2011, adding € 89 million to reach € 3,667 million. Net interest income therefore made up 67 per cent of operating income. The net interest margin (calculated using average total assets) improved by 10 basis points, coming in at 2.61 per cent. Average total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

Development of the interest margin



Europe. This is largely due to improved refinancing and lower rates on 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.

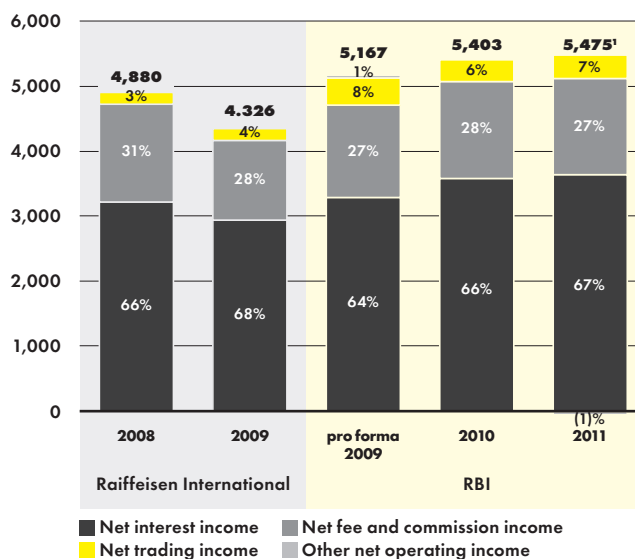
Net trading income

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.

Development of operating income

in € million



¹ Excl. impairment of goodwill

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).

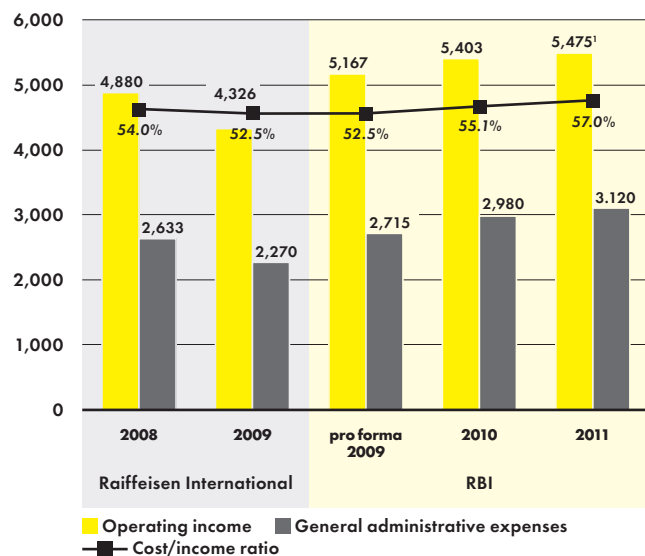
Staff expenses

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

Cost/income ratio performance

in € million



¹ Excl. impairment of goodwill

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-end 2010.

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 goodwill impairment 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 the 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 Incl. 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

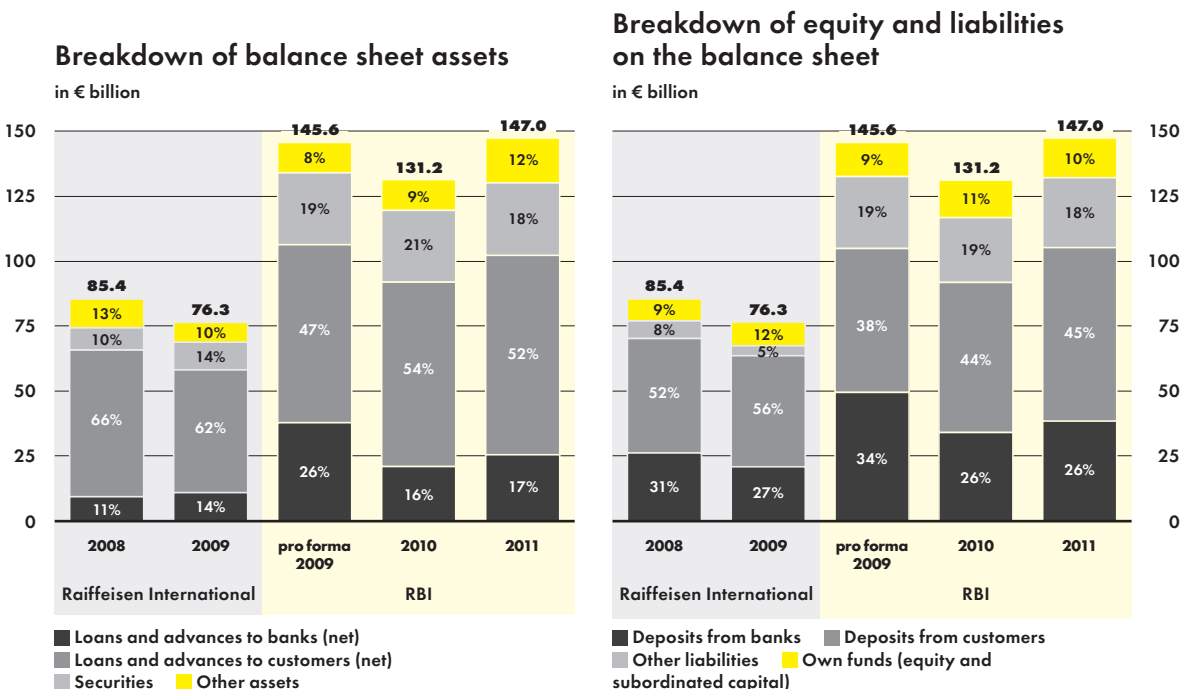
Other net income was adversely affected in the fourth quarter of 2011 by the impairment of goodwill in the amount of € 183 million in Ukraine.

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.



Assets

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 18 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 18 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

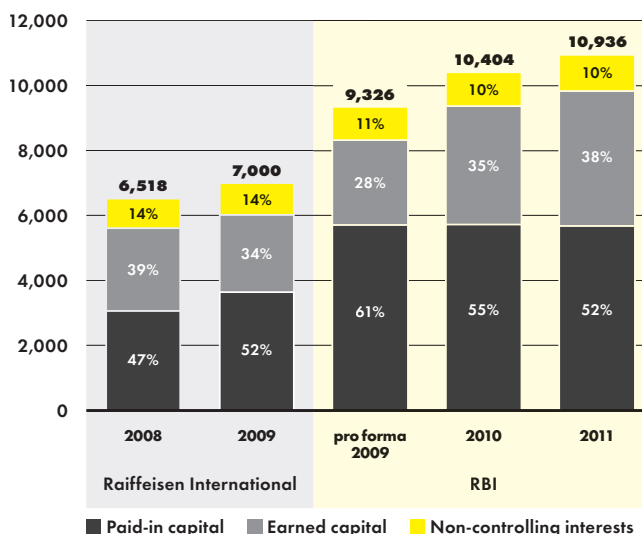
hedge (after taking deferred taxes into account) amounted to € 36 million.

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.

Breakdown of equity

in € 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.

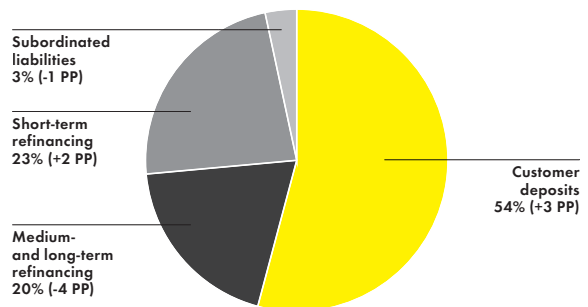
Continuing uncertainty in the capital markets

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 dependence 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.

Funding structure



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.

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 long-standing 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.

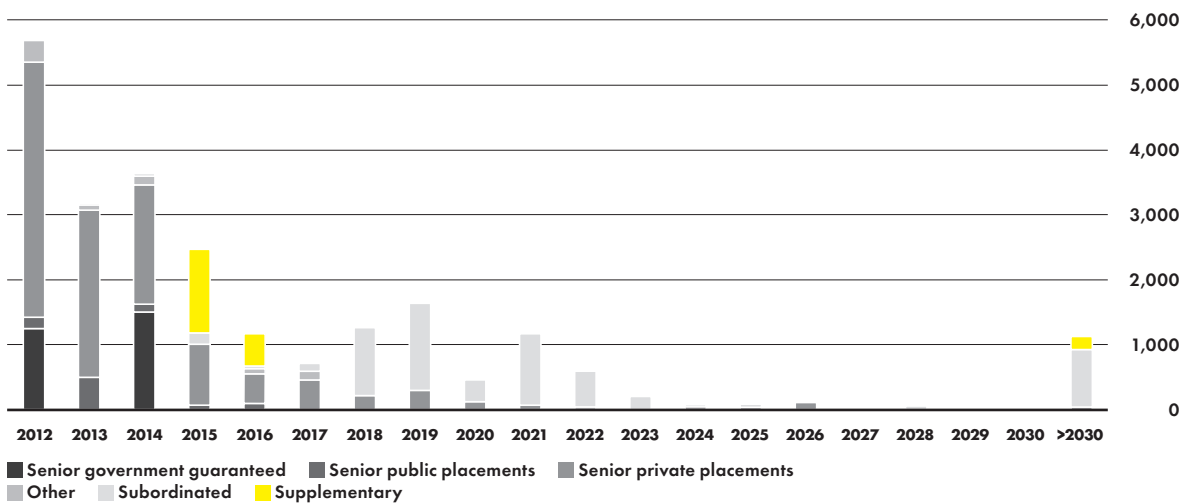
Further refinancing measures

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.

Maturity profile of the debt securities issued

in € million



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.

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.

Unit	Credit risk		Market risk	Operational risk
	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.

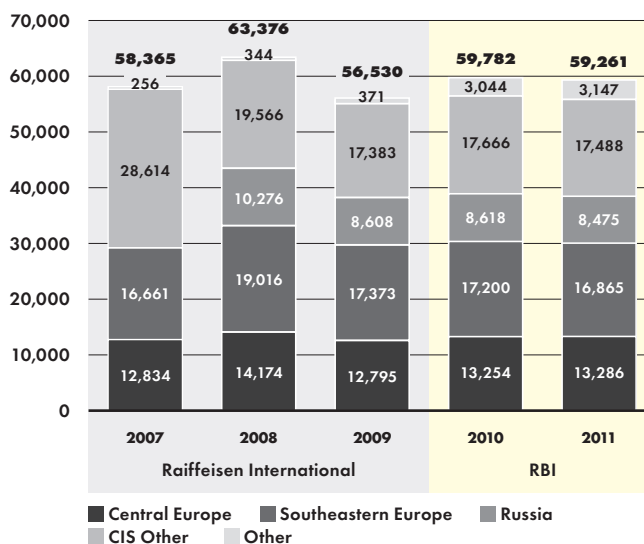
Human resources

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 Hungary, Russia and Ukraine. 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

Number of staff on balance sheet data



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 have 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 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.

Numerous Group-wide and local initiatives

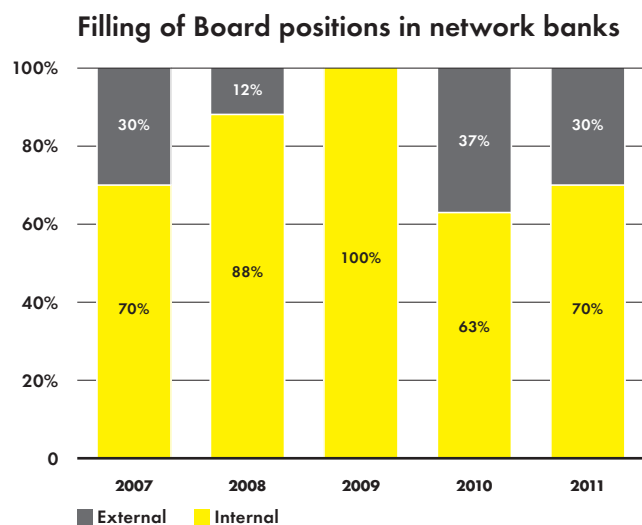
In order to give key managers detailed feedback on their current performance – including a market comparison – RBI developed a Group-wide top management audit in 2011. The audit forms the basis for individual development plans that promote internationalization and a diversification of management skills.

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 talent 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 and 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 KPI (Key Performance Indicators) 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 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 their 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.

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Division of the segments

Segmentation principles

Internal management reporting at RBI is based on the current organizational structure. The matrix structure means that each member of the Management Board is responsible both for individual countries and 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. The division into segments is also in accordance with the International Financial Reporting Standards (IFRS) – in particular 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, profit after tax and segment assets.

The Group comprises the following segments:

Central Europe

This segment encompasses the most advanced banking markets in Central and Eastern Europe, namely the EU countries Czech Republic, Hungary, Poland, Slovakia and Slovenia. These are also the markets in which RBI has been operating the longest. In all 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 entities (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 as well as 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 a closely knit network and also through leasing companies. In addition, RBI is represented in Slovakia and the Czech Republic through its direct bank ZUNO.

Southeastern Europe

The Southeastern Europe segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia. In these countries RBI is represented by banks and leasing companies, and in some markets by its own investment and asset management companies and pension funds. In Albania and Bulgaria financial services are offered in all divisions. RBI is also present in Kosovo with an extensive product range. In Bosnia-Herzegovina the focus is on small and medium-sized companies, though private clients are also catered for with a broad product range. In Croatia the focus is on large and medium-sized corporate customers and on retail customers (also in the pension fund business). In Romania a wide range of financial services is provided through a dense branch network. Additionally, Romania manages the corporate customer business in Moldova. In Serbia RBI positions itself as a universal bank and operates a leasing company.

Russia

Raiffeisenbank is one of the leading foreign banks in the country and focuses on corporate and retail customers. Through its nationwide branch network it also targets products at affluent retail customers. The leasing business rounds off the product range. As in the other segments, future growth in Russia is expected to be organic, notably through continuous expansion of its existing presence in regional and national centers. In addition to this, RBI is increasingly supporting the expansion of Russian companies into the countries of Central and Eastern Europe. In view of the size of the banking market and the great potential yet to be exploited, the segment is of key significance to RBI.

CIS Other

This segment comprises Belarus, Kazakhstan and Ukraine. In Belarus RBI operates through a bank and a leasing company. In Kazakhstan it is represented in the leasing business. In Ukraine RBI is represented by a bank, a leasing company and a credit card payment processing business and provides the full range of financial services through its dense local distribution network.

Group Corporates

The Group Corporates segment covers Austrian and international – notably Western European – corporate customers managed by RBI AG in Vienna within the Corporate Customers profit center. These customers include Austria's largest companies, which for the most part enjoy an excellent credit rating. The segment also comprises the large corporate business with Central and Eastern European customers (excluding Austrian multinationals) 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 at the China, Malaysia, Singapore and Malta branches is also allocated to this segment, as are finance companies in Hong Kong and the US with their focus on selected products for niche market customers.

Group Markets

The Group Markets segment covers customer and proprietary business related to the capital market. Net 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 sales of all banking products and business relationships with banks, institutional customers, governments and local authorities. Furthermore, income from Raiffeisen Centrobank (securities trading and capital market financing) and from Kathrein Privatbank AG is also booked under this segment.

Corporate Center

The Corporate Center segment encompasses all services provided by Group headquarters in various divisions that were created to implement the Group's overall strategy and 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, 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.

Segment overview

Profit before tax at RBI rose by 7 per cent year-on-year to € 1,373 million. On the one hand this increase was based on a slight rise in operating income adjusted for non-recurring effects, while on the other hand lower net provisioning for impairment losses also had a significant positive impact on profitability. In addition, the sharp increase in valuation gains arising from derivative financial instruments also improved the result. At the same time, the 5 per cent rise in administrative expenses, which largely reflected the active support of business growth, led to an increase in the cost/income ratio to 57.0 per cent.

Performance varied across the regional and functional segments in the year under review. However, the problems in Hungary and the impairment of goodwill in Ukraine were more than compensated for by other markets and areas.

In Central Europe, profit before tax fell by € 236 million to € 33 million. An increase in net provisioning for impairment losses in Hungary was one of the main reasons for this decline. Balance sheet assets rose by 3 per cent compared with the previous year.

In the year under review, Southeastern Europe reported profit before tax of € 351 million, a rise of 15 per cent compared to 2010. This result was positively influenced largely by lower net provisioning for impairment losses, whereas the slight fall in operating income had a negative effect. Total assets in this segment were 1 per cent up year-on-year.

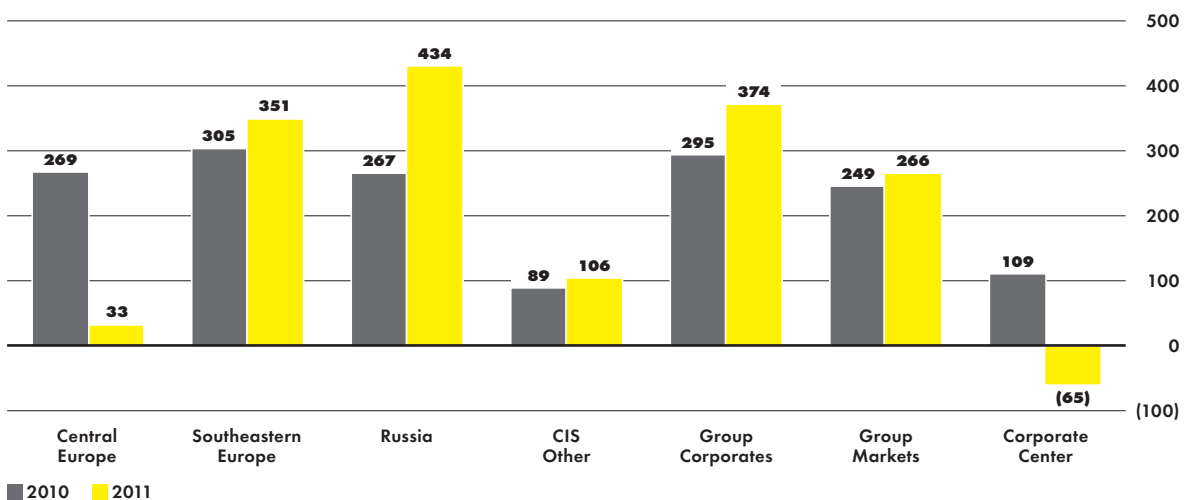
With profit before tax of € 434 million, Russia made the largest regional contribution to earnings. The rise of around 63 per cent achieved here, resulted from an increase in operating income and lower net provisioning for impairment losses. Balance sheet assets in this segment rose by 17 per cent compared to the previous year.

In the CIS Other segment, profit before tax rose by 19 per cent to € 106 million, almost exclusively due to lower net provisioning for impairment losses. Balance sheet assets in the segment fell year-on-year by 5 per cent, largely due to stagnation in lending, and exchange rate effects.

The Group Corporates segment saw a 27 per cent rise in profit before tax to € 374 million during the year under review. This was due to the rise in operating income and the year-on-year lower net provisioning for impairment losses. Balance sheet assets in this segment were 3 per cent down on the previous year.

Profit/loss before tax by segment

in € million



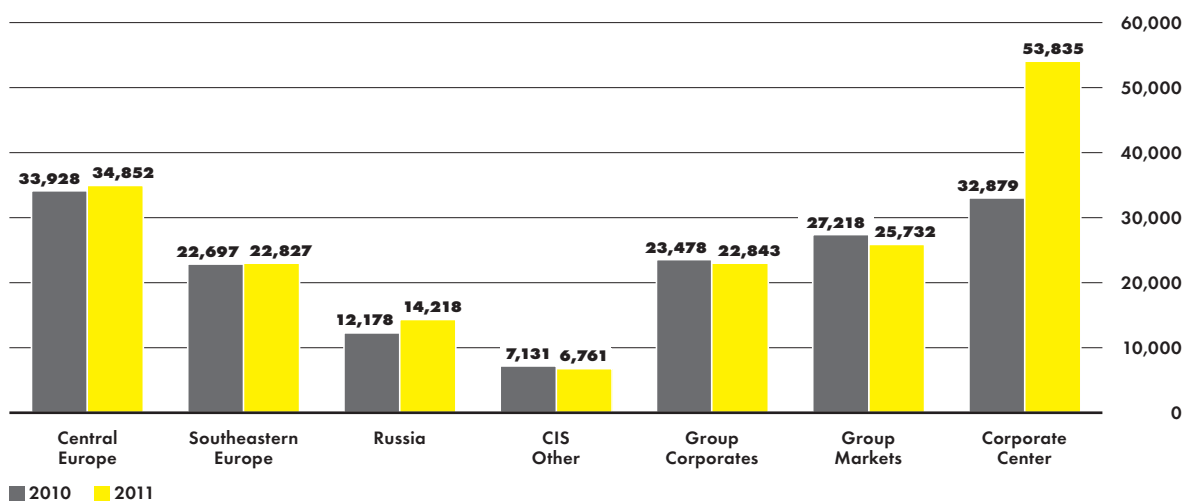
Profit before tax in the Group Markets segment rose year-on-year by 7 per cent to € 266 million. This was primarily due to an increase in operating income and a fall in net provisioning for impairment losses. Balance sheet assets were affected by the decline in business volume and went down 6 per cent on the previous year.

The net loss before tax in the Corporate Center segment came to € 65 million, partly due to write-downs of Group-internal investments, while a higher valuation of derivative financial instruments had a positive influence on earnings. Balance sheet assets rose year-on-year by 64 per cent.

The structure of Group assets by segment changed as follows in the reporting year: The share of Central Europe fell by 2 percentage points to 19 per cent, while that of Southeastern Europe declined by 1 percentage point to 12 per cent. Russia's share remained unchanged at 8 per cent, while that of the CIS Other segment fell by 1 percentage point to 4 per cent. The share of Group Corporates fell by 2 percentage points to 13 per cent, and that of Group Markets by 3 percentage points to 14 per cent, while the Corporate Center segment share rose by 9 percentage points to 30 per cent.

Total assets by segment

in € million



Central Europe

In Central Europe, profit before tax in 2011 was € 33 million, down 88 per cent on the previous year. Although operating income rose by 6 per cent, the sharp increase in provisioning in Hungary and the rise in administrative expenses, in particular, accounted for this decline. Return on equity before tax fell by 9.2 percentage points to 1.2 per cent.

In € million	2011	2010	Change	Q4/2011	Q3/2011	Change
Operating income	1,668	1,569	6.3%	450	396	13.6%
General administrative expenses	(938)	(883)	6.2%	(230)	(238)	(3.4)%
Operating result	730	685	6.5%	220	158	39.0%
Net provisioning for impairment losses	(646)	(408)	58.3%	(162)	(307)	(47.3)%
Other results	(50)	(8)	>500.0%	(38)	(2)	>500.0%
Profit/loss before tax	33	269	(87.8)%	20	(150)	-
Assets	34,852	33,928	2.7%	34,852	35,608	(2.1)%
Net interest margin	3.16%	3.29%	(0.13) PP	2.89%	3.14%	(0.25) PP
Return on equity before tax	1.2%	10.4%	(9.2) PP	2.9%	-	-

Operating income

Net interest income in the segment remained virtually unchanged year-on-year at € 1,102 million. The largest increases were realized here by the units in Slovakia and Poland, mainly due to the expansion of their customer portfolios. In Slovakia, this reflected higher income from loans to corporate and retail customers. Growth was defined particularly by a significant expansion of the mortgage loan portfolio, and with regard to corporate customers financing in connection with environmental technology projects. In Poland, the rise in net interest income was based on a significant increase in the corporate customer portfolio due to the improved demand for credit. In addition, the interest income from securities rose as excess liquidity was invested successfully, as it had been in the previous year. In the other countries within the segment, net interest income was down. In Hungary, this was due to a fall in lending volumes as a result of the ongoing difficult credit environment. In the Czech Republic, on the other hand, the higher interest expenses for customer deposits acquired proactively, as well as the interest expenses for the newly acquired subordinated capital, brought a reduction in earnings. The net interest margin in the region fell by 13 basis points to 3.16 per cent, and the balance sheet assets in this segment increased by 3 per cent year-on-year to € 34.9 billion. At the same time, risk-weighted assets fell by 6 per cent from € 22.9 billion to € 21.5 billion, particularly due to the decline in retail business in Slovakia as well as in the Corporate Customers and Financial Institutions divisions in Hungary.

Net fee and commission income grew in every country in the region except for Hungary, by a total of 4 per cent or € 17 million to € 491 million. Net income from payment transfer business increased year-on-year by 5 per cent to € 196 million, largely due to a rise in the number of transactions as well as to price adjustments for retail customers in the Czech Republic. Year-on-year, net income from the loan and guarantee business grew by 9 per cent to € 72 million. This increase was mainly generated in Poland by significant growth in business activity and, in particular, through income from project financing. Net income from foreign exchange, notes/coins, and precious-metals business remained unchanged at € 147 million in total, although in Hungary both the number and the volume of transactions in foreign currencies declined.

Net trading income rose year-on-year in Central Europe by 83 per cent to € 77 million. Net income from currency-based transactions was up by € 26 million to € 62 million, primarily due to revaluation gains on various foreign currency instruments in Poland and Hungary. Net income from interest-based transactions grew, compared to the previous year, by € 13 million to € 14 million. This mainly reflected revaluation gains on interest rate swap transactions in the Czech Republic and Hungary.

Other net operating income in the region improved in the year under review from minus € 58 million to minus € 2 million. This increase was driven by higher net income from non-banking activities as well as reduced expenses for the banking levy in Hungary. This reduction was the result of the partial deductibility of losses from the early repayment of foreign currency loans as established with retroactive effect by the Hungarian government at the end of 2011.

General administrative expenses

The segment's general administrative expenses increased by 6 per cent or € 55 million to € 938 million compared to the previous year, largely due to the rise in staff expenses and other administrative expenses. The higher staff expenses were caused by an expansion in marketing channels in the Czech Republic as well as increased operating activities at the direct bank ZUNO in Slovakia. In Poland, insourcing measures produced a significant increase in the number of employees and, consequently, in staff expenses. At the same time, other administrative expenses rose by 6 per cent to € 389 million. This rise was primarily connected with the additional business activities of the direct bank ZUNO in the Czech Republic and Slovakia, as well as with preparations for the acquisition of Polbank in Poland. Depreciation increased in several countries in the region, mainly as a result of the commissioning of several IT applications and the depreciation of various IT systems following implementation of a new core bank system. In Hungary, on the other hand, general administrative expenses fell due to the closure of several branches and the reduction in the number of employees. The number of business outlets in the segment fell by 3 to 552 year-on-year. The region's cost/income ratio remained unchanged at 56.3 per cent.

Net provisioning for impairment losses

Although a fall in net provisioning for impairment losses was recorded in several countries in Central Europe, the segment as a whole posted a rise of 58 per cent or € 238 million to € 646 million. The main contributor to this was Hungary with net provisioning of € 478 million. The political and economic situation here called for additional collective individual loan loss provisions. One notable reason for this was the law permitting private individuals to repay foreign currency mortgage loans early at an exchange rate well below the market rate. The decisive repayment rate for allocations to loan loss provisions in the case of foreign currency loans was around 29 per cent.

Net allocations to individual loan loss provisions therefore increased year-on-year by 65 per cent to € 671 million. Alongside the circumstances described above, there was also a need to revalue collateral in Hungary. Market-related weak domestic demand had a negative effect on net provisioning for impairment losses particularly among retail customers. In Slovenia, one fairly large non-performing loan meant that a € 13 million higher net allocation to provisioning for impairment losses was required.

Portfolio-based loan loss provisions recorded a net release of € 21 million in the region. This was therefore an improvement of € 25 million in total on the previous year's level. This volume-related development largely related to consumer lending in Hungary, although, as already mentioned, net allocations to individual loan loss provisions continued to rise here. The highest net allocations to portfolio-based loan loss provisions occurred in the Czech Republic, mainly in connection with the expanded retail customer portfolio. The proportion of non-performing loans in the loan portfolio of the Central Europe segment stood at 9.8 per cent at the end of the reporting year.

Other results and taxes

Other results in the Central Europe segment fell from minus € 8 million to minus € 50 million. Net income from financial investments was down year-on-year from minus € 2 million to minus € 59 million due to valuation losses in several countries. In Hungary, in particular, there was a significant revaluation loss on municipal bonds as a result of the general increase in risk aversion and the resultant rise in bond yields. On the other hand, net income from derivative financial investments turned around year-on-year from minus € 10 million to € 8 million. This improvement resulted predominantly from revaluation gains on various hedging transactions in the Czech Republic which had been entered into to adjust the foreign currency and interest rate structure. Changes in the positions held as well as the falling interest rate level had a positive impact here. Income taxes for the segment rose slightly by 1 per cent to € 66 million, as the losses in Hungary could only be used to a limited extent for allocations to deferred tax assets. Loss after deduction of non-controlling interests was € 11 million.

Below please find the detailed results of the individual countries in the segment:

Czech Republic

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	278	281	(1.1)%	65	70	(7.6)%
Net fee and commission income	127	110	15.0%	31	33	(5.1)%
Net trading income	7	(3)	-	3	0	-
Other net operating income	10	3	226.7%	8	0	-
Operating income	422	392	7.7%	107	103	4.0%
General administrative expenses	(237)	(205)	15.7%	(55)	(64)	(12.9)%
Operating result	185	187	(1.0)%	51	39	31.4%
Net provisioning for impairment losses	(79)	(94)	(15.8)%	(22)	(25)	(14.0)%
Other results	11	(5)	-	(2)	11	-
Profit before tax	117	89	31.6%	28	25	11.8%
Income taxes	(26)	(20)	30.2%	(6)	(6)	2.8%
Profit after tax	91	69	32.0%	22	19	14.5%
Profit attributable to non-controlling interests	(46)	(36)	28.3%	(8)	(11)	(22.1)%
Profit after non-controlling interests	45	33	36.0%	13	8	64.1%
Assets	8,789	7,908	11.1%	8,789	8,988	(2.2)%
Loans and advances to customers	6,538	6,483	0.8%	6,538	6,799	(3.8)%
hereof corporate %	42.3%	42.3%	(0.1) PP	42.3%	43.3%	(1.0) PP
hereof retail %	57.6%	57.4%	0.2 PP	57.6%	56.6%	1.1 PP
hereof foreign currency %	6.9%	7.1%	(0.2) PP	6.9%	6.6%	0.3 PP
Deposits from customers	6,039	5,035	20.0%	6,039	6,004	0.6%
Loan/deposit ratio	108.2%	128.8%	(20.5) PP	108.2%	113.2%	(5.0) PP
Return on equity before tax	20.8%	17.4%	3.4 PP	19.6%	16.9%	2.6 PP
Return on equity after tax	16.2%	13.5%	2.7 PP	15.4%	13.0%	2.4 PP
Cost/income ratio	56.1%	52.2%	3.9 PP	51.8%	61.9%	(10.1) PP
Number of employees as of reporting date	3,012	2,894	4.1%	3,012	3,171	(5.0)%
Business outlets	129	112	15.2%	129	128	0.8%
Number of customers	470,666	423,371	11.2%	470,666	435,751	8.0%

Hungary

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	298	340	(12.4)%	61	76	(19.3)%
Net fee and commission income	90	99	(9.5)%	22	23	(6.5)%
Net trading income	38	24	60.0%	28	(2)	-
Other net operating income	(53)	(56)	(6.1)%	(2)	(18)	(86.2)%
Operating income	373	407	(8.3)%	109	79	37.5%
General administrative expenses	(217)	(231)	(6.3)%	(52)	(57)	(8.4)%
Operating result	157	176	(11.0)%	57	23	152.3%
Net provisioning for impairment losses	(478)	(196)	144.2%	(104)	(258)	(59.6)%
Other results	(54)	(8)	>500.0%	(28)	(13)	116.7%
Loss before tax	(375)	(28)	>500.0%	(75)	(248)	(69.6)%
Income taxes	19	8	157.5%	7	3	96.8%
Loss after tax	(355)	(20)	>500.0%	(69)	(245)	(72.0)%
Profit attributable to non-controlling interests	27	10	173.1%	(71)	93	-
Loss after non-controlling interests	(328)	(11)	>500.0%	(140)	(152)	(8.4)%
Assets	7,320	8,534	(14.2)%	7,320	8,290	(11.7)%
Loans and advances to customers	5,564	6,279	(11.4)%	5,564	5,919	(6.0)%
hereof corporate %	53.2%	51.6%	1.6 PP	53.2%	51.9%	1.3 PP
hereof retail %	42.5%	45.1%	(2.6) PP	42.5%	45.0%	(2.5) PP
hereof foreign currency %	75.9%	72.5%	3.3 PP	75.9%	71.3%	4.5 PP
Deposits from customers	4,578	4,785	(4.3)%	4,578	4,883	(6.2)%
Loan/deposit ratio	121.5%	131.2%	(9.7) PP	121.5%	121.2%	0.3 PP
Return on equity before tax	-	-	-	-	-	-
Return on equity after tax	-	-	-	-	-	-
Cost/income ratio	58.1%	56.8%	1.3 PP	47.6%	71.5%	(23.8) PP
Number of employees as of reporting date	2,977	3,244	(8.2)%	2,977	3,188	(6.6)%
Business outlets	134	144	(6.9)%	134	144	(6.9)%
Number of customers	643,257	640,806	0.4%	643,257	646,256	(0.5)%

Poland

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	191	178	7.5%	44	49	(10.3)%
Net fee and commission income	138	132	4.7%	36	34	6.1%
Net trading income	32	23	40.7%	15	7	129.2%
Other net operating income	16	(6)	-	5	1	334.3%
Operating income	378	327	15.6%	100	91	10.5%
General administrative expenses	(209)	(184)	13.6%	(58)	(51)	12.4%
Operating result	169	143	18.1%	43	40	8.0%
Net provisioning for impairment losses	(58)	(61)	(5.5)%	(22)	(13)	66.1%
Other results	0	0	340.7%	0	0	-
Profit before tax	112	82	35.9%	21	26	(20.3)%
Income taxes	(24)	(22)	8.3%	(5)	(6)	(24.2)%
Profit after tax	88	60	46.1%	16	20	(19.1)%
Profit attributable to non-controlling interests	(6)	(4)	25.9%	(1)	(1)	(32.7)%
Profit after non-controlling interests	82	56	47.7%	16	19	(18.3)%
Assets	7,368	6,928	6.4%	7,368	7,234	1.9%
Loans and advances to customers	5,340	5,127	4.2%	5,340	5,347	(0.1)%
hereof corporate %	61.8%	57.2%	4.6 PP	61.8%	60.6%	1.2 PP
hereof retail %	37.6%	41.9%	(4.3) PP	37.6%	38.6%	(1.0) PP
hereof foreign currency %	39.8%	36.2%	3.6 PP	39.8%	39.7%	0.1 PP
Deposits from customers	4,356	3,896	11.8%	4,356	4,098	6.3%
Loan/deposit ratio	122.6%	131.6%	(9.0) PP	122.6%	130.5%	(7.9) PP
Return on equity before tax	15.8%	11.8%	4.0 PP	13.0%	15.5%	(2.5) PP
Return on equity after tax	12.4%	8.6%	3.8 PP	10.1%	11.9%	(1.8) PP
Cost/income ratio	55.2%	56.2%	(1.0) PP	57.3%	56.3%	1.0 PP
Number of employees as of reporting date	3,169	3,071	3.2%	3,169	3,149	0.6%
Business outlets	116	123	(5.7)%	116	116	0.0%
Number of customers	246,586	242,781	1.6%	246,586	243,900	1.1%

Slovakia

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	304	280	8.4%	76	76	(0.1)%
Net fee and commission income	129	126	2.5%	32	33	(2.9)%
Net trading income	(1)	(2)	(41.7)%	(1)	0	-
Other net operating income	25	3	>500.0%	18	5	289.3%
Operating income	456	406	12.2%	125	114	9.5%
General administrative expenses	(251)	(237)	5.8%	(61)	(60)	1.0%
Operating result	205	170	21.1%	64	54	18.9%
Net provisioning for impairment losses	(17)	(49)	(66.0)%	(12)	(7)	61.4%
Other results	(4)	2	-	(5)	2	-
Profit before tax	185	122	51.2%	48	49	(3.1)%
Income taxes	(36)	(30)	20.0%	(8)	(10)	(26.1)%
Profit after tax	149	93	61.2%	40	39	3.1%
Profit attributable to non-controlling interests	(51)	(33)	54.9%	(9)	(14)	(37.9)%
Profit after non-controlling interests	98	60	64.6%	31	24	27.2%
Assets	9,682	8,972	7.9%	9,682	9,453	2.4%
Loans and advances to customers	6,636	6,011	10.4%	6,636	6,536	1.5%
hereof corporate %	52.0%	53.3%	(1.3) PP	52.0%	53.0%	(1.0) PP
hereof retail %	47.8%	46.4%	1.4 PP	47.8%	46.7%	1.0 PP
hereof foreign currency %	0.9%	1.6%	(0.6) PP	0.9%	1.0%	0.0 PP
Deposits from customers	7,207	6,816	5.7%	7,207	7,037	2.4%
Loan/deposit ratio	92.1%	88.2%	3.9 PP	92.1%	92.9%	(0.8) PP
Return on equity before tax	21.0%	15.6%	5.4 PP	21.0%	23.5%	(2.5) PP
Return on equity after tax	16.9%	11.8%	5.1 PP	17.6%	18.5%	(0.9) PP
Cost/income ratio	55.0%	58.3%	(3.3) PP	48.5%	52.6%	(4.1) PP
Number of employees as of reporting date	3,805	3,693	3.0%	3,805	3,807	(0.1)%
Business outlets	156	159	(1.9)%	156	156	0.0%
Number of customers	788,215	735,722	7.1%	788,215	770,491	2.3%

Slovenia

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	31	31	(1.7)%	7	7	2.4%
Net fee and commission income	8	6	17.5%	2	2	(1.9)%
Net trading income	0	(1)	-	0	0	(84.9)%
Other net operating income	0	2	-	0	0	-
Operating income	39	39	(0.8)%	9	10	(8.8)%
General administrative expenses	(26)	(27)	(3.2)%	(5)	(7)	(20.7)%
Operating result	13	12	4.5%	4	3	17.0%
Net provisioning for impairment losses	(15)	(9)	72.8%	(2)	(3)	(39.2)%
Other results	(4)	0	-	(2)	(2)	36.1%
Profit/loss before tax	(6)	4	-	(1)	(2)	(64.7)%
Income taxes	1	(1)	-	0	1	(20.9)%
Profit/loss after tax	(6)	3	-	0	(2)	(93.0)%
Profit attributable to non-controlling interests	1	0	-	0	0	(83.7)%
Profit/loss after non-controlling interests	(5)	2	-	0	(2)	(94.2)%
Assets	1,732	1,611	7.5%	1,732	1,668	3.8%
Loans and advances to customers	1,303	1,317	(1.0)%	1,303	1,342	(2.9)%
hereof corporate %	61.7%	69.1%	(7.4) PP	61.7%	62.4%	(0.7) PP
hereof retail %	32.1%	30.0%	2.1 PP	32.1%	31.5%	0.6 PP
hereof foreign currency %	6.9%	9.5%	(2.7) PP	6.9%	6.7%	0.2 PP
Deposits from customers	464	447	3.8%	464	402	15.3%
Loan/deposit ratio	281.0%	294.7%	(13.8) PP	281.0%	333.6%	(52.6) PP
Return on equity before tax	-	4.6%	-	-	-	-
Return on equity after tax	-	3.2%	-	-	-	-
Cost/income ratio	66.6%	68.3%	(1.7) PP	59.6%	68.5%	(8.9) PP
Number of employees as of reporting date	323	352	(8.2)%	323	342	(5.6)%
Business outlets	17	17	0.0%	17	17	0.0%
Number of customers	67,526	66,899	0.9%	67,526	67,823	(0.4)%

Southeastern Europe

In Southeastern Europe, profit before tax rose year-on-year by 15 per cent to € 351 million. Lower net provisioning for impairment losses stood in contrast to a decline in operating income and other results. Return on equity before tax increased by 1.8 percentage points to 17.5 per cent.

In € million	2011	2010	Change	Q4/2011	Q3/2011	Change
Operating income	1,366	1,379	(1.0)%	350	338	3.3%
General administrative expenses	(746)	(738)	1.2%	(192)	(183)	5.0%
Operating result	619	641	(3.4)%	158	155	1.4%
Net provisioning for impairment losses	(258)	(335)	(23.1)%	(64)	(70)	(7.6)%
Other results	(10)	(1)	>500.0%	(2)	(14)	(83.6)%
Profit before tax	351	305	15.3%	91	72	26.8%
Assets	22,827	22,697	0.6%	22,827	22,630	0.9%
Net interest margin	4.07%	3.90%	0.17 PP	4.04%	4.16%	(0.12) PP
Return on equity before tax	17.5%	15.7%	1.8 PP	18.1%	14.0%	4.1 PP

Operating income

Net interest income in the segment rose by 2 per cent to € 919 million. Growth was recorded in all the region's countries except for Bulgaria, with the strongest rise in net interest income posted in Romania. Here, despite the high pressure on margins, there was a significant increase in lending volumes for large corporate customers and retail customers. In Bulgaria, on the other hand, net interest income from the customer portfolio fell as margins on the asset side declined sharply. The net interest margin for the segment was up 17 basis points in total to 4.07 per cent, while year-on-year the balance sheet assets remained virtually unchanged at € 22.8 billion. Risk-weighted assets (credit risk) fell by 2 per cent compared to the previous year to € 16.3 billion. The main reason for this was Croatia, where receivables from the public sector and borrowers guaranteed by the public sector were able to carry a lower weighting due to the country's imminent accession to the EU.

Net fee and commission income declined by 6 per cent year-on-year to € 365 million. The payment transfer business continued to be the biggest contributor with € 178 million (up 2 per cent), while income from credit and guarantee business fell by 32 per cent compared to the previous year to € 62 million. This was due to developments in Romania, where lower transaction volumes (particularly in the stagnant guarantee business) and a market-related fall in prices prompted a decline. In addition, the new provisions of the Consumer Protection Act, which had come into force in June 2010, also reduced earnings. Income from the securities business slipped 11 per cent to € 8 million, due especially to the sharp decline in public sector issues on the local financial market in Croatia. Income from the foreign exchange, notes/coins, and precious-metals business rose by 4 per cent year-on-year to € 69 million.

Net trading income for Southeastern Europe was down 26 per cent year-on-year to € 41 million. Net income from currency-based transactions fell by 8 per cent to € 28 million. While the net valuation of forward and swap transactions in Romania rose slightly, net income in Croatia decreased due to the expiration of a number of currency swap transactions and significantly lower currency volatility. Interest-based transactions posted income of € 15 million, a fall of 40 per cent. In Croatia, the widening of the credit spread resulted in valuation losses on various government bonds in the portfolio.

Other net operating income rose year-on-year by 8 per cent to € 40 million. The slight rise in net income from the operating leasing business to € 41 million had a positive effect, predominantly in Croatia.

General administrative expenses

The segment's general administrative expenses rose year-on-year by a total of 1 per cent to € 746 million. Staff expenses were down in several countries, particularly in Romania where the reduction was sharpest due to lower expenses for bonus payments. By contrast, other administrative expenses were 3 per cent higher in total. This rise was mainly attributable to Romania, where higher expenses were incurred for new IT applications and for deposit protection. A change in VAT regulations in Romania also had a negative impact. Depreciation in the segment rose by 5 per cent to € 108 million, primarily as a result of investment in intangible fixed assets including IT applications, particularly in Romania. Conversely, general administrative expenses fell in Croatia due to savings virtually across the board. The combination of lower operating income and increased general administrative expenses meant that the cost/income ratio was up slightly by 1.1 percentage points to 54.7 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses was down by a total of 23 per cent or € 77 million to € 258 million. Net allocations to individual loan loss provisions fell by 6 per cent or € 20 million to € 315 million. The main contributor to this was Croatia, where greater success with the collection of receivables and restructuring measures for loans to retail customers fueled the reduction. In addition, impairment loss provisions for a large corporate customer in Albania were also released. Portfolio-based loan loss provisions had a positive impact of € 54 million, with the highest releases recorded here in Bulgaria and Romania. Croatia, by contrast, saw an increase in net provisioning for the large customer portfolio due to adjustment to newly calculated loss rates. The proportion of non-performing loans in the segment's loan portfolio grew to 11.3 per cent, mainly as a result of larger individual cases in the corporate customer business.

Other results and taxes

Other results for the Southeastern Europe segment fell year-on-year by € 9 million to minus € 10 million. Net income from financial investments was down from € 10 million to minus € 5 million due to disposal and valuation losses on government bonds in Romania as well as corporate bonds in Croatia. The deconsolidation of a leasing company in Moldova for materiality reasons resulted in a net loss on the disposal of Group assets of € 0.3 million.

Income taxes for the region climbed by 19 per cent year-on-year to € 47 million. The effective tax rate remained unchanged at 13 per cent.

Profit after deduction of non-controlling interests rose by 16 per cent to € 289 million.

Below please find the detailed results of the individual countries in the segment:

Albania

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	87	87	0.7%	22	22	(1.1)%
Net fee and commission income	8	8	(2.6)%	2	2	(20.4)%
Net trading income	14	15	(5.5)%	4	4	4.7%
Other net operating income	(1)	0	-	(1)	0	-
Operating income	108	110	(1.2)%	26	28	(5.6)%
General administrative expenses	(39)	(35)	9.5%	(11)	(9)	22.5%
Operating result	70	74	(6.3)%	15	19	(19.7)%
Net provisioning for impairment losses	(14)	(31)	(53.9)%	3	(4)	-
Other results	0	0	-	0	0	-
Profit before tax	55	43	27.7%	18	14	25.9%
Income taxes	(6)	(5)	32.5%	(2)	(1)	9.3%
Profit after tax	49	39	27.1%	16	13	27.8%
Profit attributable to non-controlling interests	0	0	(7.5)%	0	0	325.5%
Profit after non-controlling interests	49	39	27.3%	16	13	27.5%
Assets	2,330	2,009	16.0%	2,330	2,156	8.1%
Loans and advances to customers	972	776	25.2%	972	855	13.7%
hereof corporate %	65.6%	62.6%	3.1 PP	65.6%	62.2%	3.4 PP
hereof retail %	34.4%	37.4%	(3.1) PP	34.4%	37.8%	(3.4) PP
hereof foreign currency %	57.6%	63.5%	(5.9) PP	57.6%	65.5%	(7.9) PP
Deposits from customers	2,005	1,704	17.6%	2,005	1,840	9.0%
Loan/deposit ratio	48.5%	45.5%	2.9 PP	48.5%	46.5%	2.0 PP
Return on equity before tax	29.6%	24.7%	4.9 PP	43.5%	33.4%	10.1 PP
Return on equity after tax	26.4%	22.1%	4.3 PP	39.6%	29.9%	9.7 PP
Cost/income ratio	35.8%	32.3%	3.5 PP	43.4%	33.5%	9.9 PP
Number of employees as of reporting date	1,427	1,343	6.3%	1,427	1,378	3.6%
Business outlets	105	105	0.0%	105	104	1.0%
Number of customers	692,142	635,145	9.0%	692,142	689,725	0.4%

Bosnia and Herzegovina

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	78	74	6.3%	19	20	(2.5)%
Net fee and commission income	32	30	5.9%	8	8	(2.0)%
Net trading income	1	1	63.1%	0	0	56.2%
Other net operating income	4	0	>500.0%	0	2	(78.1)%
Operating income	115	104	10.3%	28	30	(6.9)%
General administrative expenses	(66)	(67)	(0.8)%	(19)	(16)	17.7%
Operating result	49	37	30.1%	9	14	(34.9)%
Net provisioning for impairment losses	(20)	(28)	(29.4)%	(7)	(6)	26.8%
Other results	(2)	(1)	114.5%	(1)	0	192.5%
Profit before tax	27	9	212.6%	1	8	(87.5)%
Income taxes	(4)	(1)	177.2%	(2)	0	>500.0%
Profit/loss after tax	23	7	219.6%	(1)	8	-
Profit attributable to non-controlling interests	0	0	(12.6)%	0	0	-
Profit/loss after non-controlling interests	23	7	229.9%	(1)	8	-
Assets	2,170	2,052	5.8%	2,170	2,144	1.2%
Loans and advances to customers	1,358	1,350	0.6%	1,358	1,373	(1.1)%
hereof corporate %	42.8%	42.4%	0.4 PP	42.8%	43.5%	(0.7) PP
hereof retail %	56.2%	55.8%	0.4 PP	56.2%	55.2%	1.0 PP
hereof foreign currency %	74.2%	75.5%	(1.3) PP	74.2%	73.4%	0.8 PP
Deposits from customers	1,660	1,516	9.5%	1,660	1,611	3.0%
Loan/deposit ratio	81.8%	89.1%	(7.2) PP	81.8%	85.3%	(3.4) PP
Return on equity before tax	11.1%	3.6%	7.5 PP	1.7%	13.6%	(11.9) PP
Return on equity after tax	9.5%	3.0%	6.4 PP	-	13.1%	-
Cost/income ratio	57.7%	64.1%	(6.5) PP	67.2%	53.1%	14.1 PP
Number of employees as of reporting date	1,569	1,640	(4.3)%	1,569	1,583	(0.9)%
Business outlets	98	98	0.0%	98	98	0.0%
Number of customers	591,507	638,528	(7.4)%	591,507	636,818	(7.1)%

Bulgaria

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	168	188	(10.8)%	41	42	(0.8)%
Net fee and commission income	37	35	7.3%	10	10	(5.0)%
Net trading income	7	7	4.9%	1	2	(26.5)%
Other net operating income	1	(1)	-	1	0	272.0%
Operating income	213	229	(6.8)%	53	53	(0.6)%
General administrative expenses	(98)	(96)	1.3%	(25)	(24)	1.2%
Operating result	115	132	(12.7)%	28	29	(2.0)%
Net provisioning for impairment losses	(79)	(98)	(19.6)%	(29)	(24)	21.1%
Other results	0	1	(63.4)%	0	0	-
Profit before tax	37	35	4.9%	0	5	-
Income taxes	(3)	(3)	9.9%	0	0	-
Profit after tax	34	32	4.5%	0	5	-
Profit attributable to non-controlling interests	(1)	(1)	(42.3)%	0	0	-
Profit after non-controlling interests	33	31	6.7%	0	5	-
Assets	3,681	3,790	(2.9)%	3,681	3,705	(0.7)%
Loans and advances to customers	2,974	2,816	5.6%	2,974	2,927	1.6%
hereof corporate %	44.2%	41.6%	2.6 PP	44.2%	44.0%	0.2 PP
hereof retail %	55.3%	57.9%	(2.7) PP	55.3%	55.5%	(0.2) PP
hereof foreign currency %	78.3%	78.6%	(0.3) PP	78.3%	79.5%	(1.2) PP
Deposits from customers	2,171	2,056	5.6%	2,171	2,124	2.2%
Loan/deposit ratio	137.0%	137.0%	0.0 PP	137.0%	137.8%	(0.8) PP
Return on equity before tax	7.5%	7.3%	0.2 PP	-	4.4%	-
Return on equity after tax	6.9%	6.8%	0.2 PP	-	4.2%	-
Cost/income ratio	45.9%	42.2%	3.7 PP	46.8%	46.0%	0.8 PP
Number of employees as of reporting date	3,271	3,241	0.9%	3,271	3,346	(2.2)%
Business outlets	187	190	(1.6)%	187	189	(1.1)%
Number of customers	775,580	736,622	5.3%	775,580	763,485	1.6%

Croatia

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	175	174	0.9%	41	44	(5.7)%
Net fee and commission income	66	72	(8.8)%	16	18	(13.1)%
Net trading income	1	21	(96.0)%	4	(7)	-
Other net operating income	26	27	(4.6)%	7	5	38.5%
Operating income	268	294	(9.0)%	67	59	13.8%
General administrative expenses	(151)	(157)	(3.9)%	(36)	(37)	(3.4)%
Operating result	117	137	(14.7)%	32	22	42.2%
Net provisioning for impairment losses	(52)	(68)	(22.8)%	(8)	(13)	(36.6)%
Other results	(13)	(6)	107.5%	(7)	(9)	(21.4)%
Profit before tax	52	63	(18.0)%	16	0	>500.0%
Income taxes	(10)	(13)	(23.8)%	(3)	0	>500.0%
Profit after tax	42	50	(16.5)%	13	0	-
Profit attributable to non-controlling interests	(11)	(14)	(18.6)%	(4)	1	-
Profit after non-controlling interests	31	36	(15.7)%	9	0	>500.0%
Assets	5,465	5,858	(6.7)%	5,465	5,490	(0.4)%
Loans and advances to customers	3,830	3,814	0.4%	3,830	3,809	0.6%
hereof corporate %	39.9%	38.1%	1.8 PP	39.9%	39.2%	0.7 PP
hereof retail %	48.6%	50.2%	(1.6) PP	48.6%	49.1%	(0.5) PP
hereof foreign currency %	67.4%	72.2%	(4.8) PP	67.4%	67.8%	(0.4) PP
Deposits from customers	3,121	3,102	0.6%	3,121	3,150	(0.9)%
Loan/deposit ratio	122.7%	123.0%	(0.3) PP	122.7%	120.9%	1.8 PP
Return on equity before tax	6.6%	8.0%	(1.4) PP	8.6%	-	-
Return on equity after tax	5.3%	6.4%	(1.0) PP	7.1%	-	-
Cost/income ratio	56.3%	53.4%	3.0 PP	52.8%	62.2%	(9.4) PP
Number of employees as of reporting date	2,083	2,216	(6.0)%	2,083	2,102	(0.9)%
Business outlets	81	84	(3.6)%	81	81	0.0%
Number of customers	538,817	544,239	(1.0)%	538,817	538,202	0.1%

Kosovo

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	39	35	11.3%	10	10	0.1%
Net fee and commission income	8	7	5.9%	2	2	(6.0)%
Net trading income	0	0	-	0	0	-
Other net operating income	0	0	(62.2)%	0	0	-
Operating income	47	42	10.8%	12	12	(0.2)%
General administrative expenses	(26)	(24)	8.1%	(7)	(6)	16.4%
Operating result	20	18	14.5%	5	6	(17.8)%
Net provisioning for impairment losses	(6)	(6)	1.2%	(3)	(1)	154.7%
Other results	(1)	0	122.4%	0	0	(43.7)%
Profit before tax	14	12	18.8%	2	4	(59.8)%
Income taxes	(1)	(1)	(7.0)%	0	0	(52.2)%
Profit after tax	13	10	22.6%	2	4	(60.7)%
Profit attributable to non-controlling interests	0	0	-	0	0	-
Profit after non-controlling interests	13	10	22.0%	2	4	(61.0)%
Assets	680	673	1.1%	680	702	(3.1)%
Loans and advances to customers	428	386	10.9%	428	421	1.7%
hereof corporate %	33.8%	29.9%	4.0 PP	33.8%	32.0%	1.8 PP
hereof retail %	66.2%	70.1%	(4.0) PP	66.2%	68.0%	(1.8) PP
hereof foreign currency %	0.0%	0.0%	0.0 PP	0.0%	0.0%	0.0 PP
Deposits from customers	557	550	1.3%	557	580	(4.0)%
Loan/deposit ratio	76.9%	70.2%	6.6 PP	76.9%	72.6%	4.3 PP
Return on equity before tax	15.7%	14.5%	1.2 PP	8.3%	20.5%	(12.3) PP
Return on equity after tax	14.1%	12.6%	1.5 PP	7.2%	18.3%	(11.1) PP
Cost/income ratio	56.4%	57.8%	(1.4) PP	60.1%	51.5%	8.6 PP
Number of employees as of reporting date	720	693	3.9%	720	717	0.4%
Business outlets	54	52	3.8%	54	52	3.8%
Number of customers	252,343	266,122	(5.2)%	252,343	245,849	2.6%

Romania

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	268	238	12.4%	72	71	1.6%
Net fee and commission income	179	202	(11.1)%	45	43	4.2%
Net trading income	15	13	19.5%	4	1	459.9%
Other net operating income	6	0	-	5	2	137.7%
Operating income	469	453	3.6%	127	118	8.0%
General administrative expenses	(286)	(276)	3.8%	(73)	(70)	3.6%
Operating result	182	176	3.2%	54	48	14.4%
Net provisioning for impairment losses	(68)	(72)	(5.3)%	(17)	(18)	(6.5)%
Other results	(1)	12	-	4	(6)	-
Profit before tax	113	116	(2.6)%	42	24	75.9%
Income taxes	(18)	(15)	23.3%	(8)	(4)	121.0%
Profit after tax	94	101	(6.5)%	34	20	68.1%
Profit attributable to non-controlling interests	(1)	0	91.7%	0	0	-
Profit after non-controlling interests	93	100	(6.9)%	34	20	66.9%
Assets	6,359	6,227	2.1%	6,359	6,292	1.1%
Loans and advances to customers	4,428	4,247	4.3%	4,428	4,404	0.5%
hereof corporate %	37.1%	34.2%	2.9 PP	37.1%	37.3%	(0.3) PP
hereof retail %	60.8%	60.2%	0.7 PP	60.8%	60.2%	0.6 PP
hereof foreign currency %	52.1%	52.1%	0.0 PP	52.1%	52.1%	0.0 PP
Deposits from customers	3,904	3,631	7.5%	3,904	3,758	3.9%
Loan/deposit ratio	113.4%	116.9%	(3.5) PP	113.4%	117.2%	(3.8) PP
Return on equity before tax	23.1%	26.9%	(3.7) PP	35.8%	20.3%	15.5 PP
Return on equity after tax	19.3%	23.4%	(4.1) PP	29.1%	17.3%	11.9 PP
Cost/income ratio	61.1%	61.0%	0.1 PP	57.2%	59.6%	(2.4) PP
Number of employees as of reporting date	6,030	6,219	(3.0)%	6,030	6,065	(0.6)%
Business outlets	551	543	1.5%	551	544	1.3%
Number of customers	1,913,601	1,903,304	0.5%	1,913,601	1,956,099	(2.2)%

Serbia

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	104	103	1.4%	24	26	(9.6)%
Net fee and commission income	35	33	4.2%	9	9	5.1%
Net trading income	3	0	>500.0%	1	1	131.0%
Other net operating income	4	4	8.5%	1	2	(45.1)%
Operating income	147	141	4.5%	35	37	(5.4)%
General administrative expenses	(81)	(82)	(1.6)%	(21)	(20)	9.2%
Operating result	66	59	13.0%	14	18	(21.5)%
Net provisioning for impairment losses	(18)	(32)	(43.5)%	(4)	(4)	(9.7)%
Other results	6	1	>500.0%	2	2	18.5%
Profit before tax	54	27	98.2%	12	16	(20.2)%
Income taxes	(4)	(1)	245.6%	(1)	(1)	(43.7)%
Profit after tax	50	26	91.7%	12	15	(18.4)%
Profit attributable to non-controlling interests	1	2	(42.9)%	0	0	36.3%
Profit after non-controlling interests	51	28	83.9%	12	15	(17.9)%
Assets	2,207	2,129	3.6%	2,207	2,214	(0.3)%
Loans and advances to customers	1,331	1,391	(4.4)%	1,331	1,348	(1.3)%
hereof corporate %	53.8%	55.5%	(1.7) PP	53.8%	54.1%	(0.3) PP
hereof retail %	43.1%	41.6%	1.5 PP	43.1%	42.8%	0.2 PP
hereof foreign currency %	66.2%	65.3%	1.0 PP	66.2%	65.4%	0.9 PP
Deposits from customers	1,176	1,085	8.4%	1,176	1,139	3.3%
Loan/deposit ratio	113.1%	128.3%	(15.1) PP	113.1%	118.4%	(5.2) PP
Return on equity before tax	11.0%	5.6%	5.4 PP	10.0%	12.4%	(2.4) PP
Return on equity after tax	10.2%	5.4%	4.8 PP	9.5%	11.5%	(2.0) PP
Cost/income ratio	54.9%	58.3%	(3.4) PP	60.4%	52.3%	8.1 PP
Number of employees as of reporting date	1,765	1,848	(4.5)%	1,765	1,772	(0.4)%
Business outlets	85	95	(10.5)%	85	85	0.0%
Number of customers	508,503	501,553	1.4%	508,503	499,849	1.7%

Russia

In the Russia segment, profit before tax increased by 63 per cent year-on-year, to € 434 million. Here, higher general administrative expenses were more than offset by the significant increase in operating income. In particular, profit before tax was improved by the release of provisions for impairment losses on loans and advances. The return on equity before tax rose by 9.3 percentage points to 34.0 per cent.

In € million	2011	2010	Change	Q4/2011	Q3/2011	Change
Operating income	853	767	11.2%	213	192	10.9%
General administrative expenses	(488)	(415)	17.5%	(153)	(113)	34.7%
Operating result	366	352	3.8%	61	79	(23.2)%
Net provisioning for impairment losses	42	(77)	-	63	(17)	-
Other results	26	(8)	-	23	18	28.1%
Profit before tax	434	267	62.5%	147	81	82.4%
Assets	14,218	12,178	16.8%	14,218	13,975	1.7%
Net interest margin	4.47%	4.14%	0.33 PP	4.50%	4.49%	0.01 PP
Return on equity before tax	34.0%	24.7%	9.3 PP	46.4%	25.8%	20.7 PP

Operating income

Net interest income in Russia rose by 16 per cent or € 83 million year-on-year, to € 590 million. This growth, despite increased pressure on margins, was mainly due to a total increase of 19 per cent in the portfolio of loans and advances to large corporate customers and private individuals, due to strong demand for loans. The significant rise in interest income from derivative financial instruments, mainly resulting from a larger number of transactions, also made a positive contribution to profits. In this segment, the net interest margin increased by 33 basis points year-on-year, to 4.47 per cent. Total assets gained 17 per cent year-on-year, reaching € 14.2 billion. The strong growth in the loan portfolio enabled a reduction in holdings of public sector securities. Credit risk-weighted assets rose by 21 per cent to € 10.5 billion, a result of a significant rise in project financing mandates and approved credit lines.

The segment's net fee and commission income rose by 11 per cent or € 24 million year-on-year, to reach € 238 million. Here, although the payment transfer business declined due to the release of accruals for expected income, it still made the largest contribution, amounting to € 82 million. Income from the securities business remained almost unchanged year-on-year at € 13 million. In proportion to the increase in transaction volumes, income from the foreign currency, notes/coins, and precious-metals business rose by 6 per cent to a total of € 53 million. Due to a change in the method of calculating fee and commission income, the net income from the loan and guarantee business rose by 75 per cent to € 60 million. The income from other banking services also increased by 17 per cent to € 38 million, primarily as a result of improved income from the collections business and import-export financing.

The net trading income decreased from € 74 million to € 38 million. Here, the net income from interest-based transactions, at € 45 million, was 24 per cent lower than in the previous year. This was mainly due to lower net valuations of fixed-interest bonds and notes in comparison with the previous year. The net income from currency-based transactions also declined, decreasing by € 21 million to minus € 7 million. Lower revaluation gains from currency swaps linked to proprietary trading and from foreign currency positions were responsible for this decline.

The segment's other net operating income improved by € 16 million to reach minus € 13 million. This was primarily a result of significantly lower allocations to other provisions – after relatively high allocations in the previous year, mainly for litigation following the closure of an outlet – as well as the increase in income from the operating leasing business in connection with real estate.

General administrative expenses

The segment's general administrative expenses increased by a total of 18 per cent to reach € 488 million. This was primarily caused by an increase in staff expenses due to salary increases and a rise in ancillary salary costs. Other administrative expenses rose primarily because of increased IT, legal, advisory and consulting expenses. Depreciation advanced year-on-year by 24 per cent, mainly due to impairment of tangible and intangible fixed assets. The number of business outlets fell by 7 to 191. The cost/income ratio increased year-on-year to 57.2 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses resulted in a positive figure of € 42 million, which is a year-on-year improvement of € 119 million. This was mainly due to lower allocations to individual loan loss provisions for the portfolio of loans and advances to large corporate customers and private individuals. The development was a result of the significant decline in non-performing loans, of improved repayment ratios regarding overdue loans, and of the sale of loans. The ratio of non-performing loans in the loan portfolio decreased by 3.0 percentage points year-on-year, to 5.8 per cent. In the net allocations to portfolio-based loan loss provisions, a net release was again observed, which was also € 21 million higher than in the previous year, amounting to € 31 million. The reason for this was an improvement in the historical default rates used for the calculation of portfolio-based loan loss provisions.

Other results and taxes

The other results from the Russia segment amounted to € 26 million in total. The key element of this was net income from derivatives of € 27 million, due primarily to net income from revaluation from the interest swap transactions concluded in order to mitigate interest rate structure risk. Due to the deconsolidation of a leasing company for materiality reasons, the segment showed a net loss from disposal of Group assets of € 1 million.

Income taxes doubled year-on-year, to reach € 112 million. The effective tax rate rose 6 percentage points to 26 per cent, as a result of the higher share of expenses not deductible for tax purposes.

Profit after deduction of non-controlling interests increased by 51 per cent, to € 322 million.

Russia

The table below provides an overview of the country results for Russia. Any discrepancies with regard to the values specified for the Russia segment are the result of equity being allocated differently: The income figures in the country overview are based on the balance sheet equity; at segment level, the equity used in the calculation is based on actual equity used.

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	590	507	16.4%	159	153	3.9%
Net fee and commission income	238	214	11.0%	64	64	(0.6)%
Net trading income	38	74	(48.7)%	1	(22)	-
Other net operating income	(14)	(26)	(47.0)%	(10)	(2)	366.4%
Operating income	852	770	10.7%	213	192	10.9%
General administrative expenses	(488)	(415)	17.5%	(153)	(113)	34.7%
Operating result	365	355	2.7%	61	79	(23.2)%
Net provisioning for impairment losses	42	(77)	-	63	(17)	-
Other results	27	(11)	-	23	18	28.6%
Profit before tax	434	267	62.5%	147	81	82.5%
Income taxes	(112)	(53)	110.7%	(36)	(27)	34.0%
Profit after tax	322	214	50.4%	111	54	106.5%
Profit attributable to non-controlling interests	(5)	(2)	236.2%	(2)	(1)	58.1%
Profit after non-controlling interests	316	212	49.1%	109	53	107.8%
Assets	14,476	12,442	16.3%	14,476	13,975	3.6%
Loans and advances to customers	9,073	7,601	19.4%	9,073	9,219	(1.6)%
hereof corporate %	70.2%	72.5%	(2.4) PP	70.2%	72.5%	(2.3) PP
hereof retail %	29.7%	26.9%	2.8 PP	29.7%	27.2%	2.5 PP
hereof foreign currency %	48.5%	44.7%	3.9 PP	48.5%	47.7%	0.8 PP
Deposits from customers	9,320	6,764	37.8%	9,320	9,270	0.5%
Loan/deposit ratio	97.3%	112.4%	(15.0) PP	97.3%	99.5%	(2.1) PP
Return on equity before tax	36.9%	26.8%	10.0 PP	55.4%	18.5%	36.9 PP
Return on equity after tax	27.3%	21.5%	5.9 PP	42.0%	12.4%	29.6 PP
Cost/income ratio	57.2%	53.9%	3.3 PP	71.5%	58.8%	12.6 PP
Number of employees as of reporting date	8,475	8,618	(1.7)%	8,475	8,697	(2.6)%
Business outlets	191	198	(3.5)%	191	192	(0.5)%
Number of customers	2,135,551	1,860,036	14.8%	2,135,551	2,032,056	5.1%

CIS Other

Profit before tax in the CIS Other segment rose by 19 per cent to € 106 million in the year under review. On the one hand, the improvement was attributable to the decline in net provisioning for impairment losses; on the other hand, the segment's net income was influenced by the unstable currency situation and resulting sharp devaluation of the Belarusian rouble. It has since been classified as the currency of a hyperinflationary country. In order to ensure comparability with previous periods, reporting had to be adjusted following the introduction of hyperinflation accounting in the fourth quarter. The adjustment effectively reduced profit by a net amount of € 54 million. The segment's return on equity before tax rose by 1.7 percentage points to 15.1 per cent.

In € million	2011	2010	Change	Q4/2011	Q3/2011	Change
Operating income	584	622	(6.1)%	86	169	(48.9)%
General administrative expenses	(336)	(346)	(3.0)%	(88)	(83)	5.2%
Operating result	248	276	(10.1)%	(1)	86	-
Net provisioning for impairment losses	(128)	(214)	(40.2)%	(29)	(28)	4.5%
Other results	(15)	27	-	(7)	(13)	(47.7)%
Profit/loss before tax	106	89	18.5%	(37)	45	-
Assets	6,761	7,131	(5.2)%	6,761	6,758	0.0%
Net interest margin	6.10%	6.19%	(0.09) PP	5.91%	6.79%	(0.89) PP
Return on equity before tax	15.1%	13.4%	1.7 PP	-	25.3%	-

Operating income

Net interest income for the segment fell by 2 per cent, or € 8 million, to € 415 million. At the same time, net interest income in Ukraine rose by 3 per cent, mainly due to a reduction in interest expenses for customer deposits, as well as higher income from the increased portfolio of Ukrainian government bonds. By contrast, net interest income in Belarus decreased year-on-year, influenced by currency translation coupled with the increased share of net interest income in local currency.

The segment's balance sheet assets declined by 5 per cent year-on-year to € 6.8 billion, primarily due to weaker credit growth in Ukraine. In addition, currency devaluation in Belarus also had a negative impact despite credit expansion in local currency. The net interest margin decreased by 9 basis points to 6.10 per cent. Credit risk-weighted assets declined by 3.2 per cent year-on-year to € 5.5 billion owing to a drop in retail customers in Ukraine.

The segment's net fee and commission income fell by 4 per cent year-on-year to € 176 million, with income from payment transfer business making the largest contribution, remaining nearly unchanged at € 129 million. The resulting net income improvement in Ukraine was attributable to the increase in the number of accounts and transactions with retail and corporate customers. As foreign currency lending to private customers has been discontinued in Ukraine, net income of € 35 million from the foreign currency, notes/coins, and precious-metals business came in 17 per cent below the previous year's level. The net income contribution from the loan and guarantee business was somewhat lower at € 5 million. In Belarus, foreign currency translation resulted in an overall decrease in net fee and commission income.

Net trading income in the region fell year-on-year from € 23 million to minus € 1 million, with net income from currency-based transactions declining to minus € 5 million in total. Although the application of hyperinflation accounting in Belarus impacted net trading income by € 84 million, the loss was mitigated by valuation gains arising from strategic currency positions taken to hedge equity, which exceeded the previous year's € 1 million level by € 76 million. The reason for this was the significantly sharper devaluation (63 per cent) of the local currency against the euro in the period under review. A currency swap realized in the year under review likewise generated income of € 44 million. By contrast, net income from interest-based transactions fell by € 8 million to € 5 million year-on-year. Net income from fixed income government securities and bonds was lower year-on-year due to mark-to-market valuation in Ukraine.

The segment's other net operating income, which is comprised of a number of smaller income and expense items, improved year-on-year from minus € 8 million to minus € 7 million, mainly due to the release of other provisions established in 2010 for a meanwhile concluded litigation in connection with real estate in Ukraine.

General administrative expenses

General administrative expenses dropped by 3 per cent year-on-year to € 336 million. At the same time, staff expenses remained nearly unchanged despite an increase in the number of employees in Ukraine. The staff increase in Ukraine resulted from an expansion in credit and customer activity and from the establishment of the Transaction Services Center, which provides numerous clearing and other services for the local network. The € 13 million decline in other administrative expenses to € 117 million was related to various expense items mainly in Ukraine. Depreciation of intangible and tangible fixed assets increased, mainly due to IT investments in the new core bank system in Ukraine. By contrast, currency devaluation led to lower administrative expenses in Belarus. As a result of the sharper decline in operating income relative to general administrative expenses, the cost/income ratio for the segment rose by 1.9 percentage points to 57.5 per cent.

Net provisioning for impairment losses

In 2011 net provisioning for impairment losses fell by 40 per cent to € 128 million. The improvement, which is mainly attributable to Ukraine, was based not least on a decrease of € 63 million in individual loan loss provisions, made possible due to increased success in debt collection, as well as higher loan repayments. Also noticeable was the general improvement in portfolio quality for retail and corporate customers. As in the previous year, portfolio-based loan loss provisions reported a net release, which amounted to € 34 million in 2011. The improvement was due exclusively to lower allocations to portfolio provisioning in Ukraine, reflecting a decrease in the underlying credit portfolio and at the same time an improvement in its portfolio quality. By contrast, the difficult economic situation in Belarus required net allocations of € 21 million to corporate customer portfolio-based loan loss provisions. The share of non-performing loans in the total credit portfolio stood at 29.7 per cent, still the highest among all segments, albeit with strong regional differences (Belarus: 2.0 per cent, Ukraine: 34.8 per cent).

Other results and taxes

Other results fell € 42 million year-on-year to minus € 15 million, due mainly to the decline from € 27 million to minus € 15 million in net income from financial investments. Valuation gains on the fixed income portfolio of Ukrainian government bonds recognized at fair value fell below the previous year's level owing to the deteriorating macroeconomic situation. In addition, losses on the sale of Ukrainian government bonds were realized.

Income taxes for the segment climbed to € 52 million. The effective tax rate increased to 49 per cent, primarily as a result of the hyperinflation accounting rules applied in Belarus, as well as higher non-deductible expenses in Ukraine.

Profit after deduction of non-controlling interests declined by 31 per cent to € 51 million.

Below please find the detailed results of the individual countries in the segment, whereby Kazakhstan is not listed as it is of minor significance:

Belarus

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	68	85	(20.6)%	6	19	(66.5)%
Net fee and commission income	45	56	(20.7)%	8	12	(29.2)%
Net trading income	(6)	8	-	(52)	6	-
Other net operating income	(1)	(1)	156.0%	(1)	0	-
Operating income	105	149	(29.2)%	(39)	37	-
General administrative expenses	(54)	(65)	(17.0)%	(11)	(14)	(17.7)%
Operating result	51	84	(38.8)%	(50)	23	-
Net provisioning for impairment losses	(18)	(13)	47.0%	2	(12)	-
Other results	0	0	316.6%	0	0	-
Profit/loss before tax	33	71	(53.4)%	(47)	12	-
Income taxes	(28)	(20)	34.5%	(8)	(5)	62.7%
Profit/loss after tax	6	51	(89.0)%	(55)	7	-
Profit attributable to non-controlling interests	(1)	(7)	(82.8)%	7	(1)	-
Profit/loss after non-controlling interests	4	44	(90.0)%	(49)	6	-
Assets	1,223	1,512	(19.2)%	1,223	1,347	(9.2)%
Loans and advances to customers	772	1,096	(29.6)%	772	874	(11.7)%
hereof corporate %	72.2%	53.4%	18.8 PP	72.2%	65.9%	6.4 PP
hereof retail %	27.8%	46.6%	(18.8) PP	27.8%	34.1%	(6.4) PP
hereof foreign currency %	66.1%	51.1%	15.0 PP	66.1%	58.4%	7.8 PP
Deposits from customers	668	854	(21.8)%	668	754	(11.4)%
Loan/deposit ratio	115.6%	128.3%	(12.7) PP	115.6%	116.0%	(0.4) PP
Return on equity before tax	16.6%	38.1%	(21.5) PP	-	49.3%	-
Return on equity after tax	2.8%	27.1%	(24.3) PP	-	28.6%	-
Cost/income ratio	51.4%	43.9%	7.6 PP	-	36.6%	-
Number of employees as of reporting date	2,210	2,223	(0.6)%	2,210	2,234	(1.1)%
Business outlets	101	96	5.2%	101	96	5.2%
Number of customers	790,811	833,239	(5.1)%	790,811	797,017	(0.8)%

Ukraine

In € million	1/1-31/12 2011	1/1-31/12 2010	Change	Q4/2011	Q3/2011	Change
Net interest income	343	333	3.0%	92	92	0.0%
Net fee and commission income	131	127	3.1%	36	35	3.7%
Net trading income	6	15	(60.0)%	(1)	2	-
Other net operating income	(5)	(7)	(30.4)%	(4)	1	-
Operating income	475	468	1.5%	124	130	(5.2)%
General administrative expenses	(281)	(280)	0.2%	(76)	(69)	9.6%
Operating result	194	187	3.5%	47	61	(22.1)%
Net provisioning for impairment losses	(108)	(200)	(46.0)%	(30)	(16)	92.7%
Other results	(15)	27	-	(7)	(12)	(44.1)%
Profit before tax	70	14	407.6%	10	33	(68.9)%
Income taxes	(24)	14	-	(6)	(8)	(24.6)%
Profit after tax	47	28	68.9%	4	25	(82.2)%
Profit attributable to non-controlling interests	13	0	-	9	1	>500.0%
Profit after non-controlling interests	59	28	115.3%	14	26	(47.4)%
Assets	5,467	5,544	(1.4)%	5,467	5,341	2.3%
Loans and advances to customers	4,248	4,148	2.4%	4,248	4,158	2.2%
hereof corporate %	51.3%	45.9%	5.4 PP	51.3%	49.9%	1.4 PP
hereof retail %	48.7%	54.1%	(5.4) PP	48.7%	50.1%	(1.4) PP
hereof foreign currency %	56.8%	65.6%	(8.8) PP	56.8%	58.0%	(1.2) PP
Deposits from customers	2,631	2,555	3.0%	2,631	2,543	3.5%
Loan/deposit ratio	161.5%	162.3%	(0.9) PP	161.5%	163.5%	(2.0) PP
Return on equity before tax	9.3%	1.9%	7.4 PP	5.1%	17.5%	(12.4) PP
Return on equity after tax	6.2%	3.8%	2.4 PP	2.3%	13.5%	(11.2) PP
Cost/income ratio	59.2%	60.0%	(0.8) PP	61.6%	53.3%	8.3 PP
Number of employees as of reporting date	15,267	15,432	(1.1)%	15,267	15,528	(1.7)%
Business outlets	909	931	(2.4)%	909	917	(0.9)%
Number of customers	3,380,743	3,902,438	(13.4)%	3,380,743	3,402,385	(0.6)%

Group Corporates

Profit before tax for this segment rose by 27 per cent year-on-year to € 374 million in 2011 due to significantly higher operating income and lower net provisioning for impairment losses. Return on equity before tax rose by 3.9 percentage points to 22.4 per cent.

In € million	2011	2010	Change	Q4/2011	Q3/2011	Change
Operating income	634	547	15.9%	182	161	13.3%
General administrative expenses	(141)	(142)	(0.6)%	(39)	(31)	24.0%
Operating result	493	405	21.6%	143	129	10.7%
Net provisioning for impairment losses	(116)	(129)	(10.5)%	(79)	(17)	374.3%
Other results	(4)	19	-	2	(6)	-
Profit before tax	374	295	26.5%	66	107	(38.5)%
Assets	22,843	23,478	(2.7)%	22,843	21,596	5.8%
Net interest margin	1.97%	1.63%	0.34 PP	2.16%	2.08%	0.08 PP
Return on equity before tax	22.4%	18.5%	3.9 PP	15.8%	25.3%	(9.5) PP

Operating income

Net interest income for the segment grew by 16 per cent or € 58 million to € 429 million. The stable growth throughout the year under review was due to higher margins on the asset side in business with Austrian and Western European corporate customers of RBI AG, as low-margin lending was continuously being replaced by more profitable credit business. However, overall business volumes declined due to subdued credit demand and strong competitive pressure in the Austrian and Western European corporate customer segment. By expanding their business activities, the Asian branches likewise increased their contribution to net interest income, by 35 per cent to € 147 million. Net interest income also at the Maltese subsidiary was up by 47 per cent to € 28 million thanks to an increase in business volumes and improved margins. The net interest margin for the Group Corporates segment rose by 34 basis points to 1.97 per cent, while balance sheet assets fell by 3 per cent year-on-year, or € 0.6 billion, to € 22.8 billion. Credit risk-weighted assets increased by 1 per cent to € 15.7 billion due to an increase in the volume of guarantees issued at RBI AG.

Net fee and commission income rose by 15 per cent or € 22 million to € 178 million, whereby the increase earned by Group headquarters was based on the increase in sales of capital and funding light products. Service income from business with customers from CEE was particularly strong due to the rise in fee and commission income both from standard loans and from project and structured financing. Net income from export financing grew as well. The Group unit in the US increased its net fee and commission income to € 17 million, mainly from its loan and guarantee business.

Net trading income rose by 11 per cent to € 21 million. Whereas valuation gains on currency and interest-based transactions with a range of financial instruments in the profit center of Group headquarters declined, net trading income for the Group unit in Singapore increased by € 11 million.

General administrative expenses

The segment's general administrative expenses fell by 1 per cent year-on-year to € 141 million. In particular, they were somewhat lower at Group headquarters in 2011 after the previous year's result had been impacted by merger-related expenses. This segment comprised eight business outlets at the end of the year under review. The cost/income ratio improved by 3.7 percentage points to 22.2 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses declined by 11 per cent to € 116 million, mainly due to net allocations to individual loan loss provisions for loans and advances to corporate customers at Group headquarters, which were lower thanks to improved credit conditions. By contrast, RBI AG's branches in Asia posted higher net provisioning for impairment losses as a side effect of significant loan portfolio growth. The share of non-performing loans in the loan portfolio stood at 3.0 per cent at the end of the year under review and was therefore relatively low compared to the other segments.

Other results and taxes

Other results in the segment fell year-on-year by € 23 million to minus € 4 million, mainly due to the absence of positive valuation gains from mark-to-market valuations of corporate bonds. Due to the deconsolidation of a leasing company for materiality reasons, the segment showed a net loss from disposal of group assets of € 1 million.

Income taxes increased year-on-year by € 11 million to € 76 million, while the effective tax rate decreased by 2 percentage points to 20 per cent.

Profit after deduction of non-controlling interests rose by 29 per cent to € 297 million.

Group Markets

Profit before tax in the Group Markets segment grew by 7 per cent to € 266 million in the year under review due to higher operating income driven by an increase in net trading income, as well as lower net provisioning for impairment losses. Return on equity before tax rose by 4.1 percentage points to 19.5 per cent.

In € million	2011	2010	Change	Q4/2011	Q3/2011	Change
Operating income	548	514	6.6%	174	93	87.5%
General administrative expenses	(264)	(241)	9.5%	(66)	(71)	(6.8)%
Operating result	284	273	4.1%	108	22	391.0%
Net provisioning for impairment losses	(14)	(31)	(56.3)%	(6)	1	-
Other results	(4)	7	-	62	(113)	-
Profit/loss before tax	266	249	6.9%	164	(90)	-
Assets	25,732	27,218	(5.5)%	25,732	28,565	(9.9)%
Net interest margin	0.85%	0.70%	0.14 PP	0.86%	0.94%	(0.07) PP
Return on equity before tax	19.5%	15.4%	4.1 PP	46.3%	-	-

Operating income

Net interest income for the segment fell by 19 per cent year-on-year to € 229 million due in part to the maturity and sale of parts of the high-quality securities portfolio, which consists exclusively of top-rated securities. Net income thereof amounted to € 81 million in the year under review, down from € 97 million in the previous year. Moreover, the RBI AG investment portfolio was structured even more conservatively in the light of the European sovereign debt crisis in 2011. Net interest income decreased as a result of the decline in total business volume of highly liquid bonds from financial institutions, the further reduction in various risk positions and a selective transaction selection. In addition, the restriction on trading limits in market risks, flattening of the yield curve, and an ECB liquidity injection that reduced credit spreads on high-quality securities also contributed to the decline in net interest income.

Balance sheet assets in this segment fell by 6 per cent year-on-year to € 25.7 billion, mainly due to a reduction in business volume, as well as the sale of parts of the securities portfolio held-to-maturity and of various risk positions at Group headquarters, which had become necessary on account of regulatory requirements. The segment's net interest margin increased by 14 basis points to 0.85 per cent, while its risk-weighted assets declined by 3 per cent to € 5.1 billion. However, this decline was mitigated by an increase in off-balance-sheet items.

Net fee and commission income for the segment was up 7 per cent to € 115 million versus the previous year. This increase came primarily from the Financial Institutions profit center and was attributable to higher profits not only from service contracts in cash management but also – despite the stagnating market for institutional issues – from the issuing business. The private banking and asset management division of subsidiary Kathrein Privatbank AG in Vienna made a stable contribution of € 12 million from its securities business. The Mergers & Acquisitions division likewise increased its contribution to net fee and commission income to € 9 million. By contrast, net fee and commission income of Raiffeisen Centrobank Group declined to € 17 million due to lower income from support provided to corporate customers for primary market transactions.

Net trading income for the segment rose by 89 per cent year-on-year to € 176 million, to which Raiffeisen Centrobank contributed a substantial € 45 million (up 2 per cent). This contribution consisted primarily of net income from positive valuation gains on certificates issued within the scope of equity and index-based transactions and structured bonds. Group headquarters' contribution from proprietary trading mainly in fixed income securities, as well as from structured products, was significantly lower than in the previous year owing to a reduction in risk positions. By contrast, market maker profit from customer and proprietary trading in foreign currency products made a higher contribution and income from bank note and coin trading also improved to € 20 million. The valuation of capital guarantees issued resulted in net income of € 72 million, up from minus € 14 million in the previous year, mainly due to a change in the method of valuation against the background of legislative changes.

Other net operating income fell by 6 per cent year-on-year to € 28 million. This includes a reduction in income from Raiffeisen Centrobank Group to € 12 million related to turbulences in the commodities markets. Raiffeisen Centrobank Group's net operating income came mainly from commodity trading of special purpose companies in the US and Germany, to which commodity trading of F.J. Elsner Trading contributed an additional € 10 million.

General administrative expenses

The general administrative expenses of the Group Markets segment increased by 10 per cent year-on-year to € 264 million, mainly due to the full commissioning of an IT system for derivatives as well as to the introduction of IT applications in RBI AG's custody division. At the same time, transportation costs increased owing to the expansion of RBI AG's bank note and coin trading business. An intensification of business activities also led to a year-on-year increase in the reimbursed unit costs of the processing company Raiffeisen Service Center GmbH (RSC). The segment comprised four business outlets at the end of the year under review. Due to the rise in general administrative expenses, the cost/income ratio increased by 1.3 percentage points to 48.1 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses was € 14 million, confined nearly entirely to the Financial Institutions & Sovereigns profit center and largely related to a financial institution in Denmark and a customer in the Middle East. Non-performing loans made up 0.8 per cent of the segment's total credit exposure.

Other results and taxes

Other results fell from € 7 million to minus € 4 million in the year under review, with net income from derivatives at Group headquarters coming in lower than in the previous year. This was attributable to the close-out payments in connection with the sale of parts of the securities portfolio held-to-maturity. Net income from financial investments remained nearly unchanged. This was due to the valuation of the securities portfolio and of CDS transactions within the scope of Group headquarters' risk assumption, which resulted in write-ups in the fourth quarter stemming from high market volatility in the previous periods.

Income taxes climbed to € 72 million. The segment's tax rate was 27 per cent, up 2 percentage points from its 2010 level.

Profit after deduction of non-controlling interests rose by 4 per cent to € 194 million.

Corporate Center

The Corporate Center segment posted a net loss before tax of € 65 million. The € 174 million decrease year-on-year was primarily attributable to the decline in other results. The return on equity before tax was negative, amounting to 3.4 per cent.

In € million	2011	2010	Change	Q4/2011	Q3/2011	Change
Operating income	356	426	(16.6)%	(20)	49	-
General administrative expenses	(318)	(307)	3.5%	(113)	(69)	63.9%
Operating result	38	120	(68.4)%	(133)	(20)	>500.0%
Net provisioning for impairment losses	55	0	-	(5)	60	-
Other results	(158)	(11)	>500.0%	(251)	83	-
Profit/loss before tax	(65)	109	-	(389)	123	-
Assets	53,835	32,879	63.7%	53,835	52,695	2.2%
Net interest margin	0.80%	0.79%	0.00 PP	0.10%	0.25%	(0.15) PP
Return on equity before tax	-	5.3%	-	-	26.1%	-

Operating income

The segment's net interest income climbed by 25 per cent year-on-year, to reach € 363 million. The dividend income from Group subsidiaries in other segments rose by 48 per cent, while a management-related net interest loss by the Treasury profit center at Group headquarters lowered income. Here, the capital-raising costs for own issues rose because such issues with lower premiums from the years before the financial crisis matured and were replaced with new issues. In addition, RBI's liquidity reserves were increased significantly, which also curbed the net interest income. Income from internal financing within the RBI network remained almost unchanged year-on-year. The € 33 million in interest expenses for RBI AG's subordinated capital are also reported under this segment. The segment's assets grew by 64 per cent year-on-year, reaching € 53.8 billion, particularly as a result of the increase in surplus liquidity. Credit risk-weighted assets rose by 22 per cent to reach € 19.6 billion, mainly because of the increase in liquidity reserves. In comparison, this rise was lower, mainly due to the lower risk weighting of additional assets.

The net fee and commission income decreased year-on-year, from minus € 17 million to minus € 65 million. This was largely due to commission payments by Group headquarters for country risk insurance in connection with financing abroad, as well as fee and commission expense associated with placed issues.

The segment's net trading income climbed by 86 per cent to reach € 38 million. This increase was primarily due to the Group headquarters' Treasury department, and resulted from liquidity management and proprietary trading in the context of balance sheet structure management. Valuation gains on various foreign currency and interest-related financial instruments that were held for hedging purposes constituted another contributory factor.

The segment's other net operating income totaled € 20 million, compared with € 133 million in the previous year. This decline was triggered by the newly introduced special bank levy in Austria, amounting to € 83 million. As in the previous year, income from the Raiffeisen Data Service Center in Vienna, which primarily provides treasury services, made a positive contribution to income, totaling € 27 million.

General administrative expenses

The general administrative expenses rose by 4 per cent or € 11 million, to reach € 318 million, largely due to the rising expenditure of the direct bank ZUNO's headquarters, based in Vienna. The only business outlet recognized in this segment is the Group headquarters.

Net provisioning for impairment losses

Net provisioning for impairment losses generally plays a minor role, due to the intra-Group nature of the segment's business activities. However, largely because of the conversion of a loan into an equity participation, there was a release of provisions for impairment losses in the amount of € 60 million. Nevertheless, due to the simultaneous write-down of the relevant equity participation, this had no effect on the segment's results.

Other results and taxes

The other results decreased year-on-year to minus € 158 million. Net income from financial investments included in this figure fell from € 16 million to minus € 538 million, largely due to valuation losses on Group internal equity participations. On the other hand, the net income from derivatives turned around from minus € 34 million to € 382 million. This was caused by net valuations on hedging transactions for own issues, which resulted from the favorable position of RBI AG with regard to decreasing long-term interest rates.

Income taxes amounted to € 24 million, after reaching € 183 million in the previous year. This decrease was primarily attributable to the high dividend income in this segment that is not included in the basis of taxation. The significant year-on-year change is also due to the considerably lower deferred taxes, resulting from valuation differences for various financial instruments and equity participations between the financial statements under IFRS and the financial statements for tax purposes. In addition, the reduced eligibility of loss carry-forwards decreased the positive tax amount.

The loss after deduction of non-controlling interests decreased by € 332 million, to € 40 million.

Business divisions

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

- Corporate Customers
- Retail Customers
- Financial Institutions & Public Sector
- Capital Markets & Treasury
- Participations & Other

Corporate Customers includes business with local and international large and medium-sized companies. Retail Customers handles business with private individuals and small and medium-sized entities (SMEs) with annual sales of generally up to € 5 million. The Financial Institutions & Public Sector business division focuses on business with customers from the financial and public sectors. Capital Markets & Treasury covers Treasury's proprietary trading and investment banking, which is undertaken only in certain Group units. Participations & Other is concerned with non-bank-specific activities, as well as the administration of participations. It also deals with other cross-division functions, particularly at the Group headquarters.

Overview of business divisions

1/1–31/12/2011

In € million	Corporate Customers	Retail Customers	Financial Institutions & Public Sector	Capital Markets & Treasury	Participations & Other	Total
Net interest income	1,352	1,656	338	80	242	3,667
Net fee and commission income	553	824	134	2	(24)	1,490
Net trading income	24	2	63	290	(16)	363
Other net operating income	(3)	(2)	(10)	(57)	(160)	(232)
Operating income	1,925	2,480	526	315	42	5,288
General administrative expenses	(634)	(1,806)	(226)	(215)	(240)	(3,120)
Operating result	1,291	675	300	100	(198)	2,168
Net provisioning for impairment losses	(470)	(600)	(22)	(2)	30	(1,064)
Other results	(2)	(13)	(44)	291	37	269
Profit/loss before tax	819	61	235	389	(131)	1,373
Risk-weighted assets (credit risk)	42,198	15,955	7,759	6,919	4,320	77,150
Total own funds requirement	3,662	1,645	699	1,262	356	7,624
Cost/income ratio	32.9%	72.8%	42.9%	68.3%	104.9%	57.0%
Average equity	5,090	2,373	1,139	1,057	373	10,032
Return on equity before tax	16.1%	2.6%	20.6%	36.8%	–	13.7%

1/1–31/12/2010

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

Corporate Customers

Key developments in the financial year

After RBI had defined its corporate banking strategy and the cornerstones thereof in 2010, the 2011 financial year in the Corporate Customers business division was greatly influenced by the successful implementation of strategic initiatives throughout the entire Group. Emphasis was placed on the adaptation and optimization of customer service and acquisition models in the large customers and SMEs segment, the implementation of initiatives in product development and sales, the intensification of know-how transfer within the Group, and the increase in efficiency of business processes.

At the same time, various organizational measures were taken in order to promote capital- and liquidity-light products. These included, for instance, the installation of regional treasury experts in Poland and the Czech Republic, as well as the establishment of a distinct treasury sales unit in Russia.

Furthermore, in Austria and in a number of network banks, e.g. in Russia, Bulgaria, Croatia and Serbia, a stronger industry focus was realized in acquisition and corporate customer services, in order to provide customers with services in a more targeted manner.

The implementation of mid-office concepts in the Russian, Bulgarian, Serbian and Slovakian network banks' regional centers served to increase efficiency in the mid-corporate segment. These pursued the goal of minimizing the customer advisors' administrative load and thus further increasing the quality of customer services in acquisition and consulting.

2011 was also greatly influenced by a decisive improvement in cooperation between customer managers, product managers and risk managers, due to the comprehensive introduction of account planning methods and customer relationship management (CRM) systems. In particular, this helped to systemize and intensify Group-wide cooperation, with a special focus on capital- and liquidity-light products.

In Austria, the increased focus on Treasury & Investment Banking (this field was one of the main topics of training for all customer advisors in 2011) has already yielded very pleasing initial results: with an issuing volume of around € 2,850 million in nine transactions, RBI held a leading position in Austria regarding issues of Austrian companies in 2011. In several network banks, product innovations were introduced in the fields of cash management, cash pooling and factoring.

A key element of RBI's corporate banking strategy is the introduction of a Group-wide concept which, on the one hand, supports know-how transfer within the Group and, on the other hand, promotes centralized development of complex corporate banking products with local support for increased efficiency. Several initiatives were launched in this regard. For instance, the Group-wide deployment of product experts intensified knowledge transfer. In addition, a newly developed technical platform will make it easier in future to compile and efficiently distribute specialist knowledge throughout the entire RBI network.

At the start of the year 2011, the so-called "Group product concept" was introduced. This envisages increased cooperation within the Group in several product areas (project finance, real estate finance, export credit agency, guaranteed loans and cash management) regarding large transactions and complex transactions. Already in the first year, this project proved a resounding success, with more than 200 transactions registered and over 30 completed, and in 10 of these cases, RBI was the mandated lead arranger.

Performance

The Corporate Customers business division posted a sharp rise in net income in the year under review, with profit before tax increasing by 20 per cent to € 819 million. This was primarily due to the reduction in net provisioning for impairment losses and the increased net interest income.

The operating income rose from € 1,800 million to € 1,925 million due to higher net interest income and a slightly increased net fee and commission income, and was thus 7 per cent higher than the previous year's level. The 9 per cent rise in net interest income was primarily attributable to business with large customers in Russia, Slovakia and Asia. However, in RBI AG, the net interest income from large customers remained below the level of the previous year.

Net fee and commission income increased by 7 per cent to € 553 million. The largest contribution to this growth came from business in Russia. On the other hand, other net operating income decreased from € 12 million to minus € 3 million. Here, net income decreased by € 29 million, primarily due to the bank levies in Austria and Hungary.

The general administrative expenses increased by 10 per cent to € 634 million. In Russia, higher ancillary salary costs, bonus payments and IT expenses caused an increase in this regard, while in Slovakia, the reasons were higher social security costs and staff-related taxes, as well as a rise in the number of staff. The cost/income ratio increased by 1 percentage point, to reach 33.0 per cent.

The other results decreased from € 18 million to minus € 2 million. Here, net income from financial investments in particular was significantly down on the previous year.

Credit risk-weighted assets increased year-on-year by 7 per cent to € 42.2 billion. The main reason for this was the rise in total loans.

Return on equity before tax in the Corporate Customers business division rose by 1.2 percentage points to 16.1 per cent, due to the growth in profit before tax.

Retail Customers

Key developments in the financial year

Private individuals

Due to changes in the economic environment in the second half of the year, this business division was confronted with less demand for loans among private individuals. Nevertheless, in 2011, RBI achieved an increase in loans to private individuals of 2 per cent in total.

Here, the quality of newly issued loans is still the center of attention. The bank continually monitors risk-relevant product parameters, such as the maximum loan-to-value ratio for mortgages or the maximum term for personal loans.

In 2011, RBI was very successful with its focus on close customer relationships and the development of solid customer deposits. The latter increased in the private individuals segment by 12 per cent as a result of sales and customer care activities, which also enabled RBI to improve its position in most markets. Here, customer faith in the Raiffeisen brand was of decisive significance and allowed RBI to expand its customer and deposit base without having to offer higher interest rates.

With the exception of Hungary, net provisioning for impairment losses was significantly lower than in 2010 due to higher credit quality and improved collection processes. With regard to private individuals, it decreased year-on-year by 4 per cent, Group-wide. This value already includes the effects of the difficult situation in Hungary, where the net provisioning for impairment losses was considerably higher than in the year 2010.

In 2012, RBI will continue its "primary relationship banking initiative," which targets customers whose main bank is the respective Raiffeisen unit. For this purpose, the packageability of products is to be developed further, transparency is to be increased and the quality of service is to undergo additional improvement.

In 2011, expansion of the range of products and services for affluent customers (under the Premium Banking brand) was continued, which led to 80,000 additional customers being acquired for the Premium Banking services. At the end of 2011, over 1,000 relationship managers were servicing more than 500,000 customers in this segment.

Also in 2011, the private banking business was continued to be promoted in RBI's CEE network, under the brand "Friedrich Wilhelm Raiffeisen." Here, the goal is to offer a unique service level for the more than 30,000 customers in this subsegment.

Small and medium-sized entities

Despite the difficult environment for small companies in CEE, the profitability of this customer segment was maintained in 2011. Thus, declining income from loans was compensated for by increased income from the transaction business and from products linked with commissions, as well as by optimization of the sales and service model. Relationship managers concentrated on customers with higher value creation, which thus decreased the cost of customer services; in addition, the focus on early collection and loan settlements caused a slight year-on-year reduction of risk costs.

Allfinanz

The year 2011 also proved to be another successful year in the development of the Allfinanz business in CEE, together with the strategic partner UNIQA Versicherungen AG. In particular, the range of services for current accounts was expanded and offered to customers from all segments in the key markets. Thanks to the joint initiative with UNIQA, the sale of independent life insurance products was expanded across eleven countries in the RBI network.

Asset management

RBI views the asset management business in CEE as an important growth market. For this reason, the bank is focusing on developing attractive and secure investment instruments for distribution to its customers through the regional bank network. In 2011, despite the extremely difficult environment for the investment fund business, the average managed assets increased by 13 per cent to € 6.2 billion.

Kathrein Privatbank AG, based in Vienna, has established itself over recent years as a private bank for business owners, foundations and asset transfers. In 2011, the assets managed by this private bank stood at around € 4.3 billion (2010: € 4.6 billion), of which € 2.2 billion was in fund assets which declined year-on-year by € 130 million (2010: € 2.4 billion). Due to devaluations of fixed assets, profit decreased year-on-year by € 5.6 million, falling to € 3.2 million.

In addition to the branch already in place in Slovakia, ZUNO Bank AG, RBI's direct bank subsidiary, opened a business outlet in the Czech Republic in July 2011. Here too, the products and services offered are primarily aimed at private individuals. They include deposit products such as time deposits, savings accounts and current accounts, plus a broad spectrum of payment transfer products, including currency exchange. In 2011, the development of this still young network bank's business was far in excess of the expected figures in both countries and customer deposits already reached € 0.8 billion. At the end of 2011, ZUNO Bank AG also completed the preparations for credit business: as of spring 2012, customers in Slovakia and the Czech Republic are to be offered current account advances and personal loans, and from summer 2012 onwards they will also be offered credit card products.

Performance

Profit before tax in the Retail Customers business division amounted to € 61 million in the year under review. Compared with 2010, this represents a decline of € 70 million, which is largely attributable to higher general administrative expenses.

This business division's operating income advanced by € 5 million to reach € 2,480 million. Net interest income in particular, at € 1,656 million, increased year-on-year by € 17 million; here, the largest growth was achieved in Russia and the Czech Republic. On the other hand, net fee and commission income decreased by € 21 million and contributed € 824 million to the operating income. Russia and Romania again made the largest contributions in this regard with € 139 million and € 136 million respectively, primarily from the payment transfer business and from the loan and guarantee business. The Czech Republic saw the largest increase, of € 17 million, which was also primarily achieved in the payment transfer business. Other net operating income improved year-on-year from minus € 9 million to minus € 2 million, largely due to the decrease in the bank levy.

As a result of salary increases, bonus payments and growth in IT expenses for various banking systems, general administrative expenses increased by 3 per cent to € 1,806 million in the year under review. Thus, the cost/income ratio increased by 1.6 percentage points, to reach 72.8 per cent.

Despite the tense market situation, net provisioning for impairment losses was successfully kept at the previous year's level of € 600 million. Here, the highest level of net provisioning for individual and portfolio-based impairment losses was required in Hungary (€ 249 million), while net provisioning for impairment losses was realized to a lesser extent in Ukraine, Croatia and Bulgaria.

Due to the development of business with Special Customers, the other results decreased from € 18 million to minus € 13 million.

The credit risk-weighted assets in the Retail Customers business division decreased by 8 per cent to € 16.0 billion, mainly as a result of the decline in Hungary.

The return on equity before tax decreased by 3.1 percentage points to 2.6 per cent.

Financial Institutions & Public Sector

Key developments in the financial year

The development of the Financial Institutions & Sovereigns division was principally characterized in the second half of 2011 by increasing uncertainty on the international and, in particular, European financial markets. The reasons for this were the debt reorganization negotiations with Greece and increasing pressure on other Southern European countries due to their strained financial situation. Delays in increasing the European Financial Stability Facility (EFSF) also contributed to uncertainty and reluctance on the part of the financial industry.

The still quite positive market environment in the first half of the year favored the issuing business among institutional issuers. RBI also benefitted from this and was able to win a series of lead management mandates. In the second half of the year, however, due to the markedly more difficult conditions, there was a clear cooling off in capital market activity from institutional clients.

However, in the second half of the financial year the trend towards capital- and liquidity-light products was strengthened. The background to this development was formed by the more stringent EU regulations on core capital ratios for banks which were emerging. Here RBI was able to highlight its leading role as a partner for payment transfers between East and West and win over new clients. The division also benefitted from the strong demand for custody and fund services and was able to acquire new clients in the banknote trade.

The noticeable change in the traditional credit business over the past approximately three years continued to increase in pace. The central approach to this change is a considerable strengthening of client relations with a high cross-selling potential and a selective transaction choice with smaller volumes. In general the restrictive conditions were carried by a clear slowing of business and by focusing on the distribution of capital light products.

Performance

The Financial Institutions & Public Sector division posted a slight fall in profits over the year, with profit before tax falling by 10 per cent to € 235 million. Whereas performance was, on the one hand, influenced by the increase in net interest income, returns on financial investments were, on the other hand, lacking.

Operating income increased due to the higher net interest income from € 481 million to € 526 million, thereby exceeding the previous year's level by 9 per cent. The increase in net interest income of 20 per cent resulted predominantly from the increased volume of business at the Group headquarters, in Asia and Romania. In the reporting period, net fee and commissions income, on the other hand, was at € 134 million, down by 8 per cent compared to the 2010 level, due to reduced loan and guarantee business in Malta. Net trading income, however, increased considerably by € 9 million to € 63 million, while other operating income declined from minus € 2 million to minus € 10 million year-on-year. The bank levy in Austria reduced other net operating income by € 13 million.

General administrative expenses increased by 14 per cent to € 226 million, due to which the cost/income ratio also increased slightly by 1.7 percentage points to 42.9 per cent. As in all divisions, the rise was caused by salary increases and bonus payments, as well as by growth in IT expenses as a result of investments.

Other income fell from € 3 million to minus € 44 million, mainly as a result of lower market valuations of municipal bonds in Hungary.

Credit risk-weighted assets decreased year-on-year due to reductions in volume by 11 per cent to € 7.8 billion.

Return on equity before tax in the Financial Institutions & Public Sector division fell due to the reduced profit before tax by 6.0 percentage points to 20.6 per cent.

Capital Markets & Treasury

Key developments in the financial year

Capital Markets

The European debt crisis, the expansion of the debt upper limit in the US and political unrest made for highly volatile markets in 2011 and great uncertainty on the financial markets. Despite this trying market environment, the Capital Markets division posted outstanding results due to innovative solution strategies.

The "FX Raiffeisen" internet platform was introduced to clients, enabling a new level of service to be achieved. Thanks to active advisory services in questions relating to foreign currency management, the division succeeded in raising client satisfaction and product sales alike. The expansion of the bank note business likewise clearly contributed to increased income. Numerous corporate customers were also won over by the hedging of their interest rate risks in concluding interest rate swaps and caps.

The money market business posted a further increase in secured transactions and shorter maturities. ECB-eligible bonds and blue chip shares were accepted as collateral on which basis customers profited from the favorable financing costs in the repo business.

In the division of fixed income products were offered to hedge refinancing, as were special solutions for the restructuring of existing business. Inflation and foreign currency bonds in particular were increasingly in demand in this sector. In Asia several USD multi-callable notes were able to be placed, thereby strengthening RBI's presence in this region.

In proprietary trading, stable success was achieved by active management of reduced volumes.

In recent years, RBI has established itself as a central investment bank in the Raiffeisen sector for services to national and international finance investors and listed companies through its subsidiary Raiffeisen Centrobank. Customers include institutional investors who buy shares and share derivatives from the CEE region as well as Austria and surrounding EU countries. In market making, the Raiffeisen Centrobank is number 1 on the Vienna stock exchange and a leading trader of equities in the CEE. RBI's direct stock exchange membership on numerous international stock exchanges, as well as optimal access to local markets in CEE through its network banks allow RBI's customers to participate in contemporary and low-cost stock trading in this region.

Treasury

Treasury business is covered in the "Funding" section of the management report.

Performance

In 2011 the Capital Markets & Treasury division posted a profit before tax of € 389 million, an increase of 31 per cent year-on-year.

Operating income in this division fell by 33 per cent year-on-year to € 315 million. Due to the existing liquidity surplus, net interest income at € 80 million was € 151 million down on the previous year's figure. The main reason for this was the negative interest income at Group headquarters and in Hungary. Predominantly due to the bank levy in Austria, other net operating income also fell year-on-year by € 55 million to minus € 57 million.

Net trading income rose 22 per cent to € 290 million, mainly caused by an increase at Group headquarters based on valuation gains from interest rate and currency derivatives. Additionally, the valuation of capital guarantees issued produced a very positive result of € 72 million, in comparison with minus € 14 million in the previous year.

General administrative expenses increased, primarily due to the implementation of a system for structured products, by 26 per cent year-on-year to € 215 million.

Other results posted a plus of € 291 million on the back of the income from derivative financial instruments of RBI AG. High value appreciations on financial instruments clearly outweighed the negative performance of financial investments.

Due to the change in method in calculating the own funds requirement for open currency positions, the overall own funds requirement also fell. The requirement for market risk, however, increased due to regulatory changes (CRD III) by 12 per cent to € 1,262 million.

The return on equity before tax in this division rose by 11.4 percentage points to 36.8 per cent as the result of a marked improvement in profit before tax.

Participations & Other

Performance

The Participations & Other division posted a net loss before tax of € 131 million, after a minus of € 83 million the year before. There was, however, a marked increase in net interest income, which rose by 28 per cent to € 242 million. The result also includes the imputed results from the investment of equity, which increased strongly on the back of interest rate hikes in Ukraine, Croatia, Slovakia and Hungary in the reporting period.

Net fee and commission income of the division included the somewhat higher (year-on-year) commissions payments of RBI AG for country risk insurance. Impairment of goodwill in Ukraine, Hungary and Slovenia negatively affected other net operating income with € 187 million in the year under review.

Participations & Other also includes expenses from central Group management. According to internal guidelines, these expenses remain in this business division and are not wholly distributed among other divisions.

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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

€ 000	Total		Group equity		Non-controlling interests	
	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
Hyperinflation	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, efficiency, 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 except the equity. The reconciliation implies mainly the amounts resulting from the elimination of intra-group results and consolidation between the segments. Finally, financial ratios – usual in the line of business – are added to evaluate the results. The values shown in the segment reporting are also used for the compilation of the consolidated financial statements and are retrieved from the IFRS individual financial statements. In some units profit centre results are taken from the 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 consolidated 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 time adopter 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 January 1st, 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 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 (Firsttime 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 policies 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 21.7 per 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	AVAL	RBRU	RBCZ	RBAL	UPC
In € million					
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			
ООО "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
ООО "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 assets. 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 circumstances. The 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			Category according to IAS 39
	Fair Value	Amortized Cost	Others	
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 derivatives 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 derivatives 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 in 2010 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 deferred 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 principal 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	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
€ 000						
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	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
€ 000						
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				
	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
€ 000					
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				
	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
€ 000					
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:

€ 000	Cost of acquisition or conversion						As of 31/12/2011
	As of 1/1/2011	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	
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			Carrying amount
	Cumulative	hereof Write-ups	hereof Depreciation	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 31/12/2010
	As of 1/1/2010	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	
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

€ 000	Write-ups, amortization, depreciation, impairment			Carrying amount
	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 provision 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 139.

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 acquisition. 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	Number of due shares	Amount with share price of € 39.00 at the allotment day (12/4/2011)	Number of effective distributed shares
Group of persons			
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)	Number of contingently allotted shares as of 31/12/2011	Minimum of allotment of shares	Maximum of allotment of shares
Group of persons			
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	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
€ 000					
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	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
€ 000					
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 of 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	Parent companies	Affiliated companies	Companies valued at equity	Other interests
€ 000				
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	Parent companies	Affiliated companies	Companies valued at equity	Other interests
€ 000				
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:

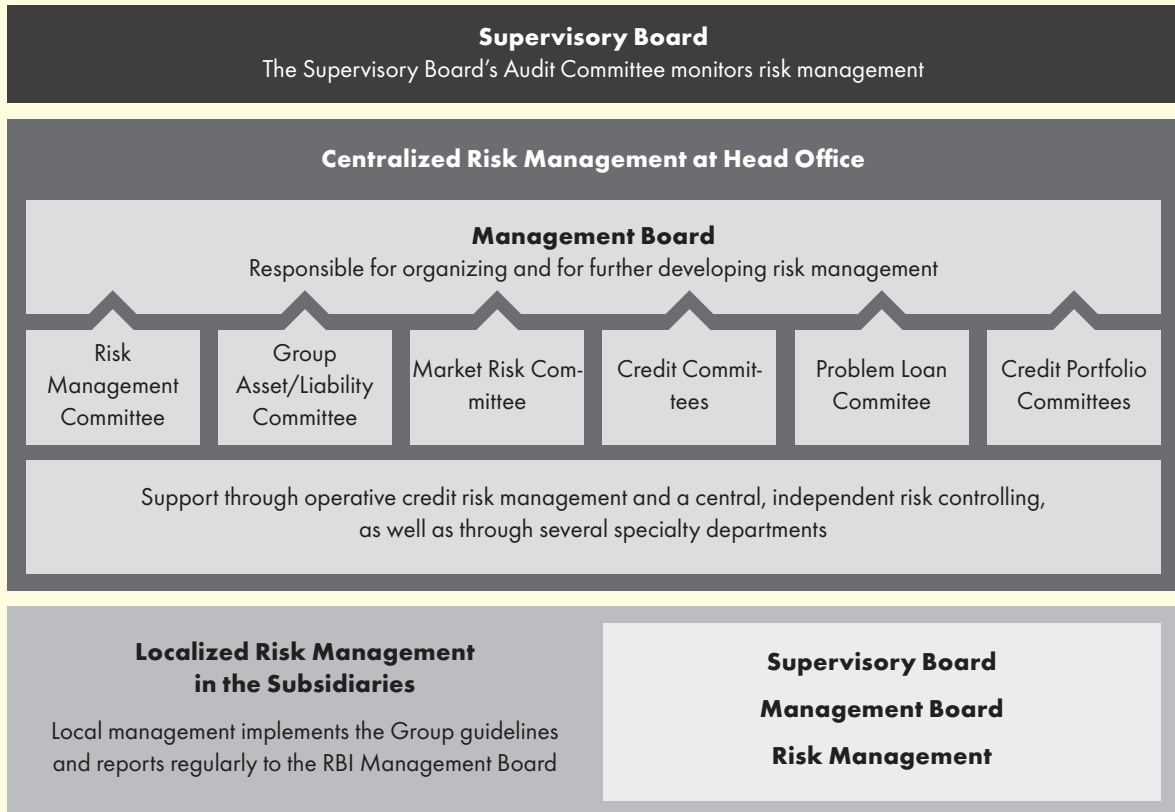
- **Integrated risk management:** Credit, country, market, liquidity, and operational risks are managed as main risks on a Group-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- **Standardized methodologies:** Risk measurement 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 and it 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 in choosing 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-Perspective	Risk of not meeting the regulatory capital requirement	Risk-taking capacity (projected earnings plus capital exceeding regulatory requirements) must not fall below the annualized value-at-risk of the Group	99 per cent reflecting the owners' willingness to inject additional own funds
Sustainability perspective	Risk of falling short of a sustainable core capital ratio over a full business cycle	Capital and loss projection for 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

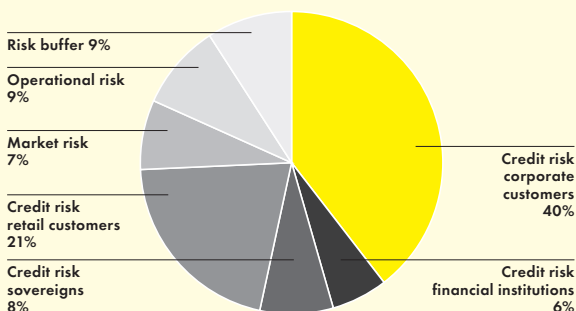
Target rating perspective

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 individual 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 December 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 Republic and Slovakia contribute most to this total risk potential, due to their high credit exposure.

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

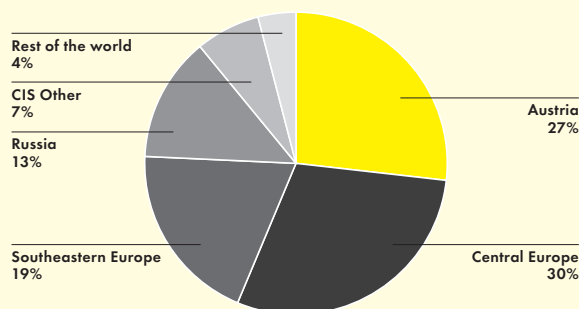
Parallel to that procedure, internal capital adequacy also is assessed with focus on the uninterrupted operation of the Group on a going concern basis. In this perspective, risks again are compared to risk taking capacity – now with a focus on regulatory capital and minimum capital requirements.

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.

Regional allocation of economic capital according to booking unit



Sustainability 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 portfolio management

Credit portfolio management in RBI is, amongst others, based on the credit portfolio strategy. This strategy limits the exposure amount in different countries, industries or product types and thus prevents undesired risk concentrations. On top of that, analyzing the long-term potential of different markets is a routine activity. This allows for an early strategic repositioning of future lending activities.

The following table translates balance sheet items (bank and trading book positions) into the maximum credit exposure, which is used in portfolio management. It includes on-balance exposures and off-balance sheet exposures before the application of credit-conversion factors 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:

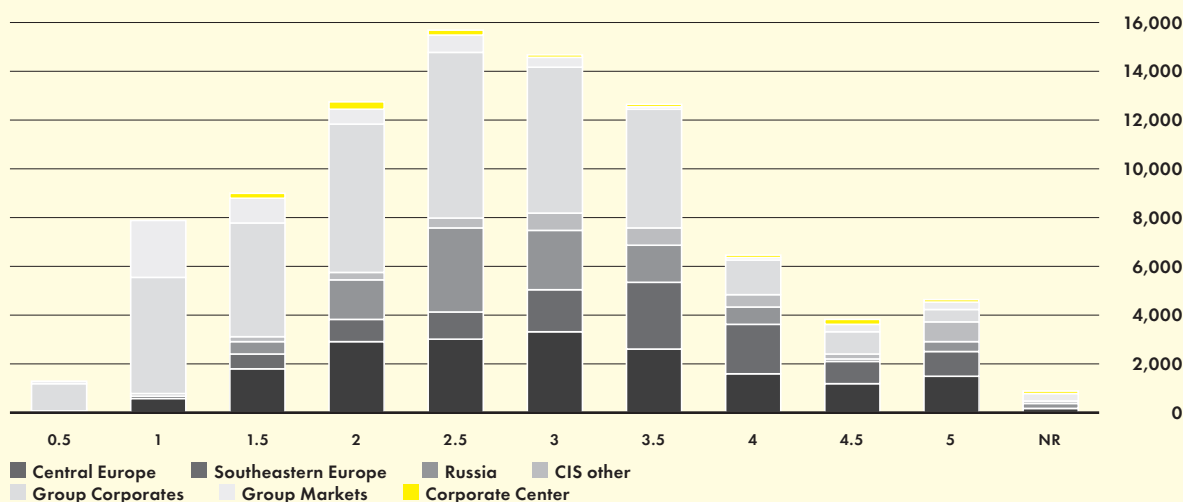
€ 000	2011	Share	2010	Share
Central Europe	18,649,280	20.9%	18,410,566	20.6%
Western Europe	11,658,129	13.1%	10,911,767	12.2%
Southeastern Europe	11,230,092	12.6%	11,330,339	12.7%
Russia	10,795,370	12.1%	9,614,875	10.8%
Austria	17,215,202	19.3%	16,332,452	18.3%
CIS Other	4,093,986	4.6%	4,398,099	4.9%
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

in € million



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.

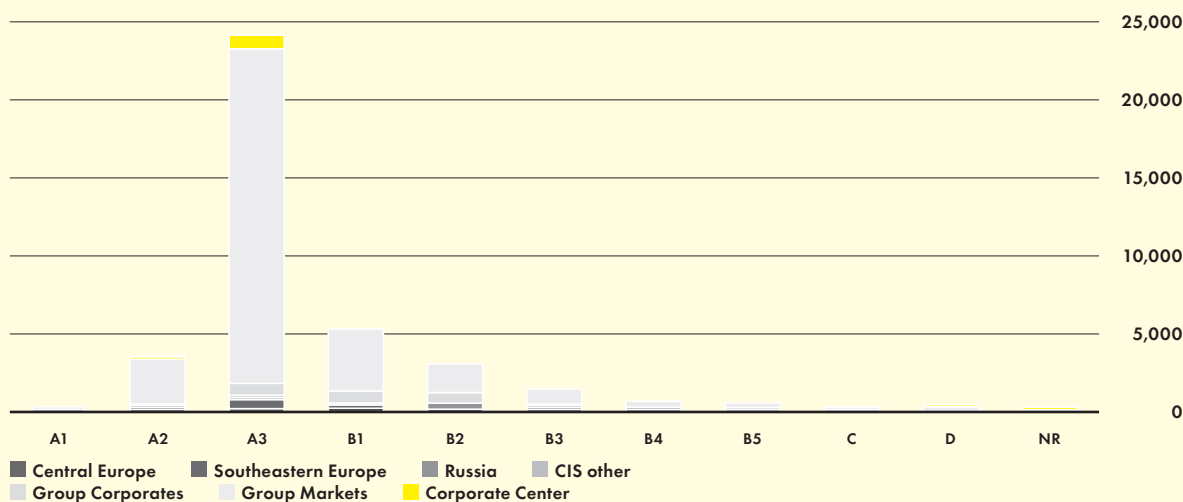
The following table shows the maximum credit exposure of this asset class by segment:

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

in € million



Credit portfolio – 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.

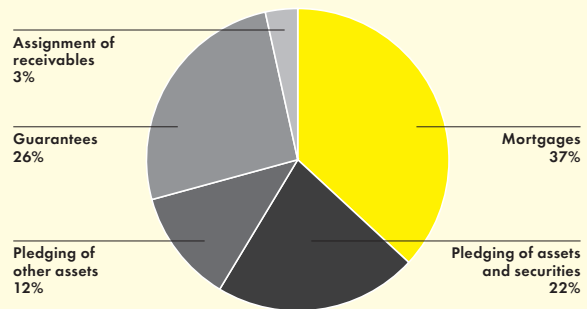
Credit risk mitigation

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	Maximum credit exposure		Fair value of collateral
	Net exposure	Commitments/ guarantees issued	
€ 000			
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	Maximum credit exposure		Fair value of collateral
	Net exposure	Commitments/ guarantees issued	
€ 000			
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.

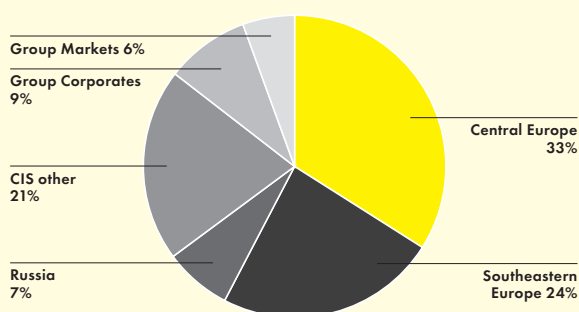
The assessment of the expected recovery value is heavily influenced by the number of days payments are late. The following table shows the amount of overdue – not impaired – credit exposure of banks and customers for different time bands.

31/12/2011	Current	Overdue					Collaterals received for assets which are past due
		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	
€ 000							
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 received for assets which are past due
		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	
€ 000							
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	2,268,470¹

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 collateral and 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 Russia 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 thousand were allocated.

The following table summarizes the development of impairment losses on loans and advances and off-balance sheet transactions during the fiscal year and 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.

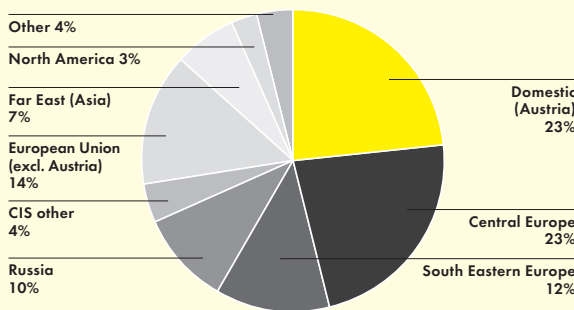
Active country risk management in RBI is based on the country risk policy which is set by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries. Consequently, in day-to-day work, business units 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.

Credit exposure to customers by region



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:

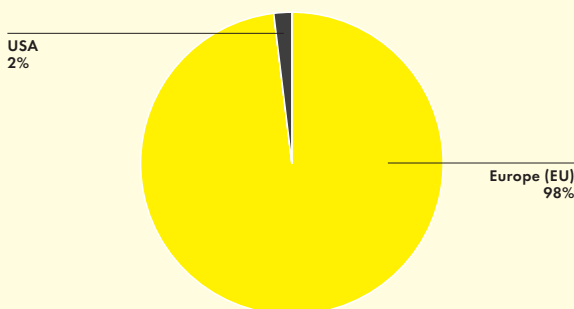
€ 000	2011	Share	2010 ¹	Share
Banking and insurance	60,073,254	32.2%	48,146,001	28.6%
Private households	21,922,149	11.7%	22,554,206	13.4%
Wholesale trade and commission trade (except car trading)	17,893,915	9.6%	15,217,496	9.0%
Other manufacturing	13,651,445	7.3%	11,900,352	7.1%
Public administration 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)

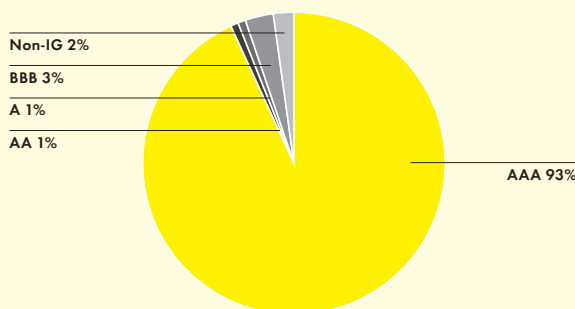
Structured credit portfolio

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 asset 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 structured credit portfolio by region



Breakdown of structured 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 risk	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 risk	10,613	29,263	9,894	47,608	29,949
Total	29,756	55,982	29,756	113,502	66,081

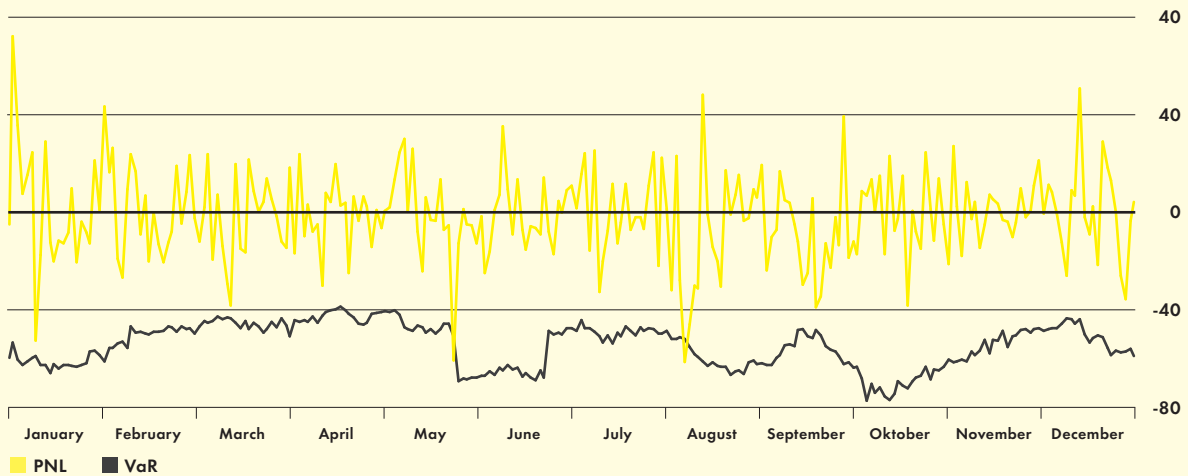
Total VaR 99% 1d € 000	VaR as of 31/12/2011	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2010
Currency risk ¹	63,564	53,961	37,119	82,891	53,021
Interest rate risk	46,284	54,191	26,462	116,618	70,163
Credit spread risk	10,662	31,336	9,417	47,787	31,065
Share price risk	2,328	1,973	1,345	2,958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

in € million



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 RBL 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 RBL. 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 Maturity	2011			2010		
	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 supra-national 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	Carrying amount	Contractual cash flows	Up to 3 months	3-12 months	More than 1 year, up to 5 years	More than 5 years
€ 000						
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	Carrying amount	Contractual cash flows	Up to 3 months	3-12 months	More than 1 year, up to 5 years	More than 5 years
€ 000						
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 catalogue of key risk indicators, which is defined by the head office for internal benchmarking purposes, is mandatory for all Group units.

Loss data is collected in a central database called 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.

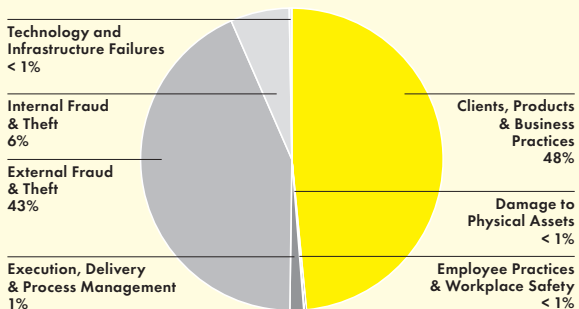
The results of analyses as well as loss events resulting from operational risks are reported in a comprehensive manner to the Group Risk Committee on a regular basis. The distribution of losses in the Group by event type shows an increase in category Clients, Products & Business Practices in the year 2011, which is mainly caused by losses stemming from foreign currency loan conversions in Hungary.

Quantification and mitigation

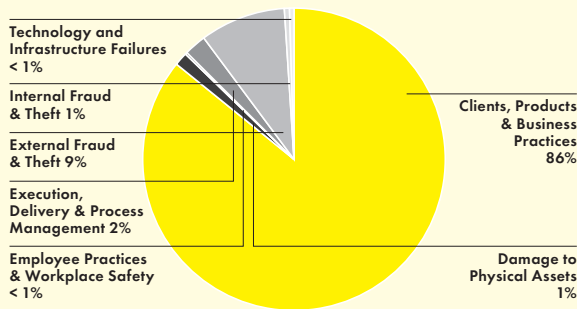
RBI currently calculates regulatory capital requirements for operational risks according to Basel II using the Standardized Approach. This approach applies to all major Group units.

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 role is 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			Total	Fair values	
	Up to 1 year	More than 1 year, up to 5 years	More than 5 years		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:

€ 000	Nominal amount by maturity			Total	Fair values	
	Up to 1 year	More than 1 year, up to 5 years	More than 5 years		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.

€ 000	2011			2010		
	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

€ 000	2011			2010		
	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			2010		
	Level I	Level II	Level III	Level I	Level II	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 drafts contained 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 and tier 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 reinsurance policy thousand 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 Personnel 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 Grill	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 of mandates of the board was decided to 31 December 2015.

² After the retirement of Patrick Butler – at his own request – the Management Board appointed 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 Kreihslers 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 Grill: Stefan Stoltzka 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 Teuffl	8 July 2010 ¹	AGM 2015
Martin Prater ²	10 October 2010	Until further notice
Rudolf Kortenhofer 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 Teuffl: 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 Korten Hof	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., Chesapeake (US)	3,002,000	USD	100.0%	OT
Centrotrade Singapore Pte. Ltd., Singapore (SG)	500,000	SGD	100.0%	OT
F.J. Elsner & Co. Gesellschaft mbH, Innsbruck (AT)	436,037	EUR	100.0%	OT
F.J. Elsner Trading Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	OT
Golden Rainbow International Limited, Tortola (VG)	1	USD	100.0%	FI
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

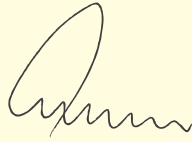
Other non-consolidated subsidiaries and equity participations

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

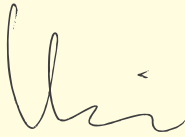
The Management Board



Herbert Stepic



Aris Bogdaneris



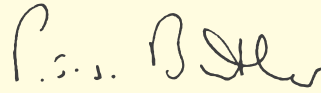
Martin Grill



Peter Lennkh



Karl Sevelda



Patrick Butler



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

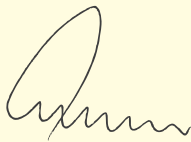
(Austrian Chartered Accountants)

Statement of the Management Board

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Vienna, 12 March 2012

The Management Board



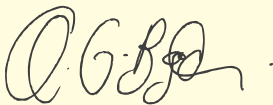
Herbert Stepic

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



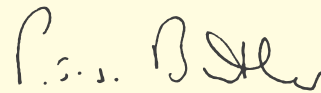
Karl Sevelda

Deputy to the Chief Executive Officer responsible for Corporate Customers, Group Products, Network Corporate Customers & Support and Corporate Sales Management & Development



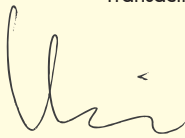
Aris Bogdaneris

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 Grill

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

Service

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Glossary

Affiliated companies – Entities over which the investor has applicable control (i.e. power to govern the financial and operating policies).

Associated companies – Entities over which the investor has significant influence.

Back testing – The backward comparison of VaR figures with actual results to test the quality of a model.

Basel II – The body of capital adequacy regulations proposed in recent years by the “Basel Committee,” an international forum dedicated to improving bank supervision. According to EU Directives 2006/48/EC and 2006/49/EC, the regulations must be applied in the member states of the European Union from 1 January 2007 onwards to all banks and financial service institutions. As in the case of the Basel I Accord, the goal is to ensure that banks have adequate capital resources and that uniform competitive conditions are created for both lending and credit trading. The main objective of the changes made by Basel II compared to Basel I is to orient capital adequacy requirements prescribed by regulators more effectively to actual risk and hence approximate the capital requirements internally ascertained by banks.

Basel III – Basel-II-regulatory broadened with the experiences and insights of the financial and economic crisis to harmonize incurred risks and the banks risk-taking capacity (deduced from the equity’s amount and quality).

BIS – Bank for International Settlement. International organization supporting the cooperation between the monetary and financial sector.

BWG – Austrian Banking Act.

Cash flow – Inflows and outflows of cash and cash equivalents.

Cash flow hedge – Protection against the risk of variability in projected cash flows, resulting either from risk associated with a recognized asset or liability or risk associated with a forecasted transaction. While the effective portion of the hedge relating to changes in value of the hedging instruments can be directly recognized in equity, the ineffective portion has an immediate effect on profit and loss statement.

CE – Central Europe. For RBI this segment encompasses the Czech Republic, Hungary, Poland, Slovakia and Slovenia.

CEBS – Committee of European Banking Supervisors. Advisor of the European Commission regarding policy and regulatory issues in banking supervision and supporting the cooperation between supervisors in the European Union, especially in developing guidelines and recommendations for financial institutions and supervisors.

CEE – Central and Eastern Europe.

CIS – Commonwealth of Independent States, consisting predominantly of territories of the former Soviet Union.

Clean price – Price of a financial instrument without accrued interest.

Consolidated ROE – Return on Consolidated Equity, i.e. the equity attributable to the shareholders of RBI. It is calculated by consolidated profit in relation to average equity on the statement of financial position (excluding non-controlling interests). Average equity is based on month-end figures excluding non-controlling interest and does not include current year profit.

Country risk – This comprises transfer and convertibility risk as well as political risk.

Core capital – So called tier 1 capital, involves regulatory core capital as defined in Section 23 BWG.

Cost/income ratio – Indicator of an entity’s cost efficiency based on the ratio of expenses to earnings. It is calculated by comparing general administrative expenses (comprising staff expenses and other administrative expenses and depreciation on intangible and tangible fixed assets) with operating income (net interest income, net fee and commission income, net trading income and other net operating income).

Credit derivatives – Instruments designed to transfer credit risk arising from loans, bonds and other risk assets or market risk items to another party.

Credit exposure – Comprises all exposures on the statement of financial position (loans, debt securities) and all exposures off the statement of financial position (guarantees, commitments) that expose RBI to credit risk.

Credit risk – See default risk.

Credit spread (or simply “spread”) – Difference in yield between top-rated bonds (usually government bonds) and bonds with the same residual maturity but lower issuer quality.

Cross-selling – Marketing strategy in which additional products and services are actively offered to existing customers.

DBO – Defined benefit obligation, i.e. the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Default risk – Risk that counterparties in a financial transaction will not be able to fulfil an obligation, causing the other party a financial loss.

Deferred tax assets – The amounts of income taxes recoverable in future periods in respect of deductible temporary differences and the carry-forward of unused tax losses.

Deferred tax liabilities – The amounts of income taxes payable in future periods in respect of taxable temporary differences.

Derivatives – Financial instruments whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, that requires no initial net investment or small initial net investment and that is settled at a future date.

Dirty price – Price of a financial instrument including accrued interest.

Earnings per share (EPS) – Adjusted consolidated profit (after deduction of dividend for participation capital) divided by the weighted average number of ordinary shares outstanding.

EBRD (European Bank for Reconstruction and Development) – An institution that promotes the transition to an open market economy and to private and entrepreneurial action in the countries of Central and Eastern Europe. Through its investments, it supports activity of the private sector and strengthens financial institutions, legal systems, and development of infrastructure needed by the private sector.

Excess cover ratio – Relation of excess own funds to total own funds requirement.

Fair value – The amount for which an asset can be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value Level I – (quotation on an active market). If market prices are available, the fair value is reflected by the market price.

Fair Value Level II – (measurement techniques based on observable parameters). When current bid and asking prices are unavailable, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction (in particular present value calculations and option price models). Alternately, they can be established through recognized evaluation models using observable prices or parameters.

Fair Value Level III – (measurement techniques not based on observable parameters). If observable parameters are not available; the fair value will be measured through valuation methods appropriate for the financial instrument.

Fiduciary business – Transactions which are carried out by a trustee, often banks, on own name but on account of the beneficiary.

Finance lease – A lease that transfers substantially all the risks and rewards incidental to ownership of an asset.

Funding – All means used by banks for the purpose of refinancing.

Futures – Standardized forward contracts traded on a stock exchange under which a commodity traded in a money, capital, precious metal or currency market is to be delivered or accepted at a price fixed in an exchange environment.

Goodwill – Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction.

Gross investment value – The aggregate of minimum lease payments receivable by the lessor under a finance lease and any unguaranteed residual value accruing to the lessor.

Hedging – Designating one or more hedging instruments so that their change in fair value is an offset, in whole or in part, to the change in fair value or cash flows of a hedged item.

Held-for-trading – Securities held to take advantage of short-term market fluctuations.

Held-to-maturity – Securities with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

IFRIC, SIC – International Financial Reporting Interpretations Committee – committee responsible for the official interpretation of the International Financial Reporting Standards, formerly also SIC (Standing Interpretations Committee).

IFRS, IAS – The International Financial Reporting Standards or International Accounting Standards are reporting standards published by the IASB (International Accounting Standards Board) with the goal of achieving transparent and comparable accounting on an international basis.

Interest margin – Net interest income in relation to average total assets.

Investment property – Property (land or buildings – or part of buildings – or both) which are held to earn rentals or for capital appreciation or both.

IPO – Initial public offering.

IRB (Internal Ratings-Based approach) – Approach to measure the own funds requirement for credit risks in accordance with Basel II. By applying the IRB approach, the own funds requirement is determined according to internal credit ratings. In the process, features specific to the borrower and the loan are taken into account. The ratings must be made by an independent source.

Liquidity risk – Risk that a bank could be unable to meet its current and future financial obligations in full or in good time. This arises from the danger that, e.g. refinancing can only be obtained at very disadvantageous terms or is entirely impossible.

Loss rate – Usage of previously allocated loan loss provisions plus direct write-downs and income received on written-down claims divided by credit exposure to customers.

Market capitalization – The number of issued shares multiplied by the share price.

Market risk – The risk that the value of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Monte-Carlo-Simulation – Numerical method to aggregate risks to evaluate specific risks concerning their influence on corresponding income statement items.

Net provisioning ratio (average risk-weighted assets credit risk) – Risk valuation ratio. Provisioning for impairment losses in relation to average credit risk-weighted assets.

Net provisioning ratio (total credit exposure) – Risk valuation ratio. Provisioning for impairment losses in relation to the total credit exposure.

Operating leasing – Lease under which commercial and legal ownership remains with the lessor, with the effect that the lessor must show the asset on its statement of financial position.

Operating result – In IFRS-compliant financial statements, it consists of operating income less general administrative expenses. Operating income comprises net interest income, net fee and commission income, net trading income and other net operating income. General administrative expenses comprise staff expenses and other administrative expenses and depreciation on intangible and tangible fixed assets.

Operational risk – Risk of unexpected losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

Options – Instruments that give the holder the right to purchase the underlying from a contracting party at an agreed price and at an agreed time or within an agreed period (call option) or to sell the underlying to a contracting party at an agreed price and at an agreed time or within an agreed period (put option).

OTC instruments – Financial instruments that are neither standardized nor traded on a stock exchange. They are traded directly between market participants “over-the-counter.”

Own funds according to BWG – Consist of core capital (tier 1), additional and subordinated capital (tier 2) and short-term subordinated capital and rededicated tier 2 capital (tier 3).

Own funds ratio – The ratio’s numerator is own funds within the meaning of the Austrian Banking Act (BWG) and its denominator is the own funds requirement multiplied by 12.5 per cent.

Own funds requirement according to BWG – Defined in Section 22 (1) BWG and involves the requirement for the credit risk, for position risk in bonds, equities and commodities and for position risk in foreign currency and for the operational risk.

Own shares – Repurchased equity instruments (shares) held by the issuing entity itself or by its subsidiaries.

Plan assets – Assets held by a long-term employment benefit fund.

Portfolio-based loan loss provisions – Impairment provisions for portfolios of loans with identical risk profiles that may be compiled under certain conditions.

Portfolio rate – Total provisions for impairment losses divided by total credit exposure.

Premium banking – Support for wealthy customers that includes additional and above all more individually tailored products in comparison to the customary support for private customers.

Projected unit credit method – An actuarial valuation method defined by IAS 19 that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method).

Quarter-on-quarter – Compared to the quarter which precedes the quarter under consideration; for example, the third quarter of 2010 in comparison to the second quarter of 2010.

RBI – The Group of Raiffeisen Bank International.

Repurchase agreement – During a genuine repurchase transaction (repo), the enterprise sells assets to a counterparty and concurrently agrees to reacquire the assets at an agreed time and at an agreed price.

Risk-weighted assets (credit risk) – This is the sum of the weighted accounts receivable and includes receivables in the form of asset items, items off the statement of financial position according to Annex 1 of Section 22 and derivatives according to Annex 2 of Section 22 BWG.

ROE (return on equity) – Return on the total equity including non-controlling interests, i.e. profit before tax respectively after tax in relation to weighted average equity on the statement of financial position. Average equity is calculated on month-end figures including non-controlling interest and does not include current year profit.

RZB – The Group of Raiffeisen Zentralbank Österreich AG.

RZB-Kreditinstitutsgruppe – Pursuant to Section 30 of the Austrian Banking Act (BWG), RZB-Kreditinstitutsgruppe is made up of all banks, financial institutions, securities companies and companies rendering banking related services in which RZB holds direct or indirect interests or has control as a superordinate institution.

Scorecard – A statistical tool in risk management for estimating risk parameters, typically used to determine probability of default or the loss-given default-ratio.

Securitization – Special type of refinancing and the packaging of designated portfolios of loans or leasing claims with an appropriate level of credit enhancement and the redistribution of these portfolios to investors.

SEE – The Southeastern Europe segment. For RBI this segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania (incl. Moldova) and Serbia.

Segment reporting – Disclosure of earnings and asset data for segments representing the organizational structure (country and functional responsibility).

Share Incentive Program (SIP) – Performance-based allotments of company shares for eligible employees for a given period of time.

SPO – Secondary public offering; capital increase.

Statement of cash flows – Statement of cash flows during the financial year arising from operating activities, investing activities and financing activities and a reconciliation of cash and cash-equivalents held at the beginning and the end of the financial year.

Stress tests – Stress tests endeavor to simulate extreme fluctuations in market parameters. They are used because such fluctuations are usually inadequately captured by VaR models (VaR forecasts maximum losses under normal market conditions).

Swap – Exchange of interest obligations (interest swap) and/or currency positions (currency swap).

Tax rate – Relation of income taxes to profit before tax.

Tier 1 ratio (credit risk) – This ratio’s numerator is core capital (tier 1) and its denominator is the risk-weighted assets of credit risk.

Trading book – Bank regulators’ term for assets held by a bank for short-term resale to exploit fluctuations in prices and interest rates.

UGB – (Austrian) Commercial Code

VaR – Value at risk expresses the potential loss that will, with a 99 per cent probability, not be exceeded within the period for which an asset is held in the portfolio in question.

Watson Wyatt Global Grading System – Internationally approved, market-oriented method to evaluate the value of job positions, based on role and competence requirements within a company with the aim of gaining a consistent compensation structure.

Wholesale funding – Refinancing of banks by way of external sources, i.e. not through their own funds or customer deposits.

Year-on-year – Compared to the point in time, or the time period, which occurs one year before the point in time, or the time period, under consideration; for example, the first half year of 2011 in comparison to the first half year of 2010, or 30 June 2011 in comparison to 30 June 2010.

Addresses

Raiffeisen Bank International AG

Austria

Am Stadtpark 9
1030 Vienna
Phone: +43-1-71707 0
Fax: +43-1-71707 1715
www.rbinternational.com
ir@rbinternational.com
rbi-pr@rbinternational.com

Banking network

Albania

Raiffeisen Bank Sh.a.
"European Trade Center"
Bulevardi "Bajram Curri"
Tirana
Phone: +355-4-238 1000
Fax: +355-4-227 5599
SWIFT/BIC: SGSBALTX
www.raiffeisen.al

Belarus

Priorbank JSC
31-A, V. Khoruzhey Str.
220002 Minsk
Phone: +375-17-289 9090
Fax: +375-17-289 9191
SWIFT/BIC: PJCBBY2X
www.priorbank.by

Bosnia and Herzegovina

Raiffeisen BANK d.d.
Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Phone: +387-33-287 101
Fax: +387-33-213 851
SWIFT/BIC: RZBABA2S
www.raiffeisenbank.ba

Bulgaria

Raiffeisenbank (Bulgaria) EAD
18/20 Gogol Str.
1504 Sofia
Phone: +359-2-9198 5101
Fax: +359-2-943 4528
SWIFT/BIC: RZBBBGSF
www.rbb.bg

Croatia

Raiffeisenbank Austria d.d.
Petrijnska 59
10000 Zagreb
Phone: +385-1-456 6466
Fax: +385-1-481 1624
SWIFT/BIC: RZBHHR2X
www.rba.hr

Czech Republic

Raiffeisenbank a.s.
Hvezdova 1716/2b
14078 Prague 4
Phone: +420-221-141 111
Fax: +420-221-142 111
SWIFT/BIC: RZBCCZPP
www.rb.cz

Hungary

Raiffeisen Bank Zrt.
Akadémia utca 6
1054 Budapest
Phone: +36-1-484 4400
Fax: +36-1-484 4444
SWIFT/BIC: UBRTHUHB
www.raiffeisen.hu

Kosovo

Raiffeisen Bank Kosovo J.S.C.
UÇK Str. No. 51
10000 Pristina
Phone: +381-38-222 222
Fax: +381-38-203 01130
SWIFT/BIC: RBKORS22
www.raiffeisen-kosovo.com

Poland

Raiffeisen Bank Polska S.A.
Ul. Piękna 20
00-549 Warsaw
Phone: +48-22-585 2001
Fax: +48-22-585 2585
SWIFT/BIC: RCBWPLPW
www.raiffeisen.pl

Romania

Raiffeisen Bank S.A.
15 Charles de Gaulle Square
011857 Bucharest 1
Phone: +40-21-306 1000
Fax: +40-21-230 0700
SWIFT/BIC: RZBRROBU
www.raiffeisen.ro

Russia

ZAO Raiffeisenbank
Smolenskaya-Sennaya Sq. 28
119020 Moscow
Phone: +7-495-721 9900
Fax: +7-495-721 9901
SWIFT/BIC: RZBMRUMM
www.raiffeisen.ru

Serbia

Raiffeisen banka a.d.
Bulevar Zorana Djindjića 64a
11070 Novi Beograd
Phone: +381-11-320 2100
Fax: +381-11-220 7080
SWIFT/BIC: RZBSRSBG
www.raiffeisenbank.rs

Slovakia

Tatra banka, a.s.
Hodžovo námestie 3
81106 Bratislava
Phone: +421-2-5919 1111
Fax: +421-2-5919 1110
SWIFT/BIC: TATRSKBX
www.tatrabanka.sk

Slovenia

Raiffeisen Banka d.d.
Zagrebeška cesta 76
2000 Maribor
Phone: +386-2-229 3100
Fax: +386-2-303 442
SWIFT/BIC: KREKSI22
www.raiffeisen.si

Ukraine

Raiffeisen Bank Aval JSC
9, Leskova Street
01011 Kiev
Phone: +38-044-490 8888
Fax: +38-044-285 3231
SWIFT/BIC: AVALUAUK
www.aval.ua

Leasing companies

Austria

Raiffeisen-Leasing International GmbH
Am Stadtpark 3
1030 Vienna
Phone: +43-1-71707 2966
Fax: +43-1-71707 762966
www.rli.co.at

Albania

Raiffeisen Leasing Sh.a.
"European Trade Center"
Bulevardi "Bajram Curri"
Tirana
Phone: +355-4-2274 920
Fax: +355-4-2232 524
www.raiffeisen.al

Belarus

JLLC "Raiffeisen-leasing"
31-A, V. Khoruzhey Str.
220002 Minsk
Phone: +375-17-289 9394
Fax: +375-17-289 9394
www.priorbank.by

Bosnia and Herzegovina

Raiffeisen Leasing d.o.o.
Sarajevo
Zmaja od Bosne 11
71000 Sarajevo
Phone: +387-33-254 354
Fax: +387-33-212 273
www.rlib.ba

Bulgaria

Raiffeisen Leasing Bulgaria OOD
Mladost 4, Business Park Sofia
Building 7B, 4th floor
1504 Sofia
Phone: +359-2-491 9191
Fax: +359-2-974 2057
www.rlbgbg

Croatia

Raiffeisen Leasing d.o.o.
Radnička cesta 43
10000 Zagreb
Phone: +385-1-6595 000
Fax: +385-1-6595 050
www.rl-hr.hr

Czech Republic

Raiffeisen-Leasing s.r.o.
Hvezdova 1716/2b
14078 Prague 4
Phone: +420-221-511 611
Fax: +420-221-511 666
www.rl.cz

Hungary

Raiffeisen Lizing Zrt.
Hungaria krt. 40-44
1087 Budapest
Phone: +36-1-298 8000
Fax: +36-1-298 8010
www.raiffeisenlizing.hu

Kazakhstan

Raiffeisen Leasing Kazakhstan LLP
Shevchenko St. 146, No. 12
050008 Almaty
Phone: +7-727-3785 430
Fax: +7-727-3785 447
www.rlkz.kz

Kosovo

Raiffeisen Leasing Kosovo
Gazmend Zajmi n.n., Sunny Hill
10000 Pristina
Phone: +381-38-222 222
Fax: +381-38-203 03011
www.raiffeisen-leasing-ks.com

Moldova

I.C.S. Raiffeisen Leasing S.R.L.
Alexandru cel Bun 51
2012 Chisinau
Phone: +373-22-2793 13
Fax: +373-22-2283 81
www.raiffeisen-leasing.md

Poland

Raiffeisen-Leasing Polska S.A.
Ul. Prosta 51
00-838 Warsaw
Phone: +48-22-326 3666
Fax: +48-22-326 3601
www.rl.com.pl

Romania

Raiffeisen Leasing IFN S.A.
Nusco Tower
Sos Pipera Nr. 42
Etaj 1A
020112 Bucharest
Phone: +40-21-306 9696
Fax: +40-37-287 9998
www.raiffeisen-leasing.ro

Russia

OOO Raiffeisen-Leasing
Stanislavskogo St. 21/1
109004 Moscow
Phone: +7-495-721 9980
Fax: +7-495-721 9901
www.raiffeisen-leasing.ru

Serbia

Raiffeisen Leasing d.o.o.
Milutina Milankovića 134a
11000 Novi Beograd
Phone: +381-11-201 7700
Fax: +381-11-313 0081
www.raiffeisen-leasing.rs

Slovakia

Tatra Leasing s.r.o.
Hodžovo námestie 3
81106 Bratislava
Phone: +421-2-5919 3168
Fax: +421-2-5919 3048
www.tatraleasing.sk

Slovenia

Raiffeisen Leasing d.o.o.
Bleweisova cesta 30
1000 Ljubljana
Phone: +386-1-241 6250
Fax: +386-1-241 6268
www.rl.si

Ukraine

LLC Raiffeisen Leasing Aval
9, Moskovskiy Av.
Corp. 5 Office 101
04073 Kiev
Phone: +38-044-590 2490
Fax: + 38-044-200 0408
www.rla.com.ua

Real estate leasing companies

Czech Republic

**Raiffeisen Leasing
Real Estate s.r.o.**
Hvezdova 1716/2b
14078 Prague 4
Phone: +420-221-511 610
Fax: +420-221-511 641
www.rlre.cz

Branches and representative offices – Europe

Germany

**RBI Representative
Office Frankfurt**
Mainzer Landstraße 51
60329 Frankfurt
Phone: +49-69-2992 1918
Fax: +49-69-2992 1922

France

**RBI Representative
Office Paris**
9-11 Avenue Franklin D. Roosevelt
75008 Paris
Phone: +33-1-4561 2700
Fax: +33-1-4561 1606

Malta

Raiffeisen Malta Bank plc
52 "Il Piazzetta" Tower Road
Sliema SLM 1607
Phone: +356-2260 0000
Fax: +356-2132 0954

UK

RBI London Branch
10, King William Street
London EC4N 7TW
Phone: +44-20-7929 2288
Fax: +44-20-7933 8099

Sweden

**RBI Representative
Office Nordic Countries**
Drottninggatan 89
P.O. Box 3294
10365 Stockholm
Phone: +46-8-440 5086
Fax: +46-8-440 5089

Branches and representative offices – Asia and America

China

RBI Beijing Branch
Beijing International Club 200
2nd floor
Jianguomenwai Dajie 21
100020 Beijing
Phone: +86-10-653 23388
Fax: +86-10-653 25926

RBI Representative

Office Hong Kong
Unit 2106-08, 21st Floor,
Tower One, Lippo Centre
89 Queensway, Hong Kong
Phone: +85-2-2730 2112
Fax: +85-2-2730 6028

RBI Representative

Office Xiamen
Unit 01-02, 32/F Zhongmin Building
No 72 Hubin North Road
Fujian Province
301012 Xiamen
Phone: +86-592-2623 988
Fax: +86-592-2623 998

India

**RBI Representative
Office Mumbai**
803, Peninsula Heights
C.D. Barfiwala Road, Andhere (W)
400 058 Mumbai
Phone: +91-22-2623 0657
Fax: +91-22-2624 4529

Korea

**RBI Representative
Office Korea**
Leema Building, 8th floor
146-1 Soosong-dong
Chongro-ku
Seoul 110-755
Phone: +82-2-398 5840
Fax: +82-2-398 5807

Malaysia

RBI Labuan Branch
Suite No. 28.02, Level 28
Johor Bahru City Square
Office Tower
106-108 Jalan Wong Ah Fook
80000 Johor Bahru
Phone: +607-291 3800
Fax: +607-291 3801

Singapore

RBI Singapore Branch
One Raffles Quay
#38-01 North Tower
Singapore 048583
Phone: +65-6305 6000
Fax: +65-6305 6001

USA

**RB International
Finance (USA) LLC**
1133 Avenue of the Americas,
16th Floor
10036 New York
Phone: +01-212-845 4100
Fax: +01-212-944 2093

RBI Representative

Office New York
1133 Avenue of the Americas,
16th Floor
10036 New York
Phone: +01-212-593 7593
Fax: +01-212-593 9870

Vietnam

**RBI Representative
Office Ho Chi Minh City**
6 Phung Khac Khoan Street,
Room G6
District 1, Ho Chi Minh City
Phone: +84-8-3829 7934
Fax: +84-8-3822 1318

Raiffeisen Zentralbank AG

Austria

Am Stadtpark 9
1030 Vienna
Phone: +43-1-71707 0
Fax: +43-1-71707 1715
www.rzb.at

Selected Raiffeisen Specialist Companies

F.J. Elsner Trading GmbH

Am Heumarkt 10
1030 Vienna
Phone: +43-1-797 36 0
Fax: +43-1-797 36 230
www.elsner.at

Kathrein Privatbank AG

Wipplingerstraße 25
1010 Vienna
Phone: +43-1-53 451 239
Fax: +43-1-53 451 233
www.kathrein.at

Raiffeisen Centro Bank AG

Tegetthoffstraße 1
1050 Vienna
Phone: +43-1-515 20 0
Fax: +43-1-513 43 96
www.rcb.at

Raiffeisen Investment

Aktiengesellschaft
Krugerstraße 13
1015 Vienna
Phone: +43-1-710 5400 0
Fax: +43-1-710 5400 169
www.raiffeisen-investment.com

ZUNO BANK AG

Am Stadtpark 3
1030 Vienna
Phone: +43-1-71707 2691
Fax: +43-1-71707 762691
www.zuno.eu

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Group Investor Relations inquiries

Phone: +43-1-71707 2089
E-mail: ir@rbinternational.com
Internet: www.rbinternational.com → Investor Relations

Public Relations inquiries

Phone: +43-1-71707 2828
E-mail: rbi-pr@rbinternational.com
Internet: www.rbinternational.com → Public Relations

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