ANNUAL REPORT 2010

EXTRACT:

RAIFFEISEN ZENTRALBANK GROUP MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

AUDIT OPINION

OVERVIEW

RZB-Group

Monetary values in € million	2010	Change	2009	2008	2007	2006 [1]
Income statement						
Net interest income	3,629	4.8%	3,462	4,010	2,942	2,186
Net provisioning for impairment losses	(1,198)	(46.7)%	(2,247)	(1,150)	(308)	(346)
Net fee and commission income	1,492	4.9%	1,422	1,768	1,516	1,177
Net trading income	323	(22.9)%	418	19	94	257
General administrative expenses	(3,069)	9.8%	(2,795)	(3,117)	(2,645)	(2,113)
Profit before tax	1,292	56.8%	824	597	1,485	1,286
Profit after tax	1,168	104.7%	571	432	1,190	1,035
Consolidated profit	714	64.8%	433	48	778	752
Earnings per share	121.73	85.28	36.46	6.40	150.70	155.70
Statement of financial position						
Loans and advances to banks	19,753	(41.7)%	33,887	29,115	30,910	32,006
Loans and advances to customers	78,270	4.6%	74,855	84,918	73,071	53,106
Deposits from banks	37,391	(25.1)%	49,917	54,148	48,899	44,129
Deposits from customers	57,936	4.5%	55,423	59,120	55,369	44,727
Equity	11,251	9.2%	10,308	8,587[3]	8,422	6,637
Total assets	136,497	(7.7)%	147,938	156,921	137,402	115,629
Key ratios						
Return on equity before tax	12.5%	3.7 PP	8.8%	7.3%	22.2%	26.7%
Return on equity after tax	11.3%	4.2 PP	6.1%	5.3%	17.8%	21.5%
Consolidated return on equity	13.0%	9.0 PP	6.3%	0.9%	16.5%	21.9%
Cost/income ratio	55.8%	3.9 PP	51.9%	52.8%	56.9%	56.7%
Return on assets before tax	0.88%	0.3 PP	0.54%	0.40%	1.17%	1.25%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.45%	(1.3) PP	2.76%	1.19%	0.41%	0.63%
Bank-specific information[2]						
Risk-weighted assets (credit risk)	79,996	6.7%	74,990	89,040	83,091	70,656
Total own funds	12,532	1.8%	12,308	10,801	10,297	7,614
Total own funds requirement	7,966	6.0%	7,516	8,505	7,491	5,652
Excess cover ratio	57.3%	(6.5) PP	63.8%	27.0%	37.5%	34.7%
Tier 1 ratio, credit risk	11.6%	(0.2) PP	11.8%	8.4%	8.8%	9.0%
Own funds ratio	12.6%	(0.5) PP	13.1%	10.2%	11.0%	10.8%
Resources						
Number of employees as of reporting date	60,356	0.9%	59,800	66,651	61,351	55,434
Business outlets	2,970	(2.2)%	3,038	3,251	3,036	2,866

1 Without the one-off effects of the sale of Raiffeisenbank Ukraine and of a minority stake in Bank Turan Alem in the amount of € 596 million.
2 Calculations since 2008 were carried out applying Basel II.
3 Retroactive reclassification of participation capital as equtiy.

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Notes: In this extract of RZB's Annual Report, "RZB" refers to the RZB Group and "Raiffeisen Zentralbank" is used wherever statements refer solely to Raiffeisen Zentralbank Osterreich AG. The forecasts, plans and forward-looking statements contained in this report are based on RZB's state of knowledge and assessments at the time of its preparation.

Like all statements of this kind, they are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

No guarantee can be provided for the accuracy of forecasts, plan values or forwardlooking statements.

We prepared this Annual Report and checked the data with the greatest possible care. Nonetheless, transmission, typesetting and printing errors cannot be ruled out.

Adding and subtracting rounded amounts in tables may have led to minor discrepancies.

Statements of rates of change (percentages) are based on actual figures and not on the rounded figures presented in tables.

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

GROUP MANAGEMENT REPORT

Market Developments

Gradual global recovery

After the global economy suffered its worst recession in 2009 since 1945, the economy began to recover in 2010. Economic activity picked up all around the world, often supported by massive fiscal and monetary policy moves. In the USA the recession ended in June 2009 with an impressive recovery emerging at the end of 2009 and in the first quarter of 2010, although this slowed somewhat over the course of the year.

Diverging growth in European economies

Full-year GDP growth in the eurozone was 1.7 per cent. However, economic trends diverged widely in the individual member states. While Germany, Austria and Finland moved into recovery, Spain, Greece and Ireland were still deep in recession, as shown by their unemployment rates, which ranged from 4.8 to 8.0 per cent in the first group, rising to 12.2 to 20.7 per cent in the second. Unemployment averaged 10.1 per cent for the eurozone as a whole. Inflation in 2010 was 1.6 per cent, below the long-term average but rising from the middle of the year, as a result of consumer tax increases in several member states.

Economical growth: Austria vs. Eurozone

Austrian economy growing again

The mood in Austria improved more in the course of the year. In the third quarter of 2010 the Austrian economy grew 0.9 per cent, above its long-term average. Much of this growth was from the sharp rise in exports (3.4 per cent a quarter) and investment (0.9 per cent a quarter). Capacity utilization for the economy as a whole also returned to its long-term average at 82 per cent.

The economy will continue to growth through 2011, the employment rate will rise further and inflation will remain moderate. Private consumption should stabilize despite the budget cuts for 2011-2014.

Tax increases and spending cuts are likely to be very minor compared to Europe as a whole. After an initial recovery driven particularly by exports, the Austrian economy should move into a sustainable growth phase in 2011, supported by investment and private consumption. The debt situation is less dramatic in Austria than the average for the eurozone.

Stabilization in CEE

The dependence on exports of the CEE nations proved a disadvantage in the crisis, contributing to what were in some cases significant declines in GDP. The turnaround came in 2010, when the CEE nations benefited from the upturn in GDP, particularly in Germany, with the export sector functioning as a significant growth driver.

Even though much of the current growth comes from exports, increasing support can be expected in the coming months from domestic demand. Even so, the CEE nations remain dependent on capital imports from Western Europe. After a decrease during the crisis, capital inflows to CEE are recovering, although they are still significantly below their previous level.

Poland was notable for its economic growth even during the crisis, once again recording above-average growth (+ 3.8 per cent) in 2010 compared to the other Central European EU member states. The only nation to top this was Slovakia, which rebounded from a decrease in GDP of 4.7 per cent in 2009 to growth of 4.2 per cent in the period under review. In contrast to Slovakia, however, growth in Poland came mainly from consumption and gross investment in plant and machinery, rather than from exports.

The sharpest decrease in GDP in the 2009 crisis year was in the Community of Independent States (CIS), falling 8.2 per cent. However, commodity prices picked up again, exports increased and the positive baseline effect all helped the CIS to economic growth of 4.2 per cent in 2010.

China as Asia's motor for growth

According to current estimates, the Asian economy grew 7.9 per cent in 2010. During this year, almost all Asian countries made the transition from public-sector stimulus to firming up private demand. China was the motor for growth, with spending programmes and expansion of credit boosting domestic demand. Retail sales rose and solid industrial output figures are also boosting consumer demand. GDP probably grew 10.2 per cent in 2010 and this vigorous growth also benefited countries exporting commodities and capital goods.

Asian currencies appreciated massively against the US dollar in 2010, mainly as a result of the expansionary monetary policy in the USA, which led to large capital inflows to the region. The resulting gains by the currencies – undesired by the governments involved – prompted a range of countermeasures.

Sovereign debt crisis

The main topic for the international financial markets in 2010 was the escalation in sovereign borrowing by a number of eurozone countries. The crisis began in Greece, which admitted at the start of the year that the figures for deficits and sovereign debt it had been reporting to Brussels were significantly understated. This was followed by growing doubt in financial markets that Greece was in any position to service its debt. The risk premium for Greek government bonds compared with Germany's rose massively, making it increasingly difficult for the country to secure funding in the capital markets.

Concerns about Greek solvency spilled over to the euro, leading to a significant depreciation, particularly against the US dollar and Swiss franc.

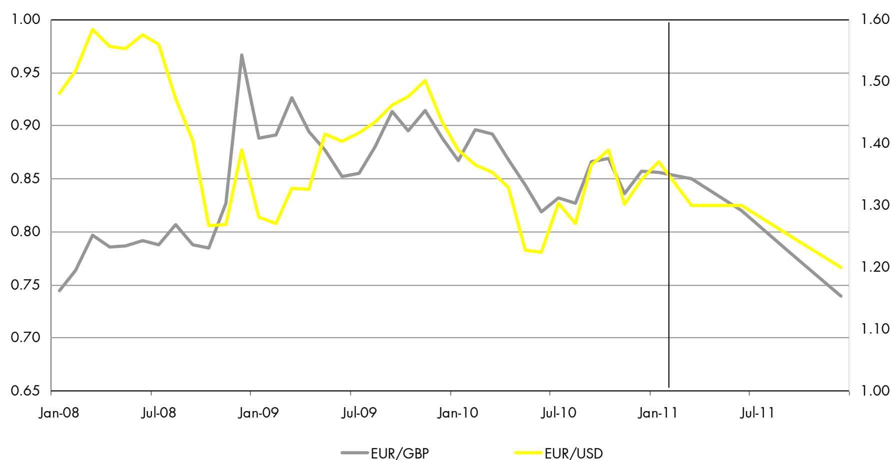
When the situation threatened to get out of hand at the end of April and start of May, the EU and IMF intervened, initially with a credit line for €110 billion. This meant that Greece does not need to approach the capital market for funding until the start of 2012. In addition, the European Financial Stability Facility (EFSF) was created to provide a rescue package to assist countries with financing problems in future.

The fund totals €750 billion, contributed by the eurozone member states and the IMF. However, despite the politicians' hopes, this step has not brought lasting calm to the markets. In November, Ireland became the second country to run into difficulties, although here it was primarily the collapse of the banking system that brought the nation to the brink of insolvency. The financial injections required to save domestic banks boosted the country's budget deficit for 2010 to an enormous 32 per cent of GDP. After suffering a massive deterioration in refinancing terms, Ireland requested assistance from the EFSF at the end of November. It is due to receive €85 billion in aid up to 2013.

Global currencies

The euro exchange rate in 2010 was dominated by the eurozone debt crisis. After starting the year at around USD 1.45, the euro quickly tumbled as a result of Greece. This was finally stopped in May, when the EU and IMF agreed on the hefty €750 billion rescue package for struggling eurozone nations. By then the euro had lost 17 per cent against the US dollar, reaching a low for the year at USD 1.20.

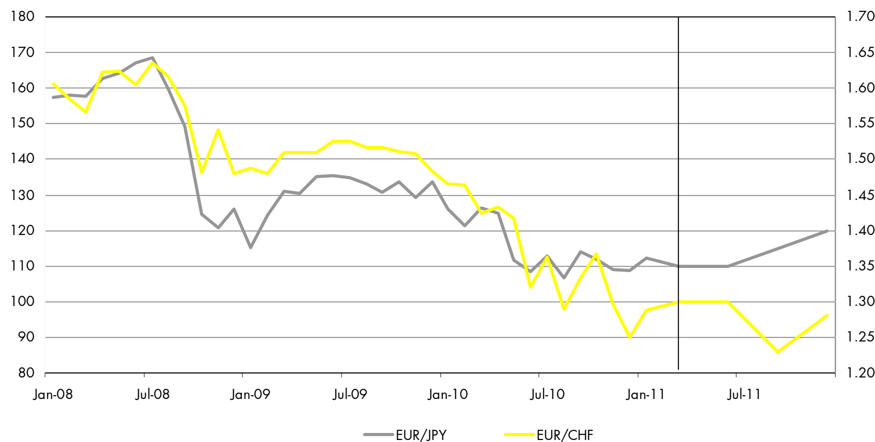
Exchange Rate Development USD and GBP per Euro



Source: Thomson Reuters, Raiffeisen RESEARCH

Between June and October the emphasis shifted away from eurozone debt crisis, as the Federal Reserve again eased monetary policy by buying up Treasury bonds. This led to significant pressure on the US dollar and the euro advanced to USD 1.42 by the start of November before the focus returned to the eurozone debt crisis. After Ireland was forced to seek financial aid, concern grew that the problems could spread to Spain and the euro duly slid back to USD 1.30.

Exchange Rate Development JPY and CHF per EUR



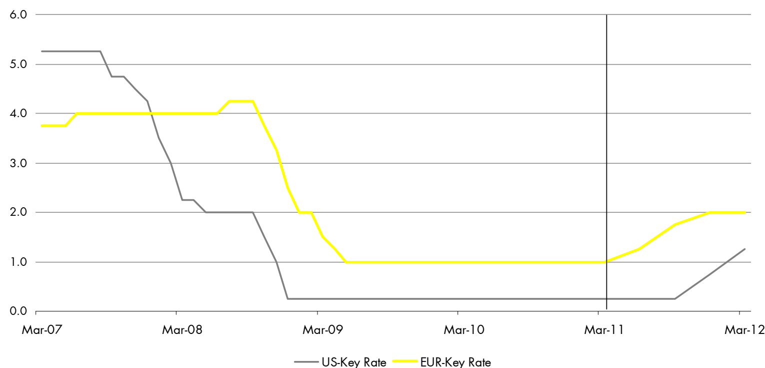
Source: Thomson Reuters, Raiffeisen RESEARCH

The refinancing problems of Greece and Ireland showed clearly in 2010 that the Swiss franc is an alternative to investing in the euro for many investors, primarily European ones. The Swiss franc accordingly gained more than 12 per cent against the euro from the start of 2010, as investors became increasingly sceptical.

CEE currencies

While euro key rates in recent months have stayed around 1.0 per cent, the CEE central banks have been trying to counter the depreciations in recent years by raising interest rates, in some cases massively. Several countries approached the EU and IMF for assistance.

Development Key Rates



The delayed recovery in Southeastern Europe was also reflected in the movements of local currencies. In some cases, they experienced strong volatility against the euro, driven by the shifting trends in global risk.

Developments in the Banking Industry in RZB's Home Markets

The second quarter of 2010 was particularly affected by concern about default by individual eurozone countries and the possible impact on the stability of the banking sector. The combination of these fears and regulatory changes in US money market funds led to new tension in the interbank market in May and June. There was also a shift in market focus back to adequate capitalization of banks. The London-based Committee of European Banking Supervisors (CEBS) was accordingly commissioned to carry out expanded stress testing for the banking system in the EU. The results published in July showed that almost all the banks included in the tests are adequately capitalized for the stress scenarios.

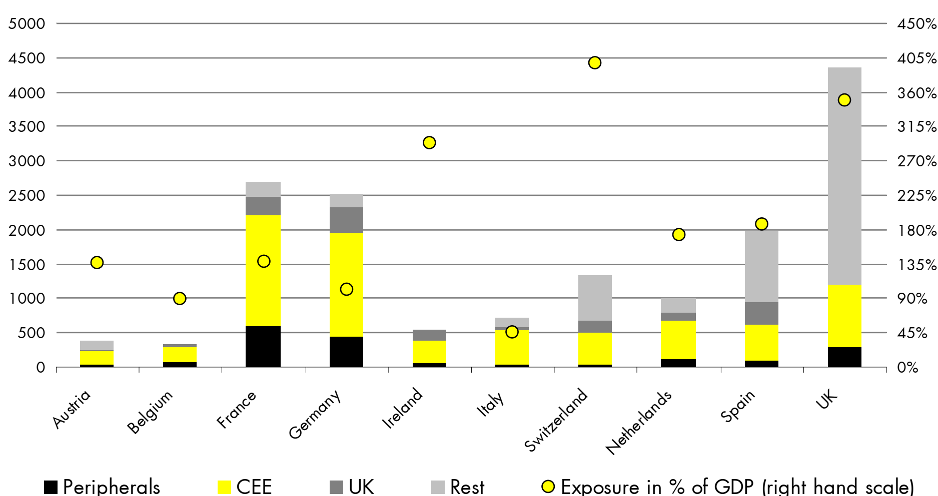
Operating profit also suffered from concern over sovereign insolvencies. In May, for example, the Bank's trading activities were significantly impacted. By contrast, provisions for impairment losses continued to decline in the second quarter. It is likely that defaults are at or past their peak in many national banking markets.

Low foreign exposure of the Austrian banking sector

Foreign lending by the Austrian banking sector is equivalent to 137 per cent of Austria's GDP (2010: €285 billion). This is in line with the European average, so that the Austrian banking sector is no more heavily committed abroad than, for example, the French or Dutch banking sector.

In financial centres like Ireland (292 per cent), the UK (348 per cent) and Switzerland (398 per cent), loans and advances to foreign borrowers are at least twice as high. As a result, the domestic market accounts for a larger share of the core business of Austrian banks than of British or Irish banks.

Exposure European Banks (in € billion)



Slower credit growth in CEE

The shortage and higher cost of external financing for banks and governments and the lower demand for credit, both due to the banks' tighter lending policy, resulted in stagnant credit in the CEE during the crisis. Total assets of the banking sector in local currencies grew more slowly in 2009 throughout the CEE region than before the crisis. Finally, there was a return to more significant growth in the year under review, although at around 7 per cent it was still slower than in the period before the crisis. Growth in total assets of the banking sector is expected to remain moderate at around 6 to 8 per cent a year for the next few years.

In Southeastern Europe (SEE), where total assets of banks had risen even faster before the crisis at over 30 per cent a year, growth in 2009 was only 7 per cent as a result of the crisis, and probably fell again to 5 per cent in 2010 due to a further slowdown in growth. In SEE the recovery in the banking sector is somewhat sluggish, like the economy as a whole, so that a return to growth of around 10 per cent is not expected until 2012.

The CIS region had the fastest growth in total assets in the years 2004 to 2008, averaging almost 40 per cent a year. However, as in the other regions growth here fell in 2009 to 4 per cent, although an economic recovery in 2010 probably led to a return to at least 17 per cent.

Non-performing loans rose further in 2010 as a result of the economic crisis. The main reasons for this were the increase in unemployment and the weakness of many CEE currencies, which posed an additional burden on many borrowers due to the high share of foreign currency loans in the region.

The situation in the banking sector stabilized again in the closing months of 2010. However, the situation remains difficult in several countries, particularly Ukraine and Romania, but also – specifically due to the bank levy – in Hungary. The positive trend in Poland resulted in growth in total lending, which was also maintained in the Czech Republic. By contrast, lending fell in Romania, Russia and Ukraine compared with 2009 as a result of the weak economy in these countries.

Bank levy in Austria

In December 2010 the Austrian parliament adopted a bank levy as part of the Stability Levy Act. The levy was introduced on 1 January 2011, and is intended to bring in €500 million a year to improve the budget. Progressive taxation of total assets is expected to generate €340 million, with €60 million from the tax on derivatives business. This weakens the banks' ability to build up the required regulatory capital from current earnings.

Financing environment for CEE states and banks

The financing climate for CEE countries had already significantly improved in the second half of 2009, ensuring access to both refinancing and new issues of sovereign debt on the local and global bond markets (Eurobonds). This positive trend continued in 2010. Yields on local sovereigns trended sideways in this period due to the continuing expansionary monetary policy and the decline in risk premiums. At the same time, the market took a very different view of the individual countries, with bond prices reflecting risk factors such as indebtedness, budget deficits and political uncertainty.

The Course of Business in 2010

RZB launches its first prepaid card in 2010

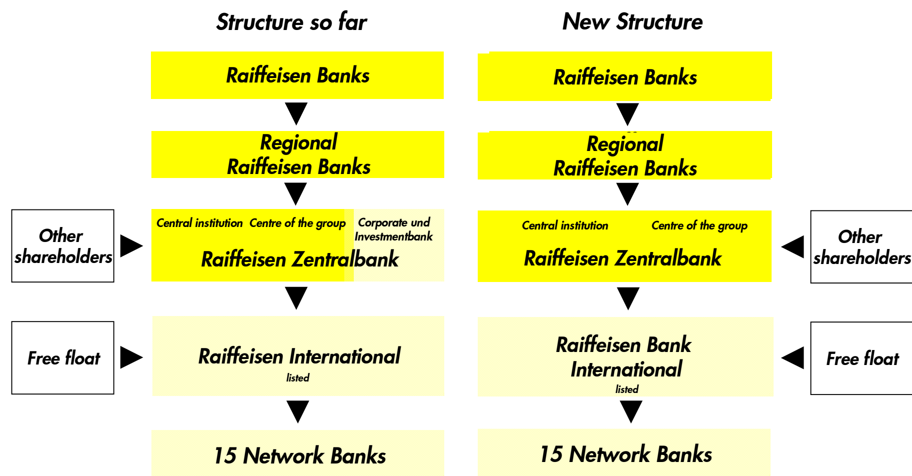
In January 2010 RZB introduced an innovation on the card market with the RELOADTM card, a reloadable prepaid card which can be structured completely in accordance with customer wishes. Customers are also free to choose their PIN. The card is loaded with whatever amount the customer desires, and can then be used for payment on the Internet or in retail outlets. It can also be used for cash withdrawals at ATMs. The RELOADTM card is accepted by all VISA online terminals, which means over 10 million partners worldwide, including over 110,000 in Austria alone.

ZUNO direct bank

RZB's new Internet bank will operate as ZUNO BANK in CEE and started operations during the year in Slovakia. ZUNO BANK is the latest addition to the RBI network banks, offering customers a new and ultramodern banking service.

Optimizing Group structure

On 22 February 2010 Raiffeisen Zentralbank and Raiffeisen International Bank-Holding AG announced the strategic opportunity of spinning off key parts of Raiffeisen Zentralbank's banking operations and merging them into Raiffeisen International. On 19 April the boards of the two companies announced their decision to propose the reorganization to the two companies' shareholders. At the AGMs at the start of July, the shareholders approved the motions with the necessary three-quarters majority.



The spin-off was recorded in the commercial register on 9 October and the merger on 10 October, making them legally effective. The spin-off was one of the most important changes in the structure of Raiffeisen Zentralbank since its formation. Key parts of the operations – particularly the corporate customer business, product areas and investment banking – were split off from Raiffeisen Zentralbank and merged with Raiffeisen International Bank-Holding AG to create Raiffeisen Bank International AG (RBI).
Raiffeisen Zentralbank holds around 78.5 per cent of the new bank. A possible reorganization of the RZB Group was already under consideration before the outbreak of the financial crisis. However, detailed planning had to be shelved during the global financial and economic crisis, and work was only resumed on this after the environment stabilized.

Since the reorganization, Raiffeisen Zentralbank has had a new structure, as the central institution in the Raiffeisen Banking Group, parent company for the RZB Group and service unit for the Austrian Raiffeisen Banking Group. The role of Raiffeisen Zentralbank as an organically evolved central institution for the Raiffeisen Banking Group Austria is particular apparent in the sectoral function. Here, Raiffeisen Zentralbank performs key services for efficient cooperation within the decentralized association of banks.

EU bank stress test

At the end of July the Committee of European Banking Supervisors (CEBS) published the results of the EU-wide stress testing for 91 banks. The RZB Group clearly passed the test, showing that it is adequately capitalized even under the assumption of a further two-year economic crisis. Besides RZB, Erste Group also participated in the testing in Austria, while Bank Austria was tested in Italy as a subsidiary of UniCredit.

The testing focused on the core capital ratio, which reflects a bank's risk-bearing capacity. Despite the simulated crisis scenarios, RZB showed a core capital ratio (tier 1, total) of 7.8 per cent, 1.5 percentage points lower than the comparable figure at the end of 2009 (9.3 per cent, according to the CEBS methodology). This put RZB significantly ahead of both the minimum value of 6 per cent recommended by the CEBS for the test and also the statutory minimum of 4 per cent.

Performance and Financials

Introduction and scope of consolidation

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

81% of Raiffeisen Zentralbank Oesterreich AG are owned by Raiffeisen Landesbanken Beteiligungs GmbH which is a 100% subsidiary of Raiffeisen Landesbanken Holding GmbH (RLBHOLD). The Raiffeisen Landesbanken as the core shareholders have mostly bundled their shares in RLBHOLD. The remaining shares are mostly held by other shareholders.

There was a major internal reorganization in the group in the year under review. Under this, the key business activities of Raiffeisen Zentralbank were spun off and merged with Raiffeisen International Bank-Holding AG. The spin-off and subsequent merger became legally effective on entry in the commercial register of the Vienna Commercial Court on 10 October 2010; in exchange for this contribution in kind, Raiffeisen Zentralbank received shares in Raiffeisen International Bank-Holding AG, increasing its stake to around 78.5 per cent. With effectiveness of the merger, the subsidiary was renamed Raiffeisen Bank International AG (RBI), and at the same time acquired a banking licence. The merger represents a transaction under common control.

As of 31 December 2010 the Raiffeisen Zentralbank's scope of consolidation comprised 334 group units, including 23 banks and a range of financial companies and bank-related service providers. For more information about changes in the scope of consolidation, please see the relevant section on page 122 in the Notes. The changes in the scope of consolidation had only minor influence on comparability with the figures for the previous year; the internal reorganization only affected the results of non-controlling interests.

Summary of results

Profit after tax doubled

RZB's operating result in 2010 declined 6 per cent to €2,427 million, largely due to higher general administrative expenses and the Hungarian bank levy included under other net operating income.

There was a positive trend in credit risk, where lower defaults and restructuring measures reduced net allocations to loan loss provisions by 47 per cent or €1,049 million to €1,198 million. This item had been extremely high in all segments in the previous year as a result of the financial and economic crisis.

However, the positive trend was offset by lower net income from financial investments and derivatives, which decreased by a total of €424 million. These net income components were dominated in 2009 by write-ups. In 2010 the situation on the financial markets stabilized, with a few exceptions, so that there were only isolated cases of write-ups.

There was a one-time effect on income taxes, which decreased 51 per cent despite the increase in profit. Deferred tax assets from capitalization of loss carryforwards in Austria (€120 million) and amended tax legislation in Ukraine (€26 million) are particularly responsible for this.

This brought profit after tax to €1,168 million, an increase of 105 per cent or €598 million on the previous year. After non-controlling interests, including from participation capital of €455 million, consolidated profit was €714 million, an increase of just under two-thirds.

in € million	**2010**	**Change**	**2009**	**2008**
Net interest income	3.629	4,8%	3.462	4.010
Net fee and commission income	1.492	4,9%	1.422	1.768
Net trading income	323	-22,9%	419	19
Other net operating income	52	-34,7%	80	108
Operating income	**5.496**	**2,1%**	**5.383**	**5.905**
Staff expenses	-1.508	8,7%	-1.387	-1.569
Other administrative expenses	-1.200	9,0%	-1.101	-1.249
Depreciation	-361	17,5%	-307	-299
General administrative expenses	**-3.069**	**9,8%**	**-2.795**	**-3.117**
Operating result	**2.427**	**-6,2%**	**2.588**	**2.788**

By segment, pre-tax profit was divided between RBI (95 per cent or €1,252 million), the Austrian Raiffeisen Banking Group (2 per cent) and Other participations (3 per cent).

Operating income positive thanks to net interest and fee and commission income

While the individual components of income showed different trends, operating income remained relatively constant over the quarters in 2010. The increase of 2 per cent year-on-year was primarily due to an increase in net interest income and net fee and commission income, while net trading income and other net operating income showed a negative trend.

Net interest income grew 5 per cent or €167 million, the best increase of all income components. Part of this growth was due to volume. After the slump in growth in the previous year due to the financial crisis, lending grew slightly again in several markets in 2010, while volume in securities was relatively constant.

However, most of the growth in income was due to a 22 basis point increase in the interest margin to 2.47 per cent. This improvement was primarily down to the more favourable refinancing situation, especially in the area of customer deposits. In addition, higher prices were achieved on assets in several markets. While interest margins rose in almost regions, they narrowed in Russia due to heavy competition. There was also a decline in Ukraine, due to a change in calculating and recognizing interest on impaired loans and advances.

A clear sign that the overall economic situation improved in RZB's core markets over the course of the year was the increase in net fee and commission, which rose 5 per cent or €70 million to €1,492 million. The main drivers of growth were the regions Central Europe and Austria, while at customer level growth came primarily from the corporate sector. The increase came mainly from income from the lending and guarantee business, payment transfers and the securities business. By contrast, results from the foreign exchange business declined together with demand, specifically due to the fall in foreign exchange lending and a slightly lower number of international transfers.

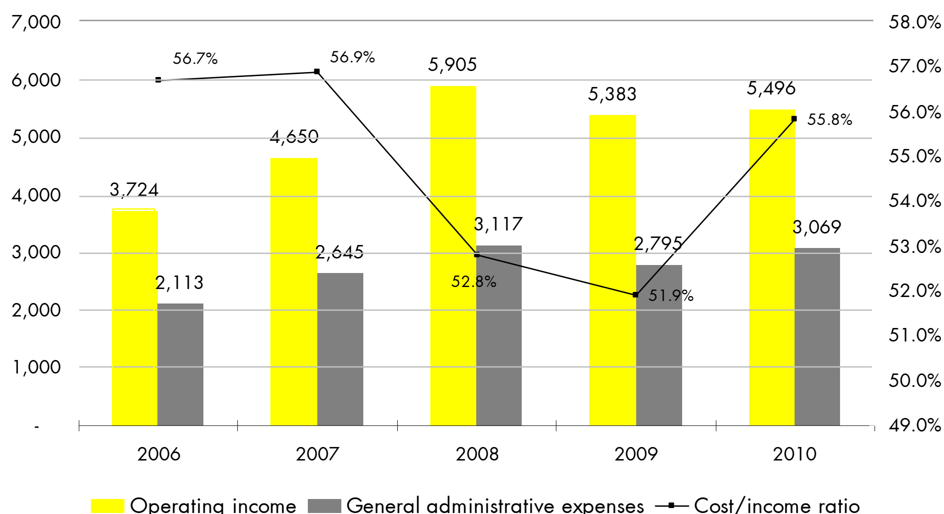
Net trading income came to €323 million, a decline of 23 per cent or €96 million on the previous year. The decisive factor here was the previous year's growth, where write-ups of interest products contributed to above-average results. Net income from interest-related trading accordingly showed a decrease in 2010 of around €166 million to €203 million. The other components

of net trading income showed significantly smaller fluctuations, with net income from currency-related trading totalling €124 million, some €14 million above the previous year. Net income from equity instruments declined by around €22 million.

Other net operating income fell by €28 million to €52 million, mainly as a result of the Hungarian bank levy, which amounted to €41 million at RZB.

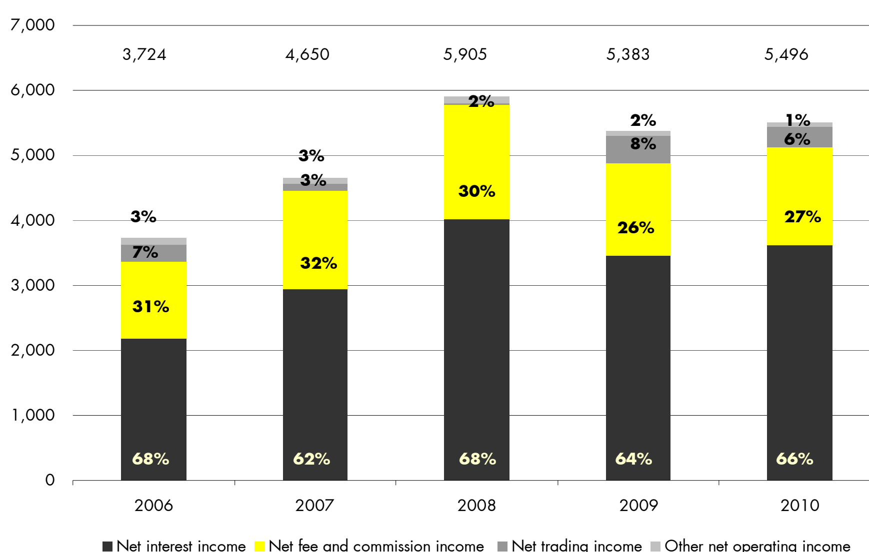
General administrative expenses rose just under 10 per cent

Development Cost/Income Ratio



After falling 10 per cent in the previous year due to economy measures and foreign exchange effects, general administrative expenses rose 10 per cent or €275 million in the year under review to €3,069 million. In contrast to 2009, currency appreciation boosted general administrative expenses in 2010. Staff expenses were also affected by market-related changes in salary structures and a return to bonus payments in several countries, resulting in an increase of 9 per cent.
The average number of staff decreased by 6 per cent or 3,712 to 59,757, primarily due to decreases in staff in Ukraine,

Development of operating income (in € million)



Russia and Romania. Other administrative expenses also rose 9 per cent, mainly because of higher IT expenses, expenses for

the merger of the key business activities of Raiffeisen Zentralbank with Raiffeisen International Bank-Holding AG, and expenses for the startup of the ZUNO direct bank.

The higher general administrative expenses, which grew 10 per cent, well ahead of growth of 2 per cent in operating income, were decisive for the cost/income ratio – the ratio of administrative expenses to operating income, which is important in measuring banks' efficiency – which rose by 3.9 percentage points to 55.8 per cent.

Profit boosted by decrease in loan loss provisions

After a difficult 2009, loan loss provisioning fell in 2010 by 47 per cent or €1,049 million to €1,198 million. This was a result of the improved overall situation in most markets, which reduced growth in non-performing loans, particularly in the second half of the year. By contrast, other net income (net income from financial investments and derivatives) was lower, after significant write-ups in 2009 due to the recovery in the markets. The final result was a 57 per cent or €468 million improvement in profit before tax to €1,292 million.

in € million	2010	Change	2009	2008
Operating result	**2.427**	**-6,2%**	**2.588**	**2.788**
Net provisioning for impairment losses	-1.198	-46,7%	-2.247	-1.150
Other profit/loss	63	-86,9%	483	-1.041
Profit before tax	**1.292**	**56,8%**	**824**	**597**
Income taxes	-124	51,1%	-254	-165
Profit after tax	**1.168**	**104,7%**	**571**	**432**
Profit attributable to non-controlling interests	-454	231,4%	-137	-384
Consolidated profit	**714**	**64,8%**	**433**	**48**

Loan loss provisions decline in numerous markets

Net allocations to specific loan loss provisions in 2010 totalled €1,200 million, 42 per cent down, while net allocations to portfolio loan loss provisions amounted to only €1 million in the year under review. The decline of €175 million in portfolio impairment provisioning is due to reversals in Hungary, Ukraine, Bulgaria and Herzegovina.
The net provisioning ratio based on average risk-weighted assets also fell significantly by 131 basis points to 1.45 per cent. By contrast, the NPL ratio (ratio of non-performing loans to the customer loan portfolio) rose by 1.48 percentage points to 8.74 per cent, slowing from the 4.5 percentage point increase in the previous year. The rise was steepest in 2010 among SMEs and private customers.

Regionally, new loan loss provisioning was concentrated in Central Europe, with a share of 34 per cent or €408 million (down 16 per cent), primarily in Hungary. Southeastern Europe had a share of 28 per cent or €335 million (down 19 per cent), with increases in Bulgaria and Bosnia and Herzegovina. Net allocations fell sharply in Russia (down 76 per cent to €77 million) and Ukraine (down 60 per cent to €200 million). In Austria, net allocations were down 70 per cent or €137 million, mainly because of heavy impairment on loans and advances to banks in the previous year, although they were unchanged in the corporate customers portfolio.

Tax rate at 10 per cent due to one-time effects

Despite a significant increase in profit before tax, taxes on income fell 51 per cent to €124 million. While current taxes rose in line with growth in profit, deferred taxes were responsible for the decrease in the tax load, which dropped from 31 per cent to 10 per cent.

While impairment of deferred tax assets led to an extraordinarily high tax ratio in the previous year, the situation was reversed in the year under review. Higher profit expectations under current medium-term planning meant that previously unrecognized

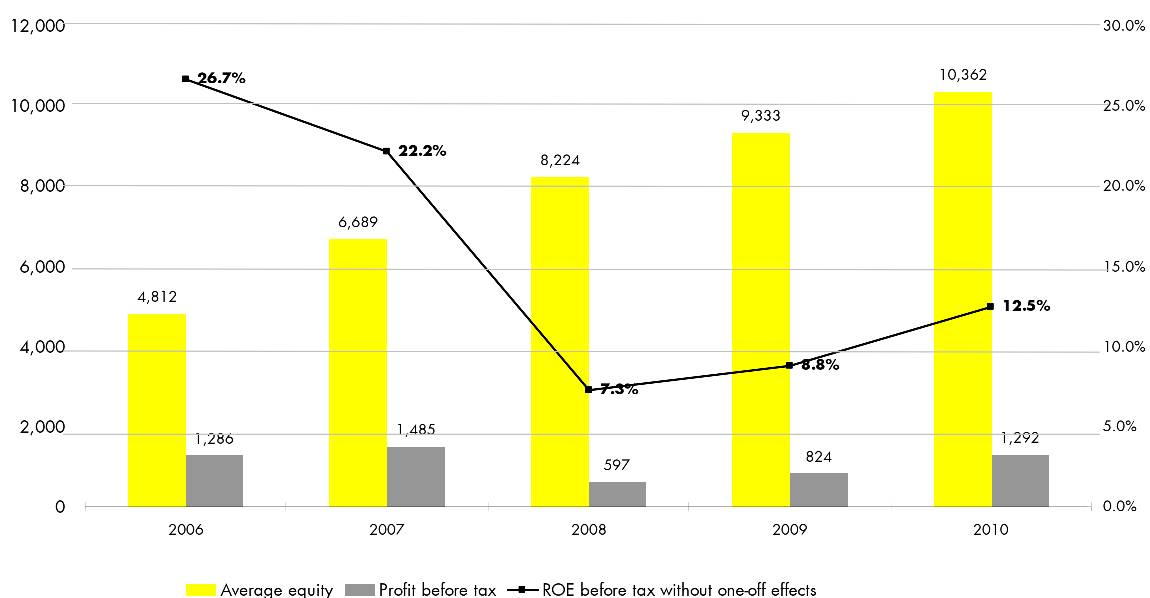
tax loss carryforwards at Raiffeisen Bank International AG had to be capitalized (€120 million). An adjustment of deferred taxes in Ukraine due to an amendment to the tax code in December 2010 resulted in a positive effect (€26 million) on net income. Without the one-time effects, the tax ratio would have been above 20 per cent.

Consolidated profit up 65 per cent

Compared to pre-tax profit, profit after tax rose disproportionately by 105 per cent, from €571 million to €1,168 million. This growth reflects the 47 per cent decrease in net allocations to loan loss provisions and the one-time effects on taxes, despite the slight decrease in operating income.

The share in profit of non-controlling interests (including the share in RBI's participation capital) rose 231 per cent to €455 million, even faster than profit after tax. Growth in profit is a consequence of the spin-off of business activities of Raiffeisen

Development of profit and return on equity (in € million)



Zentralbank and their merger into RBI, which meant that profit which previously did not include a non-controlling interest share now has a share of around 21 per cent. In addition, there is the share in the participation capital transferred to RBI. A comparison with the 2009 pro forma results for the new organization would show an increase of only 24 per cent. Deducting the share in profit of non-controlling interests leaves consolidated profit for Raiffeisen Zentralbank of €714 million, an increase of 65 per cent or €280 million on the previous year.

ROE before tax rises to 12.5 per cent

ROE (Return on Equity) before tax rose year-on-year by 3.7 percentage points to 12.5 per cent, mainly due to the reduction in loan loss provisioning. The average equity used as the basis for the calculation was €10,362 million, an increase of 11 per cent. Retained earnings and participation capital issued in the second quarter of 2009 led to an increase in equity. The reorganization and spin-off of the key business activities of Raiffeisen Zentralbank and their merger into Raiffeisen Bank International and the one-time tax effects meant that the increase in consolidated ROE (based on the equity attributable to the shareholders and subscribers to the Raiffeisen Zentralbank participation certificates) from 6.7 per cent to 13.0 per cent was even more marked.

Equity grows 9 per cent to €11.3 billion

The spin-off of key business activities of Raiffeisen Zentralbank changed the relationship between consolidated equity and non-controlling interests, with a shift of consolidated equity to non-controlling interests of €2,461 million, giving a total of €5,035 million. This was primarily due to the participation capital transferred to RBI through the spin-off and merger.

Total comprehensive income generated an increase in equity of €1,388 million, which already includes profit after tax of €1,168 million. Other profit/loss, i.e. the components of profit recognized directly in equity, totalled €220 million. This mainly includes currency differences including hedging (€177 million) due to appreciation by a large number of local currencies in the CEE region, including corresponding hedging measures. The greatest effect over the year came from currencies tied to the US dollar, specifically the Ukraine hryvna (up 8 per cent) and the Russian rouble (plus 5 per cent). However, most other currencies in the Central European region appreciated, including the Czech koruna (up 5 per cent).

The dividend payments resulted in a decrease of €419 million in equity, divided between €160 million to shareholders of Raiffeisen Zentralbank and €59 million to outside shareholders in group companies. In addition, the dividend distributed for the first time on the participation capital issued in early 2009 totalled €200 million.

Core capital ratio unchanged at 9.3 per cent

Regulatory own funds rose 2 per cent up on the previous year to €12,532 million. Besides the changes in equity described above, which increased core (tier 1) capital by 5 per cent, additional own funds (tier 2, minus 1 per cent) and short-term additional own funds (tier 3, minus 76 per cent) decreased due to the maturity of issues.

Due to the slight increase in the loan and securities portfolios, higher probability of default and rating downgradings, the own funds requirement rose 6 per cent to €7,966 million. The core capital ratio related to credit risk was virtually unchanged from the previous year at 9.3 per cent, with the core (tier 1) ratio (excluding hybrid equity elements) unchanged at 8.5 per cent. The own funds ratio fell by 0.5 percentage points to 12.6 per cent.

Total assets down 8 per cent to €136 billion

RZB's total assets decreased by €11.4 billion over the year to €136.5 billion, strongly affected by the interbank business. As a result of the appreciation of the US dollar and most CEE currencies, total assets rose by around €2.4 billion. Adjusted for this effect, there was an organic decrease in total assets of around 9 per cent or €13.8 billion.

The interbank business was scaled back in particular because of unneeded liquidity. As a result, loans and advances to banks fell 42 per cent to €19.8 billion. Conversely, loans and advances to customers were up 4 per cent or €2.7 billion, taking into account the growth in loan loss provisions. This increase was primarily down to business with large corporates, but loans to private individuals rose again slightly by 4 per cent. This increase was most marked in Russia (18 per cent) and Central Europe (5 per cent). Customer deposits grew 4 per cent to €57.9 billion, while the loan/deposit ratio was unchanged at 135 per cent.

Income statement

Net interest income

Net interest income rose 5 per cent or €167 million in the year under review to €3,629 million, and contributed 66 per cent of operating income. The interest margin (calculated on average total assets) improved by 22 basis points to 2.47 per cent.

The Raiffeisen Bank International Group segment contributed €3,560 million to net interest income. Within the Raiffeisen Bank International Group, the individual countries developed as follows:

The sharpest rise in net interest income was in Poland at 45 per cent or €55 million. This was due to higher customer margins, improved refinancing and the appreciation of the Polish zloty. In the Czech Republic, net interest income rose 15 per cent or €37 million as a result of an increase in mortgage loans and loans to private individuals and improved customer margins. Net interest income in Slovakia also benefited from lower refinancing costs, rising 11 per cent or €28 million.

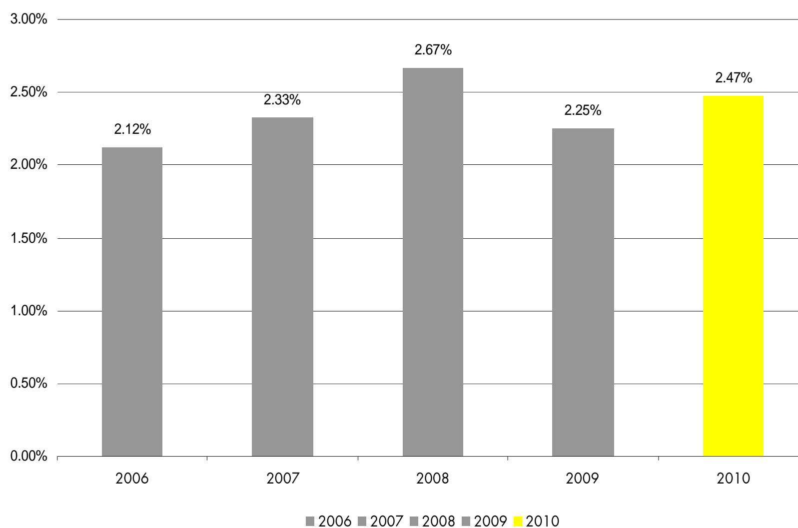
Net interest income in Croatia improved by 15 per cent or €22 million as a result of lower refinancing costs at banks and lower interest expense on customer deposits. But, in Serbia, it slipped 15 per cent or €18 million due to relatively weak new business, tighter margins for customers with good ratings, lower income from deposits with central banks and the steep depreciation of the currency.

In Russia, net interest income was down 22 per cent or €143 million to €507 million, mainly due to interest income on loans and advances to customers, which fell 28 per cent as a result of lower volume in the private and corporate sectors, lower new business and heavy competition.

In Ukraine, net fee and commission income dropped from €408 million to €333 million. In the fourth quarter of 2010 there was a one-time effect of €70 million in Ukraine, due to a change in the methodology for calculating interest on impaired loans and advances. This change does not affect results, as loan loss provisioning was reduced by the same amount.

The Austrian Raiffeisen Banking Group segment also contributed €65 million to net interest income. This segment reports the sectoral business within the central bank, the participation portfolio and companies accounted for using the equity method. Interest income in this segment comes mainly from dividend income.

Development of the interest margin



The segment Other participations contributed €19 million to net interest income.

Loan loss provisions

The improved economic environment and the measures to stabilize the loan portfolio initiated during the financial and economic crisis made themselves felt in 2010. In the year under review there were significantly lower net allocations to loan loss provisions (this is the balance of allocations and reversals of provisions for the lending business, direct impairment losses and income from written-off loans and advances). In all, these totalled €1,198 million, a decrease of €1,049 million or 47 per cent. This item also included €3 million in gains from the sale of loans.

The region CIS Other showed the largest decrease in absolute terms in net allocations to loan loss provisions year-on-year. These fell 58 per cent or €301 million to €214 million, of which €200 million were in Ukraine. This already includes the neu-

tral adjustment for methodology described above in the amount of €70 million. Significantly lower growth in non-performing loans, an improvement in the quality of the portfolio, active measures to restructure loans and improved repayment ratios were responsible for the positive trend in loan loss provisioning in Ukraine.

Russia also showed significantly lower net allocations to loan loss provisions, which fell 76 per cent or €245 million to €77 million. Besides the improvement in borrower ratings, particularly in corporate customers, this was due in particular to the improved economic environment and the combination of lower default ratios and higher collateral in the private customer area.

The decrease was more moderate in Central Europe, where net loan loss provisioning fell 16 per cent or €79 million to €408 million. In Hungary, net allocations were down €76 million on the previous year at €196 million, reflecting the positive effect of lower default ratios and restructuring measures on loan loss provisioning. By contrast, net allocations in the Czech Republic rose €22 million to €94 million due to additional specific loan loss provisions as a result of higher default ratios and increased portfolio loan loss provisions. Net allocations in Slovakia fell €13 million to €49 million due to the more cheerful economic environment and an improved payment ethic.

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

The new provisioning ratio (net loan loss provisioning related to average risk-weighted assets) was 1.45 per cent. The default ratio (the ratio of charged off loans to total lending) was 0.41 per cent.

Net fee and commission income

Net fee and commission income rose 5 per cent or €70 million to €1,492 million, representing 27 per cent of operating income.

Net income from payment transfers was the largest source of net fee and commission income at 40 per cent, increasing €39 million to €599 million. The biggest increase was €12 million in Ukraine, as a result of increased volume. Net income from payment transfers also rose by a total €14 million in Slovakia and the Czech Republic, due to the improved economic situation and resulting increase in transaction volume.

Net income from the loan and guarantee business rose €30 million to €283 million. The increase in the Czech Republic and Slovakia totalled €6 million due to increased volume and new bank charges. In Singapore the further growth in net income of €11 million was due to increased customer business and management fees.

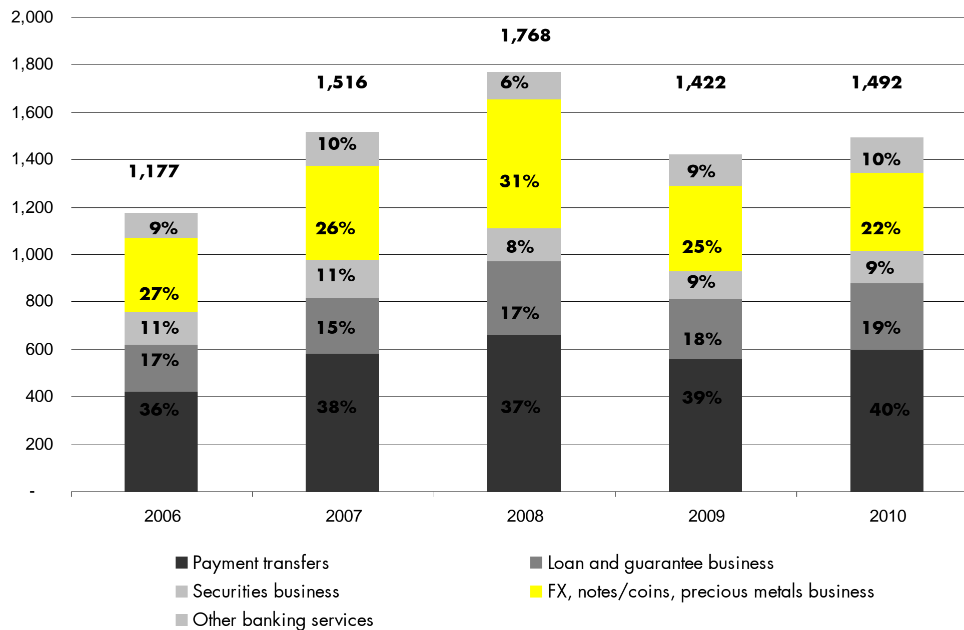
Net income from securities rose €17 million to €135 million, due to increases at Group Head Office, at Raiffeisen Centrobank (which specializes in equity products), and in Slovakia and Croatia due to higher issuing activity.

Net income from the foreign exchange, notes and coins and precious metals business fell by €30 million. In Central Europe, Slovakia and the Czech Republic boosted results due to an increase in transactions in the improved economy. In Hungary, net income from the foreign exchange, notes and coins and precious metals business decreased due to lower new business in foreign currency loans. In Southeastern Europe it fell due to declining business activity in Serbia and Romania and reduced arbitrage opportunities in Croatia due to the stable local currency.

Net income from managing investment and pension funds was virtually unchanged at €26 million.

Due to increased insurance activities in Southeastern Europe, income from the sale of own and third-party products rose 3 per cent or €2 million to €47 million.

Development of the net fee and comission income



Net income from credit derivatives business came to €3 million.

Net income from other banking services rose €15 million to €70 million. Income increased thanks to the new segments and also the increased income from various services in Russia, e.g. collection services for corporate customers.

Net trading income

Net trading income declined 23 per cent or €96 million to €323 million, due to a decrease of €166 million in income from interest-related trading. Net income fell sharply at Group Head Office and in Slovakia. At Group Head Office the decrease was due to revaluation losses on interest derivatives due to the flatter yield curve, while in Slovakia the decrease was due to revaluation losses on interest swap transactions. Net income from interest-related trading grew in Albania due to an increase in the fixed-income portfolio and in Ukraine because of the improved sovereign rating for Ukrainian government bonds.

Net income from currency-related trading rose 13 per cent or €14 million to €124 million. Net income in Russia increased €87 million to €14 million, due to revaluation gains on foreign currency transactions for hedging measures. In Hungary, it decreased as a result of revaluation of foreign currency positions and derivatives. Net income declined in Romania due to revaluation losses on currency futures contracts and in Croatia due to limited foreign exchange trading.

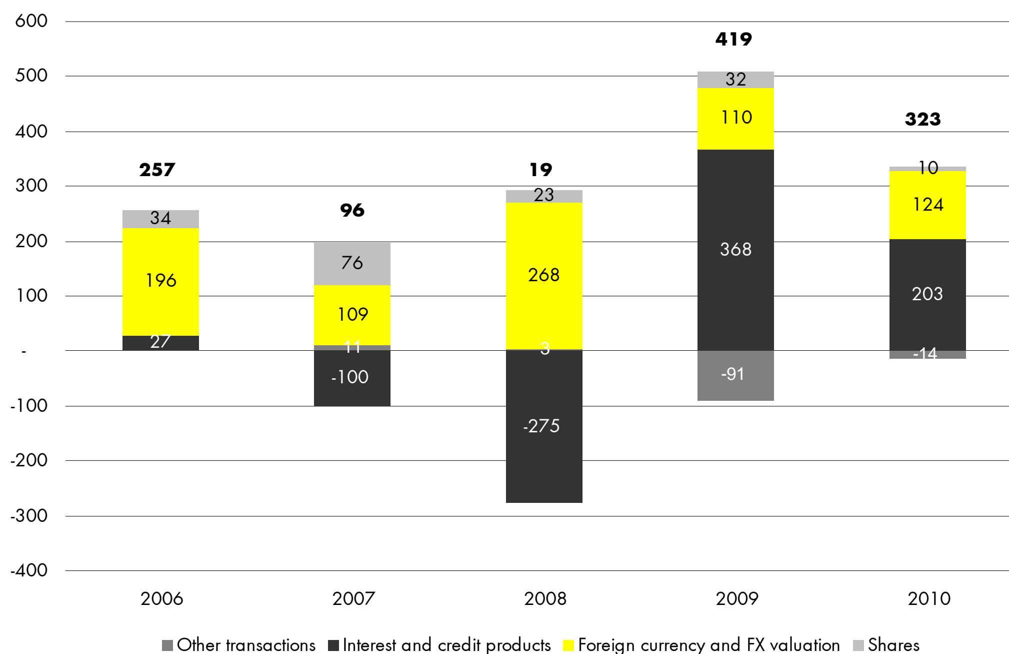
Net income from equity-related trading – primarily at Raiffeisen Centrobank, which specializes in equity products – fell by €22 million to €10 million.

Net income from other business rose €9 million, due entirely to revaluation gains on capital guarantees given.

Net income/loss from derivatives and designated liabilities

Net income from derivatives declined by €260 million to minus €88 million. This reflects the decrease of €180 million in net

Trading income by product



income from other derivatives due to revaluation losses on derivatives used for hedging purposes, together with the decrease of €57 million in income from credit derivatives. The net loss from liabilities designated at fair value, recognized in net trading income in the previous year, was €23 million, an improvement on the previous year due to narrowing spreads on RBI issues.

Net income from hedge accounting fell €2 million due to revaluation losses in Central Europe and at Group Head Office to a loss of €1 million.

Net income from financial investments

The capital market was strongly impacted in the year under review by the recurring debate over the euro and solvency of a number of EU member states, leading to fluctuations in the market value of securities in the individual quarters.

Net income from securities measured at fair value in profit or loss, comprising net income from valuation and disposals, amounted to €120 million for the full year. In 2009, the total was €396 million, as a result of the recovery in the markets after the turmoil in 2008. Revaluation gains accounted for €58 million, primarily due to reversals of impairment losses on fixed-income securities. In the first quarter of 2010 there was a clear recovery, with net income from revaluation of €133 million. By contrast, the debate about the euro initiated by concern about Greek solvency impacted the second quarter, leading to revaluation losses of €110 million.

The third quarter showed a positive trend, with net income from revaluation of €65 million, but the intensifying sovereign debt crisis in Ireland in the fourth quarter led to revaluation losses of €30 million. Net income from disposals of securities measured at fair value totalled €62 million, with the fourth quarter accounting for the largest share at €23 million.
Net income from equity participations in the period under review totalled €19 million, being the balance of income of €27 million from disposals (including €13 million from the sale of just under 10 per cent of shares in the Oesterreichische Nationalbank (Austrian National Bank) and revaluation losses of €8 million.

Net income from securities held to maturity was €6 million, primarily from the sale of an insignificant part of the portfolio.

General administrative expenses

General administrative expenses rose 10 per cent or €275 billion to €3,069 billion year-on-year. The cost/income ratio was 55.8 per cent (2009: 51.9 per cent).

Staff expenses

Staff expenses are the largest item in general administrative expenses, accounting for 49 per cent. Year-on-year they increased by 9 per cent or €121 million to €1,508 million. The growth was due to salary increases and the resumption of bonus payments in individual countries, which had been limited in the previous year.

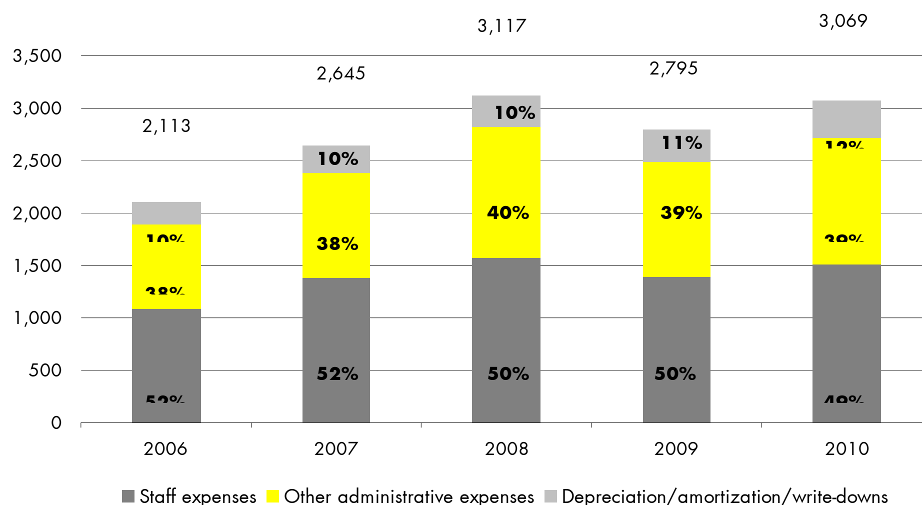
The average number of staff employed by the Group (full-time equivalent) fell 6 per cent or by 3,712 employees to 59,757. The decrease was sharpest in Ukraine (1,225), Russia (901), Romania (543) and Hungary (410). Operating profit per employee rose from €85 thousand to €92 thousand.

Other administrative expenses

Other administrative expenses increased by 9 per cent or €100 million to €1,200 million. The increase affected almost all types of expense, with the biggest increases coming from IT (up 28 per cent), advertising and representation (up 19 per cent) and legal, advisory and consulting (up 12 per cent).

IT expenses rose as a result of increased service costs for software systems, while advertising and representation expenses rose due advertising measures, e.g. a new marketing campaign in Russia. The increase in legal, advisory and consulting expenses was in connection with the merger.

General administrative expenses: breakdown by expense categories



Depreciation and amortization expense

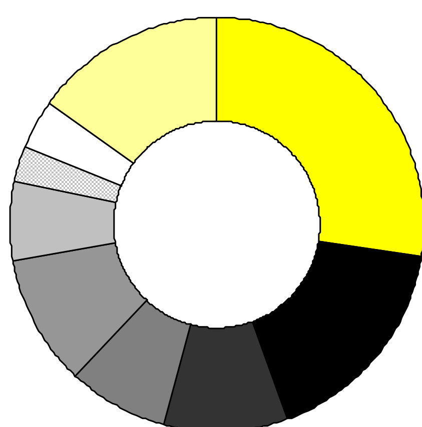
Depreciation on tangible assets, amortization on intangible fixed assets, and write-offs rose €54 million on the previous year to €360 million (2009: €307 million), of which €25 million related to tangible assets, €27 million was for intangible assets, and €2 million was for operating lease assets. The main reason for the increase in depreciation and amortization was investment in new core bank systems and other IT applications (particularly in Russia, Ukraine and the Czech Republic).
RZB Group made €652 million in investments during the period under review, of which 48 per cent (€316 million) was on tangible fixed assets. Investment in intangible assets – mostly software systems – made up 31 per cent. The remainder was invested in operating lease assets.

Other net operating income

Other net operating income fell by €28 million to €52 million in the reporting year. Various factors contributed to this: other taxes increased by €18 million to €71 million. The decision made by the Hungarian Parliament to impose a levy on banks and financial services providers resulted in an additional charge of €41 million in Hungary. In the reporting year, net expenses from the allocation and release of other provisions totalled a loss of €27 million (previous year loss of €5 million). Allocations to provisions to cover pending litigation in Russia and Slovakia in particular reduced earnings here.

By contrast, net income from non-banking services displayed a positive trend, rising €5 million to €62 million. Net income from other operating income and expenses increased by €13 million to €44 million.

Other administrative expenses 2010



- Office space expenses 28% (+1 PP)
- IT costs 17% (+3 PP)
- Advertising, PR and promotional expenses 9 (+/-0 PP)
- Communication expenses 8% (-1 PP)
- Legal, advisory and consulting expenses 10% (+/-0PP)
- Deposit insurance fees 6% (+/0 PP)
- Office supplies 3% (+/0 PP)
- Security expenses 4% (+/0 PP)
- Sundry administrative expenses 15% (+1 PP)

Net income from disposal of group assets

51 subsidiary companies were removed from the scope of consolidation in the reporting year. Net income from such disposals came to €6 million. These disposals were largely due to changed materiality thresholds and mainly affected companies in the areas of leasing, investment and financial services.

Statement of financial position

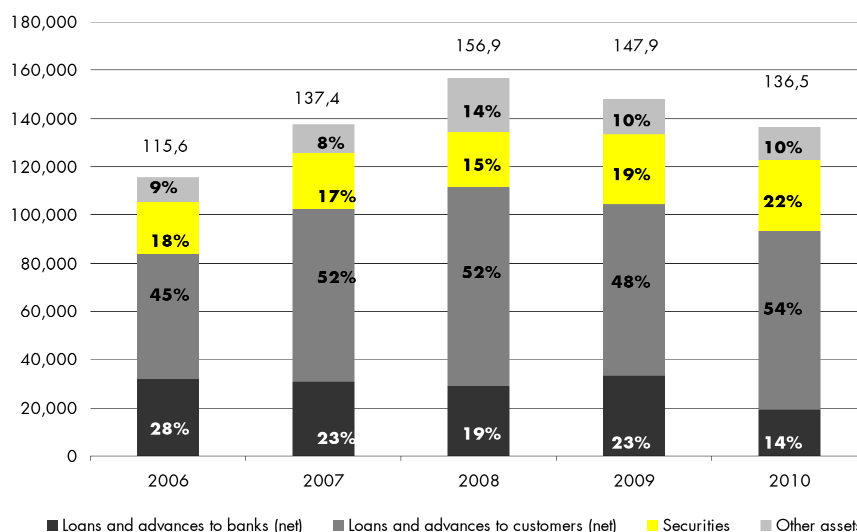
Assets

Significant changes took place in the structure of assets at Raiffeisen Zentralbank compared to 2009: with a 54 per cent share, the majority was made up of loans and advances to customers (after deduction of the loan loss provisions), which means this is up by 6 percentage points. Loans and advances to banks accounted for 14 per cent of the Group's total assets, which represents a decline in its share of 9 percentage points. The total volume of financial investments (including those held for trading) increased by 3 percentage points to 22 per cent. Other assets remained constant with a share of 10 per cent.

Compared with €74.9 billion in the previous year, loans and advances to customers accounted for €78.3 billion in the reporting year (before deduction of loan loss provisions), which is an increase of €3.4 billion. Modest growth was observed in lending again in 2010, primarily in CEE. Increased market demand and an active acquisition policy generated a sharp rise in Russia in particular. Growth was also registered in the Czech Republic. From all the loans and advances to customers, €16.9 billion or 22 per cent related to mortgage loans. €55.2 billion of lending operations took place with corporate custom-

ers, with large customers accounting for €51.1 billion. Retail customers made up €21.0 billion, of which private individuals accounted for €18.6 billion. At the end of 2010, the loan/deposit ratio (the ratio of customer lending to customer deposits) remained steady at 135 per cent.
Loans and advances to banks fell sharply in the course of the reporting year. Down €14.1 billion or 42 per cent they totalled €19.8 billion as of 31 December 2010. The loans were predominantly awarded to domestic and foreign commercial banks (€18.3 billion) and were mostly of a short-term nature. Deposits at central banks were also lower than in the previous year and amounted to €1.5 billion.

Structure of Balance sheet assets



At the end of the year, loan loss provisions reached €4.8 billion. Of this, €4.5 billion represented provisions for loans and advances to customers and €0.3 billion for loans and advances to banks. €2.9 billion of customer provisions related to corporate customers while €1.7 billion affected retail customers.

In the reporting year, the portfolio of financial investments (including those held for trading) was valued at €29.6 billion (2009: €28.7 billion). Since the start of the recession, excess liquidity has increasingly been invested in securities. In 2009 the portfolio of securities significantly expanded, but in 2010 this increase amounted to a mere €0.9 billion. The new investments of the past year were mainly state or state-guaranteed securities with top-quality ratings.

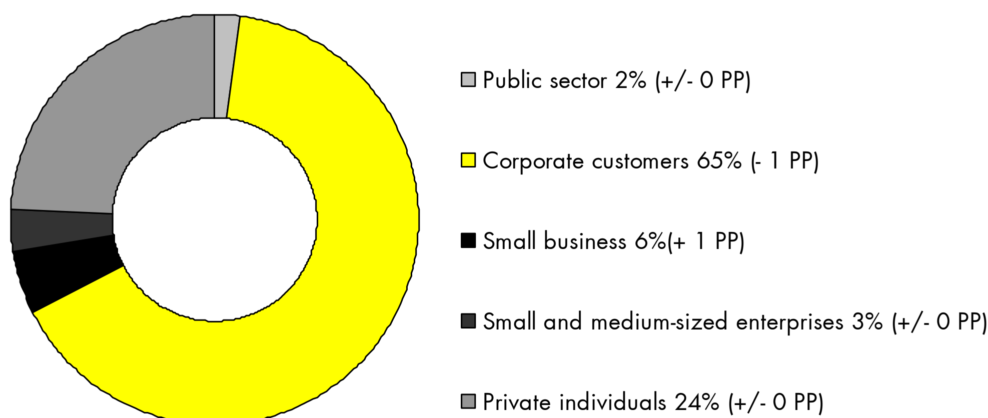
The remaining assets of €13.6 billion were made up of cash reserves (€6.7 billion), tangible assets and intangible assets of €3.0 billion, and derivatives (€1.5 billion), while the rest was composed of other assets (€2.4 billion).

Equity and liabilities

Equity and liabilities are dominated by customer deposits. These account for 43 per cent, which corresponds to growth of 6 percentage points. Liabilities towards banks accounted for a share of 27 per cent, down sharply by 7 percentage points. Equity and subordinated capital represented 11 per cent of equity and liabilities (up 1 percentage point), while the remaining equity and liabilities totalled 19 per cent.

Liabilities to customers rose by €2.5 billion or 5 per cent to €57.9 billion and represent a reliable source of funding for the Group. The deposits of corporate customers came mainly from large customers – 51 per cent or €29.7 billion. The deposits of retail customers came mainly from retail, predominantly private, customers – 45 per cent or €25.8 billion. Modest growth was registered in CEE in the reporting year – particularly in Russia with an increase of €1 billion.

Structure of loans and advances to customers



The volume of funding from banks – mainly commercial banks – totalled €37.4 billion, of which less than a third were of a long-term nature. This constitutes a 25 per cent decline from the end of 2009, or €12.5 billion. The remaining equity and liability items are made up of liabilities evidenced on paper, provisions, trading liabilities, derivatives and other liabilities. At the end of the year, these totalled €25.7 billion. Liabilities evidenced by paper accounted for €16.6 billion, which fell by €3.4 billion on account of repayments. Trading liabilities increased by €1.3 billion to €5.7 billion and largely comprised interest derivatives.

Equity

Equity on the statement of financial position

As of 31 December 2010, Raiffeisen Zentralbank's reported equity, including consolidated profit and non-controlling interests, amounted to €11,251 million. This constitutes a 9 per cent increase from the end of 2009, or €943 million. As a result of the internal reorganization (merger of core business areas at Raiffeisen Zentralbank with Raiffeisen International) there was a shift from equity to minority interests, predominantly on account of the transferred participation capital. Paid-in capital is made up of subscribed capital, participation capital and capital reserves, and amounted to €1,744 million.

The €2,500 million participation capital issued by RZB AG was transferred to RBI AG, while new participation capital amounting to €250 million was issued in the reporting year.

The capital gained from the consolidated profit and retained earnings amounted to €4,471 million. In the reporting year, the Group made a profit of €714 million after deducting minority interests in the participation capital. Profit appropriation, dividend payments and the overall result influenced retained earnings. €46 million was allocated to retained earnings from the previous year's result. Dividend payments amounted to €160 million. Other profit/loss increased retained earnings by €161 million. In this respect, the main components were the positive differences in currencies, which including the related hedging against capital depreciation (capital hedge), totalled €133 million, and the cash-flow hedge amounting to €30 million.

The capital of non-controlling interests increased by €2,462 million to €5,036 million. As a result of the reorganization within the Group there was a shift between equity and minority interests, with the resulting impact amounting to €2,461 million. Total comprehensive income increased minority interests by €514 million, of which €455 million related to the profit for 2010. Dividend payments decreased minority interests by €260 million.

Own funds pursuant to BWG

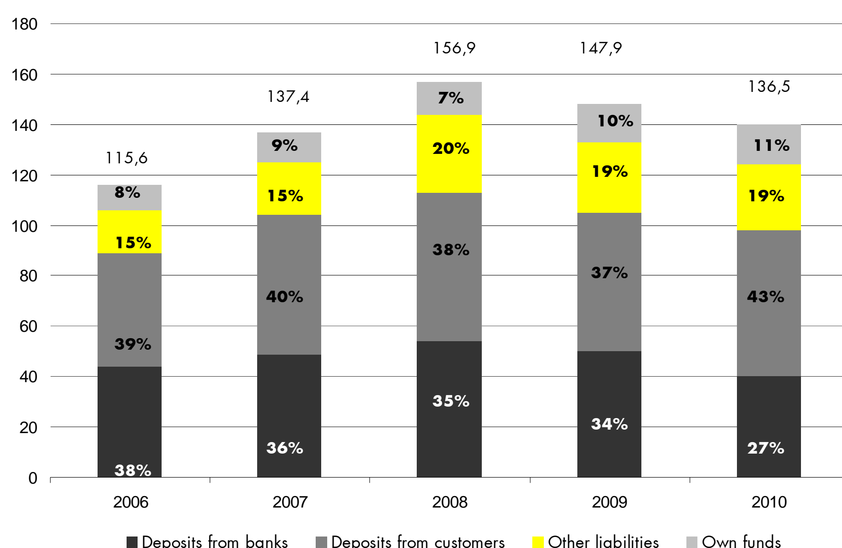
All non-retail divisions of RBI AG and the subsidiaries of the RZB Banking Group in Croatia, Malta, Romania, Slovakia, the Czech Republic, Hungary and the USA use the basic IRB approach to measure credit risk; all other Group units use the standard approach.

In the reporting year, a large share of the loans and advances to retail customers in Slovakia and Hungary was also calculated for the first time using the advanced IRB approach. Market risk is predominantly calculated according to the standard approach in accordance with Section 22 BWG (Austrian Banking Act), whereby RBI AG has carried out the calculation in part according to the internal model since August 2010. The consolidated figures presented below were determined based on the provisions of the BWG.

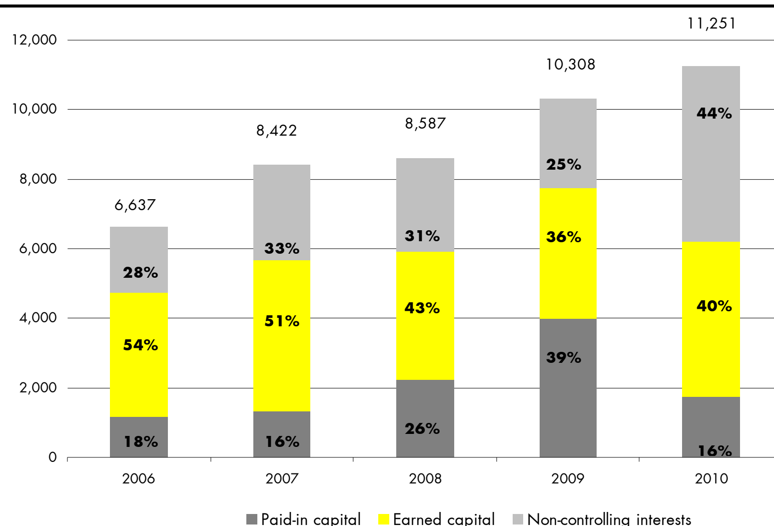
Consolidated own funds increased by €223 million and amounted to €12,532 million as of 31 December 2010.

Tier 1 capital improved by €489 million. Paid-in capital fell by €2,250 million, attributable on the one hand to the transfer of participation capital to Raiffeisen Bank International AG amounting to €2,500 million, and on the other to the participation capital newly issued by RZB AG and totalling €250 million. Earned capital improved by €894 million. The capital of non-controlling interests increased by €1,938 million.

Structure of Balance sheet



Composition of consolidated equity



Additional own funds (tier 2 capital) diminished by €33 million to €3,776 million. Long-term subordinated capital contracted by €58 million on account of the maturity of tier-2 issues, while the provision excess for IRB-positions increased by €25 million.

Short-term subordinated capital (tier 3 capital) fell by €223 million to €69 million. The maturity of subordinated issues in Austria was responsible for the decline.

The own funds requirement rose by €450 million to €7,966 million. The own funds requirement for credit risk rose mainly due to the use of new default probabilities and poorer ratings by €401 million to €6,400 million, whereby the standard approach accounted for €3,323 million (up €70 million) and the internal ratings approach €3,077 million (up €330 million). The requirement for the item risk in bonds, equities and commodities was €327 million. For the open currency positions it was €386 million and for operational risk €854 million.

This resulted in an excess cover ratio of 57.3 per cent or €4,566 million.

However, the tier 1 ratio measured in relation to credit risk fell by 0.2 percentage points to 11.6 per cent. Based on the overall risk, this resulted in a core tier 1 ratio of 8.5 per cent and a core capital ratio of 9.3 per cent. The own funds ratio totalled 12.6 per cent.

Research and development

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

In the context of financial engineering, however, RZB 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 are not based on standard instruments, such as those used in acquisition or project financing. By the same token, RZB also constructs individual solutions to hedge a very broad spectrum of risks, from interest rate risk and currency risk through to commodity price risk.

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

Internal control and risk management system for Group accounting

Balanced and comprehensive financial reporting is a priority for RZB and its governing bodies. Naturally, these reports must comply with the relevant statutory requirements. The Managing 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 management with the information needed to ensure effective internal controls for accounting, and is 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 drawn up on the basis of Austrian laws governing the preparation of consolidated financial statements, primarily the Austrian Commercial Code (UGB). The accounting standards used to prepare the consolidated financial statements are the International Financial Reporting Standards (IFRS) as adopted by the EU, which RZB has been using since 2000.

Control system

An internal control system has been in place for many years at RZB, which includes directives and instructions on key strategic topics. The system comprises:
(1) the hierarchical decision-making process for approving Group and company directives and departmental and divisional instructions
(2) procedures for drafting, quality control, approving, publishing, implementing and monitoring directives and instructions
(3) rules on revising and repealing directives and instructions.

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 based on a service-level agreement by the RBI Group Financial Reporting department, which reports to the RBI Chief Financial Officer. The relevant responsibilities are defined within the Group's organizational structure.

Risk assessment

Significant risks relating to Group accounting are evaluated and monitored by the Managing 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, financial investments and goodwill.

Control measures

The preparation of individual financial statements is decentralized and carried out by each Group unit in accordance with the RZB 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 provided by Raiffeisen Bank International. The local management is responsible for ensuring compliance with mandatory internal control measures, such as the separation of functions and principle of dual control.

Consolidation

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

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

The general control system encompasses both the Managing Board and middle management (department heads). All control measures constitute part of 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 Supervisory Board's Audit Committee and are also presented to the Supervisory Board for information. The consolidated financial statements are published on the Company's website and in the Wiener Zeitung's official journal and are filed with the companies 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 on measuring credit risk and similar issues are provided in the Group directives. The relevant units are kept abreast of any changes to the instructions and standards through regular training courses.

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

The Group produces consolidated quarterly reports. Statutory interim reports are produced in accordance with IAS 34 and are published semi-annually. 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 Managing Board and Controlling 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. Raiffeisen Zentralbank's Group Audit division 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 periodically verifies compliance with the internal rules within the RZB Group units. The Head of Group Audit reports directly to the Raiffeisen Zentralbank and Raiffeisen Bank International Managing Boards.

Risk management

In principle, the Group takes a multi-level approach to risk management. As the highest-level bank, Raiffeisen Zentralbank has various service-level agreements with risk management units of RBI AG, which in cooperation with individual Group subsidiary units develop and implement the corresponding concepts. The central risk management units are responsible for the appropriate and suitable implementation of risk management processes in the Group. To achieve this, they set forth risk management guidelines and define business-specific plans, tools and procedures for all the companies of the Group.

There are also local risk management units in the various Group units. These implement the risk policy in the various risk categories and manage the business within the approved risk budget to achieve the objectives stated in the business policy. To this end, they monitor the risks which arise by means of standardized measurement methods and report them to central risk management units via defined reporting interfaces.

The functions of central and independent risk controlling units as laid down in the Banking Act are exercised by Risk Controlling. The tasks of this department include preparing the Group-wide rules encompassing all risk categories for Group risk management as well as independent and neutral reporting on the risk profile to the Managing Board and the individual heads of business divisions. Furthermore, the risk capital required for the various business units is determined here, while the utilization of the set risk capital budget is assessed to ascertain the appropriateness of capital adequacy.

Risk management integration in RBI

Risk controlling at Raiffeisen Zentralbank deploys the risk management of RBI AG to implement the Group-wide risk management strategy and guidelines applicable to the RBI Group.

In the wake of the merger of Raiffeisen International Bank-Holding AG with the core business areas of Raiffeisen Zentralbank, the risk management functions in RBI AG were consolidated under the Managing Board member responsible for risk management for both Raiffeisen Zentralbank and RBI AG, and partially re-organized. In the context of this partial reorientation, the concept of risk committees with decision-making authority was modified for the new structure. These committees were upgraded with the addition of a number of board members. The resulting structure with its new elements forms the basis for risk management – identifying, measuring, aggregating, limiting and reporting risk – for both individual types of risk and overall risk.

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

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

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

Business environment

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

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

Management of non-performing loans

Despite the continuing crisis, new provisioning for loan losses in 2010 was significantly lower than in 2009. The number of non-performing loans continued to rise in the reporting period, a trend countered by comprehensive provisions.

Successful management of non-performing loans was one of the core functions of risk management in 2010. Besides the reorganization of the area involved, further progress was made with the introduction of minimum standards for the restructuring

process which was begun in 2009. The standards were introduced at all network banks and leasing companies, and now ensure sustainable and comprehensive management with adequate resources throughout the entire group. The early recognition of problem loans means that more time is available to assign them to experienced restructuring managers with their extensive portfolio of measures.

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

Stress tests

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

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

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

Market risk

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

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

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

To ensure the quality of the model, it is subjected to an ex post daily comparison, or backtesting. The results of these tests have always been within the range of model expectations, and have not shown any material flaw even in the last few months. Based on these good results, the internal model should be placed in the best regulatory category ("green status").

Liquidity risk

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

Optimizing IT

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

Basel III – regulatory changes

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

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

1) IRB = Internal Ratings-Based Approach

2) Only for risks of open foreign exchange positions and general interest rate risk on the trading book

3) STA = Standard approach

4) Only at consolidated level

Basel II – credit risk and operational risk

Besides the preparations already initiated in connection with the new Basel III regulations, RBI risk management focused on the ongoing implementation of the advanced Basel II approach. The activities related to Basel II include implementing the Internal Ratings-Based Approach (IRB) in the retail and non-retail segments of the subsidiaries in CEE, further developing the internal

market risk model, and the Group-wide introduction of the Standard Approach for operational risk. The following table shows an overview of the current status of these projects. In addition, 2011 will continue with the roll-out of the IRB approach in CEE subsidiaries.

The regulatory authorities approved the modification of the IRB approach for RZB in the reporting year, which was necessary because of the merger-related transfer of assets from Raiffeisen Zentralbank to Raiffeisen International. As a newly created bank, RBI successfully completed the mandatory IRB approval process with a very low number of new requirements.

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

Currently the Standard Approach is being used to calculate capital requirements for operational risk under Basel II. After an implementation phase lasting several years, Raiffeisen Bank Aval JSC in Ukraine has used this approach since 1 January 2010.

Human resources

In 2010 the consolidation of human resources continued with slight differences between countries. For Raiffeisen Zentralbank itself and Raiffeisen International Bank Holding AG (renamed as Raiffeisen Bank International AG) the key challenges for HR were preparing and implementing the merger.

Group-wide HR management is still coordinated from Vienna, which provides guidelines and a general regulatory framework to ensure that the Group pursues a uniform HR strategy. Local operational HR management in CEE is the responsibility of the individual network banks.

Stable headcount

The Group employed 60,356 staff as of 31 December 2010, which represents a modest rise on the previous year of 556 people or 1 per cent.

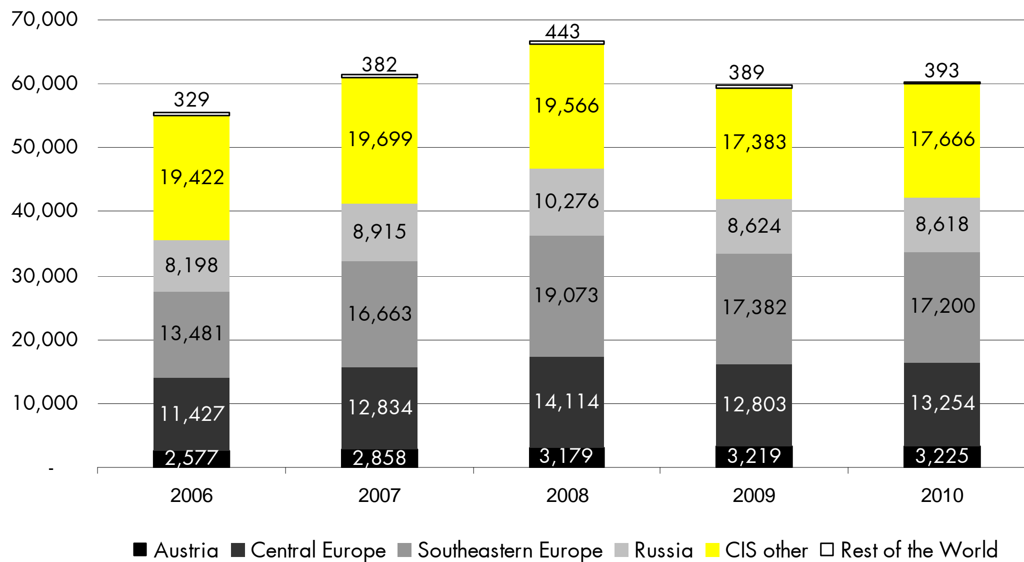
The ratio of women employed across the Group was an average of 66 per cent. The average age of staff in the Group is 35. This relatively low figure reflects the quite rapid growth of recent years and the associated intensive recruitment work. The high professional and personal qualifications of staff are reflected among other things by the ratio of graduates: 74 per cent.

Merger in Vienna

The spin-off of the corporate customer business of Raiffeisen Zentralbank and the subsequent merger into Raiffeisen Bank International AG (RBI, formerly Raiffeisen International Bank-Holding AG) meant that the majority of the staff employed by Raiffeisen Zentralbank were transferred to the newly-formed Raiffeisen Bank International AG. This is why Raiffeisen Zentralbank had only 85 staff as of the reporting date (31 December 2009: 1,774 employees). Consequently the key employee figures for Raiffeisen Zentralbank in 2010 are only comparable with the previous year to a very limited extent.

Now as a much leaner organisation at the top of the Group, Raiffeisen Zentralbank has not had its own HR department since the merger, and such matters are taken care of by HR at RBI under a service level agreement. Amongst other things this is aimed at ensuring broad uniformity of HR systems and methods, and subsequently in corporate culture as well.

Number of employees to date (full time equivalent)



Other focal points of HR activities

Job evaluation

Based on a proven international grading system an evaluation of all positions in RBI and Raiffeisen Zentralbank has been commenced. This process should be completed in 2011 and constitute a stable basis for future processes and instruments in HR management.

Remuneration system

A project began at the end of 2010 based on the job evaluations to develop a new system of remuneration. This is designed on the one hand to take account of the new guidelines set forth by the Banking Act regarding the principles of remuneration policies and practices, but also to provide optimal support for an objective, competitive and sustained remuneration policy.

Personnel development programme

The outstanding professional and personal skills of RZB's staff are key to its exceptional services and therefore one of its main competitive advantages. This is why the programmes successfully launched in recent years to improve and develop staff at all levels – but particularly young staff with potential and future managers – were implemented consistently in the merger year as well. In this area, significant steps are planned for 2011 to further the standardization and boost efficiency within the Group.

Personnel marketing

The economic recovery after the crisis led to increased demand for labour, which intensified the competition among employers again on the labour markets. RZB never suspended its personnel marketing activities during the crisis and therefore had no problem in continuing the successful cooperation with universities, colleges and other relevant educational institutions in the reporting year. This involved not only sponsoring but also active participation in courses, guest lectures, seminars and traineeships in relevant disciplines, as well as taking part in various job fairs.

Material events after the reporting date

RBI acquires majority stake in Polbank

On 3 February 2011, RBI reached an agreement with Greece's EFG Eurobank Ergasias S.A. (Eurobank EFG) for the acquisition of a 70 per cent majority share in Polbank ERG (Polbank). Polbank has a network of around 350 business outlets and 2,900 employees, serving around 800,000 customers. Its total assets as of 31 December 2010 amounted to €5.7 billion.

RBI will pay €490 million for the 70 per cent stake, payable at closing. The acquisition is subject to a successful closing, and particularly the approval of the EU Commission as well as Greek and Polish regulatory authorities. The transaction is expected to close in the fourth quarter of 2011 or the first quarter of 2012. The structure of the transaction foresees that RBI will first acquire a 70 per cent stake in Polbank before, in a second step immediately afterwards, Eurobank EFG and RBI then transfer their respective shareholdings (Eurobank EFG: 30 per cent, RBI: 70 per cent) to Raiffeisen Bank Polska S.A. in exchange for new shares. As a consequence, Eurobank EFG will become a 13 per cent shareholder in the Polish Raiffeisen Bank.

€1 billion benchmark issue

At the end of January RBI issued a senior fixed-income bond of €1.0 billion with a three-year term. The transaction, which is the first bond issue of a bank since the financial crisis erupted that is not guaranteed by the state, was significantly oversubscribed within a few hours.

The issue price was placed at the low end of the original price guidance at 145 basis points above mid-swaps with a coupon of 3.625 per cent. The other banks for the issue, in addition to RBI, were DZ Bank, Deutsche Bank and HSBC. The bond was not only more attractively priced than issues from banks with comparable ratings but was also heavily oversubscribed given the strong demand.

Outlook for 2011

Economic prospects

Central and Eastern Europe

Central Europe

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

In Hungary, the new government introduced a bank levy in 2010 which is expected to generate revenue of €700 million a year. This is intended to achieve the budget goal of net new borrowing of no more than 3 per cent of GDP in 2011. A uniform income tax rate is planned in parallel to the introduction of this levy. A structural reform package aimed at abiding by planned new borrowing in the medium term was announced.
However, in the absence of an exact timetable for implementing the package, investors remain sceptical. There is reason to fear that these measures will be used to avoid reforms which would be urgently needed to attain fiscal sustainability in the medium

to long term. There has already been talk of halving the bank levy in 2012, after initial proposals to abolish it entirely in 2012. However, it remains to be seen how far Hungary can do without this revenue.

Southeast Europe

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

CIS

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

Eurozone

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

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

RAIFFEISEN ZENTRALBANK. CONSOLIDATED FINANCIAL STATEMENTS

Statement of comprehensive income

Income statement

€000	Notes	2010	2009	Change
Interest income		6,446,936	7,469,523	(13.7)%
Current income from associates		33,456	91,698	(63.5)%
Interest expenses		(2,851,741)	(4,099,615)	(30.4)%
Net interest income	**(2)**	**3,628,651**	**3,461,606**	**4.8%**
Net provisioning for impairment losses	(3)	(1,197,730)	(2,246,639)	(46.7)%
Net interest income after provisioning		**2,430,921**	**1,214,967**	**100.1%**
Fee and commission income		1,755,100	1,685,030	4.2%
Fee and commission expense		(263,206)	(263,264)	0.0%
Net fee and commission income	**(4)**	**1,491,894**	**1,421,766**	**4.9%**
Net trading income	(5)	322,649	418,495	(22.9)%
Net income from derivatives and designated liabilities	(6)	(88,041)	172,441	(151.1)%
Net income from financial investments	(7)	145,360	309,806	(53.1)%
General administrative expenses	(8)	(3,069,145)	(2,794,642)	9.8%
Other net operating income	(9)	52,439	80,285	(34.7)%
Net income from disposal of group assets	(10)	6,051	1,052	475.2%
Profit before tax		**1,292,128**	**824,170**	**56.8%**
Income taxes	(11)	(123,884)	(253,547)	(51.1)%
Profit after tax		**1,168,244**	**570,623**	**104.7%**
Profit attributable to non-controlling interests		(454,580)	(137,251)	231.2%
Consolidated profit		**713,664**	**433,372**	**64.7%**

Transition to total comprehensive income

	Total		Group equity		Non-controlling interests	
€000	2010	2009	2010	2009	2010	2009
Profit after tax	**1,168,244**	**570,624**	**713,664**	**433,372**	**454,580**	**137,252**
Exchange differences	188,710	(253,888)	141,566	(181,296)	47,144	(72,592)
Capital hedge	(11,332)	(15,337)	(8,898)	(11,923)	(2,434)	(3,414)
Cash flow hedge	38,579	43,853	30,292	40,435	8,287	3,418
Changes in equity of companies valued at equity	11,576	(98,041)	7,341	(91,404)	4,235	(6,637)
Fair value reserve (available-for-sale financial assets)	315	9,296	(1,863)	6,929	2,178	2,367
Deferred taxes on income and expenses directly recognized in equity	(7,680)	(6,396)	(7,680)	(5,038)	0	(1,358)
Other comprehensive income	**220,167**	**(320,513)**	**160,757**	**(242,297)**	**59,410**	**(78,216)**
Total comprehensive income	**1,388,411**	**250,110**	**874,421**	**191,074**	**513,990**	**59,036**

Other comprehensive income

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

The item changes in equity of companies valued at equity comprises net income assignable to RZB on a proportionate basis that requires recognition in other comprehensive income. They derive among others from net measurements of available-for-sale assets, currency exchange differences and shift in shares of companies valued at equity.

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

Retained earnings

Items recognized directly in retained earnings are as follows:

€000	Exchange differences	Capital hedge	Cash flow hedge	Fair value reserve (afs financial assets)
As of 1/1/2009	**(761,075)**	**64,626**	**(33,119)**	**31,077**
Net changes in financial period	(181,296)	(11,923)	40,435	6,929
As of 31/12/2009	**(942,371)**	**52,703**	**7,316**	**38,006**
Reorganisation effect	(67,412)	(11,321)	(9,761)	(2,095)
As of 1/1/2010	**(1,009,783)**	**41,382**	**(2,445)**	**35,911**
Net changes in financial period	141,566	(8,898)	30,292	(1,863)
As of 31/12/2010	**(868,217)**	**32,484**	**27,846**	**34,048**

The position reorganisation effect contains the effect resulting from the merger of the main business areas of RZB with Raiffeisen International.

Earnings per share

In €	Notes	2010	2009	Change
Earnings per share	(12)	121.7	36.5	85.3

Earnings per share are obtained by dividing adjusted consolidated profit (less preference dividend and dividend for participation capital) by the average number of common shares outstanding.

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

Profit development

Interim results

€000	H1/2009	H2/2009	H1/2010	H2/2010
Net interest income	1,792,006	1,669,600	1,790,100	1,838,551
Net provisioning for impairment losses	(1,267,033)	(979,606)	(608,300)	(589,430)
Net interest income after provisioning	**524,973**	**689,993**	**1,181,800**	**1,249,121**
Net fee and commission income	688,732	733,033	715,000	776,894
Net trading income	266,302	152,193	181,100	141,549
Net income from derivatives and designated liabilities	141,906	30,535	(135,000)	46,959
Net income from financial investments	161,499	148,308	52,700	92,660
General administrative expenses	(1,390,741)	(1,403,901)	(1,467,800)	(1,601,345)
Other net operating income	69,656	10,630	13,800	38,639
Net income from disposal of group assets	1,009	43	4,900	1,151
Profit before tax	**463,337**	**360,833**	**546,600**	**745,528**
Income taxes	(222,046)	(31,500)	(59,200)	(64,684)
Profit after tax	**241,290**	**329,333**	**487,400**	**680,844**

€000	H1/2007	H2/2007	H1/2008	H2/2008
Net interest income	1,313,514	1,628,705	1,733,461	2,276,849
Net provisioning for impairment losses	(150,531)	(157,056)	(199,713)	(950,780)
Net interest income after provisioning	**1,162,983**	**1,471,649**	**1,533,747**	**1,326,069**
Net fee and commission income	699,272	816,399	842,901	924,891
Net trading income	109,451	(13,875)	101,662	(82,298)
Net income from derivatives and designated liabilities	(407)	(23,713)	(53,136)	(37,666)
Net income from financial investments	282	(214,444)	(96,832)	(861,396)
General administrative expenses	(1,214,215)	(1,430,827)	(1,493,613)	(1,623,373)
Other net operating income	73,854	21,961	37,626	70,485
Net income from disposal of group assets	14,348	12,107	6,108	1,483
Profit before tax	**845,567**	**639,256**	**878,464**	**(281,805)**
Income taxes	(163,135)	(131,614)	(227,581)	62,901
Profit after tax	**682,432**	**507,642**	**650,883**	**(218,905)**

Statement of financial position

Assets €000	Notes	31/12/2010	31/12/2009	Change
Cash reserve	(14,35)	6,734,734	8,271,124	(18.6)%
Loans and advances to banks	(15,35,36)	19,752,692	33,886,967	(41.7)%
Loans and advances to customers	(16,35,36)	78,269,775	74,855,451	4.6%
Impairment losses on loans and advances	(17)	(4,786,675)	(4,176,589)	14.6%
Trading assets	(18,35,36)	8,051,280	8,532,272	(5.6)%
Derivatives	(19,35,36)	1,487,750	1,808,002	(17.7)%
Financial investments	(20,35,36)	20,281,407	18,900,590	7.3%
Investments in associates	(21,35,36)	1,314,670	1,309,860	0.4%
Intangible fixed assets	(22,24,35)	1,226,645	1,122,829	9.2%
Tangible fixed assets	(23,24,35)	1,777,118	1,604,847	10.7%
Other assets	(25,35,36)	2,387,369	1,822,895	31.0%
Total assets		**136,496,764**	**147,938,248**	**(7.7)%**

Equity and liabilities €000	Notes	31/12/2010	31/12/2009	Change
Deposits from banks	(26,35,36)	37,391,030	49,917,442	(25.1)%
Deposits from customers	(27,35,36)	57,935,950	55,422,999	4.5%
Debt securities issued	(28,35,36)	16,569,010	19,935,285	(16.9)%
Provisions for liabilities and charges	(29,35,36)	786,727	593,341	32.6%
Trading liabilities	(30,35,36)	5,738,419	4,391,491	30.7%
Derivatives	(31,35,36)	1,272,451	1,501,545	(15.3)%
Other liabilities	(32,35,36)	1,297,879	1,304,527	(0.5)%
Subordinated capital	(33,35,36)	4,254,280	4,563,857	(6.8)%
Equity	(34,35)	11,251,019	10,307,761	9.2%
Consolidated equity		5,501,624	7,300,859	(24.6)%
Consolidated profit		713,664	433,372	64.7%
Non-controlling interests		5,035,731	2,573,529	95.7%
Total equity and liabilities		**136,496,764**	**147,938,248**	**(7.7)%**

Statement of changes in equity

€000	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as of 1/1/2009	**443,714**	**750,000**	**1,050,634**	**3,619,873**	**47,868**	**2,674,707**	**8,586,797**
Capital increases	0	1,750,000	0	0	0	33,021	1,783,021
Release of retained earnings	0	0	0	(102,158)	102,158	0	0
Dividend payments	0	0	0	0	(150,026)	(106,505)	(256,531)
Total comprehensive income	0	0	0	(242,297)	433,372	59,036	250,110
Shift in shares	0	0	0	61,608	0	(111,593)	(49,986)
Other changes	0	0	0	(30,516)	0	24,863	(5,651)
Equity as of 31/12/2009	**443,714**	**2,500,000**	**1,050,634**	**3,306,510**	**433,372**	**2,573,529**	**10,307,760**
Reorganisation effect	0	(2,500,000)	0	266,031	(227,182)	2,461,151	0
Equity as of 1/1/2010	**443,714**	**0**	**1,050,634**	**3,572,541**	**206,190**	**5,034,680**	**10,307,760**
Capital increases/shifting	0	250,000	0	0	0	(246,987)	3,013
Transferred to retained earnings	0	0	0	46,203	(46,203)	0	0
Dividend payments	0	0	0	0	(159,987)	(259,489)	(419,477)
Total comprehensive income	0	0	0	160,757	713,664	513,990	1,388,411
Other changes	0	0	0	(22,225)	0	(6,463)	(28,688)
Equity as of 31/12/2010	**443,714**	**250,000**	**1,050,634**	**3,757,276**	**713,664**	**5,035,731**	**11,251,019**

The position reorganisation effect contains the shift from consolidated equity to non-controlling interests – above all through participation capital – resulting from the merger of the main business areas of RZB with Raiffeisen International.

Further details to the above mentioned changes are reported under notes (34) equity.

The position shift in shares in 2009 contains the effects arising from the acquisition of further shares in companies with controlling interest which are shown directly in equity.

Statement of cash flows

€000	2010	2009
Profit after tax	**1,168,244**	**570,623**
Non-cash positions in profit and transition to net cash from operating activities:		
Write-downs/write-ups of tangible fixed assets and financial investments	365,023	415,685
Net provisioning for liabilities and charges and impairment losses	1,516,909	2,249,094
Gains (losses) from disposals of tangible fixed assets and financial investments	(22,975)	(20,224)
Other adjustments (net)	(677,192)	(486,094)
Subtotal	**2,350,009**	**2,729,084**
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:		
Loans and advances to banks and customers	10,555,164	6,193,266
Trading assets/trading liabilities (net)	1,842,421	300,558
Other assets/other liabilities (net)	(1,766,180)	992,841
Deposits from banks and customers	(10,079,022)	(7,677,117)
Debt securities issued	(3,366,047)	(2,287,624)
Net cash from operating activities	**(463,655)**	**251,008**
Proceeds from sale of:		
Financial investments	4,269,205	2,293,734
Tangible and intangible fixed assets	111,678	122,787
Proceeds from disposal of group assets	1,344	10,486
Payments for purchase of:		
Financial investments	(4,142,276)	(9,091,681)
Tangible and intangible fixed assets	(652,160)	(495,677)
Payments for acquisition of subsidiaries	4,805	0
Net cash from investing activities	**(407,404)**	**(7,160,351)**
Capital increases	3,013	1,783,021
Inflows/outflows of subordinated capital	(309,577)	114,301
Dividend payments	(419,477)	(256,531)
Net cash from financing activities	**(726,041)**	**1,640,791**

€000	2010	2009
Cash and cash equivalents at the end of previous period	**8,271,124**	**13,711,963**
Net cash from operating activities	(463,655)	251,008
Net cash from investing activities	(407,404)	(7,160,351)
Net cash from financing activities	(726,041)	1,640,791
Effect of exchange rate changes	60,710	(172,287)
Cash and cash equivalents at the end of period	**6,734,734**	**8,271,124**

Payments for taxes, interest and dividends	2010	2009
Interest received	6,409,877	7,693,480
Dividends received	35,234	15,623
Interest paid	(2,702,396)	(4,437,097)
Income taxes paid	(122,202)	(68,281)

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. Further, inflows and outflows from trading assets and liabilities, from derivatives, as well as from other assets and other liabilities are shown in operating activities. The interest, dividend and tax payments from operating activities are separately stated.

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

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

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

Segment reporting

Division of the segments

Internal management reporting at RZB is based on the current organizational structure. The division of segments is carried out by cash generating units. The highest decision making bodies of RZB – Managing Board and Supervisory Board – make fundamental decions on the allocation of resources of a segment based on the respective financial and earnings position. Accordingly, these reporting criteria were judged as material according to IFRS 8 and divided into segments.

RZB AG acts as the central institution of the Raiffeisen Banking Group (RBG) and holding company of equity participations after the merger of the main business areas of RZB with Raiffeisen International Bank-Holding AG and the segments are defined on the basis of the participation structure. Beside the majority holding of shares in Raiffeisen Bank International AG (RBI AG) and its activity as central institution of the Raiffeisen Banking Group, RZB AG has further shareholdings of companies in the portfolio.

These three main business areas represent the newly defined segments. The basis of the division of this segmentation is the group structure valid as of 31 December 2010. In the previous year, the segmentation was according to regions as this was the prevailing group structure. The previous year figures were not adapted to the new segmentation due to the fact that the changed organization structure can not be presented in the management information systems. As the segment RBI is by far the largest one, we refer to the consolidated financial statements of RBI with a view to a greates transparency to the segment reporting. The consolidated financial statements of RBI mainly present the segment RBI in the consolidated financial statements of RZB.

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

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

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

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

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, RZB´s management reporting is

based on IFRS. Therefore, no differences occur in the recognition and measurement principles between segment reporting and consolidated financial accounts.

In order to ensure tranparent and significant segment reporting, the following control and reporting indicators were used to evaluate the performance of a CGU.

- The **return on equity before tax** measures the profitability of every CGU. This figure expresses profit before tax as a proportion of average capital employed. It shows the return of capital employed in each segment. For a broad profitabilty measurement, the Return on Risk Adjusted Capital Ratio (RORAC) is used within the internal management reporting system. This figure shows the return of the risk-adjusted equity (economic equity). This figure is no indicator according to IFRS.

- 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.

- The **risik-weighted assets** are an important indicator for the change in business volume. The risk-weighted assets according to the Austrian Banking Act (based on Basel II) presents sector specific additional information to the segment assets of which the own funds requiremtn of 8 per cent is based.

The presentation of segment performance is based on the income statement. Income and expenses are attributed to the country in which they are generated. Operating income positions are the net interest income, net fee and commission income, net trading income and the other net operating income. Additionally, the current income from associates which are accounted for at equity is stated. The material expense positions, which are part of the segment results, are included in the income statement. The segment performance is reported up to the consolidated profit. The segment assets are represented by the total assets and the risk-weighted assets. The item liabilities includes all positions of the liabilities side expect the equity

The reconciliation implies mainly the amounts from the elimination of intra-group results and the consolidation between the segments. Finally, financial ratios – usual in line of business – are added to evaluate the results.

Financial year 2010 €000	Raiffeisen Bank International group (RBI)	Raiffeisen banking group (RBG)	Other participations	Reconciliation	Total
Net interest income	3,559,603	65,303	19,253	(15,509)	3,628,651
Net fee and commission income	1,490,792	755	(80)	428	1,491,894
Net trading income	328,121	843	(1)	(6,314)	322,649
Other net operating income	17,750	44,862	35,752	(45,926)	52,439
Operating income	**5,396,266**	**111,764**	**54,925**	**(67,321)**	**5,495,634**
General administrative expenses	(3,007,561)	(67,559)	(33,509)	39,484	(3,069,145)
Operating result	**2,388,705**	**44,205**	**21,416**	**(27,837)**	**2,426,489**
Net provisioning for impairment losses	(1,194,084)	(3,649)	3	0	(1,197,730)
Other results	57,772	(7,561)	12,577	581	63,369
Profit/loss before tax	**1,252,393**	**32,995**	**33,996**	**(27,256)**	**1,292,128**
Income taxes	(117,891)	(1,620)	(4,497)	124	(123,884)
Profit/loss after tax	**1,134,502**	**31,374**	**29,499**	**(27,131)**	**1,168,244**
Share of profit before tax	94.9%	2.5%	2.6%	–	100.0%
Risk-weighted assets (credit risk)	75,949,764	6,584,434	960,909	(3,499,167)	79,995,940
Total own funds requirement	7,642,119	608,238	76,873	(361,417)	7,965,813
Total assets	138,747,211	9,284,126	4,996,821	(16,531,394)	136,496,764
Liabilities	138,390,975	4,393,925	625,297	(18,164,452)	125,245,745
Risk/earnings ratio	33.5%	5.6%	0.0%	–	33.0%
Cost/income ratio	55.7%	60.4%	61.0%	–	55.8%
Average equity	9,940,465	791,164	99,992	(470,112)	10,361,509
Return on equity before tax	**12.6%**	**4.2%**	**34.0%**	**–**	**12.5%**
Business outlets	2,961	8	0	1	2,970

The segment reporting 2009 shows the distribution of profit based on the organizational structure valid in the previous year:

Financial year 2009 **€000**	**Austria**	**Central europe**	**Southeastern europe**
Net interest income	686,768	983,546	895,736
of which current income from associates	88,767	0	2,931
Provisioning for impairment losses	(449,223)	(487,341)	(413,957)
Net interest income after provisioning	**237,545**	**496,205**	**481,779**
Net fee and commission income	154,222	436,373	398,043
Net trading income	176,064	89,387	87,866
Net income from derivatives	148,111	(1,160)	193
Net income from financial investments	(32,393)	36,861	8,450
General administrative expenses	(600,365)	(804,913)	(741,444)
of which staff expenses	(336,645)	(378,885)	(326,120)
of which other administrative expenses	(205,327)	(349,194)	(316,940)
of which depreciation	(58,393)	(76,834)	(98,384)
Other net operating income	153,715	(22,241)	25,473
Net income from disposal of group assets	935	76	0
Profit/loss before tax	**237,834**	**230,588**	**260,360**
Income taxes	(143,475)	(50,786)	(34,517)
Profit/loss after tax	**94,359**	**179,802**	**225,843**
Minority interests in profit	39,673	(91,284)	(73,176)
Consolidated profit/loss	**134,032**	**88,518**	**152,667**
Share of profit before tax	25.4%	24.6%	27.8%
Share of profit after tax	13.9%	26.4%	33.2%
Risk-weighted assets (credit risk)	35,061,879	21,140,015	16,288,383
Total own funds requirement	3,184,264	1,954,490	1,518,693
Total assets	94,332,244	33,756,861	23,596,463
Liabilities	87,076,415	31,116,266	20,831,373
Risk/earnings ratio	65.4%	49.5%	46.2%
Cost/income ratio	51.3%	54.1%	52.7%
Average equity	3,574,806	2,165,475	1,704,439
Return on equity before tax	6.7%	10.6%	15.3%
Average number of staff	3,198	13,525	18,291
Business outlets	11	549	1,204

Russia	CIS other	Rest of the world	Reconciliation	Total
650,516	488,384	159,843	(403,187)	3,461,606
0	0	0	–	91,698
(322,149)	(514,435)	(59,534)	–	(2,246,639)
328,367	**(26,051)**	**100,309**	**(403,187)**	**1,214,967**
206,911	175,332	68,910	(18,025)	1,421,766
(13,339)	17,071	46,082	15,364	418,495
11,479	678	2,322	10,818	172,441
3,239	4,262	12,366	277,021	309,806
(366,402)	(294,099)	(65,109)	77,690	(2,794,642)
(163,237)	(145,098)	(37,202)	0	(1,387,187)
(170,476)	(112,828)	(23,838)	77,724	(1,100,879)
(32,689)	(36,173)	(4,069)	(34)	(306,576)
(18,472)	(2,878)	16,614	(71,926)	80,285
0	0	41	0	1,052
151,783	**(125,685)**	**181,535**	**(112,245)**	**824,170**
(28,441)	21,362	(20,392)	2,702	(253,547)
123,342	**(104,323)**	**161,143**	**(109,543)**	**570,623**
(33,931)	28,997	0	(7,530)	(137,251)
89,411	**(75,326)**	**161,143**	**(117,073)**	**433,372**
16.2%	(13.4)%	19.4%	–	100.0%
18.1%	(15.3)%	23.7%	–	100.0%
6,726,751	5,033,122	3,731,213	(12,991,675)	74,989,688
713,170	483,153	317,609	(655,470)	7,515,909
11,681,105	6,280,802	11,680,999	(33,390,226)	147,938,248
10,062,240	5,387,295	11,059,975	(27,903,077)	137,630,488
49.5%	105.3%	37.2%	–	64.9%
44.4%	43.4%	22.3%	–	51.9%
846,740	616,541	424,860	–	9,332,861
17.9%	–	42.7%	–	8.8%
9,370	18,670	415	–	63,469
215	1,050	9	–	3,038

Notes

Reporting entity

Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB AG) acts as the central institution of the Austrian Raiffeisen Banking Group. It is registered at the Vienna Commercial Court (Handelsgericht Wien) under number FN 58.882 t of the Companies Register and is domiciled at Am Stadtpark 9, 1030 Vienna.

The Regional Raiffeisen Banks hold shares in RZB AG under the umbrella of a non-operational holding company called Raiffeisen-Landesbanken-Holding GmbH (RLBHOLD). This company holds 81 per cent of RZB AG via its subsidiary R-Landesbanken-Beteiligung GmbH and must thus be regarded as the ultimate parent of the whole Group. The consolidated financial statements of RLBHOLD are lodged in the Companies Register in accordance to the Austrian disclosure regulations and published in the official register of the Wiener Zeitung newspaper.

Business operations

Within Austria, RZB specialises in corporate and investment banking. It is one of Austria's foremost corporate finance and export and trade finance banks. Cash and asset management and treasury operations are further fields of activity. RZB's focus as a highly specialized financial structurer is on serving Austrian and foreign key accounts, multinationals and providers of financial services. The companies within the Group are also active in the fields of private banking, capital investment, finance leasing, real estate and bank-related IT-services. RZB also operates in Central and Eastern Europe (the CEE region) through banking subsidiaries known as Network Banks. In addition, RZB has branches, specialist subsidiaries and representative offices in the world's major financial centres, at selected locations in Western Europe and in a number of focal Asian markets.

Group-internal reorganization (restructuring)

In the Annual General Meeting held on 7 July 2010, the decision to perform a reorganization within the Group (retrospectively applied vertical integration) was approved. As of 31 December 2009, the corporate customer business and all associated equity participations of Raiffeisen Zentralbank Österreich Aktiengesellschaft were merged into Cembra BeteiligungsAG which held 72.8 per cent of shares in Raiffeisen International Bank-Holding AG according to the Restructuring Tax Law (Umgründungssteuerrecht). The company was renamed Raiffeisen Bank International AG and is now held by 78.5 per cent by Raiffeisen International Beteiligungs GmbH, a fully owned subsidiary of RZB AG. The sector business and the participation management remain within RZB AG.

The consolidated financial statements were signed by the Managing Board on 18 March 2011and subsequently submitted to the Supervisory Board for review and notice.

Principles underlying the consolidated financial statements

Policies

The consolidated financial statements for the financial year 2010 and the comparative figures for the financial year 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the international accounting standards adopted by the EU on the basis of IAS Regulation (EC) 1606/2002 including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC) that were already applicable. All standards published by the IASB to be applied to financial statements for 2010 and adopted by the EU, have been applied. The consolidated financial statements satisfy the requirements of Section 245a of the Austrian Commercial Code (UGB) and Section 59a of the Austrian Banking Act (BWG) regarding exempting consolidated financial statements that comply with internationally accepted accounting principles.

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

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

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

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

The consolidated financial statements are based on the reporting packages of all fully consolidated Group members, which are prepared according to IFRS rules and uniform Group standards. All fully consolidated companies prepared their annual financial statements as of 31 December with the exception of ten subsidiaries - the reporting date was on 30 June, 30 September and 31 October – accounted for with interim financial statements. 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.

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

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

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

Consolidation methods

All material subsidiaries, in which Raiffeisen Zentralbank Österreich Aktiengeseschaft directly or indirectly holds either more than 50 per cent of the voting rights or otherwise has control over the financial and operating policies, are consolidated. In principle, these subsidiaries are firstly integrated on the date when the Group obtains control of the company and are excluded when the Group no longer has control of the company. The Group reviews the adequacy of the decision on which companies to consolidate at least every quarter. Accordingly, changes in ownership but also changes due to existing or newly signed contractual obligations by a unit of the Group are taken into account. Subsidiaries with deviating reporting dates are accounted for with their interim financial statements. The results from subsidiaries that were acquired or disposed of during the year are recorded, in the consolidated income statement, either from the actual date of acquisition or up to the actual date of disposal.

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

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

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

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

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

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

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

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

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

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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 RZB, all segments according to segment reporting are determined as cash generating units and within the segments, the legal entities form the cash generating unit for impairment testing of goodwill. The carrying value of the cash generating unit (including any allocated goodwill) is compared with its recoverable value. The recoverable value represents the higher of an item's value in use and the fair value less cost to sell. It is based on the expected profits of the units. They are discounted at an interest rate reflecting the risk involved. The estimation of future earnings requires judgment of the past and actual performance and the expected development in the respective markets and overall macro-economic environment.

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

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

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

Sensitivity Analysis

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

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

1 Only change in terminal value assumptions.

Impairment test for intangible fixed assets

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

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

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

Consolidated group

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

	Fully consolidated		Equity method	
Number of units	**2010**	**2009**	**2010**	**2009**
As of beginning of period	371	357	13	13
Included for the first time in the financial period	15	26	1	0
Merged in the financial period	(1)	(4)	0	0
Excluded in the financial period	(51)	(8)	0	0
As of end of period	**334**	**371**	**14**	**13**

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

A list of fully consolidated companies, companies valued at equity and other equity participations may be found on page 146.

Included units

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

Name	Share	Included as of	Reason
Financial institutions			
TRITON Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	51.0%	30/6	Materiality
Adrittura Immobilienleasing GmbH & Co. Projekt Eiching KG, Eschborn (D)	51.0%	30/9	Materiality
Companies rendering banking-related ancillary services			
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	78.5%	1/1	Materiality
LLC "ARES Nedvizhimost", Moscow (RU)	39.3%	1/11	Materiality
LLC "R1", Novosibirsk, (RU)	78.5%	1/11	Materiality
LLC "R2", Novosibirsk, (RU)	78.5%	1/11	Materiality
LLC "Realty-Invest", Moscow (RU)	39.3%	1/11	Materiality
Tkatskoy OOO, Moscow (RU)	78.5%	1/11	Materiality
Other companies			
Adrittura Immobilienleasing GmbH, Eschborn (D)	51.0%	30/9	Materiality
LE PALAIS Holding S.a.r.l, Luxembourg, (L)	51.0%	31/12	Materiality
ÖKO-Drive Fuhrparkmanagement GmbH, Vienna (AT)	51.0%	30/6	Materiality
Prozna Investment Sp. Z.o.o, Warsaw (PL)	41.3%	31/12	Purchase
Prozna Properties Sp. Z.o.o., Warsaw (PL)	45.9%	31/12	Purchase
Raiffeisen-Leasing Wohnbauerrichtungs GmbH, Raaba (AT)	51.0%	30/11	Start of operations
Tertia Immobilienanlagen GmbH, Vienna (AT)	51.0%	1/1	Purchase

Mergers

As of 31 December 2009, the corporate customer business and all associated equity participations of Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB AG) were transferred to Cembra Beteiligungs AG (Cembra) – a 100 per cent subsidiary of RZB AG – based on a spin-off and acquisition agreement made between RZB AG and Cembra. Furthermore, Cembra was merged with Raiffeisen International Bank-Holding AG.

Excluded units

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

Name	Share	Excluded as of	Reason
Financial institutions			
3 subsidiaries of Raiffeisen Leasing d.o.o., Sarajevo (BiH)		1/1	Immaterial
5 subsidiaries of Raiffeisen Rent DOO, Belgrade (RS)		1/1	Immaterial
12 subsidiaries of Raiffeisen-Leasing Real Estate s.ro.o, Prague (CZ)		1/1	Immaterial
OOO "Raiffeisen Capital" Asset Management Company, Moscow (RU)	78.5%	1/1	Immaterial
Raiffeisen Auto Leasing Bulgaria EOOD, Sofia (BG)	68.7%	1/1	Immaterial
Raiffeisen Capital & Investment S.A., Bucharest (RO)	78.1%	1/1	Immaterial
Raiffeisen Car Leasing Ltd., Budapest (HU)	63.4%	1/1	Immaterial
Raiffeisen Factoring Ltd., Sofia (BG)	78.5%	1/1	Immaterial
Raiffeisen Invest d.o.o., Zagreb (HR)	57.7%	1/1	Immaterial
Raiffeisen Investment Fund Management Zrt., Budapest (HU)	55.2%	1/1	Immaterial
RB Russia Finance Limited, Dublin (IR)	78.5%	1/1	Immaterial
RI FINANCE (JERSEY) PCC, St. Helier (JE)	78.0%	30/11	End of operations
ROOF Global Bond CBO 2008-1, Dublin (IR)	0.0%	31/3	End of operations
ROOF Global Bond CBO 2008-2, Dublin (IR)	0.0%	31/3	End of operations
ROOF Global Loan CLO 2009-1, Dublin (IRL)	0.0%	31/3	End of operations
ROOF Global Loan CLO 2009-2, Dublin (IRL)	0.0%	31/3	End of operations
SCT Investment Ltd., Budapest (HU)	45.6%	1/1	Immaterial
Financial holdings			
Extra Year Investments Limited, Tortola (VG)	78.5%	1/1	Immaterial
Companies rendering banking-related ancillary services			
2 companies of Tatra banka a.s., Bratislava (SK)		1/1	Immaterial
GSI Group Software Investment AG, Zug (CH)	78.5%	1/1	End of operations
Other companies			
Aaron Kontor 3 Holding GmbH, Eschborn (D)	26.0%	30/11	Sale
7 companies of Raiffeisen Financial Services Company Zrt., Budapest (HU)		1/1	Immaterial
Raiffeisen Insurance and Reinsurance Broker S.R.L., Bucharest (RO)	71.6%	1/1	Immaterial
Raiffeisen International Liegenschaftsbesitz GmbH, Vienna (AT)	78.5%	1/1	Immaterial
RL-Properties 1 AB, Stockholm (S)	51.0%	30/11	Immaterial
Villa Eden Gardone S.r.l., Bozen (I)	26.0%	31/12	Immaterial
Wohnheim Güntzstraße Dresden GmbH, Dresden (D)	26.0%	30/11	Sale

The following table shows the net income arising from the sale of group assets:

€000	Total
Assets	(6,661)
Liabilities	5,876
Net assets	**(785)**
Non-controlling interests	20
Net assets after non-controlling interests	**(765)**
Goodwill	0
Selling price	1,450
Net income from disposal of group assets	**685**

The cash effect of sold group assets amounted to € 1,344 thousand.

The following table shows the assets and liabilities revalued in the current year as of the date of first integration:

€000	Total
Assets	14,667
Liabilities	(9,159)
Net assets	**5,508**
Non-controlling interests	(545)
Net assets after non-controlling interests	**4,963**
Cost of aquisition	4,805
Goodwill	158

The cash effect resulting from the business combinations was equal to the cost of acquisition as there were no existing liquid funds.

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 five subsidiaries not headquartered in the euro-area, the euro, and for three subsidiaries, the US dollar was the reporting currency for measurement purposes given the economic substance of the underlying transactions. Roof Russia S.A., Luxembourg, carries out its business transactions and refinancing in US dollars, therefore the functional currency is the US dollar. Golden Rainbow International Limited, Tortola, converted the functional currency from the euro to the Singapore dollar due to changed refinancing.

The following exchange rates were used for currency translation:

Rates in units per €	**2010**		**2009**	
	As of 31/12	**Average**	**As of 31/12**	**Average**
Albanian lek (ALL)	138.770	138.041	137.960	131.975
Belarusian rouble (BYR)	3,972.600	3,953.672	4,106.110	3,841.162
Bosnian marka (BAM)	1.956	1.956	1.956	1.956
Bulgarian lev (BGN)	1.956	1.956	1.956	1.956
Croatian kuna (HRK)	7.383	7.295	7.300	7.345
Czech koruna (CZK)	25.061	25.356	26.473	26.525
Great Britain Pound (GBP)	0.861	0.858	0.888	0.895
Hungarian forint (HUF)	277.950	276.039	270.420	280.304
Kazakh tenge (KZT)	195.230	196.093	212.840	203.742
Moldovan leu (MDL)	16.105	16.436	17.625	15.510
Polish zloty (PLN)	3.975	4.013	4.105	4.332
Romanian leu (RON)	4.262	4.218	4.236	4.225
Russian rouble (RUB)	40.820	40.447	43.154	44.068
Serbian dinar (RSD)	105.498	102.903	95,889	93.695
Singapore Dollar (SGD)	1.714	1.812	2.019	2.022
Swedish Krona (SEK)	8.966	9.551	10.252	10.609
Swiss Franc (CHF)	1.250	1.379	1.484	1.506
Ukrainian hryvna (UAH)	10.573	10.550	11.449	10.893
US-Dollar (USD)	1.336	1.330	1.441	1.396

Recognition and measurement principles

Financial instruments: Recognition and measurement (IAS 39)

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

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

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

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

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

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

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

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

2. Financial assets held-to-maturity

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

3. Loans and advances

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

4. Financial assets available-for-sale

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

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

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

This kind of financial instruments is reported under financial investments.

5. Financial liabilities

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

Reclassification

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

Fair value

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

Quotation on an active market (level I)

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

Measurement techniques based on observable market data (level II)

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

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

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

Categories of financial instruments according to IFRS 7

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

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

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

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

Hedge Accounting

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

a. Fair value hedge

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

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

b. Cash flow hedge

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

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

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

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

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

Offsetting

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

Cash reserve

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

Impairment losses on loans and advances

At each reporting date an assessment is made as to whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, when:

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

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

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

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

Derecognition of financial assets and liabilities

Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows arising from a financial asset expire or when the Group has transferred the rights or if the Group has the obligation in case that certain criterion occurs to transfer the cash flows to one or more receivers. A transferred asset is also derecognized if all material risks and rewards of ownership of the assets are transferred.

Securitization transactions

The group securitizes several financial assets from transactions with private customers and business customers by selling them to a special purpose entity that issues securities to investors. The assets transferred are derecognized fully or partly. Rights to securitized financial assets can be retained in the form of junior or subordinated tranches, interest claims or other remaining claims (retained rights).

Derecognition of financial liabilities

The Group derecognizes a financial liability if the obligations of the Group have been paid, expired or revoked.

Genuine sale and repurchase agreements

In a genuine sale and repurchase transaction, the transferor sells assets to a third party and agrees at the same time to repurchase these assets at an agreed price and time. The assets remain on the statement of financial position of the transferor and are measured like the item in the statement of financial position where they are shown. Cash inflows arising from a sale and repurchase transaction are recognized in the statement of financial position as deposits from banks or deposits from customers depending on the counterparty.

Under reverse repurchase agreements, assets are acquired with the obligation to sell them in the future. Cash outflows arising from reverse repurchase agreements are recorded in the statement of financial position under loans and advances to banks or loans and advances to customers.

Interest expense from sale and repurchase agreements and interest income from reverse sale and repurchase agreements are accrued in a straight line over their term to maturity and are shown under net interest income.

Securities lending

Securities lending transactions are shown in the same way as genuine sale and repurchase agreements. This means loaned securities continue to remain in the securities portfolio and are valued according to IAS 39. Borrowed securities are not recognized and not valued. Cash collateral provided for securities-lending transactions are shown as a claim and collateral received are shown as a liability.

Leasing

Leases are classified according to their contractual structure as follows:

Finance leases

When nearly all the risks and rewards of a leased asset are transferred to the lessee, the Group as lessor recognizes a loan to banks or customers. The loan amount is the amount of the net investment. The proceeds from the finance lease are distributed at a constant periodic rate of the outstanding net investment in the leases. Under a finance lease the lessee holds assets that are shown under the relevant tangible fixed asset item, which corresponds to a lease liability.

Operating leases

An operating lease occurs when the risks and rewards of ownership remain with the lessor. The leased assets are allocated to the Group under tangible fixed assets and depreciated in accordance with the principles applicable to the type of fixed assets. Rental income from the corresponding lease object is amortized on a straight-line basis over the term of the leasing contract and reported in other net operating income. Operating expenses for leases are generally amortized on a straight-line basis over the term of leasing contract and reported as administrative expenses.

Equity participations

Shareholdings in subsidiaries not included in the consolidated financial statements because of their minor significance and shareholdings in companies that are not valued at equity are shown under financial investments and are measured at amortized cost if no shares prices are available.

Other shareholdings are categorized as financial assets available-for-sale upon initial recognition. Changes in value are therefore recognized in other comprehensive income. Impairment is shown in net income from financial investments.

Intangible fixed assets

Under this item, internally developed and acquired software, brand rights, acquired customer bases and especially goodwill are stated. Intangible fixed assets acquired in a business combination are reported separately from goodwill and measured at fair value. Goodwill and other intangible fixed assets (e.g. brand rights) without definite useful lives are tested for impairment at each reporting date and also during the year whenever trigger events occur. Whenever events or changes in circumstances indicate that the expected benefit no longer exists, impairment must be made pursuant to IAS 36.

Acquired intangible fixed assets (software, customer base) with determinable useful lives are capitalized at acquisition cost and amortized over their estimated useful lives.

Internally developed intangible fixed assets comprise exclusively of software. Software is capitalized if it is probable that the future economic benefits attributable to the asset will accrue to the enterprise and the cost of the asset can be measured reliably. Expenses for research are recognized as an expense when they are incurred. The useful life of software is between four and six years and may be longer for major software projects. The useful life of the acquired customer base was set at seven years for corporate customers and for the acquired customer base in the retail segment of Raiffeisen Bank Aval JSC at 20 years and for Impexbank (meanwhile merged with ZAO Raiffeisenbank) and eBanka (meanwhile merged with Raiffeisenbank a.s.) at five years.

Tangible fixed assets

Tangible fixed assets are measured at cost of acquisition or conversion less scheduled depreciation. The straight-line method is used for depreciation and is based on the following useful life figures:

Useful life	Years
Buildings	25 – 50
Office furniture and equipment	5 – 10
Hardware	3 – 5

Land is not subject to scheduled depreciation.

Expected useful lives, residual values and depreciation methods are reviewed annually and any necessary future change of estimates are taken into account. If a permanent impairment is to be expected, extraordinary write-downs are carried out. In the event that the reason for the write-down no longer applies, a write-up will take place up to the amount of the amortized cost of the asset.

The resulting gain or loss from the sale of any asset is determined as the difference between the proceeds and the carrying value of the asset and is recognized in other net operating income. When assets are retired, the remaining carrying amount is also recognized in the income statement.

Investment property

This means property that is held to earn rental income and/or for capital appreciation. Investment property is reported at amortized cost using the cost model permitted by IAS 40 and is shown under tangible fixed assets because of minor importance. Income resulting from investment property is shown in other net operating income.

Inventory

Inventories are measured at the lower of cost or net realizable value. Write-downs are made if the acquisition cost is above the net realizable value as of the reporting date or if limited usage or longer storage periods have impaired the value of the inventory.

Non-current assets held for sale and discontinued operations

Non-current assets and discontinued operations are classified as held for sale when the related carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is only considered met if the sale is highly probable and the asset (or discontinued operation) is immediately available-for-sale and furthermore that the management has committed itself to a sale. Moreover, the sale transaction must be completed within 12 months.

Non-current assets and discontinued operations classified as held for sale are valued at the lower amount of their original carrying value or fair value less costs to sell and are reported under other assets.

Provisions for liabilities and charges

Provisions are recognized when the Group has a present obligation from a past event, where it is likely that it will be obliged to settle, and a reliable estimate of the amount is possible. The level of provisions is the best possible estimate of expected outflow of economic benefits at the reporting date while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation.

Provisions for pensions and similar obligations

All defined benefit plans relating to so-called social capital (provisions for pensions, provisions for severance payments, provisions for anniversary bonuses) are measured using the Projected Unit Credit Method in accordance with IAS 19 – Employee Benefits.

The actuarial calculation of pension obligations for active employees is based on the following assumptions:

Per cent	2010	2009
Interest rate	4.25	4.75
Effective salary increase for active employees	2.5	3.0
Individual career trend for active employees	2.5	2.0
Expected increase in retirement benefits	2.0	2.0
Expected return on plan assets	4.25	4.25

Calculations are based on an assumed retirement accession age of 65 years for men and 60 years for women and are subject to transitional statutory regulations and special arrangements in individual contracts. Actuarial gains or losses calculated for pension obligations are recognized immediately in profit. No use was made of the corridor method according to IAS 19.92.

The actuarial computation of severance payments and anniversary bonuses is based on the following assumptions:

Per cent	2010	2009
Interest rate	4.25	4.75
Average increase in salary	2.5	3.0
Individual career trend	2.5	2.0

The biometrical basis for the calculation of provisions for pensions, severance payments and anniversary bonuses of Austrian companies is provided by AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance) – Pagler & Pagler, using the variant for salaried employees. In other countries, comparable actuarial parameters are used for calculation.

Other provisions

Other provisions are made to uncertain liabilities against third parties in the amount of the expected claim. These provisions are not discounted because the resulting interest effect is immaterial.

Defined contribution plans

Under defined contribution plans, the company pays fixed contributions into a separate entity (a fund). These payments are recognized as staff expenses in the income statement.

Subordinated capital

The item comprises subordinated capital and supplementary capital. Liabilities documented or undocumented are subordinated if, in the event of liquidation or bankruptcy, they can only be met after the claims of the other – not subordinated – creditors have been satisfied. Supplementary capital contains all paid-in own funds which are available for the company for more than eight years, for which interest is paid only from the profit and which can be repaid in the case of solvency only after all other debtors are satisfied.

Share-based remuneration

The Managing Board of the subsidiary RBI AG obtained Supervisory Board approval to institute a share incentive program (SIP) offering performance-based allotments of company shares for eligible employees at home and abroad for a given period of time. All former Managing Board members and selected upper management personnel of RBI AG and managing board members of affiliated bank subsidiaries and other affiliated companies are eligible to participate.

The number of common shares in RBI AG to be actually transferred will depend on meeting two performance criteria: the targeted average return on equity (ROE) and the total shareholder return (TSR) for RBI AG shares in relation to TSRs of shares in the DJ EURO STOXX BANKS index after a three-year holding period. Moreover, beneficiaries have to be in active service for RBI. SIP participation is voluntary.

All share-based remunerations are recognized according to IFRS 2 (Share-based Payment) as staff expenses and recognized directly against equity.

Net interest income

Interest and similar income mainly includes interest income on loans and advances to banks and customers and from fixed-interest securities. In addition, current income from shares and other variable-yield securities (especially dividends), income from equity participations and from investments accounted for at equity, and similar income calculated as interest are also reported under net interest income. Dividend income is recognized if the entitlement of the owner for payment exists. Interest paid and similar charges mainly include interest paid on deposits from banks and customers and on debt securities issued and subordinated capital. Interest income and interest expenses are accrued in the reporting period.

Net fee and commission income

Net fee and commission income mainly includes income and expenses arising from payment transfers, foreign exchange business and credit business. Fee and commission income and expenses are accrued in the reporting period.

Net trading income

Net trading income comprises the trading margins resulting from the foreign exchange business, results due to foreign exchange revaluations and all realized and unrealized gains and losses from financial assets and liabilities at fair value. In addition, it includes all interest and dividend income attributable to trading activities and related refinancing costs.

General administrative expenses

General administrative expenses include staff and other administrative expenses as well as amortization/depreciation and impairment losses for tangible and intangible fixed assets.

Income taxes

Current taxes are calculated on the basis of taxable income of the current year. The taxable income deviates from the profit of the statement of comprehensive income due to expenses and income which are taxable or tax-deductible in the following years or which are never taxable or tax-deductible. The liability is recognized on the basis of the actual tax rate or the future tax rate which is enacted by the end of the reporting period.

Deferred taxes are recognized and calculated in accordance with IAS 12 applying the liability method. Deferred taxes are based on all temporary differences that result from comparing the carrying amounts of assets and liabilities in the IFRS accounts with the tax bases of assets and liabilities, and which will reverse in the future. Deferred taxes are calculated by using tax rates applicable in the countries concerned. A deferred tax asset should also be recognized on tax loss carry-forwards if it is probable that sufficient taxable profit will be available against which the tax loss carry-forwards can be utilized within the same entity. On each reporting date, the carrying amount of the deferred tax assets is reviewed and impaired if it is not probable that sufficient taxable income is available in order to partly or fully realize the tax assets. Deferred tax assets and deferred tax liabilities within the same entity are netted.

Income tax credits and income tax obligations are recorded separately under other assets and tax provisions respectively.

Current and deferred taxes are recognized as profit or loss. In case that they are linked to items which are recognized in other comprehensive income, current and deferred taxes are also directly recognized in other comprehensive income.

Other comprehensive income

Other comprehensive income comprises all income and expenses directly recognized in equity according to IFRS standards. Other comprehensive income contains currency differences resulting from the translation of equity held in foreign currency, changes resulting from the hedging of a net investment in a foreign entity (capital hedge), the effective part of a cash flow hedge, changes resulting from valuation of available-for-sale financial assets as well as deferred taxes on the mentioned items.

Fiduciary business

Transactions arising from the holding and placing of assets on behalf of third parties are not shown in the statement of financial position. Fees arising from these transactions are shown under net fee and commission income.

Financial guarantees

According to IAS 39, a financial guarantee is a contract under which the guarantor is obliged to make payments that compensate the party to whom the guarantee is issued for a loss arising in the event that a particular debtor does not meet payment obligations on time as stipulated in the original terms of the debt instrument. At the date of recognition of a financial guarantee, the initial fair value corresponds under market conditions to the premium at the date of signature of the contract. For subsequent valuations the credit commitment has to be presented as provision according to IAS 37.

Contingent liabilities and commitments

The Group has contingent liabilities from guarantees, credit guarantees, letters of credit and loan commitments recognized at face value. Guarantees are used in situations in which the Group guarantees payment to the creditor to fulfill the obligation of a third party. Irrevocable credit lines must be reported when a credit risk may occur. These include commitments to provide loans, to purchase securities or to provide guarantees and acceptances. Loan loss provisions for contingent liabilities and irrevocable loan commitments are reported under provisions for liabilities and charges.

Statement of cash flows

The cash flow statement reports the change in the cash and cash equivalents of the company through the net cash from operating activities, investing and financing activities. Cash flows for investing activities mainly include proceeds from the sale, or payments for the acquisition of financial investments and tangible fixed assets. The net cash from financing activities shows all cash flows from equity capital, subordinated debt, and participation capital. All other cash flows are – according to international practices for financial institutions – assigned to cash flows from operating activities.

Segment reporting

Notes on segment reporting are to be found in the chapter segment reports.

Notes to the nature and extent of risks

Information about risks arising from financial instruments is disclosed in the explanatory notes. The risk report contains detailed information in the sections credit risk, country risk, concentration risk, market risk and liquidity risk.

Capital management

Information on capital management, regulatory own funds and risk-weighted assets are disclosed under note (53) capital management and regulatory own funds.

Notes to the income statement

(1) Income statement according to measurement categories

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

€000	2010	2009
Net gains (losses) on financial assets and liabilities held-for-trading	**290,406**	**846,224**
Financial assets and liabilities at fair value through profit or loss	**376,773**	**685,843**
Interest income	264,899	345,001
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	111,874	340,842
Financial assets available-for-sale	**41,150**	**(88,208)**[1]
Interest income	22,145	13,092[1]
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	26,870	15,274
Impairment on financial assets not measured at fair value through profit and loss	(7,865)	(116,573)
Loans and advances	**4,192,001**	**4,214,070**
Interest income	5,403,948	6,461,296
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	2,879	12,652
Impairment on financial assets not measured at fair value through profit and loss	(1,214,825)	(2,259,877)
Financial assets held-to-maturity	**452,050**	**433,815**
Interest income	445,896	418,370
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	5,010	11,568
Impairment on financial assets not measured at fair value through profit and loss	1,144	3,877
Financial liabilities	**(2,849,041)**	**(4,090,216)**
Interest expenses	(2,849,041)	(4,090,216)
Derivatives (hedging)	**(10,282)**	**(7,800)**
Net interest income	(9,718)	(8,756)
Net gains (losses) from hedge accounting	(564)	956
Net revaluations from exchange differences	**284,376**	**30,283**
Other operating income/expenses	**(1,485,304)**	**(1,199,841)**[1]
Profit before tax from continuing operations	**1,292,128**	**824,170**

1 Adaption of previous year figures due to different mapping.

(2) Net interest income

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

€000	2010	2009
Interest and interest-like income, total	**6,446,936**	**7,469,523**
Interest income	6,399,079	7,429,034
from balances at central banks	99,718	155,287
from loans and advances to banks	408,368	634,604
from loans and advances to customers	4,610,793	5,311,661
from financial investments	708,837	759,891
from leasing claims	264,015	345,227
from derivative financial instruments (non-trading), net	307,348	222,365
Current income	24,104	16,572
from shares and other variable-yield securities	1,959	3,481
from shares in affiliated companies	8,674	1,818
from other interests	13,471	11,273
Interest-like income	23,753	23,916
Current income from associates	**33,456**	**91,698**
Interest expenses and interest-like expenses, total	**(2,851,741)**	**(4,099,615)**
Interest expenses	(2,803,714)	(4,045,896)
on deposits from central banks	(2,700)	(9,399)
on deposits from banks	(718,957)	(1,097,909)
on deposits from customers	(1,262,515)	(1,857,754)
on debt securities issued	(610,492)	(856,115)
on subordinated capital	(209,050)	(224,720)
Interest-like expenses	(48,027)	(53,719)
Net interest income	**3,628,651**	**3,461,606**

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

Per cent	2010	2009
Interest margin (total assets)	2.47	2.25
Interest margin (risk-weighted assets, credit risk)	6.24	4.25

Interest income includes interest income (unwinding) from impaired loans to customers and impaired loans to banks in the amount of € 234,803 thousand (2009: € 314,076 thousand). Interest income from impaired loans and advances to customers and banks is recognized with the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss. In the Ukrainian network unit, the method used to calculate interest on impaired loans was changed, which resulted in an effect of € 70,399 thousand, however this does not affect income as an equal and opposite entry was made to net provisioning for impairment losses.

(3) Net provisioning for impairment losses

Net provisioning for impairment losses on items reported on and off the statement of financial position is as follows:

€000	2010	2009
Individual loan loss provisions	**(1,199,747)**	**(2,083,075)**
Allocation to provisions for impairment losses	(1,699,083)	(2,320,291)
Release of provisions for impairment losses	544,470	301,820
Direct write-downs	(90,195)	(95,136)
Income received on written-down claims	45,061	30,532
Portfolio-based loan loss provisions	**(862)**	**(176,216)**
Allocation to provisions for impairment losses	(390,664)	(482,865)
Release of provisions for impairment losses	389,802	306,649
Gains from the sales of loans	**2,879**	**12,652**
Total	**(1,197,730)**	**(2,246,639)**

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

Ratios	2010	2009
Net provisioning ratio (average risk-weighted assets, credit risk)	1.45%	2.76%
Net provisioning ratio (total loans outstanding)	0.70%	1.29%
Loss rate	0.41%	0.20%
Portfolio rate (total loans outstanding)	2.88%	2.45%

(4) Net fee and commission income

€000	2010	2009
Payment transfer business	598,892	559,983
Loan and guarantee business	282,583	252,932
Securities business	134,522	117,875
Foreign currency, notes/coins, and precious-metals business	329,905	360,195
Management of investment and pension funds	26,337	27,094
Sale of own and third party products	47,176	45,613
Credit derivatives business	2,804	3,847
Other banking services	69,675	54,227
Total	**1,491,894**	**1,421,766**

(5) Net trading income

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

€000	2010	2009
Interest-based transactions	202,769	368,458
Currency-based transactions	124,006	109,603
Equity-/index-based transactions	9,570	31,528
Credit derivatives business	(700)	(13,501)
Other transactions	(12,996)	(22,187)
Net income from liabilities designated at fair value	0	(55,406)
Total	**322,649**	**418,495**

Net income from liabilities designated at fair value and the related interest shown under net trading income in 2009 was reclassified in 2010. The measurement result has been reclassified to the item net income from derivatives and designated liabilities and net interest income of related interest rate swaps has been reclassified into net interest income. The previous year's figure has not been adapted as the costs of obtaining the result would outweigh the benefit.

(6) Net income from derivatives and designated liabilities

€000	2010	2009
Net income from hedge accounting	(564)	956
Net income from credit derivatives	2,348	59,182
Net income from other derivatives	(67,282)	112,303
Net income from liabilities designated at fair value	(22,544)	0
Total	**(88,042)**	**172,441**

Net income from liabilities designated at fair value and the related interest shown under net trading income in 2009 was reclassified in 2010. The measurement result has been reclassified to the item net income from derivatives and designated liabilities and net interest income of related interest rate swaps has been reclassified into net interest income. The previous year's figure has not been adapted as the costs of obtaining the result would outweigh the benefit.

Net income from hedge accounting includes on the one hand, a valuation loss from derivatives of € 14,563 thousand (2009: plus € 64,334 thousand) and on the other hand, changes in the carrying amount of the fair value hedged items of plus € 13,999 thousand (2009: minus € 63,378 thousand).

Net income from other derivatives includes valuation results, which are held to hedge against market risks (except trading assets/liabilities). They are based on an inhomogeneous portfolio and do not satisfy the requirements for hedge accounting according to IAS 39.

Net income from liabilities designated at fair value comprises a profit from changes in own credit risk amounting to € 33,000 thousand (2009: loss of € 15,931 thousand) and negative effects from changes in market interest rates.

(7) Net income from financial investments

The position net income from financial investments comprises valuation results and net proceeds from disposal of financial investment portfolio (held-to-maturity), from securities at fair value through profit and loss, and equity participations which include shares in affiliated companies, companies valued at equity, and other companies.

€000	2010	2009
Net income from financial investments held-to-maturity	**6,154**	**15,445**
Net valuations of financial investments held-to-maturity	1,144	3,877
Net proceeds from sales of financial investments held-to-maturity	5,010	11,568
Net income from equity participations	**19,057**	**(101,300)**
Net valuations of equity participations	(7,813)	(113,278)
Net proceeds from sales of equity participations	26,870	11,979
Net income from securities at fair value through profit and loss	**120,149**	**395,661**
Net valuations of securities at fair value through profit and loss	57,941	332,563
Net proceeds from sales of securities at fair value through profit and loss	62,208	63,098
Total	**145,360**	**309,806**

(8) General administrative expenses

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

€000	2010	2009
Staff expenses	**(1,508,002)**	**(1,387,185)**
Wages and salaries	(1,155,946)	(1,052,268)
Social security costs and staff-related taxes	(273,291)	(258,310)
Other voluntary social expenses	(41,488)	(40,564)
Expenses on severance payments, retirement benefits and anniversary payments	(31,802)	(32,260)
Expenses on share incentive program (SIP)	(5,475)	(3,783)
Other administrative expenses	**(1,200,428)**	**(1,100,881)**
Office space expenses	(331,037)	(335,513)
IT expenses	(204,113)	(159,389)
Communication expenses	(94,435)	(98,701)
Legal, advisory and consulting expenses	(123,825)	(110,263)
Advertising, PR and promotional expenses	(115,005)	(96,293)
Deposit insurance fees	(73,429)	(66,391)
Office supplies	(32,549)	(31,960)
Car expenses	(21,796)	(21,170)
Security expenses	(45,382)	(44,291)
Traveling expenses	(25,950)	(21,789)
Training expenses for staff	(18,284)	(15,021)
Sundry administrative expenses	(114,623)	(100,100)
Depreciation of intangible and tangible fixed assets	**(360,715)**	**(306,576)**
Tangible fixed assets	(195,651)	(170,634)
Intangible fixed assets	(129,848)	(102,470)
Leased assets (operating lease)	(35,216)	(33,472)
Total	**(3,069,145)**	**(2,794,642)**

Legal, advisory and consulting expenses include audit fees of the Group companies which comprise expenses paid for the audit of financial statements amounting to € 8,515 thousand (2009: € 8,738 thousand) and tax advisory as well as other additional consulting services provided by the auditors amounting to € 3,345 thousand (2009: € 3,336 thousand). Thereof, € 1,949 thousand (2009: € 1,243 thousand) are accounted for by the group auditor for the audit of the consolidated financial statement and the individual financial statement and € 1,360 thousand (2009: € 716 thousand) is accounted for tby other consulting services.

Amortization of intangible fixed assets capitalized in the course of initial consolidation amounted to € 5,994 thousand (2009: € 5,687 thousand). This is due to scheduled amortization of the acquired customer base.

(9) Other net operating income

The position other net operating income captures, among other things, sales revenues and expenses from non-banking activities, income and expenses from disposal as well as income from the revaluation of tangible and intangible fixed assets.

€000	2010	2009
Sales revenues from non-banking activities	928,798	915,359
Expenses arising from non-banking activities	(867,069)	(859,086)
Revenues from additional leasing services	105,607	98,083
Expenses from additional leasing services	(105,125)	(99,315)
Rental income from operating lease (vehicles and equipment)	42,033	40,677
Rental income from investment property incl. operating lease (real estate)	10,841	10,810
Net proceeds from disposal of tangible and intangible fixed assets	(8,904)	(3,322)
Other taxes	(70,890)	(52,778)
hereof special bank levies	(41,439)	0
Income from release of negative goodwill	425	4,631
Net expense from allocation and release of other provisions	(27,188)	(4,622)
Sundry operating income	99,205	87,872
Sundry operating expenses	(55,294)	(58,024)
Total	**52,439**	**80,285**

(10) Net income from disposal of group assets

Net income from disposal of group assets amounted to € 6,051 thousand (2009: € 1,052 thousand). In the reporting period, 51 subsidiaries were excluded from the consolidated group which was mainly due to changed materiality limits. The concerned companies are operating in leasing and investment business, providing financial services or rendering banking-related ancillary services.

(11) Income taxes

Income taxes break down as follows:

€000	2010	2009
Current income taxes	(364,997)	(187,924)
Austria	(49,137)	(4,621)
Foreign	(315,860)	(183,303)
Deferred taxes	241,113	(65,623)
Total	**(123,884)**	**(253,547)**

Raiffeisen Zentralbank Österreich Aktiengesellschaft is the hub of a tax group whose members are 19 fully consolidated companies and 10 subsidiaries not fully consolidated. This enables them to allocate Group member losses to the Group parent's tax income.

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

€000	2010	2009
Profit before tax	**1,292,128**	**824,170**
Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent	**(323,032)**	**(206,043)**
Effect of divergent foreign tax rates	60,901	65,622
Tax decrease because of tax-exempted income from equity participations and other income	99,071	56,395
Tax increase because of non-deductible expenses	(69,204)	(107,793)
Other tax deductions and tax increases	108,380	(61,728)
Effective tax burden	**(123,884)**	**(253,547)**
Tax rate in per cent	**9.59%**	**30.76%**

Other tax deductions and tax increases include mainly deferred tax assets built on tax loss carry-forwards and belated tax payments. In the reporting period, RBI AG built deferred tax assets on tax loss carry-forwards of € 119,905 thousand based on a new mid-term planning allowing that deferred tax assets can be realized within a reasonable period of time.

(12) Earnings per share

€000	2010	2009
Consolidated profit	854,999	433,371
Less compensation for participation rights	(161,300)	(200,000)
Less preference dividend	(19,312)	(31,407)
Adapted consolidated profit	**674,387**	**201,964**
Average number of ordinary shares outstanding	5,539,885	5,539,885
Earnings per share in €	**121.73**	**36.46**

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

Notes to the statement of financial position

(13) Statement of financial position according to measurement categories

The following table shows the statement of financial position according to IAS 39 measurement categories:

Assets according to measurement categories €000	2010	2009
Trading assets	**8,613,621**	**9,429,046**
Positive fair values of derivative financial instruments	4,169,777	3,962,575
Shares and other variable-yield securities	430,428	479,934
Bonds, notes and other fixed-interest securities	4,013,416	4,577,859
Call/time deposits from trading purposes	0	408,678
Financial assets at fair value through profit or loss	**8,094,969**	**6,696,442**
Shares and other variable-yield securities	286,988	339,965
Bonds, notes and other fixed-interest securities	7,807,981	6,356,477
Investments in associates	**1,314,670**	**1,309,860**[1]
Financial assets available-for-sale	**984,523**	**949,519**[1]
Investments in other affiliated companies	361,200	320,414
Other interests	369,214	379,044
Shares and other variable-yield securities	254,109	250,061
Loans and advances	**102,318,126**	**114,628,119**
Loans and advances to banks	26,487,118	42,157,991
Loans and advances to customers	78,230,314	74,823,823
Other non-derivative financial assets	2,387,369	1,822,894
Impairment losses on loans and advances	(4,786,675)	(4,176,589)
Financial assets held-to-maturity	**11,241,683**	**11,286,359**
Bonds, notes and other fixed-interest securities	11,201,915	11,254,629
Purchased loans	39,768	31,730
Derivatives (hedging)	**925,409**	**911,228**
Positive fair values of derivatives (hedging)	925,409	911,228
Other assets	**3,003,763**	**2,727,675**
Intangible and tangible fixed assets	3,003,763	2,727,675
Total assets	**136,496,764**	**147,938,248**

1 Adaption of previous year figures due to different mapping.

Equity and liabilities according to measurement categories €000	2010	2009
Trading liabilities	**6,534,106**	**5,416,028**
Negative fair values of derivative financial instruments	5,323,431	4,185,040
Call/time deposits from trading purposes	0	2,875
Short-selling of trading assets	425,730	374,222
Certificates issued	784,945	853,891
Financial liabilities	**114,890,752**	**129,025,359**
Deposits from banks	37,391,030	49,917,442
Deposits from customers	57,935,950	55,422,998
Debt securities issued	14,011,614	17,816,535
Subordinated capital	4,254,280	4,563,857
Other non-derivative financial liabilities	1,297,878	1,304,527
Liabilities at fair value through profit and loss	**2,557,396**	**2,118,751**
Debt securities issued	2,557,396	2,118,751
Derivatives (hedging)	**476,764**	**477,008**
Negative fair values of derivatives (hedging)	476,764	477,008
Provisions for liabilities and charges	**786,727**	**593,341**
Equity	**11,251,019**	**10,307,760**
Total equity and liabilities	**136,496,764**	**147,938,248**

(14) Cash reserve

€000	2010	2009
Cash in hand	1,639,518	1,429,700
Balances at central banks	5,095,216	6,841,424
Total	**6,734,734**	**8,271,124**

(15) Loans and advances to banks

€000	2010	2009
Giro and clearing business	1,409,809	1,828,497
Money market business	13,189,598	25,581,800
Loans to banks	3,605,123	4,435,800
Purchased loans	34,510	48,879
Leasing claims	88,990	90,861
Claims evidenced by paper	1,424,662	1,901,130
Total	**19,752,692**	**33,886,967**

Of the purchased loans amounting to € 34,510 thousand, € 34,203 thousand are assigned to the measurement category loans and advances (2009: € 48,778 thousand) and € 307 thousand to held-to-maturity (2009: € 101 thousand).

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

€000	2010	2009
Austria	9,009,244	12,934,667
Foreign	10,743,448	20,952,300
Total	**19,752,692**	**33,886,967**

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

€000	2010	2009
Central banks	1,483,988	1,951,638
Commercial banks	18,258,721	31,881,438
Multilateral development banks	9,983	53,891
Total	**19,752,692**	**33,886,967**

(16) Loans and advances to customers

€000	2010	2009
Credit business	48,437,137	45,491,309
Money market business	6,282,668	4,615,388
Mortgage loans	16,887,910	17,993,168
Purchased loans	1,179,516	898,903
Leasing claims	4,586,359	4,715,293
Claims evidenced by paper	896,185	1,141,390
Total	**78,269,775**	**74,855,451**

Purchased loans amounting to € 1,140,056 thousand (2009: € 867,274 thousand) are assigned to the measurement category loans and advances. Purchased loans classified as held-to-maturity totaled € 39,460 thousand (2009: € 31,629 thousand).

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

€000	2010	2009
Sovereigns	1,605,272	1,674,612
Corporate customers – large	51,122,439	48,617,402
Corporate customers – small business	4,100,432	4,157,162
Retail customers – private individuals	18,567,216	17,859,841
Retail customers – small and medium-sized entities	2,478,914	2,389,112
Other	395,502	157,322
Total	**78,269,775**	**74,855,451**

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

€000	2010	2009
Austria	9,267,427	9,237,030
Foreign	69,002,348	65,618,421
Total	**78,269,775**	**74,855,451**

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

€000	2010	2009
Sovereigns	7,000	2,915
Banks	255,020	406,571
Corporate customers – large	2,446,196	2,041,796
Corporate customers – small business	417,500	337,956
Retail customers – private individuals	1,418,100	1,175,362
Retail customers – small and medium-sized entities	242,859	211,989
Total	**4,786,675**	**4,176,589**

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

31/12/2010 € 000	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	19,486,734	19,752,692	271,087	236,579	18,440	19,497,673
Sovereigns	1,510,359	1,605,272	20,637	7,000	0	1,598,272
Corporate customers – large	48,364,631	51,517,941	3,658,065	2,040,223	405,973	49,071,745
Corporate customers – small business	3,733,506	4,100,432	677,113	385,843	31,657	3,682,931
Retail customers – private individuals	17,936,617	18,567,215	1,789,512	1,115,626	302,474	17,149,116
Retail customers – small and medium-sized entities	2,416,573	2,478,914	320,013	192,826	50,033	2,236,055
Total	**93,448,420**	**98,022,466**	**6,736,427**	**3,978,097**	**808,577**	**93,235,792**

31/12/2009 €000	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	33,398,279	33,886,967	518,667	406,563	8	33,480,396
Sovereigns	1,595,550	1,674,612	80,344	2,915	0	1,671,697
Corporate customers – large	46,761,444	48,617,402	3,728,644	1,725,344	316,452	46,575,606
Corporate customers – small business	4,002,583	4,157,162	588,699	285,221	52,735	3,819,206
Retail customers – private individuals	17,660,165	17,859,841	1,198,694	783,344	392,018	16,684,479
Retail customers – small and medium-sized entities	2,311,101	2,389,112	273,139	158,297	53,692	2,177,123
Other	158,073	157,322	129	0	0	157,322
Total	**105,887,195**	**108,742,418**	**6,388,316**	**3,361,684**	**814,905**	**104,565,829**

Impaired assets

The following table shows the carrying amount of individually impaired assets, the amount of individually allocated provisions and the corresponding net value of available collaterals:

31/12/2010	Impairments and collaterals				
€000	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
Banks	271,087	236,580	34,507	0	4,623
Sovereigns	20,637	7,000	13,637	32	853
Corporate customers – large	3,658,065	2,040,223	1,617,842	1,114,480	104,469
Corporate customers – small business	677,113	385,843	291,270	288,731	26,233
Retail customers – private individuals	1,789,512	1,115,626	673,886	638,964	87,960
Retail customers – small and medium-sized entities	320,013	192,826	127,187	95,020	10,664
Total	**6,736,427**	**3,978,098**	**2,758,329**	**2,137,228**	**234,803**

31/12/2009	Impairments and collaterals				
€000	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
Banks	518,667	406,563	112,104	3,391	5,262
Sovereigns	80,344	2,915	77,429	8,099	1,816
Corporate customers – large	3,728,644	1,725,344	2,003,300	1,623,120	125,083
Corporate customers – small business	588,699	285,220	303,479	477,086	40,562
Retail customers – private individuals	1,198,694	783,344	415,350	719,263	118,639
Retail customers – small and medium-sized entities	273,139	158,297	114,842	194,501	22,713
Other	129	0	129	0	0
Total	**6,388,316**	**3,361,683**	**3,026,633**	**3,025,460**	**314,076**

(18) Trading assets

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

€000	2010	2009
Bonds, notes and other fixed-interest securities	**4,013,416**	**4,577,858**
Treasury bills and bills of public authorities eligible for refinancing	1,083,173	1,341,337
Other securities issued by the public sector	870,387	1,128,294
Bonds and notes of non-public issuers	2,059,856	2,108,227
Shares and other variable-yield securities	**430,428**	**479,934**
Shares	267,613	275,527
Mutual funds	72,323	48,227
Other variable-yield securities	90,492	156,180
Positive fair values of derivative financial instruments	**3,607,437**	**3,065,801**
Interest-based transactions	2,804,536	2,298,614
Currency-based transactions	640,184	568,475
Equity-/index-based transactions	95,885	122,164
Credit derivatives business	47,789	45,428
Other transactions	19,042	31,120
Call/time deposits from trading purposes	**0**	**408,678**
Total	**8,051,280**	**8,532,272**

Pledged securities ready to be sold or repledged by transferee are allocated to the appropriate securities category in the table above. Further details are shown under note (40) genuine sale and repurchase agreements.

(19) Derivatives

€000	2010	2009
Positive fair values of derivatives in fair value hedges (IAS 39)	**360,827**	**378,912**
Interest-based transactions	360,827	378,912
Positive fair values of derivatives in cash flow hedges (IAS 39)	**564,583**	**532,316**
Interest-based transactions	564,583	532,316
Positive fair values of credit derivatives	**9,472**	**13,673**
Positive fair values of other derivatives	**552,868**	**883,101**
Interest-based transactions	452,976	669,737
Currency-based transactions	98,547	210,322
Equity-/index-based transactions	1,345	3,042
Total	**1,487,750**	**1,808,002**

As long as the conditions for hedge accounting according to IAS 39 are fulfilled, derivative financial instruments are measured at their fair values (dirty prices) in their function as hedging instruments. The hedged items in connection with fair value hedges are loans and advances to customers and debt securities issued. The hedged risks are interest rate risks. The changes in carrying amount of the hedged underlying transactions in IAS 39 fair value hedges are included in the respective items of the statement of financial position.

The item also includes the positive fair values of derivative financial instruments that neither are held for trading nor constitute fair value hedging instruments under IAS 39.

(20) Financial investments

This position consists of securities available-for-sale, financial assets at fair value through profit or loss, and securities held-to-maturity as well as strategic equity participations held on a long-term basis.

€000	2010	2009
Bonds, notes and other fixed-interest securities	**19,259,896**	**17,611,106**
Treasury bills and bills of public authorities eligible for refinancing	9,886,294	8,179,195
Other securities issued by the public sector	3,687,021	2,469,512
Bonds and notes of non-public issuers	5,666,263	6,939,625
Other	20,318	22,774
Shares and other variable-yield securities	**291,097**	**590,027**
Shares	94,979	62,794
Mutual funds	182,549	264,747
Other variable-yield securities	13,569	262,486
Equity participations	**730,414**	**699,457**
Interest in affiliated companies	361,200	320,414
Other interests	369,214	379,043
Total	**20,281,407**	**18,900,590**

Pledged securities ready to be sold or repledged by the transferee are allocated to the appropriate securities category in the table above. Further details are shown under note (40) genuine sale and repurchase agreements.

As in the previous year, no reclassification was made for securities held-for-trading to the categories held-to-maturity and loans and advances. The carrying amount of the securities reclassified into the category held-to-maturity amounted to € 371,686 thousand at the date of reclassification in 2008. As of 31 December 2010, the carrying amount was € 238,188 thousand and the fair value totaled € 244,238 thousand. In 2010, a result from the reclassified securities of € 16,343 thousand (2009: € 13,709 thousand) was shown in the income statement. If the reclassification had not been made, a gain of € 9,042 thousand (2009: € 3,983 thousand) would have arisen.

The carrying amount of the securities reclassified into the category loans and advances amounted to € 1,559,682 thousand at the date of reclassification in 2008. The carrying amount as of 31 December 2010 totaled € 1,316,691 thousand and the fair value was € 1,317,946 thousand. In 2010, a result from the reclassified securities of € 41,306 thousand (2009: € 69,206 thousand) was shown in the income statement. If the reclassification had not been made, a gain of € 69,648 thousand (2009: € 35,124 thousand) would have arisen.

Equity participations valued at amortized cost for which fair values could not be measured reliably amounted to € 273,425 thousand (2009: € 273,483 thousand).

(21) Investments in associates

The shares in companies valued at equity are as follows:

€000	2010	2009
Investments in associates	1,314,670	1,309,860
hereof reserves and goodwill	201,431	198,749

Financial information on associated companies is as follows:

€000	Total assets	Total revenues	Profit/loss after taxes	Shareholders´ equity
A-Real Estate SpA, Bozen (IT)	125,100	12	(15,616)	(14,991)
A-Leasing SpA, Treviso (IT)	832,106	11,714	(22,904)	51,090
Card Complete Service Bank AG, Vienna (AT)	521,474	77,447	27,081	56,428
LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)[1]	1,266,662	906,495	29,268	462,238
NOTARTREUHANDBANK AG, Vienna (AT)	1,083,348	14,932	6,990	20,834
Österreichische Hotel- und Tourismusbank Ges.m.b.H., Vienna (AT)	1,038,724	5,747	1,455	26,733
Österreichische Kontrollbank AG, Vienna (AT)	35,802,286	159,395	71,983	565,225
Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (AT)[1]	10,420,475	237,633	51,740	331,631
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	75,002	4,519	99	14,886
Raiffeisen evolution project development GmbH, Vienna (AT)[1]	516,846	94,219	(6,184)	212,339
Raiffeisen Informatik GmbH, Vienna (AT)	639,579	1,314,156	10,964	110,440
Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)[1]	124,488	73,272	3,721	36,020
Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (AT)	2,033,289	2,094	740	7,412
UNIQA Versicherungen AG, Vienna (AT)[1,2]	27,392,735	5,011,651	25,672	1,333,063

1 Consolidated financial statements: profit and equity is before deduction of non controlling interests.
2 Consolidated figures 2009, because Uniqa is a listed company and has not yet published consolidated financial statements of 2010. Fair value of the shares held amounted to € 959,860 thousand based on stock exchange price as of 31 December 2010 (2009: € 839,008 thousand).

Further information regarding associated companies is stated on page 148.

(22) Intangible fixed assets

€000	2010	2009
Goodwill	616,262	588,998
Software	479,923	409,674
Other intangible fixed assets	130,460	124,157
Total	**1,226,645**	**1,122,829**

The item software comprises acquired software amounting to € 424,708 thousand (2009: € 357,028 thousand) and developed software amounting to € 55,215 thousand (2009: € 52,646 thousand).

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The carrying amount of goodwill as basis for the impairment test was allocated to the following cash generating units, whereby changes in the carrying amounts are entirely attributable to currency differences:

€000	2010	2009
Raiffeisen Bank Aval JSC, Kiev	220,606	204,622
OOO Raiffeisen-Leasing, Moscow	263,124	248,893
Raiffeisenbank a.s., Prague	42,443	40,758
Raiffeisen Bank Sh.a., Tirane	52,711	53,020
Ukrainian Processing Center PJSC, Kiev	14,977	13,831
Other	22,401	27,874
Total	**616,262**	**588,998**

(23) Tangible fixed assets

€000	2010	2009
Land and buildings used by the Group for own purpose	662,913	650,808
Other land and buildings (investment property)	154,868	75,688
Office furniture and equipment as well as other tangible fixed assets	582,178	577,529
Leased assets (operating lease)	377,159	300,822
Total	**1,777,118**	**1,604,847**

The fair value of investment property totaled € 152,769 thousand (2009: € 80,722 thousand).

(24) Development of fixed assets

Tangible and intangible fixed assets developed in the financial year 2010 as follows:

	Cost of acquisition or conversion						
€000	As of 1/1/2010	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As of 31/12/2010
Intangible fixed assets	**1,672,912**	**(35,597)**	**52,299**	**204,027**	**(28,322)**	**3,712**	**1,869,031**
Goodwill	633,664	(15,237)	37,563	0	(1,080)	0	654,910
Software	863,497	(20,357)	7,133	182,583	(25,852)	11,821	1,018,825
Other intangible fixed assets	175,750	(3)	7,604	21,444	(1,390)	(8,109)	195,296
Tangible fixed assets	**2,646,428**	**60,907**	**39,304**	**448,132**	**(236,221)**	**(3,712)**	**2,954,838**
Land and buildings used by the Group for own purpose	903,520	3,546	17,255	40,688	(15,536)	4,103	953,576
Other land and buildings	84,939	(5,815)	3,226	85,679	(1,222)	(1,760)	165,047
of which land value of developed land	13,631	125	420	37	0	0	14,213
Office furniture and equipment as well as other tangible fixed assets	1,274,560	53,663	19,495	189,458	(172,036)	(3,693)	1,361,447
Leased assets (operating lease)	383,410	9,513	(673)	132,307	(47,427)	(2,362)	474,768
Total	**4,319,340**	**25,310**	**91,603**	**652,159**	**(264,543)**	**0**	**4,823,869**

	Write-ups, amortization, depreciation, impairment			Carrying amount
€000	Cumulative	hereof Write-ups	hereof Depreciation	31/12/2010
Intangible fixed assets	**(642,386)**	**1,258**	**(129,848)**	**1,226,645**
Goodwill	(38,647)	0	0	616,262
Software	(538,902)	0	(118,998)	479,923
Other intangible fixed assets	(64,836)	1,258	(10,850)	130,460
Tangible fixed assets	**(1,177,720)**	**1,102**	**(230,867)**	**1,777,118**
Land and buildings used by the Group for own purpose	(290,663)	0	(38,482)	662,913
Other land and buildings	(10,178)	0	(6,774)	154,868
of which land value of developed land	(125)	0	0	14,088
Office furniture and equipment as well as other tangible fixed assets	(779,270)	500	(150,395)	582,178
Leased assets (operating lease)	(97,609)	602	(35,217)	377,159
Total	**(1,820,106)**	**2,360**	**(360,715)**	**3,003,763**

Intangible and tangible fixed assets developed in the financial year 2009 as follows:

	Cost of acquisition or conversion						
€000	As of 1/1/2009	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As of 31/12/2009
Intangible fixed assets	**1,560,130**	**2,730**	**(43,006)**	**183,705**	**(30,761)**	**113**	**1,672,912**
Goodwill	665,459	0	(29,616)	0	(2,179)	0	633,664
Software	713,137	2,730	(6,492)	174,850	(23,845)	3,118	863,497
Other intangible fixed assets	181,535	0	(6,898)	8,855	(4,737)	(3,005)	175,750
Tangible fixed assets	**2,552,022**	**24,304**	**(60,934)**	**311,972**	**(180,823)**	**(113)**	**2,646,428**
Land and buildings used by the Group for own purpose	844,377	1,714	(25,526)	73,422	(25,899)	35,432	903,520
Other land and buildings	55,729	13,332	(867)	18,999	(3,786)	1,532	84,939
of which land value of developed land	11,108	0	(277)	2,799	0	0	13,631
Office furniture and equipment as well as other tangible fixed assets	1,267,956	(1,364)	(35,201)	166,705	(87,045)	(36,491)	1,274,560
Leased assets (operating lease)	383,961	10,622	660	52,846	(64,093)	(586)	383,410
Total	**4,112,153**	**27,034**	**(103,940)**	**495,677**	**(211,584)**	**0**	**4,319,340**

	Write-ups, amortization, depreciation, impairment			Carrying amount
€000	Cumulative	hereof Write-ups	hereof Depreciation	31/12/2009
Intangible fixed assets	**(550,083)**	**154**	**(102,470)**	**1,122,829**
Goodwill	(44,666)	0	0	588,998
Software	(453,823)	154	(92,635)	409,674
Other intangible fixed assets	(51,593)	0	(9,835)	124,157
Tangible fixed assets	**(1,041,582)**	**138**	**(204,106)**	**1,604,847**
Land and buildings used by the Group for own purpose	(252,712)	0	(31,260)	650,808
Other land and buildings	(9,251)	0	(3,434)	75,688
of which land value of developed land	0	0	0	13,631
Office furniture and equipment as well as other tangible fixed assets	(697,030)	107	(135,939)	577,529
Leased assets (operating lease)	(82,589)	31	(33,472)	300,821
Total	**(1,591,665)**	**292**	**(306,576)**	**2,727,675**

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

(25) Other assets

€000	2010	2009
Tax assets	553,646	371,869
Current tax assets	71,617	151,355
Deferred tax assets	482,029	220,514
Receivables arising from non-banking activities	165,837	176,524
Accruals and deferred items	271,681	262,019
Clearing claims from securities and payment transfer business	356,015	238,263
Lease in progress	155,241	195,609
Assets held for sale (IFRS 5)	5,296	1,956
Inventories	146,989	82,195
Other assets	732,663	494,460
Total	**2,387,368**	**1,822,895**

Deferred taxes break down as follows:

€000	2010	2009
Deferred tax assets	482,029	220,514
Provisions for deferred taxes	(32,107)	(21,282)
Net deferred taxes	**449,922**	**199,232**

The net deferred taxes result from the following items:

€000	2010	2009
Loans and advances to customers	97,592	70,216
Impairment losses on loans and advances	120,723	93,107
Tangible and intangible fixed assets	20,585	5,825
Other assets	5,302	9,652
Provisions for liabilities and charges	57,787	39,052
Trading liabilities	4,684	24,961
Other liabilities	82,737	43,393
Tax loss carry-forwards	279,606	179,112
Other items of the statement of financial position	51,353	41,962
Deferred tax assets	**720,369**	**507,280**
Loans and advances to banks	3,170	499
Loans and advances to customers	44,073	48,048
Trading assets	17,690	21,373
Financial investments	22,652	22,495
Tangible and intangible fixed assets	73,248	73,002
Other assets	46,223	28,451
Deposits from customers	887	743
Provisions for liabilities and charges	9,808	10,786
Other liabilities	12,323	9,369
Other items of the statement of financial position	40,373	93,282
Deferred tax liabilities	**270,447**	**308,048**
Net deferred taxes	**449,922**	**199,232**

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry-forwards which amounted to € 279,606 thousand (2009: € 179,112 thousand). The tax loss carry-forwards are mainly without any time limit. The Group did not recognize deferred tax assets of € 9,018 thousand (2009: € 3,593 thousand) because from current point of view there is no prospect of realizing them within a reasonable period of time.

(26) Deposits from banks

€000	2010	2009
Giro and clearing business	3,167,903	3,120,479
Money market business	24,045,097	35,683,964
Long-term refinancing	10,178,030	11,112,999
Total	**37,391,030**	**49,917,442**

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

€000	2010	2009
Austria	19,761,324	25,226,504
Foreign	17,629,706	24,690,938
Total	**37,391,030**	**49,917,442**

Deposits from banks break down into the following bank segments:

€000	2010	2009
Central banks	1,399,269	4,158,784
Commercial banks	34,680,346	44,269,717
Multilateral development banks	1,311,415	1,488,941
Total	**37,391,030**	**49,917,442**

(27) Deposits from customers

€000	2010	2009
Sight deposits	24,091,030	21,472,115
Time deposits	32,375,150	32,550,508
Savings deposits	1,469,770	1,400,376
Total	**57,935,950**	**55,422,999**

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

€000	2010	2009
Sovereigns	1,722,770	1,726,184
Corporate customers – large	27,226,939	26,344,545
Corporate customers – small business	2,489,184	2,331,659
Retail customers – private individuals	22,122,522	21,479,130
Retail customers – small and medium-sized entities	3,672,738	3,134,277
Other	701,797	407,204
Total	**57,935,950**	**55,422,999**

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

€000	2010	2009
Austria	5,994,353	4,850,369
Foreign	51,941,597	50,572,630
Total	**57,935,950**	**55,422,999**

(28) Debt securities issued

€000	2010	2009
Bonds and notes issued	15,917,240	18,836,714
Money market instruments issued	51	483,692
Other debt securities issued	651,719	614,879
Total	**16,569,010**	**19,935,285**

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

Issuer	ISIN	Type	Currency	Nominal value in € 000	Coupon	Due
RBI	XS0426089719	senior government guaranteed	EUR	1,500,000	2.5%	4/5/2011
RBI	XS0412067489	senior government guaranteed	EUR	1,500,000	3.6%	5/2/2014
RBI	XS0417093753	senior government guaranteed	EUR	1,250,000	3.0%	13/3/2012
RBI	XS0371504365	senior public placements	EUR	1,250,000	5.9%	20/6/2011
RBI	XS0242395357	senior public placements	EUR	921,610	1.1%	2/2/2011
RBI	XS0305474461	senior public placements	EUR	500,000	4.8%	15/6/2012
RBI	XS0284781431	senior public placements	EUR	427,165	0.8%	2/2/2012
RBI	XS0307006436	senior public placements	EUR	350,000	1.1%	25/6/2012
RBI	XS0385075758	senior public placements	EUR	340,000	6.2%	3/10/2011
RBRU	RU000A0JQ1K7	senior public placements	RUB	244,931	13.5%	3/12/2013
RBI	AT000B011804	senior private placements	EUR	200,000	2.5%	28/1/2012
RBI	AT000B012000	senior private placements	EUR	200,000	3.0%	16/10/2012
RBI	XS0341159316	senior public placements	EUR	200,000	1.6%	21/1/2013

RBI … Raiffeisen Bank International AG, Vienna
RBRU … ZAO Raiffeisenbank, Moscow

(29) Provisions for liabilities and charges

€000	As of 1/1/2010	Change in consolidated group	Allocation	Release	Usage	Transfers, exchange differences	As of 31/12/2010
Severance payments	63,657	44	10,046	(2,181)	(919)	(260)	70,387
Retirement benefits	71,288	0	2,401	(194)	(23)	0	73,472
Taxes	64,244	16,381	101,003	(13,064)	(35,671)	12,821	145,714
Current	42,962	(14)	93,516	(1,054)	(34,056)	12,254	113,608
Deferred	21,282	16,395	7,487	(12,009)	(1,615)	567	32,107
Contingent liabilities and commitments	83,130	0	117,234	(50,084)	(18,947)	615	131,948
Pending legal issues	74,610	0	35,765	(3,246)	(164)	790	107,755
Overdue vacation	45,869	(60)	12,320	(5,073)	0	1,060	54,116
Bonus payments	131,429	(505)	114,500	(4,348)	(94,158)	2,956	149,874
Restructuring	3,202	0	20,713	(65)	(19,052)	239	5,037
Other	55,912	(97)	30,938	(5,231)	(34,044)	946	48,424
Total	**593,341**	**15,763**	**444,920**	**(83,486)**	**(202,978)**	**19,167**	**786,727**

RZB is involved in pending legal issues, which may occur in the banking business. RZB does not expect that these legal cases will have a material impact on the financial position of the Group.

In the reporting period, provisions for pending legal issues amounted to € 107,755 thousand. In a Russian network unit, a provisons of € 15,109 thousand was built in connection with the cancellation of a rent agreement by Raiffeisenbank Moscow. In RBI AG, a provision of € 12,000 thousand was built for a legal issue regarding the law suit of customers of a funds management company in connection with the payment transfer done by the former RZB. Moreover, there were no single cases exceeding € 10,000 thousand.

Provisions for severance payments and similar obligations developed as follows:

€000	2010	2009
Defined benefit obligation (DBO) as of 1/1	63,657	59,540
Exchange differences	(285)	(286)
Changes in consolidated group	360	0
Transfers	0	(79)
Service cost	3,767	4,791
Interest cost	2,392	3,109
Payments	(8,971)	(2,802)
Actuarial gain/loss	9,467	(616)
Defined benefit obligation (DBO) as of 31/12 (=provision)	**70,387**	**63,657**

Provisions for retirement benefits developed as follows:

€000	2010	2009
Defined benefit obligation (DBO) as of 1/1	108,349	91,695
Changes in consolidated group	(957)	0
Current service cost	1,702	2,250
Interest cost	4,975	5,347
Benefit payments	(5,372)	(5,433)
Actuarial gain/loss	4,178	14,490
Defined benefit obligation (DBO) as of 31/12	**112,875**	**108,349**

Plan assets developed as follows:

€000	2010	2009
Plan assets at fair value as of 1/1	37,060	31,929
Changes in consolidated group	(462)	0
Expected return on plan assets	1,559	1,343
Contributions to plan assets	1,444	3,142
Plan payments	(1,265)	(1,209)
Actuarial gain/loss	1,066	1,856
Plan assets at fair value as of 31/12	**39,403**	**37,061**

The reconciliation of DBO to provision is as follows:

€000	2010	2009
Defined benefit obligation (DBO)	112,875	108,349
Plan assets at fair value	39,403	37,061
Provision as of 31/12	**73,472**	**71,288**

The structure of plan assets breaks down as follows:

Per cent	2010	2009
Bonds	46%	58%
Equities	38%	31%
Alternative investments	9%	7%
Property	1%	1%
Cash	6%	3%

Actual return on plan assets was as follows:

€000	2010	2009
Actual return on plan assets	2,625	3,199

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

€000	2010	2009
Wholly funded	10,906	10,360
Partly funded	61,908	58,065
Wholly unfunded	40,061	39,924
Defined benefit obligation (DBO)	**112,875**	**108,349**

(30) Trading liabilities

€000	2010	2009
Negative fair values of derivative financial instruments	**4,527,744**	**3,732,536**
Interest-based transactions	3,017,469	2,233,958
Currency-based transactions	921,863	518,539
Equity-/index-based transactions	525,677	856,731
Credit derivatives business	43,920	51,742
Other transactions	18,815	71,566
Short-selling of trading assets	**425,730**	**374,222**
Certificates issued	**784,945**	**281,858**
Call/time deposits from trading purposes	**0**	**2,875**
Total	**5,738,419**	**4,391,491**

(31) Derivatives

€000	2010	2009
Negative fair values of derivatives in fair value hedges (IAS 39)	**23,487**	**20,675**
Interest-based transactions	23,487	20,675
Negative fair values of derivatives in cash flow hedges (IAS 39)	**453,276**	**456,333**
Interest-based transactions	453,276	456,333
Negative fair values of credit derivatives	**18,332**	**26,498**
Negative fair values of derivative financial instruments	**777,356**	**998,039**
Interest-based transactions	488,296	655,308
Currency-based transactions	245,169	318,627
Equity-/index-based transactions	43,891	23,768
Other transactions	0	336
Total	**1,272,451**	**1,501,545**

As long as the conditions for hedge accounting according to IAS 39 are fulfilled, derivative financial instruments are measured at their fair values (dirty prices) in their function as hedging instruments. The hedged items in connection with fair value hedges are loans and advances to customers and deposits from banks. The hedged risks are interest rate risks.

(32) Other liabilities

€000	2010	2009
Liabilities from non-banking activities	162,294	125,168
Prepayments and other deferrals	210,590	170,446
Liabilities from dividends	596	468
Clearing claims from securities and payment transfer business	405,518	681,789
Other liabilities	518,881	326,657
Total	**1,297,879**	**1,304,528**

(33) Subordinated capital

€000	2010	2009
Hybrid tier(1)-capital	819,077	819,091
Subordinated liabilities	2,576,374	2,802,031
Supplementary capital	605,647	681,326
Participation certificates	253,182	261,409
Total	**4,254,280**	**4,563,857**

The following table contains borrowings that exceed 10 per cent of the subordinated capital:

Issuer	ISIN	Type	Currency	Nominal value in € 000	Coupon[1]	Fälligkeit
RFJ4	XS0253262025	Hybrid tier1 capital	EUR	500,000	5.169%	–
RBI	XS0289338609	Subordinated capital	EUR	500,000	4.500%	5/3/2019
RBI	XS0326967832	Supplementary capital	EUR	600,000	5.770%	29/10/2015

1 Current interest rate, interest clauses are agreed.
RBI … Raiffeisen Bank International AG, Vienna
RFJ4 … RZB Finance (Jersey) IV Limited, St. Helier

In the reporting period, expenses on subordinated capital totaled € 205,143 thousand (2009: € 239,277 thousand).

(34) Equity

€000	2010	2009
Consolidated equity	5,501,624	7,300,859
Subscribed capital	443,714	443,714
Participationcapital	250,000	2,500,000
Capital reserves	1,050,635	1,050,635
Retained earnings	3,757,275	3,306,510
Consolidated profit	713,664	433,372
Non-controlling interests	5,035,731	2,573,529
Total	**11,251,019**	**10,307,760**

Subscribed capital

The issued share capital of Raiffeisen Zentralbank Österreich Aktiengesellschaft was subdivided into 6,105,874 no-par shares. 5,539,885 were registered ordinary shares and 565,989 were non-voting bearer preference shares. The company's total nominal share capital was € 443,714 thousand.

Authorized capital remaining as of 31 Decem ber 2010

According to the resolution of the Annual General Meeting held on 20 June 2007, the Managing Board was authorized subject to the approval of the Supervisory Board to increase the share capital up to € 101,738 thousand for cash or contributions in kind by not later than 14 August 2012, if necessary in several tranches, by issuing up to 1,400,000 shares while preserving shareholders' rights as conferred by the particular stock category. In 2008, this authorization – with resolution of the Managing Board dated 15 September 2008 and the approval of the Supervisory Board dated 18 September 2008 – was partly used and the share capital was increased by 249,391 ordinary shares amounting to € 18,123 thousand and 25,719 preference shares amounting to € 1,869 thousand. In the reporting period, no use of authorized capital was made. The authorization granted in the Annual General Meeting held on 20 June 2007 to increase the share capital is still effective up to an amount of € 62,487 thousand.

Participation capital

Raiffeisen Zentralbank Österreich Aktiengesellschaft issued participation capital according to Section 24 (4) and (5) BWG (Austrian Banking Act) with a nominal amount of € 2,500,000 thousand. The participation capital is available till corporation length, 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 latter was fully signed by the Republic of Austria. The participation certificates were issued at 100 per cent of par value. Basically, the participation certificates are linked to an 8 per cent profit entitlement 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. 12 month EURIBOR plus 1,000 basis points is the upper limit. The participation capital was transferred into RBI AG in the course of the merger of the main business areas of RZB with Raiffeisen International Bank-Holding AG.

As of 11 October 2010, RZB AG issued participation capital according to Section 24 (4) and (5) BWG (Austrian Banking Act) with a nominal amount of € 250,000 thousand. The participation certificates were issued at 100 per cent of par value. Basically, the participation certificates are linked to an 8 per cent profit entitlement 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. 12 month EURIBOR plus 1,000 basis points is the upper limit. The participation capital is available till corporation length, this means without ordinary or extraordinary right of termination by the participation issuer.

The holders of non-voting preference shares receive a preference shareholders' dividend on the amount of share capital attributable to their shares. The preference shareholders' dividend for the financial year 2010 amounted to € 34.12 per preference share, resulting in a distribution of € 19.312 thousand.

The Managing Board intends to propose at the Annual General Meeting that a dividend of € 25.38 per share be distributed from Raiffeisen Zentralbank Österreich AG' s profit for the financial year 2010, which represents a maximum distribution of € 140,602 thousand.

The statement of changes in equity is shown on page 43.

(35) Breakdown of remaining terms to maturity

31/12/2010 € 000	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash reserve	6,734,734	0	0	0	0
Loans and advances to banks	2,165,012	13,254,847	1,955,202	2,004,413	373,218
Loans and advances to customers	6,953,872	12,825,338	13,873,441	27,146,281	17,470,843
Net provisioning for impairment losses	(4,786,675)	0	0	0	0
Trading assets	472,370	898,824	1,479,216	3,194,510	2,006,360
Financial investments	1,267,270	2,947,203	2,383,399	8,040,134	5,643,401
Investments in associates	1,314,670	0	0	0	0
Sundry assets	3,482,751	1,305,721	569,265	1,156,907	364,237
Total assets	**17,604,004**	**31,231,933**	**20,260,523**	**41,542,245**	**25,858,059**
Deposits from banks	3,064,230	17,007,220	6,286,402	7,951,514	3,081,664
Deposits from customers	24,680,509	19,402,410	8,641,225	3,115,732	2,096,074
Debt securities issued	0	1,651,424	4,958,046	9,134,666	824,874
Trading liabilities	412,115	495,096	510,551	2,381,658	1,938,999
Subordinated capital	0	193,923	16,457	790,090	3,253,809
Sundry liabilities	262,664	926,922	255,482	777,952	1,134,037
Subtotal	**28,419,518**	**39,676,995**	**20,668,163**	**24,151,612**	**12,329,457**
Equity	11,251,019	0	0	0	0
Total equity and liabilities	**39,670,537**	**39,676,995**	**20,668,163**	**24,151,612**	**12,329,457**

31/12/2009 €000	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash reserve	8,271,124	0	0	0	0
Loans and advances to banks	2,445,474	22,121,927	5,663,137	3,080,082	576,347
Loans and advances to customers	6,577,109	12,535,104	13,293,805	24,990,731	17,458,702
Net provisioning for impairment losses	(4,176,589)	0	0	0	0
Trading assets	372,565	1,262,243	1,103,556	4,035,867	1,758,041
Financial investments	1,188,277	1,330,093	3,125,391	7,740,345	5,516,484
Investments in associates	1,309,860	0	0	0	0
Sundry assets	3,081,287	1,152,620	619,992	1,080,546	424,128
Total assets	**19,069,107**	**38,401,987**	**23,805,881**	**40,927,571**	**25,733,702**
Deposits from banks	3,342,519	28,115,282	5,087,951	9,307,894	4,063,796
Deposits from customers	22,190,627	20,864,420	7,558,248	2,750,364	2,059,340
Debt securities issued	0	2,737,415	1,268,737	14,774,723	1,154,410
Trading liabilities	324,616	418,838	468,291	1,868,279	1,311,467
Subordinated capital	0	171,595	384,615	58,422	3,949,225
Sundry liabilities	379,872	929,631	519,459	732,370	838,081
Subtotal	**26,237,634**	**53,237,181**	**15,287,301**	**29,492,052**	**13,376,319**
Equity	10,307,761	0	0	0	0
Total equity and liabilities	**36,545,395**	**53,237,181**	**15,287,301**	**29,492,052**	**13,376,319**

(36) Related parties

Companies can carry out business with related parties that may affect the entity's asset, financial and earnings position. The following related companies have been identified mainly as related parties:

Parent companies are Raiffeisen-Landesbanken-Holding GmbH, Vienna, a non-operational holding company and its subsidiary R-Landesbanken-Beteiligung GmbH, Vienna, which is the majority shareholder of Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna. Companies exercising a significant influence are mainly Raiffeisen-Holding Niederöstereich-Wien AG, Vienna, as largest indirect shareholder and its parent company, Raiffeisen-Holding Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna. Under affiliated companies, all relations to those 324 subsidiaries are reported which were not included in the consolidated group because of their minor importance.

Disclosures on RZB's relations with persons holding key management positions (Management Board) are reported under note (56) relations to key management.

As of 31 December 2010, the transactions with related parties were as follows:

€000	Parent companies	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	0	470,768	142	274,313	243,862
Loans and advances to customers	0	13,006	784,008	437,453	1,096,422
Trading assets	0	27,467	0	20,260	18,554
Financial investments	0	0	362,164	2,483	685,078
Investments in associates	0	0	0	1,314,670	0
Other assets including derivatives	20	0	21,757	28	52
Deposits from banks	0	606,645	2,660	6,908,279	115,820
Deposits from customers	1,038	0	409,464	1,950	1,252,168
Provisions for liabilities and charges	0	0	310	0	18,844
Trading liabilities	0	0	0	25,840	17,756
Other liabilities including derivatives	0	17,846	69,939	25	42
Subordinated capital	0	28,930	0	0	0
Guarantees given	0	784	14,283	264,031	4,937
Guarantees received	0	124,355	670	142,505	998

As of 31 December 2009, the transactions with related parties were as follows:

€000	Parent companies	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	0	4,998,189	1	340,975	553,549
Loans and advances to customers	0	13,697	804,624	792,509	191,865
Trading assets	0	72,541	0	62,629	20,222
Financial investments	0	0	321,464	14,239	606,297
Investments in associates	0	0	0	1,309,860	0
Other assets including derivatives	0	0	50,169	12	1,075
Deposits from banks	0	6,329,353	2,521	7,880,992	1,197,452
Deposits from customers	807	0	216,562	12,417	512,556
Provisions for liabilities and charges	0	0	2	0	6,430
Trading liabilities	0	0	0	31,539	10,687
Other liabilities including derivatives	0	0	190	599	19
Subordinated capital	0	115,522	0	0	0
Guarantees given	0	1,773	5,192	507,865	9,690
Guarantees received	0	192,539	666	205,380	1,586

(37) Foreign currency volumes

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

€000	2010	2009
Assets	59,443,076	55,502,681
Liabilities	45,583,629	47,001,694

(38) Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria are as follows:

€000	2010	2009
Assets	106,501,832	106,823,728
Liabilities	76,258,244	81,504,411

(39) Securitization

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

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

further notice. Hence, the portfolio's significant chances and risks remain within the Group as well. At year-end 2010 the non-derecognized loans of ROOF Bulgaria 2008-1 amount to € 104,031 thousand (2009: € 149,588 thousand), those of ROOF Romania 2008-1 came up to € 140,747 thousand (2009: € 167,622 thousand).

Regarding true sale transaction ROOF Poland 2008-1 consisting of car leasing contracts, the total volume of the loans amounts to € 195,020 thousand as of 31 December 2010 (2009: € 131,829 thousand). The replenishment of the already matured portfolio as well as additional investments led to the changed carrying amount.

From a Group view, the non-derecognized loans arising from the true sale transaction ROOF Russia 2007-1 amount to € 53,178 thousand at year-end 2010 (2009: € 117,077 thousand). In this case, the decrease of the carrying value is mainly explained by the maturity of the consumer loan volume in original currency (whereupon the matured portfolio wasn't refilled anymore) as well as the currency translation effect resulting from USD against the euro. Within the space of a year, the consumer loan volume in original currency matured by € 63.899 thousand.

Within the scope of synthetic securitizations ROOF CEE 2006-1, the non-derecognized loans amounted to € 392,616 thousand at year-end (2009: € 364,285 thousand). The differences compared to the volumes at the beginning of the transactions are due to maturing volumes and to changes in currency exchange rates. Furthermore, originators like Raiffeisenbank Polska, S.A., Warsaw (PL), and Raiffeisenbank a.s., Prague (CZ) exercised the option to refill the volumes in a marginal extent and hence to exceed slightly the original values.

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

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

RZB as investor

Besides the above-mentioned refinancing and packaging of designated portfolios of loans or leasing claims, RZB acts as investor in ABS-structures. Essentially, this is about investments in Structured Credit Products. During financial year 2010 market value changes led to a positive valuation result of about € 9 million (2009: € 30 million).

As of 31 December 2010, RZB reported the following investment exposure (excluding CDS):

€000	2010		2009	
	Outstanding notional amount	Carrying amount	Outstanding notional amount	Carrying amount
Asset-backed securities (ABS)	283,991	283,809	240,155	239,389
Mortgage backed securities (MBS)	190,193	180,618	257,212	229,027
Collateralized debt obligation (CDO)	394,519	148,477	457,383	177,186
Other	29,203	1,466	26,939	1,420
Total	**897,906**	**614,370**	**981,689**	**647,022**

(40) Genuine sale and repurchase agreements

The following repurchase and redelivery commitments are shown as of the reporting date:

€000	2010	2009
Genuine repurchase agreements as borrower		
Deposits from banks	4,976,815	5,486,403
Deposits from customers	1,342,934	2,440,674
Total	**6,319,750**	**7,927,077**

€000	2010	2009
Genuine repurchase agreements as lender (reverse repurchase agreement)		
Loans and advances to banks	1,457,117	7,472,208
Loans and advances to customers	110,791	1,038,333
Total	**1,567,908**	**8,510,541**

€000	2010	2009
Securities sold in genuine sale and repurchase agreement	**5,415,578**	**5,289,086**
hereof sold or repledged	5,355,684	5,159,011
hereof bonds, notes and other fixed-interest securities	5,355,684	5,159,011
hereof shares and other variable-yield securities	0	0

€000	2010	2009
Securities purchased in a genuine sale and repurchase agreement	**1,483,131**	**8,703,593**
hereof sold or repledged	57,059	1,728,444
hereof bonds, notes and other fixed-interest securities	56,433	1,716,637
hereof shares and other variable-yield securities	0	11,248
hereof loans and advances	626	559

Within the framework of securities lending, borrowed securities amounted to € 886,353 thousand (2009: € 1,407,565 thousand) and loaned securities amounted to € 3,912,527 thousand (2009: € 3,871,095 thousand)

(41) Assets pledged as collateral

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

€000	2010	2009
Deposits from banks	8,145,418	8,806,796
Deposits from customers	111,290	13,488
Debt securities issued	21,802	244,170
Other liabilities	157,208	858,332
Contingent liabilities and commitments	2,231	3,530
Total	**8,437,949**	**9,926,316**

The following assets are provided as collateral for the above-mentioned obligations:

€000	2010	2009
Loans and advances to banks	4,120,064	4,086,568
Loans and advances to customers	2,632,093	3,335,947
Trading assets	647,692	723,990
Financial investments	2,032,817	2,539,145
Total	**9,432,666**	**10,685,650**

(42) Finance leases

€000	2010	2009
Gross investment value	**5,333,771**	**5,534,285**
Minimum lease payments	4,853,135	5,104,398
Upt to 3 months	499,815	519,064
More than 3 months, up to 1 year	1,014,303	1,081,138
More than 1 year, up to 5 years	2,307,780	2,420,015
More than 5 years	1,031,237	1,084,181
Non-guaranteed residual value	480,636	429,887
Unearned finance income	**740,551**	**807,440**
Upt to 3 months	61,592	62,234
More than 3 months, up to 1 year	147,950	157,768
More than 1 year, up to 5 years	341,090	382,694
More than 5 years	189,919	204,744
Net investment value	**4,593,220**	**4,726,845**

As of 31 December 2010, write-offs on unrecoverable minimum lease payments outstanding totaled € 39,958 thousand (2009: € 46,597 thousand).

Assets under finance leases break down as follows:

€000	2010	2009
Vehicles leasing	1,900,065	2,136,294
Real estate leasing	1,791,716	1,678,028
Equipment leasing	873,134	912,523
Total	**4,564,915**	**4,726,845**

(43) Operating leases

Operating leases from view of lessor

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

€000	2010	2009
Up to 1 year	51,087	42,686
More than 1 year, up to 5 years	80,889	79,467
More than 5 years	84,068	51,533
Total	**216,044**	**173,686**

Operating leases from view of lessee

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

€000	2010	2009
Up to 1 year	101,383	115,399
More than 1 year, up to 5 years	195,206	240,712
More than 5 years	22,356	44,172
Total	**318,945**	**400,283**

Risk report

(44) Risks arising from financial instruments

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

Risk management principles

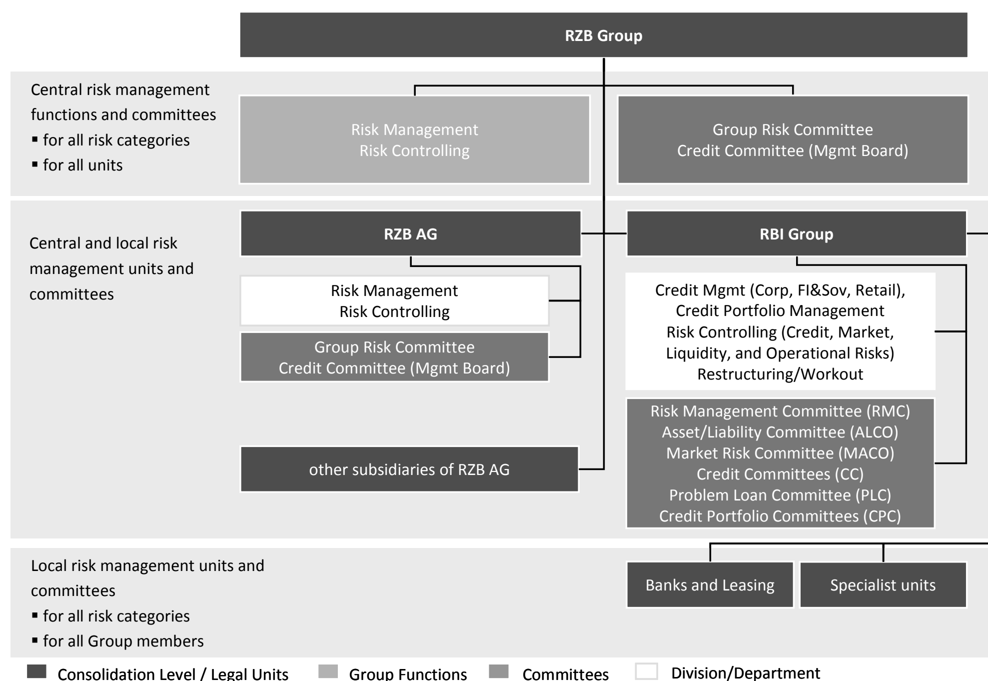
RZB has a system of risk principles and procedures in place for measuring and monitoring risk, with the aim of controlling and managing risks at all banks and specialist companies in the Group. The risk policies and risk management principles are laid out by the Managing Board of RZB. The following risk policies highlight some of the principles:

- Integrated risk management: Credit, country, market, liquidity, participation and operational risks are managed as main risks throughout the Group. For this purpose, risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies: Risk measurement and risk limitation methods are standardized in order to ensure a consistent and coherent approach to risk management. This is efficient for the implementation of risk management methods. And it is the basis for consistent overall bank management across all countries and business segments in RZB.
- Continuous planning: Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to risk concentrations.
- Independent control: Clear personal and functional firewalls are in place between business operations and any risk management or risk controlling activities.
- Ex ante and ex post control: Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is done under risk-return considerations and that there are no incentives for taking high risks.

Individual risk management units of the Group create detailed risk strategies, which set more concrete risk targets and specific standards in compliance with these general principles. The overall risk strategy is derived from the Group's business strategy and adds risk relevant aspects to the planned business structure and strategic development. These aspects include e.g. structural limits and capital ratio targets which have to be met in the budgeting process and which frame upcoming risk related business decisions. More specific targets for individual risk categories are set in detailed risk strategies. The credit risk strategy of RZB, for instance, sets credit portfolio limits for individual countries and segments and defines the credit approval authority for limit applications.

Organization of risk management

The Managing Board of Raiffeisen Zentralbank ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the created risk reports and analyses. The Managing Board is supported in implementing these tasks by independent risk management units and specially appointed committees.



Risk management functions are performed on different levels in the Group. Raiffeisen Zentralbank Österreich as the parent credit institution of the Group has several service level agreements in place with risk management units in Raiffeisen Bank International which develop and implement the relevant concepts in cooperation with its subsidiaries. The central risk management functions are responsible for the adequate and appropriate implementation of the Group's risk management processes. In particular, they establish common risk management principles and set business-specific standards, tools, and practices for all Group entities.

In addition, local risk management units are established in the different Group units. They implement the risk policies for specific risk types and take active steering decisions within the approved risk budgets in order to achieve the targets set in the business policy. For this purpose, they monitor resulting risks using standardized measurement tools and they send them to central risk management units via defined reporting interfaces.

The central Risk Controlling division assumes the independent risk controlling function required by banking law. Amongst others, this division is responsible for developing the Group-wide framework for overall bank risk management (integrating all risk types) and preparing independent reports on the risk profile for the Managing Board and the heads of individual business units. It also measures required risk coverage capital for different business units and calculates the utilization of the allocated risk capital budgets in the internal capital adequacy framework.

Risk committees

The Risk Management Committee is responsible for ongoing development and implementation of methods and parameters for risk quantification models and for refining steering instruments. The committee also analyzes the current risk situation of the Group with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and controlling activities (like the allocation of risk capital) and advises the Managing Board in these matters.

The Market Risk Committee controls market risks of trading and banking book transactions of RZB and establishes corresponding limits and processes. In particular, it uses treasury results, the amount of risks taken and the limit utilization, as well as the results from scenario analyses and stress tests for market risk controlling.

The Credit Committees are staffed by front office and back office divisions with different participants depending on the customer segment (corporate customers, financial institutions and sovereigns, and retail). They approve limit applications according to the credit approval authority (depending on rating and exposure size) and vote on all credit decisions.

The Group Asset/Liability Committee assesses and manages balance sheet and liquidity risks. In this context it plays an important role for the Group's long term funding planning and the hedging of structural risk positions.

The Credit Portfolio Committees define the credit portfolio strategies for different customer segments. In these committees, representatives from business and risk management divisions together discuss the risks and opportunities of different customer segments (e.g. industries, countries, retail products). Based on the discussion credit portfolio management then develops lending policies and sets limits steering the future credit portfolio.

Quality assurance and auditing

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This should ensure that the Group adheres to all legal requirements and that it can achieve the highest standards in risk management related operations.

All these aspects are coordinated by the central division Organization & Internal Control System, which continuously analyzes the internal control system and keeps it up to date. If actions are necessary for closing any deficiencies this division is also responsible for tracking the closure of any open issues.

Two very important functions in assuring independent oversight are performed by the divisions Internal Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Internal audit periodically assesses business processes and contributes considerably to securing and improving them. It sends its reports directly to the Managing Board of RBI, which discusses them on a regular basis in their board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements. It is supplementary to and at the same time an integral part of the internal control system and is responsible for preventing any shortcomings in daily operations.

Moreover, an independent and objective audit, free of potential conflicts, is carried out during the audit of the annual financial statements by the auditing companies.

Overall bank risk management

Maintaining an adequate level of capital is a core objective of risk management at RZB. Capital adequacy is monitored on a quarterly basis based on the actual risk level, which is measured by internal models, taking into account the materiality of risks for choosing appropriate models. This capital adequacy framework incorporates both capital requirements from a regulatory point of view (sustainability and going concern perspective) and from an economic point of view (target rating perspective).

Objective	Description of risk	Measurement technique	Confidence level
Target rating perspective	Risk of not being able to satisfy claims of the Group's senior debt holders	Unexpected losses on an annual basis (economic capital) must not exceed the present value of equity and subordinated liabilities	99.95 per cent as derived from the target rating
Going concern perspective	Risk of not meeting the regulatory capital requirement	Risk-taking capacity (projected earnings plus capital exceeding regulatory requirements) must not fall below the annualized value-at-risk of the Group	99 per cent reflecting the owners' willingness to inject additional own funds
Sustainability perspective	Risk of falling short of a sustainable core capital ratio over a full business cycle	Capital and loss projection for the three-year planning period based on a severe macroeconomic downturn scenario	70-90 per cent based on the management decision that the Group might be required to temporarily reduce risks or raise additional core capital

This concept for overall bank risk management also satisfies the requirement for an internal capital adequacy assessment process (ICAAP) as required by Basel II (Pillar 2) regulations.

Target rating perspective

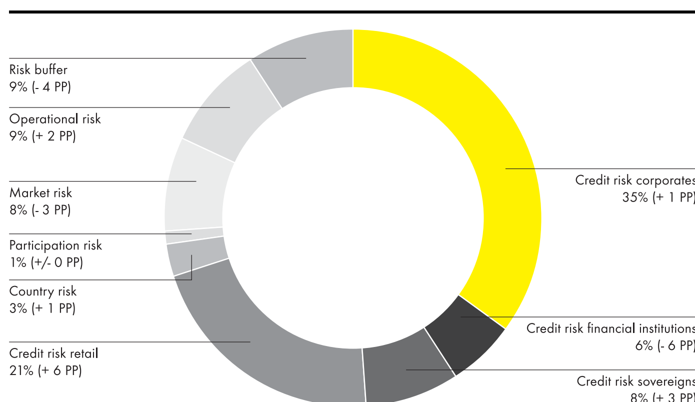
Risks in the target rating perspective are measured as economic capital presenting a comparable measure across all types of risks. It is calculated as the sum of unexpected losses stemming from different Group units and different risk categories (credit incl. country risk, market, participation, and operational risk). In addition, a general buffer for other risks not explicitly quantified is held on a Group level.

RZB uses a confidence level of 99.95 per cent for calculating unexpected losses, which is based on the probability of default implied by the target rating. The purpose of calculating economic capital is to determine the amount of capital that would be required for servicing the claims of customers and creditors even in the case of such an extremely rare event.

Economic capital shows – as in the previous year – that credit risk of asset class corporate customers remains the dominant risk category. Its share in total risk is 35 per cent; credit risks in total accounts for 70 per cent of economic capital. Market risk accounts for 8 per cent, operational risks for 9 per cent, and in addition a general risk buffer is allocated for other risks as well.

The overall risk amount is compared to internal capital, which mainly denotes equity and subordinated capital. It serves as a cushion for servicing claims of senior debtors if losses are incurred. Total utilization of available risk capital (the ratio of economic capital to internal capital) was 74.2 per cent at year end.

Risk contribution of individual risk types to economic capital as of 31/12/2010



Economic capital is an important instrument in overall bank risk management and is used for allocating risk budgets. Economic capital budgets are allocated to business segments during the annual budgeting process and are complemented for day-to-day management by volume, sensitivity, or value-at-risk limits. In RZB this sort of planning is done on a revolving basis for the upcoming three years and incorporates the future development of economic capital as well as available internal capital. Economic capital thus influences the plans for future lending activities and the overall limit for taking market risks.

Risk-adjusted performance measurement also is based on this risk measure. The profitability of business units is set in relation to the amount of economic capital attributed to these units (risk-adjusted return on risk-adjusted capital, RORAC), which yields a comparable performance measure for all business units of the Group. This measure it is used in turn as a key figure for overall bank management, for future capital allocations to business units, and influences performance-oriented compensation of the Group's executive management.

Going concern perspective

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

According to this target, risk taking capacity is calculated as the amount of planned profits, expected risks costs, and the excess of own funds (taking into account various limits on eligible capital). This capital amount is compared to the overall value-at-risk (including expected losses). Quantitative models used in the calculation are mostly comparable to the target rating perspective, (albeit on a lower 99 per cent confidence level). Using this perspective the Group ensures adequate regulatory capitalization (going concern) with the given probability.

In this process, regulatory capital requirements are calculated on Group level according to Austrian regulations. Local regulatory capital requirements for individual Group units can be met by adequate structural balance sheet measures. Internal targets for regulatory capital ratios are intentionally set higher than the legal minimum, in order to be able to fulfill regulatory capital requirements at all times and to account for other risks, which are not considered in the regulatory requirements.

Sustainability perspective

The main goal of the sustainability perspective is to ensure that RZB can maintain a sufficiently high core capital ratio for the three year planning period also in a severe macroeconomic downturn scenario. This analysis of the sustainability perspective is based on a multi-year macroeconomic stress test where hypothetical market developments in a severe but realistic economic downturn scenario are simulated. The risk parameters considered are amongst others: interest rates, foreign exchange rates and securities prices, changes in default probabilities and rating migrations in the credit portfolio.

The main focus of this integrated stress test is the resulting core capital ratio for a multi-year period. The minimum amount of core capital is thus determined by the size of the potential economic downturn. In this analysis the need for allocating loan loss provisions, potential procyclical effects that increase minimum regulatory capital requirements, the impact of foreign exchange fluctuations as well as other valuation and earnings effects resulting from the downturn scenario are incorporated.

This perspective thus also complements traditional risk measurement based on the value-at-risk concept, which is in general based on historic data. Therefore it can incorporate exceptional market situations that have not been observed in the past and it is possible to estimate the potential impact of such developments. The stress test also allows for analyzing risk concentrations (e.g. individual items, industries, or geographical regions) and gives insight into the profitability, liquidity situation, and solvability under extreme situations.

Credit risk

Credit risk within RZB stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. Default risk is defined as the risk that a customer will not be able to fulfill contractual financial obligations. Also migration risks (caused by deteriorations in customers' creditworthiness), concentration risks of creditors, risks in credit risk mitigation techniques, and country risk are also considered.

Credit risk is by far the most important risk category in RZB, as also indicated by internal and regulatory capital requirements. In the Group it is analyzed and monitored both on an individual loan and customer-by-customer basis as well as on a portfolio basis. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and the corresponding tools and processes which have been developed for this purpose.

The internal control system for credit risks includes different types of monitoring measures, which are tightly integrated into the work flow – from the customer's initial credit application, to the bank's credit approval, and finally to the repayment of the loan.

Limit application process

No lending transaction is performed in the non-retail segments without running through the limit application process beforehand. This process is also consistently applied – besides new lending – to increases in existing limits, extensions, overdrafts, and if changes in the risk profile of a borrower occur (e.g. with respect to the financial situation of the borrower, the terms and conditions, or collateral) compared to the time the original lending decision was made. In addition it is used when setting counterparty limits in treasury and investment banking operations, other credit limits, and for equity participations.

Credit decisions are made within the context of a hierarchical competence authority scheme depending on the type and size of a loan. It always requires the approval of the business and the credit risk management divisions for individual limit decisions or when performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction will have to be decided upon by the next decision-making level.

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

The limit application process in the retail segment is more highly automated due to the high number of applications and lower exposure amount. Limit applications often are assessed and approved in central processing centers based on credit score cards. This process is facilitated by the respective IT system for retail customers in the Group.

Credit portfolio management

Credit portfolio management in RZB 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 corresponds to the maximum 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 internal assessment of credit risks. The maximum credit exposure is used – if not explicitly stated otherwise – for showing exposures in alls subsequent charts in the risk report. Reconciliation of figures from the IFRS consolidated financial statements to total credit exposure results from differences in the scope of consolidation (regulatory definition vs. IFRS, i.e. in accounting), 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	2010	2009
Loans and advances to banks	19,752,692	33,886,967
Loans and advances to customers	78,269,775	74,855,451
Trading assets	8,051,280	8,532,272
Derivatives	1,487,750	6,960,176
Financial investments	19,009,896	17,611,106
Other assets	5,359,065	1,808,002
Contingent liabilities	12,039,285	10,201,609
Commitments	12,178,748	10,071,540
Revocable credit lines	11,679,868	10,936,810
Reconciliation	2,690,753	59,549
Total	**170,789,111**	**174,923,482**

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings are performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organization unit. It should be noted that default probabilities assigned to individual rating grades are estimated for each asset class separately. In other words the default probability of the same ordinal rating grade (e.g. corporates 1.5, financial institutions A3, and sovereigns A3) is not the same for these asset classes.

Rating models in the main non-retail asset classes – corporates, financial institutions, and sovereigns – are uniform in all Group units and rank creditworthiness in ten classes. Country specific scorecards are developed for retail asset classes based on uniform Group standards. Customer rating, as well as validation is supported by specific software tools (e.g. for business valuation, rating and default database).

Credit portfolio – Corporates

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

The following table provides a breakdown of the maximum credit exposure according to the internal rating of corporates (large corporates and small business) and their annual default probabilities. In the overall assessment of credit risk collateral and recovery rates are also taken into account:

€000		2010	Share	2009	Share
0.5	Minimal Risk	1,180,736	1.4%	1,086,235	1.4%
1.0	Excellent credit standing	8,475,599	10.2%	7,809,066	10.4%
1.5	Very good credit standing	8,115,833	9.7%	7,586,009	10.1%
2.0	Good credit standing	9,833,334	11.8%	7,290,460	9.7%
2.5	Sound credit standing	11,610,470	13.9%	9,916,809	13.2%
3.0	Acceptable credit standing	12,664,324	15.2%	10,699,284	14.2%
3.5	Marginal credit standing	13,287,909	16.0%	12,798,030	17.0%
4.0	Weak credit standing/sub-standard	7,826,255	9.4%	8,670,824	11.5%
4.5	Very weak credit standing/doubtful	4,384,267	5.3%	3,811,703	5.1%
5.0	Default (acc. to Basel II definition)	4,348,048	5.2%	3,581,640	4.8%
NR	Not rated (including retail)	1,532,090	1.8%	1,907,357	2.5%
Total		**83,258,864**	**100.0%**	**75,157,417**	**100.0%**

The maximum credit exposure to corporates amounted to € 83,258,864 thousand at year end 2010 where RBI as the largest segment accounted for € 80,910,794 thousand.

Analyzed in terms of internal rating, the portfolio is concentrated in solid rating categories. This concentration mainly results from the credit exposure to customers located in Central and Eastern European growth markets. In line with the targets set by active credit portfolio management, the credit exposure in all targeted industries (e.g. consumer non-cyclical, energy) increased strongly whereas credit growth to restricted industries such as real estate and materials was weaker or in some cases declined.

Foreign currency effects also had a significant impact on segment level as well. On overall Group level, however, these effects were mostly compensated for by the diversification in different markets and currencies. The largest impacts were observed in sub-portfolios where the local currency is linked to US-dollar (for example Singapore and China, but also Russia and Ukraine). In these portfolios the credit exposure increased by up to 10 per cent due to the US-dollar appreciating against the euro.

Defaulted exposures according to Basel II (rating 5.0) amounted to 5.2 per cent of the total credit exposure (€ 4,348,048 thousand). Unrated customers amounted to 1.8 per cent of the portfolio (€ 1,532,090 thousand). Slightly less than half of the unrated credit exposure is due to small loans, which are loaded into the Group's data warehouse without their rating.

The rating model for project finance has five different grades. The exposure from project finance is shown in the table below. Project ratings incorporate both individual default probabilities and collateral provided:

€000		2010	Share	2009	Share
6.1	Excellent project risk profile – very low risk	2,608,236	36.6%	2,348,509	37.8%
6.2	Good project risk profile – low risk	2,425,672	34.1%	2,300,710	37.0%
6.3	Acceptable project risk profile – average risk	1,157,508	16.3%	985,931	15.9%
6.4	Poor project risk profile – high risk	414,678	5.8%	329,018	5.3%
6.5	Default	416,219	5.8%	117,752	1.9%
NR	Not rated (including retail)	97,797	1.4%	127,990	2.1%
Total		**7,120,109**	**100.0%**	**6,209,910**	**100.0%**

The maximum credit exposure in project finance amounted to € 7,120,109 thousand at year end 2010. Projects are rated either in categories 'Excellent project risk profile – very low risk' (rating 6.1) or 'Good project risk profile – low risk' (rating 6.2) account for 70 per cent and thus take the highest share of the portfolio. This reflects mainly the high level of collateralization in specialized lending transactions. Unrated projects make up less than 1.4 per cent (€ 97,797 thousand) of the portfolio.

Credit portfolio – Retail customers

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

€000	2010	Share	2009	Share
Retail – Private individuals	20,301,385	88.3%	19,418,740	88.4%
Retail – SME	2,687,265	11.7%	2,537,814	11.6%
Total	**22,988,650**	**100.0%**	**21,956,554**	**100.0%**
hereof non-performing loans	2,399,036	10.4%	1,860,265	8.5%
hereof individual loan loss provision	1,308,243	5.7%	941,642	4.3%
hereof portfolio-based loan loss provision	353,230	1.5%	446,579	2.0%

The size of the retail portfolio remained nearly constant year-on-year at € 22,988,650 thousand. The largest portfolio share is in the Central European region (€ 11,467,369 thousand), which also reported the strongest increase (increasing by € 978,726 thousand). The second largest region is Southeastern Europe (€ 7,095,072 thousand).

Changes in the retail portfolio composition took place due to exchange rate effects and due to the low demand for new loans of small and medium business customers in Russia and other countries of the CIS region. Another large change was the reduction of foreign currency loans denominated in Swiss francs and US-dollar. Loans denominated in euro, however, slightly increased.

€000	2010	Share	2009	Share
Personal loans	8,640,069	38%	7,807,241	35.5%
SME financing	4,621,549	20%	5,278,810	24.1%
Mortgage loans	4,025,238	18%	4,341,789	19.8%
Overdraft	2,010,500	9%	1,467,797	6.7%
Car loans	2,055,963	9%	1,605,665	7.3%
Credit cards	1,635,330	7%	1,455,251	6.6%
Total	**22,988,650**	**100%**	**21,956,554**	**100.0%**

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	2010	Share	2009	Share
Euro	2,765,816	35.4%	2,337,062	28.7%
US dollar	1,738,511	22.3%	2,085,478	25.6%
Swiss franc	3,050,241	39.1%	3,402,256	41.8%
Other foreign currencies	250,561	3.2%	323,624	4.0%
Loans in foreign currencies	**7,805,128**	**100.0%**	**8,148,420**	**100.0%**
Share of total loans	**34.0%**		**37.1%**	

Credit portfolio – Financial Institutions

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

The following table shows the maximum credit exposure by internal rating for financial institutions. Due to the small number of customers (or number of defaults respectively), default probabilities of individual rating grades in this asset class are estimated based on internal and external data.

€000		2010	Share	2009	Share
A1	Minimal risk	246,893	0.8%	69,032	0.1%
A2	Excellent credit standing	2,173,720	7.4%	3,278,412	7.1%
A3	Very good credit standing	15,340,217	51.9%	26,449,412	56.9%
B1	Good credit standing	4,497,944	15.2%	8,847,318	19.0%
B2	Average credit standing	3,531,552	12.0%	3,906,187	8.4%
B3	Mediocre credit standing	1,678,374	5.7%	1,891,225	4.1%
B4	Weak credit standing	893,845	3.0%	881,199	1.9%
B5	Very weak credit standing	476,950	1.6%	374,006	0.8%
C	Doubtful/high default risk	128,145	0.4%	76,033	0.2%
D	Default	383,262	1.3%	595,373	1.3%
NR	Not rated (including retail)	191,034	0.6%	100,901	0.2%
Total		**29,541,936**	**100.0%**	**46,469,099**	**100.0%**

The maximum credit exposure of these customers is € 29,541,936 thousand. With respect to the rating distribution in this asset class, the rating class A3 ('Excellent credit standing') showed the largest change but still contributes € 15,340,217 thousand or 52 per cent and thus the largest share to the portfolio. Other solid ratings from B1 ('Good credit standing') to B3 ('Mediocre credit standing') contribute approximately one third of the credit portfolio.

Part of this credit exposure is held against financial institutions that are indirect shareholders of RZB. 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.

The share of unrated financial institutions was below 1 per cent at year-end 2010. This exposure was mainly caused by short-term loans to small banks, where the rating process had not yet been completed.

Money market deposits, repurchase agreements, potential future exposures from derivatives, sight deposits, and bonds are the main product categories in this asset class. These exposures therefore have high collateralization grades (e.g. in repo transactions or through netting-agreements) depending on the type of product.

As a result of the economic crisis and the resulting risks for this industry class, the bank's management decided that the exposure in this asset class will not be increased any further. As some existing contracts will not be renewed, the maximum credit exposure will eventually even decrease. Credit business with other financial institutions in the Raiffeisen Banking Group (which are covered by a joint risk monitoring system) is not restricted by this decision.

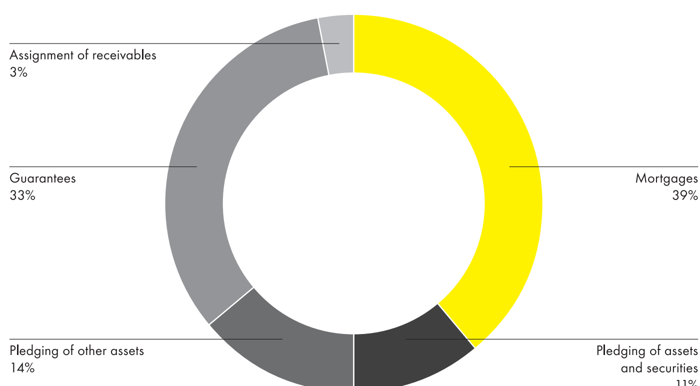
Credit exposure – Sovereigns

Another asset class is formed by central governments, central banks, and regional municipalities as well as other public sector entities. The table below provides a breakdown of the credit exposure to sovereigns (including central banks) by internal rating. Since defaults in this asset class are historically very rare, default probabilities are estimated using full data sets provided by external rating agencies.

€000		2010	Share	2009	Share
A1	Minimal risk	10,316,584	37.0%	9,659,668	38.4%
A2	Excellent credit standing	644,100	2.3%	1,012,351	4.0%
A3	Very good credit standing	3,938,226	14.1%	3,773,476	15.0%
B1	Good credit standing	1,681,239	6.0%	1,201,277	4.8%
B2	Average credit standing	1,410,819	5.1%	687,089	2.7%
B3	Mediocre credit standing	5,976,910	21.4%	5,849,018	23.3%
B4	Weak credit standing	2,097,841	7.5%	1,349,029	5.4%
B5	Very weak credit standing	1,691,510	6.1%	1,396,111	5.6%
C	Doubtful/high default risk	39	0.0%	8,306	0.0%
D	Default	60,035	0.2%	19,232	0.1%
NR	Not rated (including retail)	62,250	0.2%	174,944	0.7%
Total		**27,879,552**	**100.0%**	**25,130,501**	**100.0%**

The maximum credit exposure to sovereigns amounts to € 27,879,552 thousand and represents 16 per cent of the bank's total credit exposure. The highest portfolio share with 37 per cent is held in rating class 'Minimal Risk' (rating A1), which results mainly from investments into Austrian government bonds. 21 per cent and second largest share is held in 'Mediocre credit standing' (B3) which includes exposure to the Republic of Hungary and Romania. Another large share (14 per cent) has rating category 'Very good credit standing' (A3) with the exposure to the Czech Republic included. The high exposure in these rating categories also results from deposits of network banks at local central banks in Central and Eastern Europe. They are mandatory for meeting the respective minimum reserve requirements or used in order to manage excess liquidity on a short-term basis and therefore are intrinsically linked to the banking business in these countries.

Collateral types as of 31/12/ 2010



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 RZB expects to receive when selling the collateral within a reasonable liquidation period. Eligible collaterals are defined in the Group's collateral catalogue and evaluation guidelines for collateral. The collateral value is calculated ac-

cording 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 RZB liens on residential or commercial properties are the main types of collateral used.

The maximum credit risk exposure and the market price (fair value) of collaterals are shown in the following table:

31/12/2010		Maximum credit exposure	Fair value of collateral
€000	Net exposure	Commitments/guarantees issued	
Banks	19,497,673	1,899,784	4,126,775
Sovereigns	1,598,272	260,259	577,893
Corporate customers – large	48,676,243	30,259,519	35,187,022
Corporate customers – small business	3,682,931	898,743	2,683,142
Retail customers – private individuals	17,149,116	2,201,819	11,294,349
Retail customers – small and medium-sized entities	2,236,046	347,148	1,553,402
Other	395,502	30,902	45,373
Total	**93,235,783**	**35,898,174**	**55,467,956**

31/12/2009		Maximum credit exposure	Fair value of collateral
€000	Net exposure	Commitments/guarantees issued	
Banks	33,480,396	2,167,391	11,663,839
Sovereigns	1,671,697	465,089	565,943
Corporate customers – large	46,575,606	25,544,349	30,852,184
Corporate customers – small business	3,819,206	741,725	2,903,663
Retail customers – private individuals	16,684,479	1,954,033	12,598,712
Retail customers – small and medium-sized entities	2,177,123	312,526	1,513,847
Other	157,322	24,846	28,358
Total	**104,565,829**	**31,209,959**	**60,126,546**

Collateral ready to be sold or repledged in the absence of default of the debtor amounted to € 16,820,440 thousand (2009: € 24,438,465 thousand).

Default and workout process

The credit portfolio and individual borrowers are subject to constant monitoring. The main purpose of monitoring is to ensure that the borrower meets the terms and conditions of the contract as well as following the obligor's economic development. A review is conducted at least once annually in the non-retail asset classes corporates, financial institutions, and sovereigns. This includes a rating review and the re-evaluation of financial and tangible collateral.

Problem loans (where debtors might run into material financial difficulties or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees in the individual Group units make decisions on problematic exposures. If the need for intensified treatment and workout is identified, then problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Employees of the workout units are specially trained and have extensive 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 reducing losses resulting from problem loans.

Default and workout standards in the retail area comprise the whole restructuring and collection process for private individuals and small enterprises. A restructuring guideline defines the Group's restructuring framework including uniform strategy, organization, methods, monitoring and controlling. In the collection process customers are classified into three categories 'early', 'late' and 'recovery', for which a standardized customer handling process is defined.

The definition of default and the assessment of the expected payment ability are heavily influenced by the number of days payments are late. The following table shows the amount of overdue – not impaired – financial assets for different time bands.

31/12/2010	Current	Overdue					Collaterals
€000		Up to 31 days	More than 31 days, up to 90 days	More than 90 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	received for assets which are past due
Banks	19,478,501	284	57	3	0	2,760	142
Sovereigns	1,572,595	5,969	5,785	177	0	109	551
Corporate customers – large	46,410,777	963,483	402,078	17,704	29,846	35,988	697,595
Corporate customers – small business	3,113,919	183,152	91,876	10,497	6,465	17,410	208,647
Retail customers – private individuals	14,677,573	1,446,951	337,421	198,673	39,279	77,806	1,327,701
Retail customers – small and medium-sized entities	1,816,250	231,405	63,126	21,525	12,051	14,544	256,082
Other	0	0	0	0	0	0	0
Total	**87,069,614**	**2,831,244**	**900,343**	**248,579**	**87,641**	**148,617**	**2,490,717**

31/12/2009	Current	Overdue					Collaterals
€000		Up to 31 days	More than 31 days, up to 90 days	More than 90 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	received for assets which are past due
Banks	33,362,884	1	15	0	0	5,400	271
Sovereigns	1,561,565	29,926	2,219	554	2	2	1,867
Corporate customers – large	43,435,607	863,746	436,470	23,112	74,763	55,060	1,192,248
Corporate customers – small business	3,236,929	192,225	107,751	10,854	12,449	8,255	324,143
Retail customers – private individuals	14,315,749	1,407,897	414,327	278,055	111,034	134,086	1,064,060
Retail customers – small and medium-sized entities	1,799,222	199,229	76,408	30,323	4,448	6,343	297,741
Other	156,685	230	206	3	14	55	0
Total	**97,868,641**	**2,693,254**	**1,037,396**	**342,901**	**202,710**	**209,201**	**2,880,330**

Restructuring of loans

As of 31 December 2010 the carrying amount of loans for which terms were renegotiated in connection with a substantial and immediate loss that would otherwise be past due or impaired amounted to € 588,276 thousand (2009: € 484,089). Split by asset classes € 261,604 thousand is attributable to corporate customers and € 326,672 thousand to retail customers.

Non-performing loans and provisioning

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

Within the scope of the Basel II project a Group-wide default database has been created for recording and documenting customer defaults. The database tracks defaults and the reasons for defaults, which makes it suitable for calculating and validating default probabilities.

Provisions for impairment losses are formed on the basis of Group-wide standards according to IFRS accounting principles and cover all identifiable credit risks. In the non-retail segments, problem loan committees from each Group unit decide on building individual loan loss provisions. In the retail area, provisioning is performed by retail risk departments in individual Group units. They compute loan loss provisions according to defined calculation schemes on a monthly basis. The provisioning amount is then approved by local accounting departments.

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

€000	As of 1/1/2010	Change in consolidated group	Exchange differences	Additions	Disposals	As of 31/12/2010
Corporate customers	3,560,477	0	124,761	1,722,433	(976,715)	4,430,957
Retail customers	1,858,434	0	62,691	981,510	(504,372)	2,398,263
Sovereigns	15,898	0	(136)	19,921	(23,585)	12,098
Total nonbanks	**5,434,809**	**0**	**187,316**	**2,723,864**	**(1,504,671)**	**6,841,318**
Banks	576,740	0	3,470	18,772	(331,147)	267,834
Total	**6,011,549**	**0**	**190,785**	**2,742,636**	**(1,835,818)**	**7,109,152**

€000	As of 1/1/2009	Change in consolidated group	Exchange differences	Additions	Disposals	As of 31/12/2009
Corporate customers	1,353,732	0	(6,800)	2,916,746	(703,201)	3,560,478
Retail customers	956,559	0	(20,866)	1,307,842	(385,102)	1,858,433
Sovereigns	5,206	0	274	24,386	(13,968)	15,898
Total nonbanks	**2,315,497**	**0**	**(27,391)**	**4,248,974**	**(1,102,271)**	**5,434,809**
Banks	346,370	0	(923)	269,505	(38,212)	576,740
Total	**2,661,867**	**0**	**(28,314)**	**4,518,480**	**(1,140,483)**	**6,011,549**

Loan loss provisions have been increased by 15 per cent to € 4,786,675 thousand; thus the coverage ratio now stands at 67 per cent.

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

€000	2010	2009
Corporate customers		
Non-performing loans	4,430,957	3,560,477
of which collateralized	1,538,228	1,528,708
Impairment losses on loans and advances	2,863,696	2,379,751
Loans	55,409,527	52,931,886
NPL ratio	8.0%	6.7%
Coverage ratio	64.6%	66.8%
Retail customers		
Non-performing loans	2,398,263	1,858,434
of which collateralized	1,057,853	995,046
Impairment losses on loans and advances	1,658,504	1,387,352
Loans	21,046,130	20,248,954
NPL ratio	11.4%	9.2%
Coverage ratio	69.2%	74.7%
Sovereigns		
Non-performing loans	12,098	15,899
of which collateralized	0	502
Impairment losses on loans and advances	9,455	2,915
Loans	1,605,272	3,680,140
NPL ratio	0.8%	0.4%
Coverage ratio	78.2%	18.3%
Banks		
Non-performing loans	267,834	576,739
of which collateralized	0	3,000
Impairment losses on loans and advances	255,020	406,570
Loans	5,316,687	31,881,438
NPL ratio	5.0%	1.8%
Coverage ratio	95.2%	70.5%

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

€000	As of 1/1/2010	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, Exchange differences	As of 31/12/2010
Individual loan loss provisions	**3,400,315**	**(786)**	**1,744,217**	**(544,470)**	**(694,710)**	**126,058**	**4,030,624**
Loans and advances to banks	406,563	0	7,932	(4,733)	(177,363)	4,180	236,579
Loans and advances to customers	2,955,120	(786)	1,676,107	(512,367)	(498,400)	121,845	3,741,519
Off-balance sheet obligations	38,632	0	60,178	(27,370)	(18,947)	33	52,526
Portfolio-based loan loss provisions	**859,404**	**(26)**	**390,664**	**(389,803)**	**0**	**27,759**	**887,999**
Loans and advances to banks	8	0	18,438	(76)	0	71	18,440
Loans and advances to customers	814,898	(26)	315,170	(367,013)	0	27,107	790,137
Off-balance sheet obligations	44,498	0	57,056	(22,714)	0	581	79,422
Total	**4,259,719**	**(812)**	**2,134,881**	**(934,273)**	**(694,710)**	**153,817**	**4,918,623**

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

€000	As of 1/1/2009	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, Exchange differences	As of 31/12/2009
Individual loan loss provisions	**1,690,306**	**(2)**	**2,384,895**	**(301,820)**	**(345,117)**	**(27,947)**	**3,400,315**
Loans and advances to banks	202,213	0	219,889	(4,676)	(9,172)	(1,691)	406,563
Loans and advances to customers	1,436,073	(2)	2,136,375	(259,731)	(335,944)	(21,651)	2,955,120
Off-balance sheet obligations	52,020	0	28,631	(37,413)	(1)	(4,605)	38,632
Portfolio-based loan loss provisions	**697,491**	**0**	**482,865**	**(306,649)**	**0**	**(14,303)**	**859,404**
Loans and advances to banks	301	0	121	(283)	0	(131)	8
Loans and advances to customers	665,556	0	450,960	(287,558)	0	(14,060)	814,898
Off-balance sheet obligations	31,634	0	31,784	(18,808)	0	(112)	44,498
Total	**2,387,797**	**(2)**	**2,867,760**	**(608,469)**	**(345,117)**	**(42,250)**	**4,259,719**

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. RZB is exposed to this risk due to its strong business activities in the Central and Eastern European convergence markets. In these markets political and economic risks to some extent are still seen as significant.

As country risk is closely associated with the risk of sovereign institutions, it is measured based on the same ten-class rating model. This rating model includes a quantitative analysis of the macro-economic risk and a qualitative analysis of the political risk in a particular country. Country risk management in RZB is based on the country risk policy which is approved semi-annually by the Managing Board. This policy sets a strict limitation on risk exposure to foreign countries.

In day-to-day work, business units have to submit limit applications for the respective countries for all cross-border transactions in addition to the limit applications for a customer. Country risk also is reflected in product pricing as well as in risk-adjusted performance management. Business units therefore can benefit from country risk mitigation by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries.

Finally, stress tests simulate the impact of severe crises in selected countries and regions on the Group's financial performance. These stress tests underline the special importance of this topic in risk management in RZB.

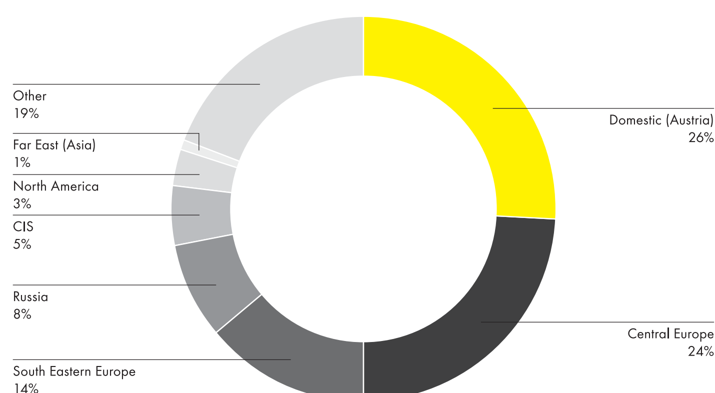
Concentration risk

The credit portfolio of RZB is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence portfolio granularity is high. The sum of the maximum credit exposure of the ten largest corporate customers (before taking into account risk mitigation effects) corresponds to 66 per cent of core capital. In line with the credit risk policy these customers all have excellent ratings or – given high collateralization (and high fungibility of collateral) – acceptable credit standing.

The regional breakdown of the maximum credit exposure reflects the broad diversification in European markets. The following table shows the regional distribution of the maximum credit exposure by the borrower's home country. "Other" in this table mainly is comprised of credit exposures to customers in Western Europe like Switzerland, Netherlands, and France. And it includes Central and Eastern European countries where RBI operates local network banks (e.g. Slovenia, Belarus, etc.)

€000	2010	Share	2009	Share
Austria	44,937,640	26.3%	44,980,543	25.7%
Russia	14,088,238	8.2%	9,905,416	5.7%
Slovakia	11,251,295	6.6%	10,348,287	5.9%
Czech Republic	9,972,697	5.8%	9,768,953	5.6%
Hungary	9,913,876	5.8%	10,267,351	5.9%
Poland	7,936,316	4.6%	7,540,039	4.3%
Romania	7,402,218	4.3%	7,837,811	4.5%
Croatia	6,621,679	3.9%	6,049,387	3.5%
Ukraine	6,165,432	3.6%	5,164,671	3.0%
Germany	6,203,783	3.6%	7,006,892	4.0%
USA	4,368,637	2.6%	4,308,622	2.5%
Bulgaria	4,120,288	2.4%	4,333,121	2.5%
Great Britain	3,999,797	2.3%	7,206,298	4.1%
Serbia	2,557,240	1.5%	3,078,935	1.8%
Far East	2,265,940	1.3%	6,056,268	3.5%
Netherlands	2,147,731	1.3%	2,581,679	1.5%
France	2,096,922	1.2%	2,398,392	1.4%
Other	24,739,385	14.5%	26,090,816	14.9%
Total	**170,789,111**	**100.0%**	**174,923,482**	**100.0%**

Maximum credit exposure by country of domicile



In 2010 doubts about the financial sustainability of government deficits resulted in the widening of spreads on government bonds of several countries of the European Monetary Union. RZB does not own any banking subsidiaries that are incorporated in the so-called European periphery countries. Nonetheless, some of the bank's customers are domiciled in these countries, resulting from lending to international corporate customers and investment banking activities. All in all, the bank has almost no exposure to government bonds in these countries (except for the Republic of Italy).

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

The following table shows the maximum credit exposure by industry classification:

€000	2010	Share	2009[1]	Share
Banking and insurance	48,631,462	28.5%	61,185,127	35.0%
Private households	22,687,962	13.3%	19,882,796	11.4%
Public administration and defence and social insurance institutions	16,413,678	9.6%	14,991,798	8.6%
Wholesale trade and commission trade (except car trading)	15,335,791	9.0%	12,631,662	7.2%
Real estate activities	12,580,415	7.4%	12,103,176	6.9%
Other business activities	6,977,924	4.1%	6,489,446	3.7%
Construction	5,026,104	2.9%	4,908,296	2.8%
Retail trade except repair of motor vehicles	4,222,642	2.5%	3,684,880	2.1%
Electricity, gas, steam and hot water supply	3,658,577	2.1%	2,698,805	1.5%
Manufacture of food products and beverages	3,014,025	1.8%	3,255,111	1.9%
Manufacture of basic metals	2,961,973	1.7%	2,402,105	1.4%
Other manufacturing	12,115,812	7.1%	13,221,123	7.6%
Land transport, transport via pipelines	2,252,855	1.3%	2,169,444	1.2%
Other transport	2,649,399	1.6%	2,412,721	1.4%
Manufacture of machinery and equipment	1,742,384	1.0%	1,837,500	1.1%
Mining and quarrying	1,286,500	0.8%	829,293	0.5%
Sale of motor vehicles	1,819,821	1.1%	1,714,734	1.0%
Other industries	7,411,786	4.3%	8,505,463	4.9%
Total	**170,789,111**	**100.0%**	**174,923,482**	**100.0%**

1 Adjustments of previous year figures due to different mapping.

Structured credit portfolio

RZB '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 in chapter (39) securitization. More than 85 per cent of this portfolio is rated A or better by external rating agencies. The pools mainly contain exposures to European customers.

Counterparty credit risk

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

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

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

The total potential future credit exposure resulting from derivative transactions is included in the exposure tables for each particular asset class. Values shown result from positions of the RBI sub-group. All other members of the Group do not have material positions in this category.

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

Participation risk

The banking book also contains risks arising from listed and unlisted equity participations. They are described separately under this risk heading. Risks stemming from subsidiaries that are strategically and operatively controlled by RZB are not considered in this risk category because these risks are precisely measured and reported under the other risk headings during consolidation. Most of the direct and indirect participations of RZB are fully consolidated in the Group's statement of financial position (e.g. network banks, network leasing companies) and therefore subject to the 'look through' approach. Risks arising from such participations are managed by applying controlling-, measurement-, and monitoring-tools as described for the other risk categories.

Participation risk and counterparty credit risk have similar roots: a deteriorating financial situation on equity participations is mostly reflected in a rating downgrade (or default) of the respective entity. The methodology of RZB used for measuring value-at-risk and internal capital requirements of equity participations nonetheless is comparable to the methodology used to measure price risk arising from positions in stocks. However, in the light of the longer-term strategic nature of equity participations, annual volatilities based on observation periods of several years (instead of daily price changes) are used in the calculation.

Participations of RZB are managed by the Participations division. This division is responsible for controlling risks arising from long-term equity investments of the parent company (and for returns generated by these investments as well). New investments are made only by the Managing Board of RZB on the basis of individual due diligence. Indirect participations held by different Group units are often managed by local units themselves in coordination with RZB.

Market risk

RZB defines market risk as the risk of possible losses arising from changes in market prices of trading and banking book positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters (e.g. like implied volatilities).

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

Organization of market risk management

RZB measures, monitors and manages market risks on Group level. The Market Risk Committee is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks in the Group. The Group's overall limit is set by the Managing Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to the strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined and enacted strategy and risk appetite of the Group. It is responsible for implementing and enhancing risk management processes, manuals, measurement techniques, risk management infrastructure and systems for all market risk categories and secondary credit risks arising from market price changes in derivative transactions. Furthermore this department independently measures and reports market risks on a daily basis.

All products in which open positions can be held are listed in the product catalogue. New products are added to this list only after successfully completing the product approval process. 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

RZB uses a comprehensive risk management approach for both the trading and banking book (total-return approach). Market risks are managed consistently in the trading and banking book. The following values are measured and limited on a daily basis in the market risk management system:

- Value-At-Risk (confidence level 99%, risk horizon 1 day)
  Value-at-risk (VaR) is of central importance in the design of the instrument used. It is the main steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach, where 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 illiquidity markets, and in markets that are structurally difficult to measure.

- Stop loss
  This limit strengthens the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The results on market risk concentrations shown by these stress tests are reported to the Market Risk Committee and taken into account when setting limits. Stress test reports for individual portfolios are included in daily market risk reporting.

Value-at-risk (VaR)

The following table shows risk figures (VaR 99%, 1d, in € thousand) for individual markets risk categories of the trading and banking book. RZB'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. Values shown result from positions of the RBI sub-group. All other members of the Group do not have material risks in this category.

Trading book VaR 99% 1d € 000	VaR as of 31/12/2010	Average VaR	Minimum VaR	Maximum VaR	VaR[1] as of 31/12/2009
Currency risk	8,215	6,933	1,546	9,621	3,888
Interest rate risk	6,821	7,499	5,262	10,527	6,980
Credit spread risik	2,049	3,784	2,029	13,390	2,734
Share price risk	1,399	2,498	1,327	27,244	3,531
Total	12,622	15,484	9,622	47,965	12,677

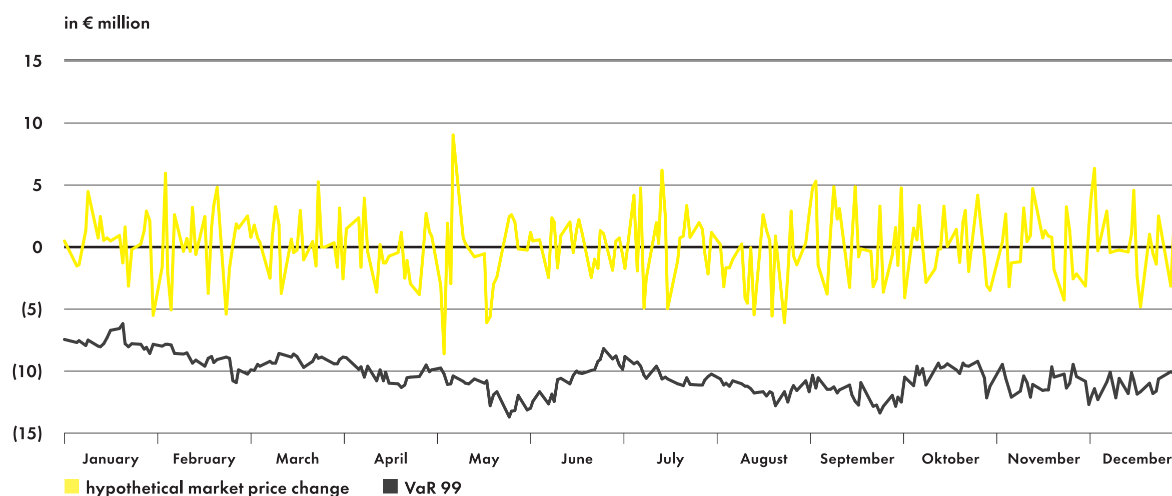
Banking book VaR 99% 1d € 000	VaR as of 31/12/2010	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2009
Interest rate risk	69,753	42,096	15,100	72,203	14,868
Credit spread risik	29,949	43,382	24,996	100,502	43,489
Total	66,081	58,672	37,805	104,124	46,692

Total VaR 99% 1d € 000	VaR as of 31/12/2010	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2009
Currency risk[2]	53,021	62,069	45,722	107,679	53,742
Interest rate risk	70,163	43,647	20,377	87,621	20,297
Credit spread risik	31,065	45,868	25,989	108,503	44,139
Share price risk	1,399	2,498	1,327	27,244	3,531
Total	86,932	95,218	66,288	182,552	80,169

1 Values for year end 2009 have been adjusted according to model changes.
2 Exchange rate risk on total bank level also includes equity positions of subsidiaries denominated in foreign currency. The structural exchange rate risk resulting from equity positions is managed mostly independently from short-term trading positions (see also subsequent chapter "Exchange rate risk and capital (ratio) hedge").

Risk measurement approaches in use are verified – besides analysing returns qualitatively – permanently through backtesting and statistical validation techniques. If model weaknesses are be identified, they are fixed accordingly. There were no back-testing violations for RZB's trading book as shown in the following chart. This chart compares VaR for exchange rate risk and interest rate risk (as calculated for regulatory capital requirements) and theoretical profits and losses on a daily basis. VaR is shown as black line and denotes the maximum loss that will not be exceeded with 99 per cent confidence level on the next day. Theoretical profits and losses are shown as yellow line indicating theoretical returns that the bank would have realized according to the actual changes in market parameters. It is possible to see that the model correctly reproduces market volatility regimes and quickly reacts to changed market conditions.

Value-at-risk and theoretical market price changes of RZB's trading book



Exchange rate risk and capital (ratio) hedge

Market risk in RZB depends primarily on exchange rate risk, which results from foreign-currency denominated equity investments made in non-domestic Group units and the corresponding hedging positions entered into by the Group Asset/Liability Committee. The following table shows all material open foreign exchange rate positions (larger than € 50 million) as of 31 December 2010 and the corresponding values for the previous year in € thousand. Those numbers include both trading positions as well as equity stakes in subsidiaries with foreign currency denominated balance sheets.

€000	31/12/2010	31/12/2009
ALL	187,135	179,625
BAM	167,305	(95,627)
BGN	90,655	(311,286)
BYR	137,443	115,690
CNY	94,341	103,717
CZK	133,831	332,370
HRK	811,689	806,266
HUF	526,303	561,305
PLN	781,200	730,488
RON	538,897	536,175
RSD	475,253	481,891
RUB	2,132,097	1,830,354
UAH	1,537,677	1,114,989
USD	(707,173)	(385,978)

In a narrow sense, exchange rate risk denotes the risk that one suffers losses due to open foreign exchange positions. And exchange rate fluctuations 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.

RZB 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 RZB is denominated in foreign currencies. Changes in foreign exchange rates thus lead to a change of consolidated capital in RZB and they influence own funds requirement for credit risks as well.

Basically, there are two different approaches for managing exchange rate risks:

- Preserve equity: With this hedging strategy an offsetting capital position is held on Group level for local currency denominated equity positions. However, the necessary hedging positions cannot be established in all currencies due to the required high volume. And these hedges might be inefficient for some currencies if they carry a high interest rate differential.

- Stable capital ratio: The goal of this hedging strategy is to balance core capital and risk-weighted assets in all currencies according to the targeted core capital ratio (i.e. reduce excess capital or deficits in relation to risk-weighted assets for each currency) such that the core capital ratio remains stable even if foreign exchange rates change.

RZB aims at stabilizing its core capital ratio when managing exchange rate risks. Changes in foreign exchange rates thus lead to changes in consolidated capital amounts; however, the regulatory capital requirements for credit risks stemming from assets denoted in foreign currencies also change correspondingly. This risk is managed on a monthly basis in the Group Asset/Liability Committee based on historical foreign exchange volatilities, exchange rate forecasts, and the sensitivity of the core capital ratio to changes in individual foreign exchange rates.

Interest rate risk in the trading book

The following two tables show the largest present value changes for the trading book of RZB given a one-basis-point interest rate increase for the whole yield curve for the reporting dates 31 December 2009 and 31 December 2010. Currencies where the total interest rate sensitivity exceeds € 10 thousand are shown separately. There are only minor changes in the structure of the trading book and risk factors compared to the previous year.

31/12/2010 € 000	Total	>3m	3-6m	6-12m	1-2y	2-3y	3-5y	5-7y	7-10y	10-15y	15-20y	>20y
ALL	(30)	(1)	(1)	(10)	(4)	(11)	(4)	0	0	0	0	0
BGN	(10)	(1)	0	0	(1)	(1)	(5)	0	0	0	0	0
EUR	453	6	(7)	(7)	(95)	35	208	161	219	7	21	(94)
GBP	(19)	0	0	0	(1)	0	0	0	(5)	(1)	(1)	(11)
HUF	5	4	(1)	24	(23)	10	(15)	(8)	13	3	0	0
RUB	(177)	(4)	(5)	(16)	(38)	(25)	(88)	(1)	(1)	0	0	0
USD	(32)	0	(9)	(4)	(7)	(6)	(4)	1	(1)	0	0	(1)
Other	(11)	(2)	(1)	(7)	2	(5)	9	0	(10)	(1)	0	0

31/12/2009[1] €000	Total	>3m	3-6m	6-12m	1-2y	2-3y	3-5y	5-7y	7-10y	10-15y	15-20y	>20y
ALL	(34)	0	(1)	(7)	(15)	(3)	(8)	0	0	0	0	0
CHF	(11)	(1)	0	(2)	0	(1)	(1)	(5)	0	(1)	0	(1)
EUR	278	6	(14)	(6)	(13)	(59)	(69)	189	84	73	27	61
HUF	(13)	0	5	(3)	(12)	1	2	3	(12)	4	0	0
RUB	(108)	(2)	(7)	(4)	(27)	(33)	(35)	(1)	0	0	0	0
USD	(54)	(2)	(16)	(3)	(18)	(2)	(2)	(2)	(6)	(1)	(1)	0
Other	(5)	(2)	(1)	1	(5)	(1)	(1)	3	2	0	0	0

1 Previous year's results adjusted in line with model changes.

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 RZB. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book is material for euro and US-dollar as major currencies as well as for local currencies of Group units located in Central and Eastern Europe.

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

Interest rate risk in the banking book is not only measured in a value-at-risk framework but also managed by the traditional tools of nominal and interest rate gap analyses. Since 2002, interest rate risk has been the subject of quarterly reporting within the scope of the interest rate risk statistics submitted to the banking supervisor. These reports show the change in the present value of the banking book as a percentage of own funds in line with the requirements of Basel II. Maturity assumptions needed in this analysis are defined as specified by regulatory authorities or based on internal statistics and empirical values. In 2010, the changes in present value of banking book positions after an interest rate shock of 200 basis points were always lower than the regulatory reporting threshold of 20 per cent of eligible own funds.

The following table shows the change in the present value of RZB's banking book given a one-basis-point interest rate increase for the whole yield curve in € thousand for reporting dates 31 December 2009 and 31 December 2010. Currencies with total interest rate sensitivity exceeding € 10 thousand are shown separately. Interest rate risk in the banking book increased due to investments into securities issued by first class issuers, which are also held to improve the liquidity position.

31/12/2010 € 000	Total	>3m	3-6m	6-12m	1-2y	2-3y	3-5y	5-7y	7-10y	10-15y	15-20y	>20y
BGN	17	2	3	13	(1)	2	(1)	0	0	0	0	0
BYR	30	(2)	(11)	6	1	1	34	0	0	0	0	0
CHF	(101)	2	(14)	(20)	(2)	3	(1)	(14)	(16)	(22)	(16)	
CNY	25	(14)	3	36	0	0	0	0	0	0	0	0
CZK	(42)	(12)	9	39	(82)	(34)	55	16	(17)	(16)	0	0
EUR	(2,026)	189	177	33	(38)	50	(155)	(767)	(1,244)	(210)	35	(96)
HUF	(88)	(22)	(1)	6	2	(12)	(36)	(29)	2	2	0	0
PLN	(17)	(14)	5	(5)		(2)		(1)	0	0	0	0
RON	(167)	5	(4)	(10)	(22)	(29)	(72)	(24)	(11)	0	0	0
RUB	58	(4)	(20)	14	51	45	43	(12)	(16)	(22)	(14)	(7)
UAH	(123)	(1)	5	7	(38)	(31)	(40)	(11)	(7)	(6)	(1)	0
USD	(288)	(23)	30	27	(6)	99	(87)	(98)	(56)	(124)	(35)	(14)
Other	(34)	(18)	(13)	16	(22)	(22)	(28)	47	3	1	1	(1)

31/12/2009 €000	Total	>3m	3-6m	6-12m	1-2y	2-3y	3-5y	5-7y	7-10y	10-15y	15-20y	>20y
BGN	9	2	2	6	1	(3)	0	0	0	0	0	0
BYR	8	(2)	(5)	1	5	0	9	0	0	0	0	0
CHF	(29)	(4)	0	0	1	(1)	7	(3)	(15)	(14)	0	0
CNY	17	(9)	2	24	0	0	0	0	0	0	0	0
CZK	53	0	(7)	56	(24)	(26)	62	(11)	17	(13)	0	0
EUR	(933)	112	74	35	(77)	(135)	55	(380)	(594)	26	59	(110)
HUF	(52)	12	3	(10)	(14)	(14)	(16)	(19)	(5)	11	0	0
PLN	(36)	(5)	2	(1)	(6)	0	(25)	0	0	0	0	0
RON	(96)	3	(7)	(13)	(10)	(16)	(32)	(17)	(4)	0	0	0
RUB	(98)	(7)	14	(16)	(11)	(14)	29	(12)	(20)	(34)	(29)	0
UAH	(4)	6	(1)	(2)	(4)	(3)	0	0	0	0	0	0
USD	11	(41)	(43)	6	53	80	116	(48)	(5)	(51)	(31)	(24)
Other												

1 Unaudited pro forma figures.

Credit spread risk

The market risk management system takes into account time-dependent bond and CDS-spread curves as market risk factors in order to measure credit spread risks. This market risk category thus captures the specific interest rate risk of all securities in the trading and banking book. The value-at-risk table covers Raiffeisen Bank International in this risk category, where a major part of securities positions are booked. The roll out of this system to all Group units is being planned.

Liquidity risk

Banks perform maturity transformation as an important role for international financial markets. The need for maturity transformation arises from the needs of depositors to access their funds within short notice and the opposite need of borrowers for long-term loans. This function constantly results in positive or negative liquidity gaps for different maturities that are managed through transactions with other market participants under normal market conditions.

Liquidity management, i.e. ensuring that the Group maintain its ability to pay at all times, is performed both centrally by the Global Treasury division in Vienna and on a decentralized basis by local banking subsidiaries. Cash flows are calculated and analyzed by currency on a weekly basis in an internal monitoring system. Based on this data, the Group creates liquidity balances, and analyzes whether the Group conforms to legal regulations on liquidity positions and defined internal liquidity limits. Liquidity analyses also include simulations on defined market or name specific liquidity crises in scenario-based cash flow forecasts. All these analyses are discussed in the Group's Asset/Liability Committee.

Regulatory changes

The Austrian liquidity risk management directive, which implements the principles developed by the Committee of European Banking Supervision (CEBS) in Austria, became effective on 31 December 2010. RZB 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, RZB appears to be well prepared for the new regulations.

Short-term liquidity risk

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

€000	2010			2009		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	15,302,257	12,149,767	4,788,132	20,461,399	17,343,284	5,767,587
Liquidity ratio	160%	121%	104%	165%	129%	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. In addition the Group holds sizeable positions in liquid securities and favors assets eligible in tender transactions in the lending business in order to ensure liquidity in various currencies. In the case of a liquidity shortage in the Group, contingency plans would come into force. Such prioritized action lists for handling short-term liquidity needs (also with regard to the publicity impact) exist for all major Group units.

Funding liquidity risk

Funding liquidity risk is mainly driven by changes in the risk appetite of lenders or by a rating downgrade of a bank that needs external funding. Funding rates and supply rise and fall with credit spreads, which change due to the market- or bank-specific situation.

As a consequence, long term funding depends on restoring confidence in banks and the increased effort in collecting customer deposits. RZB's banking activities are refinanced by combining wholesale funding and the retail franchise of deposit-taking network banks. RZB is the central liquidity balancing agent for the Austrian Raiffeisen Banking Group and local Group members in Central and Eastern Europe.

In RZB'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 Raiffeisen Bank International as the Group's largest single bank, but also individually by different banking subsidiaries. Those efforts are coordinated and optimized through a joint funding plan. Moreover, RZB enables medium-term and long-term borrowing activities of its subsidiaries through syndicated loans, bilateral funding agreements with banks, and financing facilities of supranational institutions. These funding sources are based on long-term business relationships.

For managing and limiting liquidity risks, the medium term targets for loan-/deposit ratios (the ratio of customer loans to customer deposits) have been revised for individual network banks taking into account expected Basel III regulations. The limits incorporate planned future business volumes as well as the feasibility for increasing customer deposit in different countries. On the one hand, this initiative reduces external funding requirements. On the other hand, it also reduces the need for internal funding operations and the risk associated with such liquidity transfers.

The following table shows a breakdown of cash flows according to the contractual maturity of financial liabilities:

31/12/2010 €000	Carrying amount	Contractual cash flows	Upt to 3 months	3 - 12 months	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**118,658,824**	**130,293,401**	**68,384,780**	**22,682,562**	**26,440,948**	**12,785,113**
Deposits from banks	37,391,030	41,500,674	19,665,781	7,679,187	10,441,521	3,714,185
Deposits from customers	57,935,950	60,776,350	44,037,659	9,116,436	3,736,568	3,885,687
Debt securities issued	16,569,010	18,904,941	1,500,048	5,551,382	9,741,404	2,112,107
Other liabilities	2,508,554	4,364,507	3,131,246	221,149	853,683	158,431
Subordinated capital	4,254,280	4,746,929	50,046	114,408	1,667,772	2,914,703
Derivative liabilities	**5,800,195**	**13,346,034**	**6,268,028**	**2,671,966**	**2,924,531**	**1,481,507**
Derivatives in the trading book	4,527,744	10,746,920	5,199,885	2,130,567	2,320,440	1,096,027
Hedging derivatives	476,764	574,063	12,979	19,907	219,898	321,278
Other derivatives	777,355	2,006,970	1,053,066	516,696	373,679	63,529
Credit derivatives	18,332	18,081	2,098	4,796	10,514	673

31/12/2009 €000	Carrying amount	Contractual cash flows	Upt to 3 months	3 - 12 months	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**131,521,207**	**145,927,958**	**81,250,532**	**16,365,817**	**34,026,674**	**14,284,935**
Deposits from banks	49,917,442	56,280,762	32,268,123	6,393,391	13,001,512	4,617,736
Deposits from customers	55,422,999	58,929,697	45,158,177	7,575,561	2,822,523	3,373,436
Debt securities issued	19,935,285	23,030,593	2,678,456	1,954,480	15,942,214	2,455,443
Other liabilities	1,681,624	2,694,660	1,109,238	40,740	656,139	888,543
Subordinated capital	4,563,857	4,992,246	36,538	401,645	1,604,286	2,949,777
Derivative liabilities	**5,515,939**	**12,309,357**	**4,409,497**	**2,768,504**	**3,847,214**	**1,284,142**
Derivatives in the trading book	4,014,394	8,455,612	2,152,607	2,366,160	3,038,180	898,665
Hedging derivatives	477,008	87,548	20,045	(12,123)	137,457	(57,831)
Other derivatives	1,024,537	3,766,197	2,236,845	414,467	671,577	443,308
Credit derivatives	0	0	0	0	0	0

Operational risk

Operational risk is defined as the risk of unexpected losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers like unauthorized activities, fraud or theft, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or consciously conducted human fraud are managed and controlled as well.

This risk category is analyzed and managed on the basis of own historical loss data and the results of self assessments. Another management tool is the incentive system implemented in internal capital allocation. This system rewards high data quality and low expected operational risk costs of individual business units. Generally speaking, RZB 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 RZB. 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 con-

trolling 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

An important task for controlling operational risks is identifying and evaluating risky areas that might endanger the Group's existence if a loss occurs (but where losses are highly unlikely to be realized) and also areas where losses are more likely to happen frequently (but cause only smaller losses).

Operational risk self-assessment is executed in a structured and Group-wide uniform manner, where all operational risk categories and business functions are assessed in a two-dimensional matrix (per business line or product group). This applies to new products as well. All Group units grade the impact of high probability/low impact events and low probability/high impact incidents according to their estimation of the loss potential for the next year and in the next ten years in relation to profits. Low probability/high impact events are quantified by a Group-wide scenario analysis framework that includes the simulation of up to ten specific scenarios. Individual Group units furthermore run additional scenarios depending on their individual risk profile and local specifics.

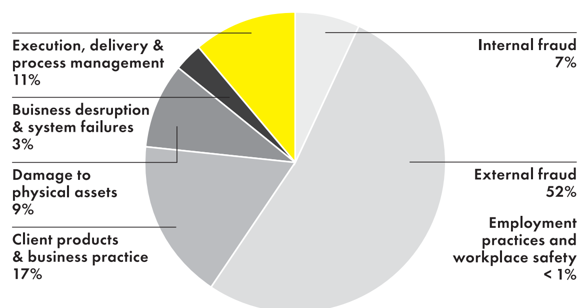
Monitoring

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

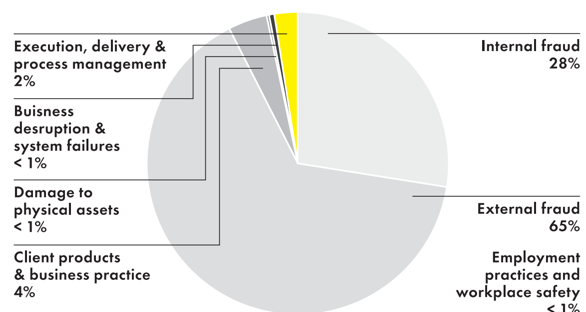
Loss data is collected in a central database called ROCO (Raiffeisen Operational Risk Controlling) in a structured manner and on a Group-wide basis according to the event type for each business line. Collecting losses stemming from operational risks is a prerequisite for implementing a statistical loss distribution model and a minimum requirement for implementing the regulatory Standardized Approach. Furthermore, loss data (and near misses) is used to create and validate operational risk scenarios and for exchange with international data pools to develop advanced operational risk management tools. In 2010 RZB became a member of the ORX consortium, a reputable international data pool.

Operational risks are reported in a comprehensive manner to the Group Risk Committee on a quarterly basis. The distribution of losses in the Group by event type is shown below:

Breakdown of operational loss events by number of events



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



Operational losses in RZB mainly are caused by external fraud in the lending business, and thus are already fully taken into account loans loss provisions. The increase in the category internal fraud results from active investigative actions in particular in the CIS region, where corresponding preventive actions already have been taken.

Quantification and mitigation

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

Operational risk reduction is initiated by business managers who decide on preventive actions like risk mitigation or risk transfer. Progress and success of these actions is monitored by risk controlling. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if these events occur. In addition, several dedicated organizational units provide support to business units for reducing operational risks. Fraud management, for instance, plays an important role as it reduces potential fraud related losses through proactive monitoring and preventive actions. RZB also executes an extensive staff training program and has different emergency plans and back-up systems in place.

Other disclosures

(45) Derivative financial instruments

The total volume of unsettled financial instruments as of 31 December 2010 breaks down as follows:

	Nominal amount by maturity				Fair values	
€000	**Up to 1 year**	**More than 1 year, up to 5 years**	**More than 5 years**	**Total**	**Positive**	**Negative**
Total	**89,928,907**	**109,641,116**	**70,699,823**	**270,269,844**	**5,095,186**	**(5,800,195)**
Interest rate contracts	**44,838,897**	**98,768,641**	**67,572,241**	**211,179,778**	**4,182,923**	**(3,982,527)**
OTC products						
Interest rate swaps	37,792,505	93,928,449	62,511,899	194,232,852	4,092,022	(3,872,901)
Interest rate futures	4,980,163	269,833	0	5,249,996	4,726	(5,330)
Interest rate options – purchased	742,385	2,236,711	1,736,889	4,715,985	82,054	0
Interest rate options – sold	670,890	2,070,048	2,168,642	4,909,581	0	(103,896)
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	**42,618,418**	**7,734,681**	**1,753,664**	**52,106,764**	**738,731**	**(1,167,032)**
OTC products						
Cross-currency interest rate swaps	2,992,201	6,362,482	1,725,572	11,080,255	260,331	(653,110)
Forward foreign exchange contracts	36,965,659	932,590	0	37,898,249	436,796	(446,397)
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)**

The surplus of negative market values for security-based transactions is offset by shares purchased for hedging purposes. These shares are recorded under trading assets and are not shown in the above table.

The total volume of unsettled financial instruments as of 31 December 2009 breaks down as follows:

	Nominal amount by maturity				Fair values	
€000	**Up to 1 year**	**More than 1 year, up to 5 years**	**More than 5 years**	**Total**	**Positive**	**Negative**
Total	**99,333,929**	**118,812,646**	**59,126,581**	**277,273,152**	**4,873,804**	**(5,515,939)**
Interest rate contracts	**56,892,117**	**106,474,914**	**56,547,678**	**219,914,706**	**3,879,579**	**(3,366,275)**
OTC products						
Interest rate swaps	48,431,606	101,568,357	53,960,014	203,959,976	3,820,233	(3,293,661)
Interest rate futures	6,845,651	311,108	0	7,156,759	13,424	(19,329)
Interest rate options – purchased	351,657	2,439,639	1,266,974	4,058,270	42,228	0
Interest rate options – sold	310,559	2,046,133	1,296,290	3,652,981	0	(52,478)
Products trading on stock exchange						
Interest rate futures	896,344	109,677	24,400	1,030,420	3,665	(784)
Interest rate options	56,300	0	0	56,300	29	(23)
Foreign exchange rate and gold contracts	**38,480,626**	**7,213,320**	**978,629**	**46,672,573**	**778,797**	**(837,166)**
OTC products						
Cross-currency interest rate swaps	3,743,251	5,897,117	961,798	10,602,165	347,476	(478,224)
Forward foreign exchange contracts	31,157,398	1,005,931	3,441	32,166,769	380,996	(286,031)
Currency options – purchased	991,061	143,964	1,244	1,136,270	44,672	0
Currency options – sold	988,271	166,308	1,348	1,155,927	0	(45,737)
Other similar currency contracts	1,522,211	0	10,798	1,533,008	5,312	(25,108)
Products trading on stock exchange						
Currency contracts (futures)	78,434	0	0	78,434	341	(2,066)
Equity/index contracts	1,379,165	1,020,777	509,309	2,909,251	125,206	(1,162,357)
OTC products						
Equity-/index-based options - purchased	155,238	345,773	154,026	655,037	89,520	0
Equity-/index-based options - sold	228,392	75,876	64,298	368,566	0	(69,858)
Other similar equity/index contracts	**399,377**	**597,395**	**289,950**	**1,286,721**	**5,104**	**(1,078,634)**
Products trading on stock exchange						
Equity/index futures - forward pricing	402,828	873	1035	404,737	399	(6,856)
Equity/index futures	193,330	860	0	194,190	30,183	(7,009)
Commodities	**244,293**	**205,705**	**6,611**	**456,610**	**31,121**	**(59,221)**
Credit derivatives	**2,319,283**	**3,897,930**	**1,077,926**	**7,295,139**	**59,101**	**(78,240)**
Precious metals contracts	**18,445**	**0**	**6,428**	**24,873**	**0**	**(12,680)**

(46) Fair value of financial instruments not reported at fair value

Fair values which are different from the carrying amount are calculated for fixed-interest loans and advances to and deposits from banks or customers, if the remaining maturity is more than one year. Variable-interest loans and advances and deposits are taken into account if they have an interest rollover period of more than one year. The fair value of loans and advances is calculated by discounting future cash flows and using interest rates at which similar loans and advances with the same maturities could have been granted to customers with similar creditworthiness. Moreover, the specific credit risk and collaterals are considered for the calculation of fair values for loans and advances.

	2010			2009		
€000	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Cash reserve	6,734,734	6,734,734	0	8,271,124	8,271,124	0
Loans and advances to banks	19,486,734	19,497,673	(10,939)	33,398,279	33,886,967	(488,688)
Loans and advances to customers	73,961,686	73,738,110	223,576	72,488,916	71,085,433	1,403,483
Financial investments	13,307,242	13,151,210	156,032	13,183,244	13,158,387	24,857
Intangible and tangible fixed assets	3,001,663	3,003,763	(2,100)	2,734,133	2,727,676	6,457
Other assets	2,387,369	2,387,369	0	1,822,895	1,822,895	0
Liabilities						
Deposits from banks	37,506,292	37,391,030	115,263	50,050,415	49,917,442	132,973
Deposits from customers	58,236,909	57,935,950	300,959	55,605,953	55,422,999	182,954
Debt securities issued	16,660,357	16,569,010	91,347	20,070,770	19,935,285	135,485
Subordinated capital	4,119,520	4,254,280	(134,760)	4,022,577	4,563,857	(541,280)
Other liabilities	1,297,879	1,297,879	0	1,304,527	1,304,528	0

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

	2010			2009		
€000	**Level I**	**Level II**	**Level III**	**Level I**	**Level II**	**Level III**
Trading assets	**3,599,448**	**5,013,918**	**255**	**3,720,546**	**5,666,331**	**42,169**
Positive fair values of derivatives [1]	69,408	4,100,369	0	92,423	3,870,152	0
Shares and other variable-yield securities	320,380	110,048	0	310,896	169,038	0
Bonds, notes and other fixed-interest securities	3,209,660	803,501	255	2,908,549	1,627,141	42169
Call/time deposits from trading purposes	0	0	0	408,678	0	0
Financial assets at fair value through profit or loss	**5,620,569**	**2,301,548**	**172,852**	**5,050,057**	**1,492,150**	**154,235**
Shares and other variable-yield securities	153,980	131,714	1,294	171,776	157,029	11,160
Bonds, notes and other fixed-interest securities	5,466,589	2,169,834	171,558	4,878,281	1,335,121	143,075
Financial assets available-for-sale	**95,789**	**0**	**254,109**	**105,560**	**0**	**250,062**
Other interests[2]	95,789	0	0	105,560	0	0
Shares and other variable-yield securities	0	0	254,109	0	0	250,062
Derivatives (hedging)	**0**	**925,409**	**0**	**0**	**911,228**	**0**
Positive fair values of derivatives from hedge accounting	0	925,409	0	0	911,228	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

Gains and losses resulting from financial instruments of the level III fair value hierarchy amounted to plus € 20,196 thousand in the financial year 2010 (2009: plus € 43,192 thousand).

	2010			2009		
€000	**Level I**	**Level II**	**Level III**	**Level I**	**Level II**	**Level III**
Trading liabilities	**1,583,600**	**4,950,458**	**48**	**1,326,071**	**4,089,954**	**3**
Negative fair values of derivatives financial instruments [1]	563,511	4,759,871	48	952,031	4,086,897	3
Call/time deposits from trading purposes	0	0	0	0	2,875	0
Short-selling of trading assets	424,912	818	0	374,040	182	0
Certificates issued	595,177	189,769	0			
Liabilities at fair value through profit and loss	**0**	**2,557,396**	**0**	**0**	**2,118,751**	**0**
Debt securities issued	0	2,557,396	0	0	2,118,751	0
Derivatives (hedging)	**0**	**476,764**	**0**	**749**	**476,259**	**0**
Negative fair values of derivatives from hedge accounting	0	476,764	0	749	476,259	0

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

(48) Contingent liabilities and commitments

€000	2010	2009
Contingent liabilities	**12,039,285**	**10,201,609**
Acceptances and endorsements	32,119	6,251
Credit guarantees	6,602,765	5,915,113
Other guarantees	2,509,853	2,592,500
Letters of credit (documentary business)	2,875,765	1,667,983
Other contingent liabilities	18,783	19,762
Commitments	**12,178,748**	**10,071,540**
Irrevocable credit lines and stand-by facilities	12,178,748	10,071,540
Up to 1 year	4,607,929	3,981,126
More than 1 year	7,570,819	6,090,414

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

€000	2010	2009
Revocable credit lines	**11,679,868**	**10,936,810**
Up to 1 year	9,610,803	8,053,888
More than 1 year	2,069,065	2,882,922

Raiffeisen Zentralbank Österreich Aktiengesellschaft and Raiffeisen Bank International AG are members of Raiffeisen-Kundengarantiegemeinschaft Österreich. The members of this association have a contractual obligation to guarantee jointly the punctual fulfillment of the entirety of an insolvent association member's commitments arising from customer deposits and its own issues up to the limit of the sum of the individual capacities of the remaining association members. The individual capacity of an association member is measured on the basis of its freely available reserves subject to the pertinent provisions of BWG.

(49) Fiduciary business

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

€000	2010	2009
Loans and advances to banks	9,442	8,005
Loans and advances to customers	391,124	420,875
Financial investments	31,285	31,257
Other fiduciary assets	48,891	37,110
Fiduciary assets	**480,742**	**497,247**
Deposits from banks	143,303	184,151
Deposits from customers	282,003	270,812
Other fiduciary liabilities	55,436	42,284
Fiduciary liabilities	**480,742**	**497,247**

Fiducary income amounted to € 8,723 thousand (2009: € 4,905 thousand) and fiduciary expenses totaled € 1,489 thousand (2009: € 962 thousand).

The following table contains the funds managed by RZB:

€000	2010	2009
Retail investment funds	**5,148,417**	**4,769,653**
Equity-based and balanced funds	3,031,164	1,436,917
Bond-based funds	1,684,183	1,294,143
Money market funds	373,362	589,771
Other	59,708	1,448,822
Special funds	**922,181**	**207,032**
Property-based funds	**63,286**	**237,071**
Total	**6,133,884**	**5,213,756**

(50) Subordinated assets

€000	2010	2009
Loans and advances to banks	58,371	66,350
Loans and advances to customers	55,733	65,687
Trading assets	63,449	43,489
Financial investments	138,332	176,766
Total	**315,885**	**352,292**

(51) Securities admitted for trading on a stock exchange pursuant to Section 64 BWG

	2010		2009	
€000	listed	unlisted	listed	unlisted
Bonds, notes and other fixed-interest securities	16,784,895	441,301	16,988,862	711,990
Shares and other variable-yield securities	471,136	118	457,261	66,998
Equity participations	51,266	26,141	51,516	27,914

(52) Volume of the trading book pursuant to Section 22b BWG

€000	2010	2009
Securities, equity investments	4,541,463	6,140,185
Other financial instruments	228,772,941	217,897,808
Total	**233,314,404**	**224,037,993**

(53) Capital management and regulatory own funds

The most crucial bank steering instrument is equity. RZB as an international Group considers several control parameters.

Regulatory values are defined for Raiffeisen Zentralbank on a consolidated and on an individual basis by the Austrian Banking Act based on adequate quidelines of the EU. There are also – often deviating with regard to content – guidelines in the several countries in which RZB operates. Such guidelines have to be adhered to by the local Group units.

RZB uses target values for internal regulation which comprises all risk types including trading book, currency risk and operational risk. The current discussions are shaped by the developments in Basel and Brussels regarding the advancement of own funds regulation. Parallel to the development of these regulations, RZB will introduce new target values which are sufficiently above the 7 per cent core tier 1 ratio in order to avoid regulatory limitations regarding management decisions (e.g. amount of dividend).

Control on a Group level is exerted in cooperation between the departments Treasury, Planning & Finance and Group Strategy. The individual Group units are responsible for the observation of the targets in coordination with central departments responsible for the participation management of the respective unit.

The main focus is on the core tier 1 ratio. Besides that, the risk taking capacity is calculated in the framework of regulatory limits. It is defined as the maximum loss which the bank or the banking group may encounter during the current calendar year without exceeding the regulatory minimum capital values. Accordingly, the mixture of capital instruments (several kinds of tier 1, tier 2, tier 3) has an important role due to the complex mutual consideration limits.

The regulatory capital ratios of RZB are currently above the long-term average although significant effects of the financial crisis became percussive in the calculations via the IRB approach. RZB follows the discussion in Basel and Brussels regarding new regulations. RZB would be primarily affected by the current suggestions with regard to non-controlling interests.

The current regulatory discussions and publications of the Basel Committee, EU Committees and the Austrian Regulatory Authority in connection with the new regulatory guidelines (Basel III) are demonstrated in scenario calculations by Planning & Finance. The effects are immediately considered in planning and control in case of a certain occurrence probability.

The determination of target values in relation to the compulsory minimum requirements needs additional internal control calculations. The department Risk Controlling calculates the value-at-risk in comparision with the risk taking capacity. Moreover, a balance between economic capital and the respective cover is drawn. Further details regarding this calculation are stated in the risk report.

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

€000	2010	2009
Paid-in capital	2,002,428	4,252,428
Earned capital	2,793,584	1,899,165
Non-controlling interests	4,273,288	2,335,552
Hybrid tier 1capital	800,000	800,000
Intangible fixed assets	(476,690)	(383,254)
Core capital (tier 1 capital)	**9,392,609**	**8,903,891**
Deductions from core capital	(89,874)	(90,970)
Eligible core capital (after deductions)	**9,302,735**	**8,812,921**
Supplementary capital according to Section 23 (1) 5 BWG	599,792	599,956
Provision excess of internal rating approach positions	230,743	205,969
Hidden reserve	465,400	465,000
Long-term subordinated capital	2,480,171	2,538,086
Additional own funds (tier 2 capital)	**3,776,106**	**3,809,011**
Deduction items: participations, securitizations	(89,874)	(90,970)
Eligible additional own funds (after deductions)	**3,686,232**	**3,718,041**
Deduction items: insurance companies	(526,518)	(515,130)
Tier 2 capital available to be redesignated as tier 3 capital	69,078	292,415
Short term subordinated capital (tier 3)	**69,078**	**292,415**
Total own funds	**12,531,527**	**12,308,247**
Total own funds requirement	**7,965,813**	**7,515,909**
Excess own funds	4,565,714	4,792,338
Excess cover ratio	57.3%	63.8%
Tier 1 ratio, credit risk	11.6%	11.8%
Tier 1 ratio, including market and operational risk	9.3%	9.4%
Own funds ratio	12.6%	13.1%

The total own funds requirement is as follows:

€000	2010	2009
Risk-weighted assets according to section 22 BWG	**79,995,940**	**74,989,688**
of which 8 per cent minimum own funds for the credit risk according to Sections 22a to 22h BWG	6,399,675	5,999,175
Standardized approach	3,323,098	3,252,918
Internal rating approach	3,076,577	2,746,257
Settlement risk	10	17
Own funds requirement for position risk in bonds, equities and commodities	326,656	387,660
Own funds requirement for open currency positions	385,622	404,552
Own funds requirement for operational risk	853,850	724,505
Total own funds requirement	**7,965,813**	**7,515,909**

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

€000	2010	2009
Risk-weighted assets according to section 22 BWG on standardized approach	**41,538,727**	**40,661,475**
Central governments and central banks	3,712,387	2,678,513
Regional governments	95,180	126,725
Public administration and non-profit organisations	44,328	62,163
Multilateral development banks	0	0
Banks	1,060,743	962,475
Corporates	21,941,700	20,722,188
Retail (including small and medium-sized entities)	10,088,630	11,455,450
Mutual funds	125,208	193,400
Securitisation position	71,475	18,775
Other positions	4,399,076	4,441,788
Risk-weighted assets on internal rating approach	**38,457,213**	**34,328,213**
Central governments and central banks	878,513	753,188
Banks	5,219,075	6,972,513
Corporates	29,446,375	26,232,225
Equity exposures	313,500	209,275
Retail (including small and medium-sized entities)	2,464,663	0
Securitisation position	135,088	161,013
Total	**79,995,940**	**74,989,688**

(54) Average number of staff

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

Full-time equivalents	2010	2009
Salaried employees	58,717	62,379
Wage earners	1,040	1,090
Total	**59,757**	**63,469**

Full-time equivalents	2010	2009
Austria	3,206	3,198
Foreign	56,551	60,271
Total	**59,757**	**63,469**

(55) Expenses on severance payments and retirement benefits

€000	2010	2009
Members of the managing board and senior staff	12,932	16,594
Other employees	21,462	13,700
Total	**34,394**	**30,294**

(56) Relations to key management

Group relations of key management

Key management refers to the members of the Managing Board and the Supervisory Board of Raiffeisen Zentralbank Österreich Aktiengesellschaft and the management of the parent company, Raiffeisen-Landesbanken-Holding GmbH. Relations of key management to RZB are as follows (respective fair values):

€000	2010	2009
Sight deposits	790	102
Bonds	4,086	2,418
Shares	2,376	5,384
Time deposits	0	506
Savings deposits	0	0
Loans liabilities	20	0
Leasing claims	67	87

The following table shows relations of close family members of key management to RZB:

€000	2010	2009
Shares	0	115

Beyond that, there are no further relations of RZB to key management.

Remuneration of members of the Managing Board

The members of the Managing Board of Raiffeisen Zentralbank were remunerated as follows:

€000	2010	2009
Fixed and performance-based remunerations	6,594	5,415
Payments to pension funds and business insurances	193	185
Termination benefits	4,363	0
Share-based payments (performance-based)	60	74
Total	**11,210**	**5,674**

The table contains fixed and performance-based remuneration, remunerations for membership of boards of affiliated subsidiaries, bonus paymentss, and benefits in kind. In the financial year, the share of performance-based remuneration components was 5 per cent (2009: 17 per cent). Performance-based remunerations are linked to achieve the objectives regarding return on equity and dividend payments and the personal objectives that are agreed annually. There were no material changes in principle for profit sharing against the previous year. They are to be paid after the approval of the financial statements for the second year following the financial bonus year and in case of a negative return on equity, they can be reduced in the following two years up to a complete deletion. In this sense, a preliminary bonus volume of € 243 thousand was approved for the financial year 2009 which will be paid in 2012 after the approval of the financial statements 2011.

Termination benefits include a payment to a retired member of the Managing Board and severance payments in connection with a material change in the employment contract.

Remunerations to former members of the Managing Board and their dependents amounted to € 871 thousand (2009: € 949 thousand).

Remunerations of members of other bodies

The Supervisory Board and other bodies were remunerated as follows:

€000	2010	2009
Supervisory board	426	446
Federal Advisory Board (Länderkuratorium)	159	148

Moreover, no contracts subject to approval in the meaning of Section 95 (5) items 12 Austrian Joint Stock Company Act (AktG) were concluded with members of the Supervisory Board in the financial year 2010.

(57) Boards

Pursuant to Section 70 (1) Joint Stock Corporation Act (AktG), the **Managing Board** manages the enterprise on its own responsibility in such a way as is necessary for the good of Raiffeisen Zentralbank and its Group taking into account the interests of the shareholders and employees as well as the public interest.

According to the Stock Corporation Act, the **Supervisory Board** is responsible for monitoring the activities of the Managing Board and supporting it in connection with fundamental strategic enterprise decisions. The Supervisory Board established the Personnel Committee, the Audit committee and the Working Committee from its midst.

The Personnel Committee has the responsibility for legal relationships between the Company and active and retired members of the Managing Board except in matters of the appointment or dismissal of members of the Managing Board.

The Supervisory Board's Audit Committee monitors financial accounting, the effectivness of the interal control system and the audits of the annual financial statements and the consolidated financial statements. The committee prepares the recommendation to the Supervisory Board for the choice of the Group auditor and bank auditor. The Audit Committee examines and monitors the independence of the Group auditor and bank auditor. – especially with regard to the additional services rendered for the audited company. Moreover, the Committee prepares the formal approval of the annual financial statements, of the proposal for appropriation of income, of the management report and delivers the report regarding the audit results to the Supervisory Board. The audit of the consolidated financial statements and the Group management report and the delivery of the report regarding the results of the audit to the Supervisory Board of the parent company is also a duty.

The Supervisory Board's Working Committee exercises its supervisory and approving powers above all when banking risks are assumed (including acquisition and sale of securities) or risk limits are granted to customers or a group of related customers at or in excess of a specific ceiling laid down in the memorandum and articles of association. Furthermore regarding the setting up, deactivation or closure of subsidiaries and the acquisition or disposal of equity participations, whether directly or indirectly by way of a subsidiary, insofar as ceilings laid down in the memorandum and articles of association are exceeded.

Finally, it approves appointments of members of the Managing Board or of employees of the bank as members of boards of subsidiaries and, with regard to the Managing Board, approves the lifting of the restraint on competition so as to allow the acceptance of posts on the supervisory boards of companies that are not related to this Company within the scope of the Group or in which this Company does not have a shareholding pursuant to Section 228 (1) Austrian Commercial Code. In addition, it must approve the conclusion of special contracts of employment under which retirement benefit promises are made except in the case of the legal relationship specified in Section 6 (2) of the Supervisory Board's standing orders.

The Federal Advisory Committee (Länderkuratorium) is another statutory body established by the Supervisory Board. It has an advisory function and is entitled to make suggestions to the Supervisory Board at any time.

Managing Board

- Walter Rothensteiner, [1 January 1995], Chairman and CEO
- Herbert Stepic, [from 10 March 1987 til 10 October 2010], Deputy-Chairman and Deputy to the CEO
- Patrick Butler MA, [from 1 October 2004 til 10 October 2010]
- Johannes Schuster, [10 October 2010]
- Karl Sevelda, [from 1 March 1998 til 10 October 2010]
- Johann Strobl, [1 October 2007]
- Manfred Url, [from 1 March 1998 til 31 December 2010]

Supervisory Board

Presiding Committee

- Christian Konrad, [24 April 1990], President, PersA, PrüfA, AA, Generalanwalt of Österreichischer Raiffeisenverband and Chairman of the Supervisory Board of Raiffeisenlandesbank Niederösterreich-Wien AG
- Markus Mair, [20 June 2006], 1. Vice-President, PersA, PrüfA, AA, CEO of Raiffeisen-Landesbank Steiermark AG
- Ludwig Scharinger, [22 April 1986], 2. Vice-President, PersA, PrüfA, AA, CEO of Raiffeisenlandesbank Oberösterreich Aktiengesellschaft
- Julius Marhold, [2 April 1982], 3. Vice-President, PersA, PrüfA, AA, CEO of Raiffeisenlandesbank Burgenland und Revisionsverband reg. Gen.m.b.H.

Members

- Klaus Buchleitner MBA, [25 June 2003], CEO of RWA Raiffeisen Ware Austria AG
- Peter Gauper, [24 June 2008], Chairman of the Manging Board of Raiffeisenlandesbank Kärnten – Rechenzentrum und Revisionsverband, reg. Gen.m.b.H.
- Erwin Hameseder, [20 June 2007], CEO of Raiffeisenlandesbank Niederösterreich-Wien AG
- Wilfried Hopfner, [18 June 2009], Chairman of the Managing Board of Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband reg. Gen.m.b.H.
- Günther Reibersdorfer, [23 June 2005], CEO of Raiffeisenverband Salzburg reg. Gen.m.b.H.
- Hannes Schmid, [23 June 2005], Chairman of the Managing Board of Raiffeisen-Landesbank Tirol AG
- Gottfried Wanitschek, [25 June1997], Member of the Managing Board of UNIQA Versicherungen AG

All mentioned members of the Supervisory Board are appointed until the Annual General Meeting of financial year 2013.

Staff Council delegates

- Martin Prater, [11 January 1991], Chairman of the Staff Council, PrüfA, AA
- Peter Anzeletti-Reikl, [1 January 2004], 1. Deputy-Chairman of the Staff Council
- Rudolf Kortenhof, [20 November 2008], 2. Deputy-Chairman of the Staff Council, PrüfA, AA
- Sabine Chadt, [from 20 November 2008 til 22 June 2009]
- Gebhard Muster, [20 November 2008]
- Helge Rechberger, [1 June 2002]

State Commissioners

- Alfred Lejsek, [1 September 1996], State Commissioner
- Gerhard Popp, [1 December 2009], Deputy State Commissioner

Federal Advisory Board (Länderkuratorium)

- Karl Fuchs[1], Chairman from 7 July 2010, Member from 9 June 2009 on, Deputy-Chairman of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.
- Robert Lutschounig[1], Deputy-Chairman from 7 July 2010, Member from 12 June 2009 on, Chairman of the Supervisory Board of Raiffeisenlandesbank Kärnten – Rechenzentrum und Revisionsverband, reg. Gen.m.b.H.
- Kurt Amann, Member from 12 September 2000 til 22 June 2010, Chairman of the Supervisory Board of Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband reg. Gen.m.b.H.
- Jakob Auer, Member from 13 June 2000 on, President of the Supervisory Board of Raiffeisenlandesbank Oberösterreich Aktiengesellschaft
- Josef Graber, Member from 8 May 2009 on, Chairman of the Supervisory Board of Raiffeisen-Landesbank Tirol AG
- Walter Hörburger, Member from 22 June 2010 on, Chairman of the Supervisory Board of Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband reg. Gen.m.b.H.
- Sebastian Schönbuchner, Member from 20 June 2002 on, Chairman of Raiffeisenverband Salzburg reg. Gen.m.b.H.
- Wilfried Thoma, Chairman from 24 June 2008 til 18 June 2009, Member from 25 June 2003 on, President of the Supervisory Board of Raiffeisen-Landesbank Steiermark AG
- Erwin Tinhof, Chairman from 18 June 2009 til 7 July 2010, Member from 20 June 2007 on, President of the Supervisory Board of Raiffeisenlandesbank Burgenland und Revisionsverband reg. Gen.m.b.H.

PersA	Member of the Personnel Committee
PrüfA	Member of the Audit Committee
AA	Member of the Working Committee
1	The function of the Chairman and the Deputy/Deputies is revolving annually.

(58) Subsequent events

Acquisition of a majority stake in Polbank

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

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

€ 1 billion benchmark issue

RBI issued a first-class fixed-rate bond of € 1 billion with a three-year tenor as of end of January. The transaction, which is the first non-state guaranteed fixed-rate bond issue of a bank since the beginning of the crisis, was significantly oversubscribed within few hours.

The pricing was fixed at the lower end of the orginal price guidance at mid-swaps plus 145 basis points with a coupon of 3.625 per cent. The transaction was jointly led by DZ Bank, Deutsche Bank, HSBC and RBI itself. The pricing was not only more attractive than those of banks with comparable rating, the order book was also significantly oversubscribed due to strong demand.

(59) List of fully consolidated companies

The following table shows a selection of operating companies of the consolidated group. The complete list of the equity participations of Raiffeisen Zentralbank is deposited with the Group parent's headquarters.

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Austria Leasing GmbH, Eschborn (DE)	1,000,000	EUR	51.0%	OT
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	6,800,000	RON	78.9%	BR
Centrotrade Chemicals AG, Zug (CH)	5,000,000	CHF	78.9%	OT
Centrotrade Deutschland GmbH, Eschborn (DE)	410,000	EUR	78.9%	OT
Centrotrade Minerals & Metals Inc., Chesapeak (US)	3,002,000	USD	78.9%	OT
Centrotrade Singapore Pte. Ltd., Singapore (SG)	500,000	SGD	78.9%	OT
F.J. Elsner & Co. Gesellschaft mbH, Innsbruck (AT)	436,037	EUR	78.9%	OT
F.J. Elsner Trading Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	78.9%	OT
Golden Rainbow International Limited, Tortola (VG)	1	USD	78.9%	FI
Kathrein & Co. Privatgeschäftsbank Aktiengesellschaft, Vienna (AT)	20,000,000	EUR	78.9%	BA
Kathrein & Co. Vermögensverwaltung GmbH, Vienna (AT)	125,000	EUR	63.1%	FI
OOO Raiffeisen-Leasing, Moscow (RU)	1,071,000,000	RUB	75.4%	FI
Priorbank JSC, Minsk (BY)	412,279,277,350	BYR	69.2%	BA
Raiffeisen Bank Aval JSC, Kiev (UA)	3,002,774,908	UAH	75.9%	BA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	237,388,000	BAM	76.5%	BA
Raiffeisen Bank International AG, Vienna (AT)	596,290,628	EUR	78.9%	BA
Raiffeisen Bank Kosovo J.S.C., Pristina (RS)	58,000,000	EUR	78.9%	BA
Raiffeisen Bank Polska S.A., Warsaw (PL)	1,218,687,210	PLN	78.9%	BA
Raiffeisen Bank S.A., Bucharest (RO)	1,196,258,639	RON	78.5%	BA
Raiffeisen Bank Sh.a., Tirane (AL)	9,926,092,686	ALL	78.9%	BA
Raiffeisen Bank Zrt., Budapest (HU)	59,099,140,000	HUF	55.5%	BA
Raiffeisen banka a.d., Belgrade (RS)	27,466,157,580	RSD	78.9%	BA
Raiffeisen Banka d.d., Maribor (SI)	16,355,847	EUR	68.1%	BA
Raiffeisen Centrobank AG, Vienna (AT)	47,598,850	EUR	78.9%	BA
Raiffeisen Energy Service Ltd., Budapest (HU)	20,000,000	HUF	63.7%	OT
Raiffeisen Equipment Leasing Kft., Budapest (HU)	50,200,000	HUF	63.7%	FI
Raiffeisen Factoring Ltd., Zagreb (HR)	15,000,000	HRK	58.1%	FI
Raiffeisen Financial Services Company Zrt., Budapest (HU)	20,000,000	HUF	55.5%	FI
Raiffeisen Insurance Agency Sp.z.o.o, Warsaw (PL)	200,000	PLN	75.4%	BR
RAIFFEISEN INSURANCE BROKER EOOD, Sofia (BG)	5,000	BGN	78.9%	BR
Raiffeisen Insurance Mediator Ltd., Budapest (HU)	5,000,000	HUF	55.6%	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 Investment Aktiengesellschaft, Vienna (AT)	730,000	EUR	78.9%	FI
Raiffeisen Leasing Aval LLC, Kiev (UA)	58,208,527	UAH	74.3%	FI
Raiffeisen Leasing Bulgaria OOD, Sofia (BG)	5,900,000	BGN	73.6%	FI
Raiffeisen Leasing d.o.o., Belgrade (RS)	226,544,550	RSD	75.4%	FI
Raiffeisen Leasing d.o.o., Ljubljana (SI)	3,738,107	EUR	71.9%	FI
Raiffeisen Leasing d.o.o., Sarajevo (BA)	19,009,433	BAM	74.2%	FI
Raiffeisen Leasing IFN S.A., Bucharest (RO)	14,935,400	RON	75.2%	FI
Raiffeisen Leasing Kosovo LLC, Pristina (RS)	642,857	EUR	76.8%	FI
Raiffeisen Leasing sh.a., Tirane (AL)	123,000,000	ALL	77.2%	FI
Raiffeisen Lizing Zrt., Budapest (HU)	50,200,000	HUF	63.7%	BA
Raiffeisen Malta Bank plc., Sliema (MT)	340,000,000	EUR	78.9%	BA
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	603,447,952	BGN	78.9%	BA
Raiffeisenbank a.s., Prague (CZ)	6,564,000,000	CZK	40.2%	BA
Raiffeisenbank Austria d.d., Zagreb (HR)	3,698,932,000	HRK	58.1%	BA
Raiffeisen-Leasing Bank Aktiengesellschaft, Vienna (AT)	5,000,000	EUR	51.0%	BA
Raiffeisen-Leasing d.o.o., Zagreb (HR)	30,000,000	HRK	65.0%	FI
Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	363,364	EUR	51.0%	FI
Raiffeisen-Leasing Österreich Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	40.2%	FI
Raiffeisen-Leasing Polska S.A., Warsaw (PL)	150,003,800	PLN	75.4%	FI
Raiffeisen-Leasing Real Estate, s.r.o., Prague (CZ)	10,000,000	CZK	64.0%	FI
Raiffeisen-Leasing, spolecnost s.r.o., Prague (CZ)	50,000,000	CZK	56.1%	FI
RALT Raiffeisen-Leasing Gesellschaft m.b.H. & Co. KG, Vienna (AT)	20,348,394	EUR	100.0%	BR
RALT Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	218,500	EUR	100.0%	FI
RB International Finance (Hong Kong) Ltd., Hong Kong (HK)	10,000,000	HKD	78.9%	FI
RB International Finance (USA) LLC, New York (US)	1,510,000	USD	78.9%	FI
RB Trading House Ltd., Budapest (HU)	4,000,000	HUF	55.5%	BR
Regional Card Processing Center s.r.o., Bratislava (SK)	539,465	EUR	78.9%	BR
RI Eastern European Finance B.V., Amsterdam (NL)	400,000	EUR	78.9%	FI
RSC Raiffeisen Daten Service Center GmbH, Vienna (AT)	2,000,000	EUR	56.7%	BR
RZB Finance (Jersey) II Ltd, St. Helier (JE)	100,000,002	EUR	0.0%	FI
RZB Finance (Jersey) III Ltd, St. Helier (JE)	200,001,000	EUR	0.0%	FI
RZB Finance (Jersey) IV Limited, St. Helier (JE)	500,002,000	EUR	0.0%	FI
Tatra Asset Management sprav.spol., a.s., Bratislava (SK)	1,659,696	EUR	51.9%	FI
Tatra banka a.s., Bratislava (SK)	54,554,928	EUR	51.9%	BA
Tatra Leasing spol. s r.o., Bratislava (SK)	6,638,784	EUR	62.1%	FI
Ukrainian Processing Center PJSC, Kiev (UA)	180,000	UAH	78.9%	BR
ZAO Raiffeisenbank, Moscow (RU)	36,711,260,000	RUB	78.9%	BA
ZHS Office- & Facilitymanagement GmbH, Vienna (AT)	36,336	EUR	99.8%	BR
ZUNO BANK AG, Vienna (AT)	5,000,000	EUR	78.9%	BA

1 Company type: BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT…Other companies

(60) List of equity participations

The following tables show a selection of equity participations. The complete list of the equity participations of Raiffeisen Zentralbank is deposited with the Group parent's headquarters.

Companies valued at equity

Company, domicile (country)	Subscribed capital in local currency		Share	Indirectly held[1]	Type[2]
A-Leasing SpA, Treviso (IT)	40,000,000	EUR	49.0%	0.0%	FI
A-Real Estate S.p.A., Bozen (IT)	1,000,000	EUR	49.0%	0.0%	FI
card complete Service Bank AG, Vienna (AT)	6,000,000	EUR	25.0%	0.0%	BA
LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (AT)	32,624,283	EUR	33.1%	0.0%	OT
NOTARTREUHANDBANK AG, Vienna (AT)	8,030,000	EUR	26.0%	0.0%	BA
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (AT)	130,000,000	EUR	8.1%	0.0%	BA
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna (AT)	11,627,653	EUR	31.3%	0.0%	BA
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	131,074,560	RON	33.3%	0.0%	BA
Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (AT)	35,000,000	EUR	37.0%	0.0%	BA
Raiffeisen evolution project development GmbH, Vienna (AT)	43,750	EUR	40.0%	0.0%	OT
Raiffeisen Informatik GmbH, Vienna (AT)	1,460,000	EUR	47.8%	0.0%	BR
Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung, Vienna (AT)	15,000,000	EUR	50.0%	0.0%	BA
Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (AT)	5,100,000	EUR	25.0%	0.0%	BA
UNIQA Versicherungen AG, Vienna (AT)	142,985,217	EUR	45.7%	0.0%	VV

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

Other non- consolidated subsidiaries and equity participations

Company, domicile (country)	Subscribed capital in local currency		Share	Indirectly held[1]	Type[2]
AIL Swiss-Austria Leasing AG, Glattbrugg (CH)	5,000,000	CHF	50.0%	0.0%	FI
A-Trust Gesellschaft für Sicherheitssysteme im elektronischen Datenverkehr GmbH, Vienna (AT)	5,290,013	EUR	12.1%	0.0%	OT
CEESEG Aktiengesellschaft, Vienna (AT)	18,620,720	EUR	7.0%	0.0%	WP
Doplnková dôchodková spoločnosť Tatra banky, a.s., Bratislava (SK)	1,659,700	EUR	100.0%	0.0%	FI
ELIOT, s. r. o., Bratislava (SK)	1,613,556	EUR	100.0%	99.5%	BR
LLC "Insurance Company 'Raiffeisen Life", Moscow (RUS)	60,000,000	RUB	25.0%	0.0%	VV
Österreichische Raiffeisen-Einlagensicherung eGen, Vienna (AT)	3,100	EUR	16.1%	0.0%	OT
Österreichische Volksbanken-Aktiengesellschaft, Vienna (AT)	311,095,412	EUR	5.7%	0.0%	BA

1 Equity participations held via companies that are not included in the consolidated financial statements

2 Company type: BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT…Other companies, , IN… Insurance, SC … Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Indirectly held[1]	Type[2]
PayLife Bank GmbH, Vienna (AT)	13,234,665	EUR	11.2%	0.0%	BA
Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG)	250,000	BGN	100.0%	0.0%	FI
Raiffeisen Auto Leasing Bulgaria EOOD, Sofia (BG)	250,000	BGN	100.0%	0.0%	FI
Raiffeisen BROKERS doo, Sarajevo (BA)	1,000,000	BAM	100.0%	0.0%	FI
Raiffeisen Capital & Investment S.A., Bucharest (RO)	1,600,000	RON	100.0%	0.0%	FI
Raiffeisen Capital a.d. Banja Luka, Banja Luka (BA)	355,000	BAM	100.0%	100.0%	BR
Raiffeisen consulting d.o.o., Zagreb (HR)	14,900,000	HRK	100.0%	0.0%	FI
Raiffeisen Financial Services Polska Sp. z o.o., Warsaw (PL)	3,847,500	PLN	100.0%	0.0%	FI
RAIFFEISEN FUTURE AD, Belgrade (RS)	157,804,549	RSD	100.0%	0.0%	FI
Raiffeisen Insurance and Reinsurance Broker S.R.L, Bucharest (RO)	180,000	RON	100.0%	0.0%	BR
Raiffeisen Invest a.d., Belgrade (RS)	101,798,259	RSD	100.0%	0.0%	FI
Raiffeisen Invest d.o.o., Zagreb (HR)	8,000,000	HRK	100.0%	0.0%	FI
Raiffeisen Investment Fund Management JSC, Budapest (HU)	100,000,000	HUF	100.0%	0.0%	FI
Raiffeisen Non-Government Pension Fund, Moscow (RU)	313,000,000	RUB	100.0%	0.0%	FI
Raiffeisen Pension Insurance d.o.o., Zagreb (HR)	14,400,000	HRK	100.0%	0.0%	FI
Raiffeisen Pensions Sh.A., Tirane (AL)	109,648,000	ALL	100.0%	0.0%	FI
Raiffeisen Research GmbH, Vienna (AT)	55,000	EUR	51.0%	0.0%	BR
RAIFFEISEN TRAINING CENTER LTD., Zagreb (HR)	20,000	HRK	100.0%	20.0%	BR
S.A.I. Raiffeisen Asset Management S.A., Bucharest (RO)	10,656,000	RON	100.0%	0.0%	FI
Valida Holding AG, Vienna (AT)	5,000,000	EUR	24.7%	0.0%	OT
W 3 Errichtungs- und Betriebs-Aktiengesellschaft, Vienna (AT)	1,020,000	ATS	20.0%	0.0%	OT

1 Equity participations held via companies that are not included in the consolidated financial statements

2 Company type: BA...Bank, BR...Company rendering banking-related ancillary services, FI...Financial institution, OT...Other companies, , IN... Insurance

Vienna, 18. March 2011

The Managing Board

Walter Rothensteiner

Johann Strobl

Johannes Schuster

AUDITOR'S REPORT

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Raiffeisen Zentralbank Österreich Aktiengesellschaft,Vienna, for the year from 1 January 2010 to 31 December 2010. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2010, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2010 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as well as the financial information of section 64 para 1 no 1 to 15 and para 2 Austrian Banking Act (BWG). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2010 and of its financial performance and its cash flows for the year from 1 January to 31 December 2010 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

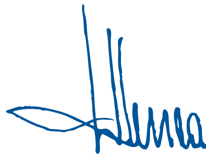
Report on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 18 March 2011

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Wilhelm Kovsca
Wirtschaftsprüfer

Bernhard Mechtler
Wirtschaftsprüfer

(Austrian Chartered Accountants)

STATEMENT OF THE MANAGING BOARD

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

Vienna, 18 March 2011

The Managing Board

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

Johannes Schuster
Member of the Managing Board responsible for Risk Management

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

GLOSSARY

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

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

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

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

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

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

BWG – Austrian Banking Act.

CAGR – Compound Annual Growth Rate is the average increase of a figure.

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

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

CE – Central Europe. For Raiffeisen Bank International it is defined as Hungary, Poland, Slovakia, Slovenia, and the Czech Republic.

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 shareholder of Raiffeisen Bank International. It is calculated by consolidated profit in relation to average balance sheet equity (without minority interests). Average equity is based on month-end figures and does not include current year profit.

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

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

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

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

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 on-balance sheet exposures (loans, debt securities) and off-balance-sheet exposures (guarantees, commitments) that expose Raiffeisen International to credit risk.

Credit risk – The risk of loss due to a debtor's non-payment of a loan or other line of credit.

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, the carry forward of unused tax losses, and the carry forward of unused tax credits.

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) – Profit attributable to ordinary equity holder (profit adjusted by dividends to preference shareholders) divided by the weighted average number of ordinary shares outstanding during the period.

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

EMTN (Euro Medium Term Notes) Program – Framework agreement between companies and bond traders who make it possible for the companies to issue medium-term securities in the European capital market for the purpose of flexibly procuring outside capital.

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

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

Fair Value Level I – (is quoted on an active market). The fair value is measured through a market price, if available.

Fair Value Level II – (evaluation method through 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. (Used methods: cash method and option pricing models)

Fair Value Level III – (evaluation method through non-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.

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 individ-

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 for trading purposes to take advantage of short-term market fluctuations.

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

HGB/UGB – (Austrian) Commercial Code.

IFC (International Finance Corporation) – An institution of the World Bank that supports the establishment and strengthening of the private sector in developing countries by means of investments and advisory service.

IFRIC, SIC – International Financial Reporting Interpretations Committee – Interpreter 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 balance sheet total.

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) – Method of evaluating the capital backing of credit risks in accordance with Basel II. By using the IRB approach, the capital backing 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 the 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 total credit exposure.

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

ual security or its issuer or factors affecting all securities traded in the market.

Net provisioning ratio (average risk-weighted assets credit risk) – Risk valuation ratio. Is calculated by provisioning for impairment losses divided by average credit risk-weighted assets.

Net provisioning ratio (total credit exposure) – Risk valuation ratio. Is calculated by provisioning for impairment losses divided by the total credit exposure.

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

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

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

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

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

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

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

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

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

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

SEPA – Single European Payments Area. This is a project to create a European-wide standardized payment area. In this

Share-based remuneration – Performance-based allotments of company shares for eligible employees for a given period of time.

Splitting – A procedure that is particularly common in U.S.

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

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

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

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

Raiffeisen Bank International (RBI) – The Group of Raiffeisen Bank International AG.

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

Risk-weighted assets (incl. market risk) – Comprises the basis of assessment within the meaning of Section 22 of the Austrian Banking Act (BWG) plus 12.5 times the own funds required as cover for the trading book and open currency positions.

Risk-weighted assets (credit risk) – This is the sum of the weighted accounts receivable and includes receivables in the form of asset items, off-balance-sheet items 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 minority interests, i.e. profit before tax respectively after tax in relation to weighted average balance sheet equity. Average equity is calculated on month-end figures and does not include current year profit.

RZB – Raiffeisen Zentralbank Österreich AG Group.

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

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

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

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

payment area there is no distinction between cross-border and national payments for customers anymore.

investment banking where equities that have become very highly priced are split into two or more shares or share certificates.

SPO – Secondary public offering; capital increase.

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

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

Subprime loans – Mortgage loans given to borrowers who do not qualify for the prime market interest rate due to their low credit-worthiness. Subprime loans are characterized by a relatively high risk of loss.

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

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

Total shareholder return – is a ratio illustrating the development of a share investment over a period considering the dividends and changes in share price.

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

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

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

Year-on-year – compared to the point in time, or the time period, which occurs one year before the point in time, or the time period, under consideration; for example, the first half year of 2010 in comparison to the first half year of 2009, or 30 June 2010 in comparison to 30 June 2009.

PUBLICATION DETAILS

Published by: Raiffeisen Zentralbank Osterreich AG
Editor, coordination: Andreas Ecker-Nakamura
Editorial team: Gregor Bitschnau, Gertraud Hannauer-Pichlmayr, Robert Gutlederer, Teresa Hogl, Gerhard Karasek, , Annemarie Lackner, Ulf Leichsenring, Christoph Lehner, Magdalena Michalak, Pia Pausch, Kathrin Polster, Redouane Sedrati and Bettina Wallner; with the help of virtually every department at *Raiffeisen Zentralbank*.

Graphic concept and introduction: gantnerundenzi.at
Photos of the Managing Board: Klaus Vyhnalek
Typesetting: Rainer Kumpfhuber
Printing: AV+Astoria Druckzentrum GmbH
Published and manufactured in: Vienna

Notes: In this extract of RZB's Annual Report, "RZB" refers to the RZB Group and "Raiffeisen Zentralbank" is used wherever statements refer solely to Raiffeisen Zentralbank Osterreich AG. The forecasts, plans and forward-looking statements contained in this report are based on RZB's state of knowledge and assessments at the time of its preparation.

Like all statements of this kind, they are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

No guarantee can be provided for the accuracy of forecasts, plan values or forwardlooking statements.

We prepared this Annual Report and checked the data with the greatest possible care. Nonetheless, transmission, typesetting and printing errors cannot be ruled out.

Adding and subtracting rounded amounts in tables may have led to minor discrepancies.

Statements of rates of change (percentages) are based on actual figures and not on the rounded figures presented in tables.

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

If you have any questions about the Annual Report, please contact
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