RAIFFEISEN ZENTRALBANK ANNUAL REPORT 2011

EXTRACT:

RAIFFEISEN ZENTRALBANK GROUP MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S REPORT

RZB Group

Overview

RZB-Group

Monetary values in € million	2011	Change	2010	2009	2008	2007
Income statement						
Net interest income	3,585	(1.2)%	3,629	3,462	4,010	2,942
Net provisioning for impairment losses	(1,099)	(8.2)%	(1,198)	(2,247)	(1,150)	(308)
Net fee and commission income	1,493	0.1%	1,492	1,422	1,768	1,516
Net trading income	346	7.1%	323	418	19	94
General administrative expenses	(3,208)	4.5%	(3,069)	(2,795)	(3,117)	(2,645)
Profit before tax	1,144	(11.5)%	1,292	824	597	1,485
Profit after tax	728	(37.6)%	1,168	571	432	1,190
Consolidated profit	472	(33.8)%	714	433	48	778
Earnings per share	78.18	(35.8)%	121.73	36.46	6.40	150.70
Statement of financial position						
Loans and advances to banks	22,457	13.7%	19,753	33,887	29,115	30,910
Loans and advances to customers	84,093	7.4%	78,270	74,855	84,918	73,071
Deposits from banks	39,873	6.6%	37,391	49,917	54,148	48,899
Deposits from customers	67,114	15.8%	57,936	55,423	59,120	55,369
Equity	11,489	2.1%	11,251	10,308	8,587[1]	8,422
Total assets	150,087	10.0%	136,497	147,938	156,921	137,402
Key ratios						
Return on equity before tax	10.5%	(2.0) PP	12.5%	8.8%	7.3%	22.2%
Return on equity after tax	6.7%	(4.6) PP	11.3%	6.1%	5.3%	17.8%
Consolidated return on equity	7.8%	(5.2) PP	13.0%	6.3%	0.9%	16.5%
Cost/income ratio	59.2%	3.4 PP	55.8%	51.9%	52.8%	56.9%
Return on assets before tax	0.78%	(0.1) PP	0.88%	0.54%	0.40%	1.17%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.26%	(0.2) PP	1.45%	2.76%	1.19%	0.41%
Bank-specific information[2]						
Risk-weighted assets (credit risk)	81,416	1.8%	79,996	74,990	89,040	83,091
Total own funds	12,725	1.5%	12,532	12,308	10,801	10,297
Total own funds requirement	7,982	0.2%	7,966	7,516	8,505	7,491
Excess cover ratio	59.4%	2.1 PP	57.3%	63.8%	27.0%	37.5%
Core tier 1 ratio, total	9.1%	6.8%	8.5%	8.5%	6.3%	9.6%
Tier 1 ratio, credit risk	12.2%	0.6 PP	11.6%	11.8%	8.4%	8.8%
Own funds ratio	12.8%	0.2 PP	12.6%	13.1%	10.2%	11.0%
Resources						
Number of employees as of reporting date	59,836	(0.9)%	60,356	59,800	66,651	61,351
Business outlets	2,937	(1.1)%	2,970	3,038	3,251	3,036

1 Retroactive reclassification of participation capital as equtiy.
2 Calculations since 2008 were carried out applying Basel II.

Content

Group management report

Market development

Sluggish growth in Europe and US

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

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

Diverging developments in CEE

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

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

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

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

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

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

Country	2010	2011e	2012f	2013f
Czech Republic	2,7	1,7	- 0,2	1,4
Hungary	1,3	1,7	- 0,8	1,5
Poland	3,9	4,3	2,8	3,7
Slovakia	4,0	3,3	- 0,8	2,5
Slovenia	1,4	- 0,2	0.0	1,5
CE	**3,2**	**3,1**	**1,4**	**2,7**
Albania	3,9	2,0	2,5	3,5
Bosnia and Herzegovina	0,7	1,9	0,0	2,0
Bulgaria	0,4	1,7	1,0	2,5
Croatia	- 1,2	0,2	- 1,0	1,0
Kosovo	3,9	4,0	3,0	4,0
Romania	- 1,6	2,5	0,5	2,5
Serbia	1,0	2,0	0,0	1,0
SEE	**- 0,7**	**1,9**	**0,3**	**2,1**
Belarus	7,6	5,3	3,0	3,0
Russia	4,3	4,3	3,7	4,0
Ukraine	4,2	5,2	3,5	4,0
CIS	**4,4**	**4,4**	**3,7**	**4,0**
CEE	**3,5**	**3,7**	**2,6**	**3,4**
Austria	**2,3**	**3,1**	**0,3**	**1,3**
Germany	**3,6**	**3,1**	**0,0**	**1,1**
Eurozone	**1,8**	**1,5**	**- 0,5**	**1,1**

Positive trends in Austria

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

Asia grows significantly

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

Sovereign debt crisis puts a strain on financial markets

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

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

Global currencies

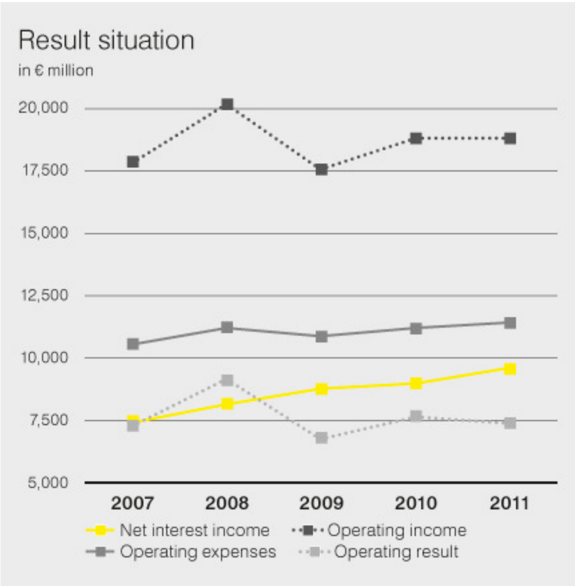
The sovereign debt crisis in the eurozone continued to dominate movements in the euro and US dollar exchange rates in 2011, with the negative developments in the US (such as the downgrading of its credit rating and the blocking of the budget reforms) only playing a secondary role. At 1.31, the euro started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

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

CEE currencies

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

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



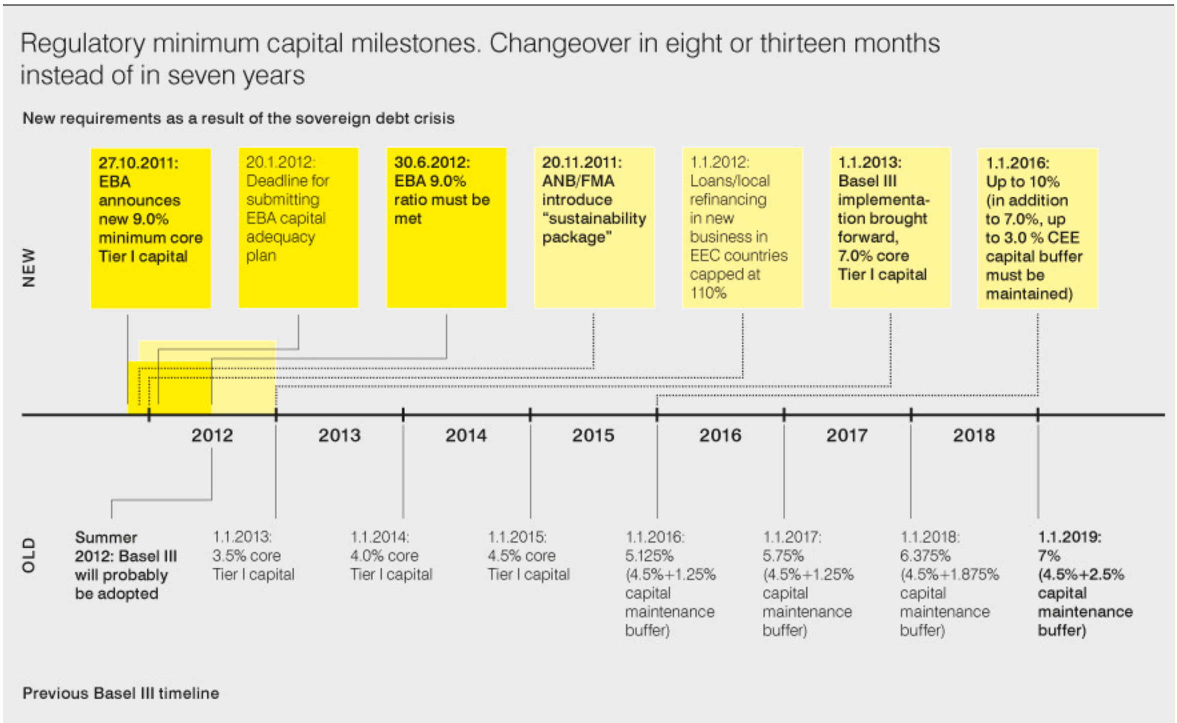
The Austrian banks ended 2010 in a manifestly positive fashion with an annual profit of € 3.3 billion. Final figures for 2011 are not yet available but the banks forecast an annual profit for the year of approximately € 1.2 billion, down on the previous year. In respect of provision for risks (valuation allowances) the Austrian banks predict an increase of 48.4 per cent to € 5.7 billion for 2011, to which the increase in the balance from valuation allowances on securities and equity participations shows a clear effect in comparison with the corresponding income from their liquidation.

European stress tests, EBA core capital regulations and Austrian Finish

In 2011 the European banking supervisory authority again carried out stress tests on approximately 70 selected European banks, the results of which were published in detail in the summer. The Austrian banks tested included Bank Austria (their profit was incorporated in the UniCredit Group and was not published separately), Erste Group, the RZB subgroup RBI and the ÖVAG Group. Whereas the first three stress scenarios were successfully passed, ÖVAG posted an unsatisfactory capital ratio as a result of the stress assumptions made.

Due to the sovereign debt crisis the EBA also surveyed, in autumn 2011, what effects a market price evaluation of the sovereign exposure would have on the banks observed within the framework of the Europe-wide stress tests. For this a more than doubled "hard" core capital ratio of 9 per cent (Core Tier 1) was assumed to measure the capital requirement. This ratio was made a requirement for banks on 27 October 2011, to be complied with by 30 June 2012.

This meant a doubling of the core capital ratio to be complied with within a few months. Since the EBA does not recognise the previously recognised core capital components – in the same way as that of participation capital from Austrian banks invested with private investors – this meant additional hardship for many banks.



As a consequence the Austrian banking supervisory authority, the FMA and the OeNB were active and, on 20 November 2011 demanded, within the framework of the so-called "Austrian Finish" that those large Austrian banks which were operating in Central and Eastern Europe introduce Basel III early, by 1 January 2013. In addition, these banks must, from 1 January 2016, maintain a CEE capital buffer of up to 3 per cent. In addition, from 1 January 2012, the ratio of loans to local deposits in the individual CEE countries in new business of the subsidiary banks of Austrian groups was covered 110 per cent.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) as applied in the EU. Raiffeisen Zentralbank also prepares separate financial statements in accordance with the Austrian Banking Act (BGW) in conjunction with the Austrian Commercial Code (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 Group management report, including the notes section.

The majority of Raiffeisen Zentralbank is indirectly held by Raiffeisen-Landesbanken-Holding-GmbH (RLBHOLD), which makes it part of the RLBHOLD Group. In RLBHOLD, the core shareholders, the Raiffeisen Landesbanks, hold the majority of their shares on a pooled basis. RLBHOLD held a stake of around 81.4 per cent at the end of 2011; the remaining shares were owned predominantly by other shareholders.

As of 31 December 2011, Raiffeisen Zentralbank's scope of consolidation comprised 337 Group units, including 23 banks and a number of financial institutions and bank-related service providers. This resulted in a net increase in the number of consolidated units of three. For information about the change in the scope of consolidation, please refer to page 51 in the notes section. The change in the scope of consolidation only had a slight impact on the comparability of the previous year's figures, while the Group's internal reorganization only affected the profit attributable to non-controlling interests.

Performance summary

Profit before tax of € 1,144 million

RZB's profit before tax for 2011 fell by 12 per cent to € 1,144 million. The performance of the individual earnings components in the income statement differed widely. Performance also varied at the regional level. While significant gains were recorded in many CEE countries – particularly in Russia (up 63 per cent to € 434 million) and Slovakia (up 51 per cent to € 185 million) – as well as Austria and Asia, the Group recorded a loss before tax of € 375 million in Hungary. The situation in Hungary is attributable partly to measures taken at the political level (early repayment of foreign currency loans at preferential rates by law) and partly to a further decline in the quality of the loan portfolio in the local Group units.

Positive trend for loan loss provisions

Net provisioning for impairment losses dropped sharply in most countries with the exception of Hungary as a result of the ongoing improvement in the economic environment and actively managed measures to stabilize the loan portfolio. Specifically, these added up to 8 per cent, or € 1,099 million. While significantly fewer loan loss provisions had to be allocated in many countries, net provisioning for loan loss provisions in Hungary rose as a result of the economic and political situation there from € 282 million to € 478 million, thus making up almost half of the loan loss provisions throughout the Group. Individual cases in the area of real estate leasing (biogas plants) in Austria and Italy resulted in the Raiffeisen Leasing Group having to increase its loan loss provisions to € 33 million.

Net provisioning for individual loan loss provisions at RZB stood at € 1,212 million, representing a year-on-year increase of around 1 per cent. Due to reversals of provisions for Russia, Hungary, Ukraine and Slovakia, there was a net release of portfolio-based loan loss provisions in the reporting year amounting to € 105 million. The net provisioning ratio based on average credit risk-weighted assets fell by 19 basis points to 1.26 per cent. The NPL ratio – the proportion of non-performing loans in the loan portfolio – improved, falling for the first time in years by 16 basis points to 8.58 per cent.

Valuation gains on derivatives and own liabilities

Net income from derivatives and designated liabilities amounted to € 408 million. This was partly due to a € 257 million increase in net income to € 190 million from revaluations of derivative instruments entered into for tax purposes, in particular because of the yield curve becoming flatter from the second quarter. At the same time, the value of own liabilities arising from issues fell as a result of the sharp rise in RBI's credit spread following the developments on the capital markets, which led to a valuation gain of € 184 million.

Market-related valuation losses on securities

The increased volatility on the financial markets caused by the sovereign debt crisis is reflected in the valuation losses on securities and participations and the € 328 million drop in net income from financial investments to minus € 183 million.

Outlook for the economy required amortization of goodwill

The changed macroeconomic outlook for Ukraine and the rise in the discount rate used for valuations resulted in a partial goodwill write-down at Raiffeisen Bank Aval of € 183 million. This left the bank at the end of 2011 with goodwill on its balance sheet of € 29 million. Goodwill was already low for the banks in Hungary (€ 3 million) and Slovenia (less than € 1 million), and was completely written off. As of year-end, total goodwill came to € 410 million.

Slight decline in operating income

Operating income excluding goodwill write-downs fell by 1 per cent or € 80 million to € 5,416 million. Net interest income declined by 1 per cent or € 44 million, which corresponded to almost 66 per cent of operating income. Set against slight volume-based falls, the net interest margin fell by 3 basis points to 2.44 per cent. The decline was attributable mainly to the negative contributions to income from associates, with losses coming from UNIQA Versicherungen AG (€ 100 million) and the Italian leasing companies (€ 27 million).

At € 1,493 million, net fee and commission income is virtually unchanged on the previous year, while net trading income rose year-on-year by 7 per cent. This is mainly attributable to valuation gains due to a revision in the valuation model to adapt to the change in legislation for capital guarantees. Negative effects arose from hyperinflation accounting (for Belarus), which had to be applied for the first time in the fourth quarter of 2011.

At minus € 8 million (excluding goodwill write-downs), other net operating income fell short of the prior year's figure by € 60 million. This was mainly due to the introduction of the Austrian bank levy, which resulted in additional expenses for RZB of € 90 million. This was reported as other non-income-related taxes under other net operating income.

Moderate rise in general administrative expenses

General administrative expenses rose year-on-year by just under 5 per cent or € 139 million to € 3,208 million. The cost/income ratio increased by 3.4 percentage points, to reach 59.2 per cent.

Staff expenses rose year-on-year by 6 per cent or € 91 million. The bulk of this increase was the result of market-related salary increases and bonus payments in certain markets, plus changes to statutory social security contributions in Russia and Slovakia.

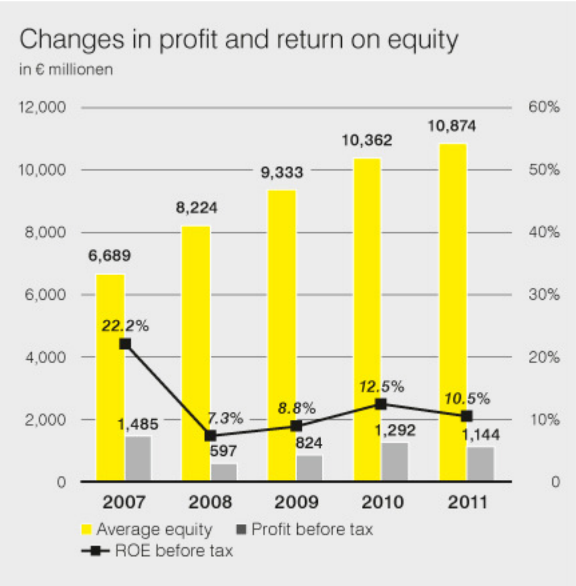
The average number of staff rose by 1 per cent or 842 to 60,599, primarily as a result of increases in staff numbers in Ukraine, Russia and Romania. The biggest increases in headcount were reported in the Czech Republic, Ukraine and Russia.

Other administrative expenses rose slightly year-on-year by 1 per cent or € 13 million, which included increases in expense on deposit protection (up 16 per cent) and IT (up 10 per cent). The number of business outlets fell by 33 to 2,937 in the reporting year. Expansion in the Czech Republic (17 new outlets) was offset by closures in Ukraine (22), Serbia (10) and Hungary (10).

Disproportionate rise in taxes

Income taxes increased year-on-year by € 291 million to € 415 million, which is due to non-recurring effects with deferred taxes in the reporting year and in 2010. In 2011, it was not possible to offset losses in Hungary fully for tax purposes by recognizing tax loss carry-forwards. In addition, gains on own liabilities increased the deferred tax amount.

By contrast, 2010 brought some tax relief, notably through deferred tax income arising from the recognition of tax loss carry-forwards in Austria (€ 120 million) and changes to tax legislation in Ukraine (€ 26 million). In total, the effective tax rate rose from 10 per cent to 36 per cent, which was partly a result of the lower earnings base caused by losses for associates.



Consolidated profit of € 472 million

Profit attributable to non-controlling interests fell by 44 per cent to € 256 million. This was primarily due to the losses in Hungary in which non-controlling interests had a share of around 30 per cent. In addition, the rises in earnings were largely attributable to Group units with few non-controlling interests, if any. After deducting income attributable to non-controlling interests, the consolidated profit accounted for by RZB amounted to € 472 million, which represents a fall of 34 per cent or € 241 million year-on-year.

Earnings per share of € 78.18

Earnings on each of the 5.54 million ordinary shares outstanding amounted to € 78.18 in 2011. The figure in the previous year was € 121.73. The Management Board will propose to the Annual General Meeting in June 2012 that a dividend of € 25.50 per ordinary share and € 34.23 per preference share be paid for 2011. This would result in a total payout of € 160 million.

ROE before tax falls to 10.5 per cent

Return on equity before tax – which is important for measuring performance – decreased year-on-year by 2.0 per cent to 10.5 per cent as a result of the change in net income. Average equity rose by 5 per cent to € 10,874 million. This capital growth was helped by retained earnings and capital contributions, while currency movements and dividend distributions had a dampening effect. Excluding the goodwill write-downs, ROE, at 12.2 per cent, would have been slightly below the previous year's figure. Consolidated ROE – based on the capital attributable to RZB shareholders – also fell as a result of the higher taxes by 5.2 percentage points to 7.8 per cent.

Equity up 2 per cent to € 11.5 billion

Equity including non-controlling interests rose by 2 per cent or € 238 million compared with the beginning of the year to € 11,489 million. The increase from other comprehensive income of € 520 million and contributions by non-controlling interests of € 180 million were offset by a decrease in dividend distributions for 2010 totaling € 462 million. Of this amount, € 160 million was attributable to RZB shareholders, € 20 million to the participation capital and € 282 million to non-controlling interests.

Other comprehensive income was determined, on the one hand, by the profit after tax of € 728 million and, on the other, by currency differences and capital hedges due to write-downs in Russia, Belarus and Poland totaling minus € 319 million.

Net income from financial assets available-for-sale represented a valuation gain after tax of € 118 million. Reversing through profit or loss the valuation gain that arose from cash flow hedging as a result of the end of this hedging activity led to a minus of € 36 million (after taking deferred taxes into account). The hyperinflation accounting that was necessary to apply in Belarus pushed other comprehensive income up by € 95 million.

Increase in tier 1 ratio to 9.9 per cent

Regulatory own funds rose by 2 per cent year-on-year to € 12,725 million. The changes described in equity (excluding net valuation gains on financial assets available-for-sale that are not relevant for regulatory purposes) raised tier 1 capital by 6 per cent to € 9,959 million,

By contrast, tier 2 capital fell by 12 per cent or € 458 million to € 3,318 million as a result of the € 465 million released from hidden reserves (value adjustment pursuant to Art. 57 BWG). Short-term additional own funds (tier 3) increased by 45 per cent to € 100 million as a result of tier 2 issues approaching maturity.

Despite the introduction of the CRD III (Capital Requirements Directive III) regulations – which mainly affect market risk and were responsible for a rise of € 324 million – the own funds requirement remained virtually unchanged, increasing by € 17 million to € 7,982 million. A 2 per cent increase in credit risk and a 59 per cent increase in market risk were offset by a 64 per cent reduction in the own funds requirement for foreign currency risk as a result of a change in methodology.

The tier 1 ratio (total risk) increased by 0.6 percentage points to 9.9 per cent. The own funds ratio rose by 0.2 percentage points to 12.8 per cent. The core tier 1 ratio (without taking hybrid capital into account) improved from 8.5 per cent to 9.1 per cent. The own funds ratio also rose by 0.2 percentage points to 12.8 per cent.

Liquidity-related rise of 10 per cent in total assets

Total assets gained 10 per cent or € 13.6 billion from the beginning of the year, rising to € 150.1 billion, while currency effects reduced total assets by around 1 per cent. The growth in assets reflected higher short-term loans to banks, partly including repo transactions, which raised loans and advances to banks by € 2.7 billion. Cash reserves also increased by € 6.2 billion due to higher balances at central banks. Loans and advances to customers after provisioning rose by € 5.5 billion, largely as a result of loans to major customers and repo transactions with non-banks.

On the liabilities side, the increase was mainly due to two items: deposits from customers rose by € 9.2 billion, which was mainly on account of institutional and corporate customers (€ 6.3 billion) and private customers (€ 3.4 billion). The loan/deposit ratio (loans and advances to customers divided by customer deposits) improved by 10 percentage points compared with the end of 2010 to 125 per cent. Deposits from banks also rose by € 2.5 billion as a result of an inflow of short-term deposits, while securitized liabilities fell by € 2.3 billion as a result of various issues maturing – in particular a € 1.5 billion state-guaranteed bond issued in 2009.

Detailed review of items in the income statement

Operating result

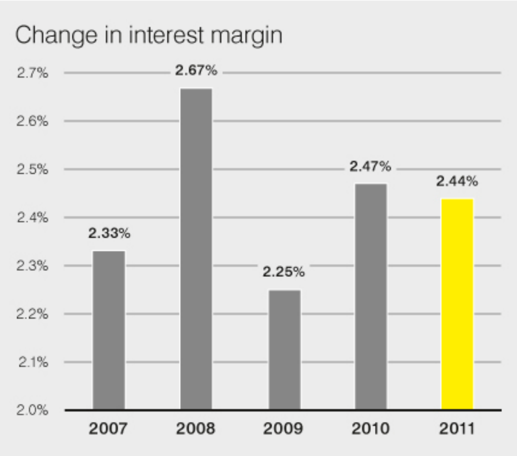
In € million	2011	Change	2010	2009
Net interest income	3,585	(1.2)%	3,629	3,462
Net fee and commission income	1,493	0.1%	1,492	1,422
Net trading income	346	7.1%	323	419
Other net operating income[1]	(8)	–	52	80
Operating income	5,416	(1.5)%	5,496	5,383
Staff expenses	(1,599)	6.0%	(1,508)	(1,387)
Other administrative expenses	(1,214)	1.1%	(1,200)	(1,101)
Depreciation	(396)	9.7%	(361)	(307)
General administrative expenses	(3,208)	4.5%	(3,069)	(2,795)
Operating result	2,208	(9.0)%	2,427	2,588

1 Excl. impairment of goodwill

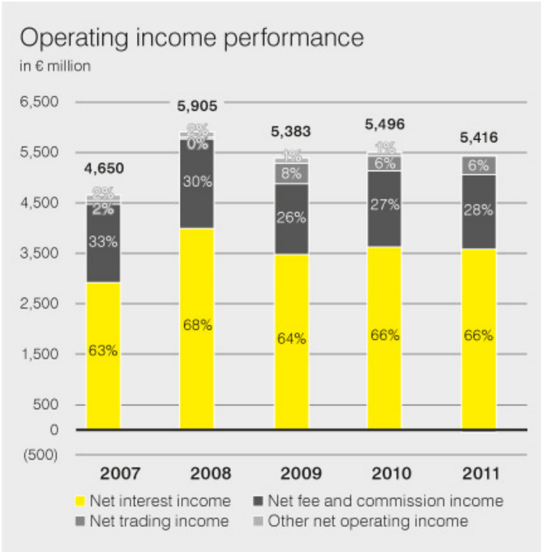
Net interest income

Net interest income fell by 1 per cent or € 44 million to € 3,585 million. Net interest income therefore made up 66 per cent of operating income. The net interest margin (calculated using average total assets) fell by 3 basis points, coming in at 2.44 per cent. Average total assets remained more or less stable year-on-year at € 147,1 million.

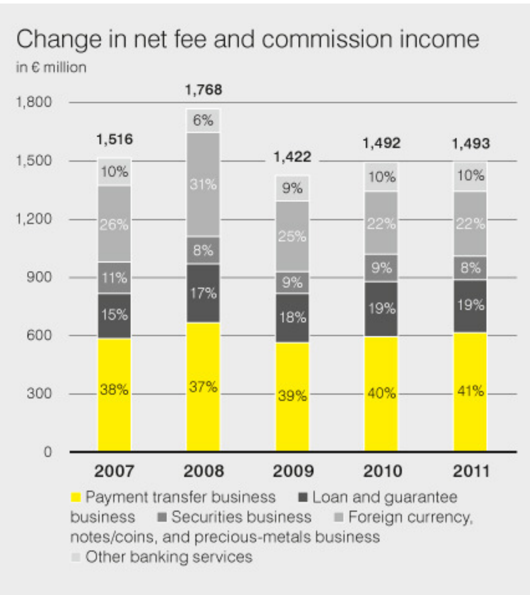
Net interest income was influenced by a wide range of factors in the reporting year. Transactions with customers improved considerably in Russia, Romania, Austria and Slovakia, and the more favorable refinancing conditions also boosted net interest income. Net interest income from financial investments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



Income fell in Hungary due to a large extent to the tough credit environment and a € 42 million drop in customer volumes. Belarus also saw income slip by € 18 million, as the closing price on the reporting date was used for income statement items in line with IAS 29 (hyperinflation accounting). Furthermore, the results of companies included at equity were negative at minus € 87 million, compared to € 33 million in the previous year. The losses mainly resulted from the equity participation in UNIQA Versicherungen AG (minus € 100 million) and the Italian leasing companies (minus € 27 million).



The interest margin for the Raiffeisen Bank International group segment rose by 10 basis points to 2.61 per cent. The top performer was RBI Segment Group Corporates, whose interest margin grew by 34 basis points to 1.97 per cent as a result of improved margins in new business. This segment mainly comprises corporate customer business in Vienna and in the branches and business outlets in Asia and New York. In Russia, the net interest margin rose to reflect increased new business and improved refinancing conditions, up 33 basis points to 4.47 per cent. In the Southeastern European region it rose by 17 basis points to 4.07 per cent, buoyed largely by improved refinancing and lower rates on customer deposits linked to excess liquidity in most SEE countries. The net interest margin for CIS Other declined, depressed by lower net interest income in Belarus, down 9 basis points at 6.1 per cent. The net interest margin for Central Europe lost 13 basis points, coming in at 3.16 per cent due to the tough market conditions (Hungary) and the resulting fall in customer volumes. Net fee and commission income



Net fee and commission income

Net fee and comission income was stable year-on-year at € 1,493 million, accounting for 28 per cent of operating income. Net income from the payment transfer business increased by € 12 million, while net income from other banking services gained € 13 million. In contrast, income from the securities business slipped by € 16 million. Net income from the sale of own and third-party products declined € 6 million year-on-year.

Net income from the payment transfer business was € 611 million and the biggest component of net fee and commission income at 41 per cent. The improved economic situation and resulting rise in transaction volumes underpinned this result. The Ukraine made the largest contribution (€ 103 million), while an optimized pricing policy in the Czech Republic generated a € 13 million increase.

Net income from the loan and guarantee business remained unchanged year-on-year at € 282 million, with Russia and Romania accounting for the largest contributions at € 60 million and € 47 million, respectively. Although Russia recorded a € 26 million gain, narrower margins and lower volumes prompted a € 25 million fall in Romania.

The result from securities fell by € 16 million to € 119 million, mainly due to a reduction in Austria.

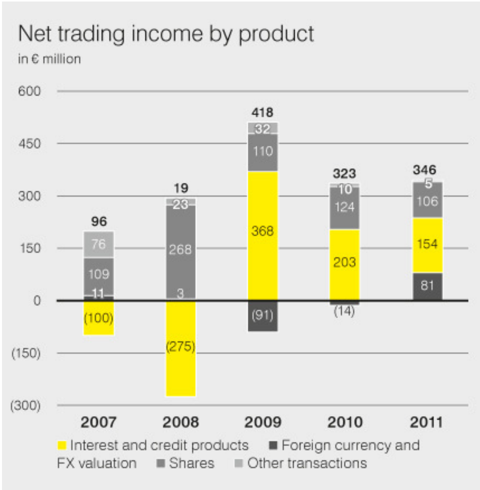
At € 330 million, net income from the foreign currency, notes/coins and precious-metals business was on a par with the previous year. The bulk of income was generated in Russia, Poland, the Czech Republic and Romania. The highest gains were recorded in Russia and the Czech Republic, reflecting increased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

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

Net trading income

Net trading income rose by 7 per cent or € 23 million to € 346 million. The figure comprises net income from interest-based transactions (down € 49 million), net income from currency-based transactions (down € 18 million), net income from equity and index-based transactions (down € 5 million), the credit derivatives business (up € 3 million) and from other transactions (up € 92 million).

Net income from interest-based transactions fell by 24 per cent or € 49 million to € 154 million. Net income in Russia declined by €15 million year-on-year, although the 2010 figure was particularly high due to valuation gains on interest-rate products. Net income also fell in Croatia, driven by valuation losses on government bonds, which came under a great deal of pressure due to the European sovereign debt crisis. The net valuation of interest rate swaps in Austria also fell as the yield curve flattened.



Net income from currency-based transactions was down 14 per cent, dropping € 18 million to close at € 106 million. IAS 29 was used to report high inflation in Belarus, which had a negative impact of € 84 million. However, in Belarus this effect was partially offset by a € 44 million valuation gain linked to the massive devaluation of the Belarus rouble in relation to a strategic currency position taken to hedge equity. Net income in Russia deteriorated in the wake of valuation losses on currency transactions. In Poland, Hungary and the Czech Republic, net income from currency-based transactions was boosted by valuation gains on currency swaps, currency forwards and spot transactions. Net income rose in Austria, boosted by a combination of valuation gains on currency futures and the notes and coins business, which advanced from € 17 million to € 25 million.

Net income from other business stemmed largely from capital guarantees issued by RBI. The accounting methods were adjusted here to reflect changes to the statutory requirements, which resulted in net income of € 81 million.

Other net operating income

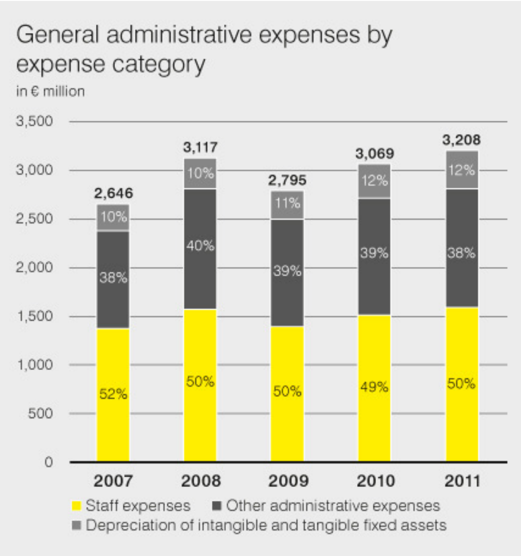
Other net operating income excluding goodwill write-downs fell from € 52 million in 2010 to minus € 8 million. This was largely due to the bank levy introduced in 2011 in Austria, which generated a charge of € 90 million. In connection with the "Home Protection Plan" in Hungary, losses from the restructuring of non-performing loans could be offset against the bank levy, which reduced total non-performing loans by € 31 million to € 10 million in the reporting year.

Net income from investment property including operating leasing (land and buildings not used by the Group) added € 10 million year-on-year, largely from new leases in Croatia and sales by a new Group unit in Russia. Net income from allocations and reversals of other provisions declined by € 16 million to minus € 12 million. This reflected the need for higher provisions in 2010 for legal cases in Russia and Slovakia. Net proceeds from the disposal of tangible assets improved, mainly due to a € 17 million write-up following the revaluation of a building.

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

General administrative expenses

General administrative expenses rose by 5 per cent, up € 139 million at € 3,208 million. The cost/income ratio came to 59.2 per cent (2010: 55.8 per cent).



Staff expenses

Staff expenses constituted the largest item in administrative expenses at 50 per cent. Staff expenses were up 6 per cent year-on-year, adding € 91 million to hit € 1,599 million.

The bulk of this increase was the result of market-related salary increases and bonus payments in certain markets, plus changes to statutory social security contributions in Russia and Slovakia. In addition, the rise in the average number of employees boosted staff expenses in the Czech Republic (expansion of the branch network), the Ukraine, Russia, Poland and Slovakia. The average number of staff employed by the Group (full-time equivalents) rose 1 per cent (up 842) to 60,599. The largest increases were recorded in the Czech Republic (up 349), the Ukraine (189), Russia (137), Poland (87) and Slovakia (75).

Other administrative expenses

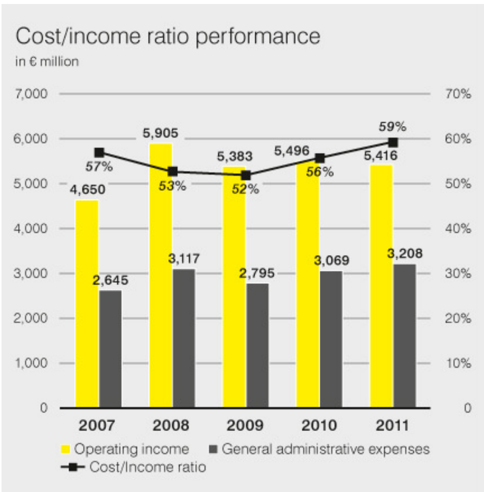
Other administrative expenses rose by 1 per cent or € 13 million to € 1,214 million. IT expenditure rose (plus 10 per cent), as did deposit insurance fees (plus 16 per cent) and security expense (plus 11 per cent). In contrast, other administrative expenses (down 21 per cent), office supplies (down 3 per cent) and communication expenses (down 2 per cent) all fell.

The rise in IT expenses was mainly driven by new projects and software service agreements in Russia, Romania, Poland and Slovakia. In the Czech Republic, new calculation rules resulted in higher deposit protection expenses. Security expenses were higher as a result of increased volumes of precious metal transactions.

The number of business outlets fell by 33 to 2,937 at year-end. The bulk of these reductions were recorded in the Ukraine, down 22, and Serbia, down 10, while numbers increased in the Czech Republic (up 17) and in Romania (9 new outlets).

Depreciation of tangible and intangible fixed assets

The depreciation of tangible and amortization of intangible assets rose by € 35 million year-on-year to € 396 million (2010: € 361 million). The amortization of intangible assets recorded the biggest increase at 12 per cent, advancing € 15 million to € 145 million. This was partly linked to the rollout of new software and a shorter useful life for the systems being replaced. New software projects in the Ukraine, Romania, Russia and Austria also triggered further depreciation. The depreciation of tangible assets gained € 17 million, coming in at € 213 million. The main reason for this increase was an € 11 million impairment relating to a property in Russia.



In the reporting year, investment in the Group totaled € 593 million, with 49 per cent (€ 292 million) invested in Group tangible assets. Intangible assets accounted for 36 per cent of investment, mainly relating to software systems. Assets of the operating leasing business accounted for the remainder.

Consolidated profit

In € million	2011	Change	2010	2009
Operating result	2,208	(9.0)%	2,427	2,588
Net provisioning for impairment losses	(1,099)	(8.2)%	(1,198)	(2,247)
Other results[1]	35	(44.3)%	63	483
Profit before tax	1,144	(11.5)%	1,292	824
Income taxes	(415)	235.3%	(124)	(254)
Profit after tax	728	(37.6)%	1,168	571
Profit attributable to non-controlling interests	(256)	(43.6)%	(454)	(137)
Consolidated profit	472	(33.9)%	714	433

1 Including impairment of goodwill

Net provisioning for impairment losses

Most of RZB's markets picked up in 2011, which improved borrower ratings and thereby slowed the growth of non-performing loans. There was lower net provisioning for impairment losses (the balance of allocations and reversals of provisions for the lending business and direct write-offs, on the one hand, and income in the form of amounts recovered on written-off loans and advances, on the other hand). In addition, during the financial and economic crisis, RZB had already taken action to stabilize and improve the quality of its loan portfolio, as with the targeted loan restructuring, for example. Net provisioning for impairment losses was down by a total of 8 per cent or € 98 million to € 1,099 million. This item also included income from the sale of impaired loans totaling € 8 million. Although the improved environment resulted in a significant reduction in net provisioning for impairment losses in most markets, impairment provisioning rose by 144 per cent to € 478 million in Hungary.

There were marked improvements in Russia (down € 119 million), the Ukraine (down € 92 million) and Austria (down € 49 million). The decline was mainly a result of the improved environment for corporate customers. In Austria, the leasing unit incurred an increase of € 29 million, mainly due to corporate customers in Austria and Italy.

The dramatic decline in Hungary was triggered by the market environment and the new legal conditions for foreign currency loans to retail customers, which required massive loan loss provisions. This resulted in € 282 million in net provisioning, bringing the total to € 478 million. This figure included € 109 million in provisions for the government's home protection plan: i.e. Hungarian legislation specifying that foreign currency loans could be repaid early at preferential exchange rates (with the cost borne by the banks). This corresponds to a repayment ratio of approximately 29 per cent of the relevant foreign currency loans.

Individual loan loss provisions rose 1 per cent (€ 13 million) year-on-year at € 1,212 million, versus portfolio valuation gains totaling € 105 million. This reduction was due to improved non-performing loan risks in Russia and Slovakia, plus lower default rates among corporate and retail customers in the Ukraine.

The net provisioning ratio – i.e. provisioning for impairment losses to average credit risk assets – was 1.26 per cent, an improvement of 19 basis points. The loss rate – i.e. the ratio of charged-off loans to total lending – was 0.39 per cent (previous year: 0.41 per cent).

After currency effects, the value of non-performing non-bank loans was up € 375 million at € 7,216 million, with the biggest rises recorded in Hungary and Bulgaria. The ratio of non-performing loans to total customer loans – NPL ratio – improved 0.1 percentage points to 8.6 per cent. Non-performing loans were offset by provisioning totaling € 4,883 million. The coverage ratio was 67.7 per cent, an improvement of 1.3 percentage points against end-2010.

Other results

Net income from derivatives and designated liabilities

Net income from derivatives and designated liabilities advanced € 496 million to € 408 million. This item comprises net income from hedge accounting (up € 4 million), net income from credit derivatives (plus € 29 million), net income from other derivatives (up € 258 million) and net income from liabilities measured at fair value through profit or loss (up € 206 million).

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

Liabilities at fair value through profit or loss (fair value option) present since 2007 also served to increase net income from derivatives. The portfolio containing RBI issues generated valuation gains totaling € 249 million in the reporting year as a result of higher credit spreads. This combined with the interest component to generate income of € 183 million, compared with minus € 22 million in 2010.

The valuation gains do not affect statutory own funds and, as such, are not relevant when calculating statutory capital requirements (EBA).

Net income from financial investments

The international capital markets were heavily affected by the European debt crisis during the reporting year, resulting in marked fluctuations in the fair value of securities. Net income from financial investments fell by € 328 million to minus € 183 million.

Net income from securities at fair value through profit or loss, comprising valuation gains and income from sales, slipped € 120 million to minus € 137 million in 2011. Share valuation losses in Austria, falls in the value of municipal bonds in Hungary and lower valuations for fixed-income securities in the Ukraine all contributed to the decline.

Net income from equity participations dropped € 154 million year-on-year. This was mainly linked to converting a Bulgarian loan recognized in Austria to an equity participation, which was then written off. However, since the loan loss provisions were released at the same time, there was no effect on consolidated profit. The partial value depreciation for the participation of RZB in the Österreichische Volksbanken AG and the equity participation in Medicur-Holding Gesellschaft m.b.H. reduced net income by € 36 million in total.

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

Impairment of goodwill

The other results were strongly affected by the € 188 million impairment in goodwill recorded in Ukraine, Hungary and Slovenia: The revised macroeconomic forecast for Ukraine and the rise in the applicable discount rate generated a partial goodwill write-down of € 183 million for Raiffeisen Bank Aval, which left the balance sheet showing goodwill for the Bank of € 29 million. Goodwill was already low for the banks in Hungary (€ 3 million) and Slovenia (less than € 1 million), and was completely written off. As at the end of the year, total goodwill came to € 410 million.

Net income from disposal of group assets

In 2011, net income from the disposal of group assets was minus € 3 million. Fourteen subsidiaries were no longer consolidated, four of them on the grounds of immateriality. Seven subsidiaries were deconsolidated due to being closed down and three from being sold. The companies are primarily active in leasing, investment and financial services.

Income taxes

Taxes in the reporting period came to € 415 million, against € 124 million in 2010.

The increase was driven above all by deferred tax liabilities, which came to € 51 million in 2011. Deferred tax income of € 241 million was recorded in 2010. The change was mainly due to valuation gains on derivatives and own liabilities in Austria at fair value. Moreover, it was not possible to offset losses in Hungary fully for tax purposes by recognizing tax loss carry-forwards. By contrast, 2010 brought some tax relief, notably through deferred tax income resulting from the recognition of tax loss carry-forwards in Austria (€ 120 million) and changes to tax legislation in the Ukraine (€ 26 million).

Current taxes remained unchanged versus the previous year at € 365 million.

The net result is that the effective tax rate rose from 9.6 per cent to 36.3 per cent. Adjusted for the one-off effects, the effective tax rate would have been about 31 per cent.

Statement of financial postion

As of 31 December 2011, total assets at RZB amounted to € 150.1 billion. This was 10 per cent or € 13.6 billion above the comparable figure for the end of 2010.

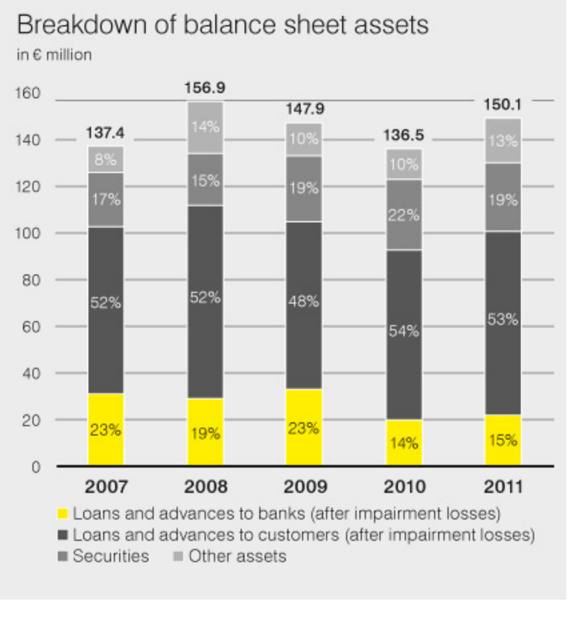
Assets

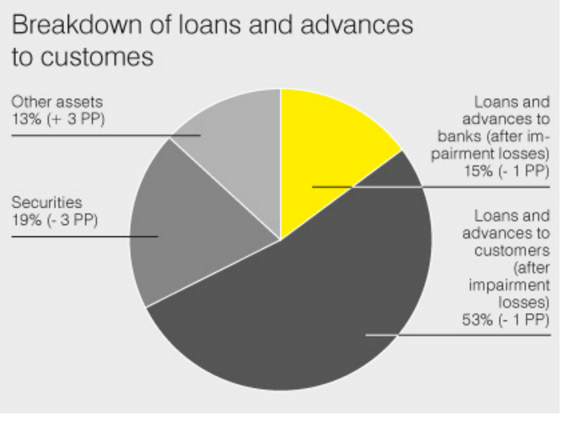
Assets were dominated by loans and advances to customers (after deducting loan loss provisions), which accounted for a share of 53 per cent. The overall volume of financial investments (including those held for trading) amounted to 19 per cent, loans and advances to banks 15 percent, and other assets 13 per cent.

Loans and advances to customers rose 7 per cent in 2011 or € 5.8 billion to € 84.1 billion (before deduction of loan loss provisions). Of the overall loans and advances to customers, the credit business represented € 53.6 billion or 64 per cent and mortgage loans accounted for € 17.9 billion or 21 per cent. Credit business with corporate customers amounted to € 61.0 billion, of which large customers represented € 57.1 billion. The corporate customer business registered the highest growth of 11 per cent or € 5.8 billion, above all in the Group headquarters, Asia and Russia. Loans to retail customers totaled € 21.4 billion and of this, private individuals accounted for € 19.0 billion. At the end of 2011 the loan/deposit ratio (the ratio of customer loans to customer deposits) improved to 125 percent (2010: 135 per cent).

Loans and advances to banks rose by 14 per cent or € 2.7 billion to € 22.5 billion. Due to market-related liquidity requirements, short-term interbank transactions were increased.

At the end of the year, the impairment losses on loans and advances reached € 5.1 billion. Of this, € 4.9 billion represented provisions for loans and advances to customers and € 0.2 billion represented provisions for loans and advances to banks. € 3.1 billion of the customer provisions were related to corporate customers and € 1.8 billion affected retail customers.



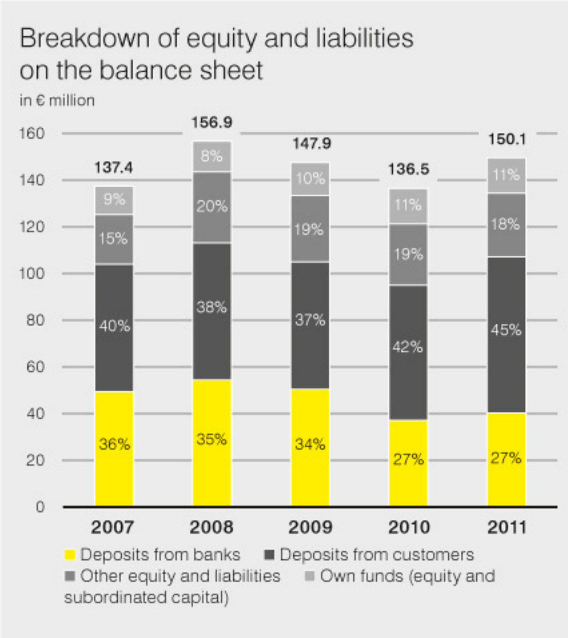


The volume of financial investments (including those held for trading and investments in associates) fell year-on-year by 3 per cent or € 0.8 billion to € 28.9 billion. While assets held for trading increased by approximately € 2.5 billion due to the valuation of derivatives, financial investments contracted (minus € 3.1 billion). This reduction in financial investments was mainly due to the sale of financial assets held to maturity to meet the higher EBA regulatory requirements on equity as well as market developments.

Other assets increased by 31 per cent year-on-year to € 19.8 billion (2010: € 13.6 billion), virtually all of which was due to the higher cash reserve (up € 6.2 billion). Other assets were made up of the cash reserve (€ 13.0 billion), tangible and intangible fixed assets (€ 2.9 billion), derivatives (€ 1.4 billion) and the remaining item of other assets (€ 2.5 billion).

Equity and liabilities

Equity and liabilities were dominated by deposits from customers, which accounted for a share of 45 per cent. Deposits from banks accounted for a 26 per cent share. Equity and subordinated capital represented 11 per cent of the equity and liabilities side of the statement of financial position and the remaining equity and liabilities totaled 18 per cent.



By the end of the year, deposits from customers had risen by 16 per cent or € 9.1 billion to € 67.1 billion. Of total customer deposits, € 36.0 billion was attributable to corporate customers, who were primarily responsible for the rise in deposits of € 6.3 billion. Of this, some € 3.7 billion was from repos. For retail customers, deposits rose € 3.4 billion to € 29.2 billion, which was primarily due to the higher number of deposits in the Czech Republic, Russia and Poland. ZUNO Bank contributed € 0.7 billion to this growth.

The refinancing volume via banks amounted to € 39.9 billion. This represents an increase of 7 per cent or € 2.5 billion compared to the end of 2010. This growth resulted primarily from deposits by commercial banks.

Other equity and liabilities rose by 6 per cent or € 1.5 billion to € 27.2 billion. The largest growth came from trading liabilities with an increase of 69 per cent or € 4.0 billion to € 9.7 billion, caused primarily by swap valuations in Austria. Securitized liabilities dropped by 14 per cent or € 2.3 billion to € 14.3 billion. Unsecured issues are no longer an option due to the market environment, so the focus shifted increasingly towards the issuance of private placements. Overall, the maturity of one of three state-guaranteed RBI bonds led to a decrease of € 1.5 billion.

Equity and liabilities

Equity on the statement of financial position

As of 31 December 2011, Raiffeisen Zentralbank's equity, including consolidated profit and non-controlling interests, amounted to € 11,489 million. This represents a year-on-year increase of 2 per cent or € 238 million.

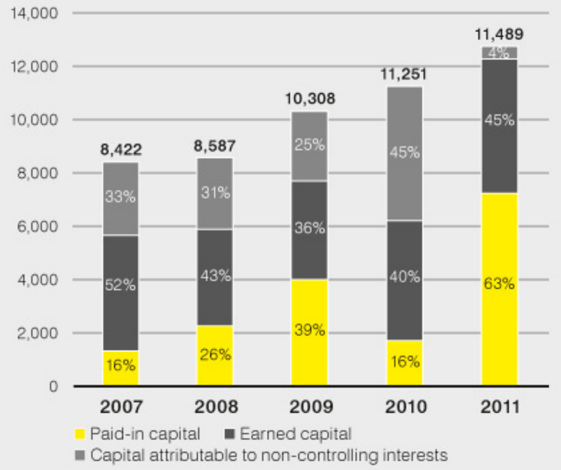
Paid-in capital comprises subscribed capital, participation capital and capital reserves, amounting to € 2,086 million. During the year under review, € 342 million of participation capital was issued.

The capital gained from consolidated profit and retained earnings amounted to € 4,535 million. During the year under review, the Group posted a consolidated profit after the deduction of non-controlling interests in participation capital of € 472 million. Appropriated profit, dividend payments and total comprehensive income had an impact on retained earnings. From the previous year's result, € 534 million was added to the retained earnings. Dividend payments amounted to € 180 million, of which ordinary and preferred shares comprised € 160 million. In addition, a dividend of € 20 million was paid on the participation capital.

Other comprehensive income reduced this amount by € 141 million, primarily due to negative exchange rate differences totaling minus € 213 million (including capital hedges). By contrast, the hyperinflation in Belarus had a positive impact, contributing € 66 million, while net income from valuation on financial assets available for sale was € 118 million after deferred taxes. As a result of a change in the hedging strategy, cash flow hedging was discontinued in the second quarter of 2011 and replaced by portfolio hedges. Valuation losses on ending the cash flow hedge (after taking deferred taxes into account) amounted to € 36 million.

Breakdown of consolidated equity on the statement of financial positions

in € million



Consolidated profit amounted to € 472 million.

The equity attributable to non-controlling interests fell from € 169 million to € 4,867 million. Total comprehensive income increased these non-controlling interests by € 189 million, of which € 256 million relates to the annual results. The dividend payments decreased non-controlling interests by € 282 million. Furthermore, the non-controlling interests were reduced by a further € 254 million following the acquisition of shares previously held by Raiffeisen Landesbanks in Group banks in Central and Eastern Europe. Contributions from other shareholders of Group companies helped to increase non-controlling interests by € 180 million.

Own funds pursuant to the Austrian Banking Act (BWG)

All non-retail business divisions of RBI AG and the subsidiaries of RZB Banking Group in Croatia, Malta, Romania, Slovakia, the Czech Republic, Hungary and the USA use the basic IRB approach to measure credit risk, while a large part of the loans and advances to private customers in Slovakia and Hungary are measured under the advanced IRB approach. All other Group units use the standard approach. Market risk is predominantly calculated according to the standard approach in accordance with section 22 of the Austrian Banking Act (BWG), whereby RBI AG carries out the calculation in part according to the internal model. The consolidated figures presented below were determined based on the provisions of the Austrian Banking Act.

Consolidated own funds pursuant to the Austrian Banking Act amounted to € 12,725 million as of 31 December 2011, which represents an increase of 2 per cent or € 193 million.

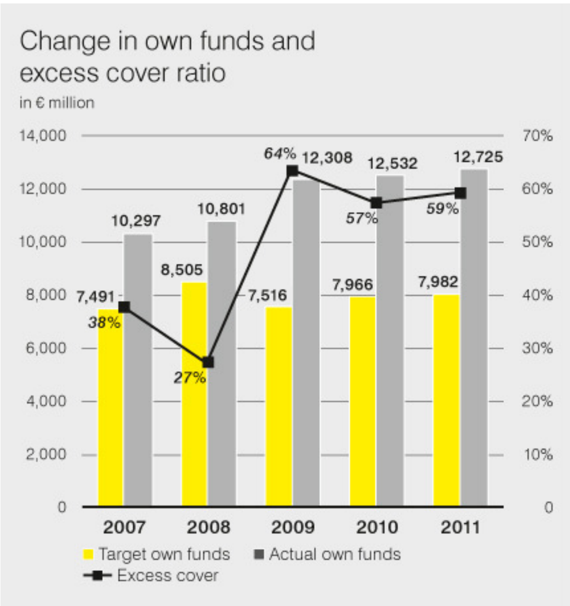
Core capital rose 6 per cent or € 567 million to € 9,959 million, primarily due to profit from the financial year and the hidden reserves amounting to € 465 million that were released from the valuation reserve through the income statement in the reporting period pursuant to art. 57 of the Austrian Banking Act. The dividends proposed by the Management Board for the financial year 2011 had already been deducted from core capital. The depreciation of the Belarus rouble, Hungarian forint and Polish zloty in particular against the euro had a negative impact on equity.

Additional own funds amounted to € 3,318 million (2010: € 3,776 million). This item consists of long-term subordinated capital, of which the largest part pertained to RBI AG at € 2,486 million, supplementary capital of RBI AG (€ 599 million), and the surplus provision for IRB positions (€ 234 million). The aforementioned hidden reserves that were released from the valuation reserve through the income statement pursuant to art. 57 of the Austrian Banking Act reduced additional own funds.

Short-term subordinated capital rose by € 31 million to € 100 million as a result of maturing tier 2 issues. Total deductions relating to participations, securitization and insurance companies amounted to € 653 million (2010: € 706 million).

Own funds contrasted with the slightly higher own-funds requirement of € 7,982 million, an increase of € 17 million. The own funds requirement for credit risk was € 6,513 million (an increase of € 114 million), of which € 3,397 million related to the standardized approach and € 3,117 million to the IRB approach. The requirement for position risk in bonds, equities and commodities increased by € 193 million to € 520 million, primarily due to the introduction of the CRD III regulations. Own funds required for open currency positions fell by € 245 million to € 140 million, despite increases due to CRD III resulting from a change in the calculation method. The requirement for operating risk was € 809 million (2010: € 854 million).

This led to an improvement of 2.1 per cent in the excess cover ratio to 59.4 per cent or € 4,742 million.



The tier 1 ratio – based on credit risk – was 12.2 per cent. Based on total risk, the tier 1 ratio was 9.1 per cent, with a core capital ratio of 9.9 per cent. The own funds ratio totaled 12.8 per cent.

Measures to achieve EBA requirements

European banks are required to raise their core tier 1 ratio as defined by the European Banking Authority (EBA) to 9 per cent by 30 June 2012 to shore up the financial system. For the RZB Group, this resulted in a need for around € 2.1 billion. RZB Group is taking the necessary measures to comply with the new requirements without needing state assistance. For this, RZB is implementing around 20 programs, which are expected to contribute around € 3 billion toward achieving the target.

These include the following programs, among others:
- Reducing the capital required through a "capital clean-up" and reducing non-core business with a focus on market risk positions.
- Attracting regulatory capital by converting supplementary own funds (upper tier 2) into hard core capital (core tier 1 capital).
- Increasing hidden reserves, allowing for and allocating earnings (including on a pro rata basis).
- Including privately subscribed participation capital as hard core capital qualifying for EBA.
- Reducing non-core business activities (e.g. trading book, business outside the home market).

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

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

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

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

Control environment

An internal control system has been in place for many years at RBI that includes directives and instructions on key strategic topics. This system comprises

- the top down decision-making process for approving Group and company directives as well as departmental and divisional instructions,

- process descriptions for the preparation, quality control, approval, publication, implementation and monitoring of directives and instructions,
- rules on the revising and repealing of directives and instructions.

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

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

Risk assessment

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

Control measures

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

Consolidation

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

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

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

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

Information and communication

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

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

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

Monitoring

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

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

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

Funding

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

Continuing uncertainty in the capital markets

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

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

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

Stable basis for refinancing

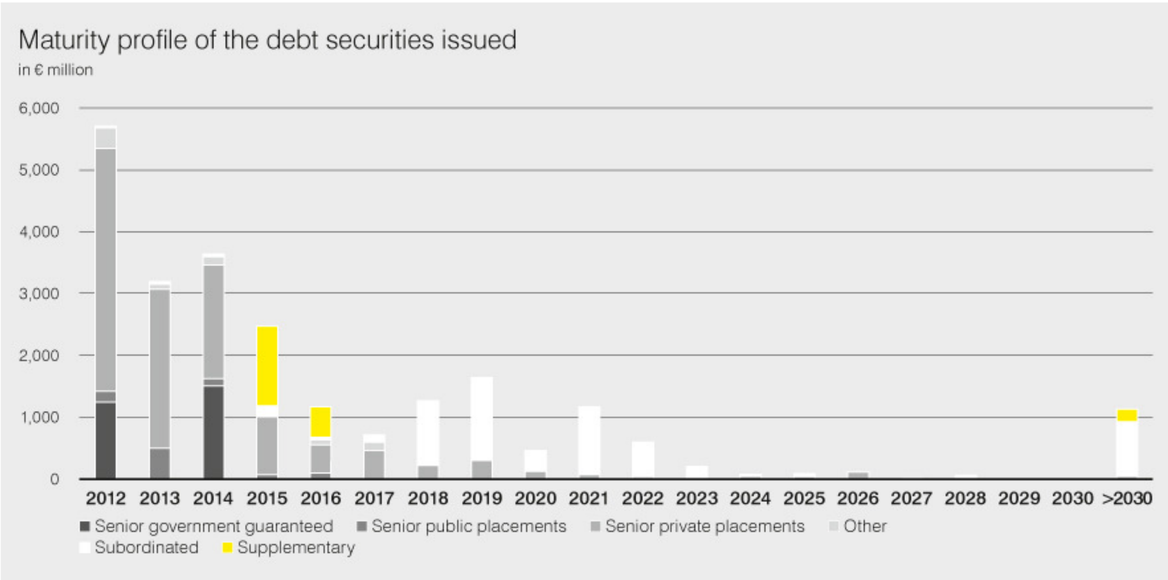
The refinancing of RZB is founded on two pillars: The first is customer deposits, which totaled € 67.1 billion at the end of 2011, or 53 per cent of the refinancing. The second is wholesale funding which, including subordinated liabilities, contributed € 58.6 billion and the remaining 47 per cent, of which refinancing via the Raiffeisen Banking Group accounted for € 13.4 billion. The high share of customer deposits creates a stable refinancing basis, making RBI less vulnerable to the upheaval in the financial markets.

In € million	31/12/2011		31/12/2010	
Customer deposits	67,114	53%	57,936	50%
Medium- and long-term refinancing	24,447	19%	26,950	23%
Short-term refinancing	29,704	24%	27,010	23%
Subordinated liabilities	4,418	4%	4,254	4%
Refinancing total	125,683	100%	116,150	100%

Diversified funding sources

Almost two thirds of the medium- and long-term wholesale funding of RZB were generated by the Group headquarters in 2011. The other third was contributed by the other Group units.

The Group banks in CEE also used the international markets for financing: e.g. through a syndicated loan by the Romanian subsidiary, with participation by the European Bank for Reconstruction and Development (EBRD), and structured financing in Croatia. Particularly important for subsidiaries in Central and Eastern Europe is long-term financing from sources that are less affected by changes in the international capital market. These will become even more important in the future.



In addition to the financing secured by the export credit agencies, financing secured by supranational institutions represents a further financing source. At the end of 2011, some 11 per cent of the outstanding volume came from institutions such as the European Investment Bank (EIB) or the European Bank for Reconstruction and Development (EBRD). These loans are generally long term and significantly improve the structure of the financing mix. Cooperation with these supranational institutions is an important element of funding in the regions where RBI operates, and will continue to play an important role in the future. Cooperation thus reaches not only the financing domain, but also other domains: e.g. the risk-sharing programs that provide optimization of risk-weighted assets.

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

Risk management

Basically risk management is provided at several levels within the Group. Raiffeisen Zentralbank, as the parent bank, has various Service Level Agreements with RBI AG risk management units, which develop and implement the corresponding concepts with Group subsidiaries. The central risk management units are responsible for the appropriate and suitable implementation of the risk management process across the Group. They establish risk management guidelines and define business-specific requirements, tools and procedures for all Group businesses.

Local risk management units are also present in the various legal Group units. The latter implement the risk policy in the relevant risk categories and steer the business within the approved risk budget to achieve the aims of the business policy. To this end, they monitor risks occurring with the aid of standardized measuring methods and also report these using set reporting interfaces to the central risk management units.

As stipulated in the Banking Law the function of the central and independent risk control is exercised by the Risk Controlling organizational division. The tasks of this division include the compilation of the Group-wide and risk category-wide regulations for Group risk management and the independent and neutral reporting on the risk profile to the Board and the individual business division managers. The necessary risk capital for the various business units is also determined in this domain and the use of the risk capital budget set to evaluate the appropriateness of the capital adequacy calculated.

Raiffeisen Zentralbank Risk Controlling uses the risk management of RBI AG to implement the Group-wide risk management strategy and guidelines in the scope of Raiffeisen Bank International.

Uncertainties on the markets

The year 2011 was marked by enormous uncertainty on the markets. While the recovery in the global economy continued in the first half of the year, a completely different picture was painted in the second half-year. The sovereign debt crisis in the peripheral EU member states and protracted negotiations – as well as political disagreements on countermeasures to be taken, in particular – spread nervousness and caused enormous mistrust on the European markets. Financial institutions began to stockpile their liquidity surpluses in the summer, placing them in the safe haven of the European Central Bank rather than on the interbank market. The number and volume of new issues fell drastically in comparison with the previous years. On the equity markets, too, heightened nervousness could be felt, both due to enormous price volatility and by significant loss in value, in particular of financial securities.

In this environment, RBI's risk management used a combination of new and existing instruments to deal with the increased market volatility and enable an early response to changes in general economic circumstances. The focus was, above all, on preserving the strong liquidity position. Outstanding risk positions versus governments and financial institutions were further reduced, particularly in markets affected by the sovereign debt crisis. Internal processes and structures were also critically evaluated, both to ensure the desired efficiency of the risk control system and also to protect against and manage potential risks from operating processes. These measures thus contributed to enhancing the resistance of the RBI credit portfolio.

Stress tests

In the first half of 2011, the European Banking Authority (EBA) carried out a stress test in which 90 European banks participated. Specific attention was paid to the direct and indirect influences of predetermined crisis scenarios on future capital requirements, necessary provisioning for impairment losses as well as earnings and capital components, based on variables like GDP growth rates, exchange rates and risk premiums.

The EBA set a tier 1 ratio of 5 per cent (i.e. core tier 1 ratio as per CRD III) as the target value after reaching the crisis scenario over two years. This value was clearly exceeded by RBI by 7.8 per cent. The minimal fall in the capital ratio over the stress period of 0.3 percentage points showed the resistance to crisis of RBI with respect to the scenarios represented.

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. In this regard, RBI showed only a very slight exposure to European peripheral countries and has further reduced this since the publication of this data. At the same time, risk management reduced the limits and the exposed risk amounts in order to counteract the negative consequences of the European sovereign debt crisis.

Following analysis of the effects of the stress tests carried out and in view of the macroeconomic developments, the EBA decided in autumn 2011 to re-verify the adequacy of bank capitalization. The capital requirement existing in the participating banks was tested to achieve a capital ratio of 9 per cent. In order to make the European financial institutions more resistant against the volatile market environment and to safeguard financial market stability, the banks must achieve this ratio by the end of June 2012. RBI participated only indirectly in this exercise as a unit of RZB. Hence, there are no detailed results for RBI. Nevertheless, RBI, as part of RZB, drew up a large number of initiatives to achieve the prescribed ratio. Implementation of these measures was initiated from 2011 onward.

In addition to the core tier 1 ratio of 9 per cent, the EBA drew up a further capital requirement as a buffer for dormant charges in the banks' government portfolio resulting from unrealized losses from liabilities with governments, the market value of which has fallen over the course of the sovereign debt crisis. This produced no additional capital requirement for RZB.

In addition to the regulatory stress tests carried out by the supervisory authorities, internal analyses were also conducted in 2011 for further scenarios and potential risk drivers. Close cooperation with all the risk management divisions and including other experts from the network banks and controlling paved the way for consideration of a large number of risk factors and their effects on solvency 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 quickly adopt countermeasures for any threatening scenarios.

Hungary

Both the economy and the political climate in Hungary constitute a particular challenge for risk management. Unlike other CEE countries, the Hungarian economy has quite low growth rates. Raiffeisen Research predicts a drop in GDP in real terms of approximately 2 per cent. Accordingly, a further increase in the NPL ratio is expected on the Hungarian market. RBI predicted a ratio of 22.7 per cent in December 2011 for Hungary. Credit risk management uses an early warning system designed to minimize losses by identifying potential credit quality downgrades. It then actively reduces the credit exposure and increases collateral for customers with a poor credit rating.

In 2011, risk provisions of €478 million were set aside for Hungary. Whereas individual loan provisions were € 521 million, the amount for portfolio provisions was € 43 million. This increased the coverage ratio to around 61.7 per cent.

In addition to the banking levy introduced in Hungary in 2010 and the current legal restrictions for banks – e.g. in property valuation – a law passed by the Hungarian parliament on 20 September 2011 allows private customers with mortgage loans to pay back early in Swiss francs, euros and Japanese yen at set exchange rates. The exchange rates are HUF 180 to CHF 1, HUF 250 to EUR 1 and HUF 200 to JPY 100. The actual exchange rates as of 31 December 2011 were HUF 259.3 (CHF), HUF 314.8 (EUR) and HUF 310.5 (JPY 100). The exchange rates set at 31 December 2011 were around 31 per cent for the

Swiss franc, around 21 per cent for the euro and around 36 per cent for the Japanese yen below the actual exchange rates. The legislation applies to bank customers that took out foreign currency loans when the exchange rates were at or below these rates. Customers had until 30 December 2011 to give notice that they intend to fully repay the loans, after which payment must be made within 60 days.

The table below shows the mortgage loan volumes in foreign currency to retail customers in Hungary:

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

Das Volumen der tatsächlichen oder noch zu erwartenden Rückzahlungen betrug per 31. Dezember 2011 € 401 Millionen, was einer Annahmequote von 28,9% entspricht. Rund die Hälfte davon wurde bereits im Jahr 2011 konvertiert, für den Restbetrag wurden entsprechende Vorsorgen getroffen. Der daraus resultierende Verlust betrug € 109 Millionen. Der in den Folgeperioden entgehende Zinsertrag beträgt rund € 18 Millionen.

Liquidity risk

Liquidity risk management was one of the most heavily impacted and challenged units of risk control in 2011. In addition to the increased frequency of internal reporting and the huge number of additional analysis tasks since the drying up of the issuance markets, extraordinary measures were taken to ensure that RBI's strong liquidity buffer was guaranteed. At the same time, the crisis scenario analyses used in internal risk assessment and management were further developed and incorporated into the liquidity and balance sheet structure management of the key Group units.

The cash flow modeling for the regularly anticipated case was reworked in 2011 and expanded to include lessons from previous years. The resulting outlook for capital commitment and refinancing requirements have also been incorporated into the internal production costs calculation. This should provide greater transparency with respect to actual costs and risks, but should also naturally give the right management impulse.

The scheduled implementation of liquidity rules in accordance with Basel III was a further topic relating to liquidity risk in 2011. Although no final version of the legislation yet exists and this can be interpreted in very varying ways, calculations have already been made for RBI and individual Group units. Implementation of the required data environment and corresponding calculation applications have also been introduced and will be a particularly important workstream in 2012.

The Liquidity Contingency Committee (LCC) is a body that deals with liquidity management and measures in the event of strained market conditions or crises. Due to the strained market situation, the LCC was convened in the second half of 2011 and met several times up to the end of the year.

Simulating net interest income

RBI’s net interest income is a significant component in earnings and makes a substantial contribution toward strengthening its capital and the success of the business model. In order to account for this significance, the risk management of interest flows is done alongside liquidity risk. To reflect this importance, a separate unit was established in risk management to simulate this earnings component in various scenarios. In close cooperation with the market units, RBI is preparing itself for various developments in the markets, so that it can respond rapidly to adverse trends. In 2011, further development of the available analysis and reporting tools played a central role, as did the harmonization of these innovative systems within the Group.

Market risk

Since January 2010, market risk management has been based on the figures from an internal model. The model uses a hybrid approach: i.e. a combination of historical and Monte Carlo simulations with around 5,000 scenarios – to calculate value at risk (VaR) for changes in the risk factors of foreign exchange, interest rate changes, credit spreads for bonds, credit default swaps and equity indices. To improve modeling of risk factors where the probability of extreme price changes exceeds the probability given by the normal distribution, the model incorporates numerous add-ins, such as adding extreme events to the scenarios, or taking into account current volatility in scenario generation, together with various time horizons in volatility estimation. This model approach offers a suitable basis for implementing the strict Basel III requirements in internal models. The model was additionally expanded around a stressed VaR module, which has complied with current regulatory requirements since 1 January 2012.

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

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

Management of non-performing loans

The year 2011 was a difficult period for Central and Eastern Europe, which was also manifested in an increase in non-performing loans (up 5 per cent or € 374 million in comparison with 2010). The reconstitution of corresponding net provisioning for impairment losses was, however, partly compensated by substantial gains from restructuring measures. Furthermore, appropriate hedging was ensured by value adjustments. This will also be an area of focus in 2012.

RBI also achieved significant process improvements in 2011 in the early recognition of at-risk loans and their treatment, thereby preventing to a great extent a further increase in non-performing loans. Important cornerstones for this are the increased scope of the portfolios in question and the improved efficiency of the processes, the further development of reporting and the ongoing exchange of experience among the individual members of the Financial Institution Group.

Basel II and III – regulatory environment

RBI was also kept extremely busy in 2011 with the forthcoming regulatory developments. A major part of the anticipated change comes from the EU CRD III capital requirement guideline and the more far-reaching CRD IV/CRR directive. The potential influence of the new and modified statutory regulations on RBI was analyzed in detail. Corresponding internal guidelines were issued where necessary, regarding remuneration policy and the appropriateness of remuneration.

Besides the preparations already initiated in connection with the new Basel III regulations, RBI risk management focused on the ongoing implementation of the revised Basel II approach. The Basel II-related activities include implementing the internal ratings-based (IRB) approach in the retail and non-retail segments of the subsidiaries in CEE, further development of the internal market risk models, and Group-wide introduction of the standard approach for operational risk. The following table shows an overview of the current status of these projects. Implementation of the IRB approach in CEE subsidiaries will be pursued in 2012.

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

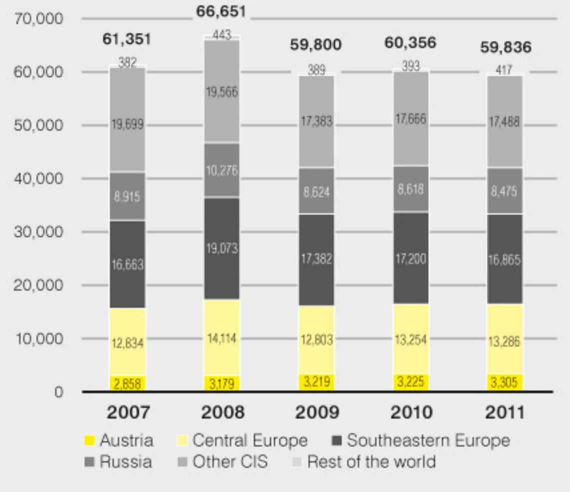
1 IRB = Internal ratings-based approach
2 Only for risk related to the open currency positions and general interest rate risk in the trading book
3 STA = Standard approach
4 Only on a consolidated basis

The standard approach is currently used in all key Group units to calculate capital requirements for operational risk under Basel II.

Human Resources

As of 31/12/ 2011, RZB employed a staff of 59,836 (measured in full-time equivalents), which is a reduction of 520 employees or 1 per cent compared with the level of 2010. The share of women was on average 68 per cent group-wide. The average age of the employees was 36 years. This relatively young age reflects the swift growth of the past years and thus the intense recruiting activities. The high professional and personal qualifications of the employees are manifested, among others things, in the 74 per cent share of university graduates.

Human resource status as of the balance sheet date (Employees in full-time equivalents)



Significant changes in the area of compensation

Changes in the Austrian Banking Act (§39 b BWG), which were based on an EC Directive (Capital Requirements Directive III, CRD III), have demanded mandatory requirements for variable compensation systems of banks since 2011. The objective is to motivate employees to act in a manner that is more strongly focused on sustainability and long-term outlook. Against this backdrop, RZB has adjusted its compensation schemes accordingly in 2011 and developed special regulations for members of management, risk buyers, employees with control functions, and employees who belong to the same compensation group as management and risk buyers and whose work has a significant impact on the risk profile (so-called risk personnel).

The effect of specific criteria – e.g. business model, assets, economic capital, etc. – was evaluated for all companies belonging to RZB, and the application of the newly developed compensation guidelines were determined and so-called risk personnel defined. Based on these factors, very detailed general compensation principles were defined as a basis for the compensation policy and practice. In addition, special principles such as deferring parts of the variable compensation over a defined period of time were implemented for the risk personnel.

The harmonization and restructuring of the compensation structures, which commenced in 2010 as part of the merger between the business divisions of RZB and Raiffeisen International, was continued and concluded in 2011.

One of the tasks in 2011 was the development of a new, unified compensation system (including a new bonus system) for the company, which complies with the new regulatory conditions. In addition, the base pay structures were subject to comparison with the market, and salary ranges for various function groups were developed.

Events after the balance sheet date

Restructuring of the Austrian Volksbanken AG

In February, the Republic of Austria achieved an agreement with the owners of the Austrian Volksbanken AG (ÖVAG) concerning the restructuring of the bank. During the course of restructuring, the 5.7 per cent indirect share in ÖVAG held by Raiffeisen will be strongly diluted because of a reduction in capital. Raiffeisen Zentralbank will not participate in the subsequent capital increase, but rather is striving for an exit. As further restructuring contribution, RZB will contribute to the restructuring process € 500 million to liquidity and € 100 million to equity capital by 31 August 2012.

Within the scope of budget consolidation by the Republic of Austria and in the context of expenditures of the Republic for the restructuring process of the ÖVAG, the so-called stability dues will likely be increased by 25 per cent. In addition, the government announced that it would cut in half the government subsidies for housing and pension products.

Strengthening of core capital

On 5 March 2012, the offer deadline for the repurchase of several hybrid capital issues of RBI ended. RBI repurchased securities with a total nominal value or preferred liquidation amount of € 358 million. Through this repurchase, the core tier 1 capital of the RZB Financial Institution Group increased by approximately € 113 million (difference between the nominal value and the repurchase value) or the core tier 1 ratio by 0.1 percentage points. Consequently, the capital structure will be strengthened accordingly against the backdrop of changing regulatory requirements.

Acquisition of Polbank

On 3 February 2011, RBI concluded an agreement with the Greek EFG Eurobank Ergasias S.A. (Eurobank EFG) concerning the acquisition of a majority 70 per cent stake in its business unit Polbank EFG (Polbank). With its strong focus on private clients, Polbank complements well Raiffeisen Bank Polska, which is more focused on commercial clients.

During the financial year 2011, important steps to acquire Polbank – such as approvals by the EU Commission and the transfer into a bank with its own license – as well as preparations for the future organizational structure of the merged bank were successfully completed. The closing of the transaction now depends solely on the approval by the Polish regulatory authorities.

RZB Group continues to be active in investment banking via RBI

During the first two months of 2012, RBI AG issued approximately 40 bonds and has achieved an issue volume of € 1.119 million.

Outlook

Economic outlook

Central Europe

Having benefited from stable trends in the export markets in 2011, Central Europe's economies are forecast to be significantly gloomier in 2012. Against this backdrop, Poland's GDP growth may decline from 4.3 per cent in 2011 to 2.8 per cent in 2012. The situation is similar in Slovakia, which still reported growth of 3.3 per cent in 2011, but is likely to suffer a drop in economic output of 0.8 per cent in 2012. For the Czech Republic, a decline in overall economic activity by 0.2 per cent is forecast due to continued weak domestic demand and slump in exports as a consequence of the expected recession in the eurozone. Similar developments are expected in Slovenia, where heavy dependence on exports, fragile banking sector and holdup in political reforms make the prospects look grim. In Hungary, confidence on the part of investors is suffering due to political decisions. This, coupled with weak domestic demand, leads to forecasts calling for an economic downturn of 0.5 per cent for 2012.

Southeastern Europe

The renewed slowdown in the eurozone's economy, combined with persistently weak investment activity, is likely to have a dampening effect on Southeastern Europe too, and could lead to stagnation or even recession in some countries. Tighter lending, persistently high unemployment and a drop in transfers from Southeastern Europeans working abroad are weakening consumer spending. Governments there also have little scope to significantly increase consumption or finance investments. Hence, only a slight increase in GDP of roughly 0.3 per cent is expected for the year 2012.

CIS

For 2012, less growth is forecast for Russia despite an expected continued high price for crude oil. It is increasingly difficult for Russia to turn the export price level into robust economic growth. However, with GDP of 3.7 per cent, economic growth should continue to clearly hover in positive territory and above the level of the eurozone. Domestic factors boosting the economy – through both private demand and investments – are likely to be somewhat weaker year-on-year. Developments in Ukraine are expected to be similar. Like Russia, the country is heavily dependent on the volatile prices for commodities and therefore particularly exposed to risk in the current global environment. Economic growth here should decline to 3.5 per cent from 5.2 per cent. Continued strong domestic consumption stands in contrast to the merely moderate contribution to the growth from net exports. In 2012, Belarus will still have to deal with the consequences of the economic crisis. Despite continued high inflation and devaluation pressure, gross domestic product is forecast to increase by 3.0 per cent.

Eurozone

The results of economic surveys signal a clear economic cooldown for the end of 2011/early 2012. Most countries are hardly able to take any fiscal countermeasures against the downturn because of the high costs of financing. On the contrary, a continued fiscal policy focusing on restrictions is expected for most eurozone countries in 2012. In addition, the political environment should be rather turbulent over the course of the year. Austerity packages and structural changes on national levels, as well as rescue packages on the total European level, will continue to be accompanied by criticisms and protests. In light of these overall conditions, a noticeable recession is anticipated from the end of 2011 to mid-2012. On the demand side, recession in the euro area should be marked particularly by a decline in investments and public-sector consumption demand. Assumptions are that some countries in the eurozone will suffer a contraction in economic output in 2012: Belgium (minus 0.2 per cent), Germany (0.0 per cent), Finland (0.0 per cent), France (0.1 per cent), Ireland (minus 0.7 per cent), Italy (minus 1.8 per cent), Austria (0.3 per cent), and Spain (minus 1.2 per cent). The steepest declines are expected for Greece (minus 5.5 per cent) and Portugal (minus 3.8 per cent).

Asia

In 2012, China will remain the growth engine of the Asian region even if a slowdown in growth momentum is expected to be noticeable due to a worldwide decline in demand for exports and internal imbalances in the real estate sector. Diminishing inflation pressure paves the way for monetary policy countermeasures. At the same time, expectations indicate that fiscal policy will not provide the strong support as it did in 2009 (massive investment expansion), but it will resort to smaller actions that revitalize mainly consumption, which should support low-income groups. Overall, the 7.5 per cent growth objective of the government should be exceeded when seen over the entire year of 2012. In addition, India is also confronted by a significant slowdown in economic growth. The average growth forecast is expected to be at 7.0 per cent for 2012.

Business outlook

Based on the economic environment and restrictive regulatory provisions, we forecast stable business volumes for 2012. In the RBI subgroup segment, corporate clients will continue to form the basis of the business. In the medium term, the retail clients segment should garner a larger share of the Group's business volume than in the past.

In light of the continuously changing regulatory requirements and further strengthening of the balance sheet structure, we are continuously reviewing the amount and structure of our equity capital in order to be able to act flexibly within a timely manner. Depending on the further development of the markets, executing a capital increase at RBI continues to present a possible option.

Despite the forecast calling for sluggish economic growth, we expect the net provisioning ratio to stabilize while the volume of non-performing loans should only increase slightly. Based on current developments of the economic and political environment, we cannot estimate precisely when the turning point is reached regarding non-performing loans.

Compared to the previous year, we estimate the bank levies to increase in 2012. These are estimated to weigh on the result to the extent of roughly € 185 million (about € 125 million thereof for Austria, around € 40 million for Hungary, and roughly € 20 million for Slovakia) in Austria and the CEE.

Also in 2012, we will increasingly focus on cost development. For this purpose, cost-savings programs were implemented particularly in RBI and UNIQA with the goal to achieve flat growth in costs. The number of branches in CEE should remain stable in 2012, without considering Polbank. However, this may lead to further optimization of the branch network in particular countries.

Consolidated financial statements

Statement of comprehensive income

Income statement

€ 000	Notes	2011	2010	Change
Interest income		6,691,842	6,446,936	3.8%
Current income from associates		(86,590)	33,456	–
Interest expenses		(3,020,389)	(2,851,741)	5.9%
Net interest income	(2)	3,584,863	3,628,651	(1.2)%
Net provisioning for impairment losses	[3]	(1,099,305)	(1,197,730)	(8.2)%
Net interest income after provisioning		2,485,558	2,430,921	2.2%
Fee and commission income		1,799,552	1,755,100	2.5%
Fee and commission expense		(306,693)	(263,206)	16.5%
Net fee and commission income	(4)	1,492,860	1,491,894	0.1%
Net trading income	[5]	345,718	322,649	7.1%
Net income from derivatives and designated liabilities	[6]	408,229	(88,041)	–
Net income from financial investments	[7]	(182,793)	145,360	–
General administrative expenses	[8]	(3,208,011)	(3,069,145)	4.5%
Other net operating income	[9]	(194,945)	52,439	–
Net income from disposal of group assets	[10]	(2,817)	6,051	–
Profit before tax		1,143,798	1,292,128	(11.5)%
Income taxes	[11]	(415,333)	(123,884)	235.3%
Profit after tax		728,465	1,168,244	(37.6)%
Profit attributable to non-controlling interests		(256,005)	(454,580)	(43.7)%
Consolidated profit		472,459	713,664	(33.8)%

Transition to total comprehensive income

€ 000	Total 2011	Total 2010	Group equity 2011	Group equity 2010	Non-controlling interests 2011	Non-controlling interests 2010
Profit after tax	728,465	1,168,244	472,459	713,664	256,005	454,580
Exchange differences	(350,072)	188,710	(237,563)	141,566	(112,509)	47,144
hereof unrealized net gains (losses) of the period	(350,072)	188,710	(237,563)	141,566	(112,509)	47,144
Capital hedge	31,321	(11,332)	24,593	(8,898)	6,728	(2,434)
Hyperinflation	95,152	0	65,553	0	29,599	0
Net gains (losses) on derivatives hedging fluctuating cash flows	(45,951)	38,578	(36,080)	30,292	(9,871)	8,287
hereof unrealized net gains (losses) of the period	(46,904)	38,578	(36,829)	30,292	(10,075)	8,287
hereof net gains (losses) reclassified to income statement	953	0	748	0	205	0
Changes in equity of companies valued at equity	(44,741)	11,576	(40,512)	7,341	(4,229)	4,235
Net gains (losses) on financial assets available-for-sale	150,824	315	118,426	(1,863)	32,398	2,178
hereof unrealized net gains (losses) of the period	116,245	315	91,275	(1,863)	24,970	2,178
hereof net gains (losses) reclassified to income statement	34,579	0	27,151	0	7,428	0
Deferred taxes on income and expenses directly recognized in equity	(44,556)	(7,680)	(34,985)	(5,816)	(9,571)	(1,865)
Other comprehensive income	(208,022)	220,167	(140,567)	160,757	(67,455)	59,410
Total comprehensive income	520,443	1,388,411	331,892	874,421	188,551	513,990

Other comprehensive income

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

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

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

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

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

Retained earnings

The following table shows changes in items recognized in retained earnings:

€ 000	Exchange differences	Capital hedge	Cash flow hedge	Fair value reserve (afs financial assets)	Hyper-inflation	Deferred tax
As of 1/1/2010	(1,009,783)	41,382	(2,445)	35,911	0	340,018
Unrealized net gains (losses) of the period	141,566	(8,898)	30,292	(1,863)	0	(7,680)
As of 31/12/2010	(868,217)	32,484	27,846	34,048	0	332,338
Unrealized net gains (losses) of the period	(237,563)	24,593	(36,829)	91,275	65,553	(34,985)
Net gains (losses) reclassified to income statement	0	0	748	27,151	0	0
As of 31/12/2011	(1,105,780)	57,077	(8,234)	152,474	65,553	297,353

Earnings per share

In €	Notes	2011	2010	Change
Earnings per share	[12]	78.2	121.7	(43.5)

Earnings per share are obtained by dividing adjusted consolidated profit less dividend for the participation capital and preference shares by the average number of ordinary shares outstanding. During the financial year this was unchanged from the previous year at 5,539,885.

There were no conversion rights or options outstanding, so there was no dilution of earnings per share.

Quarterly results

€ 000	H1/2010	H2/2010	H1/2011	H2/2011
Net interest income	1,790,100	1,838,551	1,811,498	1,773,365
Net provisioning for impairment losses	(608,300)	(589,430)	(411,333)	(687,972)
Net interest income after provisioning	1,181,800	1,249,121	1,400,165	1,085,393
Net fee and commission income	715,000	776,894	737,494	755,366
Net trading income	181,100	141,549	257,144	88,574
Net income from derivatives and designated liabilities	(135,000)	46,959	42,713	365,516
Net income from financial investments	52,700	92,660	11,961	(194,754)
General administrative expenses	(1,467,800)	(1,601,345)	(1,553,795)	(1,654,216)
Other net operating income	13,800	38,639	(16,021)	(178,923)
Net income from disposal of group assets	4,900	1,151	(2,587)	(231)
Profit before tax	546,600	745,528	877,074	266,725
Income taxes	(59,200)	(64,684)	(200,127)	(215,206)
Profit after tax	487,400	680,844	676,946	51,519
Profit attributable to non-controlling interests	(85,700)	(368,880)	(188,951)	(67,054)
Consolidated profit	401,600	312,064	487,995	(15,536)

€ 000	H1/2008	H2/2008	H1/2009	H2/2009
Net interest income	1,733,461	2,276,849	1,792,006	1,669,600
Net provisioning for impairment losses	(199,713)	(950,780)	(1,267,033)	(979,606)
Net interest income after provisioning	1,533,747	1,326,069	524,973	689,993
Net fee and commission income	842,901	924,891	688,732	733,033
Net trading income	101,662	(82,298)	266,302	152,193
Net income from derivatives and designated liabilities	(53,136)	(37,666)	141,906	30,535
Net income from financial investments	(96,832)	(861,396)	161,499	148,308
General administrative expenses	(1,493,613)	(1,623,373)	(1,390,741)	(1,403,901)
Other net operating income	37,626	70,485	69,656	10,630
Net income from disposal of group assets	6,108	1,483	1,009	43
Profit before tax	878,464	(281,805)	463,337	360,833
Income taxes	(227,581)	62,901	(222,046)	(31,500)
Profit after tax	650,883	(218,905)	241,290	329,333
Profit attributable to non-controlling interests	(257,679)	(126,431)	(72,988)	(64,264)
Consolidated profit	393,203	(345,335)	168,302	265,070

Statement of financial position

Assets € 000	Notes	31/12/2011	31/12/2010	Change
Cash reserve	[14,35]	12,951,118	6,734,734	92.3%
Loans and advances to banks	[15,35,36]	22,457,416	19,752,692	13.7%
Loans and advances to customers	[16,35,36]	84,093,000	78,269,775	7.4%
Impairment losses on loans and advances	[17,35]	(5,110,458)	(4,786,675)	6.8%
Trading assets	[18,35,36]	10,589,154	8,051,280	31.5%
Derivatives	[19,35,36]	1,404,137	1,487,750	(5.6)%
Financial investments	[20,35,36]	17,146,116	20,281,407	(15.5)%
Investments in associates	[21,35,36]	1,159,090	1,314,670	(11.8)%
Intangible fixed assets	[22,24,35]	1,072,750	1,226,645	(12.5)%
Tangible fixed assets	[23,24,35]	1,850,528	1,777,118	4.1%
Other assets	[25,35,36]	2,474,216	2,387,369	3.6%
Total assets		150,087,066	136,496,764	10.0%

Equity and liabilities € 000	Notes	31/12/2011	31/12/2010	Change
Deposits from banks	[26,35,36]	39,873,123	37,391,030	6.6%
Deposits from customers	[27,35,36]	67,114,176	57,935,950	15.8%
Debt securities issued	[28,35,36]	14,277,881	16,569,010	(13.8)%
Provisions for liabilities and charges	[29,35,36]	893,040	786,727	13.5%
Trading liabilities	[30,35,36]	9,713,365	5,738,419	69.3%
Derivatives	[31,35,36]	804,746	1,272,451	(36.8)%
Other liabilities	[32,35,36]	1,504,372	1,297,879	15.9%
Subordinated capital	[33,35,36]	4,417,610	4,254,280	3.8%
Equity	[34,35]	11,488,752	11,251,019	2.1%
Consolidated equity		6,149,106	5,501,624	11.8%
Consolidated profit		472,459	713,664	(33.8)%
Non-controlling interests		4,867,187	5,035,731	(3.3)%
Total equity and liabilities		150,087,066	136,496,764	10.0%

Statement of changes in equity

€ 000	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
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
Capital increases/shifting	0	341,843	0	0	0	179,710	521,553
Transferred to retained earnings	0	0	0	533,750	(533,750)	0	0
Dividend payments	0	0	0	0	(179,914)	(282,381)	(462,295)
Total comprehensive income	0	0	0	(140,567)	472,459	188,551	520,443
Other changes	0	0	0	(87,544)	0	(254,424)	(341,968)
Equity as of 31/12/2011	443,714	591,843	1,050,634	4,062,915	472,459	4,867,187	11,488,752

The position reorganization effect reflects the reclassification from equity to non-controlling interests due to the merger of Raiffeisen International with Raiffeisen Zentralbank's main business areas, and particularly as a result of the participation capital.

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

For details of the changes, see Notes to the balance sheet, (34) Equity.

Statement of cash flows

€ 000	2011	2010
Profit after tax	728,465	1,168,244
Non-cash positions in profit and transition to net cash from operating activities:		
Write-downs/write-ups of tangible fixed assets and financial investments	713,997	365,023
Net provisioning for liabilities and charges and impairment losses	1,362,558	1,516,909
Gains (losses) from disposals of tangible fixed assets and financial investments	(113,683)	(22,975)
Other adjustments (net)	(871,298)	(677,192)
Subtotal	1,820,039	2,350,009
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:		
Loans and advances to banks and customers	(8,062,035)	10,555,164
Trading assets/trading liabilities (net)	1,588,569	1,842,421
Other assets/other liabilities (net)	(3,570,236)	(1,766,180)
Deposits from banks and customers	11,184,949	(10,079,022)
Debt securities issued	(2,035,852)	(3,366,047)
Net cash from operating activities	925,434	(463,655)
Proceeds from sale of:		
Financial investments	8,219,276	4,269,205
Tangible and intangible fixed assets	121,864	111,678
Proceeds from disposal of group assets	762	1,344
Payments for purchase of:		
Financial investments	(2,424,258)	(4,142,276)
Tangible and intangible fixed assets	(593,120)	(652,160)
Payments for acquisition of subsidiaries	0	4,805
Net cash from investing activities	5,324,524	(407,404)
Capital increases	521,553	3,013
Inflows/outflows of subordinated capital	163,330	(309,577)
Dividend payments	(462,295)	(419,477)
Net cash from financing activities	222,588	(726,041)

€ 000	2011	2010
Cash and cash equivalents at the end of previous period	6,734,734	8,271,124
Net cash from operating activities	925,434	(463,655)
Net cash from investing activities	5,324,524	(407,404)
Net cash from financing activities	222,588	(726,041)
Effect of exchange rate changes	(256,163)	60,710
Cash and cash equivalents at the end of period	12,951,118	6,734,734

Payments for taxes, interest and dividends	2011	2010
Interest received	6,764,463	6,409,877
Dividends received	62,240	35,234
Interest paid	(2,991,491)	(2,702,396)
Income taxes paid	(190,854)	(122,202)

The statement of cash flows shows the structure and changes in cash and cash equivalents during the financial year and is broken down into three sections: net cash from operating activities, from investing activities and from financing activities.

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

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

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

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

Segment reporting

Division of the segments

Segmentation principles

Internal management reporting at RZB is based on the current organizational structure. Segmentation is based on cash-generating units. Accordingly, the RBI management bodies – Management Board and Supervisory Board – make key decisions that determine the resources allocated to any given segment based on its financial strength and profitability. These reporting criteria were accordingly seen as material in accordance with IFRS 8 for the purpose of segmentation.

Since Raiffeisen Zentralbank acts primarily as the lead member of Raiffeisen Banking Group (RBG) and as the holding company for participations, the segments are defined on the basis of the participation structure following the merger of its principal business areas with Raiffeisen International Bank-Holding AG. Besides the majority holding in the present Raiffeisen Bank International AG (RBI) and its activity as the lead member of Raiffeisen Banking Group, Raiffeisen Zentralbank holds shares in other companies in its participation portfolio.

These three main business areas correspond to the segments as defined. Segmentation is based on the current Group structure. Since the RBI segment is the largest by far, we refer to segment reporting in the RBI consolidated annual report for maximum transparency. The consolidated financial statements of RBI largely reflect the RBI segment in the consolidated financial statements of Raiffeisen Zentralbank.

Raiffeisen Bank International Group (RBI)

This segment comprises the net income of the Raiffeisen Bank International AG (RBI) group. RBI is by far the largest participation of RZB. As the lead bank in the RZB credit institution group, Raiffeisen Zentralbank has corresponding management and control responsibilities. Together with representatives of its owners, Raiffeisen Zentralbank appoints eight of the ten RBI Supervisory Board members, and the Raiffeisen Zentralbank Chief Risk Officer holds the same position on the RBI Management Board. Besides the direct net income from RBI activities, the segment also covers the costs incurred for services provided by RZB in various areas, such as audit or risk.

Raiffeisen Banking Group (RBG)

This segment consolidates the activities and participations that enable RZB to perform its tasks as the lead bank of Raiffeisen Banking Group. This segment accordingly reports all the net income from the banking business of Raiffeisen Zentralbank within the Raiffeisen sector. In addition, it shows the leasing business of RZB with numerous project companies in Austria and abroad. Income from companies valued and recognized at equity with strategic participation nature is also reported here, and specifically UNIQA Versicherungen AG as well as the business areas operated jointly with the Raiffeisen Landesbanks, such as the building society and funds businesses. Net income from the equity investment portfolio relating to the rest of the Raiffeisen sector is also reported in this segment. Allocated costs of Group-wide services are also attributed to this segment. These include Group services such as Sector Marketing or Sector Services.

Other equity participations

The segment for other equity participations shows net income from participations not connected with the function of Raiffeisen Zentralbank as the lead member of Raiffeisen Banking Group. This Raiffeisen Zentralbank equity participation portfolio contains predominantly non-controlling interests from the non-bank area, with income from companies valued and recognized at equity that do not belong to Raiffeisen Banking Group. The segment for other equity participations also reports the costs and income from internal allocation and netting.

Assessment of segment profit and loss

Segment reporting according to IFRS 8 shows the segment results on the basis of internal management reporting, supplemented by the transfer of segment results to the consolidated financial statements. Management reporting at RZB is based on IFRS. There are accordingly no differences between the accounting policies adopted for segment reporting and the consolidated financial statements.

To keep the presentation of RZB segment performance transparent and informative, the following management and reporting criteria are used to determine the success of a CGU.

- **Return on equity before tax** measures the profitability of the CGU and is calculated as the ratio of pre-tax profit to average capital employed. It shows the return on the capital employed in the segment. Another measure of profitability used for internal management is the return on risk-adjusted capital (RORAC). This ratio shows the return on risk-weighted equity (economic capital), but is not a criterion recognized by IFRS.

- The **cost/income ratio** shows the cost efficiency of the segments. It is the ratio of administrative expenses to net income from interest, fees and commissions, trading and other operating income.

- **Risk-weighted assets** are an important indicator of the change in business volume. Risk-weighted assets according to the Austrian Banking Act (BWG, based on Basel II) are an industry-specific addition for segment assets since this number is based on the regulatory minimum equity requirement of 8 per cent.

The basis for segment reporting is the income statement. Income and expenses are allocated to the country where the income is generated. Income comprises net interest income, net fee and commission income, net trading income and other operating income. The results are also shown for associated companies recognized at equity. The main expense items, which are part of segment results, are carried in the income statement. The segment result is shown up to consolidated net income/loss. Segment assets are shown as total assets and risk-weighted assets. Liabilities include all the items on the liabilities side of the balance sheet with the exception of equity.

The reconciliation includes primarily the amounts resulting from the elimination of intercompany results and from cross-segment consolidation. The income statement is finally supplemented by the standard industry financial ratios used to evaluate results.

Financial year 2011 € 000	RBI	RBG	Other Equity participations	Reconciliation	Total
Net interest income	3,653,691	81,602	16,839	(167,269)	3,584,863
Net fee and commission income	1,490,447	2,171	(81)	323	1,492,860
Net trading income	363,261	(1,107)	0	(16,436)	345,718
Other net operating income	(237,130)	34,733	53,551	(46,099)	(194,945)
Operating income	5,270,268	117,400	70,308	(229,481)	5,228,496
General administrative expenses	(3,140,099)	(80,901)	(34,042)	47,031	(3,208,011)
Operating result	2,130,169	36,499	36,266	(182,449)	2,020,484
Net provisioning for impairment losses	(1,063,551)	(35,756)	2	0	(1,099,305)
Other results	269,175	(19,710)	(36,237)	9,392	222,619
Profit/loss before tax	1,335,792	(18,967)	30	(173,058)	1,143,798
Income taxes	(422,817)	3,759	2,737	988	(415,333)
Profit/loss after tax	912,975	(15,208)	2,767	(172,070)	728,465
Profit attributable to non-controlling interests	(315,418)	59,413	0	0	(256,005)
Profit after deduction of non-controlling interests	597,557	44,205	2,767	(172,070)	472,459
Share of profit before tax	101.4%	(1.4)%	0.0%	–	100.0%
Risk-weighted assets (credit risk)	77,304,996	7,108,401	918,993	(3,916,102)	81,416,287
Total own funds requirement	7,653,591	581,884	73,519	(326,500)	7,982,494
Total assets	147,268,879	16,976,929	5,000,054	(19,158,796)	150,087,066
Liabilities	147,332,592	16,111,205	999,124	(25,844,608)	138,598,314
Risk/earnings ratio	29.1%	43.8%	0.0%	–	30.7%
Cost/income ratio	59.6%	68.9%	48.4%	–	61.4%
Average equity	10,530,060	773,796	102,952	(532,345)	10,874,463
Return on equity before tax	12.7%	–	–	–	10.5%
Business outlets	2,928	8	0	1	2,937

The organizational structure in the previous year as reflected in segment reporting led to the following allocation of results.

Financial year 2010 € 000	RBI	RBG	Other Equity 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
Profit attributable to non-controlling interests	(463,897)[1]	9,316	0	0[1]	(454,580)
Profit after deduction of non-controlling interests	670,605[1]	40,690	29,499	(27,131)[1]	713,664
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%	–	–	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%	0.0%	12.5%
Business outlets	2,961	8	0	1	2,970

1 Adaption of previous year figures due to different allocation

Notes

Reporting entity

Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB AG) is the lead member of Austrian Raiffeisen Banking Group, and is registered at the Vienna Commercial Court in the company register under FN 58.882 t. The company address is Am Stadtpark 9, 1030 Vienna

The Raiffeisenlandesbanks have consolidated their holdings in Raiffeisen Zentralbank AG in a separate company, Raiffeisen-Landesbanken-Holding GmbH (RLBHOLD). Through its subsidiary R-Landesbanken-Beteiligung GmbH, this holds roughly 81 per cent of RZB AG and is the parent company for the Group as a whole. In accordance with the Austrian rules for disclosure, the consolidated financial statements of RLBHOLD are deposited with the commercial court with which the company is registered and published in "Amtsblatt zur Wiener Zeitung".

Objects

RZB specializes in commercial banking and investment banking in Austria and is one of the country's most important banks for corporate finance and export and trade financing. Other activities are cash and asset management and treasury. As a highly specialized financial engineer, RZB is primarily oriented toward providing services for major domestic and foreign customers, multinational companies and financial service providers. The RZB companies are also active in private banking, capital investment, leasing and real estate, and other bank-related services. Through its subsidiaries, RZB has a close network of branches throughout Central and Eastern Europe (CEE). Supplementing this, it has branches, special companies and representations in the world's leading financial centers, selected Western European locations and key points in Asia.

The consolidated financial statements were signed by the Management Board on 13 March 2012 and subsequently submitted to the Supervisory Board for review and notice.

Principles underlying the consolidated financial statements

Policies

The consolidated financial statements for the financial year 2011 and the comparative figures for the financial year 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as far as they were adopted by the EU on the basis of IAS Regulation (EC) 1606/2002. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC) that were already applicable have been considered. All standards published by the IASB as International Accounting Standards to be applied to financial statements for 2011 and adopted by the EU, have been applied. The consolidated financial statements satisfy the requirements of Section 245a of the Austrian Commercial Code (UGB) and Section 59a of the Austrian Banking Act (BWG) regarding exempting consolidated financial statements that comply with internationally accepted accounting principles. IAS 20, IAS 31, IAS 41, IFRS 4 and IFRS 6 have not been applied as there were no relevant business transactions in the Group.

Application of new and revised standards

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidation methods

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

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

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

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

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

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

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

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

Intra-group income and expenses are eliminated and temporary differences resulting from bank business transactions are shown partly in net interest income and partly in net trading income. Other differences are shown in the item "other net operating income".

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

Business combinations

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

Impairment test for goodwill

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

The estimation of the future development of the cash generating units starts with macroeconomic facts (gross domestic product, inflation expectations) and considers specific market conditions and the business policy. The data is then used to capture the terminal value on a going concern concept. Discounting of the earnings relevant for the measurement (expected dividends) is made on different country-specific equity capital cost rates, which are based on the capital asset pricing model. The individual components (risk-free interest rate, inflation difference, market risk premium, country-specific risks and beta factors) are defined by using external information sources. It was used to calculate the recoverable amount of a planning horizon of 10 years assumed to represent the medium-term developments in the CEE region better. The planning period is divided into two phases, whereby phase I covers the first ten years, phase II covers the period over ten years.

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

The material goodwill resulted from the following cash generating units: Raiffeisen Bank Aval JSC, Kiev (AVAL), Ukrainian Processing Center PJSC, Kiev (UPC), ZAO Raiffeisenbank, Moscow (RBRU), Raiffeisen Bank Sh.a., Tirane (RBAL) and Raiffeisenbank a.s, Prague (RBCZ).

Cash generating units In € million	AVAL	RBRU	RBCZ	RBAL	UPC
Goodwill	29	257	40	53	15
Group equity	64.2%	78.9%	64.2%	78.9%	78.9%
Method used to calculate the fair value	FV less cost to sell	FV less cost to sell	FV less cost to sell	FV less cost to sell	FV less cost to sell
Discount rates (after tax)	13.7% – 21.7%	13.8% – 15.1%	9.3% – 9.9%	11.2% – 14.8%	13.7% – 21.7%
Growth rates in phase II	6.5%	7.0%	3.0%	4.0%	0.0%
Planning period	10 years	10 years	10 years	10 years	10 years
Impairment	Yes	No	No	No	No

Sensitivity Analysis

A sensitivity analysis was used to test the robustness of the impairment test for goodwill which was based on the above given assumptions. From a number of options for this analysis, two parameters were selected, namely, the cost of equity and the reduction in earnings. The table below shows to what extent an increase in the cost of equity or a reduction in earnings could be made without the fair value of the cash-generating units sinking below the carrying value (equity plus goodwill):

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

1 Only change in terminal value assumptions.

Impairment test for intangible fixed assets

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

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

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

Consolidated group

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

Number of units	Fully consolidated		Equity method	
	2011	2010	2011	2010
As of beginning of period	334	371	14	13
Included for the first time in the financial period	17	15	0	1
Merged in the financial period	0	(1)	0	0
Excluded in the financial period	(14)	(51)	0	0
As of end of period	337	334	14	14

Of the 337 Group units, 170 are headquartered in Austria (2010: 171) and 167 are headquartered abroad (2010: 163). The companies comprise 23 banks, 187 financial institutions, 23 providers of related services, 13 financial holding companies and 91 other companies. Due to the insignificance for the assets, financial situation and earnings, 337 subsidiaries (2010: 324) were omitted from the consolidation. These are recognized at cost as shares in affiliated companies under securities and equity participations. Total assets of unconsolidated companies account for less than 1 per cent of the Group's total assets.
A list of fully consolidated companies, companies valued at equity and other equity participations may be found on page 152ff.

Included units

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

Name	Share	Include d as of	Reason
Financial institutions			
CERES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	57.12 %	1/6	Materiality
Hainburger Straße 15 ProjektentwicklungsgmbH, Vienna (AT)	57.12 %	1/4	Start of operations
Raiffeisen Investment Financial Advisory Services Ltd. Co., Istanbul (TR)	78.11 %	1/6	Start of operations
RL-Nordic Mörby Förvaltnings AB, Stockholm (SE)	51.0%	1/12	Start of operations
Financial holding companies			
Raiffeisen CIS Region Holding GmbH, Vienna (AT)	78.9 %	1/12	Materiality
Raiffeisen RS Beteiligungs GmbH, Vienna (AT)	78.9%	1/11	Materiality
RIRE Holding GmbH, Vienna (AT)	78.9%	1/3	Materiality
Companies rendering banking-related ancillary services			
OOO "R3", Novosibirsk (RUS)	78.9%	1/3	Materiality
S.C. PLUSFINANCE ESTATE 1 S.R.L., Bucharest (RO)	78.9%	1/9	Materiality
Other companies			
Abrawiza Immobilienleasing GmbH & Co. Projekt Fernwald KG, Eschborn (DE)	3.43 %	1/12	Materiality
Abrawiza Immobilienleasing GmbH, Eschborn (DE)	57.13 %	1/12	Materiality
Julius Baer Multiflex SICAV-SIF Verto Recovery Fund, Vienna (AT)	78.9 %	1/12	Start of operations
Raiffeisen-Rent-ImmobilienprojektentwicklungsgmbH., Objekt Lenaugasse 11 KG, Vienna (AT)	57.13 %	1/12	Materiality
Raiffeisen-Rent ImmobilienprojektentwicklungsgmbH., Objekt Wallgasse 12 KG, Vienna (AT)	57.13 %	1/12	Materiality
Raiffeisen Windpark Scharndorf GmbH, Vienna (AT)	57.13 %	1/12	Materiality
Raiffeisen Windpark Trautmannsdorf Nord GmbH, Vienna (AT)	57.13 %	1/12	Materiality
Viktor Property, s.r.o., Prague (CZ)	65.15%	1/4	Materiality

Excluded units

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

Name	Share	Excluded as of	Reason
Financial institutions			
ALTHAIA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	51.00 %	28/2	Sale
BRISEIS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	51.00 %	28/2	Sale
ICS Raiffeisen Leasing s.r.l, Chisinau (MD)	75.22 %	1/1	Immaterial
NISOS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	51.00 %	31/8	Sale
MOVEO Raiffeisen-Leasing GmbH, Vienna (AT)	40.24 %	1/1	Immaterial
OOO "Vneshleasing", Moscow (RUS)	78.91 %	1/1	Immaterial
Raiffeisen-Fachmarktzentrum DREI GmbH, Vienna (AT)	51.00 %	31/5	End of operations
Raiffeisen-Fachmarktzentrum EINS Immobilienholding GmbH, Vienna (AT)	51.00 %	31/5	End of operations
Raiffeisen-Fachmarktzentrum FÜNF Immobilienholding GmbH, Vienna (AT)	51.00 %	31/5	End of operations
Raiffeisen-Fachmarktzentrum SECHS GmbH, Vienna (AT)	51.00 %	31/5	End of operations
RIL XVI Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	51.00 %	31/5	End of operations
St. Stephan Dombauhütte Errichtungsgesellschaft m.b.H., Vienna (AT)	51.00 %	31/8	End of operations
Financial holdings			
R.L.H. Holding GmbH, Vienna (AT)	78.91 %	28/2	Immaterial
Other companies			
REH Limited, Limassol (CY)	78.91 %	31/3	End of operations

The following table shows the result from disposal due to sale:

€ 000	2011	2010
Assets	36,896	(6,661)
Liabilities	(36,575)	5,876
Net assets	321	(785)
Non-controlling interests	157	20
Net assets after non-controlling interests	164	(765)
Selling price	759	1,450
Net income from disposal of group assets	595	685

The effect on liquidity of the disposal of Group assets was € 762 thousand (2010: € 1,344 thousand).

Foreign currency translation

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

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

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

The following exchange rates were used for currency translation:

Rates in units per €	2011		2010	
	As of 31/12	Average 1/1-31/12	As of 31/12	Average 1/1-31/12
Albanian lek (ALL)	138.930	140.498	138.770	138.041
Belarusian rouble (BYR)	10.800.000	7.056.431	3.972.600	3.953.672
Bosnian marka (BAM)	1.956	1.956	1.956	1.956
Bulgarian lev (BGN)	1.956	1.956	1.956	1.956
Croatian kuna (HRK)	7.537	7.444	7.383	7.295
Czech koruna (CZK)	25.787	24.635	25.061	25.356
Great Britain Pound (GBP)	0.835	0.870	0.861	0.858
Hungarian forint (HUF)	314.580	280.460	277.950	276.039
Kazakh tenge (KZT)	191.720	204.444	195.230	196.093
Lithuanian Litas (LTL)	3.453	3.453	3.453	3.453
Moldovan leu (MDL)	15.074	16.421	16.105	16.436
Polish zloty (PLN)	4.458	4.125	3.975	4.013
Romanian leu (RON)	4.323	4.242	4.262	4.218
Russian rouble (RUB)	41.765	41.022	40.820	40.447
Serbian dinar (RSD)	104.641	102.306	105.498	102.903
Singapore Dollar (SGD)	1.682	1.751	1.714	1.812
Swedish Krona (SEK)	8.912	9.004	8.966	9.551
Swiss Franc (CHF)	1.216	1.233	1.250	1.379
Turkish lira (TRY)	2.443	2.333	2.069	2.333
Ukrainian hryvnia (UAH)	10.298	11.092	10.573	10.550
US-Dollar (USD)	1.294	1.395	1.336	1.330

Accounting in highly inflationary economies - IAS 29

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

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

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

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

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

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

Recognition and measurement principles

Financial instruments: Recognition and measurement (IAS 39)

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

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

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

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

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

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

b. Designated financial instruments at fair value

This category comprises mainly all those financial assets that are irrevocably designated as financial instrument at fair value (so-called fair value option) upon initial recognition in the statement of financial position independent of the intention to trade. An entity may use this designation only when doing so results in more relevant information for the user of the financial statements. This is the case for those financial assets which belong to a portfolio that is managed and whose performance is evaluated on a fair value basis.

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

On the other hand, financial liabilities are designated as financial instruments at fair value to avoid valuation discrepancies with related derivatives. The fair value of financial obligations under the fair value option contains all market risk factors, including those related to the credit risk of the Group of the issuers.

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

2. Financial assets held-to-maturity

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

3. Loans and advances

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

4. Financial assets available-for-sale

The category of financial assets available-for-sale contains equity participations and those financial instruments that did not qualify for any of the other three categories. They are stated at fair value, if a fair value is reliably measurable. Valuation differences are shown in other comprehensive income and only recognized in the income statement under net income from financial investments if there is an objective indication of impairment. For equity instruments impairment exists, among other things, if the fair value is either significantly or for a prolonged period of time below cost.

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

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

This kind of financial instruments is reported under the item "financial investments".

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

Reclassification

In accordance with IAS 39.50, non-derivative financial instruments classified as trading assets and available-for-sale financial instruments can be reclassified as financial assets held-to-maturity and loans and advances in exceptional circumstances. The effects resulting from such reclassifications are shown in the notes under (20) financial investments.

Fair value

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

Quotation on an active market (level I)
If market prices are available, the fair value is reflected best by the market price. This category contains equity instruments traded on the stock exchange, debt instruments traded on the interbank market, and derivatives traded on the stock exchange.

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

Measurement techniques not based on observable market data (level III)
If no observable stock exchange prices or prices are available, the fair value will be measured by adequate measurement models. The utilization of these models requires assumptions and estimates of the management. The scope of assumptions and estimates depend on the price transparency of the financial instrument, the market and the complexity of the instrument.

Categories of financial instruments according to IFRS 7

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

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

Derivatives

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

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

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

Hedge Accounting

If derivates are held for the purpose of risk management and if the respective transactions meet specific criteria, the Group uses hedge accounting. The Group designates certain hedging instruments as fair value hedges, cash flow hedges or capital hedges. Most of these are derivatives. At the beginning of the hedging relationship, the relationship between underlying and hedging instrument, including the risk management objectives, is documented. Furthermore it is necessary to regularly document from the beginning and during the hedging relationship that the fair value or cash flow hedge is effective to a large degree.

a. Fair value hedge

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

Derivative instruments held to hedge the fair values of individual items in the statement of financial position (except trading assets/liabilities) are recognized at their fair values (dirty prices) under "derivatives" (on the assets side: positive dirty prices; on liabilities side: negative dirty prices). Changes in the carrying amounts of hedged items (assets or liabilities) are allocated directly to the corresponding items of the statement of financial position and reported separately in the notes.

Both the effect of changes in the carrying values of positions requiring hedging and the effects of changes in the clean prices of the derivative instruments are recorded under net income from derivatives (net income from hedge accounting).

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

b. Cash flow hedge

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

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

In the Group, hedges of investments in economically independent sub-units (IAS 39.102) are made in order to reduce differences arising from the translation of equity. Liabilities in foreign currency, currency options, currency futures and currency swaps are mainly used as hedging instruments. Where the hedge is effective the resulting gains or losses from foreign currency translation are recognized and shown separately in other comprehensive income. Any ineffective part of this hedge relation is recognized in net trading income. The related interest components are shown in net interest income. There are no deferred taxes calculated for the income from capital hedge due to the applied exception regulations according to IAS 12.39.

Offsetting

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

Cash reserve

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

Impairment losses on loans and advances

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

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

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

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

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

Derecognition of financial assets and liabilities

Derecognition of financial assets

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

Securitization transactions

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

Derecognition of financial liabilities

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

Genuine sale and repurchase agreements

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

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

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

Securities lending

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

Leasing

Leases are classified according to their contractual structure as follows:

Finance leases

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

Operating leases

An operating lease occurs when the risks and rewards of ownership remain with the lessor. The leased assets are allocated to the Group under tangible fixed assets and depreciated in accordance with the principles applicable to the type of fixed assets.

Rental income from the corresponding lease object is amortized on a straight-line basis over the term of the leasing contract and reported in other net operating income. Expenses for operating leases are generally amortized on a straight-line basis over the term of leasing contract and reported as administrative expenses.

Equity participations

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

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

Intangible fixed assets

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

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

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

Tangible fixed assets

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

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

Land is not subject to scheduled depreciation.

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

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

Investment property

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

Inventory

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

Non-current assets held for sale and discontinued operations

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

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

Provisions for liabilities and charges

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

Provisions for pensions and similar obligations

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

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

Per cent	2011	2010
Interest rate	4.5	4.25
Effective salary increase for active employees	3.0	2.5
Individual career trend for active employees	–	2.5
Expected increase in retirement benefits	2.0	2.0
Expected return on plan assets	4.5	4.25

Calculations are based on an assumed retirement accession age of 65 years for men and 62 years for women and are subject to transitional statutory regulations and special arrangements in individual contracts.

Actuarial gains or losses calculated for pension obligations are recognized immediately in profit. No use was made of the corridor method according to IAS 19.92.

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

Per cent	2011	2010
Interest rate	4.5	4.25
Average increase in salary	3.0	2.5
Individual career trend	–	2.5

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

Defined contribution plans

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

Employee compensation plans

Variable Remuneration - special remuneration policies

In RZB variable compensation is based on bonus pools on the bank or profit center level. Every variable pay system has fixed minimum and maximum levels and thus defines maximum payout values.

For the fiscal year 2010, the bonus pools were based on the ratios net profit after tax, the cost/income ratio and return on risk adjusted capital (RORAC) where a comparison of the budget with the year-end figures was made. The bonus of all board members of affiliated banks in Central and Eastern Europe was already in 2010 treated as a deferred payment where 30 percent of the annual bonus will be deferred over 3 years. The payout at the beginning of 2014 is dependent on the average annual target achievement (comparison of the budget with the year-end figures) of the ratio´s net profit after tax and RORAC of the respective Group's unit.

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

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

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

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

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

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

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

Share based compensation

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

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

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

Subordinated capital

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

Net interest income

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

Net fee and commission income

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

Net trading income

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

General administrative expenses

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

Income taxes

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

Deferred taxes are recognized and calculated in accordance with IAS 12 applying the liability method. Deferred taxes are based on all temporary differences that result from comparing the carrying amounts of assets and liabilities in the IFRS accounts with the tax bases of assets and liabilities, and which will reverse in the future. Deferred taxes are calculated by using tax rates applicable in the countries concerned. A deferred tax asset should also be recognized on tax loss carry-forwards if it is probable that sufficient taxable profit will be achieved against which the tax loss carry-forwards can be utilized within the same entity. On each reporting date, the carrying amount of the deferred tax assets is reviewed and impaired if it is no longer probable that sufficient taxable income is available in order to partly or fully realize the tax assets. Deferred tax assets and deferred tax liabilities within the same entity are netted.

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

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

Other comprehensive income

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

Fiduciary business

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

Financial guarantees

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

Contingent liabilities and commitments

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

Statement of cash flows

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

Segment reporting

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

Notes to the nature and extent of risks

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

Capital management

Information on capital management, regulatory own funds and risk-weighted assets are disclosed under note (53) capital management and regulatory own funds according to the Austrian Banking Act.

Notes to the income statement

(1) Income statement according to measurement categories

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

€ 000	2011	2010[1]
Net gains (losses) on financial assets and liabilities held-for-trading	753,816	290,406
Financial assets and liabilities at fair value through profit or loss	378,660	365,364
Interest income	331,852	253,491
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	46,808	111,874
Financial assets available-for-sale	(68,373)	52,558
Interest income	67,354	33,554
Net realized gains (losses) on financial assets available-for-sale	14,092	26,870
Impairment on financial assets available-for-sale	(149,818)	(7,865)
Loans and advances	4,455,115	4,192,001
Interest income	5,554,362	5,403,948
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	8,147	2,879
Impairment on financial assets not measured at fair value through profit and loss	(1,107,395)	(1,214,825)
Financial assets held-to-maturity	532,430	452,050
Interest income	442,806	445,896
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	91,793	5,010
Impairment on financial assets not measured at fair value through profit and loss	(2,169)	1,144
Financial liabilities	(3,010,384)	(2,849,041)
Interest expenses	(3,010,384)	(2,849,041)
Derivatives (hedging)	23,729	(10,282)
Net interest income	(6,104)	(9,718)
Net gains (losses) from hedge accounting	29,834	(564)
Net revaluations from exchange differences	78,309	284,376
Other operating income/expenses	(1,999,504)	(1,485,304)
Profit before tax from continuing operations	1,143,798	1,292,128

1 Adaption of previous year figures due to different allocation

(2) Net interest income

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

€ 000	2011	2010
Interest and interest-like income, total	6,691,842	6,446,936
Interest income	6,593,284	6,399,079
from balances at central banks	80,914	99,718
from loans and advances to banks	384,083	408,368
from loans and advances to customers	4,790,612	4,610,793
from financial investments	783,019	708,837
from leasing claims	269,195	264,015
from derivative financial instruments (non-trading), net	285,463	307,348
Current income	58,993	24,104
from shares and other variable-yield securities	3,554	1,959
from shares in affiliated companies	44,876	8,674
from other interests	10,562	13,471
Interest-like income	39,564	23,753
Current income from associates	(86,590)	33,456
Interest expenses and interest-like expenses, total	(3,020,389)	(2,851,741)
Interest expenses	(2,976,798)	(2,803,714)
on deposits from central banks	(10,004)	(2,700)
on deposits from banks	(695,047)	(718,957)
on deposits from customers	(1,426,151)	(1,262,515)
on debt securities issued	(614,355)	(610,492)
on subordinated capital	(231,240)	(209,050)
Interest-like expenses	(43,590)	(48,027)
Total	3,584,863	3,628,651

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

Per cent	2011	2010
Interest margin (total assets)	2.44	2.47
Interest margin (risk-weighted assets, credit risk)	4.11	4.72[1]

1 Adaption of previous year figures

Interest income includes interest income (unwinding) from impaired loans to customers and impaired loans to banks in the amount of € 204,960 thousand (2010: € 234,803 thousand). Interest income from impaired loans and advances to customers and banks is recognized with the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

(3) Net provisioning for impairment losses

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

€ 000	2011	2010
Individual loan loss provisions	(1,212,384)	(1,199,747)
Allocation to provisions for impairment losses	(1,716,183)	(1,699,083)
Release of provisions for impairment losses	561,001	544,470
Direct write-downs	(133,188)	(90,195)
Income received on written-down claims	75,986	45,061
Portfolio-based loan loss provisions	104,932	(862)
Allocation to provisions for impairment losses	(280,577)	(390,664)
Release of provisions for impairment losses	385,510	389,802
Gains from the sales of loans	8,147	2,879
Total	(1,099,305)	(1,197,730)

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

Ratios	2011	2010
Net provisioning ratio (average risk-weighted assets, credit risk)	1.26%	1.45%
Net provisioning ratio (total loans outstanding)	0.59%	0.70%
Loss rate	0.39%	0.41%
Portfolio rate (total loans outstanding)	2.81%	2.88%

(4) Net fee and commission income

€ 000	2011	2010
Payment transfer business	610,911	598,892
Loan and guarantee business	281,671	282,583
Securities business	118,755	134,522
Foreign currency, notes/coins, and precious-metals business	329,764	329,905
Management of investment and pension funds	26,550	26,337
Sale of own and third party products	41,323	47,176
Credit derivatives business	1,462	2,804
Other banking services	82,423	69,675
Total	1,492,860	1,491,894

(5) Net trading income

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

€ 000	2011	2010
Interest-based transactions	154,207	202,769
Currency-based transactions	106,227	124,006
Equity-/Index-based transactions	4,583	9,570
Credit derivatives business	2,132	(700)
Other transactions	78,569	(12,996)
Total	345,718	322,649

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

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

(6) Net income from derivatives and designated liabilities

€ 000	2011	2010
Net income from hedge accounting	3,373	(564)
Net income from credit derivatives	31,669	2,348
Net income from other derivatives	189,632	(67,282)
Net income from liabilities designated at fair value	183,555	(22,544)
Total	408,229	(88,042)

Net income from hedge accounting includes a valuation gain from derivatives of € 87,529 thousand (2010: minus € 14,563 thousand) and changes in the carrying amount of the fair value hedged items of minus € 84,156 thousand (2010: plus € 13,999 thousand).

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

Net income from liabilities designated at fair value comprises a profit from changes in own credit risk amounting to € 248,491 thousand (2010: € 33,000 thousand) and a negative effect from changes in market interest rates.

(7) Net income from financial investments

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

€ 000	2011	2010
Net income from financial investments held-to-maturity	89,623	6,154
Net valuations of financial investments held-to-maturity	(2,169)	1,144
Net proceeds from sales of financial investments held-to-maturity	91,793	5,010
Net income from equity participations	(135,256)	19,057
Net valuations of equity participations	(149,348)	(7,813)
Net proceeds from sales of equity participations	14,092	26,870
Net income from securities at fair value through profit and loss	(137,160)	120,149
Net valuations of securities at fair value through profit and loss	(126,410)	57,941
Net proceeds from sales of securities at fair value through profit and loss	(10,751)	62,208
Total	(182,793)	145,360

As a result of the material increase in regulatory own capital required by the European Banking Authority (EBA) use was made of IAS 39 AG22e in 2011 which allowed for the sale of parts of the held-to-maturity portfolio in the amount of € 2,518,602 thousand without triggering the sanctions concerning the premature sale of securities from the held-to-maturity-portfolio. As a result a gain of € 91,793 thousand was realized. Due to the requirements set by the EBA, the RZB credit institute group is required to have a 9 per cent core tier 1 capital ratio as of 30 June 2012.

(8) General administrative expenses

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

€ 000	2011	2010
Staff expenses	(1,598,505)	(1,508,002)
Wages and salaries	(1,238,976)	(1,155,946)
Social security costs and staff-related taxes	(291,223)	(273,291)
Other voluntary social expenses	(44,077)	(41,488)
Expenses for pension and other benefits	(17,019)	(31,802)
Expenses on share incentive program (SIP)	(7,210)	(5,475)
Other administrative expenses	(1,213,660)	(1,200,428)
Office space expenses	(330,142)	(331,037)
IT expenses	(225,314)	(204,113)
Communication expenses	(92,804)	(94,435)
Legal, advisory and consulting expenses	(126,322)	(123,825)
Advertising, PR and promotional expenses	(115,188)	(115,005)
Deposit insurance fees	(85,001)	(73,429)
Office supplies	(31,619)	(32,549)
Car expenses	(21,021)	(21,796)
Security expenses	(50,565)	(45,382)
Traveling expenses	(25,835)	(25,950)
Training expenses for staff	(19,117)	(18,284)
Sundry administrative expenses	(90,731)	(114,623)
Depreciation of intangible and tangible fixed assets	(395,846)	(360,715)
Tangible fixed assets	(212,750)	(195,651)
Intangible fixed assets	(144,899)	(129,848)
Leased assets (operating lease)	(38,197)	(35,216)
Total	(3,208,011)	(3,069,145)

Legal, advisory and consulting expenses include audit fees of the Group companies which comprise expenses for the audit of financial statements amounting to € 9,168 thousand (2010: € 8,515 thousand) and tax advisory as well as other additional consulting services provided by the auditors amounting to € 5,455 thousand (2010: € 3,345 thousand).Thereof, € 2,573 thousand (2010: € 1,949 thousand) are accounted for the group auditor for the audit of the consolidated financial statement and € 2,135 thousand (2010: € 1,360 thousand) is accounted for other consulting services.

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

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

(9) Other net operating income

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

€ 000	2011	2010
Net income arising from non-banking activities	57,659	61,729
Sales revenues from non-banking activities	864,604	928,798
Expenses arising from non-banking activities	(806,944)	(867,069)
Net income from additional leasing services	(9,320)	482
Revenues from additional leasing services	91,809	105,607
Expenses from additional leasing services	(101,129)	(105,125)
Rental income from operating lease (vehicles and equipment)	44,193	42,033
Rental income from investment property incl. operating lease (real estate)	20,891	10,841
Net proceeds from disposal/write-ups of tangible and intangible fixed assets	7,798	(8,904)
Other taxes	(140,763)	(70,890)
hereof special bank levies	(101,251)	(41,439)
Impairment of goodwill	(188,391)	0
Income from release of negative goodwill	299	425
Net expense from allocation and release of other provisions	(11,551)	(27,188)
Sundry operating income	87,173	99,205
Sundry operating expenses	(62,933)	(55,294)
Total	(194,945)	52,439

The other net operating income includes impairment of goodwill amounting to € 188,391 thousand from Ukraine, Hungary, Slovenia, Finland, Sweden and Austria.

(10) Net income from disposal of group assets

In the reporting period, four subsidiaries were excluded from the consolidated group due to materiality reasons. One subsidiary was excluded due to the end of operations. Net income from this disposal of group assets amounted to minus € 2,817 thousand (2010: € 6,051 thousand).

(11) Income taxes

Income taxes break down as follows:

€ 000	2011	2010
Current income taxes	(364,767)	(364,997)
Austria	(48,402)	(49,137)
Foreign	(316,365)	(315,860)
Deferred taxes	(50,566)	241,113
Total	(415,333)	(123,884)

Raiffeisen Zentralbank Österreich Aktiengesellschaft is the parent company of a tax group comprising 19 fully-consolidated subsidiaries and 10 subsidiaries which are not fully consolidated. This makes it possible to attribute the negative tax result of group members to the tax result of the parent company.

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

€ 000	2011	2010
Profit before tax	1,143,798	1,292,128
Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent	(285,950)	(323,032)
Effect of divergent foreign tax rates	92,334	60,901
Tax decrease because of tax-exempted income from equity participations and other income	173,542	99,071
Tax increase because of non-deductible expenses	(135,513)	(69,204)
Other tax deductions and tax increases	(259,746)	108,380
Effective tax burden	(415,333)	(123,884)
Tax rate in per cent	36.31%	9.59%

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

(12) Earnings per share

€ 000	2011	2010
Consolidated profit	472,459	854,999
Less compensation for participation rights	(20,000)	(161,300)
Less preference dividend	(19,374)	(19,312)
Adapted consolidated profit	433,086	674,387
Average number of ordinary shares outstanding	5,539,885	5,539,885
Earnings per share in €	78.18	121.73

There were no conversion or option rights 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	2011	2010
Trading assets	11,566,940	8,613,621
Positive fair values of derivative financial instruments	8,243,025	4,169,777
Shares and other variable-yield securities	209,935	430,428
Bonds, notes and other fixed-interest securities	3,107,108	4,013,416
Call/time deposits from trading purposes	6,872	0
Financial assets at fair value through profit or loss	7,384,458	8,094,969
Shares and other variable-yield securities	261,258	286,988
Bonds, notes and other fixed-interest securities	7,123,200	7,807,981
Investments in associates	1,159,090	1,314,670
Financial assets available-for-sale	4,379,222	984,523
Investments in other affiliated companies	426,301	361,200
Other interests	278,530	369,214
Bonds, notes and other fixed-interest securities	3,422,069	0
Shares and other variable-yield securities	252,321	254,109
Loans and advances	116,825,898	102,318,126
Loans and advances to banks	35,406,780	26,487,118
Loans and advances to customers	84,055,361	78,230,314
Other non-derivative financial assets	2,474,216	2,387,369
Impairment losses on loans and advances	(5,110,458)	(4,786,675)
Financial assets held-to-maturity	5,421,828	11,241,683
Bonds, notes and other fixed-interest securities	5,382,435	11,201,915
Purchased loans	39,393	39,768
Derivatives (hedging)	426,350	925,409
Positive fair values of derivatives (hedging)	426,350	925,409
Other assets	2,923,278	3,003,763
Intangible and tangible fixed assets	2,923,278	3,003,763
Total assets	150,087,066	136,496,764

Equity and liabilities according to measurement categories € 000	2011	2010
Trading liabilities	10,475,409	6,534,106
Negative fair values of derivative financial instruments	9,166,413	5,323,431
Short-selling of trading assets	565,628	425,730
Certificates issued	743,369	784,945
Financial liabilities	123,841,252	114,890,752
Deposits from banks	39,873,123	37,391,030
Deposits from customers	67,114,176	57,935,950
Debt securities issued	10,931,970	14,011,614
Subordinated capital	4,417,610	4,254,280
Other non-derivative financial liabilities	1,504,372	1,297,878
Liabilities at fair value through profit and loss	3,345,911	2,557,396
Debt securities issued	3,345,911	2,557,396
Derivatives (hedging)	42,702	476,764
Negative fair values of derivatives (hedging)	42,702	476,764
Provisions for liabilities and charges	893,040	786,727
Equity	11,488,752	11,251,019
Total equity and liabilities	150,087,066	136,496,764

(14) Cash reserve

€ 000	2011	2010
Cash in hand	2,054,030	1,639,518
Balances at central banks	10,897,088	5,095,216
Total	12,951,118	6,734,734

(15) Loans and advances to banks

€ 000	2011	2010
Giro and clearing business	2,292,931	1,409,809
Money market business	16,165,313	13,189,598
Loans to banks	2,938,120	3,605,123
Purchased loans	120,374	34,510
Leasing claims	52,646	88,990
Claims evidenced by paper	888,032	1,424,662
Total	22,457,416	19,752,692

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

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

€ 000	2011	2010
Austria	9,832,856	9,009,244
Foreign	12,624,561	10,743,448
Total	22,457,416	19,752,692

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

€ 000	2011	2010
Central banks	1,817,016	1,483,988
Commercial banks	20,634,810	18,258,721
Multilateral development banks	5,591	9,983
Total	22,457,416	19,752,692

(16) Loans and advances to customers

€ 000	2011	2010
Credit business	53,615,425	48,437,137
Money market business	6,102,272	6,282,668
Mortgage loans	17,944,342	16,887,910
Purchased loans	1,271,258	1,179,516
Leasing claims	4,545,514	4,586,359
Claims evidenced by paper	614,189	896,185
Total	84,093,000	78,269,775

Purchased loans amounting to € 1,233,619 thousand (2010: € 1,140,056 thousand) are assigned to the measurement category loans and advances. Purchased loans classified as held-to-maturity totaled € 37,639 thousand (2010: € 39,460 thousand).

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

€ 000	2011	2010
Sovereigns	1,461,445	1,605,272
Corporate customers – large corporates	57,092,850	51,122,439
Corporate customers – mid market	3,952,539	4,100,432
Retail customers – private individuals	19,022,397	18,567,216
Retail customers – small and medium-sized entities	2,356,913	2,478,914
Other	206,857	395,502
Total	84,093,000	78,269,775

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

€ 000	2011	2010
Austria	9,077,282	9,267,427
Foreign	75,015,718	69,002,348
Total	84,093,000	78,269,775

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

€ 000	2011	2010
Sovereigns	5,912	7,000
Banks	227,643	255,020
Corporate customers – large corporates	2,665,454	2,446,196
Corporate customers – mid market	437,852	417,500
Retail customers – private individuals	1,524,558	1,418,100
Retail customers – small and medium-sized entities	249,038	242,859
Total	5,110,458	4,786,675

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

31/12/2011 € 000	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	22,162,345	22,457,416	231,069	208,591	19,052	22,229,773
Sovereigns	1,362,367	1,461,445	11,277	5,912	0	1,455,533
Corporate customers – large corporates	53,265,443	57,299,706	4,120,985	2,291,771	373,682	54,634,253
Corporate customers – mid market	3,551,782	3,952,539	648,691	405,228	32,624	3,514,686
Retail customers – private individuals	18,098,367	19,022,397	2,306,726	1,281,857	242,701	17,497,839
Retail customers – small and medium-sized entities	2,182,804	2,356,913	333,895	217,487	31,551	2,107,874
Total	100,623,109	106,550,417	7,652,643	4,410,848	699,610	101,439,958

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 corporates	48,364,631	51,517,941	3,658,065	2,040,223	405,973	49,071,745
Corporate customers – mid market	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

Impaired assets

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

31/12/2011	Impairments and collaterals				
€ 000	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
Banks	231,069	208,591	22,478	0	1,514
Sovereigns	11,277	5,912	5,365	5,224	118
Corporate customers – large corporates	4,120,985	2,291,771	1,829,214	1,272,792	110,715
Corporate customers – mid market	648,691	405,228	243,463	221,291	24,752
Retail customers – private individuals	2,306,726	1,281,857	1,024,869	800,645	58,958
Retail customers – small and medium-sized entities	333,895	217,487	116,408	80,951	8,902
Total	7,652,643	4,410,848	3,241,797	2,380,903	204,960

ILLP: individual loan loss provisions

31/12/2010	Impairments and collaterals				
€ 000	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collaterals for individually impaired assets	Interest on individually impaired assets
Banks	271,087	236,580	34,507	0	4,623
Sovereigns	20,637	7,000	13,637	32	853
Corporate customers – large corporates	3,658,065	2,040,223	1,617,842	1,114,480	104,469
Corporate customers – mid market	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

ILLP: individual loan loss provisions

(18) Trading assets

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

€ 000	2011	2010
Bonds, notes and other fixed-interest securities	3,107,108	4,013,416
Treasury bills and bills of public authorities eligible for refinancing	889,762	1,083,173
Other securities issued by the public sector	430,402	870,387
Bonds and notes of non-public issuers	1,786,944	2,059,856
Shares and other variable-yield securities	209,935	430,428
Shares	155,296	267,613
Mutual funds	41,818	72,323
Other variable-yield securities	12,821	90,492
Positive fair values of derivative financial instruments	7,265,238	3,607,437
Interest-based transactions	6,366,068	2,804,536
Currency-based transactions	715,139	640,184
Equity-/index-based transactions	81,985	95,885
Credit derivatives business	89,123	47,789
Other transactions	12,923	19,042
Call/time deposits from trading purposes	6,872	0
Total	10,589,154	8,051,280

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

(19) Derivatives

€ 000	2011	2010
Positive fair values of derivatives in fair value hedges (IAS 39)	426,350	360,827
Interest-based transactions	426,350	360,827
Positive fair values of derivatives in cash flow hedges (IAS 39)	0	564,583
Interest-based transactions	0	564,583
Positive fair values of credit derivatives	74,723	9,472
Positive fair values of other derivatives	903,064	552,868
Interest-based transactions	724,265	452,976
Currency-based transactions	178,682	98,547
Equity-/index-based transactions	117	1,345
Total	1,404,137	1,487,750

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

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

(20) Financial investments

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

€ 000	2011	2010[1]
Bonds, notes and other fixed-interest securities	15,927,705	19,009,896
Treasury bills and bills of public authorities eligible for refinancing	7,713,518	9,886,294
Other securities issued by the public sector	3,856,656	3,687,021
Bonds and notes of non-public issuers	4,337,213	5,416,263
Other	20,318	20,318
Shares and other variable-yield securities	513,580	541,097
Shares	86,188	94,979
Mutual funds	165,469	182,549
Other variable-yield securities	261,923	263,569
Equity participations	704,831	730,414
Interest in affiliated companies	426,301	361,200
Other interests	278,530	369,214
Total	17,146,116	20,281,407

1 Adaption of previous year figures due to different allocation

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

The book value of securities reclassified as held-to-maturity was € 452,188 thousand at the time of reclassification. Of this, reclassifications in 2008 accounted for € 371,686 thousand and reclassifications in 2011 for € 80,502 thousand. As of 31 December 2011 the book value was € 304,247 thousand and the fair value € 305,775 thousand. In 2011 income from reclassified securities of € 13,955 thousand was recognized (2010: € 16,343 thousand). Without reclassification there would have been a of €4,812 thousand (2010: € 9,042 thousand).

The book value of securities reclassified as loans and advances was € 1,559,682 thousand at the time of reclassification in 2008. As of 31 December 2011 the book value was € 806,491 thousand and the fair value € 795,978 thousand. In 2011 income from reclassified securities of € 27,306 thousand was recognized (2010: € 41,306 thousand). Without reclassification, this would have resulted in a loss amounting to € 36,298 thousand (2010: gain € 69,648 thousand).

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

Equity participations valued at amortized cost for which fair values could not be measured reliably amounted € 198,211 thousand (2010: € 273,425 thousand).

For the following subsidiaries there are syndicate contracts between RBI AG and the respective shareholders: Raiffeisenbank a.s. (Czech Republic), Tatra banka a.s. (Slovakia), Raiffeisen Bank Zrt. (Hungary), and Raiffeisen-RBHU Holding GmbH (Austria), and Raiffeisen Banka d.d. (Slovenia), as well as Raiffeisenbank Austria d.d. (Croatia). These syndicate contracts regulate especially the purchase options between direct and indirect shareholders.

The syndicate contracts expire automatically if control over the company changes – also in the case of a takeover bid. The following agreement has been made with the European Bank for Reconstruction and Development (EBRD) regarding Priorbank, OAO (Belarus): If control over the company changes, EBRD has the option to sell all shares held in Priorbank to the company.

(21) Investments in associates

The shares in companies valued at equity are as follows:

€ 000	2011	2010
Investments in associates	1,159,090	1,314,670
Hereof Goodwill	201,431	201,431

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)	114,739	3,420	(11,335)	(366)
A-Leasing SpA, Treviso (IT)	713,114	6,533	(41,875)	22,411
Card Complete Service Bank AG, Vienna (AT)	573,719	68,326	15,927	46,000
LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)[1]	1,307,233	1,171,945	18,439	458,872
NOTARTREUHANDBANK AG, Vienna (AT)	1,157,968	19,363	9,685	23,669
Österreichische Hotel- und Tourismusbank Ges.m.b.H., Vienna (AT)	1,078,576	5,805	1,939	27,456
Österreichische Kontrollbank AG, Vienna (AT)	37,978,215	158,297	50,167	595,372
Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (AT)[1]	10,525,069	236,064	42,823	364,516
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	75,112	4,168	102	15,054
Raiffeisen evolution project development GmbH, Vienna (AT)[1]	500,955	114,657	(2,886)	224,783
Raiffeisen Informatik GmbH, Vienna (AT)	6,525,000	1,394,000	9,055	105,630
Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)[1]	127,480	71,180	3,293	36,684
Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (AT)	2,063,201	1,797	824	7,770
UNIQA Versicherungen AG, Vienna (AT)[1,2]	28,695,200	5,379,138	46,434	1,291,589

1 Consolidated financial statements: profit and equity is before deduction of non controlling interests.
2 Consolidated figures 2010, because Uniqa is a listed company and has not yet published consolidated financial statements of 2011. Fair value of the shares held and based on stock exchange price as of 31 December 2011 amounted to € 803,148 thousand (2010: € 959,860 thousand).

Further information regarding associated companies is stated on page 154.

(22) Intangible fixed assets

€ 000	2011	2010
Goodwill	409,758	616,262
Software	530,968	479,923
Other intangible fixed assets	132,024	130,460
Total	1,072,750	1,226,645

The item "software" comprises acquired software amounting to € 471,736 thousand (2010: € 424,708 thousand) and developed software amounting to € 59,232 thousand (2010: € 55,215 thousand).

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

€ 000	2011	2010
Raiffeisen Bank Aval JSC, Kiev	29,138	220,606
ZAO Raiffeisenbank, Moscow	257,171	263,124
Raiffeisenbank a.s., Prague	39,697	42,443
Raiffeisen Bank Sh.a., Tirane	52,650	52,711
Ukrainian Processing Center PJSC, Kiev	15,377	14,977
Other	15,726	22,401
Total	409,758	616,262

Goodwill impairment of € 188.391 thousand was made at the Group units in the Ukraine, Hungary and Slovenia. Information about the impairment tests can be found in the chapter business combinations on page 49.

(23) Tangible assets

€ 000	2011	2010
Land and buildings used by the Group for own purpose	734,733	662,913
Other land and buildings (investment property)	158,681	154,868
Office furniture and equipment as well as other tangible fixed assets	514,881	582,178
Leased assets (operating lease)	442,233	377,159
Total	1,850,528	1,777,118

The fair value of investment property totaled € 160,478 thousand (2010: € 152,769 thousand).

(24) Development of fixed assets

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

	Cost of acquisition or conversion						
€ 000	As of 1/1/2011	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As of 31/12/2011
Intangible fixed assets	1,869,031	1,677	(32,146)	216,267	(20,001)	21	2,034,849
Goodwill	654,910	3,037	(5,797)	0	(1,624)	0	650,525
Software	1,018,825	60	(30,576)	200,948	(16,450)	10,952	1,183,759
Other intangible fixed assets	195,296	(1,420)	4,227	15,319	(1,927)	(10,931)	200,565
Tangible fixed assets	2,954,838	46,254	(37,706)	376,853	(231,870)	(21)	3,108,349
Land and buildings used by the Group for own purpose	953,576	0	(12,732)	105,492	(37,684)	16,206	1,024,858
Other land and buildings	165,047	29,482	1,415	44,710	(2,090)	(56,306)	182,257
of which land value of developed land	14,213	0	146	7	(384)	0	13,982
Office furniture and equipment as well as other tangible fixed assets	1,361,447	808	(15,860)	141,773	(114,282)	(18,287)	1,355,599
Leased assets (operating lease)	474,768	15,964	(10,528)	84,878	(77,814)	58,366	545,634
Total	4,823,869	47,931	(69,851)	593,120	(251,871)	0	5,143,198

	Write-ups, amortization, depreciation, impairment			Carrying amount
€ 000	Cumulative	hereof Write-ups	hereof Depreciation	31/12/2011
Intangible fixed assets	(962,099)	780	(333,187)	1,072,750
Goodwill	(240,767)	0	(188,288)	409,758
Software	(652,791)	0	(135,458)	530,968
Other intangible fixed assets	(68,541)	780	(9,441)	132,024
Tangible fixed assets	(1,257,821)	20,977	(250,947)	1,850,528
Land and buildings used by the Group for own purpose	(290,125)	18,845	(37,750)	734,733
Other land and buildings	(23,576)	0	(16,834)	158,681
of which land value of developed land	(132)	0	(7)	13,851
Office furniture and equipment as well as other tangible fixed assets	(840,718)	1,583	(158,166)	514,881
Leased assets (operating lease)	(103,401)	548	(38,197)	442,233
Total	(2,219,920)	21,757	(584,134)	2,923,278

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

€ 000	Cost of acquisition or conversion						
	As of 1/1/2010	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As of 31/12/2010
Intangible fixed assets	1,672,912	(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

€ 000	Write-ups, amortization, depreciation, impairment			Carrying amount
	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

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

(25) Other assets

€ 000	2011	2010
Tax assets	499,766	553,646
Current tax assets	115,544	71,617
Deferred tax assets	384,222	482,029
Receivables arising from non-banking activities	142,468	165,837
Accruals and deferred items	267,781	271,681
Clearing claims from securities and payment transfer business	457,827	356,015
Lease in progress	96,510	155,241
Assets held for sale (IFRS 5)	26,564	5,296
Inventories	174,374	146,989
Valuation fair value hedge portfolio	6,987	0
Other assets	801,940	732,663
Total	2,474,216	2,387,368

Deferred taxes break down as follows:

€ 000	2011	2010
Deferred tax assets	384,222	482,029
Provisions for deferred taxes	(37,149)	(32,107)
Net deferred taxes	347,073	449,922

The net deferred taxes result from the following items:

€ 000	2011	2010
Loans and advances to customers	71,701	97,592
Impairment losses on loans and advances	123,428	120,723
Tangible and intangible fixed assets	14,340	20,585
Other assets	26,982	5,302
Provisions for liabilities and charges	58,986	57,787
Trading liabilities	18,111	4,684
Other liabilities	72,552	82,737
Tax loss carry-forwards	248,427	279,606
Other items of the statement of financial position	65,403	51,353
Deferred tax assets	699,930	720,369
Loans and advances to banks	9,569	3,170
Loans and advances to customers	31,807	44,073
Impairment losses on loans and advances	56,219	23,326[1]
Trading assets	6,360	17,690
Financial investments	29,563	22,652
Tangible and intangible fixed assets	79,210	73,248
Other assets	35,257	46,223
Deposits from customers	13,527	887
Provisions for liabilities and charges	43	9,808
Other liabilities	11,921	12,323
Other items of the statement of financial position	79,380	17,047[1]
Deferred tax liabilities	352,856	270,447
Net deferred taxes	347,073	449,922

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

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry-forwards which amounted to € 248,427 thousand (2010: € 279,606 thousand). The tax loss carry-forwards are mainly without any time limit. The Group did not recognize deferred tax assets of € 98,809 thousand (2010: € 31,036 thousand) because from a current point of view there is no prospect of realizing them within a reasonable period of time.

(26) Deposits from banks

€ 000	2011	2010
Giro and clearing business	3,065,683	3,167,903
Money market business	28,017,125	24,045,097
Long-term refinancing	8,790,315	10,178,030
Total	39,873,123	37,391,030

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

€ 000	2011	2010
Austria	22,513,399	19,761,324
Foreign	17,359,724	17,629,706
Total	39,873,123	37,391,030

Deposits from banks break down into the following bank segments:

€ 000	2011	2010
Central banks	837,458	1,399,269
Commercial banks	37,118,077	34,680,346
Multilateral development banks	1,917,587	1,311,415
Total	39,873,123	37,391,030

(27) Deposits from customers

€ 000	2011	2010
Sight deposits	27,871,387	24,091,030
Time deposits	37,961,762	32,375,150
Savings deposits	1,281,027	1,469,770
Total	67,114,176	57,935,950

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

€ 000	2011	2010
Sovereigns	1,318,407	1,722,770
Corporate customers – large corporates	33,553,923	27,226,939
Corporate customers – mid market	2,438,661	2,489,184
Retail customers – private individuals	25,422,490	22,122,522
Retail customers – small and medium-sized entities	3,722,900	3,672,738
Other	657,795	701,797
Total	67,114,176	57,935,950

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

€ 000	2011	2010
Austria	6,463,452	5,994,353
Foreign	60,650,724	51,941,597
Total	67,114,176	57,935,950

(28) Debt securities issued

€ 000	2011	2010
Bonds and notes issued	12,659,087	15,917,240
Money market instruments issued	828,722	51
Other debt securities issued	790,073	651,719
Total	14,277,881	16,569,010

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

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

(29) Provisions for liabilities and charges

€ 000	As of 1/1/2011	Change in consolidated group	Allocation	Release	Usage	Transfers, exchange differences	As of 31/12/2011
Severance payments	70,387	0	13,739	(13,904)	(2,413)	(14)	67,795
Retirement benefits	73,472	0	3,808	(2,552)	(25)	259	74,961
Taxes	145,714	(238)	150,007	(20,756)	(50,497)	(791)	223,439
Current	113,608	0	132,254	(9,423)	(49,754)	(395)	186,290
Deferred	32,107	(238)	17,753	(11,333)	(742)	(396)	37,149
Contingent liabilities and commitments	131,948	0	98,831	(66,977)	(2,839)	(7,639)	153,324
Pending legal issues	107,755	0	13,681	(15,243)	(14,443)	(1,305)	90,446
Overdue vacation	54,116	(10)	7,521	(5,963)	0	(840)	54,824
Bonus payments	149,874	(15)	143,055	(11,669)	(98,911)	(3,646)	178,688
Restructuring	5,037	0	0	(2,643)	(469)	(273)	1,653
Other	48,424	(1,075)	35,514	(14,142)	(22,406)	1,596	47,911
Total	786,727	(1,339)	466,156	(153,847)	(192,003)	(12,654)	893,040

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 € 90,446 thousand (2010: 107,755 thousand). In a Russian network unit, a provison of € 15,834 thousand was built in connection with the cancellation of a rent agreement by Raiffeisenbank Moscow. In RBI AG, a provision of € 12,000 thousand was built for a legal issue regarding the law suit of customers of a funds management company in connection with the payment transfer done by the former RZB. Beyond that, there were no single cases exceeding € 10,000 thousand.

Provisions for severance payments and similar obligations developed as follows:

€ 000	2011	2010
Defined benefit obligation (DBO) as of 1/1	70,387	63,657
Exchange differences	10	(285)
Changes in consolidated group	0	360
Service cost	4,454	3,767
Interest cost	2,673	2,392
Payments	(8,512)	(8,971)
Actuarial gain/loss	(1,216)	9,467
Defined benefit obligation (DBO) as of 31/12 (=provision)	67,795	70,387

Provisions for retirement benefits developed as follows:

€ 000	2011	2010
Defined benefit obligation (DBO) as of 1/1	112,875	108,349
Changes in consolidated group	(232)	(957)
Current service cost	1,858	1,702
Past service costs	500	0
Interest cost	4,685	4,975
Benefit payments	(4,846)	(5,372)
Actuarial gain/loss	(3,381)	4,178
Defined benefit obligation (DBO) as of 31/12	111,458	112,875

Plan assets developed as follows:

€ 000	2011	2010
Plan assets at fair value as of 1/1	39,403	37,060
Changes in consolidated group	(977)	(462)
Expected return on plan assets	1,674	1,559
Contributions to plan assets	1,324	1,444
Plan payments	(1,351)	(1,265)
Actuarial gain/loss	(3,574)	1,066
Plan assets at fair value as of 31/12	36,498	39,403

The reconciliation of DBO to provision is as follows:

€ 000	2011	2010
Defined benefit obligation (DBO)	111,458	112,875
Plan assets at fair value	36,498	39,403
Provision as of 31/12	74,960	73,472

The structure of plan assets breaks down as follows:

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

Actual return on plan assets was as follows:

€ 000	2011	2010
Actual return on plan assets	(1,260)	2,625

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

€ 000	2011	2010
Wholly funded	11,681	10,906
Partly funded	60,545	61,908
Wholly unfunded	39,232	40,061
Defined benefit obligation (DBO)	111,458	112,875

(30) Trading liabilities

€ 000	2011	2010
Negative fair values of derivative financial instruments	8,404,369	4,527,744
Interest-based transactions	6,390,869	3,017,469
Currency-based transactions	1,365,323	921,863
Equity-/index-based transactions	566,323	525,677
Credit derivatives business	67,530	43,920
Other transactions	14,325	18,815
Short-selling of trading assets	565,628	425,730
Certificates issued	743,369	784,945
Total	9,713,365	5,738,419

(31) Derivatives

€ 000	2011	2010
Negative fair values of derivatives in fair value hedges (IAS 39)	37,315	23,487
Interest-based transactions	37,315	23,487
Negative fair values of derivatives in cash flow hedges (IAS 39)	5,387	453,276
Interest-based transactions	5,387	453,276
Negative fair values of credit derivatives	12,967	18,332
Negative fair values of derivative financial instruments	749,076	777,356
Interest-based transactions	666,330	488,296
Currency-based transactions	58,437	245,169
Equity-/index-based transactions	24,309	43,891
Total	804,746	1,272,451

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

As a result of a change in the hedging strategy, cash flow hedging was ended in the second quarter of 2011 and replaced by portfolio hedges.

(32) Other liabilities

€ 000	2011	2010
Liabilities from non-banking activities	162,127	162,294
Prepayments and other deferrals	203,419	210,590
Liabilities from dividends	520	596
Clearing claims from securities and payment transfer business	416,961	405,518
Valuation fair value hedge portfolio	22,432	0
Other liabilities	698,913	518,881
Total	1,504,372	1,297,879

(33) Subordinated capital

€ 000	2011	2010
Hybrid tier 1 capital	819,010	819,077
Subordinated liabilities	2,742,483	2,576,374
Supplementary capital	602,540	605,647
Participation certificates	253,577	253,182
Total	4,417,610	4,254,280

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

Issuer	ISIN	Type	Currency	Nominal value in € 000	Coupon [1]	Due
RBI AG	XS0619437147	Subordinated capital	EUR	500,000	6.625%	18/5/2021
RFJ4	XS0253262025	Hybrid tier 1 capital	EUR	500,000	5.169%	–
RBI AG	XS0289338609	Subordinated capital	EUR	500,000	4.500%	5/3/2019
RBI AG	XS0326967832	Supplementary capital	EUR	600,000	5.770%	29/10/2015

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

In the reporting period, expenses on subordinated capital totaled € 227,394 thousand (2010: € 205,143 thousand).

(34) Equity

€ 000	2011	2010
Consolidated equity	6,149,106	5,501,624
Subscribed capital	443,714	443,714
Participation capital	591,843	250,000
Capital reserves	1,050,634	1,050,635
Retained earnings	4,062,915	3,757,275
Consolidated profit	472,459	713,664
Non-controlling interests	4,867,187	5,035,731
Total	11,488,752	11,251,019

Subscribed capital
The subscribed capital of Raiffeisen Zentralbank Österreich Aktiengesellschaft is divided into 6,105,874 no par shares. Of these, 5,539,885 are registered ordinary shares and 565,989 are bearer preferred shares. The total nominal value according to the Articles of Association is € 443,714 thousand.

Authorized capital
By resolution of the Annual General Meeting on 20 June 2007, the Management Board was authorized – with the approval of the Supervisory Board – to increase the capital stock by up to € 101,738 thousand by at the latest 14 August 2012 through the issue against contributions in cash or kind of up to 1,400,000 shares, possibly in several tranches, while preserving the shareholders' right of subscription. In 2008, the Management Board exercised this authority in a resolution of 15 September 2008 with approval by the Supervisory Board on 18 September 2008 to increase the capital stock by € 18,123 thousand through the issue of 249,391 ordinary shares and by € 1,869 thousand through the issue of 25,719 preferred shares. No use was made of this authority in the year under review. There is still the potential to increase capital from authorized capital by € 62,487 thousand under the authority conferred by the Annual General Meeting on 20 June 2007.

Participation capital
Raiffeisen Zentralbank Österreich Aktiengesellschaft issued participation capital within the context of § 23 (4) and (5) BWG to a nominal value of € 2,500,000 thousand. The capital is available for the life of the business and cannot be recalled by the participation investor. The first tranche of € 750,000 thousand was paid in on 30 December 2008. The second tranche of € 1,750,000 thousand was paid in on 6 April 2009, and was subscribed in its entirety by the Republic of Austria. The participation certificates were issued at par. The participation certificates carry entitlement to profit of 8 per cent a year of the value of the participation certificates. For the 2014 and 2015 financial years, the participation dividend increases by 50 basis points a year, rising to 75 basis points for 2016 and 100 basis points for each subsequent financial year. The dividend is capped at

12-month EURIBOR plus 1,000 basis points. In the course of the merger of the principal business areas of RZB with Raiffeisen International Bank-Holding AG, the participation capital was transferred to RBI AG.

Raiffeisen Zentralbank Österreich Aktiengesellschaft issued participation capital within the context of § 23 (4) and (5) BWG to a nominal value of € 250,000 thousand on 11 October 2010. The participation certificates were issued at par. The participation certificates carry entitlement to profit of 8 per cent a year of the value of the participation certificates. For the 2014 and 2015 financial years, the participation dividend increases by 50 basis points a year, rising to 75 basis points for 2016 and 100 basis points for each subsequent financial year. The dividend is capped at 12-month EURIBOR plus 1,000 basis points. The capital is available for the life of the business: i.e. the subscribers to the participation capital have no ordinary or extraordinary right of termination.

Raiffeisen Zentralbank Österreich Aktiengesellschaft issued participation capital within the context of § 23 (4) and (5) BWG to a nominal value of € 342 million on 29 December 2011. The participation certificates were issued at par and subscribed by the shareholders of RZB AG. The conditions of the issue are identical with those for participation capital issued in the previous year.

Holders of non-voting preferred shares receive their preferred dividends from their shares' proportion of capital stock. The preferred dividend for the 2011 financial year is € 34.23 per preferred share, resulting in a total payout of € 19,374 thousand.

The Management Board will submit a proposal to the Annual General Meeting for distribution of a dividend of € 25.50 per ordinary share from the net income in the 2011 financial year of Raiffeisen Zentralbank Österreich Aktiengesellschaft, which represents a total distribution of € 141,267 thousand.

Changes in equity and other information can be seen on page 39.

(35) Breakdown of remaining terms to maturity

31/12/2011 € 000	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash reserve	12,951,118	0	0	0	0
Loans and advances to banks	2,699,006	16,145,195	2,141,503	1,143,638	328,075
Loans and advances to customers	7,291,740	15,895,859	14,224,346	29,092,146	17,588,909
Impairment losses on loans and advances	(5,110,458)	0	0	0	0
Trading assets	285,826	585,897	1,103,401	4,415,556	4,198,473
Financial investments	1,166,558	3,495,003	2,569,972	7,170,697	2,743,885
Investments in associates	1,159,090	0	0	0	0
Sundry assets	3,445,928	1,420,977	507,426	867,560	559,739
Total assets	23,888,808	37,542,931	20,546,649	42,689,597	25,419,080
Deposits from banks	3,000,917	20,912,766	4,171,494	8,799,063	2,988,884
Deposits from customers	27,085,687	22,299,694	11,192,027	4,302,508	2,234,260
Debt securities issued	0	3,296,420	2,444,332	8,238,888	298,242
Trading liabilities	506,363	904,648	628,585	3,683,948	3,989,821
Subordinated capital	0	5,364	9,243	822,521	3,580,482
Sundry liabilities	1,787,230	775,475	125,422	192,271	321,760
Subtotal	32,380,197	48,194,366	18,571,103	26,039,199	13,413,448
Equity	11,488,752	0	0	0	0
Total equity and liabilities	43,868,949	48,194,366	18,571,103	26,039,199	13,413,448

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
Impairment losses on loans and advances	(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

(36) Information about related companies

Companies can carry out business with related parties that may affect the entity's asset, financial and earnings position. The information about related parties refers to the top of the consolidated group of Raiffeisen-Landesbanken-Holding GmbH.

The parent companies are the non-operating holding company Raiffeisen-Landesbanken-Holding GmbH, Vienna, and its subsidiary R-Landesbanken-Beteiligung GmbH, Vienna, which are majority shareholders in Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna.

Companies with significant influence are primarily Raiffeisenlandesbank Niederösterreich-Wien AG, Vienna, as the largest indirect shareholder, and its parent company Raiffeisen-Holding Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna. Affiliated companies are the 337 subsidiaries not included in the consolidated financial statements for reasons of materiality.

Disclosures on RZB relations to key management are reported under note (56) relations to key management.

As of 31 December 2011, 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	3,851,750	484	234,676	213,901
Loans and advances to customers	0	0	899,498	406,106	520,334
Trading assets	0	330	1,732	16,861	3,229
Financial investments	0	0	427,267	2,477	461,666
Investments in associates	0	0	0	1,159,090	0
Other assets including derivatives	40	0	9,593	177	616
Deposits from banks	0	4,944,816	1,298	6,002,400	157,081
Deposits from customers	942	0	471,385	243,325	637,680
Debt securities issued	0	0	391	0	0
Provisions for liabilities and charges	0	0	64	0	14,647
Trading liabilities	0	0	14,636	37,355	2,178
Other liabilities including derivatives	0	13,026	600	636	126
Subordinated capital	0	29,023	0	0	0
Guarantees given	0	851	21,236	70,789	23,019
Guarantees received	0	129,600	6,100	145,720	2,605

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

€ 000	Parent companies	Companies with significant influence[1]	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	0	2,701,384	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	3,265,540	2,660	6,908,279	115,820
Deposits from customers	1,038	0	409,464	1,950	1,252,168
Debt securities issued	0	0	0	0	0
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

1 Adaption of previous year figures due to different allocation

(37) Foreign currency volumes

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

€ 000	2011	2010
Assets	63,514,682	59,443,076
Liabilities	53,361,958	45,583,629

(38) Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria are as follows:

€ 000	2011	2010
Assets	108,493,098	106,501,832
Liabilities	86,646,984	76,258,244

(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 transactions is to ease the strain on the Group’s regulatory own funds and to use additional refinancing sources.

In the financial year 2011 no new securitizations were made. Both true sale transactions (Warehousing) ROOF Bulgaria 2008-1 and ROOF Romania 2008-1 already closed in 2008 have not yet been transferred to final securitization. The reason for this is the developments on the international capital markets, and the resulting narrow liquidity. Instead, the warehousing has been prolonged and the current warehousing structures were kept alive by the placement of notes to Group internal investors until further notice. Hence, the portfolio's significant chances and risks remain within the Group as well. At year-end 2011 the non-derecognized loans of ROOF Bulgaria 2008-1 amounted to € 73,099 thousand (2010: € 104,031 thousand), those of ROOF Romania 2008-1 came to € 103,899 thousand (2010: € 140,747 thousand).

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

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

Within the scope of synthetic securitizations ROOF CEE 2006-1, the non-derecognized loans amounted to € 162,480 thousand at year-end 2011 (2010: € 392,616 thousand). The differences compared to the volumes at the beginning of the transactions are due to maturing volumes and to changes in currency exchange rates.

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

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

RZB as investor

Besides the above-mentioned refinancing and packaging of designated portfolios of loans or leasing claims, RZB also acts as an investor in ABS-structures. Essentially, this is about investments in Structured Credit Products. During the financial year 2011 market value changes led to a negative valuation result of about € 2 million (2010: positive valuation result of € 9 million).

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

	2011		2010	
€ 000	Outstanding notional amount	Carrying amount	Outstanding notional amount	Carrying amount
Asset-backed securities (ABS)	197,661	197,649	283,991	283,809
Mortgage-backed securities (MBS)	255,093	250,939	190,193	180,618
Collateralized debt obligation (CDO)	143,843	26,243	394,519	148,477
Other	29,504	1,004	29,203	1,466
Total	626,101	475,835	897,906	614,370

(40) Genuine sale and repurchase agreements

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

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

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

€ 000	2011	2010
Securities sold in genuine sale and repurchase agreement	4,801,503	5,415,578
hereof sold or repledged	4,742,840	5,355,684
hereof bonds, notes and other fixed-interest securities	4,607,688	5,355,684
hereof shares and other variable-yield securities	0	0

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

Within the framework of securities lending, borrowed securities amounted to € 1,053,999 thousand (2010: € 886,353 thousand) and loaned securities amounted to € 2,528,461 thousand (2010: € 3,912,527 thousand).

(41) Assets pledged as collateral

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

€ 000	2011	2010
Deposits from banks	5,092,553	8,145,418
Deposits from customers	157,652	111,290
Debt securities issued	0	21,802
Other liabilities	154,992	157,208
Contingent liabilities and commitments	1,266	2,231
Total	5,406,464	8,437,949

The following assets are provided as collateral for the obligations:

€ 000	2011	2010
Loans and advances to banks	3,517,290	4,120,064
Loans and advances to customers	1,366,315	2,632,093
Trading assets	285,047	647,692
Financial investments	2,581,263	2,032,817
Total	7,749,915	9,432,666

(42) Finance leases

€ 000	2011	2010
Gross investment value	5,310,930	5,333,771
Minimum lease payments	4,773,400	4,853,135
Up to 3 months	464,949	499,815
More than 3 months, up to 1 year	950,905	1,014,303
More than 1 year, up to 5 years	2,437,759	2,307,780
More than 5 years	977,263	1,031,237
Non-guaranteed residual value	480,054	480,636
Unearned finance income	831,881	740,551
Up to 3 months	61,389	61,592
More than 3 months, up to 1 year	155,543	147,950
More than 1 year, up to 5 years	401,665	341,090
More than 5 years	213,284	189,919
Net investment value	4,479,049	4,593,220

As of 31 December 2011, write-offs on unrecoverable minimum lease payments outstanding totaled € 90,742 thousand (2010: € 39,958 thousand).

Assets under finance leases break down as follows:

€ 000	2011	2010
Vehicles leasing	1,894,569	1,900,065
Real estate leasing	1,749,798	1,820,021
Equipment leasing	834,682	873,134
Total	4,479,049	4,564,915

(43) Operating leases

Operating leases from view of lessor

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

€ 000	2011	2010
Up to 1 year	47,184	51,087
More than 1 year, up to 5 years	90,065	80,889
More than 5 years	66,499	84,068
Total	203,748	216,044

Operating leases from view of lessee

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

€ 000	2011	2010
Up to 1 year	89,812	101,383
More than 1 year, up to 5 years	200,030	195,206
More than 5 years	14,618	22,356
Total	304,460	318,945

Risk report

(44) Risks arising from financial instruments

Active risk management represents a core competence for RZB. In order to recognize, assess and manage risks effectively, the Group has developed a comprehensive program of risk management and controlling. Risk management is an integral part of overall management of the Bank, and in addition to legal and regulatory requirements, it takes into account the nature, scale, and complexity of the business activities and the resulting risks. The risk report explains the principles and organization of risk management and presents the current position for all material risks.

Risk management principles

RZB has a system of risk principles and risk measurement and monitoring processes aimed at controlling and managing the material risks in all the Group's banks and specialist companies. The risk policy and principles of risk management are set by RZB's Management Board, and include the following principles:

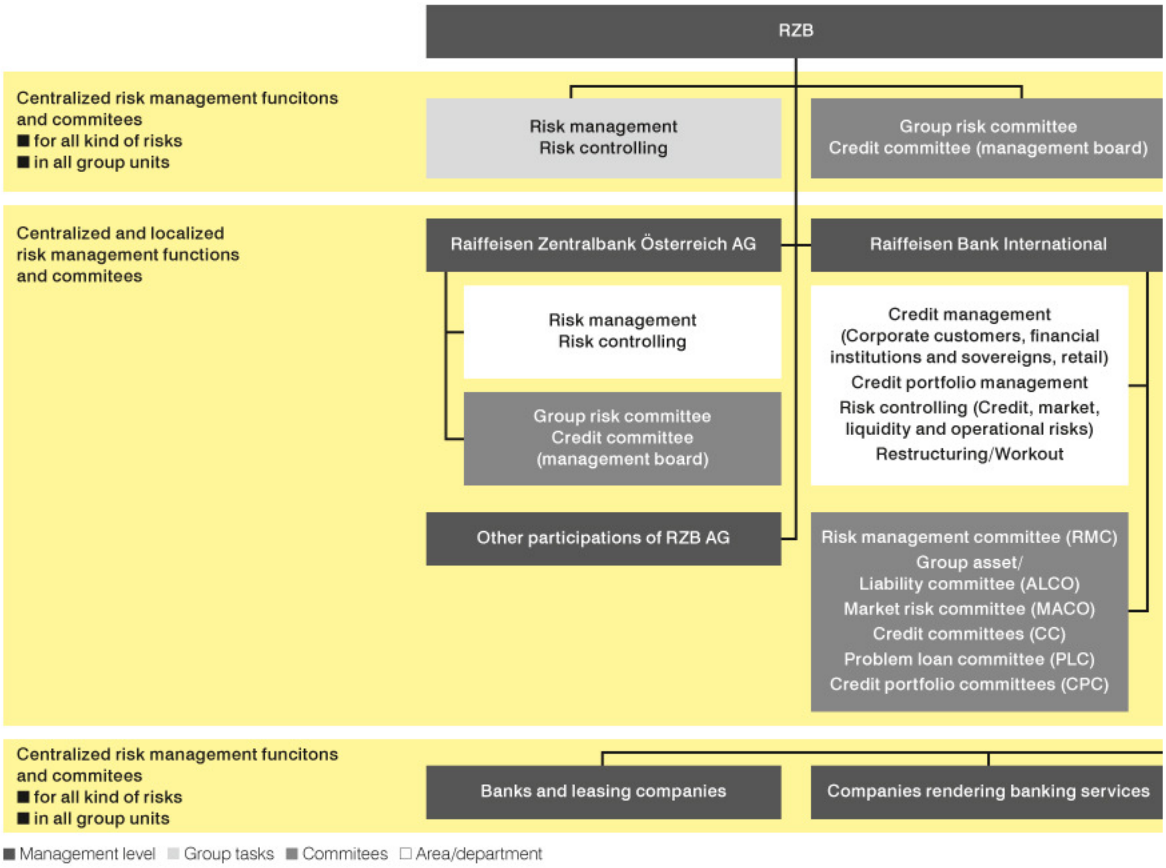
- *Integrated risk management.* Credit and sovereign risks, participation, market and liquidity risks and operational risks are managed Group-wide as the main risks. For this purpose, these risks are measured, limited, aggregated and compared with the available risk cover assets.
- *Uniform methods.* To ensure consistent and coherent risk management, uniform methods are used throughout the Group for risk evaluation and limitation. This approach is efficient for developing risk management methods and forms the basis of uniform Group management in all the RZB countries and segments.
- *Ongoing planning.* Risk strategies and risk capital are reviewed and authorized during the annual budget and planning process. Particular attention is paid to avoiding risk clusters.
- *Independent control.* There is a clear division in personnel and function between business management and all risk management and risk controlling activities.

- *Ex ante and ex post calculation.* Risks are consistently taken into account in product sales and risk-adjusted performance measurement. This ensures that transactions are only concluded when all risk-return considerations are taken into account and incentives to accept greater risk are avoided.

In accordance with these principles, the Group's risk management units formulate detailed risk strategies which transfer these general guidelines into concrete risk goals and specific standards. The overall risk strategy for the Bank as a whole is derived from the Group's business strategy and supplements this by risk-relevant considerations of the planned business structure and strategic development. These aspects include, for example, structural limits and capital ratio targets that must be complied with in budgeting and in business decisions. Other specific goals for the individual risk categories are set in detailed risk strategies. For example, the RZB credit risk strategy defines credit portfolio limits for individual countries and segments and determines authorization limits for individual credit decisions.

Organization of risk management

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



Risk management operates at several levels within the Group. Raiffeisen Zentralbank, as the parent bank, has various service level agreements with RBI AG risk management units, which develops and implements the corresponding concepts with the Group subsidiaries. The central risk management units are responsible for appropriate and suitable implementation of the risk management process across the Group. They establish risk management guidelines and define business-specific requirements, tools and procedures for all Group businesses.

Local risk management units are also present in the various legal Group units. These implement the risk policy in the relevant risk categories and manage the business within the approved risk budget to achieve the aims of the business policy. To this end, they monitor risks occurring with the aid of standardized measuring methods, and also report these using defined reporting interfaces to the central risk management units.

The Group Risk Committee is the highest decision-making body for all risk-relevant issues at RZB. It determines the risk management concepts and steering concepts to be implemented for the Group as a whole and its key parts. These include risk tolerance, various risk budgets, limits at overall Bank level and monitoring the current risk situation, with appropriate management measures.

Risk committees

The Risk Management Committee is responsible for ongoing further development and implementation of methods and parameters for risk measurement and refining management instruments. The committee also evaluates the current risk situation, taking into account appropriate equity levels and corresponding risk limits. It approves the various risk management and steering activities (e.g. allocation of risk budgets) and assists the Management Board with these activities.

The Market Risk Committee controls market risk from RBI's trading and bank book business and sets the relevant limits and procedures. This process includes specifically business results, identified risks and appropriate limit utilization, as well as the results of scenario analyses and stress tests for market risks.

The Credit Committees bring together representatives of the market and back office areas, with specific membership differing depending on customer group for corporate customers, banks, the public sector and retail. They reach decisions within the framework of the credit approval process and rating and volume oriented authorization limits, and handle all the credit decisions affecting them.

The Group Asset/Liability Committee evaluates and manages balance sheet and liquidity risk, and also performs key functions relating to refinancing planning and determining measures for safeguarding against structural risks.

Credit Portfolio Committees define the relevant credit portfolio strategy for the various customer segments. On these committees, representatives of the market and risk management units jointly evaluate the risks and potential of various customer groups (e.g. industries, countries, retail segments). Based on this, credit portfolio management develops lending guidelines and limits for future orientation of the credit portfolio.

Quality assurance and internal audit

Quality assurance in risk management means ensuring the integrity, reliability and freedom from errors of processes, models, calculations and data sources. The aim is to ensure compliance with legislation by the Group and achieve the highest level of quality requirements for activities relating to risk management. Group Audit is responsible for independent review of risk management in all Group units. Independent internal audit is a statutory requirement and a central component in the internal control system. Group internal audit periodically audits all the business processes and is a major contributor to securing and improving these. The reports from this process go directly to the RZB Management Board and are discussed regularly at board meetings.

The coordination of these aspects is the responsibility of the central Organization & Internal Control System department, which permanently monitors the internal control system and keeps it up to the latest standards. If there is any need for modifications, this department is also responsible for monitoring implementation.

Two important functions in the independent audit are performed by the Internal Audit and Compliance units. Independent internal audit is a statutory requirement and central component in the internal control system. Group internal audit periodically audits all the business processes and is a major contributor to securing and improving these. The reports from this process go directly to the RZB Management Board and are discussed regularly at board meetings.

The Compliance Office supplements and is an element of the internal control system responsible for all issues connected with compliance with statutory requirements. It helps avoid violation of existing regulations in daily procedures.

In addition, the audit of the annual financial statements by independent audit firms includes an entirely independent and objective audit, free of potential conflicts of interest. Finally, RZB is subject to ongoing monitoring by the Austrian Financial Market Authority and by the local regulators in the countries where RZB has branches or subsidiaries.

Group risk management

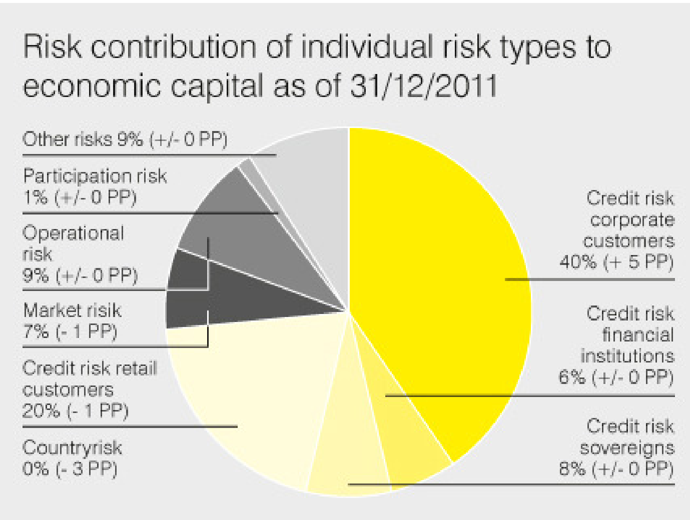
Ensuring capital adequacy is one of the main goals of RZB risk management. The necessary capital adequacy is regularly evaluated on the basis of risk assessments by internal models, where the choice of the models takes into account the materiality of the risk. This concept of Group risk management takes into account capital needs from both the regulatory aspect (sustainability and going concern perspectives) and an economic point of view (target rating perspective). It accordingly complies with the quantitative internal capital adequacy assessment procedure (ICAAP) as required under the second pillar of Basel II. The entire RZB ICAAP is audited annually as part of the regulatory evaluation by the Austrian Financial Market Authority.

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

This concept of Group risk management also satisfies the requirement to implement an internal capital adequacy assessment procedure (ICAAP) in Basel II (pillar 2).

Target rating perspective

In the target rating perspective, risks are measured by the economic capital, which provides a comparable risk valuation ratio for all risk types. It is calculated as the total of unexpected losses from transactions in all Group units in the various risk categories (credit, participation, market and operational risk). In addition, a general buffer is created at the Group level for all other risk types that are not explicitly quantified.



In calculating economic capital, RZB uses a 99.95 per cent confidence level derived from the probability of default of the target rating. The goal in calculating economic capital is to identify the capital that would be needed to meet all customer and creditor claims, even in the event of such a rare loss.

Economic capital – as in the previous year – shows that RZB's greatest risk is credit risk for the corporate customer asset class. This represents 40 per cent of total risk, and overall credit risks are responsible for 73 per cent of economic capital. Market risk has a share of 7 per cent, and operational risk 9 per cent. In addition, a general risk buffer is added for other risks.

Economic capital is matched by internal capital, which consists primarily of the Group's equity and subordinated capital, and serves in the event of loss as the primary risk-covering measure to meet obligations to senior creditors. Total utilization of the available risk capital (the ratio of economic and internal capital) was around 64 per cent as of 31 December 2011.

Economic capital is an important instrument in Group risk management. Limits for economic capital are allocated to the individual business areas for this purpose in the annual budget process, and supplemented by volume, sensitivity and value-at-risk limits for operational management.

Risk-adjusted performance is also based on this measure of risk, using the ratio of a business unit's income to the allocated economic capital (ratio of risk adjusted income to risk adjusted capital, RORAC). This provides a comparable performance measurement for all the Group's business units, and is also used as a key ratio in overall Bank management, future capital allocation and remuneration for Group executives.

Going concern perspective

In parallel with this perspective, capital adequacy is assessed in terms of the Group's continuing existence as a going concern. The risk is again compared with risk-bearing capacity, taking into consideration the regulatory requirements for equity and own funds.

In line with this target, risk-bearing capacity is calculated as the amount of planned profits, expected risk costs and the excess of own funds (taking into account various limits on eligible capital). This is compared with value-at-risk (including expected losses), calculated using a comparable procedure (with a lower confidence level of 99 per cent) to the one used in the target rating perspective. With this approach, the Group ensures capital adequacy for regulatory (going concern) purposes with the desired level of probability.

The internal goals for regulatory capital ratios are accordingly deliberately set higher than the statutory requirements, in order to be able to meet the statutory minimum own funds requirements at all times, and also cover other risks that are not quantified for regulatory purposes. Regulatory capital requirements are calculated at the Group level in accordance with Austrian legal requirements. Local additional capital adequacy regulations for individual Group units can be met by appropriate balance sheet structure measures.

In 2011, this capital adequacy target was continuously exceeded at the Group level. The slight reduction in risk-bearing capacity into the third quarter is explained primarily by the regulatory treatment of net income for the year. This is only recognized as part of regulatory own funds on audit of the annual financial statements (after deducting planned dividend payments), and accordingly only increases risk-bearing capacity in December. However, regulatory own funds requirements increased in the months before this, specifically due to the expansion in lending.

Sustainability perspective

The aim of the sustainability perspective is to ensure that RZB has an adequate core capital ratio at the end of the multi-year planning period, even in the event of unexpected deterioration in the macroeconomic environment. The analysis is based on a multi-year macroeconomic stress test in which hypothetical market developments are simulated after a significant – albeit realistic – economic downturn. Risk parameters include interest rate curves, exchange rates and security prices, and also changes in default probability and rating migrations in the credit portfolio.

The focus in this integrated stress test is on the resulting core capital ratio at the end of the multi-year period. This ratio must not fall below a sustainable level, avoiding a need for substantial capital increases or sharp reductions in business volume. The current core capital requirement is therefore a result of the potential for economic setbacks. The assumed downturn scenario involves the formation of the necessary provisioning and potential procyclical effects (which raise regulatory capital requirements), foreign currency effects and other valuation and earnings components.

This perspective supplements the standard risk measurement based on the value-at-risk concept (which is primarily based on historical data). The sustainability perspective makes it possible to cover even market situations that are unusual and have never before been experienced, while estimating the potential effects of these developments. The stress test also enables analysis of risk clusters (e.g. in individual items, industries or regions) and provides insight into profitability, liquidity and solvency in unusual circumstances. RZB risk management uses this to actively manage portfolio diversification, e.g. by setting caps on total exposure in individual industries and countries, or through ongoing adjustment of corresponding lending standards.

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. This is by far the most important risk category for RZB, as the internal and regulatory capital requirements show. Credit risks are consequently monitored and analyzed in the Group on an individual loan basis as well as on a customer and portfolio basis. The foundation for credit risk management and credit decisions is provided by credit risk policy, credit risk manuals and by the credit risk management methods and processes developed for this purpose.

The internal control system for credit risks comprises various forms of monitoring measures that are integrated directly into the procedures to be monitored, from the customer's loan application, through to the Bank's credit decision and to repayment of the loan.

Credit decision-making process

In non-retail business, no lending takes place without undergoing the credit decision-making process. As well as applying to new lending, the process is undergone for credit increases, extensions, overdrafts and changes to risk-relevant factors on which the original credit decision was based (e.g. financial circumstances of the borrower, intended use or collateral). It also applies to the setting of borrower-related limits for trading and issuing transactions, other limits entailing credit risk, and equity participations.

Credit decisions are made in accordance with hierarchical levels of authority depending on the size and type of credit involved. For individual credit decisions and the regular assessment of counterparty default risk, the approval of the market and back-office units must always be obtained. In the event of a difference of opinion between individual decision-makers, the rules on authority provide for escalation to the next level of decision-making.

The entire credit decision-making process is conducted on the basis of uniform principles and guidelines. For instance, the Global Account Management System is used to assist in business relations with multinational customers conducting transactions with various units in the Group at the same time. This is made possible by Group-wide verification of identity for non-retail customers.

Credit decision-making in retail business is a more automated process on account of the large number of transactions and lower lending amounts. Credit applications are to a large extent assessed and approved in central processing units using credit scorecards. Appropriate IT systems assist in this process.

Credit portfolio management

RZB's credit portfolio is managed on the basis of a portfolio strategy. It restricts lending in different countries, sectors or product types and thereby prevents unwanted concentrations of risk. In addition, long-term development prospects in the individual markets are analyzed on an ongoing basis. This enables the strategic direction to be decided upon at an early stage with regard to future credit exposure.

The table below translates items of the statement of financial position (bank and trading book positions) into the maximum credit exposure, which is used for portfolio management. It includes exposures on and off the statement of financial position before the application of credit-conversion factors. It is not reduced by the effects of credit risk mitigation such as 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 all subsequent tables in the risk report. The variation between the values used for internal portfolio management and those used in external accounting is due to differences of consolidation (regulatory versus corporate accounting as per IFRS), differences in the delimitation of loan volumes and different valuation rules.

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

€ 000	2011	2010[1]
Cash reserve	10,897,088	4,806,891
Loans and advances to banks	22,457,416	19,752,692
Loans and advances to customers	84,093,000	78,269,775
Trading assets	10,589,154	8,051,280
Derivatives	1,404,137	1,487,750
Financial investments	15,927,705	19,009,896
Other assets	320,267	552,174
Contingent liabilities	13,752,690	12,039,285
Commitments	12,779,677	12,178,748
Revocable credit lines	14,713,219	11,679,868
Valuation and disclosure differences	48,312	2,960,753
Total	186,982,664	170,789,111

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

The more detailed analysis of the credit portfolio is based on a subdivision into asset classes and ratings. Creditworthiness is assessed using internal risk classification procedures (rating and scoring models) which are centrally validated. In defining the likelihood of default for different ratings, the various asset classes are looked at separately. This means that the likelihood of default applying to the same given rating level (e.g. 1.5 for corporate customers, A3 for financial institutions and A3 for the public sector) is not directly comparable between the different asset classes.

The rating models in the main non-retail asset classes – corporate customers, financial institutions and the public sector – are uniform across the Group and always use ten rating levels. Scorecards for retail asset classes, on the other hand, are drawn up on a country-specific basis in accordance with uniform Group-wide guidelines. Software tools (e.g. company valuations, rating and default database) are available to assist in both the production and validation of ratings.

Credit portfolio – corporate customers

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

The table below shows the credit exposure per internal rating for corporate customers (major customers and small businesses) in € thousands. Collateral and levels of proceeds on default also need to be considered in the overall internal assessment of credit risk:

€ 000		2011	Share	2010	Share
0.5	Minimal Risk	1,275,365	1.4%	1,180,736	1.4%
1.0	Minimal risk	7,938,656	8.7%	8,475,599	10.2%
1.5	Very good credit standing	9,292,416	10.2%	8,115,833	9.7%
2.0	Good credit standing	12,668,147	13.9%	9,833,334	11.8%
2.5	Sound credit standing	16,056,118	17.6%	11,610,470	13.9%
3.0	Acceptable credit standing	14,925,283	16.4%	12,664,324	15.2%
3.5	Marginal credit standing	12,800,012	14.1%	13,287,909	16.0%
4.0	Weak credit standing/sub-standard	6,548,302	7.2%	7,826,255	9.4%
4.5	Very weak credit standing/doubtful	3,895,111	4.3%	4,384,267	5.3%
5.0	Default	4,704,013	5.2%	4,348,048	5.2%
NR	Not rated	991,974	1.1%	1,532,090	1.8%
Total		91,095,397	100.0%	83,258,864	100.0%

The total credit exposure for corporate customers at the end of 2011 amounted to € 91,095,397 thousand. The total credit exposure for corporate customers rose by € 7,837 million compared to the end of 2010. The Raiffeisen Bank International group accounts for the largest share, at € 89,165,748 thousand.

When the figures are broken down into individual ratings, an improvement in the average portfolio quality is to be observed. The share of medium rating categories (rating 2.0 to 3.0) in overall credit volumes rose 7 percentage points to 47.9 per cent because of new business and partly also on account of improved ratings. Compared to the end of 2010, this amounts to an absolute increase of € 9,541 million. Whilst at rating level 2.0 increases were recorded for the Central Europe and Austria regions in particular, almost half of the expansion in rating level 2.5 was accounted for by new business in the Russia region. At rating level 3.0, the increase took place in the Asia region. Volumes for the lower rating levels remained at the previous year's level, but their share in the overall portfolio dropped 5.1 percentage points to 25.5 per cent.

Overall, growth was registered in preferred sectors such as non-cyclical consumer goods and energy. Growth in sectors with lending restrictions in place (e.g. property, the construction trade) was a lot lower.

The Default category as per Basel II (rating 5.0) accounted for 5.2 per cent of total credit exposure (€ 4,704,013 thousand). Central Europe is most heavily affected by this, accounting for € 1,252,363 thousand. Almost half of the credit exposure classed as not rated derived from small loans. The volume of unrated exposure to corporate customers was brought sharply back down following a merger-related increase in 2010.

The table below shows the total credit exposure for corporate customers based on ultimate risk grouped by region:

€ 000	2011	Share	2010	Share
Central Europe	18,648,001	20.5%	18,410,566	22.1%
Austria	17,891,714	19.6%	11,662,436	14.0%
Russia	13,264,767	14.6%	11,330,339	13.6%
Western Europe	12,574,907	13.8%	9,614,875	11.5%
Southeastern Europe	11,239,604	12.3%	17,041,048	20.5%
Asia	8,547,278	9.4%	4,398,099	5.3%
Other	4,835,141	5.3%	5,690,192	6.8%
CIS Other	4,093,986	4.5%	5,111,309	6.1%
Total	91,095,397	100.0%	83,258,864	100.0%

The high level of growth in lending in the Asia and Russia regions made up for reductions in the CIS Other region, where the exposure fell because of restrictive lending conditions in Ukraine and the devaluation of the Belarusian rouble.

The table below shows the total credit exposure for corporate customers and project finance broken down by sector:

€ 000	2011	Share	2010	Share
Wholesale and retail trade	23,832,637	23.7%	21,512,850	23.8%
Manufacturing	21,351,872	21.3%	20,157,499	22.3%
Real estate	10,872,700	10.8%	12,830,708	14.2%
Financial intermediation	9,691,591	9.7%	6,948,258	7.7%
Construction	7,522,216	7.5%	5,064,203	5.6%
Transport, storage and communication	3,861,613	3.8%	4,943,498	5.5%
Other industries	23,215,703	23.1%	18,921,958	20.9%
Total	100,348,332	100.0%	90,378,973	100.0%

A five-star rating model is used for project finance. The composition of project finance exposure is shown in the table below in € thousands. The project rating takes account both of the likelihood of default in each specific case and of the collateral available:

€ 000		2011	Share	2010	Share
6.1	Excellent project risk profile – very low risk	3,014,256	32.6%	2,608,236	36.6%
6.2	Good project risk profile – low risk	3,548,279	38.3%	2,425,672	34.1%
6.3	Acceptable project risk profile – average risk	1,404,527	15.2%	1,157,508	16.3%
6.4	Poor project risk profile – high risk	718,247	7.8%	414,678	5.8%
6.5	Default	540,871	5.8%	416,219	5.8%
NR	Not rated	26,754	0.3%	97,797	1.4%
Total		9,252,935	100.0%	7,120,109	100.0%

The credit exposure on lending shown under project finance amounted to € 9,252,935 thousand at the end of 2011. This was principally accounted for by the top two rating levels, accounting for 70.9 per cent: Excellent project risk profile – very low risk (rating 6.1) and Good project risk profile – low risk (rating 6.2). This is mainly due to the high level of overall cover provided for these specialized financing transactions. The share accounted for by financing classed as not rated saw a further drop against the previous year, down to 0.3 per cent (€ 26,754 thousand).

Credit portfolio – retail customers

Retail customers are subdivided into private individuals and small and medium-sized enterprises (SMEs). 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 shows RZB's retail credit totals.

€ 000	2011	Share	2010	Share
Retail customers – private individuals	20,778,317	88.2%	20,301,385	88.3%
Retail customers – small and medium-sized entities	2,567,762	11.8%	2,687,265	11.7%
Total	23,346,079	100.0%	22,988,650	100.0%
hereof non-performing loans	2,454,576	10.5%	2,399,036	10.4%
hereof individual loan loss provision	1,498,758	6.4%	1,308,243	5.7%
hereof portfolio based loan loss provision	274,839	1.2%	353,230	1.5%

In comparison with 2010, the retail credit portfolio recorded an increase of € 357,429 thousand to reach a total volume of € 23,346,079 thousand. The largest total came in the Central Europe region at € 11,186,960 thousand. However, this was down € 280,409 thousand against the previous year, owing mainly to the negative trends in the Hungarian forint and the Polish zloty. In second place was Southeastern Europe at € 7,258,423 thousand. This region posted an increase of € 163,351 thousand against the previous year, mainly because of higher lending to individuals in Romania.

Russia also saw an increased volume for private individuals, which was up by a third, most of which was accounted for by consumer credit. In contrast, the CIS Other region experienced a contraction in the retail credit portfolio as a result of hyperinflation in Belarus. Foreign currency lending in Swiss francs and US dollars contracted, whilst lending in euros was up a little.

€ 000	2011	Share	2010	Share
Mortgage loans	10,678,823	45.7%	11,308,761	49.2%
Personal loans	5,708,251	24.5%	5,217,686	22.7%
Car loans	2,149,028	9.2%	2,055,963	8.9%
Credit cards	2,036,026	8.7%	1,635,330	7.1%
Overdraft	1,754,043	7.5%	1,922,619	8.4%
Financing of small and medium-sized entities	1,019,907	4.4%	848,291	3.7%
Total	23,346,079	100.0%	22,988,650	100.0%

In € million	2011	Share	2010	Share
Euro	3,321,774	42.2%	3,011,385	35.3%
Swiss franc	2,905,186	36.9%	3,539,300	41.4%
US-Dollar	1,444,798	18.4%	1,740,966	20.4%
Other foreign currencies	191,622	2.4%	250,566	2.9%
Loans in foreign currencies	7,863,380	100.0%	8,542,217	100.0%
Share of total loans	33.7%		37.2%	

The proportion of the retail portfolio accounted for by loans in foreign currencies provides an indication of the potential shift in default rates if the local currency's exchange rate changes. The internal assessment of this risk takes account of the share of lending in foreign currencies but also of the usually much more stringent lending guidelines applying to such loans and the fact that, in a number of countries, customers' income can often be in the same foreign currency as their lending.

Credit portfolio – financial institutions

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

The table below shows the credit exposure by internal rating for financial institutions. In view of the low number of customers (and of observable defaults) in this asset class, different rating levels are assigned to the varying likelihood of default using a combination of internal and external data.

€ 000		2011	Share	2010	Share
A1	Excellent credit standing	85,187	0.2%	246,893	0.8%
A2	Very good credit standing	3,409,599	9.8%	2,173,720	7.4%
A3	Good credit standing	20,014,243	57.7%	15,340,217	51.9%
B1	Sound credit standing	5,233,225	15.1%	4,497,944	15.2%
B2	Average credit standing	2,993,010	8.6%	3,531,552	12.0%
B3	Mediocre credit standing	1,344,037	3.9%	1,678,374	5.7%
B4	Weak credit standing	620,881	1.8%	893,845	3.0%
B5	Very weak credit standing	370,186	1.1%	476,950	1.6%
C	Doubtful/high default risk	184,310	0.5%	128,145	0.4%
D	Default	352,391	1.0%	383,262	1.3%
NR	Not rated	83,799	0.2%	191,034	0.6%
Total		34,690,866	100.0%	29,541,936	100.0%

Credit exposure to financial institutions totals € 34,690,866 thousand. In terms of the distribution across ratings, rating A3 (Very good credit standing) saw the largest change, but at € 20,014,243 thousand it nonetheless represents the largest rating category, accounting for 57.7 per cent of the total. The mid-table ratings B1 (Good credit standing) to B3 (Mediocre credit standing) represent around 28 per cent of the total credit exposure.

Part of the credit exposure is made up of claims against financial institutions which are part of the overall RZB ownership structure. Because of the multi-layered structure of the Austrian Raiffeisen Banking Group, claims from liquidity balancing within the banking group are shown as part of the credit exposure in this asset class. To cover the risk, mutual offsetting agreements and joint risk monitoring systems are in place.

The share of financial institution credit classed as not rated was less than one per cent at the end of 2011 and was mainly made up of short-term claims against relatively small institutions where the rating process had not yet been completed.

In view of the financial crisis and the risk it has brought to this sector, the management has decided that exposure in this asset class should not increase but rather be reduced as contracts reach an end in the normal way. Clearly, this does not apply to credit transactions with other financial institutions in the Raiffeisen Banking Group, which are also subject to their own risk monitoring system.

The table below shows the total credit exposure to financial institutions (excluding central banks) broken down by product:

€ 000	2011	Share	2010	Share
Money market	13,126,781	37.8%	9,826,449	33.3%
Bonds	4,450,385	12.8%	6,151,875	20.8%
Repo	2,681,168	7.7%	589,936	2.0%
Loans	4,984,158	14.4%	4,852,706	16.4%
Derivatives	8,325,306	24.0%	7,143,831	24.2%
Other	1,123,069	3.2%	977,033	3.3%
Total	34,690,866	100.0%	29,541,831	100.0%

In terms of product categories, the credit exposure in this asset class is mainly made up of time deposits, repo transactions, potential future claims from derivatives transactions, deposits due at call and bonds. Along with this product composition goes a high level of cover for these types of credit (e.g. for repo transactions or through netting agreements).

Credit exposure – public sector

This customer segment is comprised of sovereign states, central banks and regional municipalities as well as other public sector entities. The table below provides a breakdown of the credit exposure to the public sector (including central banks) by internal rating. As defaults in this asset class have occurred only seldom historically, the varying likelihood of default is ascertained using the full range of data from external rating agencies.

€ 000		2011	Share	2010	Share
A1	Excellent credit standing	11,155,643	39.0%	10,316,584	37.0%
A2	Very good credit standing	484,481	1.7%	644,100	2.3%
A3	Good credit standing	4,532,617	15.8%	3,938,226	14.1%
B1	Sound credit standing	1,839,688	6.4%	1,681,239	6.0%
B2	Average credit standing	770,372	2.7%	1,410,819	5.1%
B3	Mediocre credit standing	5,523,010	19.3%	5,976,910	21.4%
B4	Weak credit standing	2,254,210	7.9%	2,097,841	7.5%
B5	Very weak credit standing	1,658,844	5.8%	1,691,510	6.1%
C	Doubtful/high default risk	155,561	0.5%	39	0.0%
D	Default	139,390	0.5%	60,035	0.2%
NR	Not rated	83,573	0.3%	62,250	0.2%
Total		28,597,387	100.0%	27,879,552	100.0%

Credit exposure in the public sector amounts to € 28,597,387 thousand, which is 15.3 per cent of overall credit exposure. In terms of the different ratings, the excellent credit standing (A1) accounts for the largest proportion at 39 per cent; this is attributable to new securities investments in Austrian government bonds. The next-largest is the Mediocre credit standing (B3) with a share of 19.3 per cent; this includes securities from Hungary and Romania. The very good credit standing (A3) also accounts for a considerable share at 15.8 per cent, and includes claims on the Czech Republic. The high level of exposure in the mid-table ratings is the result of deposits made by Group banks with local central banks in Central and Southeastern Europe. These serve the purpose of meeting the relevant minimum reserve requirements and of making short-term deposits of excess liquidity, and are therefore inseparably connected with doing business in these countries. The lower ratings (C and D) have seen an increased share because of local government financing in Hungary and deposits with the Central Bank in Belarus.

The table below shows the total credit exposure to the public sector (including central banks) broken down by product:

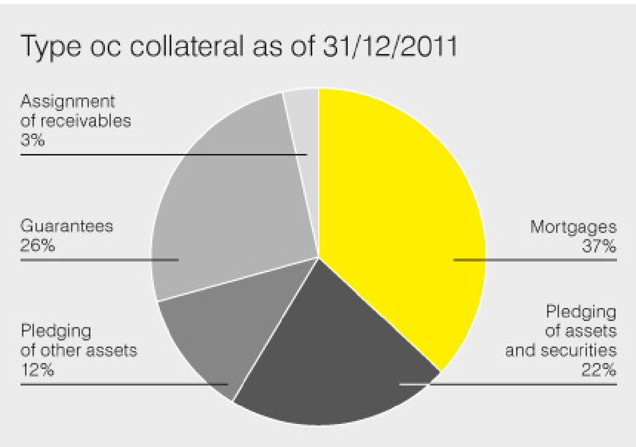
€ 000	2011	Share	2010	Share
Bonds	14,809,947	51.8%	6,166,179	22.1%
Loans	9,023,119	31.6%	11,831,287	42.4%
Derivatives	1,028,086	3.6%	6,093,603	21.9%
Other	3,736,234	13.1%	3,788,484	13.6%
Total	28,597,387	100%	27,879,552	100.0%

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

€ 000	2011	Share	2010	Share
Romania	2,000,334	20.4%	2,242,595	22.8%
Hungary	1,911,614	19.5%	2,016,987	20.5%
Croatia	1,303,903	13.3%	1,226,787	12.5%
Albania	1,218,253	12.4%	1,144,440	11.6%
Ukraine	992,915	10.1%	1,072,953	10.9%
Other	2,387,568	24.3%	2,184,821	22.1%
Total	9,814,587	100.0%	9,888,584	100.0%

At the end of 2011, non-investment grade credit exposure to the public sector (rating B3 and below) was practically unchanged versus 2010 at € 9,809,234 thousand and was mainly attributable to deposits made by Group units with local central banks in Central and Southeastern Europe. These served the purpose of meeting the relevant minimum reserve requirements and making short-term deposits of excess liquidity, and were therefore inseparably c with doing business in these countries.

Credit risk mitigation



Obtaining credit collateral represents a key strategy and an actively pursued means of reducing potential credit risk. The value of the collateral and the effect of other risk mitigation measures are assessed as part of the credit decision-making process. The value deemed to provide risk mitigation is that which RZB could expect to receive by realizing the collateral within a suitable timeframe. Recognized collateral is set down in a collateral catalog and the Group's accompanying valuation guidelines. The value of collateral is calculated by means of uniform methods that encompass standardized calculation formulas using market values, pre-defined value deductions and expert opinions.
Credit collateral is divided into person-related cover (e.g. guarantees) and material collateral. The collateral accepted by RZB is dominated by real estate liens. These mainly involve residential and commercial real estate.

The maximum credit risk and the market value (fair value) of the collateral are as follows:

31/12/2011	Maximum credit exposure		Fair value of collateral
€ 000	Net exposure	Commitments/guarantees issued	
Banks	22,229,773	2,250,743	5,361,351
Sovereigns	1,449,529	257,206	374,125
Corporate customers – large corporates	54,433,403	35,043,119	43,132,854
Corporate customers – mid market	3,514,686	898,882	2,884,820
Retail customers – private individuals	17,497,839	2,402,307	11,095,904
Retail customers – small and medium-sized entities	2,107,874	369,784	1,483,057
Other	206,857	23,783	31,139
Total	101,439,961	41,245,824	64,363,250

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 corporates	48,676,243	30,259,519	35,187,022
Corporate customers – mid market	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

Collateral that is allowed to be resold or repledged without the collateral provider defaulting amounted to € 25,724,543 thousand (2010: € 16,820,440 thousand).

Management of problem loans

The credit portfolio and borrowers are subject to ongoing monitoring. The main aims of this monitoring activity are to ensure that loans are being used for their intended purpose and to keep an eye on borrowers' financial circumstances. For the non-retail asset classes – corporate customers, financial institutions and the public sector – this kind of credit review is carried out at least once a year. It comprises both a renewed creditworthiness rating and a revaluation of financial and physical cover.

Problem loans – i.e. those exposures where financial difficulties or delayed payment is expected on the part of borrowers – require more intensive work. In the non-retail asset classes, decisions about troubled loans are made through regular problem loan rounds in the individual Group units. In the event of problem loans having to be restructured, they are passed to specialists or restructuring units (workout departments). Staff in these departments can achieve a reduction of losses from problem loans through early intervention.

The standards applying to the management of problem loans in the retail business cover the entire restructuring and warning process for private individuals and small- and medium-sized enterprises. The Restructuring Guideline sets down the uniform Group-wide strategy, organizational structure, methods, monitoring and management for purposes of restructuring. In the work-out process, retail customers are divided into "Early," "Late" and "Recovery," and it is on the basis of this categorization that the standardized approach for dealing with these customers is selected.

In assessing the prospects for recovery of claims, the length of delay in payment plays a key role. The table below shows the volume of overdue loans – with no individual value adjustment – to financial institutions and customers for the different time-frames.

31/12/2011 € 000	Current	Overdue					Collaterals
		Up to 31 days	More than 31 days, up to 90 days	More than 91 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	received for assets which are past due
Banks	22,220,166	5,693	26	11	451	0	0
Sovereigns	1,326,759	113,395	2,319	1,090	409	97	1,945
Corporate customers – large corporates	51,246,610	1,384,870	385,260	36,673	36,324	95,083	771,902
Corporate customers – mid market	3,065,309	139,740	66,148	8,124	6,504	18,023	165,846
Retail customers – private individuals	14,921,135	1,273,151	272,556	126,967	22,331	99,532	791,279
Retail customers – small and medium-sized entities	1,731,876	204,187	48,190	17,120	9,492	12,152	217,041
Total	94,511,855	3,121,036	774,498	189,987	75,511	224,887	1,948,012

31/12/2010 € 000	Current	Overdue					Collaterals
		Up to 31 days	More than 31 days, up to 90 days	More than 91 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	received for assets which are past due
Banks	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 corporates	46,410,777	963,483	402,078	17,704	29,846	35,988	697,595
Corporate customers – mid market	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	1,107,660
Retail customers – small and medium-sized entities	1,816,250	231,405	63,126	21,525	12,051	14,544	256,082
Total	87,069,614	2,831,244	900,343	248,579	87,641	148,617	2,270,676

Restructuring of loans

As of 31 December 2011, the book value of those loans for which terms had been renegotiated in conjunction with a significant and immediate loss in cash value – and which otherwise would have had to be value-adjusted or would have been overdue – was € 811,108 thousand (2010: € 588,276 thousand). In terms of asset classes, corporate customers accounted for € 317,269 thousand, while € 493,213 thousand was attributable to retail customers.

Non-performing loans and loan loss provisions

According to the internal definition, a default and thus a non-performing loan (NPL) arises if it can be assumed that a customer will not meet its credit obligations toward the Bank in full, or will be in arrears for at least 90 days in meeting a significant claim owed to the bank. At RZB, 12 different indicators are used to determine default for non-retail customers. For instance, a default is deemed to occur if the customer is involved in insolvency or similar proceedings, if a value adjustment or direct write-down on a customer loan has been made, or if the credit risk management team assesses a customer loan as not fully recoverable, or the workout unit is considering restructuring for the customer.

In connection with the Basel II project, a Group-wide default database was drawn up to record and document customer defaults. This database records defaults and reasons for default, enabling default probabilities to be calculated and validated.

Loan loss provisions are formed in accordance with defined Group guidelines, which are based on IFRS accounting rules, and cover all identifiable credit risks. In non-retail business, regular problem loan rounds are used in the individual Group units to decide on the formation of loan loss provisions for individual loans. In retail business, the calculation of loan loss provisions is carried out by retail risk management departments in the individual Group units. These ascertain the required loan loss provisions on the basis of defined calculation rules at monthly intervals and obtain confirmation from the local accounting department.

The table below shows the change in non-performing loans among the loans in the asset classes indicated, from the statement of financial position items "Loans and advances to customers" and "Loans and advances to financial institutions" (not including off-balance-sheet transactions) in the financial year:

€ 000	As of 1/1/2011	Change in consolidated group	Exchange differences	Additions	Disposals	As of 31/12/2011
Corporate customers	4,430,957	(335)	(88,103)	1,797,100	(1,390,172)	4,749,445
Retail customers	2,398,263	(73)	(56,706)	892,044	(778,952)	2,454,576
Sovereigns	12,098	0	(215)	3,935	(3,544)	12,274
Total nonbanks	6,841,318	(408)	(145,025)	2,693,079	(2,172,669)	7,216,295
Banks	267,834	0	1,904	97,172	(125,634)	241,276
Total	7,109,152	(408)	(143,121)	2,790,251	(2,298,303)	7,457,571

€ 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

Loan loss provisions also grew by 7 per cent to € 5,110,458 thousand, which puts cover at 69 per cent.

The table below shows non-performing loans as a proportion of loans in the asset classes indicated, from the statement of financial position items "Loans and advances to financial institutions" and "Loans and advances to customers" (not including off-balance-sheet transactions), and the concomitant proportion of collateral and loan loss provisions arranged:

€ 000	2011	2010
Corporate customers		
Non-performing loans	4,749,445	4,430,957
of which collateralized	1,811,053	1,538,228
Impairment losses on loans and advances	3,097,302	2,863,696
Loans	61,252,245	55,409,527
NPL ratio	7.8%	8.0%
Coverage ratio	65.2%	64.6%
Retail customers		
Non-performing loans	2,454,576	2,398,263
of which collateralized	1,003,990	1,057,853
Impairment losses on loans and advances	1,773,597	1,658,504
Loans	21,379,310	21,046,130
NPL ratio	11.5%	11.4%
Coverage ratio	72.3%	69.2%
Sovereigns		
Non-performing loans	12,274	12,098
of which collateralized	720	0
Impairment losses on loans and advances	11,917	9,455
Loans	1,461,445	1,605,272
NPL ratio	0.8%	0.8%
Coverage ratio	97.1%	78.2%
Banks		
Non-performing loans	241,276	267,834
of which collateralized	55,671	0
Impairment losses on loans and advances	227,643	255,020
Loans	22,457,416	5,316,687
NPL ratio	1.1%	5.0%
Coverage ratio	94.3%	95.2%

Corporate customer business recorded a total rise in non-performing loans of 7 per cent or € 318,489 thousand to € 4,749,445 thousand. Loan loss provisions (impairment losses) rose by 8 per cent or € 233,606 thousand to € 3,097,302 thousand, which means a 0.6 percentage point increase in cover to 65.2 per cent.

In retail business, non-performing loans were up 2 per cent or € 56,313 thousand at € 2,454,576 thousand. The ratio of non-performing loans to credit exposure increased by 0.1 percentage points to 11.5 per cent. The total loan loss provision for retail customers rose to € 1,773,597 thousand, resulting in a coverage increase of 3.1 percentage points to 72.3 per cent.

Non-performing loans to financial institutions at the end of the year totaled € 241,276 thousand, for which loan loss provisions of € 227,643 thousand were formed.

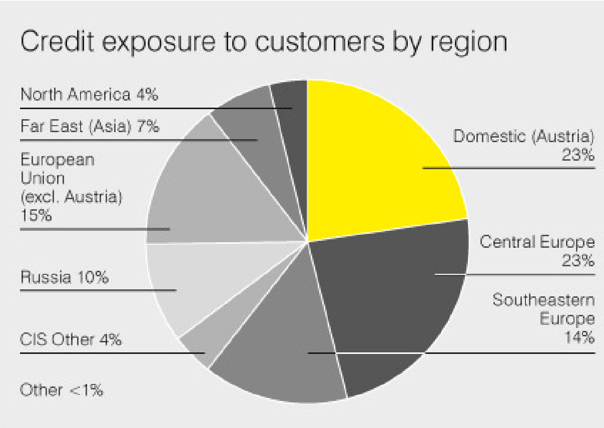
The following loan loss provisioning table summarizes the change in value adjustments and provisions for off-balance-sheet obligations in the financial year and the statement of financial position items underlying the loan loss provisioning:

€ 000	As of 1/1/2011	Change in consolidated group	Allocation[1]	Release	Usage [2]	Transfers, Exchange differences	As of 31/12/2011
Individual loan loss provisions	4,030,624	(182)	1,773,386	(561,001)	(660,250)	(81,572)	4,501,005
Loans and advances to banks	236,579	0	(3,666)	(4,540)	(21,540)	1,758	208,591
Loans and advances to customers	3,741,519	(182)	1,708,274	(533,659)	(635,871)	(77,824)	4,202,257
Off-balance sheet obligations	52,526	0	68,777	(22,802)	(2,839)	(5,506)	90,157
Portfolio-based loan loss provisions	887,999	(15)	280,577	(385,510)	0	(20,275)	762,777
Loans and advances to banks	18,440	0	634	(41)	0	19	19,052
Loans and advances to customers	790,137	(15)	249,889	(341,293)	0	(18,160)	680,558
Off-balance sheet obligations	79,422	0	30,054	(44,176)	0	(2,134)	63,167
Total	4,918,623	(197)	2,053,963	(946,511)	(660,250)	(101,846)	5,263,782

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

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

€ 000	As of 1/1/2010	Change in consolidated group	Allocation[1]	Release	Usage [2]	Transfers, Exchange differences	As of 31/12/2010
Individual loan loss provisions	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



Country risk

Country risk comprises transfer and convertibility risk as well as political risk, resulting from cross-border transactions or direct investments in other countries. RZB is exposed to this risk as a result of its business activities in the convergence markets of Central and Eastern Europe, in which the political and economic risks continue to be regarded as significant in some cases.

Country risk is closely connected with the risk from sovereign institutions and is therefore valued in the same way using the same ten-step rating model. This model takes account both of quantitative macroeconomic factors and of qualitative indicators for describing political risk. RZB's active country risk management takes place on the basis of the Country Risk Policy set every six months by the Management Board. This policy, as part of the credit portfolio limit system, sets a strictly defined limit for risks with respect to countries.

As part of day-to-day operations, in cross-border transactions the business units thus also have to make limit applications as well as setting customer-specific limits. Country risk is factored into product calculations and risk-adjusted performance measurement too. In this way, the Group offers an incentive for business units to obtain cover for country risk through insurance (e.g. through export credit insurance agencies) or guarantees from other countries.

Finally, stress tests are also used to analyze the effects of severe crises in selected countries and regions on the Group's earnings situation. These stress tests underline the importance attached to this area in RZB's risk management.

Concentration risk

RZB's credit portfolio is well diversified in terms of geographical region and industry. Single credit 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 ten largest group exposures (not taking account of collateral) to corporate customers amount to 66 per cent of available core capital. In accordance with risk policy, these include only customers with a very good rating or – in exceptional cases – a medium rating if a high level of cover is provided (using collateral that can be swiftly realized).

The regional breakdown of credit exposure reflects broad diversification in European markets. The table below shows the credit exposure in all asset classes broken down by customers' country of origin, grouped into regions. The "Other" line mainly consists of lending to customers in Western European countries – such as Switzerland, the Netherlands and France – and in other countries in Central and Eastern Europe in which RBI is represented through network banks (e.g. Slovenia, Belarus, etc.).

€ 000	2011	Share	2010[1]	Share
Central Europe	43,217,166	23.1%	41,782,853	24.5%
Slovakia	11,947,936	6.4%	11,251,295	6.6%
Czech Republic	11,035,329	5.9%	9,972,697	5.8%
Hungary	8,940,207	4.8%	9,913,876	5.8%
Poland	8,903,746	4.8%	7,936,316	4.6%
Other	2,389,948	1.3%	2,708,669	1.6%
Austria	42,100,828	22.5%	39,481,690	23.1%
European Union	27,427,983	14.7%	21,711,225	12.7%
Germany	8,002,234	4.3%	6,203,783	3.6%
Great Britain	7,365,436	3.9%	3,999,797	2.3%
Netherlands	2,961,568	1.6%	2,147,731	1.3%
Other	9,098,745	4.9%	9,359,914	5.5%
Southeastern Europe	26,949,342	14.4%	25,692,188	15.0%
Romania	8,660,212	4.6%	7,402,218	4.3%
Croatia	6,240,402	3.3%	6,621,679	3.9%
Bulgaria	4,378,913	2.3%	4,120,288	2.4%
Serbia	2,549,325	1.4%	2,557,240	1.5%
Other	5,120,489	2.7%	4,990,764	2.9%
Russia	18,488,685	9.9%	14,465,135	8.5%
Far East	12,277,528	6.6%	7,721,888	4.5%
China	6,555,672	3.5%	3,348,754	2.0%
Other	5,721,856	3.1%	4,373,134	2.6%
CIS Other	7,802,674	4.2%	8,170,856	4.8%
Ukraine	4,674,211	2.5%	6,165,432	3.6%
Other	3,128,463	1.7%	2,005,424	1.2%
USA	7,085,828	3.8%	4,368,637	2.6%
Rest of the world	1,632,632	0.9%	7,394,639	4.3%
Total	186,982,664	100.0%	170,789,111	100.0%

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

Doubts as to the sustainability of government finances manifested in 2010 in the shape of wider spreads on sovereign bonds for several countries in the euro area. RZB has no subsidiary banks in any of the EU periphery countries, but there are claims on customers in these countries resulting from the financing of international corporate customers and from capital market transactions. In particular, the Group holds almost no government bonds from these countries (except some from the Republic of Italy).

Risk policy and credit assessments at RZB take into account the sector to which the borrower belongs. Banking and insurance represent the largest sector, but this is mostly attributable to exposure to members of the Austrian Raiffeisen sector (central liquidity balancing function). The second largest sector is private households, primarily retail customers in Central and Eastern European countries.

The table below shows credit exposure for the Group by customer sector:

€ 000	2011	Share	2010[1]	Share
Banking and insurance	57,569,117	30.8%	48,631,462	28.5%
Private households	22,064,425	11.8%	22,687,962	13.3%
Wholesale trade and commission trade (except car trading)	17,957,157	9.6%	15,335,791	9.0%
Other manufacturing	13,824,919	7.4%	12,115,812	7.1%
Public administration and defence and social insurance institutions	13,417,261	7.2%	16,413,678	9.6%
Real estate activities	11,437,577	6.1%	12,580,415	7.4%
Construction	7,478,576	4.0%	5,026,104	2.9%
Other business activities	6,600,147	3.5%	6,977,924	4.1%
Retail trade except repair of motor vehicles	5,389,774	2.9%	4,222,642	2.5%
Manufacture of basic metals	3,648,883	2.0%	2,961,973	1.7%
Electricity, gas, steam and hot water supply	3,625,497	1.9%	3,658,577	2.1%
Manufacture of food products and beverages	2,539,277	1.4%	3,014,025	1.8%
Land transport, transport via pipelines	2,238,871	1.2%	2,252,855	1.3%
Other transport	2,157,793	1.2%	2,649,399	1.6%
Sale of motor vehicles	1,602,863	0.9%	1,819,821	1.1%
Extraction of crude petroleum and natural gas	1,580,433	0.8%	1,286,500	0.8%
Manufacture of machinery and equipment	1,560,844	0.8%	1,742,384	1.0%
Other industries	12,289,249	6.6%	7,411,786	4.3%
Total	186,982,664	100.0%	170,789,111	100.0%

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

Structured credit portfolio

RZB's strategy for the structured credit portfolio foresees progressive reduction in the investments through repayment or maturity or through sales, depending on the market situation. The total exposure to structured products is set out in the Notes (39) Securitizations. Around 91 per cent of this portfolio has an external rating of A or higher, and the pools are mainly made up of claims against European customers.

Counterparty default risk

A counterparty default in derivatives, repo or securities lending transactions may result in losses through the cost of reacquiring an equivalent contract. This risk is measured by RZB using the market valuation method, which takes into account the market value and a predefined add-on for any change in the value of the claim in the future. For internal management, possible price changes affecting the fair value of these instruments are ascertained for the specific types of instruments on the basis of historical changes in the market value.

The conclusion of derivatives contracts requires adherence to the credit approval process, in which the same risk classification, limitation and monitoring procedures apply as in traditional lending. Derivatives positions are taken into account in setting and monitoring of credit limits and in the measurement and allocation of internal capital, together with other claims applying to a client, and factored into the calculations on a weighted basis.

A key strategy for reducing this risk is the use of credit risk mitigation techniques, such as netting and collateral cover. As a basic principle, for all significant derivatives transactions with market participants, RZB seeks to conclude a standardized ISDA master agreement for bilateral netting and a Credit Support Annex (CSA) to cover the prevailing market value on a daily basis.

Market risk

RZB Group defines market risk as the potential for negative change in the market price of trading and investment positions. Market risk is determined by fluctuations in exchange rates, interest rates, credit spreads, share prices and commodities prices, as well as other relevant market parameters such as implicit volatilities.

Market risk in customer business is transferred to Treasury through transfer pricing methods. The Treasury division is responsible for the management of these structural risks and for adherence to the overall Group limit. The Capital Markets division is responsible for proprietary trading, market making and customer transactions in money and capital market products.

Organization of market risk management

RZB Group measures, monitors and manages all market risks at the Group level.

Strategic market risk management is the responsibility of the Market Risk Committee, which is in charge of managing and coordinating all market risks within the Group. The total Group limit is determined by the overall Management Board taking into account risk-bearing capacity and the income budget. This limit is divided into sublimits in consultation with the relevant business divisions in accordance with strategy, business model and risk appetite.

The Market Risk Management department ensures that business activities and products come within the scope of the Group's defined and approved strategy and risk appetite. It is responsible for developing and enhancing the risk management processes, rules, measuring methods, risk management infrastructure and systems for all market risk categories and for market risk-induced credit risks in derivatives business. Moreover, this department performs daily independent measurements and reports on all market risks.

All products in which open positions are held are defined in the catalog of products. New products are not added to this list until they have successfully completed the product introduction process. Applications for the addition of a new product undergo comprehensive risk analysis and are not approved until they can be tracked in the front and back offices and risk management systems.

Limit system

RZB Group pursues a comprehensive risk management approach for its trading and banking books (total return approach). Market risk management is systematically applied to all trading and banking books. The following parameters are measured and limited in the market risk management system on a daily basis:

- Value at risk (VaR) confidence interval of 99%, horizon of 1 day
  VaR is the main instrument for managing market risks in liquid markets and normal market situations. It is measured on the basis of a hybrid simulation approach in which 5,000 scenarios are generated. It combines the advantages of historical simulation with those of a Monte Carlo simulation. The market parameters applied are based on historical time series with a duration of 500 days. Modern characteristics such as volatility declustering, random time changes and extreme event containers are factored into the distribution assumptions in order to make allowance for top-heavy and asymmetric distribution. The model has been approved by the Austrian financial markets regulator as an internal model for measuring equity requirements. The value at risk results are used not only to cap risk, but also to calculate economic capital allocation.

- Sensitivity (toward changes in exchange and interest rates, gamma, vega, stock and commodity prices)
  Sensitivity limits are used to avoid clustering in normal market situations and are the main management instruments in stress situations or in markets that are illiquid or structurally difficult to measure.

- Stop loss
  This limit supports traders' discipline in measuring proprietary trading positions and severely limiting losses rather than allowing them to accumulate.

This multi-level limit system is supplemented with a comprehensive stress testing model that calculates potential changes in the value of the overall portfolio in light of different scenarios. Any risk clustering indicated by such stress testing is reported to the Market Risk Committee and taken into account in the allocation of limits. Stress testing reports per portfolio form part of the daily market risk report.

Value at risk (VaR)

The following table sets out the risk parameters (VaR 99%, 1d in € million) for the market risk to which the trading and banking books are exposed for each risk type. RZB Group's VaR is dominated by structural capital positions, the structural interest risks and the spread risks on the bond books held as a liquidity reserve.

Trading book VaR 99% 1d In € million	VaR as of 31/12/2011	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2010
Currency risk[1]	63,564	53,959	37,119	82,891	53,021
Interest rate risk	6,715	8,154	5,656	16,022	11,187
Credit spread risik	877	3,369	845	9,145	2,049
Share price risk	2,328	1,973	1,345	2,958	1,399
Total	48,039	56,623	40,817	81,800	60,073

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

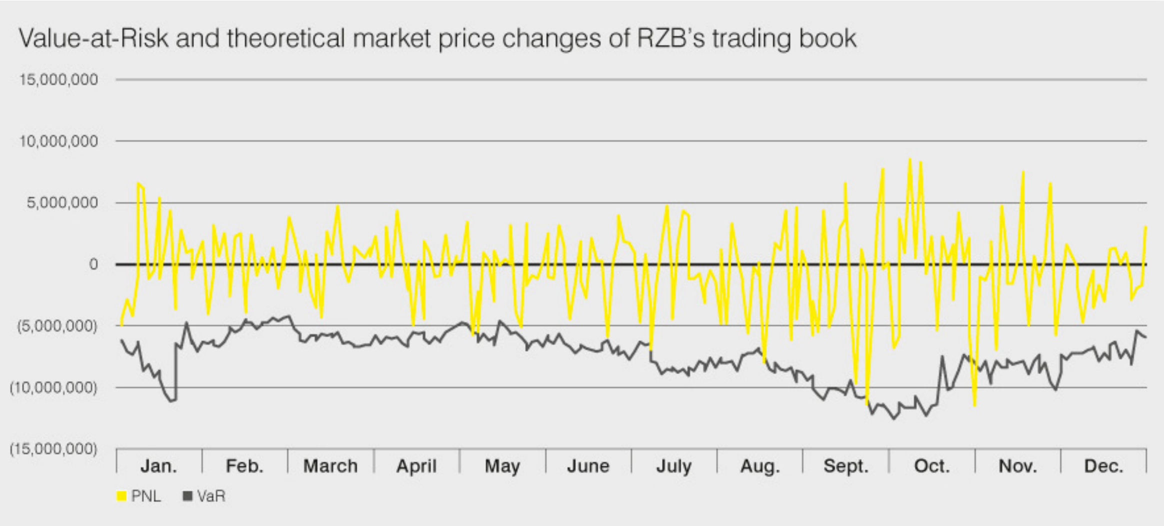
Banking book VaR 99% 1d In € million	VaR as of 31/12/2011	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2010
Interest rate risk	46,274	45,791	13.110	112,813	69,753
Credit spread risik	10,814	28,847	9.979	47,608	29,949
Total	29,172	49,799	21.144	112,097	66,081

Total VaR 99% 1d in € million	VaR as of 31/12/2011	Average VaR	Minimum VaR	Maximum VaR	VaR[1] as of 31/12/2010
Currency risk[1]	63,564	53,961	37,119	82,891	53,021
Interest rate risk	46,023	53,684	26,462	116,618	70,163
Credit spread risik	10,772	31,344	9,530	47,787	31,065
Share price risk	2,328	1,973	1,345	2,958	1,399
Total	50,954	81,054	49,971	125,688	86,932

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

In addition to qualitative analyses of profitability, the risk measurement methods used are continuously monitored by means of back-testing and statistical validation processes and, in the event of any modeling weaknesses, duly adapted. In the year under review, there were two back-testing breaches in RZB Group's trading book (including the capital positions of the network banks) as can be seen in the following chart, which compares VaR with the hypothetical gains and losses on a daily basis. VaR represents the maximum loss that is not exceeded within one day with a confidence interval of 99 percent. It is compared with the applicable hypothetical gain or loss that would have arisen on the following day as a result of actual market movements. Noteworthy is that the model reproduces market volatility regimes correctly and reacts very quickly to any changes in conditions.

As of the beginning of 2012, stressed VaR is also included in reporting alongside VaR in accordance with the regulatory requirements.



Currency risks and capital (ratio) hedge

RZB Group's market risk is chiefly determined by the currency risk arising from the equity held in foreign currencies in non-domestic Group units and the resulting hedging operations managed by the Group Asset/Liability Committee. The following table lists the main currency positions as of 31 December 2011 and the comparative figures for the previous year. The amounts shown include both trading positions and capital positions of the subsidiaries preparing their financial statements in a foreign currency.

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

Currency risk in the narrower sense is defined as the risk of losses as a result of open foreign-currency positions. Fluctuations in exchange rates affect both current income and the costs incurred. Moreover, they influence the capital-backing requirements for assets denominated in a foreign currency even if they are funded in one and the same currency, meaning that no open currency positions arise.

RZB Group holds material interests in companies that are domiciled outside the eurozone and which hold their equity in the corresponding local currency. Similarly, a substantial part of RZB Group's risk-weighted assets are not denominated in euros. For this reason, changes in exchange rates result in fluctuations in RZB Group's consolidated capital as well as in changes in the capital-backing requirements for credit risk.

Two different approaches are taken to hedge the exchange rate risk.

- Absolute capital retention: This hedging strategy aims to immunize the capital held in local currency by establishing a corresponding counterposition on a consolidated basis. However, this hedging possibility is not available to the necessary extent in all currencies. Moreover, such hedges are not economically viable for some currencies in view of the significant interest differences.
- Constant capital ratio: The purpose of this hedging strategy is to bring the tier 1 capital and risk-weighted assets into line with the target tier 1 capital ratio for each currency (i.e. to eliminate any shortfalls or surpluses in capital in each currency relative to the risk-weighted assets) so as to ensure that the tier 1 capital ratio remains constant in the event of any exchange rate fluctuations.

RZB Group applies the constant capital ratio approach in its currency risk management. Accordingly, absolute changes in consolidated capital arise in the event of any changes in exchange rates. However, at the same time, the capital backing for credit risks arising from foreign-currency assets also changes accordingly. These risks are managed in the monthly meetings of the Group Asset/Liability Committee on the basis of historical exchange rate volatility and forecasts and the tier 1 capital ratio sensitivity of individual currencies.

Interest risks in the trading book

The following two tables set out the greatest changes in the present value of RZB Group's trading book in the event of a parallel increase of one basis point in the interest rate in € thousands for the two reporting dates, 31 December 2011 and 31 December 2010. There have been no material changes in the relevant risk drivers in the period under review:

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

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

31/12/2010 € 000	Total	> 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>20y
ALL	(30)	(1)	(1)	(10)	(4)	(11)	(4)	0	0	0	0	0
BGN	(10)	(1)	0	0	(1)	(1)	(5)	0	0	0	0	0
BYR	11	0	0	3	1	4	4	0	0	0	0	0
EUR	442	6	(7)	(7)	(95)	30	203	161	219	7	21	(94)
GBP	(19)	0	0	0	(1)	0	0	0	(5)	0	(1)	(11)
RUB	(177)	(4)	(5)	(16)	(38)	(25)	(88)	(1)	(1)	0	0	0
USD	(37)	0	(9)	(8)	(9)	(6)	(4)	1	(1)	0	0	(1)
Other	(4)	2	0	18	(20)	6	(5)	(8)	3	2	0	(1)

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

Interest risks in the banking book

Differing maturities and interest adjustment conditions in the products offered together with funding via customer deposits and via the money and capital markets result in interest risks within RZB Group. These risks chiefly arise as a result of the only partial equalization of the interest sensitivity of expected payments, their interest adjustment rhythms and other optional characteristics. Interest risks in the banking book arise in the two main currencies – euro and US dollar – as well as the local currencies of Group companies in Central and Eastern Europe.

This risk is fundamentally hedged by means of a combination of on- and off-balance-sheet transactions; interest rate swaps and – to a lesser extent – interest forwards and options are used for this purpose. Balance sheet structure management is a core task for both the central Global Treasury department and the local banks, which are supported by the Asset Liability Management Committee. For this purpose, they rely on scenarios and analyses to simulate interest income to ensure optimum positioning in line with the consensus on interest and within the confines of risk appetite.

Value-at-risk calculations as well as conventional methods for analyzing capital and interest commitments are used to quantify the interest risk in the banking book. Since 2002, a quarterly report on the interest risk has been submitted to the regulator as part of the interest risk statistics. In accordance with the Basel III rules, this also includes a percentage change in the present value of the Group's capital. Key assumptions essential for estimating maturities are made in accordance with regulatory requirements and based on internal statistics and past experience. The changes calculated for an interest shock of 200 basis points remained below the reportable threshold of 20 percent of the eligible capital within RZB Group at all times in 2011.

The change in the present value of RZB Group's banking book in the event of a parallel increase of one basis point in interest rates is analyzed in the following tables in € thousands as of 31 December 2011 and 31 December 2010. They include currencies for which the absolute interest sensitivity is at least € 10,000. The reduction in the interest risk in the banking book is chiefly due to the reduction in holdings of government bonds.

31/12/2011 € 000	Total	> 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>20y
ALL	(45)	3	(4)	6	(33)	(13)	(1)	(4)	0	0	0	0
BGN	16	0	3	9	0	5	(1)	0	0	0	0	0
CHF	(154)	8	(5)	(1)	(16)	(2)	(11)	(19)	(37)	(49)	(23)	0
CNY	37	(10)	16	32	0	0	0	0	0	0	0	0
CZK	12	8	(4)	19	0	(2)	3	(10)	(4)	2	(1)	0
EUR	(345)	86	121	177	189	16	(132)	(616)	38	(118)	(8)	(98)
HRK	(16)	(1)	0	4	(5)	(4)	(3)	(4)	(3)	0	0	0
HUF	(88)	(5)	(7)	(8)	(7)	(21)	(25)	(11)	(5)	1	0	0
RON	(108)	1	(2)	2	(8)	(31)	(11)	(35)	(23)	0	0	0
RSD	(25)	(1)	(1)	(5)	(7)	(7)	(3)	(1)	0	0	0	0
RUB	66	(36)	2	(7)	13	68	113	(6)	(28)	(40)	(13)	0
UAH	(248)	(6)	(5)	(26)	(60)	(57)	(65)	(11)	(10)	(6)	(1)	0
USD	(755)	26	(12)	24	(25)	(98)	(115)	(157)	(151)	(211)	(32)	(4)
Other	(7)	(9)	(1)	(8)	2	5	9	(1)	(3)	0	0	(1)

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

31/12/2010 € 000	Total	> 3 m	3-6 m	6-12 m	1-2 y	2-3 y	3-5 y	5-7 y	7-10 y	10-15 y	15-20 y	>20 y
BGN	17	2	2	13	(1)	2	(1)	0	0	0	0	0
BYR	30	(2)	(11)	6	1	1	34	0	0	0	0	0
CHF	(101)	2	(14)	(20)	(2)	3	(1)	(14)	(16)	(22)	(16)	0
CNY	25	(14)	3	35	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)
HRK	(88)	(22)	(1)	6	2	(12)	(36)	(29)	2	2	0	0
PLN	(17)	(14)	5	(5)	0	(2)	0	(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)	0	5	7	(38)	(31)	(40)	(11)	(7)	(6)	(1)	0
USD	(288)	(22)	30	27	(6)	99	(87)	(98)	(56)	(124)	(35)	(14)
Other	(34)	(18)	(13)	16	(22)	(22)	(28)	47	3	1	1	(1)

Credit spread risks

The market risk management system takes account of time-based bond and CDS spread curves as risk factors for the identification of credit spread risks. This market risk category thus forms the specific interest risk for all capital market instruments held in the trading and the banking book. The value at risk report presents this risk category, which accounts for a material part of RZB Group's securities holdings. There are plans to implement it across all subsidiary banks within the Group.

Liquidity risk

One material role played by banks in the international financial system is to transform liquidity maturities. This is done at the request of depositors who wish to access their deposits at short notice as well as in response to the opposing need by borrowers for long-term finance. Performance of these tasks consistently results in liquidity surpluses or shortfalls, which banks offset by exchanging liquidity with other participants in the financial markets under normal market conditions.

Liquidity management to ensure the Group's solvency at all times is handled centrally by the Treasury department in Vienna as well as on a decentralized basis by local banks. An internal monitoring system calculates and analyzes payment flows by currency on a weekly basis across the entire Group. Using this information as a basis, the Group prepares liquidity statements and performs evaluations to ensure observance of the statutory requirements with respect to liquidity as well as defined liquidity limits. Further analyses particularly include market and institution-specific crisis situations in scenario-based cash-flow forecasts, all of which are discussed at the meetings of the Group Asset/Liability Committee.

New regulatory requirements

The Liquidity Risk Management Regulation took effect in Austria on 31 December 2010 and implements the principles developed by the Committee of European Banking Supervision (CEBS). Even before the regulation took effect, RZB had the requisite instruments for liquidity risk management such as sufficient liquidity reserves, stress tests with different scenarios and liquidity contingency plans. Basel III will introduce further new regulatory requirements with respect to liquidity. An initial assessment of the as yet unfinalized rules suggests that RZB is already very well prepared for the new requirements.

Short-term liquidity risk

The following table shows excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for selected maturities on a cumulative basis, taking into account all 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 customer deposit base, 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). RZB's cautious cash management operations are reflected in the high liquidity ratio.

€ 000	2011			2010		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	20,595,029	17,698,062	6,734,002	20,461,399	17,343,284	5,767,587
Liquidity ratio	168%	126%	104%	165%	129%	105%

Limits requiring positive excess liquidity for the liquidity position modeled are used for each Group unit to cap the liquidity risk. The Group has extensive liquid holdings of securities and preferred assets in lending in order to safeguard liquidity in the various currencies. Contingency plans are used to address any liquidity shortfalls within the Group. Such priority lists to eliminate liquidity problems (including due allowance for the external effect) are in place in all main Group units.

Structural liquidity risk

Structural liquidity risks are particularly triggered by a change in borrowers' risk strategy or deterioration in the rating of an institution seeking to fund itself. Funding costs and possibilities rise and fall with the risk premium sought, which fluctuates for both individual markets and institutions.

Accordingly, the long-term scope for funding hinges on a general recovery in confidence in banks and greater efforts to secure savings deposits. RZB funds itself by means of money and capital market transactions, on the one hand, and from the network banks' retail business, on the other. RZB is the central liquidity clearing unit for the Austrian Raiffeisen Banking Group and the various local Group companies in Central and Eastern Europe.

RZB's funding plan pays particular attention to achieving a balanced funding structure to keep control of structural liquidity risk. Within the Group, funds are raised not only by RBI AG as the largest single institution but also by many subsidiary banks, which are coordinated and optimized by means of a joint plan. In addition, RZB allows its subsidiaries to raise medium- and long-term funds by means of syndicated loans, bilateral bank finance and global loans of supranational institutions. These funding sources are consistently used on the basis of long-standing business relations.

Targets for the loan/deposit ratios (i.e. ratio of loans and advances to customers and customer deposits) have been revised at the individual network banks to manage and actively cap the liquidity risk in light of the expected Basel III rules. These limits take account of the planned future business volume as well as the scope for strengthening the deposit base in the individual countries. This reduces external funding requirements for the Group as well as the need for internal Group liquidity transfers and the related risks.

The analysis of the agreed contractual payment flows for financial liabilities results in the following maturities:

31/12/2011 € 000	Carrying amount	Contractual cash flows	Up to 3 months	3 -12 months	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	128,496,158	140,091,940	78,962,921	20,480,260	26,543,398	14,105,360
Deposits from banks	39,873,123	43,617,494	23,441,338	5,388,061	11,198,928	3,589,167
Deposits from customers	67,114,176	70,472,246	49,132,455	12,256,688	4,602,633	4,480,470
Debt securities issued	14,277,881	16,940,851	3,518,422	2,559,178	9,391,010	1,472,242
Other liabilities	2,813,368	4,001,005	2,847,456	200,911	821,572	131,065
Subordinated capital	4,417,610	5,060,344	23,250	75,422	529,255	4,432,416
Derivative liabilities	9,209,114	17,940,540	7,609,479	2,877,748	6,150,646	1,302,666
Derivatives in the trading book	8,404,369	15,814,560	6,604,701	2,609,721	5,447,463	1,152,675
Hedging derivatives	42,702	49,372	541	4,782	13,065	30,984
Other derivatives	749,076	2,020,513	1,000,340	242,754	658,502	118,917
Credit derivatives	12,967	56,095	3,897	20,491	31,616	90

31/12/2010 € 000	Carrying amount	Contractual cash flows	Up to 3 months	3 -12 months	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	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

Operational risks

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk. Within this risk category, both internal risk factors – e.g. unauthorized acts, theft and fraud, clearing and process errors, business disruptions and system failures – as well as external risk factors such as property damage and fraudulent intent are controlled and managed.

These risks are analyzed and managed on the basis of the Group's own historical loss data collection and risk assessment results. A further component in managing this risk is an incentive system in the internal allocation of capital to reward high data quality and low expected loss on the part of individual business units. Operational risk management at RZB employs both a centralized and a decentralized system. The basic principles and minimum standards are defined by central operational risk management, while detailed implementation is the responsibility of the local units.

As is the case with the other risk types, RZB applies the principle of functional separation in managing and monitoring operational risk. The risk controlling units for operational risk within the individual Group units are responsible for implementing and improving operational risk management (e.g. self-assessment or definition and monitoring of early warning indicators) and reporting to central operational risk monitoring. The responsible persons in the divisions implement controlling and mitigation measures for operational risk. They make decisions on the use of management instruments: e.g. insurance cover or other risk mitigation processes.

Risk identification

A material aspect of managing operational risks is the identification and assessment of risks liable to jeopardize the Group's going concern status (which, however, are extremely unlikely) and other areas in which losses may occur more frequently (albeit in only a small amount).

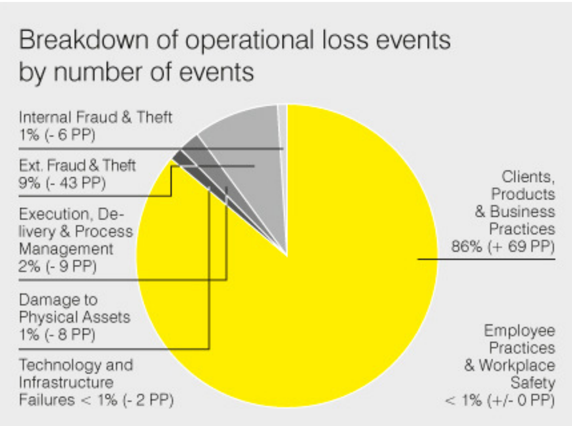
Operational risks are assessed on a structured and uniform Group-wide basis using a two-dimensional matrix by business process and event type (for each field of business or product group). This assessment is also performed for all new products. All Group units evaluate events with a high probability and a low impact as well as those with a low probability and a high impact relative to income on a one- and ten-year horizon. The low-probability/high-impact events are measured using standardized scenarios. In addition, Group units implement further scenarios based on the risk profile and local conditions of the specific unit. In 2011, RBI also took part in the exchange of scenario definitions of the internationally renowned ORX consortium data pool, of which it has been a member since 2010.

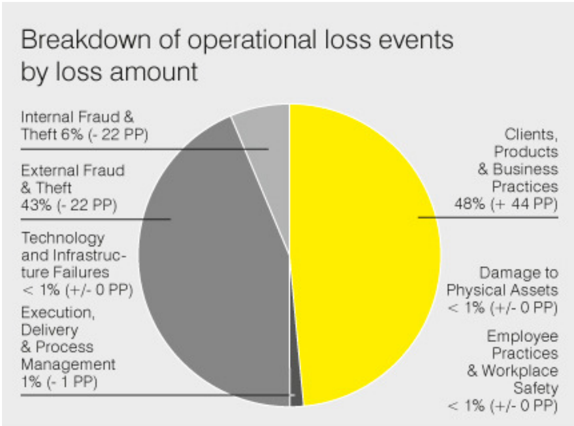
Monitoring

Key risk indicators of operational risks are used to identify and avert losses as early as possible. These are also oriented to the individual banks within the Group, while Group headquarters additionally defines a compulsory basic set of indicators for internal benchmarking purposes.

Operational loss is recorded on a structured Group-wide basis in the ORCA (Operational Risk Controlling Application) database, which is subdivided according to business field and event type. Such a collection of loss data is considered to be a prerequisite for the use of the standard approach. In addition, this loss data (as well as documentation of the losses that ultimately do not occur) serves as a base for scenarios for identifying risks and swapping international loss databases for the development of advanced measuring methods.

The results of the analyses and operational risk occurrences are reported regularly and comprehensively to the Group Risk Committee. In 2011, the breakdown of Group loss incidents by event type reveals an increase in the clients, products and business practices segments, which is largely due to losses from foreign-currency conversion in Hungary.





The loss incidents recorded by RZB largely comprise external incidents of default in the lending areas. Allowance is already made for this in loan loss provisioning. The increase in internal fraud is due to active investigation activities particularly in the CIS countries. Precautions have immediately been taken to address this.

Measurement and risk reduction

RZB currently uses the standard approach to calculate capital requirements for operational risk under Basel II. This applies to all the main Group units.

To reduce operational risk, the division managers implement preventive risk reduction and risk transfer measures. Risk controlling then monitors their progress and effectiveness. The managers also develop crisis plans and appoint employees or departments that will implement the necessary measures should a detrimental event actually occur. In addition, several specialized organizational units support the divisions in preventing operational risks. Fraud management plays a major role since it monitors and takes preventive measures to avert potential fraudulent actions. RZB also provides comprehensive employee training and has several contingency plans and backup systems in place.

Other disclosures

(45) Derivative financial instruments

The total volume of unsettled financial instruments as of 31 December 2011 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	122,268,966	144,974,282	82,199,384	349,442,632	8,669,375	(9,209,115)
Interest rate contracts	67,741,393	132,626,306	79,168,417	279,536,115	7,516,683	(7,099,901)
OTC products						
Interest rate swaps	54,265,998	126,633,013	74,131,034	255,030,044	7,308,114	(6,913,713)
Interest rate futures	10,138,796	824,586	0	10,963,382	17,509	(12,836)
Interest rate options – purchased	799,461	2,536,276	2,188,593	5,524,330	181,574	0
Interest rate options – sold	1,136,378	2,632,431	2,688,104	6,456,913	0	(168,122)
Products trading on stock exchange						
Interest rate futures	1,138,261	0	10,686	1,148,947	5,824	(1,975)
Interest rate options	262,500	0	150,000	412,500	3,662	(3,255)
Foreign exchange rate and gold contracts	51,886,997	8,971,520	1,857,057	62,715,575	893,822	(1,423,760)
OTC products						
Cross-currency interest rate swaps	2,533,555	7,584,615	1,830,346	11,948,516	265,021	(592,346)
Forward foreign exchange contracts	46,624,332	1,187,839	0	47,812,171	578,005	(682,160)
Currency options – purchased	1,247,261	60,005	1,519	1,308,785	48,138	0
Currency options – sold	1,311,728	132,279	1,645	1,445,652	0	(120,046)
Other similar currency contracts	10	0	0	10	10	0
Gold commodity contracts	8,305	6,783	23,547	38,635	930	(25,154)
Products trading on stock exchange						
Currency contracts (futures)	161,807	0	0	161,807	1,717	(4,054)
Equity/index contracts	1,453,434	1,144,660	382,450	2,980,543	82,102	(590,632)
OTC products						
Equity-/index-based options - purchased	177,063	344,239	201,960	723,262	17,548	0
Equity-/index-based options - sold	233,653	321,498	57,226	612,377	0	(111,131)
Other similar equity/index contracts	181,165	405,559	121,965	708,689	4,980	(369,640)
Products trading on stock exchange						
Equity/index futures - forward pricing	596,579	458	1,299	598,336	42,639	(93,295)
Equity/index futures	264,973	72,905	0	337,878	16,935	(16,565)
Commodities	155,274	83,595	24,645	263,514	12,923	(9,624)
Credit derivatives	1,017,437	2,127,287	753,226	3,897,950	163,846	(80,498)
Precious metals contracts	14,430	20,913	13,590	48,934	0	(4,701)

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

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

	Nominal amount by maturity				Fair values	
€ 000	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive	Negative
Total	89,928,907	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)

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

Fair values which are different from the carrying amount are calculated for fixed-interest loans and advances to and deposits from banks or customers, if the remaining maturity is more than 1 year. Variable-interest loans and advances and deposits are taken into account if they have an interest rollover period of more than 1 year. The fair value of loans and advances is calculated by discounting future cash flows and using interest rates at which similar loans and advances with the same maturities could have been granted to customers with similar creditworthiness. Moreover, the specific credit risk and collaterals are considered for the calculation of fair values for loans and advances.

	2011			2010		
€ 000	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Cash reserve	12,951,118	12,951,118	0	6,734,734	6,734,734	0
Loans and advances to banks	22,162,345	22,229,773	(67,428)	19,486,734	19,497,673	(10,939)
Loans and advances to customers	78,460,858	79,210,185	(749,328)	73,961,686	73,738,110	223,576
Financial investments	7,321,940	7,166,038	155,902	13,307,242	13,151,210	156,032
Intangible and tangible fixed assets	2,925,076	2,923,278	1,798	3,001,663	3,003,763	(2,100)
Other assets	2,474,216	2,474,216	0	2,387,369	2,387,369	0
Liabilities						
Deposits from banks	39,789,825	39,873,123	(83,298)	37,506,292	37,391,030	115,263
Deposits from customers	67,066,346	67,114,176	(47,830)	58,236,909	57,935,950	300,959
Debt securities issued	13,943,345	14,277,881	(334,536)	16,660,357	16,569,010	91,347
Subordinated capital	3,944,096	4,417,610	(473,514)	4,119,520	4,254,280	(134,760)
Other liabilities	1,504,372	1,504,372	0	1,297,879	1,297,879	0

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

€ 000	2011 Level I	2011 Level II	2011 Level III	2010 Level I	2010 Level II	2010 Level III
Trading assets	2,861,986	8,602,072	102,882	3,599,448	5,013,918	255
Positive fair values of derivatives[1]	166,781	7,973,537	102,707	69,408	4,100,369	0
Shares and other variable-yield securities	198,196	11,739	0	320,380	110,048	0
Bonds, notes and other fixed-interest securities	2,497,009	609,924	175	3,209,660	803,501	255
Call/time deposits from trading purposes	0	6,872	0	0	0	0
Financial assets at fair value through profit or loss	5,063,500	2,268,679	52,280	5,620,569	2,301,548	172,852
Shares and other variable-yield securities	137,535	118,978	4,745	153,980	131,714	1,294
Bonds, notes and other fixed-interest securities	4,925,965	2,149,701	47,535	5,466,589	2,169,834	171,558
Financial assets available-for-sale	3,502,388	0	252,321	95,789	0	254,109
Other interests[2]	80,319	0	0	95,789	0	0
Bonds, notes and other fixed-interest securities	3,422,069	0	0	0	0	0
Shares and other variable-yield securities	0	0	252,321	0	0	254,109
Derivatives (hedging)	0	426,350	0	0	925,409	0
Positive fair values of derivatives from hedge accounting	0	426,350	0	0	925,409	0

1 Including other derivatives
2 Includes only securities traded on the stock exchange

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

€ 000	2011 Level I	Level II	Level III	2010 Level I	Level II	Level III
Trading liabilities	670,907	9,691,907	112,596	1,583,600	4,950,458	48
Negative fair values of derivatives financial instruments[1]	105,421	9,003,521	57,471	563,511	4,759,871	48
Call/time deposits from trading purposes	0	0	0	0	0	0
Short-selling of trading assets	565,486	142		424,912	818	0
Certificates issued	0	688,244	55,125	595,177	189,769	0
Liabilities at fair value through profit and loss	0	3,345,911	0	0	2,557,396	0
Debt securities issued	0	3,345,911	0	0	2,557,396	0
Derivatives (hedging)	0	42,702	0	0	476,764	0
Negative fair values of derivatives from hedge accounting	0	42,702	0	0	476,764	0

1 Including other derivatives

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

Movements in Level 3 rated financial instruments at fair value

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

€ 000	As of 1/1/2011	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	255	0	7	0	(4,251)
Financial assets at fair value through profit or loss	426,960	0	(1,090)	697	(126,134)

€ 000	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As of 31/12/2011
Trading assets	103,843	0	3,027	0	102,882
Financial assets at fair value through profit or loss	823	0	3,507	(161)	304,601

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

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

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

(48) Contingent liabilities and commitments

€ 000	2011	2010
Contingent liabilities	13,752,690	12,039,285
Acceptances and endorsements	43,693	32,119
Credit guarantees	7,377,583	6,602,765
Other guarantees	2,907,583	2,509,853
Letters of credit (documentary business)	3,072,307	2,875,765
Other contingent liabilities	351,523	18,783
Commitments	12,779,677	12,178,748
Irrevocable credit lines and stand-by facilities	12,779,677	12,178,748
Up to 1 year	4,871,639	4,607,929
More than 1 year	7,908,038	7,570,819

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

€ 000	2011	2010
Revocable credit lines	14,713,219	11,679,868
Up to 1 year	11,830,786	9,610,803
More than 1 year	2,882,434	2,069,065

Raiffeisen Zentralbank Österreich Aktiengesellschaft and Raiffeisen Bank International AG are members of the Raiffeisen-Kundengarantiegemeinschaft Österreich. The members of this association assume a contractually agreed liability stating that together, they will guarantee to fulfill all customer deposits and own issues of an insolvent member up to the limit which results from the total of the financial strength of each individual member institution within the corresponding deadlines. The financial strength of a member institution depends on its freely available reserves taking into account the relevant rules according to the Austrian Banking Act (BWG).

(49) Fiduciary business

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

€ 000	2011	2010
Loans and advances to banks	9,509	9,442
Loans and advances to customers	338,321	391,124
Financial investments	7,262	31,285
Other fiduciary assets	69,751	48,891
Fiduciary assets	424,842	480,742
Deposits from banks	113,085	143,303
Deposits from customers	234,915	282,003
Other fiduciary liabilities	76,842	55,436
Fiduciary liabilities	424,842	480,742

Fiduciary income and expenses break down as follows:

€ 000	2011	2010
Fiduciary income	7.019	8.723
Fiduciary expenses	827	1.489

The following table contains the funds managed by RZB:

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

(50) Subordinated assets

€ 000	2011	2010
Loans and advances to banks	37,809	58,371
Loans and advances to customers	50,563	55,733
Trading assets	2,471	63,449
Financial investments	85,105	138,332
Total	175,947	315,885

(51) Securities admitted for trading on a stock exchange in accordance with section 64 of the Austrian Banking Act (BWG)

	2011		2010	
€ 000	listed	unlisted	listed	unlisted
Bonds, notes and other fixed-interest securities	13,094,144	550,933	16,784,895	441,301
Shares and other variable-yield securities	382,929	220,921	471,136	118
Equity participations	34,571	20,623	51,266	26,141

(52) Securities trading book volume in accordance with section 22b of the Austrian Banking Act (BWG)

€ 000	2011	2010
Securities, equity investments	3,389,479	4,541,463
Other financial instruments	322,972,007	228,772,941
Total	326,361,487	233,314,404

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

Capital is a central value for managing a bank. For an international Group like RZB, various control parameters have to be taken into account.

The Austrian Bancing Act stipulates regulatory values. These are based on corresponding EU guidelines for Raiffeisen Zentralbank as a consolidated entity and for its individual Group companies. In addition, individual countries within RZB's area of operations have their own additional regulations, many of them varying in content. Local Group units must comply with such regulations.

For its internal control system, RZB uses targets that comprise all risk types (including trading book, currency risk and operational risk). Current planning/budgeting is influenced by developments in Basel and Brussels regarding the further development and harmonization of the rules on own funds. Parallel to the development of these regulations, RZB will introduce new target capital ratios that are sufficiently above the 7 per cent hard core capital (Basel III full development stage) so that the Group will not be subject to regulatory restrictions regarding management decisions (such as the dividend volume) under ordinary circumstances. The requirements of the European Banking Authority (EBA) have added another dimension. The underlying regulations differ from the previously applicable BWG provisions as well as the CRR/CRD 4 drafts, which are still at the approval stage.

Group controlling is carried out in cooperation with the Treasury, Planning & Finance, Risk Controlling und Group Strategy divisions. The individual Group units are primarily responsible for complying with their own targets, in agreement with the central offices responsible for the participation management of the corresponding unit.

Controlling focuses on hard core capital (common equity tier 1). Risk-taking capacity is also determined within the scope of regulatory limits. It corresponds to the maximum damage the Bank or banking group can take without falling below the minimum regulatory capital values. Due to the complex mutual offsetting limits, the mix of equity instruments (various types of tier 1, tier 2 and tier 3 capital) is also important. Tier 3 capital, however, only plays a minor role since it will no longer be possible to offset this type of capital under Basel 3 and/or CRR I/CRD IV. For this reason, tier 2 will also carry greater restrictions than under Basel II as from 2013, when the new regulations (Basel III) become effective.

The current discussions and publications of the Basel Committee, the EU Commissions and the Austrian supervisory authorities on supervisory law in connection with the new supervisory regulations (Basel III) are shown in scenario calculations by the Planning & Finance and Risk Controlling divisions. If there is a certain probability of occurrence, the effects are immediately taken into account in planning and controlling.

Additional internal controlling calculations have to be carried out to determine the target ratios in relation to the legal minimum requirements. Risk Controlling creates a relation between value-at-risk and the maximum defined risk-taking capacity in this respect. In addition, economic capital is compared with the corresponding cover assets pool. Economic capital forms an integral part of RZB's planning and controlling activities. For more detailed information on this calculation, please refer to the risk report.

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

€ 000	2011	2010
Paid-in capital	2,344,272	2,002,428
Earned capital	2,924,400	2,793,584
Non-controlling interests	4,397,825	4,273,288
Hybrid tier 1 capital	800,000	800,000
Intangible fixed assets	(507,058)	(476,690)
Core capital (tier 1 capital)	9,959,439	9,392,609
Deductions from core capital	(61,652)	(89,874)
Eligible core capital (after deductions)	9,897,788	9,302,735
Supplementary capital according to Section 23 (1) 5 BWG	598,742	599,792
Provision excess of internal rating approach positions	233,748	230,743
Hidden reserve	0	465,400
Long-term subordinated capital	2,485,571	2,480,171
Additional own funds (tier 2 capital)	3,318,061	3,776,106
Deduction items: participations, securitizations	(61,652)	(89,874)
Eligible additional own funds (after deductions)	3,256,410	3,686,232
Deduction items: insurance companies	(529,776)	(526,518)
Tier 2 capital available to be redesignated as tier 3 capital	100,079	69,078
Short term subordinated capital (tier3 capital)	100,079	69,078
Total own funds	12,724,500	12,531,527
Total own funds requirement	7,982,494	7,965,813
Excess own funds	4,742,006	4,565,714
Excess cover ratio	59.4%	57.3%
Core tier 1 ratio, total	9.1%	8.5%
Tier 1 ratio, credit risk	12.2%	11.6%
Tier 1 ratio, including market and operational risk	9.9%	9.3%
Own funds ratio	12.8%	12.6%

The total own funds requirement is as follows:

€ 000	2011	2010
Risk-weighted assets according to section 22 BWG	81,416,287	79,995,940
of which 8 per cent minimum own funds for the credit risk according to Sections 22a to 22h BWG	6,513,303	6,399,675
Standardized approach	3,396,663	3,323,098
Internal rating approach	3,116,640	3,076,577
Settlement risk	7	10
Own funds requirement for position risk in bonds, equities and commodities	519,912	326,656
Own funds requirement for open currency positions	140,139	385,622
Own funds requirement for operational risk	809,133	853,850
Total own funds requirement	7,982,494	7,965,813

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

€ 000	2011	2010
Risk-weighted assets according to section 22 BWG on standardized approach	42,458,287	41,538,727
Central governments and central banks	3,518,187	3,712,387
Regional governments	99,000	95,180
Public administration and non-profit organizations	24,688	44,328
Banks	737,575	1,060,743
Corporate customers	24,401,575	21,941,700
Retail (including small and medium-sized entities)	9,443,900	10,088,630
Covered bonds	1,313	0
Mutual funds	118,225	125,208
Securitization position	47,713	71,475
Other positions	4,066,113	4,399,076
Risk-weighted assets on internal rating approach	38,958,000	38,457,213
Central governments and central banks	38,838	878,513
Banks	4,452,038	5,219,075
Corporate customers	32,009,025	29,446,375
Retail customers	2,170,575	2,464,663
Equity exposures	249,575	313,500
Securitization position	37,950	135,088
Total	81,416,287	79,995,940

(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	2011	2010
Salaried employees	59,624	58,717
Wage earners	975	1,040
Total	60,599	59,757

Full-time equivalents	2011	2010
Austria	3,287	3,206
Foreign	57,312	56,551
Total	60,599	59,757

(55) Expenses on severance payments and retirement benefits

€ 000	2011	2010
Members of the management board and senior staff	7,936	12,932
Other employees	15,243	21,462
Total	23,179	34,394

For two members of the Management Board essentially the same rules apply as for employees, which provide for a basic contribution to a pension fund on the part of the company and an additional contribution, if the employee makes his own contributions in the same amount. One member of the Management Board has a performance–based pension benefit.

In the event of termination of office or employment and retirement from the company, two members of the Management Board are entitled to severance payments in accordance with the Salaried Employees Act (Angestelltengesetz) and the Banking Sector Pay Scale Agreement (Bankenkollektivvertrag) and one member in accordance with the Employee Benefit Act (Betriebliches Mitarbeitervorsorgegesetz).

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

(56) Relations to key management

Group relations of key management

The term key management pertains to the members of the Management Board and Supervisory Board of the Group parent Raiffeisen Zentralbank Österreich Aktiengesellschaft as well as the managers of the holding company Raiffeisen-Landesbanken-Holding GmbH. The relationships between key management and RZB are as follows (at fair values):

€ 000	2011	2010
Sight deposits	12	790
Bonds	3,881	4,086
Shares	1,202	2,376
Time deposits	0	0
Savings deposits	26	0
Loans liabilities	0	20
Leasing claims	71	67

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

€ 000	2011	2010
Savings deposits	14	0

The Group has no further relationships with key management.

Remuneration of members of the Management Board

The members of the Management Board of Raiffeisen Zentralbank are remunerated as follows:

€ 000	2011	2010
Fixed and performance-based remunerations	2,513	6,594
Payments to pension funds and business insurances	954	193
Termination benefits	0	4,363
Share-based payments (performance-based)	0	60
Total	3,467	11,210

The table contains fixed and performance–based remuneration, including compensation for functions in the management bodies of associated companies and benefits in kind. No bonuses were paid in the financial year; performance-based components consequently amounted to 0 per cent (2010: 5 per cent).

One member of the Management Board received all remuneration from an associated company; no additional remuneration was paid for his activities at RZB. The bonus payment for 2010 for this member of the Management Board was still measured in accordance with the return on equity (ROE) method. In accordance with the contractual provisions applicable to this person up until the end of 2010, bonus payments totaling € 458,000 were made, € 234,000 of which will be due in 2012 and € 215,000 in 2013. The amount actually paid will be determined at the discretion of the Personnel Committee.

Remuneration of members of the Supervisory Board

The members of the Supervisory Board are remunerated as follows:

€ 000	2011	2010
Supervisory board	408	426
Federal Advisory Board (Länderkuratorium)	146	159

No additional contracts requiring approval within the meaning of Section 95 (5) Z 12 of the Austrian Stock Corporation Act (AktG) were concluded with the members of the Supervisory Board in the 2011 financial year.

(57) Boards

In accordance with Section 70 (1) of the Austrian Stock Corporation Act (AktG), the **members of the Management Board** are personally responsible for leading the company to the best benefit of Raiffeisen Zentralbank and its Group, taking into account shareholders' and employees' interests as well as public interests.

According to Austrian stock corporation law, **the Supervisory Board** is responsible for monitoring and supporting the Management Board in fundamental strategic company decisions. The Supervisory Board established the Personnel Committee, Audit Committee and Working Committee as sub-committees and staffed these from its own ranks.

- The authorizations of the Supervisory Board's Personnel Committee stretch to the legal relationships between the company and the active as well as the retired members of the Management Board, but exclude their appointment or their termination of contract.

- The Supervisory Board's Audit Committee oversees the accounting process, the effectiveness of the internal control system, the company's internal audit system and risk management system as well as the annual statutory audit and the consolidated financial statements audit. It prepares the recommendation of the Supervisory Board for the selection of the external auditor and bank auditor. The Audit Committee checks and supervises the independence of the Group's auditor and bank auditor, particularly with respect to the additional work performed for the audited company. The Audit Committee is also responsible for auditing the annual financial statements and preparing its findings, assessing the profit appropriation proposal, management report and, if required, corporate governance report as well as reporting on the audit results to the Supervisory Board and auditing the consolidated financial statements and management report, including reporting on the audit results to the Supervisory Board of the parent company.

- The Supervisory Board's Working Committee holds a monitoring and authorization function. This particularly applies when taking on risks arising from banking transactions (including the acquisition and sale of securities). It also authorizes risk limits for customers or a group of related customers as from a limit specified by the articles of association. This also applies when establishing, discontinuing or closing subsidiaries and when acquiring investments, directly or indirectly, if the limits set in the articles of association are exceeded.

Finally, the Supervisory Board authorizes the appointments of members of the Management Board and employees of the Bank to the bodies of associated companies and in the case of the Management Board, it also issues authorizations to suspend the noncompetition clause regarding the acceptance of Supervisory Board memberships within the company, which are unconnected to the Group or in whose operations the company does not participate within the meaning of Section 228 (1) of the Austrian Commercial Code (UGB). The conclusion of special employment contracts with pension commitments – with exception of the legal relationship stated for the Supervisory Board in Section 6 (2) of the rules of procedure – also requires the approval of the Supervisory Board.

The Federal Advisory Board (Länderkuratorium) of the Supervisory Board has been set up as an additional body in accordance with the articles of association. It has an advisory function and is authorized to submit proposals to the Supervisory Board at any time.

Management Board

- Walter Rothensteiner, since 1 January 1995, Chairman and General Director
- Johannes Schuster, since 10 October 2010
- Johann Strobl, since 1 October 2007

Supervisory Board

Executive Committee

- Christian Konrad, since 24 April 1990, President, PersA, PrüfA, AA, Advocate General of the Österreichischer Raiffeisenverband, Chairman of the Supervisory Board of Raiffeisenlandesbank Niederösterreich-Wien AG, Chairman of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.
- Markus Mair, since 20 June 2006, first Vice President, PersA, PrüfA, AA, General Director of Raiffeisen-Landesbank Steiermark AG
- Ludwig Scharinger, since 22 April 1986, second Vice President, PersA, PrüfA, AA, General Director of Raiffeisenlandesbank Oberösterreich Aktiengesellschaft
- Julius Marhold, since 2 April 1982, third Vice President, PersA, PrüfA, AA, General Director of Raiffeisenlandesbank Burgenland und Revisionsverband reg. Gen.m.b.H.

Members

- Klaus Buchleitner, since 25 June 2003, General Director of RWA Raiffeisen Ware Austria AG
- Peter Gauper, since 24 June 2008, Spokesman of the Management Board of Raiffeisenlandesbank Kärnten – Rechenzentrum und Revisionsverband, reg. Gen.m.b.H.
- Erwin Hameseder, since 20 June 2007, General Director of Raiffeisenlandesbank Niederösterreich-Wien AG and Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.
- Wilfried Hopfner, since 18 June 2009, Chairman of the Management Board of Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband reg. Gen.m.b.H.
- Günther Reibersdorfer, since 23 June 2005, General Director of Raiffeisenverbandes Salzburg reg. Gen.m.b.H.
- Hannes Schmid, since 23 June 2005, Spokesman of the Management Board of Raiffeisen-Landesbank Tirol AG
- Gottfried Wanitschek, since 25 June 1997, Director of the Management Board of UNIQA Versicherungen AG

All of the above members of the Supervisory Board have been appointed until the Annual General Meeting regarding the 2013 financial year.

Delegated by the Works Council

- Martin Prater, 11 January 1991 to 14 June 2011, Chairman of the Works Council, PrüfA, AA
- Peter Anzeletti-Reikl, 1 January 2004 to 14 June 2011, first Deputy Chairman of the Works Council
- Rudolf Kortenhof, 20 November 2008 to 14 June 2011, second Deputy Chairman of the Works Council, PrüfA, AA
- Sabine Chadt, 22 June 2009 to 14 June 2011
- Helge Rechberger, 1 June 2002 to 14 June 2011
- Gebhard Muster, since 20 November 2008, since 14 June 2011 Chairman of the Works Council, PrüfA, AA
- Désirée Preining, since 14 June 2011, Deputy Chairwoman of the Works Council, PrüfA, AA
- Gregor Bitschnau, since 14 June 2011
- Doris Reinsperger, since 14 June 2011

State Commissioner

- Alfred Lejsek, since 1 September 1996, State Commissioner
- Gerhard Popp, since 1 December 2009, Deputy State Commissioner

The Federal Advisory Board (Länderkuratorium)

- Robert Lutschounig, since 12 June 2009, Chairman since 16 June 2011[1], Chairman of the Supervisory Board of Raiffeisenlandesbank Kärnten – Rechenzentrum und Revisionsverband, reg. Gen.m.b.H.
- Jakob Auer, since 13 June 2000, Deputy Chairman since 16 June 2011[1], President of the Supervisory Board of Raiffeisenlandesbank Oberösterreich Aktiengesellschaft
- Karl Fuchs, 9 June 2009 to 13 December 2011, Chairman until 16 June 2011[1], Deputy Chairman of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.
- Josef Graber, since 8 May 2009, Chairman of the Supervisory Board of Raiffeisen-Landesbank Tirol AG
- Walter Hörburger, since 22 June 2010, Chairman of the Supervisory Board of Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband reg. Gen.m.b.H.
- Sebastian Schönbuchner, since 20 June 2002, Chairman of Raiffeisenverband Salzburg reg. Gen.m.b.H.
- Wilfried Thoma, since 25 June 2003, President of the Supervisory Board of Raiffeisen-Landesbank Steiermark AG
- Erwin Tinhof, since 20 June 2007, 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 A new Chairman and his/her Deputy are appointed each year.

(58) Subsequent events

Reorganization of Österreichische Volksbanken AG

In February, the Republic of Austria reached an agreement with the owners of Österreichische Volksbanken AG (ÖVAG) regarding the reorganization of the bank. A capital reduction forms part of these measures, due to which Raiffeisen Zentralbank's 5.7 per cent share in ÖVAG will be heavily diluted. Raiffeisen Zentralbank will not participate in the subsequent capital increase but instead plans to exit. In another effort to support the reorganization, RZB will contribute € 500 million in liquidity and € 100 million in equity to these measures by 31 August 2012.

Within the scope of the Austrian budget consolidation and within the context of the expenses incurred by the Austrian government for the reorganization of ÖVAG, the so-called financial stability contribution (Stabilitätsabgabe) is likely to be increased by 25 per cent. The government has also announced that it will halve government subsidies for premiums on building society savings as well as pension products.

Strengthening core capital

The offer period for the buyback of several RBI hybrid capital issues expired on 5 March 2012. RBI bought back securities with a total nominal value/preferred liquidation amount of € 358 million. The buyback increases RZB financial institution group core tier 1 capital by around € 113 million (difference between nominal and cash value) and the core tier 1 ratio by 0.1 percentage points. This strengthens the capital structure accordingly to take account of the changed regulatory requirements.

Acquisition of Polbank

On 3 February 2011, in a first step, RBI closed an agreement with the Greek EFG Eurobank Ergasias S.A. (Eurobank EFG) concerning the acquisition of a majority 70 per cent stake in its business unit Polbank EFG (Polbank). With its keen focus on private customers, Polbank would ideally complement Raiffeisen Bank Polska, which is primarily focused on corporate customers.

Important steps in the acquisition of Polbank – such as obtaining the approval of the EU Commission and the transformation into a bank under own licence – and the preparations for the merged bank's future organizational structure were successfully concluded in the 2011 financial year. The closing of the transaction now only depends on the Polish supervisory authorities issuing their authorization.

RZB Group continues to operate in the issuing business via RBI

In the first two months of 2012, RBI AG issued around 40 bonds, generating an issuing volume of € 1,119 million.

(59) List of fully consolidated companies

The following table shows a selection of operating companies in the scope of consolidation. The complete list of Raiffeisen Zentralbank's participations is available at the parent company's headquarters.

Company, headquarters (country)	Subscribed capital in currency		Share	Type[1]
Austria Leasing GmbH, Eschborn (DE)	1,000,000	EUR	57.1%	OT
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	19,800,000	RON	78.9%	BR
Centrotrade Chemicals AG, Zug (CH)	5,000,000	CHF	78.9%	OT
Centrotrade Deutschland GmbH, Eschborn (DE)	1,000,000	EUR	78.9%	OT
Centrotrade Minerals & Metals Inc., Chesapeak (US)	3,002,000	USD	78.9%	OT
Centrotrade Singapore Pte. Ltd., Singapur (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. Vermögensverwaltung GmbH, Vienna (AT)	125,000	EUR	63.1%	FI
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	20,000,000	EUR	78.9%	BA
OOO Raiffeisen-Leasing, Moscow (RU)	1,071,000,000	RUB	76.2%	FI
Priorbank JSC, Minsk (BY)	412,279,277,350	BYR	69.2%	BA
Raiffeisen Bank Aval JSC, Kiew (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)	593,412,127	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)	1,250,893,080	PLN	78.9%	BA
Raiffeisen Bank S.A., Bucharest (RO)	1,200,000,000	RON	78.5%	BA
Raiffeisen Bank Sh.a., Tirana (AL)	9,926,093,000	ALL	78.9%	BA
Raiffeisen Bank Zrt., Budapest (HU)	165,023,000,000	HUF	55.5%	BA
Raiffeisen banka a.d., Belgrade (RS)	27,466,157,580	RSD	78.9%	BA
Raiffeisen Banka d.d., Maribor (SI)	17,578,052	EUR	68.2%	BA
Raiffeisen Centrobank AG, Vienna (AT)	47,598,850	EUR	78.9%	BA
Raiffeisen Energy Service Ltd., Budapest (HU)	20,000,000	HUF	64.5%	OT
Raiffeisen Equipment Leasing Kft., Budapest (HU)	50,400,000	HUF	64.5%	FI
Raiffeisen Factoring Ltd., Zagreb (HR)	15,000,000	HRK	59.2%	FI
Raiffeisen Financial Services Company Zrt., Budapest (HU)	20,100,000	HUF	55.5%	FI
Raiffeisen Insurance Agency Sp.z.o.o, Warsaw (PL)	200,000	PLN	76.2%	BR
RAIFFEISEN INSURANCE BROKER EOOD, Sofia (BG)	5,000	BGN	78.9%	BR
Raiffeisen Investment Aktiengesellschaft, Vienna (AT)	730,000	EUR	78.9%	FI

1 Company type
BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT…Other companies

Company, headquarters (country)	Subscribed capital in currency		Share	Type [1]
Raiffeisen Leasing Aval LLC, Kiew (UA)	180,208,527	UAH	75.6%	FI
Raiffeisen Leasing Bulgaria OOD, Sofia (BG)	5,900,000	BGN	74.8%	FI
Raiffeisen Leasing d.o.o., Belgrade (RS)	226,389,900	RSD	76.2%	FI
Raiffeisen Leasing d.o.o., Ljubljana (SI)	3,738,107	EUR	73.5%	FI
Raiffeisen Leasing d.o.o., Sarajevo (BA)	17,191,063	BAM	75.0%	FI
Raiffeisen Leasing IFN S.A., Bucharest (RO)	14,935,400	RON	76.0%	FI
Raiffeisen Leasing Kosovo LLC, Pristina (RS)	642,857	EUR	77.3%	FI
Raiffeisen Leasing sh.a., Tirana (AL)	208,031,014	ALL	77.5%	FI
Raiffeisen Lizing Zrt., Budapest (HU)	50,600,000	HUF	64.5%	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)	7,511,000,000	CZK	64.2%	BA
Raiffeisenbank Austria d.d., Zagreb (HR)	3,621,432,000	HRK	59.2%	BA
Raiffeisen-Leasing Bank Aktiengesellschaft, Vienna (AT)	5,000,000	EUR	57.1%	BA
Raiffeisen-Leasing d.o.o., Zagreb (HR)	30,000,000	HRK	66.3%	FI
Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	363,364	EUR	57.1%	FI
Raiffeisen-Leasing Polska S.A., Warsaw (PL)	150,003,800	PLN	76.2%	FI
Raiffeisen-Leasing Real Estate, s.r.o., Prague (CZ)	10,000,000	CZK	71.2%	FI
Raiffeisen-Leasing, spolecnost s.r.o., Prague (CZ)	50,000,000	CZK	68.8%	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
RSC Raiffeisen Service Center GmbH, Vienna (AT)	2,000,000	EUR	60.9%	BR
RZB Finance (Jersey) II Ltd, St. Helier (JE)	100,000,002	EUR	0.0%	FI
RZB Finance (Jersey) III Ltd, St. Helier (JE)	200,001,000	EUR	0.0%	FI
RZB Finance (Jersey) IV Limited, St. Helier (JE)	500,002,000	EUR	0.0%	FI
Tatra Asset Management sprav.spol., a.s., Bratislava (SK)	1,659,700	EUR	64.9%	FI
Tatra banka a.s., Bratislava (SK)	64,326,228	EUR	64.9%	BA
Tatra Leasing s r.o., Bratislava (SK)	6,638,784	EUR	69.0%	FI
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%	KI

1 Company type
BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT…Other companies

(60) Overview of particpations

The following table shows selected participations. The complete list of Raiffeisen Zentralbank's participations is available at the parent company's headquarters.

Companies valued at equity in the consolidated balance sheet

Company, headquarters (country)	Subscribed capital in currency		Share	Type [1]
A-Leasing SpA, Treviso (IT)	80,000,000	EUR	49.0%	FI
A-Real Estate S.p.A., Bolzano (IT)	1,000,000	EUR	49.0%	FI
card complete Service Bank AG, Vienna (AT)	6,000,000	EUR	25.0%	BA
LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (AT)	32,624,283	EUR	33.1%	OT
NOTARTREUHANDBANK AG, Vienna (AT)	8,030,000	EUR	26.0%	BA
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (AT)	130,000,000	EUR	8.1%	BA
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna (AT)	11,627,653	EUR	31.3%	BA
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	131,074,560	RON	33.3%	BA
Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (AT)	35,000,000	EUR	37.0%	BA
Raiffeisen evolution project development GmbH, Vienna (AT)	43,750	EUR	40.0%	OT
Raiffeisen Informatik GmbH, Vienna (AT)	1,460,000	EUR	47.8%	BR
Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung, Vienna (AT)	15,000,000	EUR	50.0%	BA
Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (AT)	5,100,000	EUR	25.0%	BA
UNIQA Versicherungen AG, Vienna (AT)	142,985,217	EUR	45.7%	VV

1 Company type
BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT…Other companies, VV…Insurance

Other subsidiaries and participations not included in the consolidated financial statements

Company, headquarters (country)	Subscribed capital in currency		Share	Type [1]
AIL Swiss-Austria Leasing AG, Glattbrugg (CH)	5,000,000	CHF	50.0%	FI
A-Trust Gesellschaft für Sicherheitssysteme im elektronischen Datenverkehr GmbH, Vienna (AT)	5,290,013	EUR	12.1%	OT
CEESEG Aktiengesellschaft, Vienna (AT)	18,620,720	EUR	7.0%	WP
Doplnková dôchodková spolocnost Tatra banky, a.s., Bratislava (SK)	1,659,700	EUR	100.0%	FI
ELIOT, s. r. o., Bratislava (SK)	1,613,556	EUR	100.0%	BR
LLC "Insurance Company 'Raiffeisen Life", Moscow (RU)	60,000,000	RUB	25.0%	VV
Österreichische Raiffeisen-Einlagensicherung eGen, Vienna (AT)	3,100	EUR	16.1%	OT
Österreichische Volksbanken-Aktiengesellschaft, Vienna (AT)	311,095,412	EUR	5.7%	KI

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

Company, headquarters (country)	Subscribed capital in currency		Share	Type [1]
Österreichische Wertpapierdaten Service GmbH, Vienna (AT)	36,336	EUR	25.3%	OT
PayLife Bank GmbH, Vienna (AT)	13,234,665	EUR	11.2%	BA
Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG)	250,000	BGN	100.0%	FI
Raiffeisen Auto Leasing Bulgaria EOOD, Sofia (BG)	250,000	BGN	100.0%	FI
Raiffeisen Capital & Investment S.A., Bucharest (RO)	1,600,000	RON	100.0%	FI
Raiffeisen Capital a.d. Banja Luka, Banja Luka (BA)	355,000	BAM	100.0%	BR
Raiffeisen Car Leasing Ltd., Budapest (HU)	510,000	HUF	100.0%	FI
Raiffeisen consulting d.o.o., Zagreb (HR)	14,900,000	HRK	100.0%	FI
Raiffeisen Financial Services Polska Sp. z o.o., Warsaw (PL)	3,847,500	PLN	100.0%	FI
RAIFFEISEN FUTURE AD, Belgrad (RS)	143,204,921	RSD	100.0%	FI
Raiffeisen Insurance and Reinsurance Broker S.R.L, Bucharest (RO)	180,000	RON	100.0%	BR
Raiffeisen Invest a.d., Belgrade (RS)	56,207,706	RSD	100.0%	FI
Raiffeisen Invest d.o.o., Zagreb (HR)	8,000,000	HRK	100.0%	FI
Raiffeisen Investment Fund Management JSC, Budapest (HU)	100,000,000	HUF	100.0%	FI
Raiffeisen Non-Government Pension Fund, Moskau (RU)	353,000,000	RUB	100.0%	FI
Raiffeisen Pension Insurance d.o.o., Zagreb (HR)	14,400,000	HRK	100.0%	FI
Raiffeisen Pensions Sh.A., Tirana (AL)	90,000,000	ALL	100.0%	FI
RAIFFEISEN TRAINING CENTER LTD., Zagreb (HR)	20,000	HRK	100.0%	BR
S.A.I. Raiffeisen Asset Management S.A., Bucharest (RO)	10,656,000	RON	100.0%	FI
Valida Holding AG, Vienna (AT)	5,000,000	EUR	24.7%	OT
W 3 Errichtungs- und Betriebs-Aktiengesellschaft, Vienna (AT)	1,020,000	ATS	20.0%	OT

1 Company type
BA…Bank, BR…Company rendering banking-related ancillary services, FI…Financial institution, OT…Other companies

Vienna, 13 March 2012

The Management 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 AG, Vienna, for the year from 1 January 2011 to 31 December 2011. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2011, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2011 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, as well as the disclosures in accordance with section 64 (1) Z 1 to (15) and (2) of the 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 2011 and of its financial performance and its cash flows for the year from 1 January to 31 December 2011 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent

with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.
In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 13 March 2012

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Rainer Hassler Wirtschaftsprüfer	Bernhard Mechtler Wirtschaftsprüfer

Statement of the Management Board

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

Vienna, 13 March 2012

The Management Board

Walter Rothensteiner
Chairman of the Management Board;
Participation Management, Internal and Group Audit, Group Management,
HR, Public Relations, Legal/Tax and Management Services

Johannes Schuster
Member of the Management Board;
Sector Marketing, Sector Services, Sector Liquidity and
Treasury Management

Johann Strobl
Member of the Management Board;
Risk Management

PUBLICATION DETAILS

Published by: Raiffeisen Zentralbank Osterreich AG
Editor, coordination: Andreas Ecker-Nakamura

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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