First Quarter Report 2011

Raiffeisen Bank International

Survey of key data

Raiffeisen Bank International Group Monetary values in € million	2011	Change	Pro forma 2010
Income statement	**1/1-31/3**		**1/1-31/3**
Net interest income	884	3.0%	859
Net provisioning for impairment losses	(208)	(35.9)%	(325)
Net fee and commission income	357	6.0%	337
Net trading income	123	(2.2)%	126
General administrative expenses	(753)	7.6%	(700)
Profit before tax	405	3.3%	392
Profit after tax	305	(14.9)%	359
Consolidated profit	270	(19.1)%	334
Statement of financial position	**31/3**		**31/12**
Loans and advances to banks	29,069	35.0%	21,532
Loans and advances to customers	77,061	1.9%	75,657
Deposits from banks	37,047	10.1%	33,659
Deposits from customers	60,863	5.6%	57,633
Equity	10,672	2.6%	10,404
Total assets	139,463	6.3%	131,173
Key ratios	**1/1-31/3**		**1/1-31/3**
Return on equity before tax	15.6%	(0.9) PP	16.5%
Return on equity after tax	11.8%	(3.4) PP	15.1%
Consolidated return on equity	11.6%	(4.2) PP	15.8%
Cost/income ratio	56.2%	3.0 PP	53.1%
Return on assets before tax	1.20%	0.12 PP	1.08%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.16%	(0.68) PP	1.84%
Bank-specific information[1]	**31/3**		**31/12**
Risk-weighted assets (credit risk)	74,987	(0.8)%	75,601
Total own funds	12,574	(0.3)%	12,608
Total own funds requirement	7,560	(0.3)%	7,585
Excess cover ratio	66.3%	0.1 PP	66.2%
Core tier 1 ratio, total	8.9%	–	8.9%
Tier 1 ratio, credit risk	12.3%	0.1 PP	12.2%
Tier 1 ratio, total	9.7%	–	9.7%
Own funds ratio	13.3%	–	13.3%
Stock data	**31/3**		**31/3**
Earnings per share in €	1.13	(0.33)	1.46
Price in €	39.16	11.3%	35.20
High (closing prices) in €	45.10	5.5%	42.75
Low (closing prices) in €	38.16	25.0%	30.52
Number of shares in million	195.51	–	195.51
Market capitalization in € million	7,656	11.3%	6,882
Resources	**31/3**		**31/12**
Number of employees as of reporting date	59,945	0.3%	59,782
Business outlets	2,932	(1.0)%	2,961

[1] Calculated according to the Austrian Banking Act (Bankwesengesetz, BWG) for illustrative purposes. RBI, as part of RZB Group, is not subject to the Austrian Banking Act.

Contents

In this report RBI denotes the RBI Group. If RBI AG is used it denotes Raiffeisen Bank International AG. For reasons of transparency and comparison the pro-forma results for 2010 of RBI are shown.

Adding and subtracting rounded amounts in tables and charts may lead to minor discrepancies. Changes in tables are not based on rounded amounts.

Overview of RBI

Raiffeisen Bank International (RBI) is active as a universal bank in 17 markets in Central and Eastern Europe (CEE) through a close-meshed network of subsidiaries, leasing companies and specialist financial services providers. Approximately 57,000 staff in around 3,000 business outlets serve around 14 million customers in this region. In Austria RBI is one of the top corporate and investment banks. It is also the only Austrian bank to be represented not only in the world's financial centers, but also in the growth markets of Asia with its own branches and representative offices. In all, RBI has some 60,000 employees.

The markets of RBI

In € million	Total assets	Change[1]	Business outlets	Number of staff
Czech Republic	8,358	5.7%	114	2,988
Hungary	8,603	0.8%	144	3,262
Poland	6,832	(1.4)%	116	3,153
Slovakia	8,940	(0.4)%	157	3,769
Slovenia	1,685	4.6%	17	353
Reconciliation	(25)	(0.8)%	–	–
CE segment	**34,393**	**1.4%**	**548**	**13,525**
Albania	2,008	(0.1)%	103	1,355
Bosnia and Herzegovina	2,143	4.4%	98	1,606
Bulgaria	3,668	(3.2)%	190	3,223
Croatia	5,577	(4.8)%	84	2,174
Kosovo	703	4.4%	52	702
Romania	6,120	(1.7)%	545	6,154
Serbia	2,060	(3.2)%	84	1,792
Reconciliation	(31)	(26.0)%	0	0
SEE segment	**22,247**	**(2.0)%**	**1,156**	**17,006**
Russia segment	**12,464**	**0.2%**	**196**	**8,638**
Belarus	1,566	3.5%	98	2,217
Kazakhstan	73	(2.2)%	1	11
Ukraine	5,226	(5.7)%	920	15,478
Reconciliation	0	–	–	–
CIS other segment	**6,864**	**(3.7)%**	**1,019**	**17,706**
Group corporates segment	**20,602**	**(12.2)%**	**8**	
Group markets segment	**29,195**	**7.3%**	**4**	**3,070[2]**
Corporate center segment	**41,809**	**53.8%**	**1**	
Reconciliation	(28,112)	22.8%	–	–
Total	**139,463**	**6.3%**	**2,932**	**59,945**

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

[2] Allocation of staff to Group corporates, Group markets and Corporate center is not possible.

RBI has been listed on the Vienna stock exchange since 25 April 2005 (until 12 October 2010 as Raiffeisen International). It is represented in several leading national and international indices, including the ATX and the EURO STOXX Banks. Raiffeisen Zentralbank Österreich AG (RZB) holds 78.5 per cent of RBI shares, the remaining shares are free float.

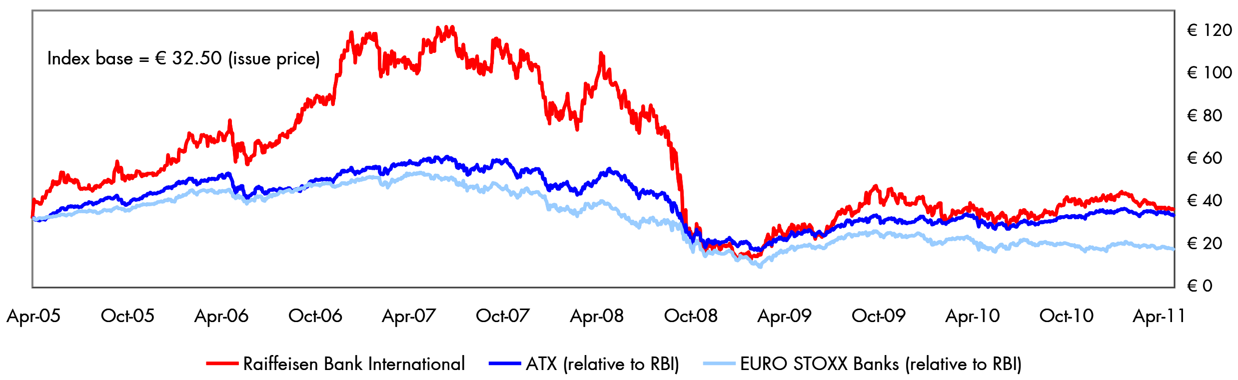
RBI in the capital markets

Earthquake and oil prices affect markets

In the first half of the first quarter of 2011, good corporate figures and the positive global economic environment led to further gains in most equities markets. However, the worst earthquake in Japan in 140 years and the subsequent nuclear crisis led in mid-March 2011 to the steepest decline in prices for eight months. After it became clear that the consequences of these events would be manageable for the global economy, markets recovered again significantly by the end of the quarter.

Portugal's recourse to the European lifeboat continued the sovereign debt crisis in Europe. However, this no longer caused major turmoil in the financial markets. Conversely, there was uncertainty as a result of the steady rise in oil prices due to protests in the Middle East (particularly the Arabian peninsula) and political unrest in Libya.

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

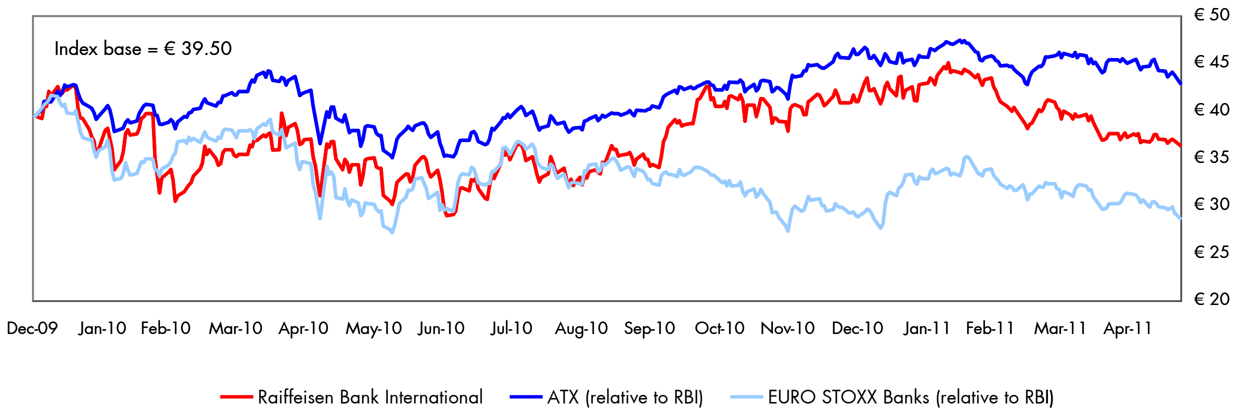


Changes in RBI share price

The RBI share was relatively stable in the first quarter of 2011 despite the numerous negative influences. It reached its high for the quarter on 9 February at € 45.10. The low was at € 38.16 on 16 March. This reduction was mainly due to the increased volatility of the markets following the earthquake in Japan and the subsequent nuclear disaster.

With closing prices of € 41.00 on 31 December 2010 and € 39.16 on 31 March 2011, the RBI share lost 4.5 per cent overall in the first quarter of 2011. Over the same period, the ATX lost 0.8 per cent, while EURO STOXX Banks gained 7.0 per cent. After 31 March the RBI share decreased, ending at € 36.31 by the editorial deadline for this report on 23 May. This represents a decline of 11.5 per cent between the start of the first quarter and the editorial deadline.

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



Active capital market communication

In the course of the first quarter of 2011, the Investor Relations team participated in roadshows in New York, Singapore, London, Zurich and Kitzbühel, to meet demand for information by numerous investors and analysts interested in RBI. Since the merger, Group Investor Relations has been responsible not only for serving equity investors and analysts but also for contacts with bond investors and analysts. As a result, the listed roadshows were also aimed at the latter target group, in the context of the two benchmark issues of € 1 billion each which were successfully placed in the first quarter.

Apart from direct meetings with analysts and investors, the first major event in the first quarter was a teleconference with around 130 participants on 4 February 2011 to explain the details of the acquisition of Polbank.

Another milestone in connection with the announcement of the results for the 2010 financial year was the RBI Investor Presentation in London on 11 April 2011. Members of the Management Board and the Investor Relations team answered numerous questions from over 110 equity, debt and rating analysts and equity and bond investors. This event was followed by further roadshows in Paris, Stockholm and Helsinki.

RBI strives to keep market participants well-informed. In the interest of ongoing optimization of its communications, it has added teleconference presentations and other important events since the start of 2010 as online webcasts. You can view these at any time at www.rbinternational.com → Investor Relations → Reports & Presentations → Presentations & Webcasts.

Stock data

Price on 31 March 2011	*€ 39.16*
High/low (closing prices) in first quarter 2011	*€ 45.10 / € 38.16*
Earnings per share from 1 January to 31 March 2011	*€ 1.13*
Market capitalization on 31 March 2011	*€ 7,656 billion*
Avg. daily volume (individual transactions) in first quarter 2011	*245,842 shares*
Stock exchange trading (individual transactions) in first quarter 2011	*€ 648 million*
Free float as of 31 March 2011	*21.5%*

Stock details

ISIN	*AT0000606306*
Ticker symbols	*RBI (Vienna Stock Exchange)*
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	*Prime Market*
Number of shares issued as of 31 March 2011	*195,505,124*

Rating details

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

Financial calendar 2011

8 June	*Annual General Meeting*
16 June	*Ex-dividend date and dividend payment date*
11 August	*Start of quiet period*
25 August	*Interim report for 1st half year, conference call*
10 November	*Start of quiet period*
24 November	*Interim report for first 3 quarters, conference call*

Group Investor Relations

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Business development

General economic environment

Return to convergence

The economic recovery after the financial crisis continued in the first quarter of 2011. Large parts of Europe had already shown a return to growth in 2010 after a phase of recession. However, there were significant differences in trends both within the eurozone and in Central and Eastern Europe (CEE). A continuing improvement in growth is expected for both 2011 and 2012 in CEE, with a predicted difference of around 2 percentage points a year between CEE and the eurozone.

The most developed economies in CEE (Poland, Slovakia, Slovenia, the Czech Republic and Hungary) have already reported annualized growth of 3.0 per cent in 2010. While Poland, one of the few countries to report growth during the economic crisis, continued to act as a growth driver in Central Europe with annual growth of 4.0 per cent, growth was significantly weaker in Hungary, Slovenia and in part the Czech Republic. This was due to savings measures and continuing weak domestic demand. Continuing improvement can be expected in the economies of Central Europe in 2011 and 2012, with uniform growth across all the various countries.

Southeastern Europe as a region showed a decline of 0.4 per cent in economic output in 2010, with a continuing decline in Croatia and Romania and minimal growth in Bulgaria and Bosnia-Herzegovina. Albania, which had avoided a recession during the financial crisis, was alone in showing substantial annual growth of 3.9 per cent. According to forecasts, Southeast Europe should finally emerge from the recession in 2011, although growth of 1.8 per cent will be significantly below the potential. A further improvement to annual growth of 3.4 per cent is expected in 2012, with a return to convergence.

Thanks to rising oil and commodity prices, Russia reported a strong recovery in 2010 with annual economic growth of 4 per cent. The other CIS countries – Belarus and Ukraine – also reported growth of 7.6 per cent and 4.2 per cent respectively. However, growth in Ukraine includes a high baseline effect, following the contraction of 14.8 per cent in the economy in 2009. Growth in Belarus is also in context of the drop in foreign exchange reserves pose challenges to the country's solvency. Even so, the CIS is likely to see further robust growth of 4.5 to 5.0 per cent in 2011 and 2012.

Effects on the banking sector

The situation in the banking sector in CEE remains difficult in view of the continuing high default rate. While bank assets had grown rapidly during the boom before the crisis, they were static or declined slightly in 2010. This applied particularly to loans, with banks cutting back significantly on lending. Even so, the banking sector should also return to its long-term growth path in the coming years, although growth rates are likely to remain below the boom years. This is, however, a positive factor in terms of sustainable development in the medium to long-term, as it makes overheating less likely.

Performance and financials

RBI enjoyed a positive start to the first full financial year in the new post-merger structure. For transparency and comparability reasons the pro forma comparative figures for the first quarter of 2010 are reported in this quarterly report. Against the backdrop of slightly stronger economic conditions in the core markets the result was once again marked by a significant reduction in provisioning for impairment losses combined with a slight rise in operating income. Net income from financial investments fell significantly in the first quarter of 2011 compared with the comparable period last year. The rise in general administrative expenses and the banking levies in Austria and Hungary also had a negative impact on profit. Taxes rose sharply in the first quarter compared with the same period last year due to deferred taxes.

Rise in operating income but operating result declining

Despite of a 2 per cent rise in operating income the operating result in the first three months of 2011 fell by 5 per cent or € 29 million from the comparable period last year to € 588 million. The main reasons for this were the rise in general administrative expenses, particularly as a result of wage increases in a number of markets, and the bank levies in Austria and Hungary totaling € 34 million, which were not yet included in the same period last year.

Net provisioning for impairment losses declined by 36 per cent

Provisioning for impairment losses was once again lower in the first quarter of 2011, falling by 36 per cent to € 208 million. In absolute terms the decline was greatest in Russia, Central Europe and CIS other. The impact of the improved economic conditions was particularly noticeable in the Corporate customers division, where provisions more than halved to € 75 million.

Fall in level of non-performing loans

The growth rates of non-performing loans have slowed over recent quarters and the trend is now pointing in the right direction. Non-performing loans fell compared with the year-end in almost all segments, declining by a total of € 161 million to € 6,629 million. Croatia, where there were a number of NPL cases involving major clients, was an exception to this trend.

The non-performing loan ratio (ratio of non-performing loans to total customer loans) fell by 0.4 percentage points compared with the end of 2010 to 8.6 per cent. The coverage ratio (ratio of provisioning to NPL) rose by 2 percentage points to 68.3 per cent.

Profit before tax up 3 per cent

Overall, profit before tax year-on-year was up by € 13 million to € 405 million. As the fall in net income from financial investments and in net provisioning for impairment losses netted off, the slight increase was due to the higher net income from derivatives and designated liabilities.

Profit after tax hit by deferred taxes

Due to the rise in the effective tax burden, profit after tax fell from € 359 million in the comparable period of 2010 to € 305 million. The sharp rise in the effective tax burden to € 100 million was largely caused by the recognition of deferred taxes on valuation gains. After deducting the profit attributable to non-controlling interests the consolidated profit came to € 270 million, a fall of 19 per cent or € 64 million compared with the first quarter of 2010. Earnings per share amounted to € 1.13 in the first quarter of 2011, compared with € 1.46 in the comparable period last year.

Return on equity before tax 15.6 percent

Despite of a slight rise in profit before tax the return on equity figures were slightly weaker. Return on equity before tax was 15.6 per cent at the end of the first quarter, down by 0.9 percentage points from 16.5 per cent in the comparable period in 2010. This was due to the rise in the equity base compared to the first quarter 2010 as a result of retained earnings. Average equity underlying the return on equity calculation rose by 10 per cent to € 10.4 billion.

Total assets up by 6 per cent

Total assets rose by 6 per cent or € 8.3 billion to € 139.5 billion since the beginning of the year, although currency effects reduced total assets by around 1 per cent. The growth in assets reflected a rise in short-term loans to banks as a result of repo transactions. Loans and advances to banks therefore rose by € 7.5 billion. Loans and advances to customers after provisioning rose by € 1.4 billion, largely as a result of loans to major customers. On the liabilities side the growth derived from three items: deposits from banks rose by € 3.4 billion as a result of short-term deposits and deposits from customers by € 3.2 billion. The increase was mainly due to short-term deposits of large corporates. In addition debt securities rose by € 2.4 billion as a result of two benchmark transactions issued as part of the RBI issuance program. The loan/deposit ratio, i.e. loans and advances to customers divided by customer deposits, fell by 4 percentage points compared with the end of 2010 to 127 per cent.

Equity up by 3 per cent due to consolidated profit

RBI's equity including non-controlling interests rose by 3 per cent or € 268 million compared with the beginning of the year to € 10,672 million. This figure includes the profit after tax of € 305 million for the first three months of the year. Equity was reduced by valuation losses on the cash flow hedge contained in other comprehensive income.

Comparison of results year-on-year

Four subsidiaries (Q1/2010: 40) were deconsolidated in the reporting period due to non-materiality. However, the data remains comparable between the two periods since these changes did not have a material effect on any of the items in the income statement. Currency fluctuations in the CEE countries had a less significant impact on the income statement than in recent quarters. The average exchange rates used in the income statement changed as follows: the Czech koruna appreciated by 6 per cent, the Russian rouble by 2 per cent and the Ukrainian hryvnia by 1 per cent, while the Serbian dinar lost 6 per cent in value, the Belarusian rouble 3 per cent and the Romanian leu and the Croatian kuna each lost 2 per cent.

Operating result

In € million	1/1-31/3/2011	Pro forma 1/1-31/3/2010	Change absolute	Change in %
Net interest income	884	859	26	3.0%
Net fee and commission income	357	337	20	6.0%
Net trading income	123	126	(3)	(2.0)%
Other net operating income	(24)	(5)	(19)	420.5%
Operating income	**1,341**	**1,317**	**24**	**1.8%**
Staff expenses	(380)	(346)	(34)	9.8%
Other administrative expenses	(287)	(279)	(8)	2.9%
Depreciation	(86)	(75)	(11)	14.8%
General administrative expenses	**(753)**	**(700)**	**(53)**	**7.6%**
Operating result	**588**	**617**	**(29)**	**(4.7)%**

Net interest income

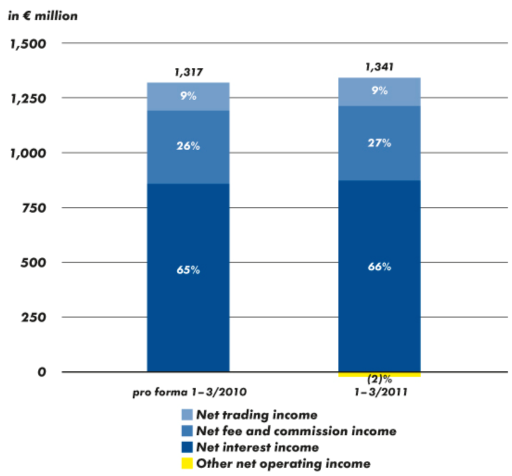
Net interest income rose by 3 per cent or € 26 million compared with the same period last year to € 884 million. It was the largest contributor to operating income, accounting for 66 per cent of total operating income.

The net interest margin (ratio of net interest income to average total assets) rose by 25 basis points to 2.61 per cent. Interest margins rose in all segments with the exception of CIS other. Net interest income fell in Ukraine due to a change in the methodology for calculating interest on impaired loans and advances. Russia saw the biggest rise in margins due to an improvement in funding terms. Loans and advances to customers rose by 1 per cent or € 988 million across the Group compared with a year ago.

Net fee and commission income

Net fee and commission income improved by 6 per cent or € 20 million on the comparable period of last year to € 357 million. The largest contribution to this increase came from net income from payment transfers, which rose by 6 per cent or € 8 million to € 141 million due to higher transaction volumes in the Czech Republic and Ukraine. Net income from the credit and guarantee business also

Structure of operating income



performed strongly, rising by 11 per cent or € 7 million. Net income from the foreign currency, notes/coins and precious-metals business rose by 7 per cent or € 5 million due to stronger business activities. Net income from the management of investment and pension funds rose by 9 per cent. Net income from the sale of own and third-party products rose by 13 per cent or € 1 million, which was largely attributable to Hungary. Net income from the credit derivatives business fell by € 1 million due to lower commissions on securities business. Net income from other banking services rose by 29 per cent to € 20 million due to higher income from custodial and advisory services.

Net trading income

Net trading income fell slightly compared with the comparable period of 2010, declining by 2 per cent or € 3 million to € 123 million.

Net income from interest-based transactions fell by € 99 million due to weaker valuation income from currency and interest rate swaps as a result of the upward shift in the yield curve. The result in Russia was down on last year's level, which was unusually strong as a result of recoveries on interest-rate products. Net income from currency-based transactions moved in the opposite direction to interest-based transactions and rose by € 24 million or 136 per cent. Developments differed from country to country. Hungary and Russia saw the largest rise in net income from currency-based transactions. In Hungary the rise was caused by valuation gains on foreign currency instruments while in Russia it reflected valuation gains on currency transactions. Net income from the credit derivatives business fell by € 6 million due to valuation losses on credit default swaps. Net income from other business rose by € 46 million to € 25 million largely due to valuation gains on capital guarantees as a result of the higher interest rate level.

Other net operating income

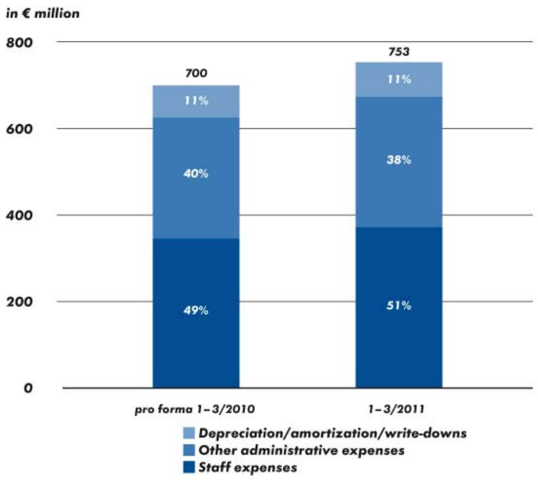
Other net operating income deteriorated from a loss of € 5 million in the first quarter of 2010 to a loss of € 24 million in the first quarter of 2011. The main reason was the banking levies totaling € 34 million imposed in Austria (€ 23 million) and Hungary (€ 11 million). Net income from non-banking activities made a positive contribution to results, rising from € 5 million to € 10 million.

General administrative expenses

General administrative expenses rose by 8 per cent or € 53 million compared with the first quarter of 2010 to € 753 million. The cost/income ratio rose by 3 percentage points to 56.2 per cent over the same period.

Staff expenses increased by 10 per cent or € 34 million on the comparable period last year. With a share of 51 per cent staff expenses are the largest single item in general administrative expenses. In the Czech Republic average staff numbers increased due to the expansion of the business outlet network, which inevitably led to higher staff expenses. Staff expenses also rose in Slovakia and Russia due to changes in social security laws. The average number of staff was 59,842, a rise of 856 compared to the first quarter of 2010.

Structure of general administrative expenses



Other administrative expenses rose by 3 per cent or € 8 million on the same period last year, with the biggest increases coming from IT expenses (up by 22 per cent), advertising, PR and promotional expenses (up 33 per cent) and office space costs (up by 4 per cent). Compared to 31 March 2010, the number of business outlets was reduced by 33 to 2,932. The largest reductions occurred in Ukraine (minus 18), Serbia (minus 15), Russia (minus 13) and Bulgaria (minus 7). The number of outlets increased in Romania (plus 3), the Czech Republic (plus 3), Belarus (plus 2) and Slovakia (plus 1).

Depreciation of intangible and tangible fixed assets rose by 15 per cent or € 11 million compared with the previous year to € 86 million. The rise in the amortization of intangible assets from € 6 million to € 34 million was largely due to the installation of new software, which led to a shortening of the useful lives of the systems they were replacing.

Consolidated profit

In € million	1/1-31/3/2011	Pro forma 1/1-31/3/2010	Change absolute	Change in %
Operating result	**588**	**617**	**(29)**	**(4.7)%**
Net provisioning for impairment losses	(208)	(325)	117	(35.9)%
Other results	25	100	(75)	(74.6)%
Profit before tax	**405**	**392**	**13**	**3.3%**
Income taxes	(100)	(33)	(67)	200.2%
Profit after tax	**305**	**359**	**(53)**	**(14.9)%**
Profit attributable to non-controlling interests	(35)	(25)	(10)	40.1%
Consolidated profit	**270**	**334**	**(64)**	**(19.1)%**

Net provisioning for impairment losses

The net provisioning for impairment losses in the first three months of 2011amounted to € 208 million. This represents a significant decline of 36 per cent or € 117 million from the level in the first quarter of 2010 (€ 325 million). This item also includes € 2 million in gains from the sale of loans.

The main reasons for the fall in net provisioning for impairment losses were improved general economic conditions and an improvement in borrower ratings, leading to lower default rates. Moreover, active measures were already taken during the financial and economic crisis to stabilize and improve the quality of the loan portfolio, including loan restructuring where necessary.

Of the overall net provisioning for impairment losses, € 217 million were accounted for by individual loan loss provisions, representing a fall of € 42 million compared with the comparable period a year ago. In particular, lower provisions were needed for corporate customers than in the same period last year. € 6 million of portfolio-based provisions were released in the first quarter of 2011, mainly relating to retail customers. This compares with a net € 66 million allocation to portfolio-based provisions in the same period last year.

This positive trend was reflected in the net provisioning ratio (the ratio of net provisioning for impairment losses to average risk-weighted assets), which declined by 0.68 percentage points year-on-year to 1.16 per cent. The ratio at 31 December 2010 was 1.66 per cent.

Non-performing loans totaled € 6,629 million at 31 March 2011, marking the first decline since the outbreak of the financial and economic crisis, even after taking account of currency effects. The NPL ratio, the ratio of non-performing loans to total customer loans, improved by 0.4 percentage points since year-end 2010 to 8.6 per cent. Non-performing loans were matched by provisioning of € 4,530 million. This produced a coverage ratio of 68.3 per cent, an improvement of around 2 percentage points on the end of 2010.

Other results

Other results, which consist of the items net income from derivatives and designated liabilities, net income from financial investments and net income from disposal of group assets, was down sharply in the first three months of 2011, declining by 75 per cent compared with the first three months of 2010. The reason for this decline was net income from financial investments, which is dominated by a volatile component, valuation gains and losses on securities measured at fair value. After the crisis years the first quarter of 2010 saw a recovery on the financial markets. This led to valuation gains of € 132 million on securities measured at fair value, which accounted for the bulk of overall net income of € 141 million from financial investments. The first quarter of 2011, however, saw slightly higher spreads and as a result lower valuation gains. Overall net income was € 25 million. The valuation result on securities measured at fair value, which was affected by the rise in long-term interest rates, accounted for € 8 million of this.

Net income from derivatives and designated liabilities turned around from a loss of € 45 million to a profit of € 3 million over the same period. This turnaround resulted from valuation gains on derivatives held in the banking book.

Net income from the disposal of group assets – four subsidiaries ceased to be consolidated for immateriality reasons – was € 3 million in the first quarter of 2011. In the first quarter of 2010 the deconsolidation of 40 subsidiaries due to a change in the materiality thresholds generated net income of € 5 million.

Income taxes

There were taxes of € 100 million during the reporting period, compared with € 33 million in the first quarter of 2010. The sharp increase was largely due to deferred taxes. In the first quarter of 2010 deferred tax income was recognized on valuation differences of derivatives and own issues between IFRS and the tax accounts, while in the first quarter of 2011 a deferred tax expense was recognized on valuation gains, primarily from liabilities measured at fair value (fair value option).

Comparison of results with the previous quarter

Operating Result

In € million	Q1/2011	Pro forma Q4/2010	Change absolute	Change in %
Net interest income	884	871	13	1.6%
Net fee and commission income	357	403	(46)	(11.3)%
Net trading income	123	70	53	76.0%
Other net operating income	(24)	11	(35)	–
Operating income	**1,341**	**1,355**	**(14)**	**(1.0)%**
Staff expenses	(380)	(395)	15	(3.8)%
Other administrative expenses	(287)	(334)	47	(14.1)%
Depreciation of tangible and intangible fixed assets	(86)	(98)	12	(12.2)%
General administrative expenses	**(753)**	**(827)**	**74**	**(8.9)%**
Operating result	**588**	**528**	**60**	**11.4%**

Net interest income

Compared to the previous quarter, the net interest income increased by 2 per cent or € 13 million. It grew especially in the Ukraine on account of the low net interest income in the fourth quarter, caused by a change in how interest on impaired loans is calculated. In addition, the net interest income increased in Russia due to high volumes and better refinancing. Across the Group, the interest margin rose by 7 basis points to 2.61 per cent.

Net fee and commission income

Compared to the previous quarter, the net fee and commission income fell by 11 per cent or € 46 million. On a seasonal basis, net income from payment transfer business declined in all segments. The net income from securities business decreased in the Group markets and Russia segments. Due to seasonal effects, net income from foreign exchange, notes/coins and precious-metals business declined.

Net trading income

Compared to the previous quarter, trading results grew by € 53 million due to the positive valuation effects in interest-related business. The interest rates rose more slowly in the first quarter of 2011 compared to the previous quarter, which led to a valuation surplus especially in the interest derivatives.

Other net operating income

Compared to the previous quarter, other net operating income decreased by € 35 million to minus € 24 million. This decline was primarily caused by the bank levy under the Stability Levy Act which taxed RBI AG with € 23 million.

General administrative expenses

Compared to the previous quarter, it is especially important to take into account the seasonality of the expense categories. As such, the expenses in the fourth quarter are generally higher than in the first three quarters of the year due to differing accruals during the year and/or higher closing accounts at the end of year.

At € 380 million, staff expenses were € 15 million or 4 per cent below the fourth quarter of 2010. This was especially due to the seasonal peaks in the fourth quarter 2010 and related expenses for severance pay and pensions. On the other hand, social security contributions rose in the first quarter of 2011, especially due to statutory changes at the Russian Group unit.

Other administrative expenses decreased by € 47 million or 14 per cent to € 287 million, wherein nearly all expense items were affected. Legal, advisory and consultancy expenses (minus € 10 million) accounted for especially large decreases, as did advertising, PR and promotional expenses (minus € 15 million). In the fourth quarter of 2010, legal, advisory and consulting expenses were included in expenses that were incurred in connection with the merger. There was a slight increase in the cost of deposit insurance. At € 84 million, the office space expenses remained approximately at the same level of the fourth quarter 2010.

Consolidated profit

In € million	Q1/2011	Pro forma Q4/2010	Change absolute	Change in %
Operating result	**588**	**528**	**60**	**11.4%**
Net provisioning for impairment losses	(208)	(281)	73	(25.8)%
Other results	25	44	(18)	(42.2)%
Profit before tax	**405**	**290**	**115**	**39.6%**
Income taxes	(100)	34	(134)	–
Profit after tax	**305**	**324**	**(19)**	**(5.8)%**
Profit attributable to non-controlling interests	(35)	(20)	(15)	77.2%
Consolidated profit	**270**	**304**	**(34)**	**(11.3)%**

Net provisioning for impairment losses

Since the beginning of the year, there was a decline in non-performing loans. The favorable economic conditions led to an improved repayment rate that was mainly responsible for the reduction. This was followed by a reduced need for impairment losses on loans and advances.

Net provisioning for impairment losses decreased sharply from € 281 million in the fourth quarter of 2010 to € 208 million in the first quarter of 2011. In the case of the specific allowances for bad debts, € 46 million less was allocated than in the previous quarter. Comparing the quarters, € 26 million were released from the portfolio value adjustments. The sale of loans resulted in € 1 million in additional revenue.

Taking into account the one-off effect as a result of a change in the way interest is calculated on impaired loans at the Ukrainian Group unit (profit-neutral effect due to a reciprocal entry in the provisioning for impairment losses), which took place wholly within the fourth quarter of 2010, the decline in net provisioning for impairment losses would have been even higher quarter-on-quarter.

Other results

Other results declined from € 44 million to € 25 million compared to the previous quarter. The share of revenue that includes derivatives and designated liabilities fell by € 40 million to € 3 million. The decrease was due to valuation losses on credit derivatives and lower valuation income from bank book derivatives.

After the he difficult market environment and the resulting losses on market-valued securities in the fourth quarter of 2010, net income from financial investments performed well in the first quarter of 2011. In the fourth quarter of 2010, net income totaled € 1 million, wherein the valuation losses from market-valued securities amounted to € 30 million. For the most part this could be offset by gains realized by sales. In the first quarter of 2011, an income of € 25 million was generated from financial investments. The valuation gains amounted to € 8 million. € 16 million came about as a result of gains realized by sales of market-valued securities and to a lesser extent, shares in companies.

Income taxes

Quarter-on-quarter, income taxes for the quarter were characterized by deferred taxes. The fourth quarter of 2010 resulted in a positive tax effect of € 34 million, especially due to the valuation of deferred taxes on tax-losses carried forward at the Group's headquarters (which to date are still not taken into account) as a result of an updated medium-term plan, which assumes offsetable taxable gains. In the first quarter of 2011 however, a deferred tax expense was entered on valuation gains. These primarily originate from the fair value option. As such, the tax rate was 25 per cent in the first quarter of 2011.

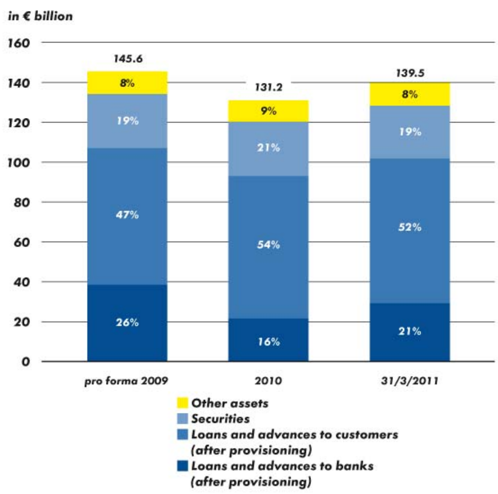
Statement of financial position

As of 31 March 2011, the total assets of RBI amounted to € 139.5 billion. This was 6 per cent or € 8.3 billion above the comparable figure for the end of 2010. On the assets side, the increase was caused by growth in loans to banks and customers. On the liabilities side, the increase came from deposits from banks and customers as well as securities issued.

The spot rate forming the basis of the balance sheet has not developed uniformly since the start of the year: The US dollar and the Ukrainian hyrvnia each devalued by 6 per cent, the Belarusian rouble devalued by 8 per cent, whilst the Hungarian forint appreciated by 4 per cent, the Romanian leu appreciated by 3 per cent and both the Czech koruna and Serbian dinar each appreciated by 2 per cent. In all, currency effects decreased the total assets by 1 per cent.

Assets

Breakdown of balance sheet assets



The assets side is dominated by loans and advances to customers. Compared to the end-of-year figure, these increased by € 1.4 billion or 2 per cent to € 77.1 billion. The increase in loans and advances was attributed to commercial customers. Here, the credit volume amounted to € 54.4 billion. At € 20.9 billion, the volume of loans to retail customers remained almost stable. Compared to the end-of-year figure, the ratio of customer loans to customer deposits improved by 4 per cent to 127 per cent. The impairment losses on loans and advances rose only marginally to € 4.8 billion and related primarily to loans to customers.

Loans and advances to banks grew by € 7.5 billion or 35 per cent to € 29.1 billion. The increase was especially attributed to the awarding of short-term credit to commercial banks and here, in turn, repo transactions.

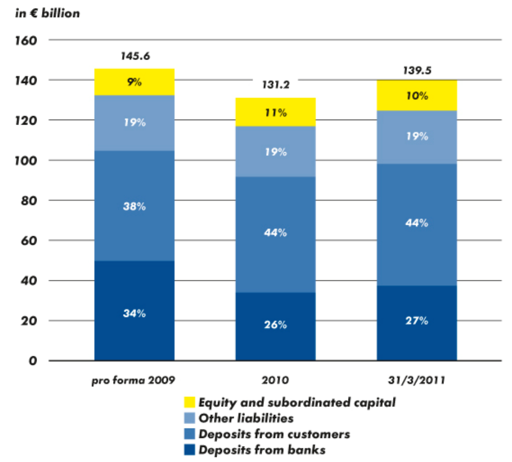
Since the end of 2010, financial investments decreased by € 0.7 billion or 3 per cent to € 27.0 billion. This decrease was seen in all security categories (held for trading, held to maturity and available for sale).

At € 11.1 billion, the remaining asset items, consisting of cash reserves, tangible assets, intangible assets, derivatives and the terms posted as 'other assets', were almost unchanged.

Liabilities

Customer deposits increased by 6 per cent or € 3.2 billion and as such, grew more strongly than loans and advances to customers. Customer deposits amounted to € 60.9 billion, € 32.3 billion of which was attributable to large corporate customers, who were primarily responsible for the rise in deposits. This increase was mainly due to short-term deposits from corporate customers.

Breakdown of equity and liabilities on the balance sheet



The refinancing volume via banks – primarily commercial banks – amounted to € 37 billion. This represents an increase of € 3.3 billion or 10 per cent compared to the end of 2010. The refinancing mainly took place by the short-term deposits of large corporates.

Other liabilities, including issued securities, provisions, trading liabilities, derivatives, as well as the other liability items amounted to € 26.9 billion. Issued securities rose by € 2.4 billion to € 18.9 billion. During the reporting period, two benchmark issues were issued by the Group headquarters amounting to € 2 billion.

Equity

Compared to the year-end 2010, the bank's balance sheet equity (consisting of the consolidated equity, consolidated net profit and the capital of the non-controlling interests) increased by 3 per cent or € 268 million to € 10,672 million.

The consolidated equity, consisting of subscribed capital, participation capital, capital reserves and retained earnings, increased by € 1,046 million to € 9,297 million. The increase in retained earnings was mainly put down to the transfer of earnings amounting to € 1,087 million. Other income reduced this by € 43 million. At minus € 36 million, the key components of this was a cash flow hedge, minus taxes. During the reporting period, the exchange differences (including capital hedging) turned out to be quite minor (minus € 5 million).

Consolidated profit amounted to € 270 million. The capital of the non-controlling interests increased due to the rise in net profit to € 1.1 billion.

Own funds pursuant to the Austrian Banking Act (BWG)

RBI does not form an independent credit institution group (Kreditinstitutsgruppe) as defined by the Austrian Banking Act (BWG) and therefore is not subject to the regulatory provisions on a consolidated basis. This is because it is part of the RZB Group. The consolidated values (shown below) have been worked out according to the provisions of the BWG and are assumed in the calculation of the RZB-Kreditinstitutsgruppe.

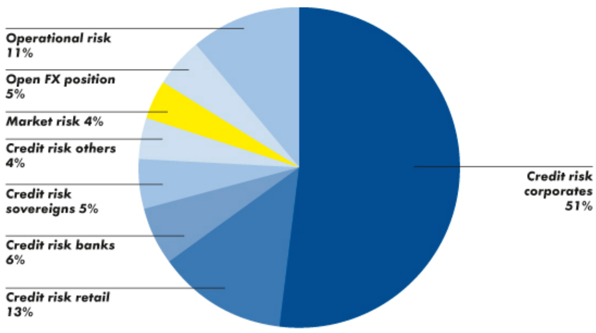
Consolidated own funds pursuant to BWG fell from year-end 2010 by € 34 million to € 12,574 million as of 31 March 2011. This does not include profit from the current reporting period as due to legal regulations in force in Austria, this is not allowed to be considered in the calculation.

In the first quarter, core capital (tier 1) rose by € 30 million to € 9,236 million. Non-controlling interest were responsible for this increase.

Additional own funds (tier 2) decreased by € 56 million to € 3,310 million. The main reason for this were maturities of tier 2 issues at RBI AG and in the Czech Republic.

Short-term subordinated capital (tier 3) increased by € 16 million to € 85 million.

Composition of the own fund requirement



The own funds should be viewed in the context of the own funds requirements which are almost unchanged. These fell by € 25 million to € 7,560 million. At 79 per cent, the own funds requirement for the credit risk made up most of this.

The own funds requirement for credit risk fell by € 49 million to € 5,999 million, wherein the requirement contained in the standard approach decreased by € 30 million and the requirement based on internal ratings decreased by € 19 million. The requirement for market risks increased by € 5 million to € 332 million and the requirement for open currency positions increased by € 20 million to € 405 million. The requirement for operational risks decreased by € 1 million to € 823 million.

This resulted in an excess cover ratio of 66.3 per cent or € 5,014 million. Compared to the end of 2010, this was a decrease of € 9 million.

However, the tier 1 ratio – based on credit risk – rose by 0.1 percentage points to 12.3 per cent. Based on total risk, this resulted in a core tier 1 ratio of 8.9 per cent and a tier 1 ratio of 9.7 per cent. The own funds ratio remained unchanged at 13.3 per cent.

Risk management

Active risk management represents a core competence for RBI. In order to recognize, assess and manage risks effectively, the Group has developed a comprehensive risk management. This is an integral component of managing the bank as a whole and is being constantly refined. RBI's risk management is oriented towards ensuring that credit and country risks, market and liquidity risks, risks arising from holdings and operational risks are dealt with conscientiously and managed professionally.

Current risk management initiatives

Managing non-performing loans was once again a risk management priority in the first quarter of 2011. Measures and objectives here included improving early recognition of potential troubled loans, reporting on the progress in restructuring management at Group level and a rapid and efficient reduction in the portfolio of non-performing loans. Despite the higher rate of defaults when viewed over the long term, the volume of non-performing loans fell slightly for the first time in several years over the period under review.

To actively manage the loan portfolios, internal Credit Portfolio Committees were set up in 2009. Their purpose is to direct the respective credit risk policies and strategies for various groups of customers. Lending guidelines and limits for directing the loan portfolio are defined on the basis of analyses by internal research departments and portfolio management. Monitoring and constantly fine-tuning the respective limits continued to be intensively followed up.

The success of this management can be seen in RBI reporting virtually no direct receivables from Greece, Portugal or Ireland. However, the sustainability of our customer business in these countries, which has its origins in the financing of international corporate customers and in capital markets business, is constantly being monitored for the potential effects of the sovereign debt of the respective countries. This also applies to the political and economic risk in North Africa and the Middle East. RBI is only exposed here to a limited degree (e.g. through providing export finance). By contrast, the assessment of the economic policies of the EU accession countries in Central and Eastern Europe is mainly positive. Above all, experts are keeping a close eye on Belarus, which has to cope with a large outflow of foreign exchange reserves.

Detailed loan portfolio simulations based on a number of economic scenarios are at the core of the current stress tests across Europe for banks, which are being coordinated by the European Banking Authority (EBA). For this purpose, RBI uses internal models in both the retail and non-retail areas of business. These models are for the assessment of the direct and indirect effects of prescribed crisis scenarios (e.g. GDP growth rates, foreign exchange rates, credit spreads) on potential loan defaults. Publication of the results by the EBA is planned at individual bank level for June 2011. RBI's liquidity position is not assessed separately in this stress test. However, it was checked during the period under review as part of the Liquidity Risk Assessment that was also organized by the EBA.

Independently of the stress tests, risk management also made increasing use of statistical methods to assess credit risks. This applies both to the ongoing development of the corporate rating model and the calculation of economic capital for credit risks relating to retail customers. By taking advantage of the experience gained from the financial and economic crisis, major improvements in validation and modeling were achieved.

In recent years, RBI had already heavily reduced or completely ended the granting of foreign currency loans in several countries to retail customers. In addition to this, one of the current initiatives in retail banking consists of developing measures to reduce in particular the portfolio of foreign currency loans denominated in Swiss francs.

Besides these developments in credit risk management, RBI continues to closely consider measures to reduce liquidity and transfer risks. For instance, the period under review saw the rollout of a new Fund Transfer Pricing (FTP) concept at RBI. The purpose of the FTP is to agree on internal netting rates of interest between groups of customers and Treasury in order to correctly calculate the profitability of the lending and deposit business and/or the proprietary business. It also influences the pricing of loans to customers, with the new concept ensuring that the bank's liquidity costs are correctly passed on to the cost center responsible for them.

Capital adequacy (Basel II)

Throughout the Group, great significance is given to the application and virtually universal implementation of advanced approaches under Basel II. RBI uses the parameters and results determined for these approaches for internal management information purposes. In addition, RBI is continuing to invest in improving its risk management systems. This relates, for instance, to building up the data warehouse that is used jointly in risk management, to the migration of the reporting platform for a daily overview of the liquidity position and to finding a technical solution for collecting data on losses arising from operational risks. Each of the new systems was selected with a view to them also being able to meet the expected requirements under Basel III.

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

IRB = internal ratings-based approach
Only for risks of open foreign exchange positions and general interest rate risk on the trading book
STA = standard approach
Only at consolidated level

To determine the capital requirements for credit risks under Basel II, RBI mainly uses the internal ratings-based approach (IRB). In recent years, the regulatory authorities already approved use of the IRB approach by RBI AG and several of its network banks to calculate the credit risk of corporate customers, banks and public-sector institutions. Within the retail area, this method is being used in both Slovakia and Hungary. It is planned to gradually introduce the IRB approach in other countries and for other classes of receivables. This gives RBI the advantage of being able to put a more precise figure on the risks in its credit portfolio and to manage them.

The own funds requirement under Basel II for RBI AG's market risk for the trading book and foreign currency risks are determined using an internal value-at-risk model (VaR). The standard approach is used for all other units and the consolidated foreign currency position. To measure and limit the interest rate risk in the banking book, a change in the present value of the banking book is simulated based on the assumption of a simultaneous increase in interest rates for all maturities and all currencies. For estimating interest rate gaps, essential key assumptions are made in compliance with regulatory provisions and based on internal statistics and figures gained through experience.

RBI's liquidity position is subject to a regular monitoring process and is included in the RZB Group's return when it reports weekly to the Austrian banking supervisory authority. This regulatory return presents details of the expected cash in- and outflows and the additional realizable liquidity for various maturities and currencies.

The standard approach is currently being used to calculate capital requirements for operational risk under Basel II. This applies to all the main Group units.

Outlook unchanged

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

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

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

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

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

In 2011, we plan to raise around € 6.5 billion in long-term wholesale funding in the capital markets, of which € 3.6 billion had already been successfully placed by mid May.

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

Segment reports

Division of the segments

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

In Central and Eastern Europe (CEE) geographical aspects are used to define segments, with each Group unit being allocated to a segment in accordance with its location. Countries that are expected to achieve comparable long-term economic performance and that have similar economic profiles are grouped together in regional segments. Business outside the CEE area that was recently added due to the meger is defined by business activity. The segments therefore correspond to the Group's organizational structure and are reflected in the internal management reports and in the management approach required under IFRS 8.

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

The Group comprises the following segments:

Central Europe

This segment is made up of five countries: the Czech Republic, Hungary, Poland, Slovakia and Slovenia. These constitute the most mature banking markets in the CEE region. They are also the markets in which RBI has been operating longest. In Poland, Raiffeisen Bank Polska S.A. provides services to corporate customers, SMEs and a growing number of affluent customers. Tatra Banka a.s. in Slovakia is primarily involved in corporate and retail activities, but also has a strong emphasis on affluent customers. In Slovenia, the Group is represented by Raiffeisen Banka d.d.. This bank especially concentrates on business with local corporate customers. The Czech Raiffeisenbank a.s. provides traditional banking services together with building society and insurance products in its local market. Raiffeisen Bank Zrt. has an extensive branch network in Hungary which serves retail customers, SMEs and a large number of corporate customers. RBI is also represented by ZUNO BANK AG, a direct bank, in Slovakia. Separate leasing companies also operate in each country.

Southeastern Europe

The Southeastern Europe segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Moldova, Romania and Serbia. The Albanian Raiffeisen Bank Sh.a. provides financial services across all business activities. Raiffeisen Leasing Sh.a. rounds off the product offering. Raiffeisen Bank Kosovo J.S.C. and Raiffeisen Leasing LLC Kosovo represent RBI in Kosovo and offer a comprehensive product range. In Bosnia and Herzegovina, Raiffeisen Bank d.d. Bosna i Hercegovina and Raiffeisen Leasing d.o.o. Sarajevo focus on SMEs but also have a broad range of products for retail customers. In Bulgaria, the Group is represented by Raiffeisen (Bulgaria) EAD, Raiffeisen Leasing Bulgaria OOD. The Croatian Raiffeisenbank Austria d.d. specializes in large and medium-sized corporate customers and also has a substantial retail business. RBI also operates Raiffeisen Leasing d.o.o., capital management companies and an asset management company in Croatia. Raiffeisen Bank S.A.

has an extensive branch network in Romania offering top-notch financial services. The Romanian operation also provides a tailored selection of products for corporate customers in Moldova. RBI has a presence in the Serbian market in the form of Raiffeisen banka a.d., Raiffeisen Leasing d.o.o., two pension funds and an asset management company.

Russia

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

CIS other

This segment comprises Belarus, Kazakhstan and the Ukraine. The Group is represented by Priorbank JSC and JLLC Raiffeisen-Leasing in Belarus. In Kazakhstan, RBI is represented by Raiffeisen Leasing Kazakhstan LLP and in the Ukraine, Raiffeisen Bank Aval JSC and LLC Raiffeisen Leasing Aval provide a full range of financial services and products via an extensive network of business outlets. In addition, as a specialized service provider, the Ukrainian Processing Center PJSC processes a large proportion of the card business within the segment.

Group corporates

The Group corporates segment covers Austrian and international (mainly Western European) customers managed by RBI AG in Vienna within the Corporate customers profit center. These customers include Austria's top 1,000 companies, most of whom have an excellent credit quality. The segment report also shows the results generated by corporate business with Central and Eastern European multinationals (excluding Austrian customers) in the Network corporate customers & support profit center. The Corporate customers and Network corporate customers & support profit centers also include net income from structured trade financing for commodity traders, documentary business, project financing and a range of cofinancing solutions. Corporate customer business at the Singapore and China branches is also allocated to this segment, as are operations involving international customers of the Maltese subsidiary, RB International Finance (USA) LLC and RB International Finance (Hong Kong) Ltd., all of which provide a selection of products for niche market customers.

Group markets

The Group markets segment covers capital market customers and proprietary trading. The results show income from currency, interest and securities trading as well as from structured products for financial institutions and income from proprietary trading. Proprietary trading and market-maker activities are allocated under the Capital markets and Credit investments (non-core strategic proprietary trading in securities) profit centers plus the relevant profit centers in the Singapore, China and London branches. Net income from transactions for customers is included in Financial institutions & sovereigns and Raiffeisen financial institutions clients (operations involving Raiffeisen Landesbanks and related financial service companies). The profit centers post net income from sales of all banking products and business relationships with banks, institutional customers, governments and local authorities. Raiffeisen Centrobank, where securities trading and capital market financing constitute the core business, is also part of this segment. The Mergers & acquisitions division, which operates via locations in a number of different countries, is also represented in this segment by the subsidiaries of Raiffeisen Investment AG. Commodity trading is undertaken by Centrotrade AG branches around the world and by F.J. Elsner & Co. in Austria. The segment also includes private banking, reporting results from Kathrein & Co. Privatgeschäftsbank, which advises on investing private and foundation assets, as well as on inheritance issues.

Corporate center

The Corporate center segment encompasses all the services provided by Group headquarters for various parts of the Group to realize the Group's overall strategy. Liquidity management and balance sheet structure management linked to proprietary trading are included under this segment and reported in Treasury profit center.

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

Net income from companies operated for the purpose of equity management, from the holding company and all other companies that do not fall directly under another segment is also included in the segment report.

Segment overview

The comparisons with earlier periods in the following description are based on pro forma figures for the first quarter of 2010, as the merger with the principal business areas of RZB was retroactive for the full financial year.

In the first quarter of 2011 RBI maintained its growth with the new Group structure optimized by the merger. Profit before tax grew by 3 per cent to € 405 million. The increase was due to a decline in risk costs and higher operating income. However, significantly lower valuation gains on financial investments as a result of the stabilization in financial markets reduced income compared to earlier periods. General administrative expenses rose 8 per cent, primarily in connection with the increase in employment in the CEE home market, leading to a rise in the cost/income ratio. Almost all segments increased results, although the economic recovery took a different path in the regional and other segments.

In Central Europe, profit before tax rose by 57 per cent to € 95 million. Higher operating income and lower net provisioning for impairment losses were decisive factors in this growth. Balance sheet assets rose by 2 per cent compared with a year ago.

In the period under review, Southeastern Europe reported a profit before tax of € 93 million, down by 5 per cent. The main reason for this decrease was a decline of other results. Balance sheet assets in this segment were also 5 per cent lower than the previous year.

In Russia, profit before tax rose by 63 per cent to € 94 million. A year-on-year comparison shows that the increase in profit before tax resulted from higher operating income and the considerably lower net allocations to provisioning for impairment losses. Balance sheet assets in this segment were 1 per cent up on the end of the first quarter of 2010.

The CIS other segment reported profit before tax for the period of € 19 million, an increase of 7 per cent. Lower net provisioning for impairment losses was key in the slight rise of profit before tax. Balance sheet assets in this segment were 3 per cent up on the end of the first quarter of 2010.

The Group corporates segment showed strong growth of 41 per cent in results, with profit before tax of € 101 million. This increase was due to the year-on-year rise in operating income and lower net provisioning for impairment losses. Balance sheet assets in this segment were 4 per cent down on the previous year.

The Group markets segment generated the biggest profit before tax of all segments, with € 142 million. Increased operating income and growth in other net income were responsible for this strong performance. Balance sheet assets fell by 41 per cent compared with 2010.

At the Corporate center segment there was a swing from profit before tax of € 79 million to a pre-tax loss of € 85 million. This reflected the impact of significantly lower operating income and other income. Balance sheet assets in this segment were 17 per cent up on the end of the first quarter of 2010.

A breakdown of group assets by segment shows changes over the period under review. The share of Central Europe rose by 2 percentage points to 21 per cent, while Southeastern Europe was unchanged at 13 per cent. Russia's share rose 1 percentage point to 7 per cent, and CIS other also increased by 1 percentage point to 4 per cent. Group corporates increased its share by 1 percentage point to

13 per cent, while Group markets dropped by 10 percentage points over the year to 17 per cent, partly losing to Corporate center which had a share of 25 per cent at the end of the period under review (up 5 percentage points).

Central Europe

In € million	1/1-31/3/2011	Pro forma 1/1-31/3/2010	Change
Net interest income	287	261	10.2%
Net fee and commission income	119	107	10.6%
Net trading income	12	4	224.5%
Other net operating income	(5)	(3)	102.2%
Operating income	**413**	**369**	**11.8%**
General administrative expenses	(236)	(216)	9.6%
Operating result	**176**	**154**	**14.9%**
Net provisioning for impairment losses	(79)	(111)	(29.1)%
Other results	(3)	18	–
Profit/loss before tax	**95**	**60**	**57.4%**
Income taxes	(19)	(14)	37.9%
Profit/loss after tax	**76**	**46**	**63.2%**
Profit attributable to non-controlling interests	(28)	(17)	67.5%
Profit/loss after deduction of non-controlling interests	**48**	**30**	**60.8%**
Share of profit before tax	20.7%	13.0%	7.7 PP
Risk-weighted assets (credit risk)[1]	23,151	21,668	6.8%
Total own funds requirement[1]	2,130	1,985	7.3%
Total assets[1]	34,393	33,845	1.6%
Liabilities[1]	31,485	31,069	1.3%
Net interest margin	3.36%	3.09%	0.28 PP
NPL ratio	8.5%	7.6%	0.9 PP
Coverage ratio	57.6%	57.8%	(0.2) PP
Cost/income ratio	57.3%	58.4%	(1.2) PP
Net provisioning ratio (average risk-weighted assets, credit risk)	1.86%	2.08%	(0.22) PP
Average equity	2,900	2,564	13.1%
Return on equity before tax	**13.1%**	**9.4%**	**3.7 PP**
Business outlets[1]	548	554	(1.1)%

[1] Reporting date values as of 31 March

In Central Europe, profit before tax was € 95 million in the reporting period, up 57 per cent or € 35 million year-on-year. The combination of higher operating income and lower risk costs was mainly responsible for this good result. Return on equity before tax rose by 3.7 percentage points to 13.1 per cent.

Operating income

Net interest income in Central Europe rose by 10 per cent to € 287 million. The highest growth was in Poland and the Czech Republic, due in Poland to higher interest income from securities and in the Czech Republic mainly to higher volume and margins on loans to retail customers. The positive trend in net interest margins continued, rising by 28 basis points in all to 3.36 per cent.

Assets in this segment rose by 2 per cent year-on-year to € 34.4 billion, with credit risk-weighted assets rising 7 per cent year-on-year from € 21.7 billion to € 23.2 billion. The rather significant increase was primarily due to the credit risk-weighted assets in Slovakia and the Czech Republic. The dominant factors here were the reduction in Basel II collateral in the Corporate segment and rating migration. First initiation of the internal ratings-based approach for the majority of the loans and advances to retail customers in Hungary and Slovakia also significantly boosted credit risk-weighted assets.

Net fee and commission income grew in every country in the region except Hungary, rising by 11 per cent or € 12 million to € 119 million. Payment transfers accounted for € 47 million of this figure, a gain of 10 per cent or € 4 million year-on-year. This growth was almost entirely due to the higher number of transactions in the Czech Republic. Net income from the loan and guarantee business grew by 24 per cent year-on-year to € 19 million. This increase was primarily generated in Poland by the significant growth in business activity. Net income from currency, notes/coins and precious-metals business rose by 7 per cent to € 35 million, for which increased foreign exchange margins for customers in the Czech Republic were responsible.

Net trading income for Central Europe grew from € 4 million to € 12 million year-on-year. This increase came mainly from Hungary and the Czech Republic. Currency-based transactions swung from a net loss of € 2 million to net income of € 11 million, primarily due to revaluation gains on various foreign currency instruments in Hungary. Net income from interest-related trading fell by 41 per cent overall to € 2 million, reflecting on the one hand revaluation gains in Slovakia on interest swap transactions and on the other hand valuation gains on the trading portfolio in the Czech Republic. Otherwise, there was a decrease in valuation gains on derivatives in Hungary. Net income from equity and index-based transactions was generated almost entirely in Hungary, turning around year-on-year from € 3 million to a loss of € 1 million.

Other net operating income in the region fell by € 2 million over the period under review to a loss of € 5 million. The increase in other taxes as a result of the levy on banks and financial service providers in Hungary (€ 11 million) was mostly offset by increased income from non-banking activities.

General administrative expenses

General administrative expenses in the region advanced by 10 per cent or € 20 million year-on-year to € 236 million. This increase was essentially due to a rise in staff expenses in the Czech Republic, where there were increased staffing needs due to the expansion of the marketing channels – several new branches and the installation of new customer areas (Affluent Corners) in existing branches. Other administrative expenses and depreciation, amortization and write-offs rose year-on-year, again largely due to higher costs of branches in the Czech Republic and the adjustment of the residual book value of various IT systems following implementation of the new core bank system. The number of business outlets decreased year-on-year by 1 per cent or 6 outlets to 548. The cost/income ratio in the region improved by 1.2 percentage points to 57.3 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses in the region fell by a total of 29 per cent or € 32 million in the reporting period to € 79 million. In Hungary, the net provisioning for impairment losses rose by 18 per cent to € 47 million. Net allocations to individual provisions in the Central Europe segment increased year-on-year by 18 per cent to € 71 million. This was almost entirely due to net provisioning for losses on loans to private customers and mortgage loans where collateral was revalued. Portfolio-based loan loss provisions totaled € 8 million, compared with € 51 in the comparable period of the previous year. Due to a significant reduction in new business and overdue loans up to180 days, a release of portfolio-based loan loss provisions for private individuals in Hungary occurred, while individual loan loss provisions rose even further. The proportion of non-performing loans in the loan portfolio in the Central Europe segment was 8.5 per cent in the reporting period.

Other results and taxes

Other results fell by € 21 million to minus € 3 million. Net income from derivative financial investments turned around year-on-year from minus € 4 million to € 1 million. This improvement came almost entirely from revaluation gains on various hedging transactions in the Czech Republic which had been entered into to adjust the foreign currency structure. As a result of the general rise in interest rates in the region, net income from financial investments swung from € 21 million to a loss of € 4 million. This was due to losses in Hungary on the revaluation of municipal bonds, while in Slovakia and the Czech Republic revaluations of government securities were positive but significantly lower than a year earlier.

Income taxes climbed by 38 per cent year-on-year to € 19 million. The tax rate in the region fell by 3 percentage points to 20 per cent. Profit after non-controlling interests totaled € 48 million.

Southeastern Europe

In € million	1/1-31/3/2011	Pro forma 1/1-31/3/2010	Change
Net interest income	221	222	(0.5)%
Net fee and commission income	87	90	(3.1)%
Net trading income	14	14	0.8%
Other net operating income	7	5	34.5%
Operating income	**330**	**332**	**(0.6)%**
General administrative expenses	(182)	(178)	2.2%
Operating result	**148**	**153**	**(3.7)%**
Net provisioning for impairment losses	(60)	(69)	(12.1)%
Other results	5	12	(57.3)%
Profit/loss before tax	**93**	**97**	**(4.7)%**
Income taxes	(13)	(13)	(4.7)%
Profit/loss after tax	**80**	**84**	**(4.7)%**
Profit attributable to non-controlling interests	(7)	(5)	38.1%
Profit/loss after deduction of non-controlling interests	**73**	**79**	**(7.6)%**
Share of profit before tax	20.2%	21.0%	(0.8) PP
Risk-weighted assets (credit risk)[1]	16,269	16,339	(0.4)%
Total own funds requirement[1]	1,530	1,522	0.5%
Total assets[1]	22,247	23,300	(4.5)%
Liabilities[1]	19,310	20,496	(5.8)%
Net interest margin	3.94%	3.79%	0.15 PP
NPL ratio	9.1%	7.0%	2.1 PP
Coverage ratio	63,0%	67.8%	(4.8) PP
Cost/income ratio	55.2%	53.7%	1.5 PP
Net provisioning ratio (average risk-weighted assets, credit risk)	2.07%	1.68%	0.39 PP
Average equity	2,121	1,979	7.2%
Return on equity before tax	**17.5%**	**19.7%**	**(2.2) PP**
Business outlets[1]	1,156	1,179	(2.0)%

[1] Reporting date values as of 31 March

Profit before tax in the Southeastern Europe segment fell during the reporting period by 5 per cent or € 4 million to € 93 million. Significantly reduced net allocations to provisioning for impairment losses were a positive influence on profit before tax, but operating income remained below the previous year's level. The segment's return on equity before tax fell year-on-year by 2.2 percentage points to 17.5 per cent.

Operating income
Net interest income in the segment fell by 1 per cent to € 221 million. The decrease affected Bulgaria, Romania and Croatia, while the other countries in the region saw an increase. Despite lower refinancing costs, the decrease was caused mainly by falling interest income. By contrast, in Bosnia and Herzegovina the drop in costs for customer deposits led to an increase in net interest income.

Balance sheet assets were down by 5 per cent year-on-year at € 22.2 billion while the net interest margin rose 15 basis points to 3.94 per cent. Credit risk-weighted assets were unchanged from the previous year at € 16.3 billion. This difference from total assets was primarily due to Romania, with the combination of the migration of the exposures of the corporate customers to poorer ratings and a reduction in collateral relevant for Basel II.

Net fee and commission income declined by 3 per cent year-on-year to € 87 million. Payment transfers made the largest contribution at € 40 million, although this was unchanged from the previous year. The country with the highest commission income was Romania, which contributed almost half of the total. Income from credit and guarantee business decreased by 21 per cent year-on-year to € 18 million. The new provisions of the Consumer Protection Act in Romania, which have been in force since June 2010, reduced earnings. Income from the foreign currency, notes/coins and precious-metals business rose by 9 per cent to € 15 million, with all the countries in the region showing growth.

Net trading income was unchanged year-on-year at € 14 million. Currency-related trading brought in € 6 million, the result of the revaluation of forward and currency swap transactions in Romania. Interest-related trading recorded a profit of € 8 million, most of which was generated by revaluation gains on fixed-income securities in Albania and by revaluations of various positions in the trading portfolio in Croatia.

Other net operating income rose year-on-year by € 2 million to € 7 million. This primarily comprised income from operating leases of € 10 million, predominantly in Croatia.

General administrative expenses
General administrative expenses rose slightly year-on-year by 2 per cent to € 182 million. The decisive factor was the growth in expense in Romania, where staff expenses rose due to the salary increases implemented at the end of 2010 and depreciation and amortization increased on investments in IT hardware and new IT applications. Other administrative expenses were largely stable in the region. The combination of unchanged operating income and increased expenses meant that the cost/income ratio increased slightly by 1.5 percentage points to 55.2 per cent.

Net provisioning for impairment losses
Net provisioning for impairment losses for the region fell by 12 per cent or € 9 million to € 60 million. Individual net provisioning declined by 10 per cent or € 7 million year-on-year to € 80 million. In Romania and Croatia net allocations to individual provisioning rose mainly on loans to private customers, with an increase in Croatia also for loans to corporate customers. At the same time, a total of € 19 million in net allocations to portfolio provisioning were released, with the highest level in Bulga-

ria. Romania showed significantly lower allocations to portfolio provisioning. Non-performing loans made up 9.1 per cent of the loan portfolio.

Other results and taxes

Other results fell year-on-year by € 7 million to € 5 million. Net income from derivatives amounted to € 7 million, after a net loss of € 6 million the previous year. This came almost entirely from hedging transactions in Croatia, which were mostly entered into in the 2009 financial year to adjust the currency structure. Net income from financial investments dropped from € 22 million the previous year to a net loss of € 2 million, mainly due to the absence of profits from the sale and revaluation of government bonds in Romania. Croatia also reported a decrease in revaluation profits on corporate bonds, due to the flagging economy. Due to the deconsolidation for materiality of a leasing company in Moldova, the segment showed a net loss on disposal of group assets of € 0.3 million.

Income taxes in the region were unchanged from the previous year at € 13 million, as was the tax rate of 14 per cent. Profit after the deduction of non-controlling interests was € 73 million.

Russia

In € million	1/1-31/3/2011	Pro forma 1/1-31/3/2010	Change
Net interest income	136	119	14.1%
Net fee and commission income	52	47	10.4%
Net trading income	32	34	(6.4)%
Other net operating income	(2)	(3)	(50.4)%
Operating income	**218**	**197**	**10.8%**
General administrative expenses	(113)	(96)	17.6%
Operating result	**105**	**101**	**4.2%**
Net provisioning for impairment losses	(2)	(37)	(95.2)%
Other results	(9)	(6)	45.2%
Profit/loss before tax	**94**	**58**	**63.4%**
Income taxes	(24)	(14)	69.5%
Profit/loss after tax	**70**	**44**	**61.5%**
Profit attributable to non-controlling interests	(1)	0	>500,0%
Profit/loss after deduction of non-controlling interests	**69**	**44**	**58.9%**
Share of profit before tax	20.6%	12.5%	8.1 PP
Risk-weighted assets (credit risk)[1]	8,834	7,611	16.1%
Total own funds requirement[1]	908	805	12.8%
Total assets[1]	12,464	12,343	1.0%
Liabilities[1]	10,464	10,535	(0.7)%
Net interest margin	4.41%	3.97%	0.44 PP
NPL ratio	8.4%	11.8%	(3.4) PP
Coverage ratio	98.7%	85.6%	13.1 PP
Cost/income ratio	51.7%	48.7%	3.0 PP
Net provisioning ratio (average risk-weighted assets, credit risk)	0.96%	2.06%	(1.11) PP
Average equity	1,234	988	24.9%
Return on equity before tax	**30.6%**	**23.4%**	**7.2 PP**
Business outlets[1]	196	210	(6.7)%

[1] Reporting date values as of 31 March

Despite an increase in general administrative expenses, profit before tax for the period rose substantially by 63 per cent to € 94 million. The main drivers were lower net provisioning for impairment losses and increased operating income. The return on equity before tax improved by 7.2 percentage points to 30.6 per cent.

Operating income

Net interest income in Russia rose by 14 per cent or € 17 million to € 136 million. This increase was due primarily to the expansion of the loan portfolio and the reduction in less profitable investment of surplus liquidity. There was also a positive effect from the decrease in interest expense on customer deposits. Business was accordingly more profitable again year-on-year with the net interest margin increasing by 44 basis points to 4.41 per cent.

Balance sheet assets rose slightly year-on-year by 1 per cent to € 12.5 billion, with the 22 per cent increase in the loan portfolio offset by the reduction in interbank business and public sector security investment. However, credit risk-weighted assets increased significantly because of the change in the structure of assets, rising by 16 per cent to € 8.8 billion. The main reason for this was the combination of the rise in loans to corporate customers, the simultaneous reduction in Basel II collateral, the reduction in loans and advances to banks and the securities business.

Net fee and commission income rose by 10 per cent or € 5 million year-on-year to reach € 52 million. Payment transfers declined, but still made the largest contribution at € 16 million, due to the release of accruals for expected income. Income from the securities business totaled € 2 million. Income from the foreign currency, notes coins and precious-metals business was unchanged year-on-year at € 11 million. Income from other banking services rose by 22 per cent to € 8 million, particularly because of increased income from treasury and consulting services.

Net trading income fell slightly from € 34 million to € 32 million. After a loss of € 1 million in the previous year, net income from currency-related trading amounted to € 16 million, thanks to revaluation gains from currency swaps which exceeded the revaluation loss on an open foreign exchange position. By contrast, net income from interest-related trading fell by € 20 million to € 15 million. The main reason for this decline was the high level of revaluation gains on fixed income bonds in the previous year due to reversals of impairments after the 2009 financial crisis.

Other net operating loss in the segment was € 2 million, an improvement of € 1 million primarily due to lower allocations to other provisions.

General administrative expenses

General administrative expenses in the segment rose by 18 per cent to € 113 million, primarily due to the increase in staff expenses from the salary increases agreed upon in 2010 and increases in ancillary salary costs (particularly social security contributions) in the period under review. Other administrative expenses rose, primarily due to increased legal and advisory expenses and IT expenses. Depreciation, amortization and write-downs rose due to higher investment in tangible assets in 2010. The number of business outlets fell by 14 to 196 in the year under review. Due to the sharp rise in general administrative expenses, the cost/income ratio rose by 3.0 percentage points to 51.7 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses fell significantly, from € 37 million in the previous year to € 2 million. The key factor here were significantly lower allocations for individual loan loss provisions. The fall from 11.8 per cent to 8.4 per cent in the ratio of non-performing loans and the improvement in customer rating structure were major reasons for the decrease. Portfolio-based loan loss provisions increased by € 29 million to € 7 million. This was primarily due to the growth of the loan portfolio, which is the basis for portfolio-based loan loss provisions.

Other results and taxes

Other results came in at minus € 9 million. The net loss from derivatives was € 8 million, primarily linked to valuation losses on interest rate swaps concluded in order to mitigate interest rate structure risk. Due to the deconsolidation for materiality of a leasing company, the segment showed a net loss on disposal of group assets of € 1 million.

Income taxes grew by € 10 million year-on-year to € 24 million, while the tax rate was unchanged at 25 per cent. Profit after non-controlling interests rose to € 69 million.

CIS other

In € million	1/1-31/3/2011	Pro forma 1/1-31/3/2010	Change
Net interest income	101	115	(12.2)%
Net fee and commission income	43	37	14.9%
Net trading income	7	12	(40.5)%
Other net operating income	(1)	(2)	(11.7)%
Operating income	**149**	**162**	**(8.0)%**
General administrative expenses	(85)	(78)	8.9%
Operating result	**64**	**84**	**(23.8)%**
Net provisioning for impairment losses	(51)	(78)	(35.1)%
Other results	5	12	(53.9)%
Profit/loss before tax	**19**	**17**	**6.6%**
Income taxes	(7)	(5)	38.4%
Profit/loss after tax	**11**	**12**	**(7.5)%**
Profit attributable to non-controlling interests	(2)	(2)	49.9%
Profit/loss after deduction of non-controlling interests	**9**	**10**	**(16.4)%**
Share of profit before tax	4.1%	3.8%	0.3 PP
Risk-weighted assets (credit risk)[1]	5,532	5,374	2.9%
Total own funds requirement[1]	540	515	4.8%
Total assets[1]	6,864	6,650	3.2%
Liabilities[1]	5,900	5,711	3.3%
Net interest margin	5.76%	7.10%	(1.33) PP
NPL ratio	26.3%	23.0%	3.3 PP
Coverage ratio	72.4%	72.9%	(0.5) PP
Cost/income ratio	57.2%	48.3%	8.9 PP
Net provisioning ratio (average risk-weighted assets, credit risk)	4.00%	6.00%	(2.00) PP
Average equity	753	650	16.0%
Return on equity before tax	**9.9%**	**10.8%**	**(0.9) PP**
Business outlets[1]	1,019	1,034	(1.5)%

[1] Reporting date values as of 31 March

Profit before tax for the segment CIS other rose to € 19 million in the period under review, due entirely to declining risk costs. The segment's return on equity before tax decreased by 0.9 percentage points to 9.9 per cent.

Operating income

Net interest income for the segment fell by 12 per cent or € 14 million to € 101 million. This was due to the change in methodology in Ukraine in the fourth quarter of 2010 for calculating interest on impaired loans and advances, resulting in a non-recurring effect of around € 18 million in year-on-year comparison. However, this change did not affect profit, as it was offset by the corresponding reduction in impairment loss provisioning. Reasons for the stagnation of net interest income were further reductions in the private customer portfolio in Ukraine and the margins on assets throughout the loan portfolio, despite the decrease in financing costs. In Belarus, by contrast, net interest income rose year-on-year, mainly due to the increase in the corporate portfolio.

Balance sheet assets gained 3 per cent year-on-year to € 6.9 billion due to the expansion in loans in Belarus. The net interest margin fell by 1.33 percentage points to 5.76 per cent. Due to the change in methodology described above, the interest margin fell by 1.08 percentage points, and this was reinforced by the downtrend in margins. Credit risk-weighted assets increased by 3 per cent to € 5.5 billion. In Ukraine the increase in fixed assets and other assets led to an increase in credit risk-weighted assets. The growth in credit risk-weighted assets in Belarus was due to expanded commitment in almost all asset classes.

Overall, net fee and commission income rose by 15 per cent or € 6 million year-on-year to € 43 million, primarily as a result of growth in payment transfers. Income from the payment transfer business increased by 19 per cent or € 5 million to € 31 million, the largest contribution to net fee and commission income. In Ukraine, new product ranges for corporate customers introduced at year-end 2010 accounted for a considerable share of this. In Belarus the significant increase in customer activity fuelled the increase in net fee and commission income. Net income from the foreign currency, notes/coins and precious-metals business totaled € 9 million, essentially unchanged from the previous year's low level, due to the continuing suspension of foreign currency lending to private customers in Ukraine. Net income from the loan and guarantee business was also unchanged, and contributed € 2 million to net fee and commission income.

Because of lower earnings from interest-related trading in Ukraine, net trading income fell by 41 per cent or € 5 million to € 7 million. The decreasing Ukrainian hryvnia yield curve led to reduced income from revaluations of fixed income securities and bonds. Income from currency-related trading was slightly down on the previous year at € 5 million. In Belarus, the sharp depreciation of the local currency against the euro and US dollar boosted the revaluation gain on a strategic currency position taken to hedge equity from € 1 million last year to € 3 million. However, this increase was offset by revaluation losses in Kazakhstan.

Other net operating loss in the segment increased minimally to € 1 million, the result of a number of smaller items of income and expenses.

General administrative expenses

General administrative expenses were up 9 per cent or € 7 million over the same period last year to € 85 million. Staff expenses were affected by the increase in the number of employees in Ukraine and Belarus. In Ukraine, this was due to the increase in collection activities and various IT projects. Other administrative expenses remained almost unchanged over the previous year at € 30 million. By contrast, depreciation on tangible assets rose, mainly due to IT investment in the new core bank system in Ukraine. As a result of the decline in operating income and higher general administrative expenses, the cost/income ratio rose by 8.9 percentage points to 57.2 per cent.

Net provisioning for impairment losses

Net allocations to loan loss provisions in the region fell by 35 per cent from € 78 million to € 51 million. In all, net allocations to individual loan loss provisions rose by 23 per cent to € 57 million due to increases in Ukraine and Belarus. This includes a decrease in net allocations to individual loan loss provisions of € 18 million due to the change in methodology described above in connection with interest on impaired loans in Ukraine.

The portfolio provisioning resulted in a release of € 6 million year-on-year, compared to a net allocation for portfolio provisioning of € 32 million a year earlier. This was due primarily to the significantly lower allocations to portfolio provisions in Ukraine. The ratio of non-performing loans in the credit portfolio stood at 26.3 per cent, and continues to be the highest of all segments (Belarus: 2.6 per cent, Ukraine: 33.7 per cent).

Other results and taxes

Other results fell year-on-year by 54 per cent to € 5 million. The main cause of this decrease was the drop from € 12 million to € 5 million in profit from financial investments. The decline in the yield curve of the Ukrainian hryvnia was less marked than a year earlier, resulting in lower revaluation gains on the fixed income portfolio of Ukrainian government bonds recognized at fair value.

Income taxes for the segment rose by 38 per cent to € 7 million. Profit after deduction of non-controlling interests was € 9 million in the period under review.

Group corporates

In € million	1/1-31/3/2011	Pro forma 1/1-31/3/2010	Change
Net interest income	97	82	17.7%
Net fee and commission income	41	39	6.8%
Net trading income	5	2	169.6%
Other net operating income	0	1	(80.7)%
Operating income	**143**	**123**	**15.8%**
General administrative expenses	(33)	(40)	(17.3)%
Operating result	**110**	**83**	**31.5%**
Net provisioning for impairment losses	(11)	(21)	(47.5)%
Other results	2	9	(79.9)%
Profit/loss before tax	**101**	**71**	**40.7%**
Income taxes	(23)	(15)	51.4%
Profit/loss after tax	**78**	**56**	**37.8%**
Profit attributable to non-controlling interests	0	0	–
Profit/loss after deduction of non-controlling interests	**78**	**56**	**37.7%**
Share of profit before tax	21.9%	15.4%	6.5 PP
Risk-weighted assets (credit risk)[1]	15,664	14,312	9.4%
Total own funds requirement[1]	1,275	1,192	6.9%
Total assets[1]	20,602	21,490	(4.1)%
Liabilities[1]	13,104	9,700	35.1%
Net interest margin	1.75%	1.50%	0.25 PP
NPL ratio	4.6%	3.1%	1.5 PP
Coverage ratio	67.2%	63.9%	3.3 PP
Cost/income ratio	23.1%	32.3%	(9.2) PP
Net provisioning ratio (average risk-weighted assets, credit risk)	0.86%	0.59%	0.27 PP
Average equity	1,766	1,536	15.0%
Return on equity before tax	**22.8%**	**18.6%**	**4.1 PP**
Business outlets[1]	8	8	–

[1] Reporting date values as of 31 March

Profit before tax for this segment rose by 41 per cent in the first quarter of 2011 to € 101 million. The main reasons for this growth were substantially higher operating income and lower net provisioning for impairment losses. The return on equity before tax improved by 4.1 percentage points to 22.8 per cent.

Operating income

Net interest income grew by 18 per cent or € 15 million to € 97 million. This growth was primarily due to the rise in the margin on assets in business with Austrian RBI AG customers, which more than offset the rising liquidity costs. The margins in business with international customers remained stable year-over-year. Volume declined, particularly in export and investment financing at RBI AG. By contrast, the number of syndicated loans increased year-over-year. Net interest margin for the Group corporates segment was up 25 basis points to 1.75 per cent.

Balance sheet assets fell by 4 per cent or € 0.9 billion year-over-year to € 20.6 billion. By contrast, credit risk-weighted assets totaled € 15.7 billion, 9 per cent above the previous year's level. Despite the reduction in exposure, there was an increase in credit risk-weighted assets at RBI AG as a result of the expansion of guarantee commitments and the migration of exposures to major international customers to poorer rating grades.

Net fee and commission income rose by 7 per cent or € 2 million to € 41 million. At Group headquarters there was a decrease due to the lower number of transactions in export and investment financing. By contrast, growth in business activity at a Group headquarters branch in Malaysia resulted in substantial growth in net fee and commission income. The Group unit in the USA also increased net fee and commission income to € 5 million as a result of the loan and guarantee business.

Net trading income rose year-on-year by € 3 million to € 5 million. This was largely attributable to the profit centers at Group headquarters, based on revaluation gains from currency and interest-based transactions related to a range of financial instruments, primarily with Austrian customers.

General administrative expenses

General administrative expenses fell overall by 17 per cent to € 33 million. The main reason for this was a change in 2010 in the methodology for cost allocation at Group headquarters. This segment operated eight business outlets at the end of the reporting period. The cost/income ratio improved significantly, by 9.2 percentage points, to 23.1 per cent.

Net provisioning for impairment losses
Net provisioning for impairment losses almost halved from € 21 million to € 11 million. Key factors in this were lower net allocations to portfolio provisions for loans and advances to corporate customers at Group headquarters. The Singapore branch and the Group unit in the USA also reported a decrease in net provisioning for impairment losses on loans. The ratio of non-performing loans in the credit portfolio totaled 4.6 per cent at the end of the period under review.

Other results and taxes
Other results fell year-over-year by € 7 million to € 2 million. This essentially comprised positive mark-to-market valuations of various corporate bonds in the portfolio. Due to the deconsolidation for materiality of a leasing company, the segment showed a net loss on disposal of group assets of € 1 million.

Income taxes grew by € 8 million year-over-year to € 23 million. The tax rate rose slightly by 2 percentage points to 23 per cent. Profit after deduction of non-controlling interests doubled to € 78 million.

Group markets

In € million	1/1-31/3/2011	Pro forma 1/1-31/3/2010	Change
Net interest income	50	64	(21.6)%
Net fee and commission income	32	26	21.7%
Net trading income	70	31	127.2%
Other net operating income	7	4	53.5%
Operating income	**159**	**125**	**26.8%**
General administrative expenses	(62)	(63)	(2.1)%
Operating result	**97**	**62**	**56.3%**
Net provisioning for impairment losses	(6)	(7)	(18.3)%
Other results	50	25	98.5%
Profit/loss before tax	**142**	**81**	**76.0%**
Income taxes	(35)	(19)	83.5%
Profit/loss after tax	**106**	**61**	**73.6%**
Profit attributable to non-controlling interests	0	0	0.8%
Profit/loss after deduction of non-controlling interests	**106**	**61**	**73.9%**
Share of profit before tax	30.9%	17.4%	13.5 PP
Risk-weighted assets (credit risk)[1]	4,814	7,817	(38.4)%
Total own funds requirement[1]	1,037	1,314	(21.1)%
Total assets[1]	29,196	49,390	(40.9)%
Liabilities[1]	29,701	51,333	(42.1)%
Net interest margin	0.71%	0.53%	0.18 PP
NPL ratio[2]	1.5%	2.4%	(0.9) PP
Coverage ratio	88.7%	88.9%	(0.2) PP
Cost/income ratio	39.0%	50.5%	(11.5) PP
Net provisioning ratio (average risk-weighted assets, credit risk)	0.43%	0.32%	0.11 PP
Average equity	1,456	1,796	(18.9)%
Return on equity before tax	**38.9%**	**17.9%**	**21.0 PP**
Business outlets[1]	4	3	33.3%

[1] Reporting date values as of 31 March

[2] Due to the nature of its business the calculation of the Group markets NPL ratio is based on the full exposure.

Profit before tax in the Group markets segment rose during the reporting period by 76 per cent or € 61 million to € 142 million. Increased operating income and growth in other net income were responsible for this strong performance. The segment's return on equity before tax improved significantly by 21.0 percentage points to 38.9 per cent.

Operating income

Net interest income fell by 22 per cent year-on-year to € 50 million, predominantly due to the reduction in the holding of securities issued by European banks at the Capital markets head office profit center. The so-called high-quality security portfolio, which exclusively comprises securities with the best ratings, contributed stable income of remarkable € 26 million. Despite a significant decrease in business volume, the Financial institutions & sovereigns head office profit center posted only a slight decline in net interest income. This was due to the change in methodology for calculating interests on impaired loans and advances in RBI AG, partly offset by the improved customer margins on assets.

Balance sheet assets in this segment fell by 41 per cent year-on-year to € 29.2 billion. The main reason for this was the reduction of interbank business. Loans and advances to banks at RBI AG fell as a result by 19 per cent to € 33 billion. A further reason for the decrease in balance sheet assets was the reclassification of some of the assets to the Corporate center segment in the course of an internal reorganization measure in 2010 that resulted in the separation of the Treasury's activities from those of the Capital markets division. The net interest margin expanded by 18 basis points to 0.71 per cent. Credit risk-weighted assets in the segment declined by 38 per cent from € 7.8 billion to € 4.8 billion. This decline was also the result of the shift of some of the volumes to the Corporate center segment. In addition, a decline in credit risk-weighted assets was also recorded in the Capital markets head office profit center, caused by the reduction in money market and securities commitments for Financial institutions, predominantly in Spain, Italy and Greece. The Financial institutions & sovereigns head office profit center was generally affected by smaller business volumes during the period under review.

Net fee and commission income was up 22 per cent year-on-year to € 32 million. Year-on-year growth at the head office Capital markets profit center was the result of lower costs of credit default swaps. The head office profit center dealing with interbank business reported an increase in net fee and commission income year-on-year. The Private banking and asset management division (Kathrein) also increased its contribution to net fee and commission income year-on-year to € 2 million from the securities business. The Mergers & acquisitions division also increased its contribution to € 2 million.

Net trading income in the Group markets segment rose by € 39 million in the period under review to € 70 million. The net trading income of Raiffeisen Centrobank rose slightly to € 15 million. This significant contribution comprised the net income from the revaluation gains of the certificates issued within the context of equity and index-linked transactions and structured bonds. At the Capital markets head office profit center, revaluation gains of € 23 million came from propriety trading of fixed-interest securities as well as from structured products. A further € 6 million came from the Financial institutions & sovereigns.

Compared to the last year the other net operating income increased by € 3 million to € 7 million. This consisted primarily of income from the operations of Raiffeisen Centrobank Group, amounting to € 4 million, which was generated predominantly from commodity trading by Group units in the USA and Switzerland. The commodity trading of F.J. Elsner Group contributed a further € 2 million to this figure.

General administrative expenses

Administrative expenses fell by 2 per cent year-on-year to € 62 million. The segment comprised of four business outlets at the end of the period under review. Thanks to the rise in operating income, the cost/income ratio improved significantly by 11.5 percentage points to 39.0 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses fell by € 1 million to € 6 million and stabilized at a low level. This was limited to the Group head office. Non-performing loans made up 1.5 per cent of the segment's total credit exposure.

Other results and taxes

Other results during the period under review doubled to € 50 million. Income from financial investments rose due to the revaluation of securities at the Credit investments head office profit center. Results of derivatives at the Capital markets head office profit center also moved into the black.

Income taxes increased by 84 per cent year-on-year to € 35 million. The tax rate in the segment was 25 per cent, up 1 percentage point on the previous year. Profit after deduction of non-controlling interests was € 106 million.

Corporate center

In € million	1/1-31/3/2011	Pro forma 1/1-31/3/2010	Change
Net interest income	60	46	30.6%
Net fee and commission income	(12)	(7)	68.0%
Net trading income	(26)	56	–
Other net operating income	(12)	22	–
Operating income	**10**	**117**	**(91.4)%**
General administrative expenses	(69)	(48)	44.6%
Operating result	**(59)**	**69**	**–**
Net provisioning for impairment losses	0	(2)	(101.2)%
Other results	(26)	12	–
Profit/loss before tax	**(85)**	**79**	**–**
Income taxes	22	48	(54.5)%
Profit/loss after tax	**(63)**	**127**	**–**
Profit attributable to non-controlling interests	(1)	(1)	20.5%
Profit/loss after deduction of non-controlling interests	**(63)**	**126**	**–**
Share of profit before tax	(18.4)%	17.0%	(35.4) PP
Risk-weighted assets (credit risk)[1]	17,724	19,875	(10.8)%
Total own funds requirement[1]	1,452	1,615	(10.1)%
Total assets[1]	41,809	35,833	16.7%
Liabilities[1]	47,768	39,218	21.8%
Net interest margin	0.64%	0.55%	0.09 PP
NPL ratio	–	–	–
Coverage ratio	–	–	–
Cost/income ratio	>100%	40.8%	–
Net provisioning ratio (average risk-weighted assets, credit risk)	0.00%	0.04%	(0.04) PP
Average equity	1,932	2,197	(12.0)%
Return on equity before tax	**–**	**14.4%**	**–**
Business outlets[1]	1	1	–

[1] Reporting date values as of 31 March

In the Corporate center segment, the pre-tax net loss was € 85 million. This year-on-year decrease was primarily due to the sharp decrease in operating income. Return on equity before taxes was negative.

Operating income

Net interest income rose by 31 per cent to € 60 million, mainly due to a positive trend in interest rates and rather higher intra-group dividend income. Conversely the negative effects of maturities transformation and the costs of € 7 million for RBI AG subordinated capital impacted net interest income. Income from internal financing by the Group head office fell slightly year-on-year.

Assets in this segment rose by 17 per cent year-on-year to € 41.8 billion. However, this change was distorted by one-time effects due to the reorganization described previously in the Group markets report that meant that the Treasury division was shifted from the Group markets segment to the Corporate center segment in 2010. Credit risk-weighted assets declined by 11 per cent from € 19.9 billion to € 17.7 billion.

Net fee and commission income fell by € 5 million year-on-year to minus € 12 million, largely due to commission payments by Group headquarters for country risk insurance policies in connection with financing abroad.

Net trading income showed a turnaround in the period under review from € 56 million to a loss of € 26 million. This decrease was due primarily to the Group head office Treasury department, and resulted from liquidity management and measures for balance sheet structure management in proprietary trading. This drop was primarily linked to valuation losses on various foreign currency and interest-related financial instruments for hedging.

Other net operating income fell from € 22 million in the previous year to a loss of € 12 million. The decisive factor here were other taxes, primarily affected by the newly introduced special banking levy in Austria, which caused expense of € 23 million in the period under review. Income from intra-group user-pays cost allocation to other segments was also lower. Revenues from the Raiffeisen Service Center in Vienna, which offers services such as payment transfers and securities clearing, again made a positive contribution to this figure.

General administrative expenses

General administrative expenses were up 45 per cent or € 21 million over the same period to € 69 million. The main reason for this was a change in cost allocation at Group head office during 2010, as a result of which certain costs remained at Corporate center and were no longer allocated to the other segments. The business outlet recognized in this segment is part of the Group headquarters RBI AG in Vienna.

Net provisioning for impairment losses

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

Other results and taxes

Other results fell from € 12 million to a loss of € 26 million. Due to revaluation of the securities portfolio, net income from financial investments decreased from € 15 million to a loss of € 13 million. Net loss from derivatives was virtually unchanged at € 12 million, as a result of the revaluation results on hedging transactions for own issues. Due to the deconsolidation for materiality of a holding company, the segment showed a net loss on disposal of group assets of € 1 million.

Income taxes made a positive contribution as in the previous year, amounting to € 22 million in the period under review. This was primarily due to the recognized losses of the segment. Loss after non-controlling interests totaled € 63 million.

Business divisions

RBI is broken down into the following divisions:

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

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

Overview of business divisions

1/1-31/3/2011 in € million	Corporate customers	Retail customers	Financial institutions & public sector	Capital markets & treasury	Participations & other	Total
Net interest income	307	410	74	44	49	884
Net fee and commission income	127	198	40	5	(13)	357
Net trading income	5	2	15	97	5	123
Other net operating income	0	(3)	(3)	(11)	(7)	(24)
Operating income	**439**	**607**	**125**	**136**	**35**	**1,341**
General administrative expenses	(150)	(440)	(49)	(54)	(61)	(753)
Operating result	**289**	**167**	**76**	**81**	**(26)**	**588**
Net provisioning for impairment losses	(75)	(127)	(7)	0	1	(208)
Other results	4	1	18	1	2	25
Profit/loss before tax	**217**	**41**	**88**	**82**	**(24)**	**405**
Risk-weighted assets (credit risk)[1]	36,786	16,103	9,687	9,593	2,819	74,987
Total own funds requirement[1]	3,212	1,660	852	1,589	247	7,560
Cost/income ratio	34.2%	72.5%	38.9%	39.9%	–	56.2%
Average equity	5,134	2,480	1,244	1,198	329	10,385
Return on equity before tax	**16.9%**	**6.7%**	**28.2%**	**27.4%**	**–**	**15.6%**

[1] Reporting date values as of 31 March

Pro forma 1/1-31/3/2010 In € million	Corporate customers	Retail customers	Financial institutions & public sector	Capital markets & treasury	Participations & other	Total
Net interest income	297	413	76	37	37	859
Net fee and commission income	121	188	41	0	(13)	337
Net trading income	2	0	45	77	2	126
Other net operating income	10	3	4	2	(25)	(5)
Operating income	**430**	**604**	**166**	**116**	**1**	**1,317**
General administrative expenses	(143)	(407)	(56)	(43)	(51)	(700)
Operating result	**287**	**197**	**110**	**72**	**(50)**	**617**
Net provisioning for impairment losses	(153)	(161)	(9)	1	(3)	(325)
Other results	11	10	16	69	(5)	100
Profit/loss before tax	**145**	**46**	**117**	**142**	**(58)**	**392**
Risk-weighted assets (credit risk)[1]	34,055	17,357	7,116	9,933	2,506	70,967
Total own funds requirement[1]	2,963	1,723	662	1,620	215	7,432
Cost/income ratio	33.2%	67.4%	33.8%	37.3%	–	53.1%
Average equity	4,584	2,177	1,004	1,193	523	9,481
Return on equity before tax	**12.7%**	**8.5%**	**46.5%**	**47.6%**	**–**	**16.5%**

[1] Reporting date values as of 31 March

Corporate customers

During the period under review, the Corporate customers division posted a sharp increase in profit. The profit before tax grew by 50 per cent to € 217 million, due to the reduction in net provisioning for impairment losses and the increase in operating income. A sharp rise in performance was reported in Russia, which doubled net income. Despite continuing modest demand for loans, RBI AG continued to focus on expanding volume and generated substantial growth in net income through improved margins.

Operating income grew, mainly as a result of an increase in net interest income, from € 430 million to € 439 million, an increase of 2 per cent year-on-year. Growth in net interest income totaled 4 per cent as a result of the increase in business volume, primarily with large customers in Russia. There was also a significant increase in net interest income at RBI AG from large customers, due to increased customer margins on assets. Net fee and commission income rose by 5 per cent to € 127 million, with the highest growth in Russia. By contrast, at RBI AG, which made the largest contribution, net fee and commission income declined due to the slightly negative trend in the service business. Other net operating income declined significantly. While operating leasing made a positive contribution of € 7 million in Croatia and Serbia, the bank levy in Hungary and Austria weighed on results.

General administrative expenses rose by 5 per cent to € 150 million as a result of the increase in staff and IT expenses. The segment's cost/income ratio rose slightly, up 1.0 percentage points at 34.2 per cent.

Other results fell by 66 per cent to € 4 million, with net income from financial investments at RBI AG in particular significantly down on the previous year.

Credit risk-weighted assets increased by 8 per cent year-on-year to € 36.8 billion. The main reasons for this increase were the use of higher default probabilities and rather lower level of collateralization in some cases.

Return on equity before tax in the Corporate customers division rose on the back of growth in profit before tax by 4.3 percentage points to 16.9 per cent.

Retail customers

Profit before tax in the business division Retail customers fell by 10 per cent to € 41 million. This development was attributable to the 21 per cent reduction in net provisioning for impairment losses. During the period under review, the division was generally still marked by the recovery phase after the financial crisis. The expansion of the premium banking unit, which was already completed in the period under review, had involved higher investment in earlier periods, but was already having a slightly positive effect through increased operating income.

Operating income in this division increased by € 2 million year-on-year to € 607 million. Net interest income remained on one level with the previous year at € 410 million, impacted by the change in the method of calculating interest on impaired loans in Ukraine. Net fee and commission income increased by 5 per cent contributing € 198 million to operating income. Russia and Romania delivered the biggest contributions at € 33 million and € 32 million respectively. Other net operating income dropped below the value from the prior year to a loss of € 3 million. While operating leasing made a positive contribution of € 3 million here, the bank levy in Hungary reduced results.

General administrative expenses in the division rose by 8 per cent to € 440 million in the period under review as a result of the expansion of business outlets and infrastructure and salary adjustments in several markets. The cost/income ratio duly increased by 5.1 percentage points to 72.5 per cent.

Net provisioning for impairment losses declined by 21 per cent to € 127 million. The largest net allocations to loan loss provisions (individual) in the period under review were in Hungary, Ukraine and Bulgaria.

Credit risk-weighted assets fell by 7 per cent year-on-year to € 16.1 billion. However, the use for the first time of an internal rating-based approach for the majority of the loans and advances to retail customers in Hungary and Slovakia significantly boosted credit risk-weighted assets.

Financial institutions & public sector

The continuing recovery in the financial markets led to an increase in activity in the RBI AG issuing business and stronger demand for financial services products. In the lending business, transactions continued to be selective. Even so, profit before tax in the Financial institutions & public sector division fell by 25 per cent to € 88 million. This was due almost entirely to the decline in operating income.

Operating income fell, primarily as a result of lower net trading income, from € 166 million to € 125 million, a drop of 25 per cent year-on-year. Net trading income was predominantly generated at RBI AG and Raiffeisen Centrobank, and fell by € 30 million to € 15 million, while net interest income and net fee and commission income were almost unchanged. Other net operating income fell over the period under review from € 4 million to a loss of € 3 million, impacted by the bank levy in Austria.

General administrative expenses fell by 13 per cent to € 49 million as a result of changes in cost allocation. As a result of the decline in operating income, the cost/income ratio rose by 5.2 percentage points to 38.9 per cent.

Other results rose by € 2 million to € 18 million. This was due to higher income from measuring securities at RBI AG at market value, partly offset by negative revaluations of municipal bonds in Hungary.

In spite of the reduction in commitments, credit risk-weighted assets increased by 36 per cent year-on-year to € 9.7 billion, primarily as a result of rating migrations and higher default probabilities.

Return on equity before tax in the Financial institutions & public sector division fell due to lower profit before tax by 18.3 percentage points to 28.2 per cent.

Capital markets & treasury

The Capital markets & treasury division posted a profit before tax of € 82 million, a decrease of 42 per cent year-on-year. This was due almost entirely to other results. By contrast, operating income was positively affected by developments at RBI AG in trading on own account and in new issues to expand the investment portfolios. Bond trading by RBI AG for its customer business also increased, while activity in the interest and foreign currency business declined.

Overall, the division's operating income rose by 17 per cent to € 136 million. Net interest income rose from € 37 million to € 44 million, due to growth in several RBI countries. Net fee and commission income rose to € 5 million as a result of higher contributions by RBI AG. Net trading income resulted to € 97 million. The largest contribution was by Russia, followed by RBI AG. Other net operating income was strongly impacted by the bank levies in Hungary and Austria, and duly fell from € 2 million to a loss of € 11 million.

General administrative expenses rose year-on-year by 25 per cent to € 54 million due to higher IT expenses and salary adjustments. As a result of the increased general administrative expenses, the division's cost/income ratio rose by 2.6 percentage points to 39.9 per cent.

Other results fell year-on-year from € 69 million to € 1 million. After heavy impairments on financial instruments in the previous year, particularly in Romania, Ukraine and RBI AG, net income from financial investments was significantly lower in the first quarter of 2011. Net income from derivatives at RBI AG and several of the Group's banks improved significantly.

Total own funds requirement declined slightly by 2 per cent year-on-year to € 1,589 million.

The division's return on equity before tax fell year-on-year by 20.2 percentage points to 27.4 per cent due to a decline in profit before tax.

Participations & other

The Participations & other division posted a pre-tax net loss of € 24 million. Net interest income was up 35 per cent year-on-year to € 49 million. This includes the imputed results from investment of equity, which decreased primarily because of the lower interest rates in the period under review in Russia, Romania and Hungary.

Net fee and commission income was almost unchanged at minus € 13 million, and comprised mainly the rather lower commission payments of RBI AG for country exposure insurance. Other net operating income was positively influenced over the period under review by results from the non-banking activities of Raiffeisen Centrobank and Raiffeisen Service Center GmbH (RSC).

Participations & other also includes costs from central Group management, which increased over the period under review as a result of the change in cost allocation of RBI AG. According to internal guidelines, these costs remain in this division and are not fully apportioned to other divisions.

Interim consolidated financial statements

(Interim report as of 31 March 2011)

The comparable figures for the income statement represent the pro forma figures according to the structure of RBI.

Statement of comprehensive income

Income statement

In € million	Notes	1/1-31/3/2011	1/1-31/3/2010	Change
Interest income		1,568	1,613	(2.8)%
Current income from associates		0	0	–
Interest expenses		(684)	(754)	(9.3)%
Net interest income	**(2)**	**884**	**859**	**3.0%**
Net provisioning for impairment losses	(3)	(208)	(325)	(35.9)%
Net interest income after provisioning		**676**	**534**	**26.7%**
Fee and commission income		428	396	8.1%
Fee and commission expense		(71)	(59)	20.1%
Net fee and commission income	**(4)**	**357**	**337**	**6.0%**
Net trading income	(5)	123	126	(2.2)%
Net income from derivatives and designated liabilities	(6)	3	(45)	–
Net income from financial investments	(7)	25	141	(82.2)%
General administrative expenses	(8)	(753)	(700)	7.6%
Other net operating income	(9)	(24)	(5)	420.5%
Net income from disposal of group assets		(3)	5	–
Profit before tax		**405**	**392**	**3.3%**
Income taxes	(10)	(100)	(33)	200.2%
Profit after tax		**305**	**359**	**(14.9)%**
Profit attributable to non-controlling interests		(35)	(25)	40.1%
Consolidated profit		**270**	**334**	**(19.1)%**

Transition to total comprehensive income

In € million	Group equity 1/1-31/3/2011	Group equity 1/1-31/3/2010	Non-controlling interests 1/1-31/3/2011	Non-controlling interests 1/1-31/3/2010
Consolidated profit	**270**	**334**	**35**	**25**
Exchange differences	(8)	301	11	17
Capital hedge	3	(8)	0	0
Cash flow hedge	(48)	53	0	0
Fair value reserve (available-for-sale financial assets)	(2)	3	0	0
Deferred taxes on income and expenses directly recognized in equity	12	0	0	0
Other comprehensive income	**(43)**	**349**	**11**	**17**
Total comprehensive income	**227**	**683**	**46**	**42**

Earnings per share

In €	1/1-31/3/2011	1/1-31/3/2010	Change
Earnings per share	1.13	1.46	(0.33)

Earnings per share are obtained by dividing adjusted consolidated profit less dividend for the participation capital by the average number of common shares outstanding. As of 31 March 2011, the number of common shares oustanding remained unchanged with 194.5 million.

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

Profit development

Quarterly results

The figures 2010 represent the pro forma figures according to the structure of RBI, whereas the figures of 2009 are the those of Raiffeisen International.

In € million	Q2/2010	Q3/2010	Q4/2010	Q1/2011
Net interest income	921	927	871	884
Net provisioning for impairment losses	(283)	(306)	(281)	(208)
Net interest income after provisioning	**639**	**621**	**590**	**676**
Net fee and commission income	378	373	403	357
Net trading income	66	66	70	123
Net income from derivatives and designated liabilities	(86)	5	43	3
Net income from financial investments	(88)	84	1	25
General administrative expenses	(725)	(728)	(827)	(753)
Other net operating income	3	(3)	11	(24)
Net income from disposal of group assets	0	0	0	(3)
Profit before tax	**187**	**418**	**290**	**405**
Income taxes	(31)	(80)	34	(100)
Profit after tax	**157**	**337**	**324**	**305**
Profit attributable to non-controlling interests	(18)	(26)	(20)	(35)
Consolidated profit	**138**	**311**	**304**	**270**

In € million	Q2/2009	Q3/2009	Q4/2009	Q1/2010
Net interest income	729	729	712	859
Net provisioning for impairment losses	(523)	(397)	(373)	(325)
Net interest income after provisioning	**205**	**332**	**339**	**534**
Net fee and commission income	291	322	317	337
Net trading income	73	28	40	126
Net income from derivatives and designated liabilities	24	(14)	3	(45)
Net income from financial investments	34	12	(2)	141
General administrative expenses	(570)	(535)	(592)	(700)
Other net operating income	12	(13)	(23)	(5)
Net income from disposal of group assets	0	0	0	5
Profit before tax	**70**	**133**	**81**	**392**
Income taxes	(15)	(36)	(10)	(33)
Profit after tax	**55**	**97**	**71**	**359**
Profit attributable to non-controlling interests	(34)	(19)	(15)	(25)
Consolidated profit	**22**	**78**	**57**	**334**

Statement of financial position

Assets In € million	Notes	31/3/2011	31/12/2010	Change
Cash reserve		4,936	4,807	2.7%
Loans and advances to banks	(12,32)	29,069	21,532	35.0%
Loans and advances to customers	(13,32)	77,061	75,657	1.9%
Impairment losses on loans and advances	(14)	(4,782)	(4,756)	0.5%
Trading assets	(15,32)	7,750	8,068	(3.9)%
Derivatives	(16,32)	1,282	1,488	(13.9)%
Financial investments	(17,32)	19,264	19,631	(1.9)%
Investments in associates	(32)	5	5	3.3%
Intangible fixed assets	(18)	1,197	1,220	(1.9)%
Tangible fixed assets	(19)	1,430	1,454	(1.6)%
Other assets	(20,32)	2,251	2,067	8.9%
Total assets		**139,463**	**131,173**	**6.3%**

Equity and liabilities In € million	Notes	31/3/2011	31/12/2010	Change
Deposits from banks	(21,32)	37,047	33,659	10.1%
Deposits from customers	(22,32)	60,863	57,633	5.6%
Debt securities issued	(23,32)	18,946	16,555	14.4%
Provisions for liabilities and charges	(24,32)	691	672	2.8%
Trading liabilities	(25,32)	4,852	5,742	(15.5)%
Derivatives	(26,32)	955	1,264	(24.5)%
Other liabilities	(27,32)	1,430	1,243	15.0%
Subordinated capital	(28)	4,007	4,001	0.1%
Equity	(29)	10,672	10,404	2.6%
Consolidated equity		9,297	8,251	12.7%
Consolidated profit		270	1,087	(75.2)%
Non-controlling interests		1,105	1,066	3.7%
Total equity and liabilities		**139,463**	**131,173**	**6.3%**

Statement of changes in equity

In € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as of 1/1/2010	**593**	**2,500**	**2,567**	**2,452**	**212**	**1,000**	**9,325**
Capital increases	0	0	0	0	0	3	3
Transferred to retained earnings	0	0	0	450	(450)	0	0
Dividend payments	0	0	0	(105)	0	0	(105)
Total comprehensive income	0	0	0	349	334	42	725
Own shares/share incentive program	0	0	0	0	0	0	0
Other changes	0	0	0	40	0	(4)	36
Equity as of 31/3/2010	**593**	**2,500**	**2,567**	**3,187**	**96**	**1,041**	**9,984**

In € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Non-controlling interests	Total
Equity as of 1/1/2011	**593**	**2,500**	**2,568**	**2,590**	**1,087**	**1,066**	**10,404**
Capital increases	0	0	0	0	0	(2)	(2)
Transferred to retained earnings	0	0	0	1,087	(1,087)	0	0
Dividend payments	0	0	0	0	0	(3)	(3)
Total comprehensive income	0	0	0	(43)	270	46	273
Own shares/share incentive program	0	0	0	0	0	0	0
Other changes	0	0	0	1	0	(1)	0
Equity as of 31/3/2011	**593**	**2,500**	**2,568**	**3,635**	**270**	**1,105**	**10,672**

Statement of cash flows

In € million	1/1-31/3/2011	1/1-31/3/2010
Cash and cash equivalents at the end of previous period	**4,807**	**6,093**
Effects due to the merger	0	1,914
Net cash from operating activities	(131)	(3,837)
Net cash from investing activities	239	(531)
Net cash from financing activities	0	(75)
Effect of exchange rate changes	21	91
Cash and cash equivalents at the end of period	**4,936**	**3,655**

Segment reporting

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

The Group comprises the following segments:

- Central Europe
- Southeastern Europe
- Russia
- CIS other
- Group corporates
- Group markets
- Corporate center

1/1-31/3/2011 in € million	Central Europe	Southeastern Europe	Russia	CIS other	Group Corporates
Net interest income	287	221	136	101	97
Net fee and commission income	119	87	52	43	41
Net trading income	12	14	32	7	5
Other net operating income	(5)	7	(2)	(1)	0
Operating income	**413**	**330**	**218**	**149**	**143**
General administrative expenses	(236)	(182)	(113)	(85)	(33)
Operating result	**176**	**148**	**105**	**64**	**110**
Net provisioning for impairment losses	(79)	(60)	(2)	(51)	(11)
Other results	(3)	5	(9)	5	2
Profit before tax	**95**	**93**	**94**	**19**	**101**
Income taxes	(19)	(13)	(24)	(7)	(23)
Profit after tax	**76**	**80**	**70**	**11**	**78**
Profit attributable to non-controlling interests	(28)	(7)	(1)	(2)	0
Profit after deduction of non-controlling interests	**48**	**73**	**69**	**9**	**78**
Share of profit before tax	20.7%	20.2%	20.6%	4.1%	21.9%
Risk-weighted assets (credit risk) [1]	23,151	16,269	8,834	5,532	15,664
Total own funds requirement[1]	2,130	1,530	908	540	1,275
Total assets[1]	34,393	22,247	12,464	6,864	20,602
Liabilities[1]	31,485	19,310	10,464	5,900	13,104
Net interest margin	3.36%	3.94%	4.41%	5.76%	1.75%
NPL ratio	8.5%	9.1%	8.4%	26.3%	4.6%
Coverage ratio	57.6%	63.0%	98.7%	72.4%	67.2%
Cost/income ratio	57.3%	55.2%	51.7%	57.2%	23.1%
Net provisioning ratio (average risk-weighted assets, credit risk)	1.86%	2.07%	0.96%	4.00%	0.86%
Average equity	2,900	2,121	1,234	753	1,766
Return on equity before tax	**13.1%**	**17.5%**	**30.6%**	**9.9%**	**22.8%**
Business outlets[1]	548	1,156	196	1,019	8

[1] Data as of 31 March

1/1-31/3/2011 in € million	Group markets	Corporate center	Reconciliation	Total
Net interest income	50	60	(67)	884
Net fee and commission income	32	(12)	(5)	357
Net trading income	70	(26)	9	123
Other net operating income	7	(12)	(18)	(24)
Operating income	**159**	**10**	**(80)**	**1,341**
General administrative expenses	(62)	(69)	27	(753)
Operating result	**97**	**(59)**	**(53)**	**588**
Net provisioning for impairment losses	(6)	0	0	(208)
Other results	50	(26)	0	25
Profit/loss before tax	**142**	**(85)**	**(53)**	**405**
Income taxes	(35)	22	0	(100)
Profit/loss after tax	**106**	**(63)**	**(53)**	**305**
Profit attributable to non-controlling interests	0	(1)	5	(35)
Profit after non-controlling interests	**106**	**(63)**	**(49)**	**270**
Share of profit before tax	30.9%	(18.4)%	0.0%	100.0%
Risk-weighted assets (credit risk) [1]	4,814	17,724	(17,001)	74,987
Total own funds requirement[1]	1,037	1,452	(1,311)	7,560
Total assets[1]	29,196	41,809	(28,113)	139,463
Liabilities[1]	29,701	47,768	(28,941)	128,791
Net interest margin	0.71%	0.64%	–	2.61%
NPL ratio	1.5%	–	–	8.6%
Coverage ratio	88.7%	–	–	68.3%
Cost/income ratio	39.0%	>100%	–	56.2%
Net provisioning ratio (average risk-weighted assets, credit risk)	0.43%	0.00%	–	1.16%
Average equity	1,456	1,932	(1,777)	10,385
Return on equity before tax	**38.9%**	**–**	**–**	**15.6%**
Business outlets[1]	4	1	0	2,932

[1] Data as of 31 March

1/1-31/3/2010 in € million	Central Europe	Southeastern Europe	Russia	CIS other	Group corporates
Net interest income	261	222	119	115	82
Net fee and commission income	107	90	47	37	39
Net trading income	4	14	34	12	2
Other net operating income	(3)	5	(3)	(2)	1
Operating income	**369**	**332**	**197**	**162**	**123**
General administrative expenses	(216)	(178)	(96)	(78)	(40)
Operating result	**154**	**153**	**101**	**84**	**83**
Net provisioning for impairment losses	(111)	(69)	(37)	(78)	(21)
Other results	18	12	(6)	12	9
Profit/loss before tax	**60**	**97**	**58**	**17**	**71**
Income taxes	(14)	(13)	(14)	(5)	(15)
Profit after tax	**46**	**84**	**44**	**12**	**56**
Profit attributable to non-controlling interests	(17)	(5)	0	(2)	0
Profit after non-controlling interests	**30**	**79**	**44**	**10**	**56**
Share of profit before tax	13.0%	21.0%	12.5%	3.8%	15.4%
Risk-weighted assets (credit risk) [1]	21,668	16,339	7,611	5,374	14,312
Total own funds requirement[1]	1,985	1,522	805	515	1,192
Total assets[1]	33,845	23,300	12,343	6,650	21,490
Liabilities[1]	31,069	20,496	10,535	5,711	9,700
Net interest margin	3.09%	3.79%	3.97%	7.10%	1.50%
NPL ratio	7.6%	7.0%	11.8%	23.0%	3.1%
Coverage ratio	57.8%	67.8%	85.6%	72.9%	63.9%
Cost/income ratio	58.4%	53.7%	48.7%	48.3%	32.3%
Net provisioning ratio (average risk-weighted assets, credit risk)	2.08%	1.68%	2.06%	6.00%	0.59%
Average equity	2,564	1,979	988	650	1,536
Return on equity before tax	**9.4%**	**19.7%**	**23.4%**	**10.8%**	**18.6%**
Business outlets[1]	554	1,179	210	1,034	8

[1] Data as of 31 March

1/1-31/3/2010 in € million	Group markets	Corporate center	Reconciliation	Total
Net interest income	64	46	(50)	859
Net fee and commission income	26	(7)	(2)	337
Net trading income	31	56	(26)	126
Other net operating income	4	22	(30)	(5)
Operating income	**125**	**117**	**(108)**	**1,317**
General administrative expenses	(63)	(48)	19	(700)
Operating result	**62**	**69**	**0**	**617**
Net provisioning for impairment losses	(7)	(2)	0	(325)
Other results	25	12	18	100
Profit/loss before tax	**81**	**79**	**(71)**	**392**
Income taxes	(19)	48	0	(33)
Profit/loss after tax	**61**	**127**	**(71)**	**359**
Profit attributable to non-controlling interests	0	(1)	(1)	(25)
Profit/loss after non-controlling interests	**61**	**126**	**(72)**	**334**
Share of profit before tax	17.4%	17.0%	0.0%	100.0%
Risk-weighted assets (credit risk) [1]	7,817	19,875	(22,030)	70,967
Total own funds requirement[1]	1,314	1,615	(1,516)	7,432
Total assets[1]	49,390	35,833	(37,279)	145,574
Liabilities[1]	51,333	39,218	(32,471)	135,590
Net interest margin	0.53%	0.55%	–	2.36%
NPL ratio	2.4%	–	–	7.7%
Coverage ratio	88.9%	–	–	68.9%
Cost/income ratio	50.5%	40.8%	–	53.1%
Net provisioning ratio (average risk-weighted assets, credit risk)	0.32%	0.04%	–	1.84%
Average equity	1,796	2,197	(2,227)	9,481
Return on equity before tax	**17.9%**	**14.4%**	**–**	**16.5%**
Business outlets[1]	3	1	0	2,989

[1] Data as of 31 March

Notes

Recognition and measurement principles

The consolidated financial statements of RBI are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the international accounting standards adopted by the EU on the basis of IAS Regulation (EC) 1606/2002 including the applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC).

The interim report as of 31 March 2011 is prepared in accordance with IAS 34. In the interim reporting, the same recognition and measurement principles (comparison Annual Report 2010, page 150 ff.) and consolidation methods are applied as in the preparation of the consolidated financial statements 2010. Standards and interpretations to be applied in the EU from 1 January 2011 onwards were applied in the interim report.

RBI's interim report for the first quarter 2011 did not undergo a complete audit, nor did it undergo an audit inspection carried out by a certified auditor (framework prime market of the Vienna Stock Exchange). The comparable figures for the income statement represent the pro forma figures according to the structure of RBI.

Changes in consolidated group

Number of units	Fully consolidated		Equity method	
	31/3/2011	31/12/2010	31/3/2011	31/12/2010
As of beginning of period	132	135	1	1
Included in the course of merger	0	38	0	0
Included for the first time in the financial period	2	6	0	0
Merged in the financial period	0	0	0	0
Excluded in the financial period	(4)	(47)	0	0
As of end of period	**130**	**132**	**1**	**1**

In the reporting period, the following subsidiaries were included in the consolidated group as of 1 January 2011 for the first time: RIRE Holding GmbH, Vienna, a real estate holding company and OOO "R3", Novosibirsk, a real estate management company.

In the reporting period, four subsidiaries were excluded as of 1 January 2011 due to immateriality.

Notes to the income statement

(1) Income statement according to measurement categories

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

In € million	1/1-31/3 2011	1/1-31/3 2010
Net income from financial assets and liabilities held-for-trading	173	166
Net income from financial assets and liabilities at fair value through profit or loss	178	128
Net income from financial assets available-for-sale	(1)	2
Net income from loans and advances	1,092	1,005
Net income from financial assets held-to-maturity	116	111
Net income from financial liabilities measured at acquisition cost	(680)	(733)
Net income from derivatives (hedging)	(1)	(3)
Net revaluations from exchange differences	(49)	79
Other operating income/expenses	(422)	(363)
Total profit before tax from continuing operations	**405**	**392**

(2) Net interest income

In € million	1/1-31/3/2011	1/1-31/3/2010
Interest and interest-like income, total	**1,568**	**1,613**
Interest income	1,560	1,605
from balances at central banks	13	27
from loans and advances to banks	105	120
from loans and advances to customers	1,126	1,143
from financial investments	186	175
from leasing claims	52	58
from derivative financial instruments (non-trading), net	78	82
Current income	1	5
Interest-like income	7	4
Current income from associates	**0**	**0**
Interest expenses and interest-like expenses, total	**(684)**	**(754)**
Interest expenses	(674)	(744)
on deposits from central banks	(4)	0
on deposits from banks	(152)	(186)
on deposits from customers	(305)	(347)
on debt securities issued	(166)	(161)
on subordinated capital	(48)	(50)
Interest-like expenses	(10)	(11)
Total	**884**	**859**

(3) Net provisioning for impairment losses

In € million	1/1-31/3/2011	1/1-31/3/2010
Individual loan loss provisions	**(217)**	**(259)**
Allocation to provisions for impairment losses	(387)	(447)
Release of provisions for impairment losses	187	198
Direct write-downs	(26)	(17)
Income received on written-down claims	9	7
Portfolio-based loan loss provisions	**6**	**(66)**
Allocation to provisions for impairment losses	(133)	(190)
Release of provisions for impairment losses	139	124
Gains from loan termination or sale	**2**	**0**
Total	**(208)**	**(325)**

(4) Net fee and commission income

In € million	1/1-31/3/2011	1/1-31/3/2010
Payment transfer business	141	133
Loan and guarantee business	74	67
Securities business	28	33
Foreign currency, notes/coins, and precious-metals business	77	72
Management of investment and pension funds	7	6
Sale of own and third party products	11	9
Credit derivatives business	1	2
Other banking services	20	15
Total	**357**	**337**

(5) Net trading income

In € million	1/1-31/3/2011	1/1-31/3/2010
Interest-based transactions	49	148
Currency-based transactions	41	18
Equity-/index-based transactions	14	(19)
Credit derivatives business	(6)	0
Other transactions	25	(21)
Total	**123**	**126**

(6) Net income from derivatives and designated liabilities

In € million	1/1-31/3/2011	1/1-31/3/2010
Net income from hedge accounting	0	(1)
Net income from credit derivatives	(15)	1
Net income from other derivatives	(62)	(52)
Net income from liabilities designated at fair value	80	7
Total	**3**	**(45)**

(7) Net income from financial investments

In € million	1/1-31/3/2011	1/1-31/3/2010
Net income from financial investments held-to-maturity	**1**	**2**
Net valuations of financial investments held-to-maturity	1	1
Net proceeds from sales of financial investments held-to-maturity	0	1
Net income from equity participations	**4**	**(2)**
Net valuations of equity participations	0	(2)
Net proceeds from sales of equity participations	4	0
Net income from securities at fair value through profit and loss	**20**	**141**
Net valuations of securities at fair value through profit and loss	8	132
Net proceeds from sales of securities at fair value through profit and loss	12	9
Total	**25**	**141**

(8) General administrative expenses

In € million	1/1-31/3/2011	1/1-31/3/2010
Staff expenses	(380)	(346)
Other administrative expenses	(287)	(279)
Depreciation of intangible and tangible fixed assets	(86)	(75)
Total	**(753)**	**(700)**

(9) Other net operating income

In € million	1/1-31/3/2011	1/1-31/3/2010
Sales revenues from non-banking activities	240	158
Expenses arising from non-banking activities	(230)	(153)
Net income from additional leasing services	24	25
Expenses from additional leasing services	(23)	(24)
Rental income from operating lease (vehicles and equipment)	9	9
Rental income from investment property incl. operating lease (real estate)	5	2
Net proceeds from disposal of tangible and intangible fixed assets	(2)	(1)
Other taxes	(42)	(12)
thereof special bank levies	(34)	0
Net expense from allocation and release of other provisions	(3)	(6)
Sundry operating income	10	5
Sundry operating expenses	(12)	(8)
Total	**(24)**	**(5)**

(10) Income taxes

In € million	1/1-31/3/2011	1/1-31/3/2010
Current income taxes	(65)	(60)
Austria	(2)	(2)
Foreign	(63)	(58)
Deferred taxes	(35)	27
Total	**(100)**	**(33)**

Notes to the statement of financial position

(11) 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 In € million	31/3/2011	31/12/2010
Trading assets	8,410	8,631
Financial assets at fair value through profit or loss	7,991	8,070
Financial assets available-for-sale	386	394
Investments in associates	5	5
Loans and advances	108,500	99,268
Financial assets held-to-maturity	10,921	11,207
Derivatives (hedging)	622	925
Other assets	2,628	2,673
Total assets	**139,463**	**131,173**

Positive market values of derivatives not designated as hedging instruments according to IAS 39 Hedge Accounting are reported in the measurement category trading assets. The measurement category financial assets available-for-sale comprises other affiliated companies and other equity participations. Loans and advances are reported net after provisioning for impairment losses. Other assets comprise intangible and tangible fixed assets.

Equity and liabilities according to measurement categories In € million	31/3/2011	31/12/2010
Trading liabilities	5,467	6,528
Financial liabilities	119,627	110,535
Liabilities at fair value through profit and loss	2,666	2,557
Derivatives (hedging)	340	477
Provisions for liabilities and charges	691	672
Equity	10,672	10,404
Total equity and liabilities	**139,463**	**131,173**

Negative market values of derivatives not designated as hedging instruments according to IAS 39 Hedge Accounting are reported in the measurement category trading liabilities.

(12) Loans and advances to banks

In € million	31/3/2011	31/12/2010
Giro and clearing business	4,056	1,517
Money market business	20,183	14,789
Loans to banks	3,490	3,766
Purchased loans	38	34
Leasing claims	1	1
Claims evidenced by paper	1,301	1,425
Total	**29,069**	**21,532**

Loans and advances to banks include € 5,492 million (31/12/2010: € 1,457 million) from repo transactions.

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

In € million	31/3/2011	31/12/2010
Austria	11,765	10,794
Foreign	17,304	10,738
Total	**29,069**	**21,532**

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

In € million	31/3/2011	31/12/2010
Central banks	2,010	1,484
Commercial banks	27,049	20,038
Multilateral development banks	10	10
Total	**29,069**	**21,532**

The maturity of loans and advances to banks break down as follows:

In € million	31/3/2011	31/12/2010
Due at call or without maturity	5,015	2,370
Up to 3 months	18,287	14,035
More than 3 months, up to 1 year	1,975	2,005
More than 1 year, up to 5 years	2,717	2,266
More than 5 years	1,075	856
Total	**29,069**	**21,532**

(13) Loans and advances to customers

In € million	31/3/2011	31/12/2010
Credit business	50,278	48,764
Money market business	5,231	5,000
Mortgage loans	16,650	16,888
Purchased loans	1,084	1,139
Leasing claims	3,014	3,109
Claims evidenced by paper	804	757
Total	**77,061**	**75,657**

Loans and advances to customers include € 1,363 million (31/12/2010: € 111 million) from repo transactions.

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

In € million	31/3/2011	31/12/2010
Sovereigns	1,671	1,493
Corporate customers – large	50,555	49,201
Corporate customers – small business	3,848	3,829
Retail customers – private individuals	18,464	18,549
Retail customers – small and medium-sized entities	2,401	2,441
Other	122	144
Total	**77,061**	**75,657**

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

In € million	31/3/2011	31/12/2010
Austria	7,592	7,914
Foreign	69,469	67,743
Total	**77,061**	**75,657**

The maturity of loans and advances to customers break down as follows:

In € million	31/3/2011	31/12/2010
Due at call or without maturity	7,616	6,844
Up to 3 months	14,203	12,583
More than 3 months, up to 1 year	13,317	13,704
More than 1 year, up to 5 years	25,789	26,393
More than 5 years	16,136	16,133
Total	**77,061**	**75,657**

(14) Impairment losses on loans and advances

Impairment losses on loans and advances are allocated to the following asset classes according to the Basel II definition:

In € million	31/3/2011	31/12/2010
Banks	252	255
Sovereigns	1	1
Corporate customers – large	2,452	2,432
Corporate customers – small business	398	407
Retail customers – private individuals	1,430	1,418
Retail customers – small and medium-sized entities	249	243
Total	**4,782**	**4,756**

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

31/3/2011 In € million	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	28,816	29,069	268	234	19	28,816
Sovereigns	1,569	1,671	12	1	0	1,670
Corporate customers – large	47,566	50,677	3,644	2,046	406	48,224
Corporate customers – small business	3,508	3,848	656	369	29	3,451
Retail customers – private individuals	17,642	18,464	1,752	1,136	294	17,034
Retail customers – small and medium-sized entities	2,300	2,401	317	196	52	2,152
Total	**101,401**	**106,129**	**6,648**	**3,982**	**800**	**101,347**

31/12/2010 In € million	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based provisions	Net carrying amount
Banks	21,270	21,532	271	237	18	21,277
Sovereigns	1,405	1,493	12	1	0	1,492
Corporate customers – large	46,229	49,345	3,598	2,026	406	46,913
Corporate customers – small business	3,469	3,829	670	376	32	3,421
Retail customers – private individuals	17,918	18,549	1,789	1,115	302	17,131
Retail customers – small and medium-sized entities	2,379	2,441	320	193	50	2,198
Total	**92,670**	**97,189**	**6,661**	**3,947**	**809**	**92,434**

(15) Trading assets

In € million	31/3/2011	31/12/2010
Bonds, notes and other fixed-interest securities	4,278	4,013
Shares and other variable-yield securities	409	430
Positive fair values of derivative financial instruments	3,048	3,625
Call/time deposits from trading purposes	15	0
Total	**7,750**	**8,068**

(16) Derivatives

In € million	31/3/2011	31/12/2010
Positive fair values of derivatives in fair value hedges (IAS 39)	235	361
Positive fair values of derivatives in cash flow hedges (IAS 39)	387	565
Positive fair values of credit derivatives	28	9
Positive fair values of other derivatives	632	553
Total	**1,282**	**1,488**

(17) Financial investments

In € million	31/3/2011	31/12/2010
Bonds, notes and other fixed-interest securities	18,606	18,957
Shares and other variable-yield securities	272	280
Equity participations	386	394
Total	**19,264**	**19,631**

(18) Intangible fixed assets

In € million	31/3/2011	31/12/2010
Goodwill	603	614
Software	474	480
Other intangible fixed assets	120	126
Total	**1,197**	**1,220**

(19) Tangible fixed assets

In € million	31/3/2011	31/12/2010
Land and buildings used by the Group for own purpose	553	554
Other land and buildings (investment property)	110	113
Office furniture, equipment and other tangible fixed assets	483	507
Leased assets (operating lease)	284	280
Total	**1,430**	**1,454**

(20) Other assets

In € million	31/3/2011	31/12/2010
Tax assets	481	494
Current tax assets	52	31
Deferred tax assets	429	463
Receivables arising from non-banking activities	133	140
Prepayments and other deferrals	277	263
Clearing claims from securities and payment transfer business	664	356
Lease in progress	75	83
Assets held for sale (IFRS 5)	9	5
Inventories	173	147
Any other business	439	579
Total	**2,251**	**2,067**

(21) Deposits from banks

In € million	31/3/2011	31/12/2010
Giro and clearing business	2,977	2,326
Money market business	24,597	21,168
Long-term refinancing	9,473	10,165
Total	**37,047**	**33,659**

Deposits from banks include € 4,001 million (31/12/2010: € 4,977 million) from repo transactions.

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

In € million	31/3/2011	31/12/2010
Austria	18,342	16,046
Foreign	18,705	17,613
Total	**37,047**	**33,659**

Deposits from banks break down into the following bank segments:

In € million	31/3/2011	31/12/2010
Central banks	1,275	1,399
Commercial banks	34,224	30,948
Multilateral development banks	1,548	1,311
Total	**37,047**	**33,659**

The maturity of deposits from banks breaks down as follows:

In € million	31/3/2011	31/12/2010
Due at call or without maturity	2,708	2,161
Up to 3 months	19,752	14,809
More than 3 months, up to 1 year	4,076	6,291
More than 1 year, up to 5 years	8,238	7,954
More than 5 years	2,273	2,444
Total	**37,047**	**33,659**

(22) Deposits from customers

In € million	31/3/2011	31/12/2010
Sight deposits	24,960	23,781
Time deposits	34,439	32,382
Savings deposits	1,464	1,470
Total	**60,863**	**57,633**

Deposits from customers include € 3,134 million (31/12/2010: € 1,343 million) from repo transactions.

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

In € million	31/3/2011	31/12/2010
Sovereigns	1,898	1,723
Corporate customers – large	30,045	26,924
Corporate customers – small business	2,279	2,489
Retail customers – private individuals	22,471	22,123
Retail customers – small and medium-sized entities	3,310	3,673
Other	860	702
Total	**60,863**	**57,633**

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

In € million	31/3/2011	31/12/2010
Austria	6,203	5,719
Foreign	54,660	51,914
Total	**60,863**	**57,633**

The maturity of deposits from customers breaks down as follows:

In € million	31/3/2011	31/12/2010
Due at call or without maturity	25,225	24,396
Up to 3 months	19,078	19,402
More than 3 months, up to 1 year	11,120	8,648
More than 1 year, up to 5 years	3,330	3,116
More than 5 years	2,110	2,071
Total	**60,863**	**57,633**

(23) Debt securities issued

In € million	31/3/2011	31/12/2010
Bonds and notes issued	16,644	15,917
Money market instruments issued	1,560	0
Other debt securities issued	742	638
Total	**18,946**	**16,555**

(24) Provisions for liabilities and charges

In € million	31/3/2011	31/12/2010
Severance payments	61	61
Retirement benefits	14	14
Taxes	124	107
Contingent liabilities and commitments	125	132
Pending legal issues	108	109
Overdue vacation	51	50
Bonus payments	159	148
Restructuring	5	5
Other	44	46
Total	**691**	**672**

(25) Trading liabilities

In € million	31/3/2011	31/12/2010
Negative fair values of derivative financial instruments	3,729	4,531
Interest-based transactions	2,430	3,019
Currency-based transactions	590	923
Equity-/index-based transactions	653	526
Credit derivatives business	27	44
Other transactions	28	19
Short-selling of trading assets	379	426
Certificates issued	744	785
Total	**4,852**	**5,742**

(26) Derivatives

In € million	31/3/2011	31/12/2010
Negative fair values of derivatives in fair value hedges (IAS 39)	20	24
Negative fair values of derivatives in cash flow hedges (IAS 39)	320	453
Negative fair values of credit derivatives	11	18
Negative fair values of derivative financial instruments	604	769
Total	**955**	**1,264**

(27) Other liabilities

In € million	31/3/2011	31/12/2010
Liabilities from non-banking activities	121	114
Accruals and deferred items	193	190
Liabilities from dividends	2	1
Clearing claims from securities and payment transfer business	662	405
Any other business	453	533
Total	**1,430**	**1,243**

(28) Subordinated capital

In € million	31/3/2011	31/12/2010
Hybrid tier 1 capital	829	819
Subordinated liabilities	2,570	2,576
Supplementary capital	608	606
Total	**4,007**	**4,001**

(29) Equity

In € million	31/3/2011	31/12/2010
Consolidated equity	9,297	8,251
Subscribed capital	593	593
Participation capital	2,500	2,500
Capital reserves	2,568	2,568
Retained earnings	3,635	2,590
Consolidated profit	270	1,087
Non-controlling interests	1,105	1,066
Total	**10,672**	**10,404**

The subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 596 million. After deduction of own shares of 972,909, the stated subscribed capital totaled € 593 million.

(30) Risk Report

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

The principles and organization of risk management are disclosed in the relevant chapters of the Annual Report 2010.

Credit risk

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

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

Risk management is based on credit exposure. The following table translates items of the statement of financial position (bank and trading book positions) into the maximum credit exposure. 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 charts in the risk report. The main deviation between IFRS-accounting (Group reporting) and Basel II (regular reporting) figures is due to different loan volumes and valuation methods.

In € million	31/3/2011	31/12/2010
Loans and advances to banks	29,069	21,532
Loans and advances to customers	77,061	75,657
Trading assets	7,750	8,068
Derivatives	1,282	1,488
Financial investments	18,606	19,247
Other assets	235	227
Contingent liabilities	11,466	11,856
Commitments	12,687	11,756
Revocable credit lines	11,318	11,992
Reconciliation	8,674	6,491
Total	**178,147**	**168,314**

A more detailed credit portfolio analysis is based on individual customer ratings. Rating models in the main non-retail asset classes – corporates, financial institutions, and sovereigns – are uniform in all Group units and rank creditworthiness in ten classes. The default probabilities assigned to individual rating grades are estimated separately for each asset class. In other words, the default probability of the same ordinal rating grade (e.g. financial institutions A3 and sovereigns A3) is not the same for these asset classes.

Corporates

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

The following table provides a breakdown of the maximum credit exposure according to the internal rating of corporates. The figures shown below refer to the credit exposure, collateral is also taken into account for the overall assessment of credit risk:

In € million		31/3/2011	Share	31/12/2010	Share
0.5	Minimal Risk	1,146	1.4%	1,171	1.4%
1.0	Excellent credit standing	7,495	9.3%	7,643	9.4%
1.5	Very good credit standing	7,790	9.6%	7,729	9.6%
2.0	Good credit standing	10,105	12.5%	9,960	12.3%
2.5	Sound credit standing	11,717	14.5%	11,206	13.8%
3.0	Acceptable credit standing	12,922	16.0%	12,314	15.2%
3.5	Marginal credit standing	12,988	16.1%	13,183	16.3%
4.0	Weak credit standing/sub-standard	7,423	9.2%	7,664	9.5%
4.5	Very weak credit standing/doubtful	3,748	4.6%	4,282	5.3%
5.0	Default	4,180	5.2%	4,287	5.3%
NR	Not rated	1,386	1.7%	1,472	1.8%
Total		**80,900**	**100.0%**	**80,911**	**100.0%**

It should be noticed that the economic rating shown in the table above shows a borrower-specific but not transaction-specific view.

The credit exposure to corporates remained nearly unchanged compared to the year end 2010. Analyzed in terms of internal rating, an improvement of the average portfolio quality can be recorded. The share of the average rating grades up to rating 3.0 on the credit exposure increased by 5 per cent to € 24,640 million. However, in the lower rating grades the share decreased by 4 per cent to € 24,159 million. The share of credit exposure in default (rating 5.0) decreased by 3 per cent. The major part of the credit exposure at default is located in the segments CIS other, Central Europe and Group corporates.

The rating model for project finance has five different grades which consider borrower-specific as well as transaction-specific characteristics. The exposure from project finance is shown in the table below.

In € million		31/3/2011	Share	31/12/2010	Share
6.1	Excellent project risk profile – very low risk	2,497	38.6%	2,460	39.7%
6.2	Good project risk profile – low risk	2,174	33.6%	2,035	32.8%
6.3	Acceptable project risk profile – average risk	876	13.5%	912	14.7%
6.4	Poor project risk profile – high risk	387	6.0%	370	6.0%
6.5	Default	379	5.9%	365	5.9%
NR	Not rated	154	2.4%	57	0.9%
Total		**6,467**	**100.0%**	**6,199**	**100.0%**

The maximum credit exposure in project finance increased by 4 per cent compared to the year end 2010. The continuous increase of the credit exposure in project finance can be mainly explained by the reclassification of customers, whose credit standing was originally evaluated based on the rating model for corporates. The major part of the change is allotted to Central Europe with € 104 million and Austria with € 48 million. Due to the high level of collateralization in specialized lending transactions the ratings are accordingly good.

Retail customers

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

In € million	31/3/2011	Share	31/12/2010	Share
Retail – Private individuals	19,577	87.9%	20,301	88.3%
Retail – SME	2,692	12.1%	2,687	11.7%
Total	**22,269**	**100.0%**	**22,989**	**100.0%**
thereof non-performing loans	2,330	10.5%	2,399	10.4%
thereof individual loan loss provision	1,332	6.0%	1,308	5.7%
thereof portfolio-based loan loss provision	347	1.6%	353	1.5%

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

31/3/2011 In € million	Central Europe	Southeastern Europe	Russia	CIS other	Group markets
Retail – Private individuals	9,647	5,860	2,168	1,852	10
Retail – SME	1,694	801	20	177	0
Total	**11,341**	**6,661**	**2,188**	**2,029**	**10**
thereof non-performing loans	885	540	218	680	0
thereof individual loan loss provision	358	330	184	455	0
thereof portfolio-based loan loss provision	205	96	10	37	0

31/12/2010 In € million	Central Europe	Southeastern Europe	Russia	CIS other	Group markets
Retail – Private individuals	9,794	6,293	2,093	2,062	10
Retail – SME	1,673	802	20	191	0
Total	**11,467**	**7,095**	**2,113**	**2,253**	**10**
thereof non-performing loans	919	544	212	718	0
thereof individual loan loss provision	332	347	178	445	0
thereof portfolio-based loan loss provision	199	101	9	45	0

In the first quarter 2011, the total credit exposure of retail customers decreased by 3 per cent to € 22,269 million, with strong decreases occurring above all in the segment Southeastern Europe and CIS other. While the decrease in CIS other was partly currency-based (the exchange rate for Ukrainian hryvnia and Belarusian rouble decreased in line with the US dollar against the euro) the reduction in Southeastern European countries was due to a more cautious lending policy in this region.

Financial institutions

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

The following table shows the maximum credit exposure by internal rating for financial institutions (excluding central banks). Collateral (e.g. financial collaterals of securities transactions) and guarantees (e.g. by central government) are taken into account for assessment of credit risk.

In € million		31/3/2011	Share	31/12/2010	Share
A1	Minimal risk	222	0.5%	246	0.8%
A2	Excellent credit standing	2,299	5.6%	2,173	6.7%
A3	Very good credit standing	26,168	63.2%	18,251	56.4%
B1	Good credit standing	4,776	11.5%	4,498	13.9%
B2	Average credit standing	4,753	11.5%	3,527	10.9%
B3	Mediocre credit standing	1,163	2.8%	1,603	5.0%
B4	Weak credit standing	644	1.6%	893	2.8%
B5	Very weak credit standing	468	1.1%	474	1.5%
C	Doubtful/high default risk	178	0.4%	128	0.4%
D	Default	507	1.2%	383	1.2%
NR	Not rated	218	0.5%	185	0.6%
Total		**41,395**	**100.0%**	**32.360**	**100.0%**

Compared to the year end 2010, loans to financial institutions as well as the volume of securities of financial institutions increased by 28 per cent to € 41,395 million, mainly due to the strong expansion of the repo business, which is fully collateralized from a risk point of view. This business is mainly carried out with financial institutions with high credit ratings (rating A3), which led to an increase in the share of this rating grade by 6.8 percentage points to 63.2 per cent of the total volume. The loans with average credit standing (rating B2) increased by 35 per cent compared to year end 2010, caused by an increase in repo business with banks in Germany. The volume of the financial institutions in default increased by € 124 million or 32 per cent compared to year end 2010. The strongest increases were noticed in Iran and Portugal.

Sovereigns

Another customer segment is formed by central governments, central banks, and regional municipalities as well as other public sector entities. The table below provides a breakdown of the credit exposure to sovereigns (including central banks) by internal rating:

In € million		31/3/2011	Share	31/12/2010	Share
A1	Minimal risk	9,317	34.4%	8,386	32.4%
A2	Excellent credit standing	628	2.3%	624	2.4%
A3	Very good credit standing	3,926	14.5%	3,927	15.2%
B1	Good credit standing	1,506	5.6%	1,640	6.3%
B2	Average credit standing	1,060	3.9%	1,399	5.4%
B3	Mediocre credit standing	6,510	24.0%	5,951	23.0%
B4	Weak credit standing	2,182	8.0%	2,097	8.1%
B5	Very weak credit standing	1,769	6.5%	1,692	6.5%
C	Doubtful/high default risk	0	0.0%	0	0.0%
D	Default	58	0.2%	60	0.2%
NR	Not rated	159	0.6%	79	0.3%
Total		**27,116**	**100.0%**	**25,855**	**100.0%**

The volume of the credit exposure to sovereigns was € 27,116 million as of 31 March 2011, 5 per cent above the level at year end 2010. The share of credit exposure with highest rating grade (rating A1) increased by 11 per cent due to higher deposits with the Austrian national bank. The credit exposure with average credit standing (rating B2) decreased by nearly one quarter compared to the year end 2010, primarily caused by a reduction of the volume of Russian state bonds. On the other hand, credit exposure with mediocre credit standing (rating B3) increased because of higher volumes of Hungarian state bonds.

Non-Performing Loans

The following table shows the loans included in the statement of financial position under the items loans and advances to banks and loans and advances to customers (excluding items off-balance sheet items) and the corresponding share of non-performing loans, collateral provided, and loan loss provisions defined by seat of Group units:

31/3/2011 In € million	Central Europe	Southeastern Europe	Russia	CIS other	Group corporates	Group markets
Corporate customers						
Non-performing loans	1,335	837	440	660	809	207
of which collateralized	598	454	136	197	171	0
Impairment losses on loans and advances	721	466	439	492	543	183
Loans	15,022	7,310	5,677	3,188	17,588	2,396
NPL ratio	8.9%	11.5%	7.8%	20.7%	4.6%	8.6%
Coverage ratio	54.0%	55.7%	99.8%	74.6%	67.1%	88.7%
Retail customers						
Non-performing loans	885	540	218	680	6	0
of which collateralized	436	158	55	371	1	0
Impairment losses on loans and advances	562	426	194	491	4	0
Loans	10,168	6,674	2,012	1,910	0	45
NPL ratio	8.7%	8.1%	10.8%	35.6%	–	0.3%
Coverage ratio	63.5%	78.9%	89.3%	72.2%	76.1%	99.2%
Sovereigns						
Non-performing loans	12	0	0	0	0	0
of which collateralized	0	0	0	0	0	0
Impairment losses on loans and advances	1	0	0	0	0	0
Loans	276	838	45	0	0	0
NPL ratio	4.2%	–	–	–	–	–
Coverage ratio	6.4%	–	–	–	–	–
Banks						
Non-performing loans	3	0	1	0	1	398
of which collateralized	0	0	0	0	0	112
Impairment losses on loans and advances	2	0	1	0	1	253
Loans	1,287	2,287	2,834	764	1,384	22,593
NPL ratio	0.2%	–	–	–	0.1%	1.8%
Coverage ratio	83.3%	128.6%	83.5%	100.0%	132.2%	63.4%

The division corporate customers shows a decrease in non-performing loans of 2 per cent or € 94 million to € 4,288 million. The Group corporates and CIS other segments were considerably affected, each with a reduction of 7 per cent. However, the segment Southeastern Europe recorded an increase of 7 per cent. The impairment losses on loans and advances remained nearly unchanged with € 2,845 million which resulted in a coverage ratio of 66 per cent.

In the retail division, non-performing loans decreased by 3 per cent to € 2,329 million. The major part of the decrease was in the CIS other segment with 5 per cent and the Central Europe segment with 3 per cent. The ratio of non-performing loans to credit exposure decreased by 26 basis points to 11.2 per cent. The total loan loss provision for retail customers rose slightly to € 1,679 million, resulting in a coverage increase of 2.8 percentage points to 72.0 per cent.

The financial institutions segment recorded an increase of non-performing loans of 51 per cent or € 135 million to € 403 million, for which impairment losses on loans and advances of € 257 million were allocated.

The following tables shows the comparable figures as of year end 2010:

31/12/2010 In € million	Central Europe	Southeastern Europe	Russia	CIS other	Group corporates	Group markets
Corporate customers						
Non-performing loans	1,357	785	450	710	873	206
of which collateralized	496	443	128	233	239	0
Impairment losses on loans and advances	687	459	443	503	563	183
Loans	14,762	7,305	5,620	3,248	20,157	3,584
NPL ratio	9.2%	10.8%	8.0%	21.8%	4.3%	5.8%
Coverage ratio	50.7%	58.4%	98.4%	70.9%	64.5%	88.8%
Retail customers						
Non-performing loans	917	544	218	718	0	0
of which collateralized	423	166	62	406	0	0
Impairment losses on loans and advances	530	448	187	490	6	0
Loans	10,159	6,714	1,943	2,058	2	42
NPL ratio	9.0%	8.1%	11.2%	34.9%	–	–
Coverage ratio	57.9%	82.3%	85.7%	68.3%	–	–
Sovereigns						
Non-performing loans	12	0	0	0	0	0
of which collateralized	0	0	0	0	0	0
Impairment losses on loans and advances	1	0	0	0	0	0
Loans	296	762	38	0	0	0
NPL ratio	4.0%	–	0.5%	–	–	–
Coverage ratio	8.0%	–	20.9%	–	–	–
Banks						
Non-performing loans	3	0	1	0	1	263
of which collateralized	0	0	0	0	0	0
Impairment losses on loans and advances	2	0	0	0	1	251
Loans	1,387	2,587	1,821	861	2,597	14,125
NPL ratio	0.2%	–	0.1%	–	–	1.9%
Coverage ratio	82.5%	–	35.8%	100.0%	73.9%	95.7%

The following table summarizes the development of impairment losses on loans and advances and off-balance sheet transactions during the reporting period by segments:

In € million	As of 1/1/ 2011	Change in consolida-ted group	Allocation[1]	Release	Usage [2]	Exchange differen-ces	As of 31/3/ 2011
Individual loan loss provisions	**4,000**	**(1)**	**403**	**(187)**	**(129)**	**(59)**	**4,028**
Central Europe	980	0	184	(113)	(35)	11	1,026
Southeastern Europe	723	0	120	(40)	(72)	(6)	725
Russia	536	0	25	(30)	(2)	7	535
CIS other	859	0	61	(4)	(7)	(49)	860
Group corporates	665	(1)	9	0	(10)	(17)	646
Group markets	238	0	5	0	(3)	(5)	235
Corporate center	0	0	0	0	0	0	0
Portfolio-based loan loss provisions	**888**	**0**	**133**	**(139)**	**0**	**(2)**	**880**
Central Europe	286	0	79	(71)	0	4	298
Southeastern Europe	206	0	14	(32)	0	2	189
Russia	135	0	26	(19)	0	2	144
CIS other	143	0	9	(16)	0	(8)	129
Group corporates	100	0	5	(1)	0	(1)	102
Group markets	18	0	0	0	0	0	18
Corporate center	0	0	0	0	0	0	0
Total	**4,888**	**(1)**	**537**	**(326)**	**(129)**	**(60)**	**4,908**

[1] Allocation including direct write-downs and income on written down claims.

[2] Usage including direct write-downs and income on written down claims.

Concentration risk

The credit portfolio of RBI is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence portfolio granularity is high. The regional breakdown of the maximum credit exposure reflects the broad diversification in European markets. The following table shows the regional distribution of the maximum credit exposure by the borrower's home country. The changes in the reporting period are mainly caused by the enlargement of business with financial institutions in Germany.

In € million	31/3/2011	Share	31/12/2010	Share
Austria	41,239	26.3%	39,319	26.6%
Russia	14,473	8.1%	14,453	8.6%
Slovakia	11,296	6.3%	8,611	5.1%
Czech Republic	10,552	5.9%	10,032	6.0%
Hungary	10,177	4.2%	9,938	5.9%
Germany	9,785	5.5%	5,708	3.4%
Far East	8,209	1.4%	7,722	1.3%
Poland	8,052	4.5%	8,232	4.9%
Romania	7,754	4.4%	8,047	4.8%
Croatia	6,465	3.6%	6,190	3.7%
Ukraine	5,780	3.2%	6,156	3.7%
Great Britain	5,232	2.9%	4,000	2.4%
USA	4,187	2.4%	4,369	2.6%
Bulgaria	3,911	2.2%	3,959	2.4%
Serbia	2,546	1.4%	2,557	1.5%
Other	28,489	17.5%	29,023	17.3%
Total	**178,147**	**100.0%**	**168,314**	**100.0%**

Risk policies and credit assessments in RBI take into account the industry class of customers as well. The credit industry represents the largest industry class, which is mostly attributed to exposure against members of the Austrian Raiffeisen Sector (central liquidity balancing function). The second largest industry class is private households, primarily retail customers in Central and Eastern European countries. The following table shows the maximum credit exposure by industry classification:

In € million	31/3/2011	Share	31/12/2010	Share
Banking and insurance	59,963	33.7%	48,146	28.6%
Private households	20,578	11.6%	22,554	13.4%
Public administration and defence and social insurance institutions	15,591	8.8%	16,182	9.6%
Wholesale trade and commission trade (except car trading)	14,567	8.2%	15,217	9.0%
Real estate activities	11,941	6.7%	12,347	7.3%
Other business activities	7,362	4.1%	6,709	4.0%
Construction	5,060	2.8%	4,950	2.9%
Retail trade and repair of consumer goods	4,170	2.3%	4,087	2.4%
Electricity, gas, steam and hot water supply	3,633	2.0%	3,516	2.1%
Manufacture of food products and beverages	3,012	1.7%	2,987	1.8%
Manufacture of basic metals	2,673	1.5%	2,939	1.7%
Other manufacturing	11,851	6.7%	11,900	7.1%
Land transport, transport via pipelines	2,326	1.3%	2,231	1.3%
Other transport	2,411	1.4%	2,606	1.5%
Manufacture of machinery and equipment	1,709	1.0%	1,730	1.0%
Mining and quarrying	1,480	0.8%	1,277	0.8%
Sale of motor vehicles	1,777	1.0%	1,796	1.1%
Other industries	8,043	4.5%	7,138	4.2%
Total	**178,147**	**100.0%**	**168,314**	**100.0%**

Market risk

RBI developed a new market risk management system in 2008 based on an internal model. VaR is measured based on a hybrid simulation approach (mixture of a historical and Monte Carlo simulation where 5000 scenarios are calculated). The Austrian financial market authority and the Austrian national bank have approved this model such that it can be used for calculating own funds requirement for market risk.

The following table shows risk figures (VaR 99 per cent, 10d) for individual market risk categories of the trading and banking book in the first quarter 2011:

Trading book VaR 99% 10d In € million	VaR as of 31/3/2011	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2010
Currency risk	5	6	4	9	8
Interest rate risk	5	6	4	10	7
Credit spread risk	2	2	2	5	2
Share price risk	2	2	1	2	1
Total	11	12	9	18	13

Banking book VaR 99% 10d In € million	VaR as of 31/3/2011	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2010
Interest rate risk	32	50	31	87	70
Credit spread risk	28	27	20	39	30
Total	35	51	35	80	66

The following table shows total risk figures for individual market risk categories in the first quarter 2011. The VaR is dominated by the exchange rate risk out of equity positions held in foreign currencies, structural interest rate risks and credit spread risks of bonds, which are held as a liquidity buffer.

Total VaR 99% 10d In € million	VaR as of 31/3/2010	Average VaR	Minimum VaR	Maximum VaR	VaR as of 31/12/2010
Currency risk[1]	41	51	40	64	53
Interest rate risk	56	51	31	91	70
Credit spread risk	29	28	22	41	31
Share price risk	2	2	1	2	1
Total	58	74	58	104	87

[1] Exchange rate risk on total bank level also includes equity positions of subsidiaries denominated in foreign currency. The structural exchange rate risk resulting from equity positions is managed independently from the mainly short-term trading positions.

Liquidity risk

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

In € million	31/3/2011			31/12/2010		
Maturity	**1 week**	**1 month**	**1 year**	**1 week**	**1 month**	**1 year**
Liquidity gap	21,639	19,786	6,190	15,997	13,133	5,994
Liquidity ratio	187%	139%	105%	172%	126%	105%

Internal limits have been established in each Group unit in order to limit liquidity risk. They require a positive short-term liquidity gap based on the internal liquidity model. For medium and long-term maturities limits have been established as well, which reduces the effect of a possible increase in refinancing cost on the result of RBI.

Additional notes

(31) Contingent liabilities and commitments

In € million	31/3/2011	31/12/2010
Contingent liabilities	11,466	11,856
Commitments (irrevocable credit lines)	11,318	11,992

Moreover, revocable credit lines were granted to an amount of € 12,687 million (31/12/2010: € 11,756 million) which currently bear no credit risk.

(32) Related parties

Transactions with related parties are limited to banking business transactions which are carried out at fair market conditions. Moreover, members of the Managing Board hold shares of RBI AG. This information is published on the homepage of Raiffeisen Bank International. Further business transactions, especially large banking business transactions with related parties were not concluded in the reporting period.

The following tables show transactions with related companies. Parent companies are Raiffeisen-Landesbanken-Holding GmbH, Vienna and Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna.

31/3/2011 In € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	9,896	251	250	96
Loans and advances to customers	0	1,156	414	343
Trading assets	0	13	18	8
Financial investments	0	238	2	339
Investments in associates	0	0	5	0
Other assets including derivatives	0	7	0	0
Deposits from banks	9,712	0	6,470	89
Deposits from customers	1	396	1	9
Debt securities issued	0	1	0	0
Provisions for liabilities and charges	0	0	0	0
Trading liabilities	0	18	26	3
Other liabilities including derivatives	1	43	0	0
Guarantees given	0	72	263	21
Guarantees received	0	403	148	2

31/12/2010 In € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	7,892	224	274	244
Loans and advances to customers	0	1,113	437	354
Trading assets	0	17	20	19
Financial investments	0	234	2	352
Investments in associates	0	0	5	0
Other assets including derivatives	5	19	0	0
Deposits from banks	7,151	3	6,908	115
Deposits from customers	1	527	2	112
Debt securities issued	0	1	0	0
Provisions for liabilities and charges	0	0	0	0
Trading liabilities	0	23	26	18
Other liabilities including derivatives	0	57	0	0
Guarantees given	0	74	264	5
Guarantees received	0	389	143	1

(33) Regulatory own funds

RBI does not form a credit institution group on its own according to the Austrian Banking Act (BWG) and is thus not subject to regulatory provisions on a consolidated basis as it is part of the RZB credit institution group. The following figures are for information purposes only.

The own funds of RBI according to Austrian Banking Act (BWG) 1993/Amendment 2006 (Basel II) break down as follows:

In € million	31/3/2011	31/12/2010
Paid-in capital	4,914	4,914
Earned capital	2,897	2,958
Non-controlling interests	1,090	1,003
Hybrid tier 1 capital	800	800
Intangible fixed assets	(465)	(469)
Core capital (tier 1 capital)	**9,236**	**9,206**
Deductions from core capital	(26)	(15)
Eligible core capital (after deductions)	**9,210**	**9,191**
Supplementary capital according to Section 23 (1) 5 BWG	600	600
Provision excess of internal rating approach positions	229	231
Hidden reserves	55	55
Long-term subordinated capital	2,426	2,480
Additional own funds (tier 2 capital)	**3,310**	**3,366**
Deduction items: participations, securitizations	(27)	(15)
Eligible additional own funds (after deductions)	**3,283**	**3,351**
Deduction items: insurance companies	(4)	(4)
Tier 2 capital available to be redesignated as tier 3 capital	85	69
Total own funds	**12,574**	**12,608**
Total own funds requirement	**7,560**	**7,585**
Excess own funds	5,014	5,023
Excess cover ratio	66.3%	66.2%
Core tier 1 ratio, total	8.9%	8.9%
Tier 1 ratio, credit risk	12.3%	12.2%
Tier 1 ratio, total	9.7%	9.7%
Own funds ratio	13.3%	13.3%

The total own funds requirement is composed as follows:

In € million	31/3/2011	31/12/2010
Risk-weighted assets according to section 22 BWG	**74,987**	**75,601**
of which 8 per cent minimum own funds for the credit risk		
according to Sections 22a to 22h BWG	5,999	6,048
Standardized approach	2,944	2,974
Internal rating approach	3,055	3,074
Own funds requirement for position risk in bonds, equities and commodities	332	327
Own funds requirement for open currency positions	405	386
Own funds requirement for operational risk	823	824
Total own funds requirement	**7,560**	**7,585**

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

In € million	31/3/2011	31/12/2010
Risk-weighted assets on standardized approach	**36,803**	**37,175**
Central governments and central banks	3,658	3,712
Regional governments	112	95
Public administration and non-profit organizations	29	42
Banks	957	1,013
Corporates	18,775	18,800
Retail (including small and medium-sized entities)	10,179	10,089
Mutual funds	130	125
Securitization position	20	18
Other positions	2,945	3,282
Risk-weighted assets on internal rating approach	**38,184**	**38,426**
Central governments and central banks	958	879
Banks	4,862	5,048
Corporates	29,548	29,586
Retail (including small and medium-sized entities)	2,393	2,465
Equity exposures	284	314
Securitization position	139	135
Total	**74,987**	**75,601**

(34) Average number of staff

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

Full-time equivalents	1/1-31/3/2011	1/1-31/3/2010
Salaried employees	58,856	57,900
Wage earners	986	1,086
Total	**59,842**	**58,986**

Full-time equivalents	1/1-31/3/2011	1/1-31/3/2010
Austria	2,673	2,670
Foreign	57,169	56,316
Total	**59,842**	**58,986**

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