



# LIFTING EXPECTATIONS

Annual Financial Report 2010

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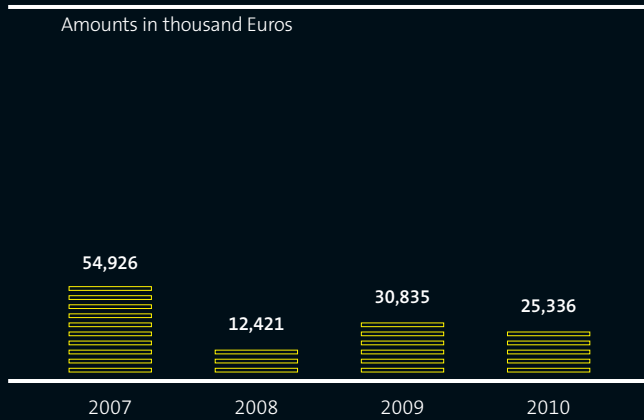
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## Key Data 2010 of Raiffeisen Centrobank Group

Amounts in thousand Euros / in percent	2010	2009	Change
<b>Income Statement</b>			
Net interest income	4,841	8,713	- 44.4 %
Net fee and commission income	18,581	13,670	+ 35.9 %
Trading profit	43,227	43,650	- 1.0 %
General administrative expenses	- 59,991	- 57,767	+ 3.8 %
Profit before tax	25,336	30,835	- 17.8 %
Profit after tax	27,630	25,980	+ 6.4 %
<b>Balance Sheet</b>			
Loans and advances to credit institutions	285,424	480,092	- 40.5 %
Loans and advances to customers	85,476	51,490	+ 66.0 %
Trading assets	1,601,070	1,355,765	+ 18.1 %
Liabilities to credit institutions	63,800	143,726	- 55.6 %
Liabilities to customers	105,525	119,559	- 11.7 %
Trading liabilities	1,742,127	1,537,839	+ 13.3 %
Equity incl. profit after tax	127,550	118,013	+ 8.1 %
Total assets	2,130,085	1,995,404	+ 6.7 %
<b>Indicators</b>			
Return on equity before tax	25.9 %	33.1 %	-
Cost/Income ratio	70.6 %	65.3 %	-
<b>Bank-specific indicators pursuant to the Austrian Banking Act</b>			
Eligible own funds	98,199	98,138	+ 0.1 %
Total own funds requirement	55,191	49,314	+ 11.9 %
Excess own funds	43,008	48,824	- 11.9 %
Excess cover ratio	177.9 %	199.0 %	-
<b>Resources</b>			
Employees at end of period	333	338	- 1.5 %

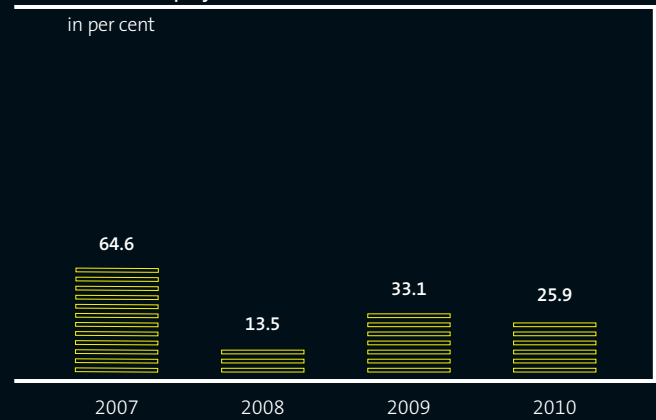
### Profit before tax

Amounts in thousand Euros



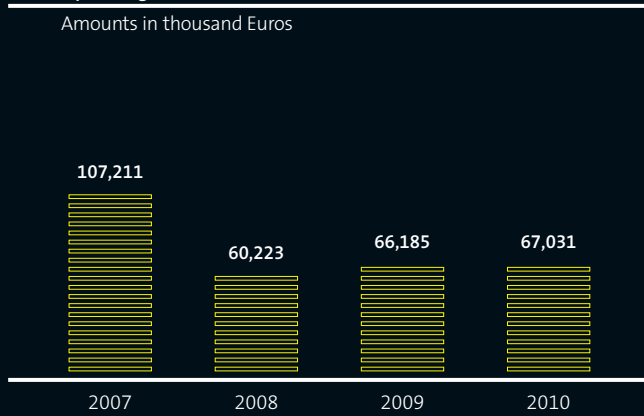
### Return on equity before tax

in per cent



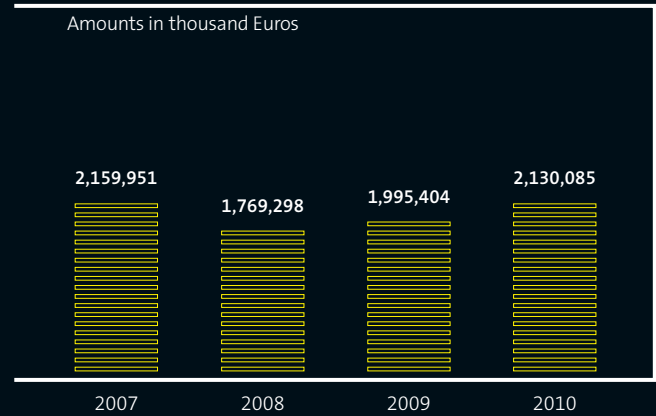
### Operating income\*

Amounts in thousand Euros



### Total assets

Amounts in thousand Euros



\*) Operating income comprises net interest income before provisioning, net fee and commission income, trading profit, and net income from financial investments.



## Foreword by the Chief Executive Officer

The year 2010 was a period of contrasting influences. While the statistics attested to continuous improvements in the real economy, an entirely new dimension of the events and crises of the previous years revealed itself in the first half of 2010 as Greece headed closer and closer to bankruptcy and the financial markets remained hobbled. Lengthy talks were held about the solvency of a number of euro countries, eventually culminating in the successful adoption of measures to support the euro currency system

– the European Financial Stability Facility (EFSF) that was set up in May 2010. The equity markets that are relevant for Raiffeisen Centrobank were negatively impacted by this uncertainty about the sustainability of the economic recovery for much of the year, especially in light of the new sovereign debt situation. The trading volumes on the exchanges remained well below the levels achieved in 2007, for example 60 per cent lower than the peak in 2007 in the case of the Vienna Stock Exchange.

Despite the adverse conditions and skittishness on the financial markets, Raiffeisen Centrobank Group again delivered a strong result in 2010, impressively demonstrating how robust our business model is. We are an integrated investment bank for Western Europe and CEE specialising in securities trading, the issue of equity- and equity-index-based derivatives and structured products, consulting for and the completion of capital market transactions as well as the provision of advice for mergers and acquisitions, and this path has proven to be highly successful even in challenging conditions. Our consolidated profit for the year fell in absolute terms from EUR 30.84 million to EUR 25.34 million, but the figure for 2009 included one-off income in the amount of EUR 4.60 million in the other operating result from the recognition of goodwill differences in connection with the first-time consolidation of a number of companies. On the operational side, the trading profit came to EUR 43.23 million, virtually the same as the EUR 43.65 million achieved in 2009, and net fee and commission income was boosted from EUR 13.67 million in 2009 to EUR 18.58 million in the reporting period. Net interest income declined, and general administrative expenses rose mod-

erately. Thanks to the positive outcome of an external tax audit in which Raiffeisen Centrobank was able to profit from a change in the tax laws for years in which no tax assessment was yet filed, the profit for the year after tax came to EUR 27.63 million, an improvement over the EUR 25.98 million reported in 2009.

Weaknesses in certain segments were balanced out by strong successes in other segments. In our mergers and acquisitions business, we were unable for the first time since the crisis to generate a positive contribution to the Group's result despite our outstanding track record – we processed a total of twenty-nine transactions with an aggregate volume of roughly EUR 13 billion and took home five awards recognising our commitment in CEE. In contrast, our Securities Trading and Sales segments, including certificates, accounted for EUR 18.9 million of the pre-tax profit for the period, and the segment Other Departments and Commodity Trading (conducted by subsidiaries) contributed EUR 8.2 million.

With eligible own funds of EUR 98.20 million, an excess cover ratio of 177 per cent and an overall equity ratio of 14.2 per cent, we will also be able to meet the more stringent requirements of the Basel III framework.

The numbers presented above are the direct result of the tireless efforts of our teams, just one example of which is the record level of 2,670 new warrants and certificates that were issued during the reporting period. While there were no IPOs for the second year in a row, Raiffeisen Centrobank was involved in all



\*

four capital increases that were completed in Austria in 2010, thereby reaffirming its top position and clear market leadership. An interesting aspect of the ongoing crisis situation was increased demand from customers and business partners for professional information, and the resulting records with regards to the number of participants and scope of presented content at the Raiffeisen Centrobank investor conference in Zürs. In light of the consistency with which the research and certificates departments have won national and international awards, I also feel it important to stress how valuable an asset qualified and specialised employees are.

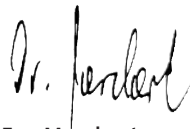
It will also take competence and great effort for our Bank and all Austrian financial institutions to implement the plethora of regulations that were newly enacted as part of the necessary efforts to restore long-term stability on the international financial markets. However, these regulations were developed as a reaction to undesirable developments and excesses on the global financial markets and do not sufficiently account for the realities and scope of the Austrian banking industry – and will cause bureaucracy and costs to explode regardless of the absolutely sensible and desirable measures they include. It will be a particular challenge to simultaneously achieve diverging goals, for example increasing own funds levels while also increasing costs through a bank tax. It is also regrettable that the bank tax in Austria will serve purely as an additional source of revenue for the state, and that it will not be used to create a safety buffer for future crises and that it is not designed in a way that would enable it to have a sensible effect on practices in the industry. Taking our business model as an example, the blanket taxation of all derivatives as part of the bank tax means that derivatives that are only used for hedging risks, the purpose for which they were originally developed, will also be taxed.

Looking back at 2010, the question for 2011 at the end of the first quarter is whether or not the growing risks will be a threat to the international economic upswing. These risks are manifold, and centre around the further developments in the Arab countries, the management of the crisis and the future course of en-

ergy policy in Japan, the possibility of a surge in inflation as a result of substantial increases in food prices in the emerging markets and rising energy prices, and also the sovereign debt crisis. As dramatic as each of these individual situations is, we can assume that the global economic upswing will not be hampered to any significant extent – because the work to overcome the crises will also partly include substantial investments, because the leading economic indicators are at extremely high levels, and because the upswing is resting on a steadily widening base.

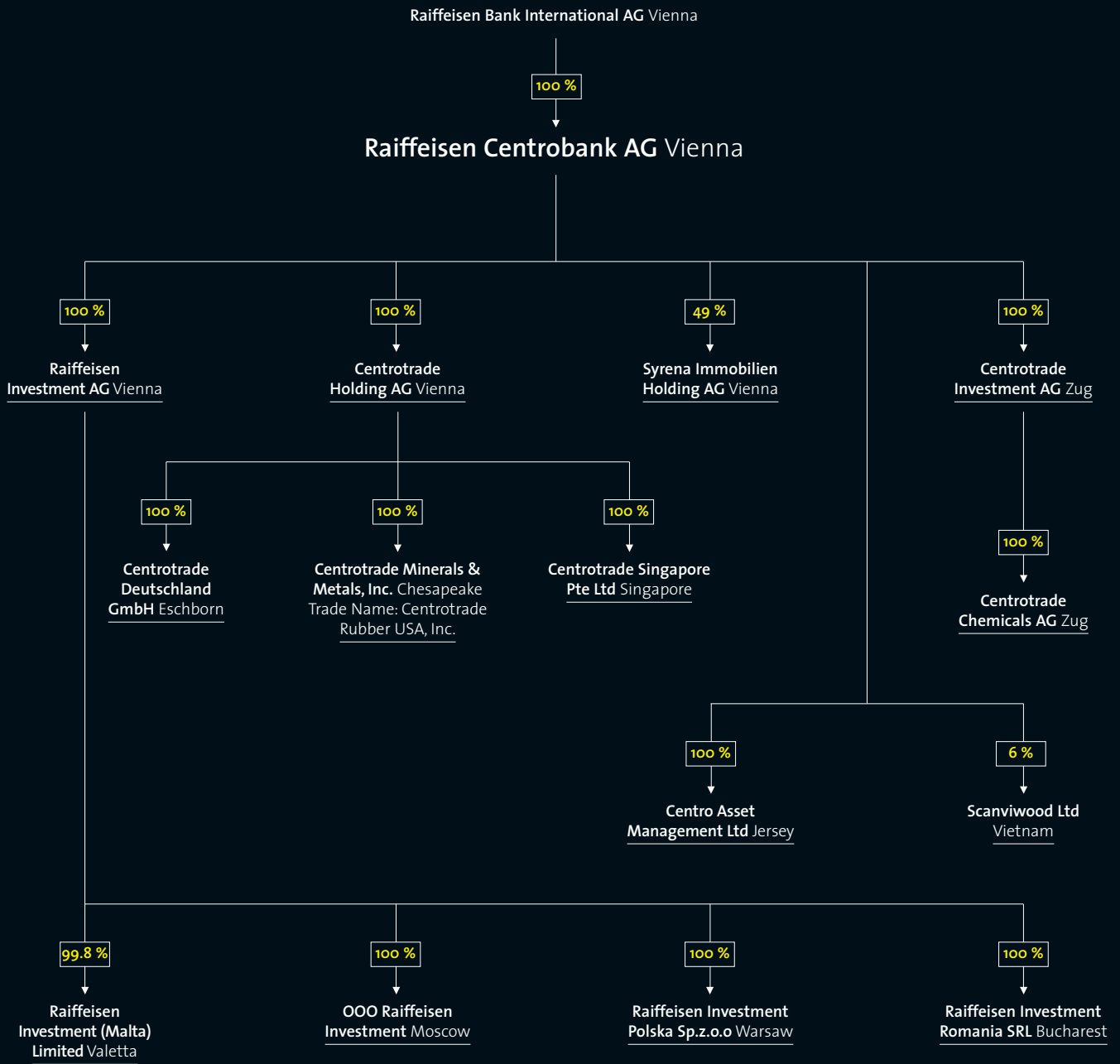
The merger of Raiffeisen International Bank Holding AG with the main business units of Raiffeisen Zentralbank Österreich AG to form Raiffeisen Bank International AG, now the owner of Raiffeisen Centrobank, was completed successfully in October 2010 and will without a doubt enable us to make even better use of the market opportunities in CEE and will result in more efficient and more effective operational processes that will allow us to profit from synergies between the local network banks of Raiffeisen Bank International Group and Raiffeisen Centrobank Group.

Different groups of people have contributed to the very positive result achieved by Raiffeisen Centrobank, and I would like to sincerely thank them all for this. They are the employees of all the companies in our Group, the representatives and colleagues of our owner, and above all our customers and business partners, who again put their trust in us during the past financial year.



**Eva Marchart**  
Chief Executive Officer





## Corporate Bodies

<b>Executive Board</b>	Eva Marchart Alfred Michael Spiss Gerhard Grund	Chief Executive Officer Deputy Chief Executive Officer Member
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<b>Supervisory Board</b>	Walter Rothensteiner Chief Executive Officer, Raiffeisen Zentralbank Österreich AG, Vienna	Chairman
	Patrick Butler Member of the Board, Raiffeisen Bank International AG, Vienna	First Deputy Chairman
	Herbert Stepic Chief Executive Officer, Raiffeisen Bank International AG, Vienna	Second Deputy Chairman
	Karl Sevelda Deputy Chief Executive Officer, Raiffeisen Bank International AG, Vienna	Member
	Johann Strobl Member of the Board, Raiffeisen Zentralbank Österreich AG and Raiffeisen Bank International AG, Vienna	Member
	Werner Kaltenbrunner Executive Director, Raiffeisen Bank International AG, Vienna	Member

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<b>State Commissioners</b>	Peter Braumüller Divisional Director Tamara Els Head of Department	to October 31, 2010
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\* Alfred Michael Spiss, Eva Marchart, Gerhard Grund (from left to right)

## Executive Board - Departments

**Eva Marchart**

Accounting  
Controlling  
Risk Management  
Audit  
Human Resources  
IT  
Legal and Tax  
Organisation and Facility Management  
Payment Transactions  
Back Offices  
Participations

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**Alfred Michael Spiss**

Equities & Derivatives  
Treasury  
Company Research

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**Gerhard Grund**

Equity Capital Markets  
Private Banking  
Mergers & Acquisitions  
Credit Department





## Foreword by the Chairman of the Supervisory Board

**Dear Ladies and Gentlemen,** we began the 2010 financial year with a sense of optimism. After the difficulties of the previous years, the capital markets were showing definite signs of recovery. Economic activity was picking up around the world, in large part thanks to the successful stimulus packages and monetary policy measures, and global trade was on the rise.

Raiffeisen Centrobank AG, a pillar of the equities-based investment banking activities of RZB Group, enjoyed a strong year in 2010. In fact, I am proud to report that Raiffeisen Centrobank achieved one of the best results in its history. This shows how well the Bank came through the crisis, and that its sound approach to doing business generates outstanding results.

Equities trading on the Vienna Stock Exchange developed well during the year, and Raiffeisen Centrobank captured a market share of over 9 per cent in September, becoming one of the leading players on the exchange for the first time since 2002. Our market share for the full year came to around 7 per cent, a gain of 12 per cent compared with 2009.

Business with Austrian derivatives developed similarly. Raiffeisen Centrobank stabilised its position, and was one of the top three during the year with a share of more than 20 per cent of the overall market.

We maintained our market leadership in the segment for equities derivatives in Austria, in trading with warrants and structured products. As the equity specialist of Raiffeisen Bank International Group, Raiffeisen Centrobank remained the leading market maker and specialist on the Vienna Stock Exchange.

The changes in the structure of RZB Group will have a positive effect on Raiffeisen Centrobank, which is now a wholly owned subsidiary of Raiffeisen Bank International. As a result, Raiffeisen Centrobank will enjoy more support and tighter collaboration with and integration in the network of its parent bank.

This foreword would not be complete without an expression of my sincere thanks to the staff of Raiffeisen Centrobank for their commitment and exemplary efforts. It is because of their dedication and competence that we achieved such outstanding results in the past financial year. The Supervisory Board also thanks the Executive Board for its hard and successful work.



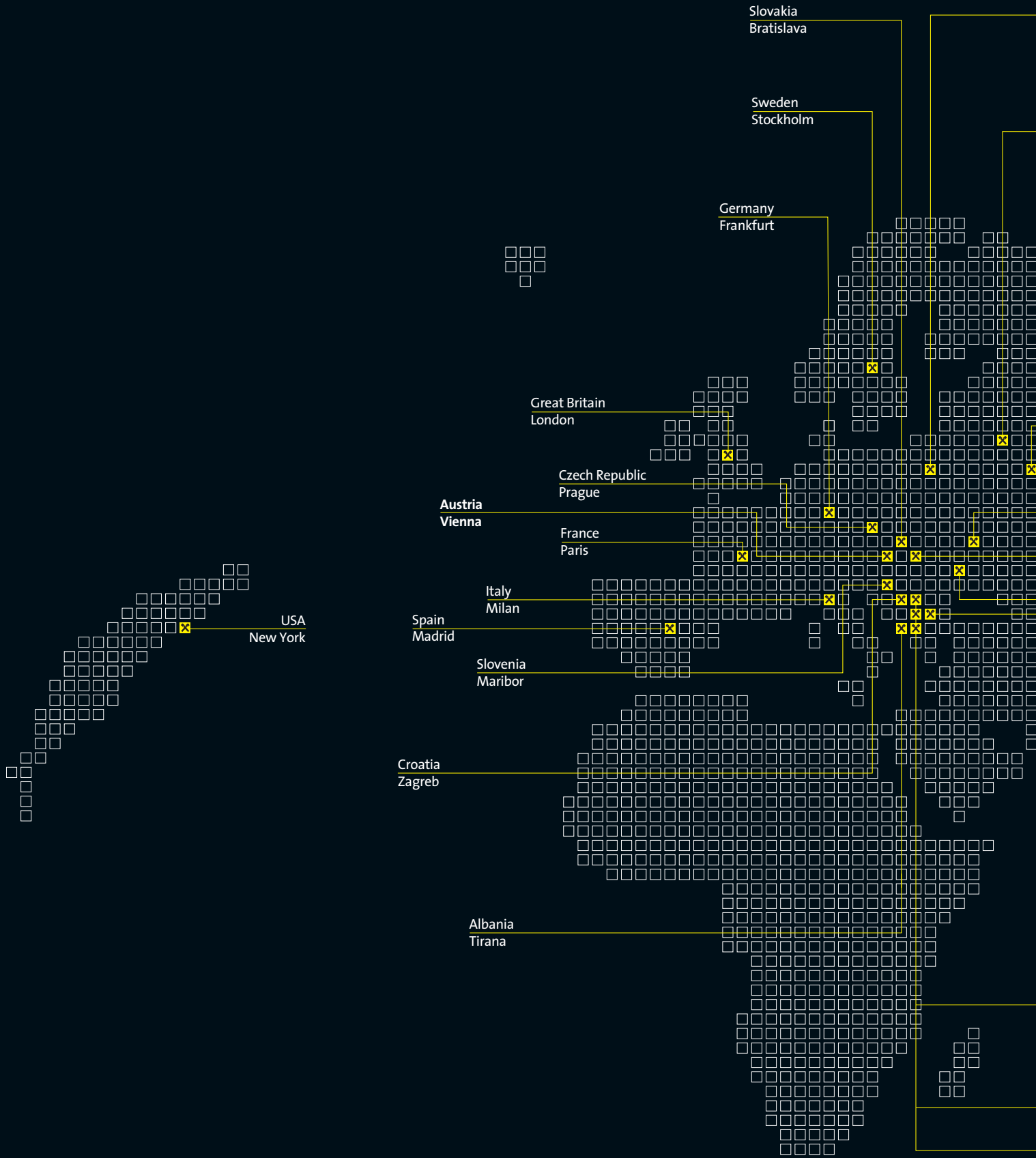
**Walter Rothensteiner**

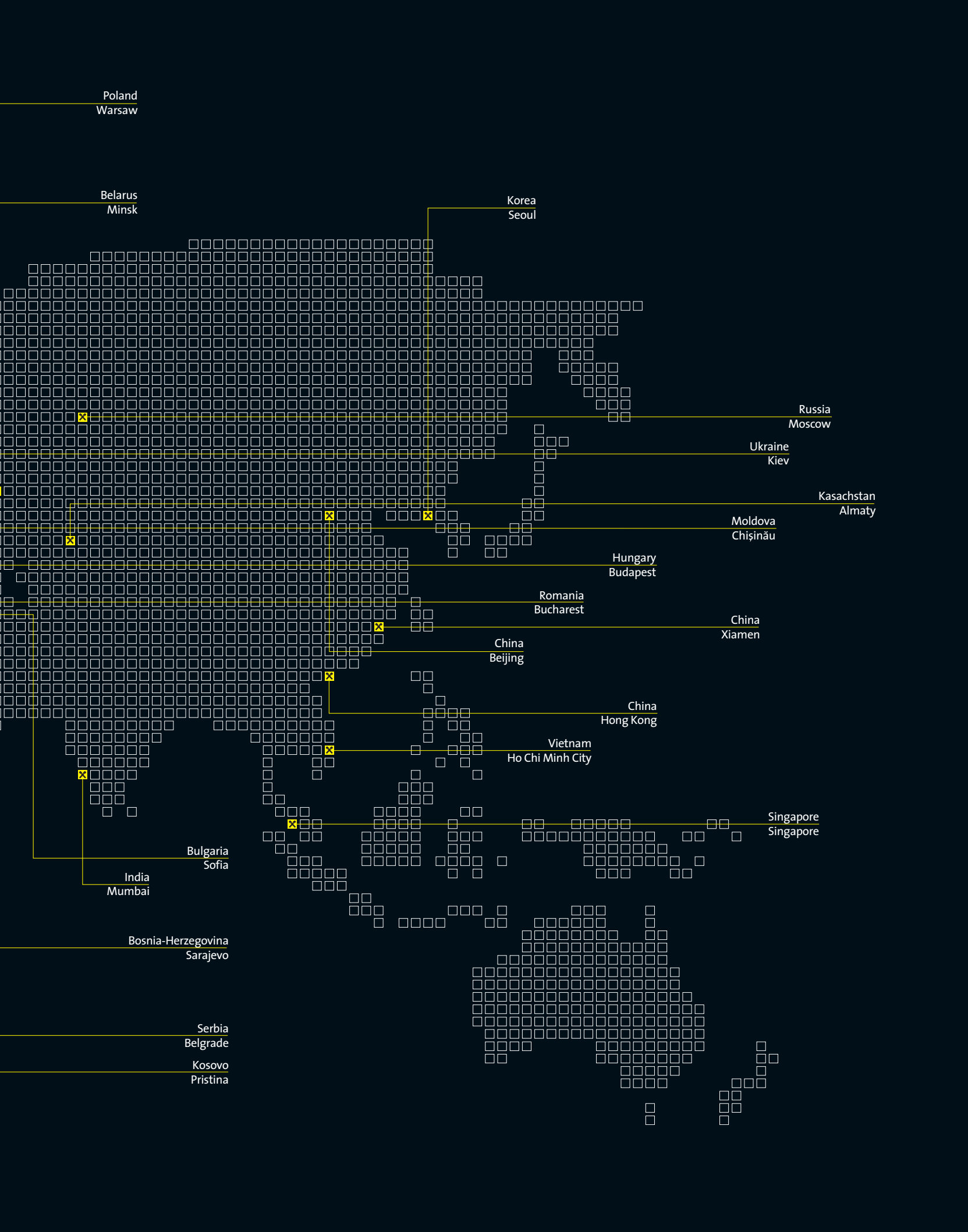
Chairman of the Supervisory Board



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# The RBI Group





## Corporate Governance

The shares of Raiffeisen Centrobank are not listed on a stock exchange. As the issuer of a large number of structured products and as one of the most important securities brokers in Vienna and other financial centres, Raiffeisen Centrobank orients itself towards the rules and principles of good and responsible corporate governance as set forth in the Austrian Code of Corporate Governance to the extent that these rules and principles are applicable for Raiffeisen Centrobank. Raiffeisen Centrobank has not (yet) formally undertaken to comply with the Austrian Code of Corporate Governance.

Efficient collaboration between the various bodies of the Company on a strong foundation of trust, protection of its shareholder's interests and open and transparent communication are key elements of Raiffeisen Centrobank's approach to good corporate governance. The following comments illustrate some aspects of Raiffeisen Centrobank's compliance with the Code in the reporting period (1 January to 31 December 2010) and are based on the Austrian Code of Corporate Governance as amended in January 2010.

### Executive Board

The Board is made up of several persons, with one member acting as the chairperson. The rules of procedure govern how responsibilities are assigned and how the members of the Board work together.

The Board is responsible for communication measures that materially shape the image of the Company and is supported by the corresponding departments in fulfilling this responsibility.

An internal audit department has been set up as a separate staff unit of the Board; this department creates an auditing plan and reports regularly to the Board on the results of its activities.

### Rules for Proprietary Trading

The Board makes its decisions on the basis of the members' professional expertise and irrespective of any personal interests. Members of the Board disclose all material personal interests in transactions of Raiffeisen Centrobank and its Group companies and any other conflicts of interest to the Supervisory Board. All transactions between Raiffeisen Centrobank or its Group companies and the members of the Board or parties related to them are conducted in accordance with generally accepted industry standards and are approved by the Supervisory Board in advance.

Members of the Board and managerial staff are not permitted to operate businesses or be officers in other business entities without the approval of the Supervisory Board unless these entities are in a group relationship with Raiffeisen Centrobank or unless Raiffeisen Centrobank holds an interest in these entities. Members of the Board and managerial staff are also not permitted to conduct business transactions for their own account or the account of another party or to hold a share in another company as a personally liable partner in the areas in which Raiffeisen Centrobank is active without the approval of the Supervisory Board.

### Supervisory Board

The Supervisory Board monitors and assists the Board in the direction of Raiffeisen Centrobank, in particular with regards to decisions of fundamental importance.

The Supervisory Board has prepared a catalogue of transactions requiring its approval before they can be conducted by Raiffeisen Centrobank or its Group companies and has assigned appropriate value limits.

### Collaboration between the Supervisory Board and Managing Board

A key principle of good corporate governance is open discussion between the Board and Supervisory Board and within these governing bodies.

The Board submits regular, timely and comprehensive reports to the Supervisory Board about all relevant issues of the Bank's business development, including the risk situation and risk management measures at the Bank and all material Group companies.



The chairman of the Supervisory Board is in regular contact with the Chief Executive Officer and discusses the development of business and risk management with her. The Managing Board immediately reports all important events to the chairman of the Supervisory Board and also reports immediately on all circumstances that are of material relevance to the profitability or liquidity of the Company.

The Board coordinates the strategic orientation of the Company with the Supervisory Board and discusses the status of the implementation of the strategy at regular intervals with this Board. The Supervisory Board meets at least four times per financial year.

#### **Transparent Information Policy**

Raiffeisen Centrobank attaches considerable importance to open and transparent communication with its shareholders and other stakeholders. To this end, it provides extensive information on its web site:

- » Press releases, key data
- » Shareholder structure
- » Downloadable annual reports in PDF format
- » Downloadable securities prospectuses in PDF format
- » Downloadable Raiffeisen Centrobank stock analyses and product brochures in PDF format, etc.

#### **Criteria for the Independence of the Supervisory Board Members for the Purposes of the Austrian Code of Corporate Governance**

A Supervisory Board member is considered to be independent when he or she is not in any business or personal relationship with the Company or its Board that could cause a material conflict of interest and that could therefore influence the behaviour of the Board member.

The Supervisory Board of Raiffeisen Centrobank applies the following guidelines when setting the criteria for determining the independence of a Supervisory Board member:

- » The Supervisory Board member shall not have served as a member of the Board or as a management-level employee of the Company or one of its subsidiaries in the past five years.
- » The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the Company or one of its subsidiaries to an extent of significance for the member of the Supervisory Board.
- » The Supervisory Board member shall not have served as auditor of the Company, have owned a share in the auditing company or have worked at the auditing company as an employee in the past three years.
- » The Supervisory Board member shall not be a member of the managing board of another company in which a member of the Board of the Company is a supervisory board member.
- » The Supervisory Board member shall not be a close relative (direct offspring, spouse, life partner, parent, uncle, aunt, sister, niece, nephew) of a member of the Board or of persons who hold one of the aforementioned positions.

All members of the Supervisory Board of Raiffeisen Centrobank are independent according to the defined criteria for independence.

## Compliance and Code of Conduct

Raiffeisen Centrobank fully applies the Standard Compliance Code that was developed by the Austrian banking industry as the basis for its business activities, in particular in the areas of trading financial instruments, providing investment advice, asset management, issuing securities, financial analysis, public relations work and marketing, and in many cases goes above and beyond the standards defined in this code and in the national and European regulations (MiFID). To this end, a code of conduct was put in place by the Group compliance office as a binding set of rules for ethical behaviour in accordance with the highest standards in all business dealings.

This code of conduct stipulates zero tolerance for any form of bribery or corruption and also contains principles for interaction with customers, business partners and co-workers and for how sensitive areas of business are to be handled.

### Group Compliance

Raiffeisen Bank International AG bears responsibility for Group compliance issues, and as a subsidiary of this company, Raiffeisen Centrobank is required to report to this company on its fulfilment of the Group compliance requirements.

The Group compliance office attaches considerable importance to maintaining close, regular contact between the Compliance Officer and the Chief Executive Officer and Board as a whole, among other reasons to ensure the best possible awareness of the principles of the code of conduct at all levels of Raiffeisen Centrobank. To this end, the group compliance office specifically requires that the Compliance Office be strategically involved at all operational levels in such a way that ensures that compliance requirements are met optimally in all areas of the Company and that they can therefore be fulfilled in a systematic and sustainable manner. One result of these efforts is the fact that the Chief Executive Officer regularly informs the staff of compliance requirements herself.

In keeping with the business orientation of Raiffeisen Centrobank, the Compliance Office focuses its compliance activities on the Bank's core areas of business.

### Review of the Execution Policy

Raiffeisen Centrobank has created an internal manual that describes its organisational structure and the processes associated with customer and proprietary trading in detail. All employees in the securities department have specifically undertaken to implement the execution policy requirements specified in this manual to the best of their ability.

This not only makes it possible to preclude potential conflicts of interest in advance, but also to effectively verify compliance with the execution policy on a continual basis for the benefit of the customers of Raiffeisen Centrobank. To this end, the Compliance Office randomly selects a number of relevant trades that were executed for customers each week and reviews these trades on the basis of relevant criteria such as correct time of

execution, correct place of execution, best possible total fees, the obtainment of necessary approvals from the customer, etc. Whenever deviations are discovered, the reasons for them are analysed and remedial action taken.

The execution policy is also reviewed regularly in this connection and revised when necessary (for example when new exchanges are added as permitted places of execution).

#### **Preventing Market Abuse**

Raiffeisen Centrobank has implemented organisational measures to prevent insider trading (including information barriers) and internal guidelines for handling insider and insider-relevant information (compliance manual). Raiffeisen Centrobank provides regular training for its staff in connection with these measures and monitors the fulfilment of all relevant requirements. For example, employees in areas protected by information barriers are regularly sensitised on the handling of insider and insider-relevant information to ensure the best possible protection of this information on a strict “need to know” basis through the organisational, spatial and personnel-related separation of different functions within the Bank.

All transactions for the benefit of employees of Raiffeisen Centrobank must be approved by the Compliance Office in advance. Employee accounts held at other banks are also monitored on a regular basis to ensure compliance with the requirements for employee transactions; other banks are specifically released from their legal banking secrecy obligations vis-à-vis Raiffeisen Centrobank for this purpose.

These legal requirements are further strengthened by a series of binding work instructions for employees.

#### **Conflicts Register and Trade Monitoring**

The constant updating and review of the conflicts register and the monitoring of trading activity to prevent market manipulation and the abuse of insider information supplement the measures described above and, together with the ongoing monitoring of the execution policy, ensure that customer interests are protected to the highest possible degree at all times. Among other things, major customer orders are identified systematically and analysed with the help of computer systems to find any correlations with employee and proprietary trades. All exchange transactions are also monitored to identify any undesired counter-trades.

#### **Transparent Communication and Reporting**

The Compliance Officer is completely autonomous and communicates constantly and through institutionalised channels with the Board of Raiffeisen Centrobank. A comprehensive report about all compliance activities and the results and findings of these activities is submitted directly to the Board and Supervisory Board of Raiffeisen Centrobank and to the Group compliance office of Raiffeisen Bank International AG once per year. The Compliance Officer submits a personal report to the Supervisory Board of Raiffeisen Centrobank once per year.



**Mag. Gerald Deimel**

Head of Legal, Compliance & Tax  
Compliance Officer

## Certificates – the High Fliers 2010

### Investment products with capital protection

#### Guarantee Certificates

Guarantee Certificates enable investors to invest into stock or commodity markets with 100% capital protection at the end of the term. Depending on the type of certificates, investors participate either in the performance of the underlying or generate yield with coupons.

### Investment products without capital protection

#### Discount Certificates

Discount Certificates are traded at a discount; i.e. the certificate's price is lower than the strike. The difference serves as a risk buffer. The profit is limited by a pre-defined cap.

#### Reverse Convertible Bonds

Reverse Convertible Bonds have a high fixed interest rate which is paid out at the end of the term regardless of the performance of the underlying. Redemption (100% nominal value or shares or the appropriate cash amount) depends on the performance of the underlying

#### Bonus Certificates

As long as the underlying quotes above the barrier the bonus amount is paid out in the amount of the bonus level or the corresponding higher amount. Any cap represents the maximum payout.

#### Express Certificates

Express Certificates usually have a term of several years. Each year investors have the opportunity for early redemption of the invested capital plus an attractive yield provided that the underlying does not undercut a pre-determined payout level at any of the observation dates.

### Index and Participation Certificates

Index and Participation Certificates enable investors to participate 1:1 and open-ended in the performance of the underlying.

### Leverage products without knock-out

#### Warrants

Warrants qualify for speculative investors as they react above average to the performance of the underlying. Due to their leverage effect investors may generate high percentage profit at low capital expenditure but as well considerable losses.

### Leverage products with knock-out

#### Turbo Certificates

Turbo Certificates provide the opportunity to invest with a leverage effect. Since they have a knock-out barrier Turbo Certificates are solely recommended for experienced investors with a high risk appetite.

## The Raiffeisen Centrobank in eight floors ...

It is a time of change for the sector in general and even more so for Raiffeisen Centrobank. While the former is in a process of change, Raiffeisen Centrobank is today member of a new group: Raiffeisen Bank International – same family, but in a new context. And this is the ideal time to formulate who the equity house of Raiffeisen Bank International is – in the briefest and most condensed form that we could think of:

**the elevator pitch.**



### 8<sup>th</sup> floor

IT & ORGANISATION

### 7<sup>th</sup> floor

CONTROLLING & RISK MANAGEMENT

### 6<sup>th</sup> floor

RAIFFEISEN INVESTMENT AG

### 5<sup>th</sup> floor

PRIVATE BANKING

### 4<sup>th</sup> floor

COMPANY RESEARCH

### 3<sup>rd</sup> floor

EQUITY CAPITAL MARKETS

### 2<sup>nd</sup> floor

STRUCTURED PRODUCTS

### 1<sup>st</sup> floor

EQUITIES & DERIVATIVES





\*

## **1<sup>st</sup> floor**

### Equities & Derivatives

We have been the largest market maker on the Vienna Stock Exchange for years, are a leading specialist for equities in Austria and CEE, and have access to all relevant financial centres in Emerging Europe either directly or through our banking group.



**\* Wilhelm Celeda**  
Head of Equities & Derivatives

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\*

## **2<sup>nd</sup> floor**

### Structured Products

With over 3,500 listed certificates and warrants at last count, we are the largest domestic issuer of structured products and a pioneer in the certificates business in Eastern Europe.



**\* Heike Arbter**  
Head of Structured Products

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## Leading equities specialist for Austria and CEE

### 01

*What does the Equities & Derivatives department do at Raiffeisen Centrobank?*

Our department concentrates on the equity markets in Austria and CEE, placing equal focus on sales and trading for equities and for derivatives. We have been the largest market maker on the Vienna Stock Exchange for many years and have direct access to numerous exchanges in Central and Eastern Europe. We also offer our customers access to virtually all European and North American stock exchanges, in many cases through automated order routing. With over 3,5000 warrants and certificates, we are a leading issuer in Austria and CEE.

### 02

*What in particular sets you apart?*

In traditional equities selling to national and international institutional investors, we continuously update our detailed analyses to account for current market events and advise our customers in the way that best meets their specific needs. In Vienna, our department's staff are truly experts on our region. We know the individual characteristics of each market, speak the local language and use the advantages offered by the presence of our bank group at all relevant financial centres in Emerging Europe.

### 03

*How was 2010 for you?*

As expected, investment activity in 2010 did not yet reach pre-crisis levels. We did see a clear upward trend for stock prices and customer transaction volumes, especially in the last quarter. An important factor in this was the only two capital market transactions in Austria during the year (Verbund and EVN). We expect that this trend will continue in 2011.

### 04

*What were the highlights of the past year in your opinion?*

Market activity over the entire year was driven by two contrasting influences: risk potential from sovereigns and continuously improving corporate results. At the bottom line, stocks came out ahead and enjoyed higher prices – in line with the old adage “the market is always right”.

### 05

*What are your expectations for 2011?*

The merger of Raiffeisen Zentralbank and Raiffeisen International to form the new Raiffeisen Bank International will bear its first fruits in 2011. The increased coordination within the Group will boost efficiency. Cooperation with the local Raiffeisen banks and the associated definition of common focuses in equities research and also in serving institutional customers should lead to increased sales. The equity markets in our region are becoming more and more important, and in line with this, we will already be covering more Polish stocks than Austrian stocks starting in the first quarter of 2011.

STRUCTURED PRODUCTS / HEIKE ARBTER

## A pioneer for certificates in Eastern Europe

### 01

*What does Structured Products do at Raiffeisen Centrobank?*

Structured Products is responsible for the certificate platform of Raiffeisen Centrobank and handles the structuring, issue, trading and marketing of certificates to customers in Austria and abroad. Our product range includes all standard certificate types (guarantee, index, bonus and discount certificates as well as reverse convertible bonds and leverage products), with a focus on Austrian, Eastern European and selected international stocks and equity indices plus commodities. With over 3,500 publicly offered certificates and warrants at present, we are the largest Austrian issuer and an important player on the Eastern European market.

### 02

*What in particular sets you apart?*

We are not only the largest Austrian issuer of certificates, but also the only Austrian full-range provider. Many years of experience and the pioneering role it has played with certificates in Austria and Eastern Europe distinguish Raiffeisen Centrobank in particular. Its milestones include the establishment of the certificate segment on the Vienna Stock Exchange, the first certificate listing of a foreign issuer on the EUWAX in Stuttgart and becoming the only Austrian issuer to be listed in Frankfurt (Scoach). Raiffeisen Centrobank's commitment has also taken it to the Eastern European markets, where it was the first certificate issuer to list products on the exchanges in Prague, Warsaw, Budapest and Bucharest.

### 03

*How was 2010 for you?*

The year 2010 turned out to be better than expected, both in terms of earnings and certificate sales volume. A substantial 61 per cent increase in certificate sales (as of the end of November 2010) compared to 2009 shows just how successful our strategy of offering a broad product range is. Bonus certificates with low barriers, which were launched on the market in autumn, proved to be especially popular.

### 04

*What were the highlights of the past year in your opinion?*

We are especially proud of our overall win at this year's Certificates Award Austria (May 2010, Vienna) and our victory in the category of Best in Central and Eastern Europe at the Structured Products Europe Awards of Excellence (November 2010, London). The first-time listing of certificates on the Bucharest Stock Exchange and the expanded certificate listings on the exchanges in Prague, Warsaw and Budapest were also particularly satisfying. Bonus certificates proved to be very popular with investors as yield generators in 2010, performed very well in the portfolios, and brought increased revenues in nearly all customer segments. As the chairman of the national certificate association Zertifikate Forum Austria, I made considerable progress in the creation of uniform product classifications for certificates.

### 05

*What are your expectations for 2011?*

The acceptance of certificates as ideal instruments for managing and optimising portfolios will continue to grow in 2011. In terms of marketing, a distribution initiative with the Raiffeisen Network Units in Central and Eastern Europe is expected to generate healthy sales. The introduction of the new tax on price gains will eliminate the present tax disadvantage of certificates in Austria, and should also help to boost certificate sales.





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## **3<sup>rd</sup> floor** Equity Capital Markets

With many years of experience in structuring and completing national and international stock transactions, we are one of the leading ECM advisors in Austria and Central and Eastern Europe.



\* **Birgit Kuras**  
Head of Equity Capital Markets

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## **4<sup>th</sup> floor**

### Company Research

The strength of our award-winning stocks research comes from the unique way in which we combine the local expertise of our on-site analysts with that of experienced sector specialists in Vienna.



**\* Stefan Maxian**  
Head of Company Research

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## A leading ECM advisor in Austria and CEE

### 01

*What does Equity Capital Markets do at Raiffeisen Centrobank?*

The Equity Capital Markets (ECM) department covers one of the traditional core areas of business of an investment bank and is responsible for the structuring and execution of equities transactions, including preparations and accompanying services for initial public offerings, capital increases, secondary public offerings and block trades. Another focus of activity for us is advisory services for companies with regard to listings, acquisitions and restructuring.

### 02

*What in particular sets you apart?*

Above all over twenty-five years of experience in the structuring of equity transactions, especially through participation in all major transactions in which RZB/RCB has been involved as well as in all Austrian privatisation projects and in analysis. The in-depth knowledge of companies in Austria and CEE that is absolutely vital for the business of ECM is based above all on the ongoing, long-term service we provide to them and on the extraordinarily comprehensive industry expertise of our Bank.

### 03

*How was 2010 for you?*

Despite continued scepticism about the stability of the financial markets, 2010 was an extremely positive year for ECM. While Austrian companies still held off with IPOs, a large number of domestic firms conducted capital increases in which RCB played a leading role. We also demonstrated our expertise in the course of international transactions and positioned ourselves successfully outside of the Austrian market.

### 04

*What were the highlights of the past year in your opinion?*

ECM played an important role in the capital increases conducted by the two most important power utilities in Austria, namely as the joint bookrunner and joint lead manager for EVN AG and as the joint lead manager for Verbund AG. Both transactions were concluded successfully thanks to efficient structuring and the generation of high investor demand. Another highlight of the year was participation in the capital increase of Deutsche Bank, as was the mandate for the placement of the convertible bond of the Russian firm Petropavlovsk plc.

### 05

*What are your expectations for 2011?*

In line with the positive capital market conditions that we are expecting and the adequate liquidity on the market, we expect to see a number of capital increases and an upswing in IPOs in the coming year, not only in Austria but also in our other core markets. We are especially proud to be the only Austrian bank to receive mandates for the IPOs of two Russian firms (OAO EuroSib Energo and OAO Chelyabinsk Tube-Rolling Plant).

COMPANY RESEARCH / STEFAN MAXIAN

## Strength through the combination of local expertise and sector specialists

### 01

*What does Company Research do at Raiffeisen Centrobank?*

Above all, we hopefully make a good impression because we have a high public profile! Company Research is responsible for the analysis and valuation of Austrian and Central and Eastern European stocks. The results of this work are made available to institutional customers through a wide range of research products (company reports/updates, dailies, weeklies, sector reports, first impressions, the web portal etc.) as well as through road shows and client calls to assist them with their investment decisions. We currently cover over 100 stocks in nine countries, and plan to expand our coverage further, especially in Eastern Europe.

### 02

*What in particular sets you apart?*

Our strength comes from the unique way in which we combine the local expertise of our on-site analysts with that of economists in the Raiffeisen Group and experienced sector specialists in Vienna. We pursue a fundamental approach in our analyses and apply a detailed planning model to each stock. We also maintain close contact with the management and investor relations officers of the companies that we cover.

### 03

*How was 2010 for you?*

We had a very successful year. We definitely reached our goal of providing more comprehensive and faster information for investors with a record number of updates (plus 12% to 377). We especially boosted our research competence in Poland and added eight new stocks to our coverage universe. The top rankings that we have achieved time and again over the past years show that we are successfully fulfilling our mission of providing our customers with well founded research of the highest quality.

### 04

*What were the highlights of the past year in your opinion?*

The outstanding performance delivered by our recommendations (number one in Austrian stocks according to boerseexpress Analystwatch, number three in the StarMine ranking for CEE, top-three rankings from Bloomberg for more than one third of our universe), good timing especially for technology and financial stocks, research into numerous capital market transactions, in particular utilities, and clearly measurable increases in customer and service orientation throughout the department.

### 05

*What are your expectations for 2011?*

We expect relatively good economic conditions but continued uncertainty with regards to the peripheral eurozone countries, relatively low interest rates in Europe and the USA, and increasing interest rate fears in China. In operational terms, we have again set ambitious goals for ourselves. We want to significantly expand our coverage, especially in Poland and Russia, and are planning to further improve our customer proximity and time to market.





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## **5<sup>th</sup> floor** Private Banking

We offer individual investment consulting according to the highest criteria of quality, with our advantage of calling on the resources of the entire Raiffeisen Group.



**\* Gerhard Grund**  
Member of the Executive Board, Private Banking

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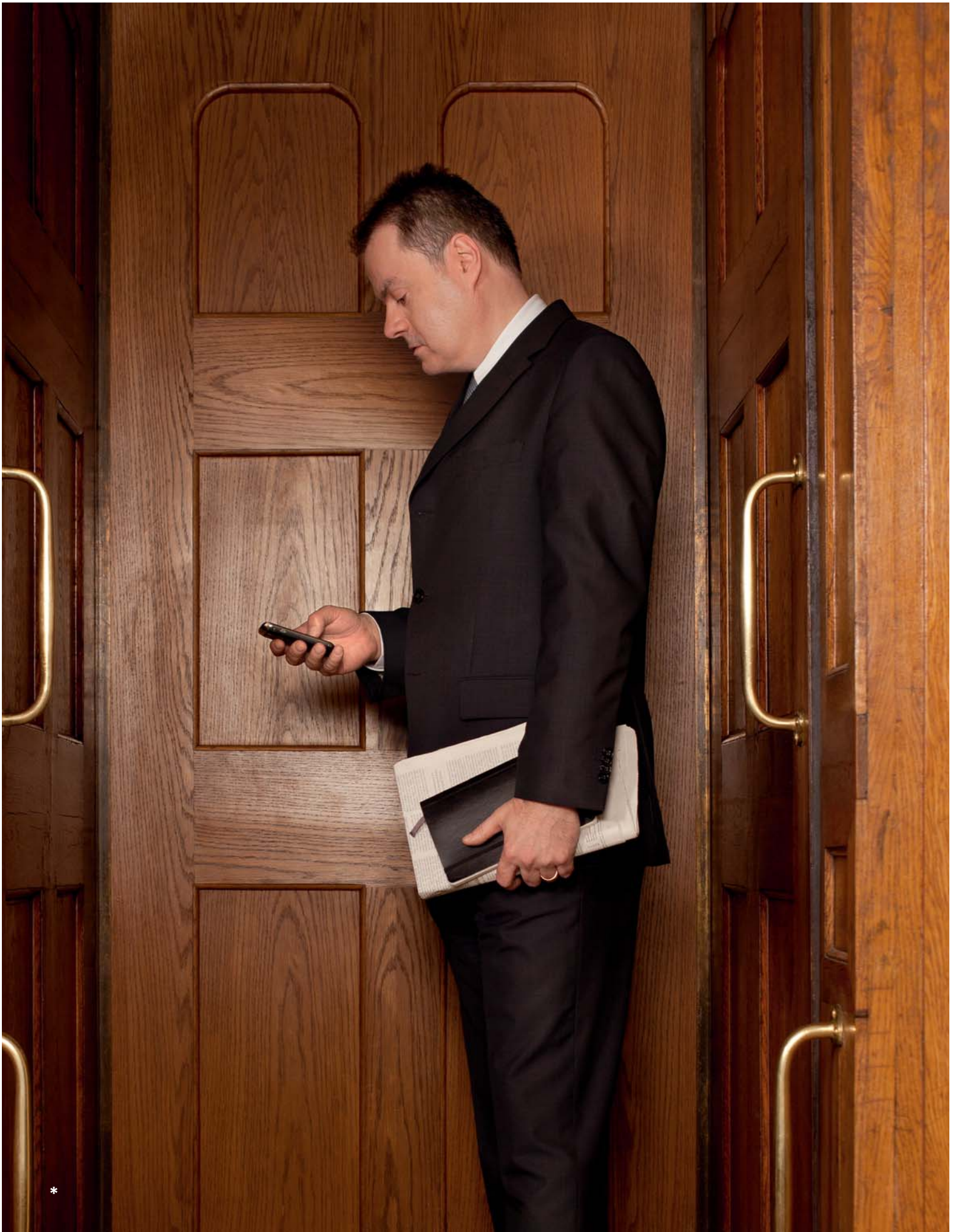
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## **6<sup>th</sup> floor** Raiffeisen Investment AG

As a leader in the M&A segment in Central and Eastern Europe, we advise international companies and organisations as well as governments in connection with acquisitions and privatisations through our local teams.







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## **7<sup>th</sup> floor**

# Controlling & Risk Management

For our work, it is essential that we understand the business and know what drives a risk position. Together with the mathematical and statistical risk tools that we use, this understanding forms the basis for successful risk management.



## We emphasise freedom of product-choice and highly individualised portfolio management

### 01

*What does Private Banking do at Raiffeisen Centrobank?*

We offer individualised investment advice following the highest quality standards, calling on the resources of the entire Raiffeisen Banking Group. Our private banking services focus on the three pillars of brokerage, advisory and portfolio management. We currently manage assets of roughly EUR 1.7 billion, with the majority of these assets being covered by advisory mandates from our over 600 customers.

### 02

*What in particular sets you apart?*

In brokerage, we have one of the largest domestic trading departments and are linked up with a number of renowned Eastern and Western European stock exchanges. Our customers value the fact that deals are generally executed and posted within just a few minutes after they are placed. In serving our customers with buy and sell recommendations on a day-to-day basis, we see our greatest strength in our advisory mandates. In portfolio management, we focus on highly individualised management and do entirely without standard portfolios as designed for traditional investor typologies. We attach considerable importance to “product freedom”, which clearly distinguishes us from our competitors and enables us to offer our customers substantial added value.

### 03

*How was 2010 for you?*

I am happy to say: better than we all expected. We took a rather conservative investment policy approach in the first half of the year, but staying true to our customer philosophy of “preserving existing asset value and generating risk-adequate returns on this basis” proved to be the right path in the end. Despite the crisis, we did not lose a single customer. Last year made it clear again that proximity to the customer and a continuous flow of information are the best tools for navigating safely through challenging times.

### 04

*What were the highlights of the past year in your opinion?*

One is definitely the fact that our customer portfolios generated strong positive performance. Our success in 2009 continued seamlessly into 2010. In private banking, we significantly expanded our offerings for internationally active customers. Especially our custom-tailored certificates brought exciting growth and enormous business volume increases with this customer group.

### 05

*What are your expectations for 2011?*

We expect volatility to remain high, so we will have to continue working very hard to give our customers the best possible advice. We are confident that we are on the right path with our proactive approach based on comprehensive, high-quality customer service and made-to-measure investment solutions. And we are optimistic that we will see substantial growth, above all with internationally active customers. Our integration in a highly professional investment bank will continue to be a decisive advantage. Close collaboration with our network banks will also make a key contribution to good business growth. As far as asset allocation is concerned, we think that long-running bonds should be avoided and that high-dividend blue chips will continue to be attractive.

RAIFFEISEN INVESTMENT AG / WOLFGANG PUTSCHEK & MARTIN SCHWEDLER

## A leading player in the field of M&A in Central and Eastern Europe

### 01

*What does Raiffeisen Investment AG do at Raiffeisen Centrobank?*

Raiffeisen Investment AG (RIAG) is a wholly owned subsidiary of Raiffeisen Centrobank. We advise international companies and organisations as well as governments in connection with mergers, acquisitions and privatisation projects from the perspective of the buyer and the seller. We also advise our clients in the arrangement of financing (equity and debt) for various projects.

### 02

*What in particular sets you apart?*

RIAG can access extensive industry know-how through its sector teams. Thanks to our local teams in eleven countries, we can also guarantee expertise and specific market knowledge for the regions that we cover. We collaborate exclusively with Lazard, one of the world's best and largest global investment banks. In this, our customers profit from the combined resources of these two firms. This collaboration enables us to offer our customers corporate finance advice of unparalleled regional depth and breadth combined with a global approach and global sector know-how.

### 03

*How was 2010 for you?*

After two challenging financial years, we saw the first signs of a gradual recovery in the M&A segment. Our order intake rose substantially from July/August onwards, as did the number of potential new mandates. We processed a total of twenty-five transactions with a volume of roughly EUR 10 billion in 2010. Even though the crisis impacted our business in the region, we were able to increase our market share and are one of the top three M&A firms in CEE according to the Mergermarket league tables (target/sellers).

### 04

*What were the highlights of the past year in your opinion?*

Of the M&A transactions during the year, we are especially pleased by our business in Turkey, which was already running well in 2009. Together with Lazard and McKinsey, Raiffeisen Investment is advising the Turkish government in connection with the privatisation of its electricity utilities. The mandate covers the privatisation of nineteen companies over a period of several years. This transaction is the largest and most extensive privatisation mandate in the history of the energy sector in Southeastern Europe. In Russia, another important market, the merger of Danone and Unimilk, one of the largest dairy groups in Russia, also resulted in a particularly notable transaction. Raiffeisen Investment and Lazard advised the purchaser in this transaction, which was closed at the end of November and came to a volume of just under EUR 2 billion.

### 05

*What are your expectations for 2011?*

The project pipeline is considerably fuller than at the end of 2009, not only in terms of the number of mandates, but also in terms of their size and scope. In line with this, we are expecting a number of closings in the first and second quarters of 2011. We should see major transactions in the segments of consumer goods, energy and financial institutions in our most important markets, Turkey and Russia. Several specific projects in Southeastern Europe should also make a significant positive contribution to our earnings.

## Professional risk management also in turbulent times

### 01

*What does Controlling & Risk Management do at Raiffeisen Centrobank?*

Our department consists of four groups: Controlling Securities monitors the positions, valuations and limits in securities trading. Controlling & Reporting General is responsible for budgeting and (IFRS) reporting to the Group. Limit Management is primarily responsible for managing the credit risk limits and is involved in the daily collateral management process. Risk Management directs the process for managing overall bank risk on the basis of analyses of the current risk situation, taking the overall risk-bearing capacity of the Bank into account.

### 02

*What in particular sets you apart?*

I am proud to be able to work with highly qualified, team oriented and motivated colleagues who saw the importance of establishing Controlling & Risk Management as a valuable and recognised function within the Bank in line with our broad understanding of our role. For us in Risk Management, it is essential that we understand the business and know what drives a risk position. Together with the mathematical and statistical risk tools that we use, this understanding forms the basis for successful risk management.

### 03

*How was 2010 for you?*

The year 2010 was challenging but also successful for the Bank and our department. We made significant progress in important areas such as stress testing and the refinement of the Value-at-Risk model. Substantial resources were also invested in expanding the proven Monte Carlo model to allow structured and complex products to be priced quickly and reliably in line with ongoing developments.

### 04

*What were the highlights of the past year in your opinion?*

The sovereign debt crisis certainly held sway over the markets during the year. Thanks to its risk-aware approach and low exposure to the crisis countries, the Bank saw no substantial losses from credit risk or market risk despite the difficult conditions.

### 05

*What are your expectations for 2011?*

We expect the heated debate surrounding the sovereign debt crisis to continue in Europe, especially with regards to the European rescue package for the ailing eurozone countries and the need that is becoming apparent to centralise debt issuance (Euro bonds), which has been executed at the national level up until now. Despite the cumulative effects of the upcoming regulatory changes for Europe as a whole (capital requirements, rules for system-relevant banks, liquidity regulations, leverage ratios, a new market risk regime, the regulation of OTC markets, the regulation of derivatives transactions, Solvency II for insurance companies) and independent national measures (bank tax), we expect 2011 to be a successful year for us as part of a successful banking group and thanks to our strengths.



IT &amp; ORGANISATION / GÜNTER VÖLKER

## IT-suits tailor-made by specialists

### 01

*What does IT & Organisation do at Raiffeisen Centrobank?*

The IT & Organisation department is a central business enabler for the ideas of the front-end departments at Raiffeisen Centrobank. A small, highly qualified team of specialist developers works to continuously tailor all important IT systems to the particular needs of our Bank. We also operate these systems ourselves at two state-of-the-art data centres.

### 02

*What in particular sets you apart?*

Our bank consciously decided not to follow the general trend towards outsourcing IT services. Today, this decision has made it much easier for us to achieve the shortest possible time to market when implementing new IT requirements while at the same time ensuring the best possible quality and security of our tailored IT solutions. Our employees are not only IT specialists, they also have a deep understanding of banking business, and that is a decisive advantage for our Bank.

### 03

*How was 2010 for you?*

In operational terms, we are happy to say that nothing spectacular happened during the year. The IT systems ran very stably and met the Bank's high performance expectations. The projects in which IT is involved (most of the projects in the Bank) were completed on time with few exceptions. As far as development work is concerned, a focus in 2010 was on the modernisation of our internal accounting system, especially in connection with the new reporting requirements for Raiffeisen Bank International AG.

### 04

*What were the highlights of the past year in your opinion?*

We became the first foreign member of the Ljubljana Stock Exchange (LJSE) in Slovenia, and began remote trading on the LJSE simultaneously with its conversion to the XETRA trading system. We moved our backup data centre, a fully functioning 100 per cent mirror of our main data centre, to a new site to ensure the best possible quality and operational security for our infrastructure while also offering considerably more space reserves for future requirements. And we also provided new institutional customers with direct market access in line with RCB's top quality standards.

### 05

*What are your expectations for 2011?*

We will be relaunching our web site with a new design and also a series of new functions for our customers and customer advisors. And we will be providing custom apps for all popular smartphones to better serve our mobile users. We will be supporting the Blackberry, iPhone, iPad and Android operating systems. The internal workstation infrastructure is being migrated to Microsoft Windows 7 and Office 2010. And in terms of IT security, we will be focusing more strongly on identity management, central provisioning and access governance. We will also continue providing intensive support for our risk management in 2011. The biggest unknown right now is how much effort will be required to process the new tax on price gains. This will certainly be a big focus in 2011.



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## **8<sup>th</sup> floor** IT & Organisation

Our team of specialists tailors IT systems of the highest quality and according to the highest security standards to ensure the shortest possible time to market.



\* **Günter Völker**  
Head of IT & Organisation

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## **Group Management Report** for Raiffeisen Centrobank AG for the 2010 financial year

The Raiffeisen Centrobank Group refers to the corporate group of Raiffeisen Centrobank AG. The parent company is designated as Raiffeisen Centrobank. In the summing-up of rounded amounts and percentages, the application of automatic calculating devices could result in rounding-off differences. Information on percentage changes refers to the actual and not to the rounded-off figures. All designations that are used to refer to persons in this report apply equally to both genders unless reference is being made to a specific individual.

## Economic Environment

Financial analysts summed up the year 2010 with the headline “economic surprise trumps debt crisis”, and it is likely that two topics will remain the determining factors for the economy in the coming months: the debt crisis in the eurozone and the (continuing?) positive development of the economy.

### Economy

At the close of the 2010 financial year, it seems that the global economy has come out of the worst recession the world has seen in over sixty years. But the pace of the recovery was uneven, both overall and in the fourth quarter of the past year. Some economies, among them Germany, the USA and Poland, showed substantial growth while others, including the Euro countries in Southeastern Europe and Romania, were slow to recover or even saw further contraction. While the first quarter was very positive with healthy growth impulses, the worsening of the debt crisis in the eurozone and general uncertainty about the development of the global economy dampened the budding euphoria as the year progressed. Surprisingly good growth figures in the second quarter brought some relief, and after fears of a double dip abated in the third quarter, the fourth quarter was very smooth and the performance for the year as a whole satisfying overall.

Volatility on the equity and bond markets (the latter despite continued low interest rates) during the year was clear evidence of uncertainty on the capital markets about the further development of the world’s economies, though risk margins did nar-

row considerably as the year wound down. It seems that uncertainty about growth projections in different parts of the world is still a determining factor in this trend. GDP estimates are still being raised in countries including the USA and Germany, but conditions remain very inconsistent in the eurozone. The sovereign debt crisis and especially the high need for refinancing will be a key driver, and the financial markets will no longer accept inadequate budget cuts.

Fears that investors will eventually have to bear part of the restructuring burden is depressing bond prices, not only for the directly affected PIGS states. The markets have found the steps taken to date to be half-hearted because bailout facilities alone will not make the debts disappear. Despite this scepticism, a general consensus seems to have formed in the last months of the year that the economy will not slip into another recession. The markets have realised that there has to be an explicit trigger, an exogenous shock like the subprime crisis, for an economy to slide into a recession.

However, rising energy prices have pushed inflation projections for 2011 to over 2 per cent in most cases. Together with higher inflation and the brightening economic outlook, the prospect of key interest rate hikes is causing yields to climb. With the economy improving, the ECB feels that its monetary policy is too expansive and is likely to raise its refinancing rate further to 2 per cent by the end of 2011. Interest rate hikes and the expiration of the expanded credit measures can be seen as part of the monetary policy normalisation process.

Conditions in CEE are essentially the same as in the USA and the eurozone, but growth will generally be at a higher level. As in the eurozone, growth in the region is inhomogeneous. While Russia and Ukraine will see their economies expand by as much as 5 per cent this year, the Balkan states are still in a recession, and countries like Poland are already seeing conditions similar to those in the core EU countries.

### Equity markets

Against this backdrop, the equity markets that are relevant for Raiffeisen Centrobank generally reflected the pervasive uncertainties about the further course of the economy and did not perform consistently over the course of the year. A positive overall trend in annual comparison did not crystallise until the end of the year. In the dominant US market, the Dow Jones closed the year with a gain of 11 per cent, while Japan saw a loss of 3 per cent. Performance was also varied in Europe. While the Eurostoxx 50 (R) fell by 6 per cent, the DAX gained 16 per cent as Germany's vigorous exports and a stronger US dollar enabled the country to buck this trend. The Austrian market gave up the gains it made at the beginning of the year, recovered after more substantial losses, rallied at the end of the year (in part due to the new tax on price gains) and closed with an overall performance of plus 16 per cent. Conditions in the CEE countries (CECE plus 15 per cent) and Russia (plus an impressive 23 per cent) were also encouraging.

Over the course of the year, the easing of fears about the further development of the international financial markets and the debt crisis in Europe was most apparent in the Euro exchange rate. After falling to under USD 1.20 per Euro in the second half of the year, the common currency gained 10 per cent against the US dollar and closed the year at 1.34. In annual comparison, the Euro depreciated by roughly 5 per cent compared to the US dollar. As in past periods, however, this development had no influence whatsoever on interest rate policy, and all relevant central banks continued supplying the market with cheap liquidity. The key interest rate in the USA is still at a historic low near zero, and the ECB also kept the key interest rate for the eurozone at an all-time low of 1 per cent. As a result, benchmark yields in the USA and Europe settled in at very low levels of 2.5 and 2.3 per cent after brief rises. Over the reporting period, prices for ten-year government bonds in Euros and US dollars improved slightly, but yields rose considerably as the general conditions improved and came

in at 2.90 per cent for Euro bonds and 3.30 per cent for US dollar bonds at the end of the year.

After two challenging years, 2010 brought the first signs of a gradual recovery in the M&A business. A significant increase was seen in Turkey, Russia, Poland and Austria – the most important core markets of the Raiffeisen Investment AG Group – compared with 2009. Activity in the other CEE countries remained low in terms of the number of transactions and the volume of the transactions that did take place, but these markets also began picking up steadily in the fourth quarter of 2010.

### Commodity markets

The markets that are relevant for the commodity trading subsidiaries of the Raiffeisen Centrobank Group were solid and saw considerable price increases over the period. Rubber prices remained stable in the first half of 2010 and then rose significantly in the second half of the year as a result of robust demand and rather limited supply. The rubber price (TSR20), the single most important indicator for the development of the price of the physical product, rose from just under USD 2,900 per ton to roughly USD 4,900 per ton on the SICOM Singapore Commodity Exchange over the course of the year, a gain of roughly 70 per cent. The olefins that are traded by Centrotrade Chemicals correlated with the oil price, which also moved up steadily throughout the year.

## Business Development 2010

The recovery of the world economy after the deepest recession since the end of World War II continued in 2010, but the conditions on the international financial markets were impacted during much of the reporting period by uncertainties about how sustainable the recovery will actually be, especially in light of the substantial ballooning of public debt during the crisis. As a result, trading volumes on the exchanges were again well below the levels reached in 2007.

Even with these mixed conditions, Raiffeisen Centrobank Group enjoyed positive business development during the year. The group net profit for 2010 came to EUR 27.630 million, surpassing the result for the previous year by EUR 1.650 million or about 6 per cent. Raiffeisen Centrobank again made the largest contribution to this result and achieved a net income for the year in the amount of EUR 23.730 million (not including dividend income from fully consolidated subsidiaries). Next came the commodities trading subsidiaries with a contribution to group net profit of EUR 5.242 million, while Raiffeisen Investment AG and its subsidiaries closed the year with a loss.

A comparison of the individual earnings components shows lower net interest income, higher net fee and commission income and a lower other operating result in 2010 than in 2009. General administrative expenses increased moderately compared with 2009, while the trading profit remained stable.

The EUR 3.872 million decline in net interest income to EUR 4.841 million (previous year: EUR 8.713 million) can be attributed above all to the lower interest rate level brought about in 2010 by the significant key interest rate cuts, as well as to lower volumes. Net fee and commission income increased by EUR 4.911 million compared with 2009 to reach EUR 18.581 million (previous year: EUR 13.670 million). The year 2010 also brought the first major capital market transactions on the Vienna Stock Exchange since the outbreak of the crisis. Raiffeisen Centrobank played a leading role in all of these transactions through its ECM department.

The trading profit, which consists primarily of contributions from Raiffeisen Centrobank, amounted to EUR 43.227 million in 2010, stable in annual comparison (previous year: EUR 43.650 million). Declines in sales as a result of continued low trading volumes were offset by improvements in trading business, namely by one-off effects from the sale of securities whose fair values had fallen in prior years for credit rating reasons as well as by increased trading activities in compliance with the risk guidelines. All in all, the trading profit was considerably higher than in the previous reporting period.

The development of earnings, made up of net interest income, net fee and commission income, the trading profit and the net income from financial investments and the valuation result from derivative financial instruments, increased by EUR 0.846 million or roughly 1 per cent in annual comparison to EUR 67.031 million (previous year: EUR 66.185 million).

General administrative expenses increased by EUR 2.224 million or about 3.8 per cent from EUR 57.767 million in 2009 to EUR 59.991 million in the reporting period. This was primarily due to increased staff expenses at Raiffeisen Centrobank arising from higher allocations to provisions for bonuses and employee benefits and a general wage and salary increase in the collective bargaining agreement. Staff expenses at Raiffeisen Investment AG and its subsidiaries fell in the period.

The other operating result fell by EUR 4.234 million compared to 2009 and came to EUR 18.237 million (previous year: EUR 22.471 million). In the previous year, this item included income from the inclusion of negative differences arising from the first-time consolidation of five previously non-consolidated companies in the amount of EUR 4.603 million.

The profit before tax for the year came to EUR 25.336 million, roughly 18 per cent or EUR 5.499 million lower than in 2009. After income taxes, which amounted to EUR 2.294 million in the period (previous year: payment of EUR 4,855 million) due to an external tax audit and the resulting filing of tax adjustments for previous financial years not yet assessed at Raiffeisen Centrobank, the group net profit for the year came to EUR 27.630 million (previous year: EUR 25.980 million).

The balance sheet total increased by EUR 134.681 million compared to the end of 2009 to reach EUR 2,130.085 million. On the assets side, the most significant change was in the item "Trading assets" (roughly 75 per cent of the balance sheet total on 31 December 2010 and roughly 68 per cent on 31 December 2009), which rose by EUR 245.305 million to EUR 1,601.070 million. This change can be attributed to a rise in the volume and values of the fixed-interest securities reported under "Trading assets". The vast majority of the bonds purchased by Raiffeisen Bank International AG is held as collateral for the guarantee products issued by Raiffeisen Centrobank. The stocks, options and futures that are also reported under "Trading assets" serve as collateral for the issued certificates, options and short sales together with the bonds, or are part of the Bank's market maker activities.

Other increases on the assets side compared with the end of 2009 included "Other assets" (roughly 5 per cent of the balance sheet total on 31 December 2010 and roughly 3 per cent on 31 December 2009) and "Loans and advances to customers" (roughly 4 per cent of the balance sheet total on 31 December 2010 and roughly 3 per cent on 31 December 2009) by EUR 52.180 million to EUR 108.899 million and by EUR 33.986 million to

EUR 85.476 million, respectively. The increase in "Other assets" was above all the result of growth in loans and advances and the inventories of the commodity trading subsidiaries. The year-on-year increase in the item "Loans and advances to customers" is primarily due to higher loans to foreign corporate customers.

This development was offset in part by a decrease in loans and advances to credit institutions (roughly 13 per cent of the balance sheet total on 31 December 2010 and roughly 24 per cent on 31 December 2009), which fell by EUR 194.668 million to EUR 285.424 million. The biggest reduction was in interbank deposits at Raiffeisen Bank International AG.

Similar to the assets side of the balance sheet, the most significant change in the liabilities was in the item "Trading liabilities", which rose by EUR 204.288 million compared with the end of the prior year and came to EUR 1,742.127 million (roughly 82 per cent of the balance sheet total on 31 December 2010 and roughly 77 per cent on 31 December 2009). Trading liabilities consist primarily of the structured guarantee products issued by Raiffeisen Centrobank, including the well-known blue chip certificates, warrants and other certificates such as the turbo certificates on indices and individual stocks. The item also includes liabilities from short sellings in connection with the market making activities of Raiffeisen Centrobank.

The growth in trading liabilities compared with 2009 is the result of increased volumes and values of futures and listed warrants. The level of structured products fell, as a number of

instruments matured during the financial year. Please also see the comments on the development of the item “Trading assets” and the hedging relationships between these items.

The item “Liabilities to credit institutions” (roughly 3 per cent of the balance sheet total on 31 December 2010 and roughly 7 per cent on 31 December 2009) fell by EUR 79.926 million compared to the end of 2009 and amounted to EUR 63.800 million. The primary factor in this was the repayment of loans from foreign banks.

Because of increases in liabilities arising from non-banking activities (from goods deliveries and services) for the commodity trading subsidiaries, the item “Other liabilities” rose by EUR 12.808 million from EUR 27.469 million in 2009 to EUR 40.275 million in 2010 (roughly 2 per cent of the balance sheet total on 31 December 2010 and roughly 1 per cent on 31 December 2009). In contrast, the item “Liabilities to customers” fell by EUR 14.034 million to EUR 105,525 million (roughly 5 per cent of the balance sheet total on 31 December 2010 and roughly 6 per cent on 31 December 2009).

Including the group net profit for 2010 and the dividend payment for the 2009 financial year in the amount of EUR 18.995 million, the consolidated equity increased by EUR 9.537 million from EUR 118.013 million at the end of 2009 to EUR 127,550 million.

## Review of Business Segments

### Banking Segments

#### Securities Trading & Sales and Treasury

Against the backdrop of the market conditions described in the section Economic Environment and taking into account the low level at which trading volumes on the financial markets have stagnated around the world, this segment achieved a very pleasing result in the reporting period. While brokerage income grew only moderately, especially with institutional customers, trading income was increased substantially within the bounds of the specified limits. The result for 2010 includes profits from the sale of securities whose fair values fell in prior years for credit rating reasons. Aside from this, the segment result developed consistently over the individual months, and about half of it was achieved each in the first and second halves of the year.

A regional breakdown of the segment result shows that it was generated primarily in Austria and the EU countries, as in 2009. However, the share generated in the CEE region more than doubled in annual comparison, both in relative terms and its absolute amount.

As far as the risk parameters are concerned, market risk resulted in no negative effects for the segment overall again in the reporting period. No significant costs were incurred in connection with operational or credit risk, either.

The market share in equities trading on the Vienna Stock Exchange developed well. With a record share of 9.3 per cent in September, Raiffeisen Centrobank became the leading player on the exchange for the first time since 2002. For the year as a whole, the Bank came in third place with a market share of 7.4 per cent (previous year: 6.6 per cent), an increase of roughly 12 per cent. This trend was also accompanied by an encouraging

increase in the absolute transaction volume executed by the Bank on the Vienna Stock Exchange of approximately 16 per cent to EUR 5.6 billion (2009: EUR 4.8 billion). In this connection, it is worth mentioning that the total trading volume on the Vienna Stock Exchange was roughly 60 per cent lower in 2010 than in the peak year of 2007, in line with the conditions on other markets in the region, and that Raiffeisen Centrobank and Erste Bank are the only two Austrian banks among the top ten players on the exchange.

Raiffeisen Centrobank stabilised its position in trading Austrian derivatives, and was one of the top three during the year with a share of more than 20 per cent of the overall market. Together with its trading in warrants and structured products, the Bank maintained its market leadership in the segment for equities derivatives in Austria. Raiffeisen Centrobank was again at the head of the pack in trading Eastern European derivatives on the futures market of the Vienna Stock Exchange with a market share of roughly 40 per cent.

The Bank also successfully defended its position as the largest market maker and specialist on the Vienna Stock Exchange by again winning nearly 50 per cent of the mandates granted in the auction in April 2010.

In addition to being admitted on the exchange in Vienna, all structured and derivative products issued by Raiffeisen Centrobank are also admitted for trading on the main marketplace, the leading European derivatives exchange in Stuttgart. The volume of Raiffeisen Centrobank products traded on the Stuttgart securities exchange rose in line with the higher level of issues in financial year 2010, but was still at a historically low level.

In the third quarter, the innovative Bonus&Safety, a series of bonus certificates with a large barrier margin, were a huge success and the second largest issue in the history of the Bank. The local listings on Eastern European exchanges were also

expanded in the reporting period. In addition to Warsaw, Prague and Budapest, Raiffeisen Centrobank certificates were listed in Bucharest for the first time.

In order to maintain its high level of customer service despite the challenging conditions on the equity markets and the low levels of customer business, the Bank not only continued but also stepped up its roadshows and presentation activities for secondary market trading on the basis of sector reports and presentations about individual companies. The traditional investors' conference in Züri in 2010 broke the records for the number of participants (in contrast to competitors) and scope of content, with sixty Austrian and Eastern European companies meeting around 120 institutional investors. Forty plenary talks and nearly 900 one-on-one discussions were held over the course of two and a half days. The well established SEE investor conference was also held in Vienna again, enabling fifty international investors to learn about twenty companies from the region and underscoring the Group's key role in the region.

Raiffeisen Centrobank's leading position in the Austrian certificate business was impressively demonstrated by its being named the "Certificates House of the Year" at the Certificates Award Austria for the fourth time in a row.



### Equity Capital Markets (ECM)

After the serious difficulties caused by the global and economic crisis over the past years, 2010 finally brought a moderate but definite recovery in the overall economy and the capital market.

Despite the continued low level of securities trading, investor interest in new opportunities began returning around the world. Thanks to this trend and the positive development of the economy in Europe, especially in Germany, Austrian companies again enjoyed easier access to financing on the capital market.

Even though no IPOs took place in Austria in 2010, four capital increases were completed by way of cash contributions on the domestic primary market and generated a total transaction volume of roughly EUR 1.3 billion. Raiffeisen Centrobank was involved in all four of these transactions, underscoring its leading position and clear market leadership and doing a large part to ensure their successful completion:

- » joint lead manager of the VERBUND AG capital increase,
- » joint bookrunner and joint lead manager of the EVN AG capital increase,
- » co-bookrunner of the Warimpex Finanz- und Beteiligungs AG capital increase,
- » arranger of the KTM Power Sports AG capital increase.

In addition to the strong placement, Raiffeisen Centrobank was also responsible for the implementation of two innovative transaction structures for the first time in Austria, namely a claw-back structure for the EVN capital increase and a structure with no fixed subscription ratio for the EUR 1 billion VERBUND AG capital increase.

Raiffeisen Centrobank's international approach and its efforts to expand its customer base were furthered by participation in a number of transactions outside of Austria:

- » underwriter in the EUR 10 billion capital increase of Deutsche Bank AG
- » co-lead manager in the IPO of the Russian firm EuroSibEnergo on the Hong Kong Stock Exchange (scheduled for 2011)
- » co-manager in the IPO of the Russian firm ChelPipe on the London Stock Exchange (launch in 2011)
- » arranger in the capital increase of PC-Ware AG in Germany and assistance with the ongoing squeeze-out procedure.

The Bank also successfully expanded its convertible bond track record by completing equity-linked transactions for Conwert Immobilien Invest SE and Petropavlovsk PLC, acting as co-lead manager in each case.

Raiffeisen Centrobank's strategy of focusing on dialogue with the financial community to promote intensive communication between companies and investors, especially in difficult times, led to the provision of advice and service during 2010 to more than twenty further national and international companies in connection with possible capital market transactions. On the basis of these activities with existing and new customers, Raiffeisen Centrobank has a promising pipeline for the year 2011.

The results of the Equity Capital Markets department are included in the "Equity Capital Markets" segment. Including the M&A business of Raiffeisen Investment AG, this segment generated a negative result due to the adverse market conditions in 2009 and 2010.

### Company Research

The department released a record number of company updates in response to the steadily increasing investor interest in fundamental stock research over the course of 2010. A total of 356 investment analyses were created during the reporting period, an increase of twenty-nine reports compared with the previous year and exactly 100 analyses more than in 2009. Of these, 234 company updates covered firms listed on a CEE exchange. This share clearly reflects the Bank's international approach and its growing focus on Eastern Europe.

Raiffeisen Centrobank began or resumed coverage of Biofarm, Cinema City, Fondul Proprietatea, Kapsch TrafficCom, Krka, Mercator, Mostostal Warszawa, New World Resources, PBG, Polimex-Mostostal, Severstal and Tauron in response to investor interest as well as in order to obtain a more comprehensive view of the relevant sectors. Extensive sector reports were prepared and distributed for the oil and gas, telecommunications, Polish construction and banking sectors. In addition to the sector reports, roadshow reports were also prepared about Polish banks, pharmaceuticals companies and metals. Investor events in connection with these sector and roadshow reports were held in Budapest, Frankfurt, Geneva, Helsinki, London, Lugano, Prague, Stockholm, Warsaw, Vienna, Zagreb and Zurich.

Attesting to the unique success and unparalleled expertise of the analysis department at Raiffeisen Centrobank, the company again won the VIG Analyst Award 2010 in the performance-oriented team assessment. With the recommended Austrian stocks achieving a performance of plus 48.2 per cent, the team followed in its own footsteps from 2009 and again attained the best annual result of all Vienna-based investment banks. By way of comparison, the ATX prime reported a gain of 19.9 per cent in the same period. The quality of analyses was also confirmed by Bloomberg, which ranked the Company Research team as one of the top three for over one third of the coverage universe.

The costs of the Company Research department are allocated to the segments "Securities Trading & Sales and Treasury", "Equity Capital Markets" and "Private Banking", and are included in the reporting for these segments.

### Private Banking

The Private Banking segment achieved a stable result in annual comparison as the conditions on the financial markets remained challenging. While net interest income declined because of the lower interest rate level, income from asset management and securities transactions rose due to increased investments in securities and the recovery on the equities markets.

Its individualised service approach with comprehensive investment advice also enabled the Private Banking department to win new customers again during the reporting period. The expansion of its activities in cooperation with the local Raiffeisen network banks, especially in Russia, made a moderate positive contribution to this trend. Two thirds of these customers are individuals and one third companies and trusts.

Assets under management totalled roughly EUR 1.7 billion on 31 December 2010 (31 December 2009: roughly EUR 1.8 billion). The decline is the result of the loss of a major customer.

### Subsidiaries

#### Raiffeisen Investment AG Group

Raiffeisen Investment AG (RIAG) is a wholly owned subsidiary of Raiffeisen Centrobank and is one of the leading investment advisors for mergers and acquisitions in Austria and Central and

Eastern Europe. Its clients include international companies and organisations as well as governments, all of which are advised in connection with mergers, acquisitions and privatisation projects from the perspective of the buyer and the seller. Through its sector teams, Raiffeisen Investment AG can call on comprehensive industrial expertise (telecommunications media technology, energy, industrials, consumer goods and life sciences, financial sponsors, financial institutions) and guarantees local expertise and market knowledge in all of the regions it covers with its local teams in eleven countries.

After two challenging financial years, the Group saw the first signs of a gradual recovery in the M&A segment. Raiffeisen Investment AG's order intake rose substantially starting in the summer months of 2010, as did the number of potential new mandates. Raiffeisen Investment processed a total of twenty-nine transactions in 2010 with an aggregate volume of approximately EUR 13 billion (previous year: EUR 17 billion). Raiffeisen Investment AG took home a total of five awards during the reporting period for its outstanding commitment in the region, including the coveted Acquisitions Monthly Award in the category of Central Europe M&A Adviser of the Year (for 2011).

A particularly noteworthy project was the advisory mandate from the Kosovan privatisation authority for the sale of Sharr Cement to Titan Group, a multinational Greek cement conglomerate. The sale of Sharr Cement is a milestone in the ongoing privatisation process in Kosovo and is the largest such transaction in the country to date. Raiffeisen Investment AG also enjoyed success in Russia, where Danone merged with Unimilk, one of the largest Russian dairy groups. Unimilk was advised by Lazard and Raiffeisen Investment as the buyer. The transaction was closed at the end of November and came to a volume of just under EUR 2 billion. Raiffeisen Investment AG is also especially pleased by its business in Turkey, which was already running well in 2009. Together with Lazard and McKinsey, Raiffeisen Investment is advising the Turkish government in connection with the privatisation of its electricity utilities (distribution grids and end user sales). A total of nineteen companies will be privatised over a period of several years, of which fifteen have already been successfully sold in transactions with an aggregate volume of roughly USD 5 billion. This is the largest and most extensive privatisation mandate in the history of the energy sector in South-eastern Europe. The leading role being played by Raiffeisen Investment AG in this project underscores its position as the top transaction advisor in Turkey and in the energy sector. With a transaction volume of nearly EUR 1 billion, Raiffeisen Investment became the first Austrian investment advisor in Turkey to reach first place in the league tables of the M&A information and service platform Mergermarket.

Raiffeisen Investment AG's M&A activities clearly show how important a comprehensive presence is, especially in the countries of Eastern and Southeastern Europe. Despite a decline in the overall market volume, the group maintained its market share in the region. The project pipeline is considerably fuller

than at the end of 2009, not only in terms of the number of mandates, but also in terms of their size and scope. In line with this, the Group is expecting a number of closings in the first and second quarters of 2011. The managing board of Raiffeisen Investment AG anticipates major transactions in the segments of consumer goods, energy and financial institutions in Turkey and Russia. Several specific projects in Southeastern Europe should also make a significant positive contribution to earnings. Net fee income came to roughly EUR 10.8 million in the reporting period (previous year: EUR 13.9 million).

The results of Raiffeisen Investment AG and its subsidiaries, which were impacted by the adverse market conditions in the 2010 financial year, are included in the report for the "Equity Capital Markets" segment.

#### Commodity Trading

The member companies of the Centrottrade Group are active in trading rubber and olefins. The rubber trading subsidiaries are owned by Centrottrade Holding AG, Vienna.

In 2010, the group surpassed its record result from 2009 in trading with olefins, and the rubber group also achieved a satisfactory result. The Group's profit after tax came to EUR 5.242 million, a significant improvement over the previous year. The results of the commodity trading companies are included in the report for "Other Departments and Commodity Trading" segment.

## Performance Indicators

### Financial Performance Indicators

	2010	2009
Return on equity before tax (in per cent)	25.9	33.1
Cost-income ratio (in per cent)	70.6	65.3
Earnings per share in Euros	42.18	39.66

The lower profit before tax in annual comparison combined with higher average equity caused the return on equity before taxes to fall from 33.1 per cent to 25.9 per cent. Because the operating income (net interest income, net interest income after provisioning, the trading profit and the other operating result) fell overall compared with the previous period while the general administrative expenses rose, the cost-income ratio rose from 65.3 per cent in 2009 to 70.6 per cent in 2010.

With an unchanged 655,000 shares in free float, the earnings per share rose by roughly 6 per cent to EUR 42.18.

### Non-Financial Performance Indicators

	2010	2009
Average number of employees	328	352
Stock exchange memberships	14	13
Number of newly issued warrants and certificates	2,670	1,841

An average of 328 employees worked for Raiffeisen Centrobank Group during the reporting period, a decrease of twenty-four people or about 7 per cent compared with the previous year. This can primarily be attributed to staff reductions at Raiffeisen Investment AG and its subsidiaries because of the adverse market conditions.

Joining the exchange in Ljubljana increased the Bank's number of exchange memberships to fourteen. The number of warrants and certificates issued by the Company grew handsomely in 2010, rising by roughly 45 per cent to 2,670.

## Risk Management

Because of its specialisation in equities trading and brokerage, it is particularly important for Raiffeisen Centrobank in times of volatile markets to maintain a modern risk management system that enables it to professionally constrain and manage risk. The Risk Management department at Raiffeisen Centrobank is responsible for assessing the current risk situation in accordance with the Bank's risk-bearing capacity and the corresponding risk limits, and thereby assists the Executive Board with the management of the Bank's overall risk. In its interdepartmental and intercompany role, Risk Management is also responsible for the implementation and ongoing calibration of the risk measurement methods, for the refinement of the control instruments, and for maintaining and updating the regulatory frameworks.

The year 2010 was challenging and successful for the Bank, and for the Risk Management department. Significant progress was made in important areas such as stress testing and the

refinement of the Value-at-Risk model. Substantial resources were also invested in expanding the proven Monte Carlo model to allow structured and complex products to be assessed quickly and reliably in terms of pricing and risk factors on the basis of the current market conditions and developments. The Bank again incurred no substantial losses from credit risk or market risk in the reporting period, despite the difficult market situation.

Please also see the detailed risk report in the Notes.

## Internal Control System for Group Accounting Processes

Raiffeisen Centrobank and its governing bodies are committed to ensuring balanced and complete financial reporting. A fundamental requirement in this is compliance with all relevant legal regulations. In connection with the accounting process, the Executive Board is responsible for designing and installing an internal control and risk management system that meets the requirements of the Company. The object of this internal control system is to support the management by making certain that effective internal controls are applied to the accounting process and that these controls are enhanced whenever appropriate. The control system is designed to assure compliance with guidelines and regulations, as well as to create optimal conditions for specific control measures.

For many years, Raiffeisen Centrobank has employed an internal control system with a framework of directives and working instructions for strategically important issues. As part of RZB Group, Raiffeisen Centrobank Group is also subject to its parent group's instructions and regulations. Audits are conducted at an individual company level and a group level to ensure compliance with these rules.

The consolidated financial statements are prepared on the basis of the pertinent Austrian laws, above all the Banking Act (BWG) in connection with the Austrian Commercial Code (UGB), which governs the preparation of consolidated annual financial statements for credit institutions. The accounting standards applied for the consolidated financial statements are the International Financial Reporting Standards (IFRS) as adopted by the EU.

Because Raiffeisen Centrobank is a member of RZB Group, the technical (quantitative) preparation of its consolidated financial statements has been delegated to Raiffeisen Bank International AG and is handled by its Group Financial Reporting department. The qualitative elements are prepared internally by the department Controlling and Reporting General.

The consolidated financial statements are prepared using standardised forms for all companies in the group. The recognition and measurement standards are defined in the Group Accounts Manual of RZB Group, and are binding for the compilation of the consolidated financial data. Changes in the instructions and standards are communicated to the affected units in specially convened Internet conferences.

The preparation of the individual financial statements in accordance with the group requirements is handled separately by each of the group units. The staff and managers who are tasked with preparing the accounts within the individual group units are responsible for ensuring the complete depiction and correct measurement of all transactions. The local management is responsible in each case for ensuring that the required internal control measures, such as the separation of certain functions and the dual-control principle, are implemented correctly. The financial data for the reporting period are submitted to the Group Financial Reporting department at Raiffeisen Bank International AG by way of direct entry into the Cognos Controller consolidation system. This system is protected by a restrictive system of user permissions.

The financial data submitted by the group units of Raiffeisen Centrobank are then checked by Raiffeisen Centrobank's department Controlling Subsidiaries and by the Group Financial Reporting department for plausibility. Following this, the further consolidation steps, including capital consolidation, expense and income consolidation and debt consolidation, are completed in the Cognos Controller consolidation system. Then, any intra-group profits, which generally only arise from transactions between the commodity trading subsidiaries, are eliminated through intragroup postings. The final consolidation step is the preparation of the notes according to the IFRS, BWG and UGB requirements, and is completed by the Controlling and Reporting General department at Raiffeisen Centrobank. A consolidated management report containing a verbal account of the course of business during the period in accordance with the legal requirements is also prepared.

The Executive Board evaluates and monitors material risks in connection with the consolidated accounting process. In this, the focus is placed on the risks that are typically found to be material. The annual evaluation of the internal control measures applied by each of the responsible units is based on a risk-oriented approach. The risk of faulty financial reporting is assessed on the basis of a number of different criteria. For example,



complex recognition principles can increase the risk of errors. Different principles for the measurement of assets and complex or changing business conditions can also cause substantial errors in the financial reporting.

Estimates must regularly be made during the preparation of the financial statements. In all of these cases, there is an inherent risk that the actual developments may deviate from these estimates. This especially applies to the parameters in valuation models that are used to determine the fair values of financial instruments for which there is no current price quotation as well as to social capital, the outcome of legal disputes, the collectibility of loans and advances, and the impairment of equity participations and inventories. In some cases, external experts are involved or publicly available information sources used to minimise the risk of incorrect estimates.

In addition to the Executive Board, the general control framework also includes middle management (the department heads). All control measures are applied to the daily business processes to ensure that potential errors or deviations in the financial reporting are prevented or discovered and corrected. The control measures that are applied at regular intervals range from the review of the periodic results by the management to the specific reconciliation and coordination of accounts and the analysis and further optimisation of accounting processes. The

Internal Audit department is also involved in the monitoring process. Its activities are based on the Austrian Financial Market Authority's minimum standards for internal auditing and international best practices. The Internal Audit department reports directly to the Executive Board. RZB Group's auditing department also independently verifies compliance with the internal regulations on a regular basis.

The consolidated financial statements including the Group management report are reviewed and discussed by the Audit Committee of the Supervisory Board. The consolidated financial statements are also submitted to the Supervisory Board for its information. It is published on the Company's web site as part of the annual report as well as in *Amtsblatt zur Wiener Zeitung* and is submitted to the commercial court with which the Company is registered. During the financial year, interim consolidated reports are prepared on the basis of IAS 34 in accordance with the Stock Exchange Act. Consolidated financial statements that are to be published are subjected to a final review by managerial staff and the Executive Board before they are submitted to the Supervisory Board. Analyses are also prepared for the management in connection with the consolidated financial statements.

## Human Resources

The successes achieved in the 2010 financial year would not have been possible without the competence and dedication of Raiffeisen Centrobank's staff. Raiffeisen Centrobank Group had 333 employees on 31 December 2010 (previous year: 338 employees).

The decrease in the number of employees was primarily the result of adjustments made to the personnel and cost structure of the Raiffeisen Investment AG group to account for the lower transaction volume. In contrast, the head count at Raiffeisen Centrobank increased slightly compared with 2009 because of the positive development of business. Even though the total

number of employees did not change substantially, the available personnel resources were developed in close alignment with the general business strategy. This was facilitated by consistent and sustained focus on three areas: targeted internal and external development measures, job rotation and selective recruiting.

Raiffeisen Centrobank Group is proud of the outstanding expertise, commitment and tight integration of its staff. As this is a cornerstone of its success, substantial investments were again made in various training measures during the 2010 financial year. The motivation that the staff and management have displayed in continually expanding their professional knowledge and skills in line with current developments and enhancing their expertise in their areas of focus is remarkable. The employees' strong interest in taking on new professional challenges fuels the Bank's innovative strength and general drive to grow further.

A strategic focus on the CEE markets is a key element of the Group's personnel policy. The staff at the Group parent company, Raiffeisen Centrobank in Vienna, includes people of fifteen different nationalities and with sixteen different native languages. The focused approach to staff recruiting and selection has enabled the Company to expand and deepen its market and customer expertise in the CEE growth markets. Language courses in different Eastern European languages as well as English and German have proven to be extremely popular and help to improve the external and internal information flow. A particular focus was placed on achieving a balanced ratio of male to female employees in 2010, something that is particularly challenging in the field of investment banking. Only 19 per cent of the applications received by the Group parent company last year were from women. Nevertheless, the Company filled 40 per cent of its vacancies with highly qualified women, and increased its overall share of women from 43 to 44 per cent. The share of women at the senior manager and Direktor level is also relatively high at 37 per cent.

## Outlook for 2011

After experiencing the most severe recession since the end of World War II in 2009, the world economy showed consistent signs of recovery in 2010. Economic activity was on the rise around the globe, often fuelled by massive fiscal and monetary policy stimulus measures.

The 2011 economic outlook for the USA has brightened considerably, with real economic growth forecast to come in at roughly 2.7 per cent. In Europe, the two-class economy is expected to continue. While the growth prospects for internationally competitive regions such as Germany and Austria remain robust, Southeastern Europe is still lagging behind in its recovery. The eurozone economy is expected to grow by 1.8 per cent, and the EU-27 economy by 1.6 per cent.

Austria should be among the strongest eurozone members with expected growth of around 2.5 per cent. After the hefty surge in exports last year, one of the key factors in this will be the substantial need for gross capital formation as a result of the above-average capacity utilisation levels. Robust corporate investment activity is expected in Austria in the coming quarters, facilitated in part by the current low interest rates, high liquidity and solid earnings prospects.

Economic conditions should continue to improve in CEE (plus 3.2 per cent) in 2011. While exports are the main driver of economic growth at present, there are also signs of recovering domestic demand and investment activity. The positive trend in Central Europe (plus 3.1 per cent) will be driven by the growth in Poland and Slovakia. Southeastern Europe, which was still in a state of recession in 2010, should also see growth of 1.9 per cent in 2011. GDP growth is projected to total 3.6 per cent in the Commonwealth of Independent States, whereby Russia's economy should expand by 3.5 per cent.

The global equity markets should be able to maintain most of the momentum they gained at the end of 2010 at least until the middle of 2011. There may be a number of setbacks as a result of the debt crisis, but the equity market will primarily be driven by the more immediately relevant positive factors. The signs of economic growth in 2011 are encouraging, the risk of another recession has diminished significantly, corporate earnings are stable, and the valuations are moderate – and even still attractive in

Europe. Combined with high levels of liquidity, this will even overshadow the higher bond yields and worries about the debt crisis, and most established equity markets are expected to see growth on par with the levels achieved in 2010.

With the upswing that began in 2010 being expected to continue in the current financial year, the outlook for Raiffeisen Centrobank Group is also positive across the board. Even though the market conditions are likely to remain challenging despite the positive overall trend, the good position that the Group occupies within RZB Group and the region should allow it to translate the recovery on its core markets in Austria and Central and Eastern Europe into above-average profits in the central business areas of equity trading, capital market transactions and mergers and acquisitions.

As of the writing of this report, it is not yet possible to reliably assess the medium- and long-term effects that the natural disaster and resulting nuclear accident in Japan in March 2011 will have on the development of the global economy and the course of business for Raiffeisen Centrobank but it is primarily assumed that the contingent investment and technology boost can as well trigger medium to long-term positive effects.

## Report of the Supervisory Board

The 2010 annual financial statements audited and issued with an unqualified opinion by the appointed auditor – KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Porzellangasse 51, 1090 Vienna, Austria – were presented to the 38th Annual General Meeting on 13 April 2011 and ratified by that body.

In April 2011, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft completed its audit of the consolidated financial statements for the 2010 financial year and also issued an unqualified audit opinion. The Supervisory Board has reviewed thoroughly and approved the Consolidated Annual

Financial Statements for the 2010 financial year audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

Vienna, April 2011



**Walter Rothensteiner**

Chairman of the Supervisory Board

## Significant Events after the Balance Sheet Date

No material events occurred after the reporting date.

## Research and Development

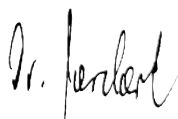
Because their business focuses on investment banking and mergers and acquisitions, Raiffeisen Centrobank and Raiffeisen Investment AG do not engage in research and development. The commodity trading subsidiaries of the Group are engaged solely in the trading of rubber and olefins, and also conduct no such activities.

Vienna, 5 April 2011  
The Executive Board

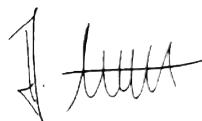
## Statement of Legal Representatives pursuant to § 82 Austrian Stock Exchange Act

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

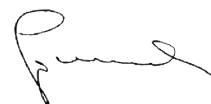
We confirm to the best of our knowledge that the annual financial statements of the parent company give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by the applicable accounting standards and that the management report gives a true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



**Eva Marchart**  
Chief Executive Officer



**Alfred Michael Spiss**  
Deputy Chief Executive Officer



**Gerhard Grund**  
Member of the Executive Board

**Consolidated Financial Statements**  
of Raiffeisen Centrobank AG as at 31 December  
2010 in accordance with International Financial  
Reporting Standards (IFRS)

The Raiffeisen Centrobank Group refers to the corporate group of Raiffeisen Centrobank AG. The parent company is designated as Raiffeisen Centrobank. In the summing-up of rounded amounts and percentages, the application of automatic calculating devices could result in rounding-off differences. Information on percentage changes refers to the actual and not to the rounded-off figures.



## Income Statement

Amounts in thousand Euros	Notes	1/1-31/12/2010	1/1-31/12/2009	Change
Interest income		6,994	12,962	- 46.0%
Interest expenses		- 2,154	- 4,249	- 49.3%
<b>Net interest income</b>	<b>(2)</b>	<b>4,841</b>	<b>8,713</b>	<b>- 44.4%</b>
Net allocation to provisioning for impairment losses	(3)	60	- 55	-
<b>Net interest income after provisioning</b>		<b>4,901</b>	<b>8,658</b>	<b>- 43.4%</b>
Fee and commission income		28,937	24,244	19.4%
Fee and commission expenses		- 10,356	- 10,574	- 2.1%
<b>Net fee and commission income</b>	<b>(4)</b>	<b>18,581</b>	<b>13,670</b>	<b>35.9%</b>
Trading profit	(5)	43,227	43,650	- 1.0%
Valuation result from derivative financial instruments	(6)	250	- 217	-
Net income from financial investments	(7)	132	370	- 64.3%
General administrative expenses	(8)	- 59,991	- 57,767	3.8%
Other operating result	(9)	18,237	22,471	- 18.8%
<b>Profit before tax</b>		<b>25,336</b>	<b>30,835</b>	<b>- 17.8%</b>
Income taxes	(10)	2,294	- 4,855	-
<b>Profit after tax</b>		<b>27,630</b>	<b>25,980</b>	<b>6.4%</b>
Share of profit due to minority interests		0	0	-
<b>Group net profit</b>		<b>27,630</b>	<b>25,980</b>	<b>6.4%</b>
<b>Transition to Comprehensive Income</b>				
Group net profit		27,630	25,980	6.4%
Exchange differences		773	- 546	-
<b>Comprehensive income</b>		<b>28,403</b>	<b>25,435</b>	<b>11.7%</b>

The development of the items recorded under retained earnings resulted solely from exchange differences and is shown in the following table:

Retained Earnings			Exchange differences
Amounts in thousand Euros			
<b>Balance as at 1/1/2009</b>			<b>- 3,327</b>
Net change during the reporting year			- 546
<b>Balance as at 31/12/2009</b>			<b>- 3,873</b>
Net change during the reporting year			773
<b>Balance as at 31/12/2010</b>			<b>- 3,101</b>
<b>Earnings per share</b> (in Euro)	<b>(11)</b>	<b>42.18</b>	<b>39.66</b>
			<b>2.52</b>

There were no conversion or option rights outstanding; accordingly, there was no dilution of earnings per share.

## Balance Sheet

<b>Assets</b>	<b>Notes</b>	<b>31/12/2010</b>	<b>31/12/2009</b>	<b>Change</b>
Amounts in thousand Euros				
Cash reserve	(13), (32)	3,839	2,478	54.9%
Loans and advances to credit institutions	(14), (32), (33)	285,424	480,092	- 40.5%
Loans and advances to customers	(15), (32), (33)	85,476	51,490	66.0%
Impairment losses on loans and advances	(16)	- 352	- 453	- 22.3%
Trading assets	(17), (32)	1,601,070	1,355,765	18.1%
Derivative financial instruments	(18)	313	60	421.7%
Securities and financial investments	(19), (32)	32,756	35,436	- 7.6%
Intangible fixed assets	(20), (22)	155	215	- 27.9%
Tangible fixed assets	(21), (22)	12,505	13,603	- 8.1%
Other assets	(23), (32)	108,899	56,719	92.0%
<b>Total assets</b>		<b>2,130,085</b>	<b>1,995,404</b>	<b>6.7%</b>

<b>Equity and liabilities</b>	<b>Notes</b>	<b>31/12/2010</b>	<b>31/12/2009</b>	<b>Change</b>
Amounts in thousand Euros				
Liabilities to credit institutions	(24), (32), (33)	63,800	143,726	- 55.6%
Liabilities to customers	(25), (32), (33)	105,525	119,559	- 11.7%
Provisions	(26), (33)	30,057	27,573	9.1%
Trading liabilities	(27), (32), (33)	1,742,127	1,537,839	13.3%
Derivative financial instruments	(28)	338	607	- 44.3%
Other liabilities	(29), (32), (33)	40,275	27,469	46.6%
Subordinated capital	(30), (32), (33)	20,413	20,619	- 1.0%
Equity	(31)	127,550	118,013	8.1%
Consolidated equity		99,920	92,033	8.6%
Group net profit		27,630	25,980	6.4%
<b>Total equity and liabilities</b>		<b>2,130,085</b>	<b>1,995,404</b>	<b>6.7%</b>

## Statement of Changes in Equity

Amounts in thousand Euros	Subscribed capital	Capital reserves	Retained earnings	Group net profit for the period	Minority interests	Total
<b>Equity as at 1/1/2009</b>	<b>47,599</b>	<b>6,651</b>	<b>41,353</b>	<b>10,643</b>	<b>0</b>	<b>106,246</b>
Release from retained earnings	0	0	- 3,112	3,112	0	0
Dividend payments	0	0	0	- 13,755	- 1	- 13,756
Comprehensive income	0	0	- 546	25,980	0	25,435
Other changes	0	0	87	0	1	88
<b>Equity as at 31/12/2009</b>	<b>47,599</b>	<b>6,651</b>	<b>37,783</b>	<b>25,980</b>	<b>0</b>	<b>118,013</b>
Transferred to retained earnings	0	0	6,985	- 6,985	0	0
Dividend payments	0	0	0	- 18,995	0	- 18,995
Comprehensive income	0	0	773	27,630	0	28,403
Other changes	0	0	129	0	0	129
<b>Equity as at 31/12/2010</b>	<b>47,599</b>	<b>6,651</b>	<b>45,670</b>	<b>27,630</b>	<b>0<sup>1</sup></b>	<b>127,550</b>

<sup>1</sup> less than EUR 500.

Other changes in equity are the result of exchange differences between the income statement and the balance sheet. Details on other changes are provided in the notes under item (31) "Equity".

## Cash Flow Statement

Amounts in thousand Euros	2010	2009
<b>Group net profit</b>	<b>27,630</b>	<b>25,980</b>
Non-cash positions in profit and transition to net cash from operating activities:		
Write-downs, write-ups of tangible fixed assets and financial investments	2,180	2,436
Net provisions for liabilities and charges and impairment losses	13,717	9,959
Gains/losses from disposals of tangible fixed assets and financial investments	- 3	4
Other adjustments (net)	22,645	23,960
<b>Subtotal</b>	<b>66,169</b>	<b>62,339</b>
Change in assets and liabilities arising from operating activities after corrections for non-cash items:		
Loans and advances to credit institutions and customers	157,693	- 73,533
Trading assets/trading liabilities (net)	- 88,525	184,328
Other assets/other liabilities ( net )	- 19,880	25,638
Liabilities to credit institutions and customers	- 94,265	- 197,633
<b>Cash flow from operating activities</b>	<b>21,192</b>	<b>1,139</b>
Proceeds from the sale of:		
Financial investments and equity participations	125	0
Tangible and intangible fixed assets	84	43
Payments for the acquisition of:		
Financial investments and equity participations	0	- 217
Tangible and intangible fixed assets	- 1,045	- 1,059
<b>Cash flow from investing activities</b>	<b>- 836</b>	<b>- 1,233</b>
Inflows/outflows of subordinated capital	0	0
Dividends paid	- 18,995	- 13,755
<b>Cash flow from financing activities</b>	<b>- 18,995</b>	<b>- 13,755</b>
<b>Cash and cash equivalents at the end of the previous period</b>	<b>2,478</b>	<b>16,327</b>
Net cash from operating activities	21,192	1,139
Net cash from investing activities	- 836	- 1,233
Net cash from financing activities	- 18,995	- 13,755
<b>Cash and cash equivalents at the end of the period</b>	<b>3,839</b>	<b>2,478</b>

Cash flows for taxes, interest and dividends	2010	2009
Interest received	6,830	12,820
Interest paid	- 2,177	- 4,532
Income taxes paid	- 1,100	- 126

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

Net cash from operating activities comprises the cash flows arising from loans and advances to credit institutions and customers as well as the cash flows arising from liabilities to credit institutions. This item also includes inflows and outflows of trading assets and trading liabilities, derivative financial instruments, other assets and other liabilities. The interest, dividend and tax payments from operating activities are shown separately.

Net cash from investing activities shows the inflows and outflows from financial investments as well as tangible and intangible fixed assets.

Net cash flow from financing activities comprises the inflows to and outflows of equity and subordinated capital, which are related above all to dividend payments.

Cash and cash equivalents comprise the cash reserve recognised in the balance sheet, which consists of cash in hand as well as deposits with Oesterreichische Nationalbank (Austrian National Bank) that are payable on demand. Loans and advances to credit institutions that are payable on demand are not included under this section, but under cash flow from operating activities.

## Segment Reporting

### Segmentation

The identification of the individual segments is based on the management approach, i.e. reporting follows the same segmentation used by management to make decisions. The internal management income statement pursuant to Austrian Banking Act and Austrian Commercial Code used by the Executive Board and the Supervisory Board of Raiffeisen Centrobank to assess performance and allocate resources is based on the company's functional organisation. It is structured as a multi-stage contribution margin statement, with income and expenses allocated according to the causation principle. Income items include net interest income, net fee and commission income, trading profit and other operating result. General administrative expenses comprise both direct and indirect costs. Direct costs (staff and other administrative expenses) are incurred by the business segments, while indirect costs are allocated to the cash-generating units according to agreed ratios. The same applies to the employees in the support and central administration departments as well as the management administrative departments. The results of the operating segments are presented down to profit before tax.

Provisioning for impairment losses in the Credit Department include the recognition of impairment losses for credit risks and direct write-downs as well as income received from written-down claims. These costs are carried by the bank as a whole and are not material; accordingly, they are not allocated to the individual operating segments, but shown in the transition column. The transition column also includes the elimination of interim profits and consolidation entries between the individual segments as well as transition from Austrian Commercial Code/ Austrian Banking Act to IFRS standards.

Raiffeisen Centrobank has defined the following operating segments (cash-generating units):

- » Securities Trading & Sales and Treasury
- » Equity Capital Markets
- » Private Banking
- » Credit Department
- » Other Departments and Commodity Trading

The segment “Securities Trading & Sales and Treasury” comprises the issue of securities (certificates, structured products and warrants) as well as securities trading by customers (brokerage transactions). It also includes market making, proprietary securities trading, asset and liability management (matching of maturities), liquidity management, money market and interest rate transactions with on-balance sheet (e.g. money market deposits) and off-balance sheet products (e.g. futures and options). In accordance with the related settlement costs, 50% of the income recorded by Raiffeisen Centrobank from initial and secondary public offerings (IPO/SPO) is also allocated to this segment. The remaining 50% are allocated to the segment “Equity Capital Markets”.

The segment “Equity Capital Markets” comprises consulting services provided by the company before, during and after capital market transactions (IPO/SPO, stock buyback programmes, delistings, relistings and other similar measures) as well as advising for the buyer(s) or seller(s) in connection with takeovers and M&A transactions and privatisations. Furthermore, 50% of the income recorded by Raiffeisen Centrobank from initial and secondary public offerings (IPO/SPO) is allocated to the “Securities Trading & Sales and Treasury” segment in accordance with the costs incurred with the individual mandates (also see the previous paragraph).

The “Private Banking” segment encompasses business with private individuals, self-employed persons (high net worth individuals) and companies, which require individualised advisory approach and asset management services.

The “Credit Department” segment covers the loan and loan guarantee business, with a focus on trade financing.

The segment “Other Departments and Commodity Trading” includes the “Private Equity” and “Countertrade” departments of Raiffeisen Centrobank as well as business transactions by Raiffeisen Centrobank that cannot be allocated to one of the other segments. It also contains the results of rubber and olefin transactions by the fully-consolidated trading subsidiaries of the Raiffeisen Centrobank Group.

#### Assessment of segment results

The presentation of segment performance is based on two steering benchmarks:

The return on equity before tax is the ratio that states the profit before tax to average equity employed and expresses the return on capital employed.

The cost/income ratio represents the cost efficiency of the individual operating segments. This indicator is calculated as the quotient of general administrative expenses and total of net interest income, net fee and commission income, trading profit and other operating result (excluding results from the valuation of hedge accounting and other derivative financial instruments).



<b>1/1/-31/12/2010</b>	<b>Securities Trading &amp; Sales and Treasury</b>	<b>Equity Capital Markets</b>	<b>Private Banking</b>	<b>Credit Department</b>	<b>Other Departments and Commodity Trading</b>	<b>Transition</b>	<b>Total</b>
Amounts in thousand Euros							
Net interest income	4,062	236	341	1,338	- 1,119	- 17	4,841
Provisioning for impairment losses	0	0	0	0	0	60	60
Net interest income after provisioning	4,062	236	341	1,338	- 1,119	43	4,901
Net fee and commission income	1,730	12,701	3,197	304	632	18	18,581
Trading profit	43,882	151	0	0	- 1,088	282	43,227
Valuation result from derivative financial instruments	- 67	0	0	67	532	- 282	250
Net income from financial investments	134	- 2	0	0	0	0	132
General administrative expenses	- 30,800	- 16,525	- 3,447	- 1,475	- 8,241	497	- 59,991
Other operating result	0	1,044	0	0	17,555	- 363	18,237
<b>Profit/loss before tax</b>	<b>18,941</b>	<b>- 2,395</b>	<b>91</b>	<b>234</b>	<b>8,271</b>	<b>194</b>	<b>25,336</b>
Basis of assessment (credit and market risk)	419,096	117	25,000	115,725	16,300	0	576,238
Average assets	1,889,880	17,702	28,472	77,826	104,110	- 80,366	2,037,623
Average liabilities (excl.equity)	1,804,768	9,552	119,375	1,968	73,523	- 69,214	1,939,972
Average number of staff	147	107	20	9	45	0	328
Cost/income ratio	62.0%	116.9%	97.4%	89.8%	51.6%	0	70.6%
Average equity	64,647	9,001	3,855	17,846	13,454	- 11,152	97,651
<b>Return on equity (ROE) before tax</b>	<b>29.3%</b>	<b>- 26.6%</b>	<b>2.4%</b>	<b>1.3%</b>	<b>61.5%</b>	<b>0</b>	<b>25.9%</b>

The year-on-year increase in the carrying values (average assets, average equity) as well as in the basis of assessment in the credit business resulted from a rise in loans granted.

<b>1/1/-31/12/2009</b> Amounts in thousand Euros	<b>Securities Trading &amp; Sales and Treasury</b>	<b>Equity Capital Markets</b>	<b>Private Banking</b>	<b>Credit Department</b>	<b>Other Departments and Commo- dity Trading</b>	<b>Transition</b>	<b>Total</b>
Net interest income	6,890	337	582	1,283	- 669	290	8,713
Provisioning for impairment losses	0	0	0	0	0	- 55	- 55
Net interest income after provisioning	6,890	337	582	1,283	- 669	235	8,658
Net fee and commission income	- 495	10,388	3,217	194	518	- 152	13,670
Trading profit	43,715	484	0	0	- 449	- 100	43,650
Valuation result from derivative financial instruments	- 221	0	0	221	- 317	100	- 217
Net income from financial investments	387	0	0	0	- 17	0	370
General administrative expenses	- 27,553	- 18,769	- 3,709	- 1,210	- 7,130	604	- 57,767
Other operating result	0	6,003	0	0	12,268	4,200	22,471
<b>Profit/loss before tax</b>	<b>22,723</b>	<b>- 1,557</b>	<b>90</b>	<b>488</b>	<b>4,204</b>	<b>4,887</b>	<b>30,835</b>
Basis of assessment (credit and market risk)	373,589	0	25,900	43,875	44,550	0	487,914
Average assets	1,792,019	18,814	47,772	52,149	68,925	- 49,080	1,930,599
Average liabilities (excl.equity)	1,643,380	11,088	183,391	4,252	32,290	- 37,054	1,837,347
Average number of staff	142	135	22	9	44	0	352 <sup>1</sup>
Cost/income ratio	55.0%	109.0%	97.6%	81.9%	61.1%	0	65.3%
Average equity	64,463	7,726	4,456	7,549	21,085	- 12,027	93,252
<b>Return on equity (ROE) before tax</b>	<b>35.2%</b>	<b>- 20.2%</b>	<b>2.0%</b>	<b>6.5%</b>	<b>19.9%</b>	<b>0</b>	<b>33.1%</b>

<sup>1</sup> Adjustment of previous year values in the segment "Equity Capital Markets".

## Notes

### The company

Raiffeisen Centrobank AG, Vienna, has been registered in the company register at the Vienna Commercial Court under the number 117507 f since 29 March 1974. The registered offices of the company are located in Tegetthoffstrasse 1, 1010 Vienna, Austria.

Raiffeisen Centrobank is a subsidiary of Raiffeisen Bank International AG (RBI), which holds 654,999 of the 655,000 zero par value shares of share capital through RZB KI-Beteiligungs GmbH and its subsidiary RZB IB Beteiligungs GmbH, Vienna. The remaining zero par value share is held by Lexus Services Holding GmbH, Vienna.

Raiffeisen Centrobank, Vienna, is in a group relationship with Raiffeisen-Landesbanken-Holding GmbH, Vienna (the parent company of the Group), and belongs to the latter's range of fully-consolidated companies. This financial holding company, through Raiffeisen Zentralbank Österreich Aktiengesellschaft, holds a majority stake in Raiffeisen Bank International AG. The Raiffeisen Centrobank Group is included in the consolidated financial statements of Raiffeisen Zentralbank Österreich Aktiengesellschaft and of Raiffeisen Bank International AG.

Raiffeisen Centrobank is a leading Austrian investment bank, which provides the entire spectrum of services and products focusing on shares, derivatives, and its own listed and unlisted capital market transactions. On the basis of this market positions, this specialised bank also offers exclusive and individually tailored private banking services. The M&A business is conducted through Raiffeisen Investment AG and its subsidiaries, most of which are included in the financial statements through full consolidation. The other companies comprising the Raiffeisen Centrobank Group are active in the fields of international commodity trading, focusing on rubber and chemicals (olefins).

The consolidated financial statements were approved by the Executive Board on April 5, 2011, and subsequently submitted to the Supervisory Board for examination and approval.

### Basis of preparation

#### Principles

The consolidated financial statements for the 2010 financial year and the comparative amounts for the 2009 financial year were prepared in accordance with § 245a of the Austrian Commercial Code in connection with § 59a of the Austrian Banking Act and in agreement with the International Financial Reporting Standards (IFRS) issued 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 relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC). All standards published by the IASB to be applied to the financial statements 2010 and adopted by the EU have been applied. IAS 11, 20, 23, 29, 31, 34, 40 and 41 as well as IFRS 2, 4, 5 and 6 were not applied because there were no relevant business transactions in the Group.

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

In March 2010, the EU adopted IFRIC 16 (Hedges of a Net Investment in a Foreign Operation). IFRIC 16 is to be applied at the latest for business years beginning on or after 30 June 2009. This interpretation provides guidance on identifying the risk of a net investment in a foreign operation and on where, within a Group, hedging instruments can be held to minimize the risk. In the Raiffeisen Centrobank Group IFRIC 16 did not apply.

Other relevant standards and interpretations that have been published, but whose application is not yet compulsory, have not yet been adopted. This applies to the amended IFRS 7 (Financial Instruments: Disclosures, effective 1 July 2011), IAS 24 (Related

Party Disclosures; effective 1 January 2011), IAS 32 (Classification of Warrants; effective 1 February 2010), IFRIC 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction; effective 1 January 2011), IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments; effective 1 July 2010, as well as changes in the so-called "Improvements Project – 2010".

The consolidated financial statements are based on the reporting packages submitted by all fully consolidated companies, which are prepared according to IFRS rules and uniform Group standards. The closing date for the financial statements of all fully-consolidated companies is 31 December. The amounts in these consolidated financial statements are presented in thousand Euros.

An asset is recognised when it is probable that the future economic benefits will flow to the company, and when its acquisition or production cost or another value can be reliably measured. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will result from the settlement of the obligation and the amount at which the settlement will take place can be measured reliably.

If estimates or assessments are necessary for accounting or measuring under IAS/IFRS rules, they are made in accordance with the respective standards. They are based on past experience and other factors such as planning and expectations or forecasts of future events. Basically, this applies to impairment losses on loans and advances, fair value (in particular, the individual parameters used in calculations), impairment of financial instruments and the provisions for retirement benefits and severance compensation. The actual figures may deviate from the estimated values.

Deferred taxes are not shown separately in the income statement and balance sheet. Details are provided under the relevant items in the notes.

### Consolidation methods

The consolidated financial statements include all major subsidiaries in which Raiffeisen Centrobank directly or indirectly holds more than 50% of the shares or is able to exercise a controlling influence over financial and operating policies. Generally, these subsidiaries are included in the scope of the consolidated financial statements from the date on which the Group attains de facto control of the company and are excluded from the scope of the consolidated financial statements when the Group no longer has control of the company. Minority interests are reported under equity in the balance sheet, but shown separately from the equity attributable to the shareholders of Raiffeisen Centrobank. The share of Group profit attributable to minority interests is also shown separately in the income statement.

When Raiffeisen Centrobank purchases additional shares in companies under its control or sells shares without the loss of control, the relevant transactions are recognised directly under equity in subsequent consolidations.

Material interests in associated companies are included in the consolidated financial statements at equity. However, no companies were consolidated at equity in 2009 because of the immateriality of these companies on the consolidated financial statements.

Shareholdings in subsidiaries not included in the consolidated financial statements because of their immaterial significance and shareholdings in companies which have not been valued at equity are shown under "Securities and financial investments".

Shareholdings in other interests not listed on a stock exchange are carried at cost because a market value is unavailable or cannot be reliably determined.

### Business combinations

In the course of capital consolidation, all identifiable assets, liabilities and contingent liabilities of the subsidiary are recognised at their fair values on the acquisition date according to IFRS 3. The acquisition costs are offset against the proportional net assets. The resulting positive differences are capitalised as goodwill, which is tested annually for impairment. If there are indicators of impairment, goodwill is also tested during the course of the year.

Negative differences arising with initial consolidation will be recognised immediately through profit and loss.

### Consolidation entries

Intragroup loans and advances and liabilities are eliminated in the consolidated financial statements. Remaining temporary differences are recorded under “Other assets” or “Other liabilities”.

Income and expenses arising from transactions between Group companies are offset against one another. Temporary offsetting differences arising from banking business are included in “Net interest income”. Other differences are recognised in “Other operating result”.

Intercompany profits are eliminated if they have a material influence on income statement items. Banking business and other transactions among Group members are usually executed at arm’s length.

### Consolidation range

The number of companies included in the financial statements through full consolidation remained unchanged to the previous year, amounting to 12 companies during the reporting year.

11 companies were not included in the consolidated financial statements in 2010 (2009: 12) because they are immaterial for the presentation of the financial position and financial performance of the Raiffeisen Centrobank Group. These companies are carried at cost and reported as shares in affiliated companies under “Securities and financial investments”.

An overview of the fully-consolidated companies and other interests is provided on page 133.

### Foreign currency translation

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

Income statement items were translated at the average exchange rate for the year, which was determined as the average of the exchange rates at the end of each month. Differences arising between the exchange rate as of the balance sheet date and the average exchange rate applied in the income statement the year were offset against equity and not recognised in the income statement.

Due to the economic nature of the underlying business transactions, the USD represents the functional currency of Centrotech Chemicals AG, Centrotech Investment AG, Centrotech Minerals & Metals Inc. and Centrotech Singapore Pte. Ltd.

The following exchange rates were used for foreign currency translation:

Exchange rate in local currency per Euro	2010 Balance sheet date	2010 Average for the year	2009 Balance sheet date	2009 Average for the year
US-Dollar (USD)	1.336	1.330	1.441	1.396
Rom. Leu (RON)	4.262	4.218	4,236	4.225
Russ. Rubel (RUB)	40.820	40.447	43.154	44.068
Pol. Zloty (PLN)	3.975	4.013	4.105	4.332

## Accounting policies

### Financial instruments: recognition and measurement (IAS 39)

IAS 39 requires all assets and liabilities, including derivative financial instruments, to be recorded in the balance sheet. A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity. The measurement of financial instruments is governed by their allocation to the following specific measurement categories:

- » Financial assets or financial liabilities at fair value through profit and loss
  - a. Trading assets and trading liabilities
  - b. Designated financial instruments at fair value
- » Financial assets held-to-maturity
- » Loans and advances
- » Available-for-sale financial assets (AFS)
- » Financial liabilities

### Financial assets and financial liabilities at fair value through profit and loss

#### a. Trading assets and trading liabilities

Trading assets and trading liabilities are acquired or incurred principally for the purpose of generating profit from short-term fluctuations in market prices. Securities (including short selling of securities) and derivative financial instruments held for trading purposes are recognised at their fair values. If products are listed, the fair value is based on the relevant stock exchange prices. Where such prices are not available, internal prices based on present value calculations for primary financial products and futures or option pricing models for options are applied. Present value calculations are based on the interest rate curve which is made up of money market, futures and swap rates and does not contain any rating mark ups. Appropriate models are used as option price formula, depending on the type of option. For plain vanilla options (American and European style) the Black-Scholes model and the binomial pricing model according to Cox, Ross und Rubinstein are applied. The Curran approximation is applied to Asian options whereas barrier options use Heinen-Kat and spread options rely on the Kirk model.

Derivatives held for trading purposes are shown under "Trading assets" and "Trading liabilities". Positive fair values including accrued interest (dirty price) are shown under "Trading assets". Negative fair values are recorded under "Trading liabilities". Positive and negative fair values are not netted. Changes in dirty prices are recognised in the income statement under "Trading profit". Derivatives not held for trading purposes are shown under "Derivative financial instruments". "Trading liabilities" also include any obligations resulting from the short-selling of securities.



#### **b. Designated financial instruments at fair value**

This category comprises mainly all those financial assets which are irrevocably designated as financial instrument at fair value (so-called fair-value option) upon initial recognition in the balance sheet, independent of the intention to trade. The fair value option designation may only be used if such designation results in more relevant information for the reader. This is the case for all financial assets that are part of a portfolio for which the management and evaluation of asset performance are carried out on a fair-value basis.

These financial instruments – in this case exclusively bonds – are measured at fair value in line with IAS 39. They are recognised in the balance sheet under “Securities and financial investments”. Current income is presented in “Net interest income”, while net valuations and net proceeds from sales are recorded under “Net income from financial investments”.

#### **Financial assets held-to-maturity**

Raiffeisen Centrobank does not hold any financial assets held-to-maturity.

#### **Loans and advances**

Loans and advances are recognised at their nominal value without deduction of impairment losses, including accrued interest. Accrued interest is only recognised if there is a high probability that it would be received.

#### **Available-for-sale financial assets (AFS)**

This category contains those financial instruments (primarily equity participations, for which there is no active market) that did not qualify to be included in any of the other three categories. They are stated at fair value, if a fair value can be reliably determined. Valuation differences are shown directly in other comprehensive income, and are only recognised in “Net income from financial investments” if there is an objective indication of impairment. For equity instruments, the objective indications of impairment include fair value that is significantly below cost or fair value that is less than cost for a longer period of time.

It is not permitted to include the appreciation in value in the income statement for equity instruments classified as available for sale, but rather this should be recognised in other comprehensive income under the item fair value reserve. This means that only impairments or disposals are to be shown in the income statement. For unquoted equity instruments, for which reliable fair values cannot be assessed regularly and are therefore valued at cost less impairment losses, it is not possible to show an appreciation in value.

This type of financial instrument is reported under “Securities and financial investments”.

#### **Financial liabilities**

Liabilities are recognised at amortised cost. Discounted debt securities and similar obligations are measured at their present value.

**Reclassification**

In accordance with IAS 39.50, non-derivative financial instruments classified as trading assets or available-for-sale assets can be reclassified to financial assets held-to-maturity. The company neither utilised this option in 2010 nor in 2009.

**Fair value**

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

**Quoted prices in an active market (level I)**

Fair value is best expressed as a market value if a published price quotation is available on an active market. This applies particularly to equity instruments and derivatives traded on stock exchanges as well as debt instruments traded in the inter-bank market.

**Measurement method using observable parameters (level II)**

In cases in which no published price quotations are available for financial instruments, the market prices of comparable financial instruments are used to determine fair value or are calculated using measurement methods based on observable prices or parameters (particularly present value techniques or option pricing models). These procedures relate to most OTC derivatives and unlisted debt instruments.

**Measurement methods based on non-observable parameters (level III)**

If no observable published quotations or prices are available, fair value is calculated using measurement models appropriate to the respective financial instrument. The use of these models necessitates assumptions and estimates by management, the scope of which is determined by the price transparency of the relevant financial instrument, by the market and by the complexity of the instrument.

**Classes of financial instruments as defined by IFRS 7**

Because the nature of financial instruments is already expressed appropriately through the classification of the balance sheet items, classification addresses those items in the balance sheet which constitute financial instruments. Classes of financial instruments on the asset side of the balance sheet are, first and foremost, cash reserves, loans and advances to credit institutions, loans and advances to customers, trading assets, derivative financial instruments, derivatives from hedging transactions and securities and financial investments (separately including financial assets not traded on an active market, which are measured at cost). Classes of financial instruments on the equity and liabilities side of the balance sheet are, in particular, trading liabilities, derivative financial instruments, derivatives from hedging transactions, liabilities to credit institutions, liabilities to customers and subordinated liabilities.

Classification	Primary measurement criterion			IAS 39 category
	Fair value	Amortised cost	Other	
<b>Asset classes</b>				
Cash reserve			Nominal value	n/a
Trading assets	X			Trading assets
Derivative financial instruments	X			Trading assets
Loans and advances to credit institutions		X		Loans and advances
Loans and advances to customers		X		Loans and advances
Securities and financial investments	X			Financial assets at fair value through profit and loss
Securities and financial investments	X			Available-for-sale financial assets
thereof financial assets not traded on an active market			At cost	Available-for-sale financial assets
Positive fair values of derivatives for hedge accounting (IAS 39)	X			n/a
<b>Liability classes</b>				
Trading liabilities	X			Trading liabilities
Derivative financial instruments	X			Trading liabilities
Liabilities to credit institutions		X		Financial liabilities
Liabilities to customers		X		Financial liabilities
Subordinated liabilities		X		Financial liabilities
Negative fair values of derivatives for hedge accounting (IAS 39)	X			n/a

### Derivative financial instruments

The derivative financial instruments employed in the Group include swaps, standardised forward contracts, forward transactions, options and similar contracts. In the ordinary course of business, different transactions are effected with derivative financial instruments for trading and hedging purposes. Derivatives are initially recognised at the time of the transaction at fair value and subsequently re-valued to fair value. The resulting valuation gain or loss is recognised immediately under valuation result from derivative financial instruments or under trading profit, unless the derivative is designated as a hedging instrument for hedge accounting purposes and the hedge is effective. Here, the timing of the recognition will depend on the type of the hedge.

Derivative financial instruments that are not held for trading but were acquired for hedging purposes are subdivided into the following categories, reflecting different models of recognition on the IFRS-compliant balance sheet:

#### a. Fair value hedge

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

Derivative instruments held to hedge the fair values of individual balance sheet items (except trading assets/liabilities) are

recognised at their fair values (dirty prices) under “Derivative financial instruments” (positive dirty prices under assets, and negative dirty prices under liabilities). Changes in the carrying amounts of hedged items (assets or liabilities) are allocated directly to the corresponding balance sheet items and reported separately in the notes.

Both the effect of changes in the carrying amounts of positions requiring hedging and the effects of changes in the clean prices of the derivative financial instruments are recorded under “Valuation result from derivative financial instruments”.

#### b. Other derivative instruments

Derivative instruments which are purchased for the purpose of hedging market risks and do not fulfil the requirement of IAS 39 hedge accounting are recognised as follows: positive dirty prices are recognised under “Derivative financial instruments” (positive fair values under assets, negative fair values under liabilities). The change in value of these derivatives on a clean-price basis is recognised under “Valuation result from derivative financial instruments”, whereas interest is recorded under “Net interest income”.

#### Offsetting

In cases where the debtor and creditor are identical, loans and advances and liabilities are offset if the terms and currency are the same, when there is an enforceable right to offset these items, and when the offset reflects the expected development of the transaction.

#### Cash reserve

The cash reserve includes cash in hand and balances with Oesterreichische Nationalbank (the Austrian National Bank) that are payable on demand. They are shown at their nominal value.

### Impairment losses on loans and advances

Credit risks are accounted for by making individual impairment provisions and portfolio-based impairment provisions. Individual and portfolio-based impairment provisions are not netted against corresponding receivables, but are stated separately in the balance sheet. Portfolio-based provisions were not formed due to immateriality.

For credit risk related to loans and advances to credit institutions and customers, provisions are made in the amount of expected loss according to unified Group-wide standards. The risk of loss is deemed to exist if the discounted projected repayment amounts and interest payments are below the carrying amount of the loans, taking the existing collateral into account.

The entire amount of the provision for impairment losses arising from on-balance-sheet loans (individual loans loss provisions only) is shown as a separate item on the asset side of the balance sheet. The provision for impairment losses arising from off-balance-sheet transactions is recorded as provisions.

### Derecognition of financial assets

Derecognition of a financial asset is considered when the contractually agreed claims to cash flow from the financial asset expire, or if the Group has transferred such claims or, given certain criteria, has assumed the obligation to pass this cash flow on to one or several recipients. A transferred asset is derecognised if all material risks and opportunities associated with the ownership of the asset are transferred.

### Equity participations

Shareholding in subsidiaries not included in the consolidated financial statements because of their immaterial significance, and shareholdings in associated companies that are not valued at equity are shown under "Securities and financial investments". They are measured at amortised cost if no share prices are available.

### Intangible fixed assets

Purchased software is reported under this item. Acquired intangible fixed assets are capitalised at acquisition cost and amortised over their estimated useful lives. Intangible fixed assets without determinable useful lives do not exist in the Raiffeisen Centrobank Group. The useful life for software amounts to between three and seven years.

### Tangible fixed assets

Tangible fixed assets are carried at cost less depreciation and impairment losses. Depreciation is calculated on a straight line basis with the following useful lives applied uniformly in the company:

Useful life	Years
Buildings	10–40
Office furniture and equipment	3–10
Hardware	3–5

Land is not subject to scheduled depreciation.

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

The resulting gain or loss from the sale of a tangible fixed asset is determined as the difference between the proceeds on sale and the carrying amount of the asset, and is recognised in "Other operating result". If a tangible fixed asset is retired, the remaining carrying amount is also recognised under this item.

### Operating lease

An operating lease exists if the lessor bears all risks and enjoys the rewards of ownership. The leased assets are reported by the lessor under “Tangible fixed assets” and depreciated in accordance with the principles applicable to the type of fixed assets involved. The lease instalments paid by the Raiffeisen Centrobank Group for the use of leased objects are recognised in the income statement as “Other administrative expenses”.

### Inventories

Inventories are measured at the lower of cost or net realisable value. Write-downs are carried out if the acquisition cost is above the net realisable value as of the balance sheet date or limited usage or longer periods or storage have impaired the value of the inventory.

### Provisions for pensions and similar obligations

All provisions related to so-called social capital (provisions for retirement benefits and severance payments) are measured using the Projected Unit Credit Method in accordance with IAS 19 – Employee Benefits.

Pension commitments exist towards certain employees. There are no pension commitments to people who are already retired. The actuarial calculation of the company’s provisions for retirement benefits is based on the following assumptions:

in percent	2010	2009
Discount rate	4.25	4.75
Expected increase in retirement benefits	2.0	2.0
Expected return on defined benefit pension plans	4.25	4.25

Calculations are based on a theoretical retirement age of 60 years.

The actuarial gains or losses relating to pension obligations are recognised immediately in profit or loss. The option provided by IAS 19.92 (corridor method) is not applied.

The actuarial calculation of severance payment obligations is based on the following assumptions:

in percent	2010	2009
Discount rate	4.25	4.75
Average increase in salary	3.0	3.0

The biometrical basis for the calculation of all provisions for social capital is provided by AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance) – Pagler & Pagler, using the variant for salaried employees taking into account a longevity factor.

### Defined contribution pension schemes

Under defined contribution plans, the company pays fixed contributions into a pension fund. These payments are recorded under “Staff expenses” in the income statement.

### Other provisions

Provisions are created when the Raiffeisen Centrobank Group has a current obligation arising from a past event and it is probable that the Group will be required to settle this obligation; and when the amount of the obligation can be measured with sufficient reliability. The amount of the provision represents the best possible estimate of the resources required to meet the obligation as of the balance sheet date, taking into account the related risks and uncertainties. These provisions were not discounted because the resulting interest effect would have been immaterial.



### Subordinated capital

The balance sheet item shows subordinated liabilities pursuant to § 23 (8) of the Austrian Banking Act. Securitised and unsecuritised investments are considered subordinated if, in the event of liquidation or bankruptcy proceedings, debts may only be satisfied after the debts of other non-subordinated creditors.

### Net interest income

Interest and similar income is comprised primarily of interest income on loans and advances to credit institutions and customers as well as interest on fixed-interest securities. Interest and similar expenses mainly includes interest paid on liabilities to credit institutions and customers as well as interest on subordinated capital. Interest income and expenses are accrued in the reporting period. Moreover, current interest income from shares and other variable-yield securities (dividends) – if not allocable to trading profit – as well as income from equity participations and expenses similar to interest are reported as net interest income.

### Net fee and commission income

Net fee and commission income mainly includes income and expenses arising from payment transfers, securities transactions not classified as trading profit including income from providing services in connection with capital market transactions (IPOs and SPOs), currency and credit transactions as well as consulting income from M&A advisory services. Commission income and expenses are accrued in the reporting period.

### Trading profit

Trading profit comprises the trader margins resulting from foreign currency transactions and the results of foreign exchange translation, and all realised and unrealised gains and losses on financial assets and financial liabilities at fair value. In addition, it includes all interest and dividend income attributable to trading activities and related refinancing costs.

### General administrative expenses

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

### Income taxes

Provisions for income taxes are calculated on the basis of taxable income for the year. Taxable income differs from the group net profit in the statement of comprehensive income due to income and expenses which will become taxable or tax deductible in later years or at no point in time as the case may be. Provisions for income taxes of the Group are calculated on the basis of prevailing or, with regard to the balance sheet date, shortly becoming applicable tax rates.

Deferred taxes are recognised and calculated in accordance with IAS 12 applying the liability method. Deferred taxes are based on all temporary differences that result from comparing the carrying amount of assets and liabilities in the IFRS accounts with the tax bases of assets and liabilities which will be reversed in the future. The calculations are based on the tax rate applicable to the specific country. A deferred tax asset should also be recognised on tax loss carry-forwards if it is probable that sufficient taxable profit will be available against which the tax loss carry-forwards can be utilised within the same entity. The carrying amount of deferred tax assets is audited each year at the balance sheet date and impaired if it is no longer probable that sufficient taxable income is available in order to realise the assets in full or in part. Deferred tax assets and deferred tax liabilities within the same entity are netted.

Raiffeisen Centrobank AG, Vienna, and Raiffeisen Investment Aktiengesellschaft, Vienna, have been members of the corporate group of Raiffeisen Zentralbank Österreich Aktiengesellschaft pursuant to § 9 of the Austrian Corporate Income Tax Act since 2008. In addition, since 2006 Raiffeisen Centrobank AG has also

been a member of an equity group pursuant to § 9 Austrian Corporate Income Tax Act, in regard to a company in which it has a minority shareholding. Loans and advances and liabilities arising from a positive or negative tax contribution are reported respectively under “Other assets” or “Other liabilities”.

Tax assets and tax liabilities of other Group companies are comprised in item “Other assets” or “Provisions” (taxes), respectively.

#### **Other comprehensive income**

Other comprehensive income comprises all income and expenses directly recognised in equity according to IFRS standards. In particular, this includes differences resulting from the translation of equity held in foreign currency and – where applicable – changes resulting from the valuation of available-for-sale financial assets (Afs) and the related deferred taxes.

#### **Fiduciary business**

Transactions arising from the holding and placement of assets on behalf of third parties are not shown on the balance sheet. Commission fees arising from these transactions are reported under “Net fee and commission income”.

#### **Contingent liabilities and other off-balance sheet obligations**

This item mainly includes contingent liabilities arising from sureties, guarantee credits and letters of credit as well as loan commitments at their nominal value. Sureties represent circumstances under which the reporting company acts as a guarantor to the creditor of a third party and, in this function, is responsible for the fulfilment of an obligation of this third party. Irrevocable loan commitments represent obligations that can lead to a credit risk. These commitments include obligations to grant loans, to purchase securities or to provide guarantees and bills of acceptance.

#### **Disclosures regarding the cash flow statement**

The cash flow statement reports the change in cash and cash equivalents for the Group resulting from the inflows and outflows of payments from operating, investing and financing activities. Cash flow from investing activities is comprised above all of proceeds from the sale of and payments for the acquisition of financial investments and tangible fixed assets. Financing activities comprise all cash flows from equity capital or subordinated capital. All other cash flows are assigned to cash flows from operating activities according to international practices for financial institutions.

#### **Disclosures on segment reporting**

Information on the operating segments of Raiffeisen Centrobank is provided under Segment Reporting on page 72.

#### **Disclosures regarding the nature and scope of risks**

In addition to the information pertaining to risks arising from financial instruments disclosures in the Notes, the Risk Report in particular provides detailed explanations on the topics of market risks, credit risks, operational risks, equity participation risks, structural liquidity risks and other risks.

#### **Capital management**

Disclosures on capital management, own funds and risk-weighted assets are presented in the Notes under section 47 “Capital management and own funds pursuant to the Austrian Banking Act”.

## Notes to the Income Statement

### (1) Income statement by measurement category

The following table presents the income statement according to valuation categories pursuant to the definitions contained in IAS 39:

Amounts in thousand Euros	2010	2009
<b>Net gains (losses) on financial assets and liabilities held for trading</b>	<b>42,893</b>	<b>40,697</b>
<b>Financial assets and liabilities at fair value through profit and loss</b>	<b>969</b>	<b>1,657</b>
Net interest income	835	1,270
Net gains (losses) on financial assets and liabilities at fair value through profit and loss	134	387
<b>Available-for-sale financial assets</b>	<b>- 2</b>	<b>4</b>
Net interest income	0	20
Net realised gains (losses) on available-for-sale financial assets	- 2	- 3
Impairment losses on financial assets not measured at fair value	0	- 13
<b>Loans and advances</b>	<b>6,219</b>	<b>11,603</b>
Net interest income	6,159	11,657
Impairment losses on financial assets not measured at fair value	60	- 55
<b>Financial liabilities at amortised cost</b>	<b>- 1,913</b>	<b>- 4,112</b>
Interest expenses	- 1,913	- 4,112
<b>Derivatives (hedging)</b>	<b>- 240</b>	<b>- 124</b>
Net interest income	- 240	- 124
<b>Net revaluations from exchange differences</b>	<b>584</b>	<b>2,736</b>
<b>Other operating income/expenses</b>	<b>- 23,174</b>	<b>- 21,626</b>
<b>Profit before tax from continuing operations</b>	<b>25,336</b>	<b>30,835</b>

**(2) Net interest income**

“Net interest income” includes interest income and expenses from items of the banking business, dividend income, and commissions similar to interest.

Amounts in thousand Euros	2010	2009
<b>Interest income</b>	<b>6,827</b>	<b>12,727</b>
from deposits with central banks	46	71
from loans and advances to credit institutions	4,217	8,159
from loans and advances to customers	1,729	3,226
from securities	835	1,271
<b>Current income</b>	<b>0</b>	<b>20</b>
from investments in affiliated companies	0	20
<b>Interest-like income</b>	<b>166</b>	<b>215</b>
<b>Total interest and interest-like income</b>	<b>6,994</b>	<b>12,962</b>
<b>Interest expenses</b>	<b>- 2,128</b>	<b>- 4,216</b>
for liabilities to credit institutions	- 903	- 1,013
for liabilities to customers	- 515	- 2,371
for subordinated capital	- 469	- 708
for derivative financial instruments (non-trading, net)	- 240	- 124
<b>Interest-like expenses</b>	<b>- 26</b>	<b>- 33</b>
<b>Total interest and interest-like expenses</b>	<b>- 2,154</b>	<b>- 4,249</b>
<b>Net interest income</b>	<b>4,841</b>	<b>8,713</b>

The interest margin in relation to the respective averages of the stated base developed as follows:

in percent	2010	2009
Interest margin (total assets)	0.20	0.46
Interest margin (risk assets for credit risk pursuant to § 22 of the Austrian Banking Act)	2.73	5.00

**(3) Provisioning for impairment losses**

The provisions for impairment losses to on-balance sheet and off-balance sheet items are as follows:

Amounts in thousand Euros	2010	2009
<b>Individual loan loss provisions</b>	<b>60</b>	<b>- 55</b>
Allocation to provisions for impairment losses	- 1	- 82
Release of provisions for impairment losses	61	27
<b>Total</b>	<b>60</b>	<b>- 55</b>

Detailed information on provisions is presented in Note 16 “Impairment losses on loans and advances”.

**(4) Net fee and commission income**

Amounts in thousand Euros	2010	2009
Payment transfers	- 33	- 90
Loan administration and guarantee business	21	18
Securities business	10,039	6,146
Income from M&A advisory services	8,496	7,551
Other banking services	58	45
<b>Total</b>	<b>18,581</b>	<b>13,670</b>

“Net fee and commission income” totalled TEUR 28,937 for the reporting year (2009: TEUR 24,244), while net fee and commission expenses amounted to TEUR 10,356 (2009: TEUR 10,574).

**(5) Trading profit**

Amounts in thousand Euros	2010	2009
Interest-based transactions	- 2,210	228
Currency-based transactions	9,265	3,155
Equity/index- based transactions	36,172	40,267
<b>Total</b>	<b>43,227</b>	<b>43,650</b>

In addition to realised and unrealised gains from the trading portfolio, trading profit also refers to interest income from debt instruments, dividend income from equity instruments of the trading portfolio and refinancing costs for trading assets.

**(6) Valuation result from derivative financial instruments**

Amounts in thousand Euros	2010	2009
<b>Valuation result from derivative hedging instruments (IAS 39, fair value hedges)</b>	<b>0</b>	<b>0</b>
Changes in the present value of derivative financial instruments	67	221
Changes in the present value of the underlying transaction	- 67	- 221
<b>Valuation result from other financial instruments in the banking book</b>	<b>250</b>	<b>- 217</b>
<b>Total</b>	<b>250</b>	<b>- 217</b>

“Valuation result from other financial instruments” in the banking book includes, above all, valuation results from derivatives held by the commodity trading subsidiaries to hedge the risk of price risks fluctuations in commodity trading.

**(7) Net income from financial investments**

“Net income from financial investments” includes valuation results and net proceeds from the sale of securities at fair value through profit and loss and from equity participations. This includes investments in affiliated companies and other interests.

Amounts in thousand Euros	2010	2009
<b>Net income from equity participations</b>	<b>- 2</b>	<b>- 17</b>
Net valuations of equity participations	0	- 14
Net proceeds from the sale of equity participations	- 2	- 3
<b>Net income from securities at fair value through profit and loss</b>	<b>134</b>	<b>387</b>
Net valuations of securities at fair value through profit and loss	136	394
Net proceeds from the sale of securities at fair value through profit and loss	- 2	- 7
<b>Total</b>	<b>132</b>	<b>370</b>

The income reported under “Net valuations of securities at fair value through profit and loss” results from an increase in the fair value of fixed-interest securities included under “Other current assets”. Net proceeds from the sale of equity participations resulted from the sale of an unconsolidated Raiffeisen Investment Polska Sp.z.o.o. subsidiary.

**(8) General administrative expenses**

“General administrative expenses” include staff expenses, other administrative expenses, as well as depreciation on tangible and intangible fixed assets as follows:

Amounts in thousand Euros	2010	2009
<b>Staff expenses</b>	<b>- 42,594</b>	<b>- 40,621</b>
Wages and salaries	- 33,332	- 32,122
Social security costs and staff-related taxes	- 5,873	- 5,551
Voluntary social expenses	- 1,052	- 1,016
Expenses on severance payments and retirement benefits	- 2,336	- 1,932
<b>Other administrative expenses</b>	<b>- 15,217</b>	<b>- 14,724</b>
Office space expenses	- 2,223	- 2,532
IT costs	- 1,880	- 1,853
Communication expenses	- 3,170	- 3,130
Legal, advisory and consulting expenses	- 1,606	- 1,890
Advertising, PR and promotional expenses	- 1,427	- 1,421
Office supplies	- 356	- 330
Car expenses	- 545	- 545
Security expenses	- 32	- 30
Travelling expenses	- 1,151	- 978
Training expenses for staff	- 213	- 251
Sundry administrative expenses	- 2,614	- 1,764
<b>Depreciation on tangible and intangible fixed assets</b>	<b>- 2,180</b>	<b>- 2,422</b>
Tangible fixed assets	- 2,031	- 2,205
Intangible fixed assets	- 149	- 217
<b>Total</b>	<b>- 59,991</b>	<b>- 57,767</b>

“Legal, advisory and consulting expenses” include audit fees for Raiffeisen Centrobank and its Group companies. Of this total, the fee for the audit of the consolidated financial statements totalled TEUR 259 (2009: TEUR 259) and the fee for other consulting services amounted to TEUR 0 (2009: TEUR 27).



**(g) Other operating result**

“Other operating result” includes sales revenues and expenses of Raiffeisen Centrobank’s commodity trading subsidiaries and from other non-banking activities as well as income and expenses from the disposal of tangible and intangible fixed assets.

Amounts in thousand Euros	2010	2009
Net result	16,233	18,244
Sales revenues from non-banking activities	538,330	250,607
Expenses from non-banking activities	- 522,097	- 232,363
Net proceeds from the disposal of tangible and intangible fixed assets	5	- 1
Other taxes	372	- 160
Income from the inclusion of negative differences	0	4,603
Net result from the allocation and release of other provisions	8	- 244
Other operating income	2,573	3,643
Other operating expenses	- 954	- 3,614
<b>Total</b>	<b>18,237</b>	<b>22,471</b>

The decrease in “Other operating result” reflected the income from the inclusion of negative differences arising from the addition of five companies to the full consolidation range of the Raiffeisen Centrobank Group in the amount of TEUR 4,603. The change in “Other taxes” was related above all to the reversal of the remaining provision for VAT obligations which had been partially released in the previous year and which was created during 2008, as the result of a tax audit.

**(10) Income taxes**

“Income taxes” are comprised of the following:

Amounts in thousand Euros	2010	2009
Current income taxes	3,100	- 4,627
Austria	3,954	- 4,128
Other countries	- 854	- 499
Deferred taxes	- 806	- 228
<b>Total</b>	<b>2,294</b>	<b>- 4,855</b>

The positive tax amount “Austria” is attributable to the finalisation of a tax audit in Raiffeisen Centrobank, the main part of which relates to business years not yet assessed due to a change in tax legislation that entered into force retroactively.

Amounts in thousand Euros	2010	2009
<b>Profit before tax</b>	<b>25,336</b>	<b>30,835</b>
Theoretical income tax expense in the financial year based on the domestic corporate income tax rate of 25 percent	- 6,334	- 7,709
Effect of divergent foreign tax rates	904	692
Tax deductions due to tax-exempt income from equity participations and other income	518	269
Tax increases due to non-deductible expenses	- 112	- 159
Other	7,318	2,052
<b>Effective tax burden</b>	<b>2,294</b>	<b>- 4,855</b>
<b>Tax rate in percent</b>	<b>- 9.1%</b>	<b>15.8%</b>

The position “Other” also includes income from the finalisation of a tax audit in Raiffeisen Centrobank and tax savings from the Group taxation scheme in Austria in the amount of TEUR 2,275 (2009: TEUR 2,523).

**(11) Earnings per share**

Amounts in thousand Euros	2010	2009
Group net profit	27,630	25,980
Average number of ordinary shares outstanding	655,000	655,000
<b>Earnings per share in EUR</b>	<b>42.18</b>	<b>39.66</b>

No option or conversion rights were issued; for this reason there is no dilution of earnings per share.

## Notes to the Balance Sheet

### (12) Balance sheet by measurement category

The following table shows the carrying amount of the valuation categories as defined in IAS 39:

<b>Assets by measurement category</b>	<b>2010</b>	<b>2009</b>
Amounts in thousand Euros		
<b>Trading assets</b>	<b>1,601,380</b>	<b>1,355,825</b>
Positive fair values of derivative financial instruments	193,429	216,746 <sup>1</sup>
Structured products	397,602	487,265 <sup>1</sup>
Shares and other variable-yield securities	213,309	227,661
Bonds, notes and other fixed-interest securities	797,040	424,152
<b>Financial assets measured at fair value through profit and loss</b>	<b>26,704</b>	<b>29,264</b>
Bonds, notes and other fixed-interest securities	26,704	29,264
<b>Available-for-sale financial assets</b>	<b>6,052</b>	<b>6,172</b>
Shares in other affiliated companies and other interests	6,052	6,172
<b>Loans and advances</b>	<b>483,286</b>	<b>590,326</b>
Loans and advances to credit institutions	289,262	482,572
Loans and advances to customers	85,476	51,490
Other non-derivative financial assets	108,899	56,717
Impairment losses on loans and advances	- 352	- 453
<b>Derivatives (hedging)</b>	<b>3</b>	<b>0</b>
Positive fair values of derivatives in fair value hedge (IAS 39)	3	0
<b>Other assets</b>	<b>12,660</b>	<b>13,818</b>
Intangible and tangible fixed assets	12,660	13,818
<b>Total assets</b>	<b>2,130,085</b>	<b>1,995,404</b>

<sup>1</sup> The prior year data were adjusted to reflect the separate reporting of "Structured products".

<b>Equity and liabilities by measurement category</b>	<b>2010</b>	<b>2009</b>
Amounts in thousand Euros		
<b>Trading liabilities</b>	<b>1,742,127</b>	<b>1,538,176</b>
Negative fair values of derivative financial instruments	565,323	370,279 <sup>1</sup>
Short-selling of trading assets	391,859	314,006
Issued certificates (guarantee bonds)	784,945	853,891 <sup>1</sup>
<b>Financial liabilities measured at amortised cost</b>	<b>230,013</b>	<b>311,371</b>
Liabilities to credit institutions	63,800	143,726
Liabilities to customers	105,525	119,559
Subordinated capital	20,413	20,619
Other non-derivative financial liabilities	40,276	27,468
<b>Derivatives (hedging)</b>	<b>338</b>	<b>271</b>
Negative fair values of derivatives in fair value hedge (IAS 39)	338	271
<b>Provisions</b>	<b>30,057</b>	<b>27,573</b>
<b>Equity</b>	<b>127,550</b>	<b>118,013</b>
<b>Total equity and liabilities</b>	<b>2,130,085</b>	<b>1,995,404</b>

<sup>1</sup> The prior year data were adjusted to reflect the reporting of "Issued certificates (guarantee bonds)".

### (13) Cash reserve

Amounts in thousand Euros	<b>2010</b>	<b>2009</b>
Cash in hand	354	379
Deposits with central banks	3,485	2,099
<b>Total</b>	<b>3,839</b>	<b>2,478</b>

### (14) Loans and advances to credit institutions

Amounts in thousand Euros	<b>2010</b>	<b>2009</b>
Giro and clearing business	54,133	85,777
Money market business	231,291	394,315
<b>Total</b>	<b>285,424</b>	<b>480,092</b>

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

Amounts in thousand Euros	<b>2010</b>	<b>2009</b>
Austria	238,223	399,532
Other countries	47,201	80,560
<b>Total</b>	<b>285,424</b>	<b>480,092</b>

**(15) Loans and advances to customers**

“Loans and advances to customers” are comprised of the following asset classes (pursuant to Basel II definition):

Amounts in thousand Euros	2010	2009
Corporate customers – large	72,059	43,208
Retail customers – private individuals	13,417	8,282
<b>Total</b>	<b>85,476</b>	<b>51,490</b>

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

Amounts in thousand Euros	2010	2009
Austria	15,960	4,239
Other countries	69,516	47,251
<b>Total</b>	<b>85,476</b>	<b>51,490</b>

**(16) Impairment losses on loans and advances**

Provisions for impairment losses are formed in accordance with uniform Group standards and cover all recognisable credit risks. A table with the development of the impairment losses on loans and advances can be found in the Risk Report on page 111. “Impairment losses on loans and advances” are allocated to the following asset classes according to the Basel II definition:

Amounts in thousand Euros	2010	2009
Corporate customers – large	156	196
Retail customers – private individuals	196	257
<b>Total</b>	<b>352</b>	<b>453</b>

Retail (private) customers refer exclusively to wealthy private individuals and self-employed people (high net worth individuals).

**(17) Trading assets**

“Trading assets” comprise the following securities and derivative financial instruments:

Amounts in thousand Euros	2010	2009
<b>Bonds, notes and other fixed-interest securities</b>	<b>797,040</b>	<b>424,152</b>
Bonds and notes issued by credit institutions	796,612	423,656
Bonds and notes of non-bank issuers	428	496
<b>Shares and other variable-yield securities</b>	<b>213,309</b>	<b>227,662</b>
Shares and comparable securities	165,607	187,015
Mutual funds	47,702	40,647
<b>Structured products</b>	<b>397,602</b>	<b>487,265<sup>1</sup></b>
<b>Positive fair values from derivative financial instruments</b>	<b>193,119</b>	<b>216,686<sup>1</sup></b>
Interest-based transactions	1,067	992
Currency-based transactions	1,555	5
Equity/index-based transactions	190,497	215,689
<b>Total</b>	<b>1,601,070</b>	<b>1,355,765</b>

<sup>1</sup> The prior year data were adjusted to reflect the separate reporting of “Structured products”.

The share portfolios stemming from market making activities along with other securities, options and purchased structured products represent hedging items for certificates and warrants issued by Raiffeisen Centrobank. “Structured products” include embedded derivatives pursuant to IAS 39.11.

**(18) Derivative financial instruments**

Amounts in thousand Euros	2010	2009
<b>Positive fair values of derivatives in fair value hedge (IAS 39)</b>	<b>3</b>	<b>0</b>
Interest-based transactions	3	0
<b>Positive fair values of other derivative financial instruments in the banking book</b>	<b>310</b>	<b>60</b>
Currency-based transactions	310	60
<b>Total</b>	<b>313</b>	<b>60</b>

This item shows the positive fair values of derivative financial instruments not held for trading purposes as well as the hedging instruments for a fair value hedge as defined in IAS 39.

**(19) Securities and financial investments**

This item comprises financial assets recognised at fair value through profit and loss (securities), and strategic equity participations held on a long-term basis.

Amounts in thousand Euros	2010	2009
<b>Bonds, notes and other fixed-interest securities</b>	<b>26,704</b>	<b>29,264</b>
Bonds and notes of public bodies	6,021	8,714
Bonds and notes of non-public issuers	20,683	20,550
<b>Equity participations</b>	<b>6,052</b>	<b>6,172</b>
Shares in affiliated companies	898	1,018
Other interests	5,154	5,154
<b>Total</b>	<b>32,756</b>	<b>35,436</b>

Disclosures relating to associated companies pursuant to IAS 28: In its annual financial statements for the year ended 31 December 2010 Syrena Immobilien Holding AG reports a balance sheet total of 31,738 (31/12/2009: TEUR 31,627), equity of 29,232 (31/12/2009: TEUR 29,130) and net profit for the year of 102 (2009: TEUR 73).

**(20) Intangible fixed assets**

Amounts in thousand Euros	2010	2009
Software	155	214
Other intangible fixed assets	0	1
<b>Total</b>	<b>155</b>	<b>215</b>

**(21) Tangible fixed assets**

Amounts in thousand Euros	2010	2009
Land and buildings used by the Group for own purposes	7,420	7,656
Office furniture and equipment as well as other tangible fixed assets	5,085	5,947
<b>Total</b>	<b>12,505</b>	<b>13,603</b>



**(22) Development of fixed assets**

The following table shows the development of intangible fixed assets and tangible fixed assets during 2010:

Cost of acquisition or production Amounts in thousand Euros	Balance as at 1/1/2010	Change in consolidation range	Exchange differences	Additions	Disposals	Transfers	Balance as at 31/12/2010
<b>Intangible fixed assets</b>	<b>3,483</b>	<b>0</b>	<b>10</b>	<b>95</b>	<b>- 55</b>	<b>0</b>	<b>3,533</b>
Goodwill	43	0	0	0	0	0	43
Software and miscellaneous	3,440	0	10	95	- 55	0	3,490
<b>Tangible fixed assets</b>	<b>33,124</b>	<b>0</b>	<b>46</b>	<b>950</b>	<b>- 1,000</b>	<b>0</b>	<b>33,120</b>
Land and buildings used by the Group for own purposes	9,179	0	0	4	0	0	9,183
thereof value of developed land	2,006	0	0	0	0	0	2,006
Other tangible fixed assets	23,945	0	46	946	- 1,000	0	23,937
<b>Total</b>	<b>36,607</b>	<b>0</b>	<b>56</b>	<b>1,045</b>	<b>- 1,055</b>	<b>0</b>	<b>36,653</b>

Write-ups, amortisation, depreciation and impairment Amounts in thousand Euros	Cumulative	Revaluations	Depr./amort.	Carrying amount as at 31/12/2010
<b>Intangible fixed assets</b>	<b>- 3,378</b>	<b>0</b>	<b>- 149</b>	<b>155</b>
Goodwill	- 43	0	0	0
Software and miscellaneous	-3,335	0	- 149	155
<b>Tangible fixed assets</b>	<b>- 20,615</b>	<b>0</b>	<b>- 2,031</b>	<b>12,505</b>
Land and buildings used by the Group for own purposes	- 1,763	0	- 241	7,420
thereof value of developed land	0	0	0	2,006
Other tangible fixed assets	- 18,851	0	- 1,790	5,085
<b>Total</b>	<b>- 23,993</b>	<b>0</b>	<b>- 2,180</b>	<b>12,660</b>

The following table shows the development of intangible fixed assets and tangible fixed assets during 2009:

Cost of acquisition or production Amounts in thousand Euros	Balance as at 1/1/2009	Change in consolidation range	Exchange differences	Additions	Disposals	Transfers	Balance as at 31/12/2009
<b>Intangible fixed assets</b>	<b>3,289</b>	<b>22</b>	<b>- 5</b>	<b>182</b>	<b>- 5</b>	<b>0</b>	<b>3,483</b>
Goodwill	43	0	0	0	0	0	43
Software and miscellaneous	3,246	22	- 5	182	- 5	0	3,440
<b>Tangible fixed assets</b>	<b>32,151</b>	<b>282</b>	<b>- 17</b>	<b>877</b>	<b>- 169</b>	<b>0</b>	<b>33,124</b>
Land and buildings used by the Group for own purposes	9,158	0	0	21	0	0	9,179
thereof value of developed land	2,006	0	0	0	0	0	2,006
Other tangible fixed assets	22,993	282	- 17	856	- 169	0	23,945
<b>Total</b>	<b>35,440</b>	<b>304</b>	<b>- 22</b>	<b>1,059</b>	<b>- 174</b>	<b>0</b>	<b>36,607</b>

Write-ups, amortisation, depreciation and impairment Amounts in thousand Euros	Cumulative	Revaluations	Depr./amort.	Carrying amount as at 31/12/2009
<b>Intangible fixed assets</b>	<b>- 3,268</b>	<b>0</b>	<b>- 217</b>	<b>215</b>
Goodwill	- 43	0	0	0
Software and miscellaneous	- 3,225	0	- 217	215
<b>Tangible fixed assets</b>	<b>- 19,522</b>	<b>0</b>	<b>- 2,205</b>	<b>13,603</b>
Land and buildings used by the Group for own purposes	- 1,522	0	- 240	7,656
thereof value of developed land	0	0	0	2,006
Other tangible fixed assets	- 17,999	0	- 1,965	5,947
<b>Total</b>	<b>- 22,789</b>	<b>0</b>	<b>- 2,422</b>	<b>13,818</b>

**(23) Other assets**

Amounts in thousand Euros	2010	2009
<b>Tax assets</b>	<b>2,276</b>	<b>3,535</b>
Current tax assets	288	799
Deferred tax assets	1,988	2,736
Loans and advances arising from non-banking activities	68,244	32,835
Prepayments and other deferrals	1,033	865
Inventories	29,492	13,640
Any other business	7,854	5,843
<b>Total</b>	<b>108,899</b>	<b>56,719</b>

The increase in “Loans and advances arising from non-banking activities” and “Inventories” relates to the companies of the Centrotrade Group which are active in rubber and olefin trading.

Deferred taxes break down follows:

Amounts in thousand Euros	2010	2009
Deferred tax assets	1,988	2,736
Provisions for deferred taxes	52	6
<b>Net deferred taxes</b>	<b>1,936</b>	<b>2,730</b>

“Net deferred taxes” result from the following items:

Amounts in thousand Euros	2010	2009
Tangible and intangible fixed assets	1,199	1,234
Trading assets	0	243
Equity participations	183	255
Other assets	85	95
Provisions	688	489
Other liabilities	87	158
Tax loss carryforwards	103	206
Other balance sheet items	0	68
<b>Deferred tax assets</b>	<b>2,345</b>	<b>2,748</b>
Other assets	55	12
Loans and advances to customers	84	0
Trading assets	253	0
Other balance sheet items	17	6
<b>Deferred tax liabilities</b>	<b>409</b>	<b>18</b>
<b>Net deferred taxes</b>	<b>1,936</b>	<b>2,730</b>

**(24) Liabilities to credit institutions**

Amounts in thousand Euros	2010	2009
Giro and clearing business	61,496	53,711
Money market business	2,304	90,015
<b>Total</b>	<b>63,800</b>	<b>143,726</b>

“Liabilities to credit institutions” are classified regionally (counterparty’s seat) as follows:

Amounts in thousand Euros	2010	2009
Austria	8,586	22,866
Other countries	55,214	120,860
<b>Total</b>	<b>63,800</b>	<b>143,726</b>

**(25) Liabilities to customers**

Amounts in thousand Euros	2010	2009
Sight deposits	83,025	93,568
Time deposits	22,500	25,991
<b>Total</b>	<b>105,525</b>	<b>119,559</b>

“Liabilities to customers” pursuant to the definition contained in Basel II are comprised of the following:

Amounts in thousand Euros	2010	2009
Corporate customers – large	51,334	55,693
Retail customers – private individuals	54,191	63,866
<b>Total</b>	<b>105,525</b>	<b>119,559</b>

Retail (private) customers refer exclusively to wealthy private individuals and self-employed persons (high net worth individuals).

“Liabilities to customers” are classified regionally (counterparty’s seat) as follows:

Amounts in thousand Euros	2010	2009
Austria	55,948	56,198
Other countries	49,577	63,361
<b>Total</b>	<b>105,525</b>	<b>119,559</b>

## (26) Provisions

Amounts in thousand Euros	Balance as at 1/1/2010	Change in consolidation range	Additions	Reversals	Use	Transfers, exchange differences	Balance as at 31/12/2010
Severance payments	5,153	0	879	- 45	0	0	5,987
Retirement benefits	1,589	0	516	0	0	1	2,106
Taxes	661	0	536	- 155	- 400	25	667
Current	655	0	484	- 149	- 400	24	614
Deferred	6	0	52	- 6	0	1	53
Pending legal issues	3,247	0	0	0	0	0	3,247
Overdue vacation	2,020	0	110	- 37	0	0	2,093
Other	14,903	0	14,048	- 2,081	- 11,054	141	15,957
<b>Total</b>	<b>27,573</b>	<b>0</b>	<b>16,089</b>	<b>- 2,318</b>	<b>- 11,454</b>	<b>167</b>	<b>30,057</b>

Amounts in thousand Euros	Balance as at 1/1/2009	Change in consolidation range	Additions	Reversals	Use	Transfers, exchange differences	Balance as at 31/12/2009
Severance payments	4,995	0	368	- 104	- 106	0	5,153
Retirement benefits	1,000	0	590	0	0	- 1	1,589
Taxes	468	25	359	- 7	- 173	- 11	661
Current	468	18	352	0	- 173	- 10	655
Deferred	0	7	7	- 7	0	- 1	6
Pending legal issues	4,447	0	0	0	- 1,200	0	3,247
Overdue vacation	2,481	14	0	- 476	0	1	2,020
Other	12,095	12	11,152	- 1,977	- 6,319	- 60	14,903
<b>Total</b>	<b>25,486</b>	<b>51</b>	<b>12,469</b>	<b>- 2,564</b>	<b>- 7,798</b>	<b>- 71</b>	<b>27,573</b>

“Other provisions” are comprised primarily of provisions for employee bonuses in the amount of TEUR 9,982 (2009: TEUR 9,450).

**(27) Trading liabilities**

Amounts in thousand Euros	2010	2009
<b>Negative fair values of derivative financial instruments</b>	<b>565,323</b>	<b>369,943</b>
from trading in certificates with option character	462,083	283,368 <sup>1</sup>
from OTC options	59,002	60,263
from trading in warrants	14,321	13,004
from trading in ÖTOB products	16,078	5,426
from trading in DAX options	9,889	3,601
from trading in other options	3,951	4,281
<b>Issued certificates (guarantee bonds)</b>	<b>784,945</b>	<b>853,891<sup>1</sup></b>
<b>Short-selling of trading assets</b>	<b>391,859</b>	<b>314,006</b>
<b>Total</b>	<b>1,742,127</b>	<b>1,537,839</b>

<sup>1</sup> The prior year data were adjusted to reflect the change in the reporting of "Issued certificates" (guarantee bonds)".

"Trading liabilities" include structured guarantee products issued by Raiffeisen Centrobank such as the well-known Winner and Blue Chip certificates. This item also includes warrants and other certificates, such as turbo certificates on indexes and shares. The item also includes the short-selling of stocks, which are related to the market making activities of Raiffeisen Centrobank and primarily represent counter-positions to equity and index futures as well as cash (bank) positions recorded under assets.

**(28) Derivative financial instruments**

Amounts in thousand Euros	2010	2009
<b>Negative fair value of derivatives in fair value hedge (IAS 39)</b>	<b>338</b>	<b>271</b>
Interest-based transactions	338	271
<b>Negative fair values of other derivative financial instruments</b>	<b>0</b>	<b>337</b>
Currency-based transactions	0	2
Other transactions	0	335
<b>Total</b>	<b>338</b>	<b>607</b>

This item also includes the negative fair values of other derivative financial instruments which are not held for trading purposes. Insofar as the conditions for hedge accounting according to IAS 39 are fulfilled, derivative financial instruments are measured at fair values (dirty prices) in their function as hedging instruments. The hedged items in connection with the fair value hedges are loans and advances to customers and liabilities to credit institutions. The hedged risks are interest rate risks.

**(29) Other liabilities**

Amounts in thousand Euros	2010	2009
Liabilities arising from non-banking activities	29,392	15,376
Accruals and deferred items	383	805
Any other business	10,500	11,288
<b>Total</b>	<b>40,275</b>	<b>27,469</b>

The increase in “Liabilities arising from non-banking activities” relates to the companies of the Centrotech Group which are active in rubber and olefin trading.

**(30) Subordinated capital**

Amounts in thousand Euros	2010	2009
Subordinated capital	20,413	20,619
<b>Total</b>	<b>20,413</b>	<b>20,619</b>

“Subordinated capital” refers to a subordinated bond issued in January 2008 to add to the equity of Raiffeisen Centrotech required to meet capital adequacy requirements. The amount of TEUR 20,000 nominal value, which is recognised under this item, also includes interest accrued up to the balance sheet total of TEUR 20,413. The bond has an indefinite time to maturity, granting a right to termination by the issuer no earlier than 31 January 2013. The interest rate amounts to EURIBOR + 100 bp.

Expenses for subordinated capital totalled TEUR 469 in 2010 (2009: TEUR 708).

**(31) Equity**

Amounts in thousand Euros	2010	2009
Consolidated equity	99,920	92,033
Subscribed capital	47,599	47,599
Capital reserves	6,651	6,651
Retained earnings	45,670	37,783
Group net profit	27,630	25,980
<b>Total</b>	<b>127,550</b>	<b>118,013</b>

The subscribed capital of Raiffeisen Centrotech AG continues to be divided into 655,000 no-par-value shares. In accordance with the Articles of Association, the total nominal value equals EUR 47,598,850.



The Executive Board will propose to the Annual General Meeting that a dividend of EUR 38.00 per ordinary share be distributed from the balance sheet profit in the individual financial statements of Raiffeisen Centrobank AG as at 31 December 2010, amounting to TEUR 37,967. This represents a total dividend payment of TEUR 24,890. The remaining amount of TEUR 13,077 will be carried forward to the new balance sheet. The development of equity is detailed on page 70.

### (32) Breakdown of the remaining terms to maturity

31/12/2010 Amounts in thousand Euros	Payable on demand or with indefinite maturity dates	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Cash reserve	3,839	0	0	0	0
Loans and advances to credit institutions	50,812	174,799	59,031	782	0
Loans and advances to customers	47,388	16,118	11,127	6,227	4,264
Trading assets	213,310	151,478	147,378	881,982	206,923
Securities and financial investments	6,052	0	26,704	0	0
Other assets	18,160	90,250	13,434	29	0
<b>Total assets</b>	<b>339,561</b>	<b>432,645</b>	<b>257,674</b>	<b>889,020</b>	<b>211,187</b>
Liabilities to credit institutions	62,797	1,003	0	0	0
Liabilities to customers	83,025	13,699	8,801	0	0
Trading liabilities	391,859	96,738	213,994	690,367	349,169
Subordinated capital	0	413	0	0	20,000
Other liabilities	31,707	36,572	160	2,232	0
<b>Subtotal</b>	<b>569,388</b>	<b>148,425</b>	<b>222,955</b>	<b>692,599</b>	<b>369,169</b>
Equity	127,550	0	0	0	0
<b>Total equity and liabilities</b>	<b>696,938</b>	<b>148,425</b>	<b>222,955</b>	<b>692,599</b>	<b>369,169</b>

31/12/2009 Amounts in thousand Euros	Payable on demand or with indefinite maturity dates	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Cash reserve	2,478	0	0	0	0
Loans and advances to credit institutions	86,135	96,886	295,530	1,541	0
Loans and advances to customers	28,351	1,187	2,457	13,107	5,935
Trading assets	227,663	159,261	55,321	613,121	300,399
Securities and financial investments	6,171	2,419	6,295	20,551	0
Other assets	34,402	35,843	278	74	0
<b>Total assets</b>	<b>385,200</b>	<b>295,596</b>	<b>359,881</b>	<b>648,394</b>	<b>306,334</b>
Liabilities to credit institutions	53,711	90,015	0	0	0
Liabilities to customers	93,568	17,612	8,379		0
Trading liabilities	314,006	102,754	106,809	612,992	401,278
Subordinated capital	0	619	0	0	20,000
Other liabilities	28,454	24,391	2,310	3	490
<b>Subtotal</b>	<b>489,739</b>	<b>235,391</b>	<b>117,498</b>	<b>612,995</b>	<b>421,768</b>
Equity	118,014	0	0	0	0
<b>Total equity and liabilities</b>	<b>607,753</b>	<b>235,391</b>	<b>117,498</b>	<b>612,995</b>	<b>421,768</b>

### (33) Related parties

Companies can carry out business with related parties that may affect the entity's asset, financial and earnings position. The related parties of the Raiffeisen Centrobank Group are divided into the following categories:

- » The parent companies are Raiffeisen Zentralbank Österreich Aktiengesellschaft, Raiffeisen Bank International AG, RZB KI Beteiligungs GmbH and Lexus Services Holding GmbH

- » Affiliated companies encompass those affiliated companies of Raiffeisen Zentralbank Österreich Aktiengesellschaft which are not included in the consolidated financial statements of Raiffeisen Centrobank AG
- » Other interests

Information on the business ties of the Raiffeisen Centrobank Group with the key management (Executive Board) is provided in section 50. In the 2010 financial year transactions with related parties were as follows:

Amounts in thousand Euros	Parent company	Affiliated companies	Other interests
Loans and advances to credit institutions	222,595	6,912	0
Loans and advances to customers	0	10,371	514
Trading assets	914,835	523	0
Securities and financial investments	0	898	5,154
Other assets (incl. derivatives)	1,493	17	11
Liabilities to credit institutions	941	163	0
Liabilities to customers	0	2,826	9
Provisions	387	0	0
Trading liabilities	37,596	1,940	0
Other liabilities (incl. derivatives )	4,375	13	0
Subordinated capital	0	20,413	0

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

Amounts in thousand Euros	Parent company	Affiliated companies	Other interests
Loans and advances to credit institutions	341,844	9,155	0
Loans and advances to customers	0	9,633	514
Trading assets	686,898	22,583	0
Securities and financial investments	0	1,018	5,154
Other assets (incl. derivatives)	34	151	0
Liabilities to credit institutions	13,289	22,007	0
Liabilities to customers	0	4,617	12
Provisions	333	0	0
Trading liabilities	13,043	23,871	0
Other liabilities (incl. derivatives )	1,634	5,461	4
Subordinated capital	0	20,619	0

### (34) Foreign currency volumes

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

Amounts in thousand Euros	2010	2009
Assets	351,903	295,728
Liabilities	164,574	122,760

**(35) Foreign assets/liabilities**

Assets and liabilities with counterparties outside Austria are as follows:

Amounts in thousand Euros	2010	2009
Assets	663,798	602,275
Liabilities	267,021	283,372

**(36) Subordinated assets**

The company had no subordinated assets, neither in 2010 nor in 2009.

**(37) Assets pledged as collateral**

The following liabilities are secured by assets shown in the balance sheet:

Amounts in thousand Euros	2010	2009
Other liabilities	156,387	132,681
<b>Total</b>	<b>156,387</b>	<b>132,681</b>

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

Amounts in thousand Euros	2010	2009
Loans and advances to credit institutions	40,881	71,573
Trading assets	151,353	98,410
Other assets	26,156	29,264
<b>Total</b>	<b>218,390</b>	<b>199,247</b>

**(38) Operating leases****Operating leases from the viewpoint of Raiffeisen Centrobank as the lessee**

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

Amounts in thousand Euros	2010	2009
Up to 1 year	989	919
1 to 5 years	2,635	2,548
<b>Total</b>	<b>3,624</b>	<b>3,467</b>

## Risk Report

### (39) Risks arising from financial instruments

#### Risk management principles

For Raiffeisen Centrobank active risk management means the identification, measurement, monitoring and management of economic risks. This process is designed to achieve profits by taking risks in a targeted, controlled manner. As a subsidiary of Raiffeisen Bank International AG, Raiffeisen Centrobank is integrated into the risk management processes of the RZB Credit Institution Group. The various risk management units operating at different management levels ensure that all major risks are monitored and limited and that business transactions are concluded under a risk/return perspective.

The risk management principles followed by Raiffeisen Centrobank are focused, above all, on the company's individual risk profile, which originates with the company's orientation toward the equity and equity derivatives business. All transactions are evaluated with respect to their risk content and earnings potential based on the type, scope and complexity of the transaction as well as the relevant regulatory requirements.

The management activities of the Executive Board are supported by the risk management concept, which provides a coordinated process for the handling of market risk, credit risk, operational risk, equity participation risk and other risks. The basic principles and methods underlying risk management are defined by the bylaws for the Supervisory Board and the Executive Board as well as the bank's organisational guidelines and manuals. A comprehensive planning and controlling process enables the Executive Board to identify risks at an early stage, evaluate them and take appropriate countermeasures. Within the framework of its decision-taking authority the Executive Board determines the bank's risk management policies, authorising the principles of risk management, the specification of limits for all relevant risks as well as the precise processes to monitor risks. The risk policy is an integral part of the risk

management scheme of the bank as a whole, which systematically links the profit management and risk management of all business segments.

An independent risk management department, incorporated within the controlling department, supports the Executive Board in effectively fulfilling its duties. The department reports regularly to the Executive Board and evaluates the current risk situation by taking account of the risk capacity and risk limits. It supports the Executive Board in allocating a risk management budget and in managing risks. As a cross-divisional and enterprise-wide body, the department is responsible for the ongoing further development and implementation of methods to measure risks, to refine risk management instruments as well as to maintain and update the regulatory framework. The Risk Committee, which meets regularly, addresses all issues and regulations in the area of risk management, develops recommendations for the Executive Board as a whole, or prepares resolutions. Members of the Risk Committee, along with the Executive Board are the heads of the Risk Management, Securities Trading & Sales and Treasury departments. The evaluation of interest rate changes and the balance sheet risks as well as liquidity risks takes place within the framework of the Asset Liability Committee.

Raiffeisen Centrobank employs innovative methods and schemes in its risk management activities. Risk management is based on a risk strategy that focuses on risk appetite and risk capacity. On this basis, a unified bank-wide limit system is used that distributes the desired risk exposure at various levels. The quantification of operational risk using a Value-at-Risk (VaR) consistent parameter continues to be important. This enables Raiffeisen Centrobank to quantify this risk as well and appropriately take account of the operational risks in the bank's overall risk management led by the Executive Board by means of a VaR consistent risk measurement approach, along with the main risks to which the bank is subject, namely market risk and credit risk.

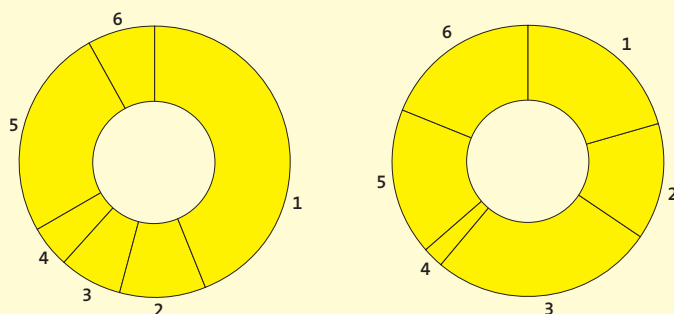
### Risk capacity and risk management

Risk capacity denotes the capability of a bank to cover the risks arising from its transactions by furnishing equity capital and similar items. As banks cannot as a general rule completely preclude the incurring of risks, the losses arising from the realisation of these risks are to be defrayed by these funds, which are referred to as the risk coverage sum. The amount of this sum determines which risk-bearing activities – and the maximum exposure associated with them – are suitable for a bank. The ability to bear risk thus significantly impacts on a bank's assumption of further risk. This, in turn, determines the focus and scope of the bank's transactions.

The risk capacity analysis of the RZB Credit Institution Group is supplemented by scenarios adapted to the business model of Raiffeisen Centrobank which are used to verify whether or not potential losses (the risk potential) exceed the amount of the aggregate risk cover available at the time. Taking the going concern perspective (calculated using a confidence interval of 95 percent and a retention period of three months), the scenarios' thrust is the assuring that the potential losses ("risk potential") arising from transactions do not exceed the associated risk coverage sums. Also factored in are the liquidation perspective (bearing with it a confidence level augmented to 99.9 percent) and the stress tests employed in the assessment of the effects of significant and negative alterations in the risk-causing factors which may possibly not be adequately depicted in the VaR models.

Securing capital adequacy is one of the primary goals of risk management at Raiffeisen Centrobank. The adequacy of capital is assessed every quarter on the basis of risk calculated according to internal modes. Capital requirements both from a regulatory perspective (going-concern perspective) and from an economic point of view (liquidation perspective) are taken into account. In both perspectives, all material risks are determined using a VaR model. Market risk constitutes the most significant risk from both perspectives. This accounts for 44 percent of total risk as at 31 December 2010 (2009: 58 percent).

### Going-concern perspective 2010 // Liquidations perspective 2010



Going-concern perspective	31/12/2010	31/12/2009
1. Market risk	44.1%	57.8%
2. Credit risk	10.2%	8.9%
3. Operational risk	7.4%	6.4%
4. Business risk	5.2%	6.8%
5. Equity participation risk	25.1%	12.8%
6. Other risks	8.0%	7.3%
Liquidations perspective	31/12/2010	31/12/2009
1. Market risk	20.9%	39.6%
2. Credit risk	13.7%	10.3%
3. Operational risk	26.7%	21.3%
4. Business risk	2.5%	4.7%
5. Equity participation risk	17.5%	8.9%
6. Other risks	18.7%	15.2%

### Market risk

The top priority of Raiffeisen Centrobank is to counteract market risk. Raiffeisen Centrobank defines market risk as incurring potential losses due to market changes, resulting from fluctuating or changing market prices (e.g. share, currency and securities prices) and parameters which affect prices (e.g. interest rates, volatilities). Comprehensive, real-time evaluations of market risk

are developed, enabling the bank to combine this information with data on other risk factors to prepare an overall risk assessment. Market risks primarily consist of share and warrant prices as well as interest rate fluctuation and exchange rate risks and are managed by the bank's Securities Trading & Sales and Treasury segment.

The main focus of the business activities of Raiffeisen Centrobank is in securities trading and the issue of share-index oriented derivatives and structured products (certificates and guarantee bonds). Risk positions primarily result from the dynamic hedging of the warrants and certificates issued by Raiffeisen Centrobank. The market risk arising from the securities trading book of Raiffeisen Centrobank mainly refers to price risks resulting from trading book positions held in shares and derivatives.

Market risk also represents the most important overall risk for Raiffeisen Centrobank. In addition to volume and sensitivity limits, Value-at-Risk plays a key role in the management of market risk. The use of a Monte Carlo simulation adapted to reflect the Raiffeisen Centrobank business model ensures that decision-making also includes all market-relevant, non-linear risks resulting from the use of warrants.

Raiffeisen Centrobank measures, monitors and manages all market risks by setting a variety of limits which are defined by taking account of the risk capacity of the bank. Depending on the type of transaction, these limits can include volume, position and sensitivity limits (delta, gamma, vega and basis point value) as well as stop-loss limits that are embedded in a Value-at-Risk system that covers the entire company. Compliance and use of limits are monitored and reported to the Executive Board on a daily basis by Controlling Securities, within the context of a comprehensive reporting system.

Value-at-Risk plays an important role. It furnishes forecasts on potential greater losses under normal market conditions and is contrasted against a particular limit. On the basis of the variance covariance model which is calculated daily the Value-at-Risk for interest rate risk, currency risk and price risk is calculated with a confidence interval of 99 percent and a retention period of one day. The market data for calculation of volatility and correlations are based on a one-year history.

The following table shows the one day Value-at-Risk (in accordance with the variance-covariance model) for the market risk arising from the trading books, depending on the type of risk.

Amounts in thousand Euros	31/12/2010	30/09/2010	30/06/2010	31/03/2010	31/12/2009
Interest rate risk	421	226	164	203	126
Foreign exchange risk	49	43	26	56	32
Price risk	995	900	1,083	1,670	2,091
<b>Total</b>	<b>1,465</b>	<b>1,169</b>	<b>1,273</b>	<b>1,929</b>	<b>2,249</b>

The substantial reduction in price risk is attributable to a decrease in volatilities.



In the course of monitoring the overall banking risk (ICAAP) the Value-at-Risk is calculated using the statistically more precise Monte Carlo simulation. This practice permits the taking into account those non-linear risks resulting from the employment of options, and impacting upon market-related risks. The Monte Carlo simulation is based upon a full-scale valuation of the portfolio. The future development of this figure is simulated by subjecting the portfolio to an array of randomly generated movements on exchanges. Whether or not random variables (risk factors) are realised is determined by applying a stochastic process (distributions and random walks) and parameters (for instance volatility, correlations) incorporating historic data or

predefined scenarios. This represents a significant increase in the flexibility of the risk measurement method, which is now able to incorporate new methods of valuation, non-normal distribution assumptions and such non-linear correlation models as copulas. Included in Raiffeisen Centrobank's portfolio are exotic options and path-dependent instruments. It is for that reason that the Monte Carlo simulation represents the most effective way of measuring risk borne by Raiffeisen Centrobank's portfolio. In a further benefit, the incorporation of stress tests enables the taking into account of extreme market variations, of catastrophic events, and of risks specific to individual countries and arising from concentration of operations.

The subsequent table shows the 3 months Value-at-Risk (according to the Monte Carlo model) for market risk in the going concern and liquidations perspective:

Amounts in thousand Euros	31/12/2010	30/09/2010	30/06/2010	31/03/2010	31/12/2009
Going concern (95% confidence interval)	7,121	4,387	4,628	7,326	10,556
Liquidations (99.9% confidence interval)	10,914	5,793	5,714	9,564	25,430

### Stress tests

In addition to Value-at-Risk, Raiffeisen Centrobank uses stress tests – primarily to evaluate market risk and credit risk, but also for operational and liquidity risk. The performance and analysis of stress tests represent a valuable addition to the Value-at-Risk model because of their focus on extreme events. The Value-at-Risk model cannot depict the full coverage of risk because it is based solely on historic data and only determines risks at a specific confidence interval (99 percent). In contrast to the Value-at-Risk model, stress tests simulate the performance of the portfolio under abnormal market situations and atypical price movements. These stress tests are used to identify possible weaknesses in the portfolio that have a significant potential to produce losses, and thereby allow for the planning of appropriate measures. Stress tests involve artificial changes to various risk factors in the Raiffeisen Centrobank portfolio in order to simulate the effects of unusual market situations.

The stress tests used by Raiffeisen Centrobank are based on historic data as well as criteria defined by management. Historic stress tests are based on significant past events on the relevant markets. The assumption is that the same or similar events will occur in the future, and are therefore pertinent to the risk situation of the company (e.g. Lehman default scenario).

Management-defined stress tests are designed to evaluate the effects of hypothetical events on the portfolio. The relevant scenarios are developed jointly by an expert team and the management. In this way, shifts in key risk factors – such as stock prices, CDS spreads and interest rate curves – can be calculated. These stress tests enable the company to identify the occurrence of risks at an early point in time. Current results show a satisfactory picture.

**Backtesting**

Raiffeisen Centrobank uses a backtesting procedure for its trading portfolio to evaluate the accuracy of the Value-at-Risk calculations. This procedure involves the comparison of hypothetical daily profits and losses under the buy-and-hold assumptions with the amounts forecasted by the Value-at-Risk model. Risk Management discusses the results of backtesting on a regular basis, analyses the resulting Value-at-Risk movements and evaluates the quality of the forecasts produced by the Value-at-Risk model. The current results of backtesting confirm the validity of the model used by the company.

**Required capital coverage for the securities trading book as defined in § 22 o of the Austrian Banking Act**

The required trading book capital is calculated in accordance with § 22 o of the Austrian Banking Act. As at 31 December 2010, the required securities trading book capital amounted to EUR 29.60 million (31/12/2009: EUR 27.20 million).

**Interest rate risk**

The interest rate risk associated with the banking book is of secondary importance, and is calculated using the methods of analysis classically applied to capital and interest rate commitments. Interest rate risk is reported to supervisory authorities on a quarterly basis within the framework of interest rate statistics.

The interest maturity gap of Raiffeisen Centrobank as at 31 December 2010 was as follows:

Amounts in thousand Euros	> 6 m – 1 y	> 1 – 2 y	> 2 – 5 y	> 5 y
EUR	1,426	0	0	0
USD	- 163	0	0	0
Other	0	0	0	0

The interest maturity gap of Raiffeisen Centrobank as at 31 December 2009 was as follows:

Amounts in thousand Euros	> 6 m – 1 y	> 1 – 2 y	> 2 – 5 y	> 5 y
EUR	51,255	20,970	0	0
USD	584	0	0	0
Other	0	0	0	0

A positive interest maturity gap represents an asset surplus, while a negative interest maturity gap represents a liability surplus.

### Credit risk

The credit risk represents default risk that arises from the inability of a customer to fulfil contractually agreed financial obligations, when services have been rendered (e.g. liquidity, securities, advisory services) or when unrealised profits from pending business transactions can no longer be recovered.

The traditional credit and loan business is of immaterial significance for Raiffeisen Centrobank due to the limited business volume and the company's strategic orientation. Additional credit risks primarily relate to acquired debt instruments and structured products which serve to hedge debt instruments and structured products issued by the company.

The limitation and measurement of risks is primarily carried out by setting nominal limits as well as by the Value-at-Risk figures for credit risk made available by RZB Credit Institution Group. The internal system for controlling credit risk encompasses all forms of monitoring that are directly or indirectly integrated into the work processes that require monitoring. Against the backdrop of the capital adequacy framework for

banks (Basel II) the ongoing management, controlling and monitoring of credit risk at the RZB Credit Institution Group are assured. The Group-wide rating and default database registers and evaluates customers and documents default processes.

To measure risk internally, Raiffeisen Centrobank uses a modified version of the Basel II IRB approach, which enables the determination of a Value-at-Risk consistent risk value and, unlike the original IRB formula, includes the expected loss. The credit risk of Raiffeisen Centrobank is monitored and analysed on a loan-by-loan (employing a comprehensive and well-founded analysis of potential debtor's creditworthiness and collateral) and portfolio-wide basis. The methods of calculation employed yield a comprehensive depiction of the company's credit-incurred risks and reveal their relative (when compared to market-related risks) lack of importance.

As at December 31, 2010, Raiffeisen Centrobank had interest-bearing assets subject to credit risk as well as off-balance sheet volume amounting to TEUR 1,219,596 (31/12/2009: TEUR 982,612) before deductions made for value adjustments.

<b>Asset volume</b>	<b>31/12/2010</b>		<b>31/12/2009</b>	
Amounts in thousand Euros				
Bonds and notes of public bodies	0		0	
Loans and advances to credit institutions	730,993		624,466	
Loans and advances to customers	143,495		68,336	
Bonds	339,920		286,548	
	<b>1,214,408</b>		<b>979,350</b>	
Product-weighted off-balance sheet transactions	5,188		3,262	
	<b>1,219,596</b>	<b>100,0%</b>	<b>982,612</b>	<b>100,0%</b>
Irrecoverable	355	0.0%	455	0,0%
Default potential	0	0.0%	2,164	0,2%
Requiring attention	0	0.0%	0	0,0%

The following table shows the development of individual loan loss provisions according to balance sheet items:

Amounts in thousand Euros	Balance as at 1/1/2010	Allocation <sup>1</sup>	Release	Use	Transfer, exchange differences	Balance as at 31/12/2010
<b>Individual loan loss provisions</b>	<b>453</b>	<b>1</b>	<b>- 62</b>	<b>- 40</b>	<b>0</b>	<b>352</b>
Loans and advances to customers	453	1	- 62	- 40	0	352
thereof Austria	453	1	- 62	- 40	0	352
<b>Total</b>	<b>453</b>	<b>1</b>	<b>- 62</b>	<b>- 40</b>	<b>0</b>	<b>352</b>

Amounts in thousand Euros	Balance as at 1/1/2009	Allocation <sup>1</sup>	Release	Use	Transfer, exchange differences	Balance as at 31/12/2009
<b>Individual loan loss provisions</b>	<b>625</b>	<b>82</b>	<b>- 27</b>	<b>- 227</b>	<b>0</b>	<b>453</b>
Loans and advances to customers	625	82	- 27	- 227	0	453
thereof Austria	625	82	- 27	- 227	0	453
<b>Total</b>	<b>625</b>	<b>82</b>	<b>- 27</b>	<b>- 227</b>	<b>0</b>	<b>453</b>

<sup>1</sup> Allocation includes direct write-downs and income received on written down claims.

Loans and advances as well as loan loss provisions based on the structure according to Basel II asset classes are shown in the following table:

<b>31/12/2010</b> Amounts in thousand Euros	Carrying amount	Individual loan loss provisions	Net carrying amount	Impaired assets	Fair value
Credit institution	285,424	0	285,424	0	285,424
Corporate customers – large	72,059	156	71,903	156	72,127
Retail customers – private individuals	13,417	196	13,221	196	13,221
<b>Total</b>	<b>370,900</b>	<b>352</b>	<b>370,548</b>	<b>352</b>	<b>370,772</b>

<b>31/12/2009</b> Amounts in thousand Euros	Carrying amount	Individual loan loss provisions	Net carrying amount	Impaired assets	Fair value
Credit institutions	480,092	0	480,092	0	480,092
Corporate customers – large	43,208	196	43,012	196	43,328
Retail customers – private individuals	8,282	257	8,025	257	8,025
<b>Total</b>	<b>531,582</b>	<b>453</b>	<b>531,129</b>	<b>453</b>	<b>531,445</b>

The parent company of Raiffeisen Centrobank, Raiffeisen Bank International AG uses the IRB approach based on internal ratings to assess credit risk. Raiffeisen Centrobank AG applies the standard approach, for which the “permanent partial use” parameter has been approved.

### Overdue financial instruments

The definition of default and the assessment of the expected recovery value are heavily influenced by the number of days payments are late. As at 31 December 2010, and as at 31 December 2009, Raiffeisen Centrobank had no overdue loans and advances that had not been reduced through individual loan loss provisions. Loans and advances not previously adjusted totalled TEUR 370,548 as at 31 December 2010 (31/12/2009: TEUR 531,129).

### Impaired financial instruments

The following table shows the carrying amount of loans and advances reduced through individual loan loss provisions as well as the related individual loan loss provisions and the corresponding net value of available collateral:

<b>31/12/2010</b> Amounts in thousand Euros	<b>Individually impaired assets</b>	<b>Individual loan loss provisions</b>	<b>Individually impaired deduction of individual loan loss provisions</b>	<b>Collaterals for individually impaired assets</b>	<b>Interest on individually impaired assets</b>
Corporate customers – large	156	156	0	0	0
Retail customers – private individuals	196	196	0	0	1
<b>Total</b>	<b>352</b>	<b>352</b>	<b>0</b>	<b>0</b>	<b>1</b>

<b>31/12/2009</b> Amounts in thousand Euros	<b>Individually impaired assets</b>	<b>Individual loan loss provisions</b>	<b>Individually impaired deduction of individual loan loss provisions</b>	<b>Collaterals for individually impaired assets</b>	<b>Interest on individually impaired assets</b>
Corporate customers – large	196	196	0	0	0
Retail customers – private individuals	257	257	0	0	12
<b>Total</b>	<b>453</b>	<b>453</b>	<b>0</b>	<b>0</b>	<b>12</b>

The following table shows the maximum credit risk exposure (including revocable and irrevocable credit commitments) and the fair value of collaterals without default of debtor:

<b>31/12/2010</b> Amounts in thousand Euros	<b>Maximum credit exposure</b>		<b>Fair value of collaterals</b>
	<b>Net exposure</b>	<b>Commitments/ guarantees issued</b>	<b>Reselling/ repledging allowed</b>
Credit institutions	285,424	8,684	215
Corporate customers – large	71,903	350	40,345
Retail customers – private individuals	13,221	293	7,124
<b>Total</b>	<b>370,548</b>	<b>9,327</b>	<b>47,684</b>

31/12/2009	Maximum credit exposure		Fair value of collaterals
	Net exposure	Commitments/ guarantees issued	Reselling/ repledging allowed
Amounts in thousand Euros			
Credit institutions	480,092	203	203
Corporate customers – large	43,012	3,626	26,907
Retail customers – private individuals	8,025	228	4,396
<b>Total</b>	<b>531,129</b>	<b>4,057</b>	<b>31,506</b>

### Operational risks

In line with Basel II, operational risk is defined as the risk of unexpected losses resulting from inadequate or failed internal processes, people and systems or from external events including legal risk. As is the case with other types of risk, the principle of ensuring a strict division of responsibilities between risk management and risk controlling is also applied to operational risk. Operational risk is analysed and managed on the basis of the Group's own regular self-risk assessments, the results of evaluating risk scenarios and the Group's historic loss data. The standardised approach, which is based on segment operating income, is used to determine the necessary capital coverage for operational risk as defined in Basel II. Provisions are made in order to meet pending legal risks in accordance with appraisals carried out of the potential economic losses resulting from court decisions. The calculation of Value-at-Risk consistent risk values is going to be carried out using the operating amounts determined by using the standard approach stipulated by Basel II for standard business lines. The method of quantification employed is derived from a large-scale empirical study on the advanced measurement approaches used in analysing databases chronicling operating losses as they relate to Basel II's standard approach. The data presented in the study forms the basis for the employment of empirical values and a reversed engineering approach in the deriving of the parameters. The calculation of Value-at-Risk consistent risk values enables immediate and fully-intermeshing taking into account of the operational risks and of an assessment of its role within the bank's overall exposure to risk and the limits placed upon it. This Value-at-Risk consistent risk value (95 percent confidence interval, 3-month retention period) amounted to EUR 1.19 million as at 31 December 2010 (31/12/2009: EUR 1.17 million).

### Equity participation risks

Part of the banking book also encompasses risks derived from equity participations (all of which involve unlisted companies). As at December 31, 2010 the carrying amount of the equity participations of Raiffeisen Centrobank totalled EUR 15.5 million. The resulting share of these equity participations in the capital requirements of Raiffeisen Centrobank is thus 2.25 percent (previous year: 2.52 percent). The focal point of the bank's efforts to mitigate and control equity participation risks is the limits set for the trading subsidiaries of Raiffeisen Centrobank. Financial and trading limits are approved by the internal credit committee or, when specified limits are to be exceeded, by the Supervisory Board of Raiffeisen Centrobank. On this basis a standardised and comprehensive spectrum of reports are put together, sometimes on a daily basis but on a monthly basis at a minimum, including risk reports for performance risk, financial risk and position risk. The limits are monitored at various levels: by the subsidiaries themselves, by the controlling subsidiaries department of Raiffeisen Centrobank and by the economic controls imposed by the company's credit department within the context of the supervision of capital loans to subsidiaries. The information provided by all companies in which Raiffeisen Centrobank has an equity stake are merged into one single report each month and conveyed to the Executive Board of Raiffeisen Centrobank and also on a quarterly basis to the Supervisory Board.

Risk assessment operations distinguish between participatory items per se and all other exposures associated with these items ("participatory-similar items"). The items' quantification is undertaken, as a general rule, using, in line with the procedure applied to loan-related risk, a modification of the IRB approach. Direct equity participations are quantified using a procedure similar to the PD/LGD approach (§§ 72, 77 (4) of the Austrian Solv-

ability Regulation (“Solvabilitätsverordnung”). Participatory-similar items are categorised on an item-by-item basis as either participations or loans.

### Liquidity risk

Liquidity management, i.e. ensuring that the company meets its obligations at all times, is performed both by Raiffeisen Centrobank and by Raiffeisen Bank International AG. Raiffeisen Bank

International AG serves as the central liquidity settlement centre for the Group in Austria and for the various local network banks in Central and Eastern Europe.

The major part of refinancing takes place through Raiffeisen Bank International AG, and (structural) liquidity risk of Raiffeisen Centrobank is therefore lower. The following table shows a breakdown of cash flows according to the contractual maturity of financial liabilities:

31/12/2010	Carrying amount	Contractual cash flows	< 3 months	3–12 months	1–5 years	> 5 years
Amounts in thousand Euros						
<b>Non-derivative liabilities</b>	<b>1,406,818</b>	<b>1,419,898</b>	<b>599,019</b>	<b>109,389</b>	<b>580,589</b>	<b>130,901</b>
Liabilities to credit institutions	63,800	63,802	63,802	0	0	0
Liabilities to customers	105,525	105,571	96,731	8,840	0	0
Other liabilities	1,217,080	1,228,275	438,036	100,549	580,589	109,101
Subordinated capital	20,413	22,250	450	0	0	21,800
<b>Derivative liabilities</b>	<b>565,661</b>	<b>565,661</b>	<b>91,086</b>	<b>103,301</b>	<b>121,505</b>	<b>249,769</b>
Derivatives in the trading book	565,323	565,323	91,086	103,301	121,505	249,431
Hedging derivatives	338	338	0	0	0	338
<b>Credit risks</b>	<b>460</b>	<b>460</b>	<b>0</b>	<b>460</b>	<b>0</b>	<b>0</b>
Irrevocable credit commitments/ standby facilities	460	460	0	460	0	0

31/12/2009	Carrying amount	Contractual cash flows	< 3 months	3–12 months	1–5 years	> 5 years
Amounts in thousand Euros						
<b>Non-derivative liabilities</b>	<b>1,479,268</b>	<b>1,528,098</b>	<b>674,450</b>	<b>60,735</b>	<b>531,095</b>	<b>261,818<sup>1</sup></b>
Liabilities to credit institutions	143,726	143,755	143,755	0	0	0
Liabilities to customers	119,559	119,736	111,307	8,429	0	0
Other liabilities	1,195,364	1,241,232	418,713	52,306	531,095	239,118 <sup>1</sup>
Subordinated capital	20,619	23,375	675	0	0	22,700
<b>Derivative liabilities</b>	<b>370,551</b>	<b>370,551</b>	<b>24,746</b>	<b>54,536</b>	<b>89,629</b>	<b>201,640<sup>1</sup></b>
Derivatives in the trading book	369,943	369,943	24,409	54,536	89,629	201,369 <sup>1</sup>
Hedging derivatives	271	271	0	0	0	271
Other derivatives	337	337	337	0	0	0
<b>Credit risks</b>	<b>2,849</b>	<b>2,849</b>	<b>0</b>	<b>2,849</b>	<b>0</b>	<b>0</b>
Irrevocable credit commitments/ standby facilities	2,849	2,849	0	2,849	0	0

<sup>1</sup> Adjustment of prior year data due to the change in allocation of issued certificates (guarantee bonds).

**Other risks**

Other subordinate types of risk (e.g business, FX and reputation risk) will be encompassed in the risk capacity analysis in the future by means of risk buffers and risk surcharges.

**(40) Derivative financial instruments**

The total volume of unsettled derivative financial products as at 31 December 2010 is composed of the following:

Amounts in thousand Euros	Nominal amount by maturity			Total	Fair values	
	< 1 year	1–5 years	> 5 years		positive	negative
<b>Total</b>	<b>1,651,812</b>	<b>706,476</b>	<b>634,472</b>	<b>2,992,760</b>	<b>193,432</b>	<b>- 565,662</b>
<b>Interest rate contracts</b>	<b>36,048</b>	<b>62,690</b>	<b>18,548</b>	<b>117,286</b>	<b>1,070</b>	<b>- 338</b>
OTC products						
Interest rate swaps	36,048	32,190	9,048	77,286	1,045	- 338
Options on interest-rate instruments	0	500	0	500	3	0
Products traded on stock exchange						
Interest rate futures	0	30,000	9,500	39,500	22	0
<b>Foreign exchange and gold contracts</b>	<b>132,101</b>	<b>3,950</b>	<b>25,017</b>	<b>161,068</b>	<b>1,865</b>	<b>- 23,982</b>
OTC products						
Forward exchange contracts	96,885	0	0	96,885	310	0
Other currency contracts	5,290	3,950	25,017	34,257	899	- 23,982
Products traded on stock exchange						
Currency futures	29,926	0	0	29,926	656	0
<b>Equity/index contracts</b>	<b>1,422,614</b>	<b>609,529</b>	<b>559,962</b>	<b>2,592,105</b>	<b>169,719</b>	<b>- 478,731</b>
OTC products						
Equity-/index-based options – purchased	115,752	331,990	212,801	660,543	145,877	0
Equity-/index-based options – sold	30,039	137,403	271,249	438,691	0	- 57,648
Other equity/index contracts	376,439	99,479	75,912	551,830	3,256	- 408,356
Products traded on stock exchange						
Equity/index futures	492,104	0	0	492,104	11,239	- 1,319
Equity/index options	408,280	40,657	0	448,937	9,347	- 11,408
<b>Commodities transactions</b>	<b>39,935</b>	<b>30,307</b>	<b>15,276</b>	<b>85,518</b>	<b>19,134</b>	<b>- 46,820</b>
<b>Precious metals transactions</b>	<b>21,114</b>	<b>0</b>	<b>15,669</b>	<b>36,783</b>	<b>1,644</b>	<b>- 15,791</b>

For hedging purposes, the net settlement amount of negative fair values for other equity and index contracts is offset against acquired shares listed under trading assets, which are not encompassed in the chart above.



The total volume of the unsettled derivative financial instruments, including structured products, as at 31 December 2009 comprises the following:

Amounts in thousand Euros	Nominal amount by maturity			Total	Fair values	
	< 1 year	1-5 years	> 5 years		positive	negative
<b>Total</b>	<b>1,021,238</b>	<b>557,328</b>	<b>657,934</b>	<b>2,236,500</b>	<b>216,747</b>	<b>- 370,551</b>
<b>Interest rate contracts</b>	<b>17,675</b>	<b>53,000</b>	<b>21,333</b>	<b>92,008</b>	<b>992</b>	<b>- 271</b>
OTC products						
Interest rate swaps	0	53,000	21,333	74,333	786	- 271 <sup>1</sup>
Products traded on stock exchange						
Interest rate futures	17,675	0	0	17,675	206	0
<b>Foreign exchange and gold contracts</b>	<b>41,256</b>	<b>0</b>	<b>10,798</b>	<b>52,054</b>	<b>65</b>	<b>- 16,410</b>
OTC products						
Currency and interest rate swaps	34	0	0	34	34	0
Forward exchange contracts	13,300	0	0	13,300	21	- 2
Currency options – purchased	0	0	0	0	0	0
Currency options – sold	0	0	0	0	0	0
Other currency contracts	8,085	0	10,798	18,883	10	- 14,990
Products traded on stock exchange						
Currency futures	19,837	0	0	19,837	0	- 1,418
<b>Equity/index contracts</b>	<b>926,645</b>	<b>491,963</b>	<b>612,764</b>	<b>2,031,372</b>	<b>202,220</b>	<b>- 314,142</b>
OTC products						
Equity-/index-based options – purchased	105,909	344,262	234,396	684,567	166,608	0
Equity-/index-based options – sold	98,759	76,573	305,547	480,879	0	- 59,198
Other equity/index contracts	149,151	69,395	72,821	291,367	5,257	- 241,524 <sup>1</sup>
Products traded on stock exchange						
Equity/index futures	379,496	873	0	380,369	172	- 6,411
Equity/index options	193,330	860	0	194,190	30,183	- 7,009
<b>Commodities transactions</b>	<b>17,217</b>	<b>12,365</b>	<b>6,611</b>	<b>36,193</b>	<b>13,470</b>	<b>- 27,048<sup>1</sup></b>
<b>Precious metals transactions</b>	<b>18,445</b>	<b>0</b>	<b>6,428</b>	<b>24,873</b>	<b>0</b>	<b>- 12,680</b>

<sup>1</sup> Due to the separation of the interest and the derivatives components in certificates (equity and liabilities) and the separate reporting of structured products (assets) the nominal values and the fair values were adjusted in the above table by a total of TEUR 2,539,289 and TEUR 910,921 (positive fair values) and TEUR 853,891 (negative fair values) compared to the previous year.

**(41) Fair value of financial instruments not reported at fair value**

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing and completely independent business partners. As far as market prices are available (mainly securities and derivatives quoted on stock exchange or active markets), this quotation represents the fair value.

All other financial instruments are valued using internally accepted models, especially discounted cash flow analysis and

option pricing models. Fair values different from the carrying amount are calculated for fixed-interest loans and advances to credit institutions and customers and liabilities to credit institutions and customers, if the remaining maturity is more than one year. Variable-interest loans and advances and liabilities are taken into account if they have an interest rollover period of more than one year. The effect of discounting by using a computational interest rate that reflects the market rates is only material in those cases.

Amounts in thousand Euros	Fair value	Carrying amount	2010	Fair value	Carrying amount	2009
			Difference			Difference
<b>Assets</b>						
Cash reserve	3,839	3,839	0	2,478	2,478	0
Loans and advances to credit institutions	285,424	285,424	0	480,092	480,092	0
Loans and advances to customers	85,348	85,125	223	51,362	51,490	- 128
Equity participations	6,052	6,052	0	6,172	6,172	0
Intangible and tangible fixed assets	12,660	12,660	0	13,818	13,818	0
Other assets	108,899	108,899	0	56,717	56,717	0
<b>Liabilities</b>						
Liabilities to credit institutions	63,800	63,800	0	143,726	143,726	0
Liabilities to customers	105,525	105,525	0	119,559	119,559	0
Subordinated capital	20,413	20,413	0	20,619	20,619	0
Other liabilities	40,276	40,276	0	27,469	27,469	0

## (42) Fair value of financial instruments reported at fair value

Amounts in thousand Euros	2010			2009		
	Quoted market prices (Level I)	Measurement techniques based on market data (Level II)	Measurement techniques not based on market data (Level III)	Quoted market prices (Level I)	Measurement techniques based on market data (Level II)	Measurement techniques not based on market data (Level III)
<b>Trading assets</b>	<b>691,809</b>	<b>909,571</b>	<b>0</b>	<b>651,743</b>	<b>704,082</b>	<b>0</b>
Positive fair values of derivative financial instruments	27,951	165,478	0	25,341	191,406	0 <sup>1</sup>
Structured products	160,366	237,235		183,775	303,489	0 <sup>1</sup>
Shares and other variable-yield securities	163,572	49,738	0	185,343	42,319	0
Bonds, notes and other fixed-interest securities	339,920	457,120	0	257,284	166,868	0
<b>Financial assets at fair value through profit and loss</b>	<b>26,704</b>	<b>0</b>	<b>0</b>	<b>29,264</b>	<b>0</b>	<b>0</b>
Bonds, notes and other fixed-interest securities	26,704	0	0	29,264	0	0
<b>Derivatives (hedging)</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Positive fair values of derivatives in fair value hedges (IAS 39)	0	3	0	0	0	0

<sup>1</sup> The prior year data were adjusted to reflect the separate reporting of "Structured products".

Amounts in thousand Euros	2010			2009		
	Quoted market prices (Level I)	Measurement techniques based on market data (Level II)	Measurement techniques not based on market data (Level III)	Quoted market prices (Level I)	Measurement techniques based on market data (Level II)	Measurement techniques not based on market data (Level III)
<b>Trading liabilities</b>	<b>1,478,872</b>	<b>263,255</b>	<b>0</b>	<b>1,178,395</b>	<b>359,781</b>	<b>0</b>
Negative fair value of other derivative financial instruments	492,654	72,669	0	243,128	127,151	0 <sup>1</sup>
Short selling of trading assets	391,042	818	0	313,824	182	0
Issued certificates (guarantee bonds)	595,177	189,769	0	621,443	232,448	0 <sup>1</sup>
<b>Derivatives (hedging)</b>	<b>338</b>	<b>0</b>	<b>0</b>	<b>271</b>	<b>0</b>	<b>0</b>
Negative fair values of derivatives in fair value hedges (IAS 39)	338	0	0	271	0	0

<sup>1</sup> Adjustment of prior year data due to the change in allocation of issued certificates (guarantee bonds).

## Other Disclosures

### (43) Contingent liabilities and other off-balance sheet obligations

Amounts in thousand Euros	2010	2009
<b>Contingent liabilities</b>	<b>8,867</b>	<b>1,208</b>
Other guarantees	397	1,208
Letters of credit	8,469	0
<b>Credit risks</b>	<b>460</b>	<b>2,849</b>
Irrevocable credit lines/standby facilities	460	2,849
Up to 1 year	460	2,849

### (44) Fiduciary business

Fiduciary business not recognised in the balance sheet was concluded with the following volumes as at the balance sheet date:

Amounts in thousand Euros	2010	2009
Securities and financial investments	7,091	7,091
Other fiduciary assets	2,000	2,000
<b>Fiduciary assets</b>	<b>9,091</b>	<b>9,091</b>
Other fiduciary liabilities	9,091	9,091
<b>Fiduciary liabilities</b>	<b>9,091</b>	<b>9,091</b>

## Disclosures based on Austrian regulations

### (45) Securities admitted for trading on a stock exchange pursuant to § 64 of the Austrian Banking Act

Amounts in thousand Euros	2010 Listed	2010 Unlisted	2009 Listed	2009 Unlisted
Bonds, notes and other fixed-interest securities	339,920	0	286,548	0
Shares and other variable-yield securities	350,717	282,269	369,119	348,557

### (46) Volume of the securities trading book pursuant to § 64 of the Austrian Banking Act

Amounts in thousand Euros	2010	2009
Securities	1,403,322	1,132,202
Other financial instruments	197,748	223,482
<b>Total</b>	<b>1,601,070</b>	<b>1,355,684</b>

### (47) Capital management and own funds pursuant to the Austrian Banking Act

Capital is a key dimension of bank management. The Austrian Banking Act prescribes regulatory values for Raiffeisen Centrobank based on relevant EU requirements. The internal control function of Raiffeisen Centrobank uses targets which comprise all risk categories (including trading book, foreign currency risk and operational risk).

Control is focused on capital and on the Tier 1 ratio. Additionally, a risk capacity based on the Value-at-Risk ratio is calculated, both for a going-concern scenario, using aggregate risk cover defined on the basis of the risk strategy, and for a liquidation scenario. For further information please see the risk report.

The regulatory own funds of Raiffeisen Centrobank in accordance with the stipulations contained in the Austrian Banking Act 1993/Amendment 2006 (Basel II) break down as follows:

Amounts in thousand Euros	2010	2009
Paid-in capital	47,599	47,599
Earned capital	30,721	30,721
Intangible fixed assets	- 121	- 182
<b>Core capital (Tier 1 capital)</b>	<b>78,199</b>	<b>78,138</b>
Deductions from Tier 1 capital (advance delivery)	0	0
<b>Eligible Tier 1 capital (after deductions)</b>	<b>78,199</b>	<b>78,138</b>
Long-term subordinated capital	20,000	20,000
Eligible supplementary capital (Tier 2 capital)	20,000	20,000
Deductions from supplementary capital	0	0
<b>Eligible supplementary capital (after deductions)</b>	<b>20,000</b>	<b>20,000</b>
<b>Total own funds</b>	<b>98,199</b>	<b>98,138</b>
<b>Total own funds requirement</b>	<b>55,191</b>	<b>49,314</b>
Excess own funds	43,008	48,824
Excess cover ratio in %	177.9%	199.0%
Core capital ratio (Tier 1), credit risk	37.9%	52.8%
Total Tier 1 ratio (incl. market and operational risk)	11.3%	12.7%
Own funds ratio in per cent	14.2%	15.9%

The core capital ratio is based on the risk-weighted basis of assessment pursuant to § 22 of the Austrian Banking Act.

The total own funds requirement is as follows:

Amounts in thousand Euros	2010	2009
<b>Risk-weighted assessment base pursuant to § 22 of the Austrian Banking Act</b>	<b>206,175</b>	<b>147,975</b>
of which 8% minimum own funds for the credit risk pursuant to §§ 22a to 22h of the Austrian Banking Act	16,494	11,838
Own funds requirement for position risk in debt instruments, asset values and commodities	28,872	26,693
Own funds requirement for position risk in foreign currencies	732	502
Own funds requirement for operational risk	9,093	10,281
<b>Total own funds requirement</b>	<b>55,191</b>	<b>49,314</b>

**(48) Average number of staff**

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

	2010	2009
Full-time equivalents		
Salaried employees	320	344 <sup>1</sup>
Wage employees	8	8
<b>Total</b>	<b>328</b>	<b>352<sup>1</sup></b>

	2010	2009
Full-time equivalents		
Austria	260	280 <sup>1</sup>
Abroad	68	72
<b>Total</b>	<b>328</b>	<b>352<sup>1</sup></b>

<sup>1</sup> Adjustment of prior year data.

**(49) Expenses on severance payments and retirement benefits**

Amounts in thousand Euros	2010	2009
Members of the Executive Board and senior staff	616	658
Other employees	1,720	1,274
<b>Total</b>	<b>2,336</b>	<b>1,932</b>

**(50) Relations to key management****Remuneration of the Executive Board**

The following remuneration was paid to the members of the Executive Board of Raiffeisen Centrobank AG:

Amounts in thousand Euros	2010	2009
Current remuneration	2,435	2,514
<b>Total</b>	<b>2,435</b>	<b>2,514</b>

The table includes fixed and performance-based salary components, including bonuses and payments in kind. It does not include remuneration for membership on the Executive Board or Supervisory Board of subsidiaries. There are no contractual obligations regarding remuneration to previous members of the Executive Board.

The members of the Supervisory Board received attendance fees totalling TEUR 110 for the period 2010 (previous year: TEUR 220 for the periods 2008 and 2009).

The relations of members of the Executive Board of Raiffeisen Centrobank AG to the Raiffeisen Centrobank Group are as follows (market values):

Amounts in thousand Euros	2010	2009
Sight deposits	633	269

The following table shows the relations of close family members of the Executive Board to the Raiffeisen Centrobank Group:

Amounts in thousand Euros	2010	2009
Sight deposits	47	949

There are no other relations between the Group and key management.



**(51) Corporate bodies**

**Executive Board**

**Eva Marchart**

*Chief Executive Officer*

**Alfred Michael Spiss**

*Deputy Chief Executive Officer*

**Gerhard Grund**

*Member of the Executive Board*

**Supervisory Board**

**Walter Rothensteiner**

*Chairman*

Chief Executive Officer of Raiffeisen Zentralbank

Österreich Aktiengesellschaft, Vienna

**Patrick Butler**

*First Deputy Chairman*

Member of the Board of Raiffeisen Bank

International AG, Vienna

**Herbert Stepic**

*Second Deputy Chairman*

Chief Executive Officer of Raiffeisen Bank

International AG, Vienna

**Members**

**Karl Sevelda**

Deputy Chief Executive Officer of Raiffeisen Bank

International AG, Vienna

**Johann Strobl**

Member of the Board of Raiffeisen Bank

International AG and Raiffeisen Zentralbank

Österreich Aktiengesellschaft, Vienna

**Christian Teufl (to October 31, 2010)**

Director of Raiffeisen Zentralbank

Österreich Aktiengesellschaft, Vienna

**Werner Kaltenbrunner (from November 3, 2010)**

Executive Director, of Raiffeisen Bank

International AG, Vienna

**State Commissioners**

**Peter Braumüller (to October 31, 2010)**

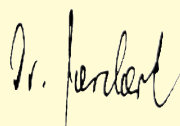
*Divisional Director*

**Tamara Els**

*Head of Department*

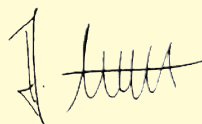
Vienna, April 5 2011

The Executive Board



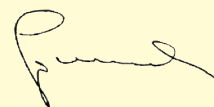
**Eva Marchart**

Chief Executive Officer



**Alfred Michael Spiss**

Deputy Chief Executive Officer



**Gerhard Grund**

Member of the Executive Board

## Auditor's Report

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Raiffeisen Centrobank AG, Vienna, for the year from 1 January 2010 to 31 December 2010. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2010, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2010 and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the Group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2010 and of its financial performance and its cash flows for the year from 1 January to 31 December 2010 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

**Report on the Management Report for the Group**

Pursuant to statutory provisions, the management report for the

Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 5 April 2011  
KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

**Wilhelm Kovsca**  
Austrian Chartered Accountant

**Josef Kirchknopf**  
Tax Adviser

## Consolidation Range

### List of fully-consolidated companies

Company, registered headquarters (country)	Subscribed capital in local currency	Share	of which indirectly <sup>1</sup>	Type <sup>2</sup>
Centrottrade Chemicals AG, Zug (CH)	5,000,000 CHF	100.0%		SU
Centrottrade Deutschland GmbH, Eschborn (DE)	410,000 EUR	100.0%		SU
Centrottrade Holding AG, Vienna (AT)	3,000,000 EUR	100.0%		SU
Centrottrade Investment AG, Zug (CH)	5,900,000 CHF	100.0%		SU
Centrottrade Minerals & Metals Inc., Chesapeake (US)	2,000 USD	100.0%		SU
Centrottrade Singapore Pte. Ltd., Singapore (SG)	500,000 SGD	100.0%		SU
Raiffeisen Investment Aktiengesellschaft, Vienna (AT)	730,000 EUR	100.0%		FI
Raiffeisen Investment (Malta) Limited, Valetta (MT)	5,000 EUR	99.8%		FI
OOO Raiffeisen Investment, Moscow (RU)	24,000,000 RUB	100.0%		FI
Raiffeisen Investment Polska Sp.z.o.o., Warsaw (PL)	360,000 PLN	100.0%		FI
Raiffeisen Investment Romania SRL, Bucharest (RO)	159,130 RON	100.0%		FI
Raiffeisen Centrobank AG, Vienna (AT)	47,599,000 EUR	100.0%		KI

## Other investments

### Other companies not included in consolidation

Company, registered headquarters (country)	Subscribed capital in local currency	Share	of which indirectly <sup>1</sup>	Type <sup>2</sup>
Centro Asset Management Limited, St. Helier (JE)	10,000 GBP	100.0%		FI
MENARAI Holding GmbH, Vienna (AT)	35,000 EUR	100.0%		SU
MIRA Beteiligungsholding GmbH, Vienna (AT)	35,000 EUR	100.0%		SU
Raiffeisen Energy & Metals Beteiligungsverwaltungs GesmbH, Vienna (AT)	35,000 EUR	100.0%		SU
Raiffeisen Investment (Bulgaria) EOOD, Sofia (BG)	60,050 BGN	100.0%		FI
Raiffeisen Investment s.r.o., Prague (CZ)	200,000 CZK	100.0%		FI
TOV Raiffeisen Investment Ukraine, Kiev (UA)	3,733,213 UAH	100.0%		FI
RAISHOP Holding GmbH, Vienna (AT)	35,000 EUR	100.0%		FH
RI Inwestycje Sp.z.o.o., Warsaw (PL)	500,000 PLN	100.0%		FI
SOPHIA PLAZA Holding GmbH, Vienna (AT)	35,000 EUR	100.0%		SU
SORANIS Raiffeisen Portfolio Management GmbH, Vienna (AT)	35,000 EUR	100.0%		SU

## Other interests

Company, registered headquarters (country)	Subscribed capital in local currency	Share	of which indirectly <sup>1</sup>	Type <sup>2</sup>
ACG Bor Glasworks, Bor City (RU)	418,956,270 RUB	7.4%	7.4%	SU
Alpenbank Aktiengesellschaft, Innsbruck (AT)	10,220,000 EUR	0.0%		FI
Centrottrade (Malaysia) Sdn, Berhad in Liquidation, Kuala Lumpur (MY)	100,000 MYR	30.0%		SU
Österreichische Raiffeisen Einlagensicherung reg. Gen. m.b.H., Vienna (AT)	3,000 EUR	3.3%		SU
Scanviwood Co. Ltd., Ho Chi Minh City (VN)	2,500,000 EUR	6.0%		SU
Society for Worldwide Interbank Financial Telecommunication s.c., La Hulpe (BE)	13,940,000 EUR	0.0%		SU
Syrena Immobilien Holding AG, Spittal an der Drau (AT)	22,600,370 EUR	21.0%		SU

<sup>1</sup> Shares held by companies that are not included in the consolidated financial statements (pro-rata share)

<sup>2</sup> Company type

KI = Credit institution

BH = Provider of ancillary services

FI = Financial institution

SU = Other companies

FH = Financial holding company

## **Management Report** of Raiffeisen Centrobank AG for the 2010 financial year

In the summing-up of rounded amounts and percentages, the application of automatic calculating devices could result in rounding-off differences. Information on percentage changes refers to the actual and not to the rounded-off figures. All designations that are used to refer to persons in this report apply equally to both genders unless reference is being made to a specific individual.

## Management Report of Raiffeisen Centrobank AG for the 2010 financial year

### Economic Environment

Financial analysts summed up the year 2010 with the headline “economic surprise trumps debt crisis”, and it is likely that two topics will remain the determining factors for the economy in the coming months: the debt crisis in the eurozone and the (continuing?) positive development of the economy.

#### Economy

At the close of the 2010 financial year, it seems that the global economy has come out of the worst recession the world has seen in over sixty years. But the pace of the recovery was uneven, both overall and in the fourth quarter of the past year. Some economies, among them Germany, the USA and Poland, showed substantial growth while others, including the Euro countries in Southeastern Europe and Romania, were slow to recover or even saw further contraction. While the first quarter was very positive with healthy growth impulses, the worsening of the debt crisis in the eurozone and general uncertainty about the development of the global economy dampened the budding euphoria as the year progressed. Surprisingly good growth figures in the second quarter brought some relief, and after fears of a double dip abated in the third quarter, the fourth quarter was very smooth and the performance for the year as a whole satisfying overall.

Volatility on the equity and bond markets (the latter despite continued low interest rates) during the year was clear evidence of uncertainty on the capital markets about the further development of the world's economies, though risk margins did narrow considerably as the year wound down. It seems that uncertainty about growth projections in different parts of the world is still a determining factor in this trend. GDP estimates are still being raised in countries including the USA and Germany, but conditions remain very inconsistent in the eurozone. The sovereign debt crisis and especially the high need for refinancing will be a key driver, and the financial markets will no longer accept inadequate budget cuts.

Fears that investors will eventually have to bear part of the restructuring burden is depressing bond prices, not only for the directly affected PIGS states. The markets have found the steps taken to date to be half-hearted because bailout facilities alone will not make the debts disappear. Despite this scepticism, a general consensus seems to have formed in the last months of the year that the economy will not slip into another recession. The markets have realised that there has to be an explicit trigger, an exogenous shock like the subprime crisis, for an economy to slide into a recession.

However, rising energy prices have pushed inflation projections for 2011 to over 2 per cent in most cases. Together with higher inflation and the brightening economic outlook, the prospect of key interest rate hikes is causing yields to climb. With the economy improving, the ECB feels that its monetary policy is too expansive and is likely to raise its refinancing rate further to 2 per cent by the end of 2011. Interest rate hikes and the expiration of the expanded credit measures can be seen as part of the monetary policy normalisation process.

Conditions in CEE are essentially the same as in the USA and the eurozone, but growth will generally be at a higher level. As in the eurozone, growth in the region is inhomogeneous. While Russia and Ukraine will see their economies expand by as much as 5 per cent this year, the Balkan states are still in a recession, and countries like Poland are already seeing conditions similar to those in the core EU countries.

#### Equity markets

Against this backdrop, the equity markets that are relevant for Raiffeisen Centrobank generally reflected the pervasive uncertainties about the further course of the economy and did not perform consistently over the course of the year. A positive overall trend in annual comparison did not crystallise until the end of the year. In the dominant US market, the Dow Jones closed the year with a gain of 11.0 per cent, while Japan saw a loss of 3.0 per cent. Performance was also varied in Europe. While the Eurostoxx 50 (R) fell by 6 per cent, the DAX gained 16 per cent as

Germany's vigorous exports and a stronger US dollar enabled the country to buck this trend. The Austrian market gave up the gains it made at the beginning of the year, recovered after more substantial losses, rallied at the end of the year (in part due to the new tax on price gains) and closed with an overall performance of plus 16 per cent. Conditions in the CEE countries (CECE plus 15 per cent) and Russia (plus an impressive 23 per cent) were also encouraging.

Over the course of the year, the easing of fears about the further development of the international financial markets and the debt crisis in Europe was most apparent in the Euro exchange rate. After falling to under USD 1.20 per Euro in the second half of the year, the common currency gained 10 per cent against the US dollar and closed the year at 1.34. In annual comparison, the Euro depreciated by roughly 5 per cent compared to the US dollar. As in past periods, however, this development had no influence whatsoever on interest rate policy, and all relevant central banks continued supplying the market with cheap liquidity. The key interest rate in the USA is still at a historic low near zero, and the ECB also kept the key interest rate for the eurozone at an all-time low of 1 per cent. As a result, benchmark yields in the USA and Europe settled in at very low levels of 2.5 and 2.3 per cent after brief rises. Over the reporting period, prices for ten-year government bonds in Euros and US dollars improved slightly, but yields rose considerably as the general conditions improved and came in at 2.90 per cent for Euro bonds and 3.30 per cent for US dollar bonds at the end of the year.

After two challenging years, 2010 brought the first signs of a gradual recovery in the M&A business. A significant increase was seen in Turkey, Russia, Poland and Austria – the most important core markets of the Raiffeisen Investment AG Group – compared with 2009. Activity in the other CEE countries remained low in terms of the number of transactions and the volume of the transactions that did take place, but these markets also began picking up steadily in the fourth quarter of 2010.

### Commodity markets

The markets that are relevant for the commodity trading subsidiaries of the Raiffeisen Centrobank Group were solid and saw considerable price increases over the period. Rubber prices remained stable in the first half of 2010 and then rose significantly in the second half of the year as a result of robust demand and rather limited supply. The rubber price (TSR20), the single most important indicator for the development of the price of the physical product, rose from just under USD 2,900 per ton to roughly USD 4,900 per ton on the SICOM Singapore Commodity Exchange over the course of the year, a gain of roughly 70 per cent. The olefins that are traded by Centrotech Chemicals correlated with the oil price, which also moved up steadily throughout the year.

### Business Development 2010

With an operating income of EUR 64.295 million (2009: EUR 65.855 million) and operating expenses of EUR 40.294 million (2009: EUR 38.112 million) an operating result of EUR 24.000 million (2009: 27.743 million) was generated in the 2010 financial year. Under consideration of net valuations and net proceeds in the amount of EUR 0.186 million (2009: EUR 0.295 million) the result on ordinary activities came to EUR 24.186 million (2009: 28.038 million).



Compared to the previous year, operating income 2010 remained with EUR 64.295 million, 2.4 per cent or EUR 1.560 million below the previous year level. Both net fee and commission income and trading profit came off better, whereas net interest income remained below the previous year amount, in particular due to the low interest rate level and a lower deposit volume.

Operating expenses rose by 5.7 per cent or EUR 2.182 million compared to the 2009 level. This is attributable to an increase in staff expenses by EUR 2.305 million or 8.8 per cent, due to higher provisions for bonus payments and social capital. Other administrative expenses amounted to EUR 9.388 million and were by 0.7 per cent slightly below the previous year level as a result of lower depreciation on software and hardware. The cost-income

ratio which amounted to 57.9 per cent in 2009 rose to 62.7 per cent in the reporting year.

The amount of roughly EUR 0.186 million under "Net valuations and net proceeds" results mainly from an increase in the fair value of fixed-interest securities held as other current assets as well as from income received from written-down loans and advances.

The result on ordinary activities in the amount of EUR 24.186 million increased to EUR 26.859 million (2009: EUR 23.864 million) due to a positive tax amount of EUR 2.673 million attributable to the finalisation of a tax audit, the main part of which relates to business years not yet assessed. In 2010 there was no need to increase the reserve pursuant to the Austrian Banking Act.

## Comparative figures

Amounts in thousand Euros	2010	Change	2009
Net interest income	3,501	-68.4%	11,084
Net fee and commission income	10,315	+63.5%	6,307
Trading profit <sup>1)</sup>	48,725	+3.7%	46,988
Other operating income	1,754	+18.8%	1,476
<b>Operating income</b>	<b>64,295</b>	<b>-2.4%</b>	<b>65,855</b>
Staff expenses	-28,589	+8.8%	-26,284
Other administrative expenses	-9,388	-0.7%	-9,451
Depreciation	-1,914	-10.1%	-2,130
Other operating expenses	-404	+64.2%	-246
<b>General administrative expenses</b>	<b>-40,294</b>	<b>+5.7%</b>	<b>-38,112</b>
<b>Operating result</b>	<b>24,000</b>	<b>-13.5%</b>	<b>27,743</b>
Net valuations and net proceeds	186	-36.9%	295
<b>Result on ordinary activities</b>	<b>24,186</b>	<b>-13.7%</b>	<b>28,038</b>
Income taxes, other taxes	2,673	-	-4,174
<b>Net income for the year</b>	<b>26,859</b>	<b>+12.5%</b>	<b>23,864</b>
Reserves	0	0%	0
<b>Net profit for the year</b>	<b>26,859</b>	<b>+12.5%</b>	<b>23,864</b>

1) including dividends from securities held for trading purposes

In line with the Bank's strategic alignment the result 2010 is primarily attributable to the Securities Trading & Sales department. The trading profit comprises income from securities whose fair value had fallen in prior years for credit rating reasons. The results of the Subsidiaries department with EUR 2.636 million dividend income and the FX department deserve special mention.

Even though no IPOs took place in Austria in 2010, four capital increases were completed by way of cash contributions on the domestic primary market and generated a total transaction volume of roughly EUR 1.3 billion. The department Equity Capital Markets was involved in all four of these transactions, underscoring its leading position and clear market leadership. In addition the department successfully completed various transactions on an international scale.

### Balance sheet development

The balance sheet total increased by about 6 per cent from EUR 1,963.1 million to EUR 2,089.0 million compared to the end of 2009. Calculatory risk weighted assets (determined retrogradely) rose by roughly 12 per cent from about EUR 616 million to about EUR 690 million compared to the previous year, which is mainly attributable to a rise in credit and market risk.

On the asset side the most significant change compared to 2009 was in the item "Loans and advances to credit institutions" (roughly 35 per cent of the balance sheet total on 31 December 2010 and roughly 32 per cent on 31 December 2009). The item which rose by about EUR 622 million to about EUR 731 million contains unlisted bonds (about EUR 457 million), interbank deposits (about EUR 231 million) as well as collateral for securities transactions and securities lendings (about EUR 24 million). The change compared to December 2009 is attributable to an increase in unlisted bonds by roughly EUR 300 million. Interbank deposits mainly comprise deposits at Raiffeisen Bank International. Collaterals decreased by roughly EUR 45 million compared to 2009.

Other increases on the asset side included "Loans and advances to customers" (roughly 7 per cent of the balance sheet total on 31 December 2010 and roughly 3 per cent on 31 December 2009) as well as "Bonds, notes and other fixed-interest securities" (roughly 16 per cent of the balance sheet total on 31 December 2010 and roughly 15 per cent on 31 December 2009) which rose by about EUR 75 million or about EUR 53 million. This increase was partly set off by a decrease in item "Shares and other variable yield securities" (roughly 30 per cent of the balance sheet total on 31 December 2010 and 37 per cent on 31 December 2009) by about EUR 85 million as well as in "Other assets" (roughly 10 per cent of the balance sheet total on 31 December 2010 and roughly 12 per cent on 31 December 2009) by about EUR 27 million.

The rise in "Loans and advances to customers" by roughly EUR 68 million to about EUR 144 million is attributable to higher working capital financing for the Centrotech commodity trading subsidiaries as well as higher loans for other corporate customers. The balance sheet item "Bonds, notes and other fixed-interest securities" recorded an increase by roughly EUR 287 million to roughly EUR 340 million due to a rise in listed bonds.

The balance sheet item "Shares and other variable-yield securities" saw a decline by roughly EUR 718 million to EUR 633 million which is attributable to the expiry of certificates issued by Raiffeisen Centrobank and the expiry of structured products which were held for hedging purposes. In addition, the stock of shares decreased. The stock of shares held by Raiffeisen Centrobank together with purchased options and zero bonds serve as hedge positions for issued certificates and warrants, or are part of the Bank's market maker activities.

The decrease in "Other assets" by roughly EUR 230 million to roughly EUR 203 million is primarily attributable to a decrease in unlisted options (OTC options).

On the equity and liabilities side "Other liabilities" (roughly 44 per cent of the balance sheet total on 31 December 2010 and roughly 35 per cent on 31 December 2009) rose by about

EUR 237 million. This increase was partly offset by a decrease in “Liabilities to credit institutions“ (roughly 3 per cent of the balance sheet total on 31 December 2010 and roughly 7 per cent on 31 December 2009) by about EUR 85 million and in “Securitized liabilities“ (roughly 39 per cent of the balance sheet total on 31 December 2010 and roughly 44 per cent on 31 December 2009) by about EUR 36 million.

The growth in “Other liabilities“ by roughly EUR 689 million to roughly EUR 926 million is primarily the result of increased volumes and values of listed warrants. Shortsellings have also increased. Shortsellings were effected in connection with the market making activities of Raiffeisen Centrobank in relation to pension plans and represent offsetting items to equity and equity index futures as well as to cash positions on the asset side of the balance sheet.

The decrease in “Liabilities to credit institutions“ by roughly EUR 140 million to roughly EUR 55 million is mainly attributable to the repayment of loans to foreign banks. “Securitized liabilities“ fell by roughly EUR 859 million to EUR 823 million due to the expiry of several certificates issued by Raiffeisen Centrobank.

The “Net profit for the year“ (roughly 2 per cent of the balance sheet total on 31 December 2010 and 31 December 2009), with a net income for the year of EUR 26.859 million and a dividend payment for the 2009 financial year of EUR 18.995 million, rose by roughly EUR 7.864 million to EUR 37.967 million.

The core capital (Tier 1) amounted to EUR 78.199 million (31/12/2009: EUR 78.138 million) on 31 December 2010. Including supplementary own funds (Tier 2) eligible own funds pursuant to Article 23 para 14 Austrian Banking Act came to EUR 98.199 million (31/12/2009: EUR 98.138 million).

## Review of Business Segments

### Banking segments

#### Securities Trading & Sales and Treasury

Against the backdrop of the market conditions described in the section Economic Environment and taking into account the low level at which trading volumes on the financial markets have stagnated around the world, this segment achieved a very pleasing result in the reporting period. While brokerage income grew only moderately, especially with institutional customers, trading income was increased substantially within the bounds of the specified limits. The result for 2010 includes profits from the sale of securities whose fair values fell in prior years for credit rating reasons. Aside from this, the segment result developed consistently over the individual months, and about half of it was achieved each in the first and second halves of the year.

A regional breakdown of the segment result shows that it was generated primarily in Austria and the EU countries, as in 2009. However, the share generated in the CEE region more than doubled in annual comparison, both in relative terms and its absolute amount.

As far as the risk parameters are concerned, market risk resulted in no negative effects for the segment overall again in the reporting period. No significant costs were incurred in connection with operational or credit risk, either.

The market share in equities trading on the Vienna Stock Exchange developed well. With a record share of 9.3 per cent in September, Raiffeisen Centrobank became the leading player on the exchange for the first time since 2002. For the year as a whole, the Bank came in third place with a market share of 7.4 per cent (previous year: 6.6 per cent), an increase of roughly 12 per cent. This trend was also accompanied by an encouraging increase in the absolute transaction volume executed by the Bank on the Vienna Stock Exchange of approximately 16 per cent to EUR 5.6 billion (2009: EUR 4.8 billion). In this connection, it is worth mentioning that the total trading volume on the Vienna Stock Exchange was roughly 60 per cent lower in 2010 than in the peak year of 2007, in line with the conditions on other mar-

kets in the region, and that Raiffeisen Centrobank and Erste Bank are the only two Austrian banks among the top ten players on the exchange.

Raiffeisen Centrobank stabilised its position in trading Austrian derivatives, and was one of the top three during the year with a share of more than 20 per cent of the overall market. Together with its trading in warrants and structured products, the Bank maintained its market leadership in the segment for equities derivatives in Austria. Raiffeisen Centrobank was again at the head of the pack in trading Eastern European derivatives on the futures market of the Vienna Stock Exchange with a market share of roughly 40 per cent.

The Bank also successfully defended its position as the largest market maker and specialist on the Vienna Stock Exchange by again winning nearly 50 per cent of the mandates granted in the auction in April 2010.

In addition to being admitted on the exchange in Vienna, all structured and derivative products issued by Raiffeisen Centrobank are also admitted for trading on the main marketplace, the leading European derivatives exchange in Stuttgart. The volume of Raiffeisen Centrobank products traded on the Stuttgart securities exchange rose in line with the higher level of issues in financial year 2010, but was still at a historically low level.

In the third quarter, the innovative Bonus&Safety, a series of bonus certificates with a large barrier margin, were a huge success and the second largest issue in the history of the Bank. The local listings on Eastern European exchanges were also expanded in the reporting period. In addition to Warsaw, Prague and Budapest, Raiffeisen Centrobank certificates were listed in Bucharest for the first time.

In order to maintain its high level of customer service despite the challenging conditions on the equity markets and the low levels of customer business, the Bank not only continued but also stepped up its roadshows and presentation activities for secondary market trading on the basis of sector reports and presentations about individual companies. The traditional investor conference in Zürs in 2010 broke the records for the number of participants (in contrast to competitors) and scope of content, with sixty Austrian and Eastern European companies meeting

around 120 institutional investors. Forty plenary talks and nearly 900 one-on-one discussions were held over the course of two and a half days. The well established SEE investor conference was also held in Vienna again, enabling fifty international investors to learn about twenty companies from the region and underscoring the Bank's key role in the region.

Raiffeisen Centrobank's leading position in the Austrian certificate business was impressively demonstrated by its being named the "Certificates House of the Year" at the Certificates Award Austria for the fourth time in a row.

#### Equity Capital Markets (ECM)

After the serious difficulties caused by the global and economic crisis over the past years, 2010 finally brought a moderate but definite recovery in the overall economy and the capital market.

Despite the continued low level of securities trading, investor interest in new opportunities began returning around the world. Thanks to this trend and the positive development of the economy in Europe, especially in Germany, Austrian companies again enjoyed easier access to financing on the capital market.

Even though no IPOs took place in Austria in 2010, four capital increases were completed by way of cash contributions on the domestic primary market and generated a total transaction volume of roughly EUR 1.3 billion. Raiffeisen Centrobank was involved in all four of these transactions, underscoring its leading position and clear market leadership and doing a large part to ensure their successful completion:

- » joint lead manager of the VERBUND AG capital increase,
- » joint bookrunner and joint lead manager of the EVN AG capital increase,
- » co-bookrunner of the Warimpex Finanz- und Beteiligungs AG capital increase,
- » arranger of the KTM Power Sports AG capital increase.

In addition to the strong placement, Raiffeisen Centrobank was also responsible for the implementation of two innovative transaction structures for the first time in Austria, namely a claw-back structure for the EVN capital increase and a structure with no fixed subscription ratio for the EUR 1 billion VERBUND AG capital increase.

Raiffeisen Centrobank's international approach and its efforts to expand its customer base were furthered by participation in a number of transactions outside of Austria:

- » underwriter in the EUR 10 billion capital increase of Deutsche Bank AG
- » co-lead manager in the IPO of the Russian firm EuroSib-Energo on the Hong Kong Stock Exchange (scheduled for 2011)
- » co-manager in the IPO of the Russian firm ChelPipe on the London Stock Exchange (launch in 2011)
- » arranger in the capital increase of PC-Ware AG in Germany and assistance with the ongoing squeeze-out procedure.

The Bank also successfully expanded its convertible bond track record by completing equity-linked transactions for Conwert Immobilien Invest SE and Petropavlovsk PLC, acting as co-lead manager in each case.

Raiffeisen Centrobank's strategy of focusing on dialogue with the financial community to promote intensive communication between companies and investors, especially in difficult times, led to the provision of advice and service during 2010 to more than twenty further national and international companies in connection with possible capital market transactions. On the basis of these activities with existing and new customers, Raiffeisen Centrobank has a promising pipeline for the year 2011.

### Company Research

The department released a record number of company updates in response to the steadily increasing investor interest in fundamental stock research over the course of 2010. A total of 356 investment analyses were created during the reporting period, an increase of twenty-nine reports compared with the previous year and exactly 100 analyses more than in 2009. Of these, 234 company updates covered firms listed on a CEE exchange. This share clearly reflects the Bank's international approach and its growing focus on Eastern Europe.

Raiffeisen Centrobank began or resumed coverage of Biofarm, Cinema City, Fondul Proprietatea, Kapsch TrafficCom, Krka, Mercator, Mostostal Warszawa, New World Resources, PBC, Polimex-Mostostal, Severstal and Tauron in response to investor interest as well as in order to obtain a more comprehensive view of the relevant sectors. Extensive sector reports were prepared and distributed for the oil and gas, telecommunications, Polish construction and banking sectors. In addition to the sector reports, roadshow reports were also prepared about Polish banks, pharmaceuticals companies and metals. Investor events in connection with these sector and roadshow reports were held in Budapest, Frankfurt, Geneva, Helsinki, London, Lugano, Prague, Stockholm, Warsaw, Vienna, Zagreb and Zurich.

Attesting to the unique success and unparalleled expertise of the analysis department at Raiffeisen Centrobank, the company again won the VIG Analyst Award 2010 in the performance-oriented team assessment. With the recommended Austrian stocks achieving a performance of plus 48.2 per cent, the team followed in its own footsteps from 2009 and again attained the best annual result of all Vienna-based investment banks. By way of comparison, the ATX prime reported a gain of 19.9 per cent in the same period. The quality of analyses was also confirmed by Bloomberg, which ranked the Company Research team as one of the top three for over one third of the coverage universe.

### Private Banking

The Private Banking segment achieved a stable result in annual comparison as the conditions on the financial markets remained challenging. While net interest income declined because of the lower interest rate level, income from asset management and securities transactions rose due to increased investments in securities and the recovery on the equities markets.

Its individualised service approach with comprehensive investment advice also enabled the Private Banking department to win new customers again during the reporting period. The expansion of its activities in cooperation with the local Raiffeisen network banks, especially in Russia, also made a moderate positive contribution to this trend. Two thirds of these customers are individuals and one third companies and trusts.

Assets under management totalled roughly EUR 1.7 billion on 31 December 2010 (31 December 2009: roughly EUR 1.8 billion). The decline is the result of the loss of a major customer.

### Subsidiaries

#### Raiffeisen Investment AG

Raiffeisen Investment AG (RIAG) is a wholly owned subsidiary of Raiffeisen Centrobank and is one of the leading investment advisors for mergers and acquisitions in Austria and Central and Eastern Europe. Its clients include international companies and organisations as well as governments, all of which are advised in connection with mergers, acquisitions and privatisation projects from the perspective of the buyer and the seller. Through its sector teams, Raiffeisen Investment AG can call on comprehensive industrial expertise (telecommunications media technology, energy, industrials, consumer goods and life sciences, financial sponsors, financial institutions) and guarantees local expertise and market knowledge in all of the regions it covers with its local teams in eleven countries.

After two challenging financial years, the company saw the first signs of a gradual recovery in the M&A segment. Raiffeisen Investment AG's order intake rose substantially starting in the summer months of 2010, as did the number of potential new mandates. Raiffeisen Investment processed a total of twenty-nine transactions in 2010 with an aggregate volume of approximately EUR 13 billion (previous year: EUR 17 billion). Raiffeisen Investment AG took home a total of five awards during the reporting period for its outstanding commitment in the region, including the coveted Acquisitions Monthly Award in the category of Central Europe M&A Adviser of the Year (for 2011).

The results of Raiffeisen Investment AG and its subsidiaries, which were impacted by the adverse market conditions in the 2010 financial year. For the business year 2010 Raiffeisen Investment AG recorded a net profit for the year in the amount of EUR 5,893 million after a net loss of EUR 0,547 million.

#### Commodity Trading

The member companies of the Centrotrade Group are active in trading rubber and olefins. The rubber trading subsidiaries are owned by Centrotrade Holing AG, Vienna. In 2010, the group surpassed its record result from 2009 in trading with olefins, and the rubber group also achieved a satisfactory result.

## Performance Indicators

### Financial Performance Indicators

	2010	2009
Return on equity before tax (in per cent)	27.0	33.2
Return on equity after tax (in per cent)	30.0	28.2
Cost-income ratio (in per cent)	62.7	57.9

The lower profit before tax in annual comparison combined with higher average equity caused the return on equity before taxes to fall from 33.2 per cent to 27.0 per cent. The net profit for the year rose compared to the previous year due to an external tax audit and the resulting filing of tax adjustments for previous financial years not yet assessed, and triggered a rise in return on equity after tax from 28.2 per cent to 30.0 per cent.

While operating income fell slightly, and operating expenses recorded an increase the cost-income ratio rose from 57.9 per cent in 2009 to 62.7 per cent.

### Non-Financial Performance Indicators

	2010	2009
Number of employees at year end	219	217
Average number of employees	210	216
Stock exchange memberships	14	13
Number of newly issued warrants and certificates	2,670	1,841

An average of 210 employees worked for Raiffeisen Centrobank during the reporting period, a decrease of six people or about 3 per cent compared to the previous year.

Joining the exchange in Ljubljana increased the Bank's number of exchange memberships to fourteen. The number of warrants and certificates issued by the Company grew handsomely in 2010, rising by roughly 45 per cent to 2,670.

## Risk Management

### Risk management principles

For Raiffeisen Centrobank active risk management means the identification, measurement, monitoring and management of economic risks. This process is designed to achieve profits by taking risks in a targeted, controlled manner. As a subsidiary of Raiffeisen Bank International AG, Raiffeisen Centrobank is integrated into the risk management processes of the RZB Credit Institution Group. The various risk management units operating at different management levels ensure that all major risks are monitored and limited and that business transactions are concluded under a risk/return perspective.

The risk management principles followed by Raiffeisen Centrobank are focused, above all, on the company's individual risk profile, which originates with the company's orientation toward the equity and equity derivatives business. All transactions are evaluated with respect to their risk content and earnings potential based on the type, scope and complexity of the transaction as well as the relevant regulatory requirements.

The management activities of the Executive Board are supported by the risk management concept, which provides a coordinated process for the handling of market risk, credit risk, operational risk, equity participation risk and other risks. The basic principles and methods underlying risk management are defined by the bylaws for the Supervisory Board and the Executive Board as well as the bank's organisational guidelines and manuals. A comprehensive planning and controlling process enables the Executive Board to identify risks at an early stage, evaluate them and take appropriate countermeasures. Within the framework of its decision-taking authority the Executive Board determines the bank's risk management policies, authorising the principles of risk management, the specification of limits for all relevant risks as well as the precise processes to monitor risks. The risk policy is an integral part of the risk management scheme of the bank as a whole, which systematically links the profit management and risk management of all business segments.

An independent risk management unit, incorporated within the controlling department, supports the Executive Board in effectively fulfilling these duties. This unit reports regularly to the Executive Board and evaluates the current risk situation by taking account of the risk capacity and risk limits. It supports the Executive Board in allocating a risk management budget and in managing risks. As a cross-divisional and enterprise-wide body, the department is responsible for the ongoing further development and implementation of methods to measure risks, to refine risk management instruments as well as to maintain and update the regulatory framework. The Risk Committee, which meets regularly, addresses all issues and regulations in the area of risk management, develops recommendations for the Executive Board as a whole, or prepares resolutions. Members of the Risk Committee, along with the Executive Board are the heads of the Risk Management, Securities Trading & Sales and Treasury departments. The evaluation of interest rate changes and the balance sheet risks as well as liquidity risks takes place within the framework of the Asset Liability Committee.

Raiffeisen Centrobank employs innovative methods and schemes in its risk management activities. Risk management is based on a risk strategy that focuses on risk appetite and risk capacity. On this basis, a unified bank-wide limit system is used that distributes the desired risk exposure at various levels. The quantification of operational risk using a Value-at-Risk (VaR)-consistent parameter continues to be important. This enables Raiffeisen Centrobank to quantify this risk as well and appropriately take account of the operational risks in the bank's overall risk management led by the Executive Board by means of a Value-at-Risk consistent risk measurement approach, along with the main risks to which the bank is subject, namely market risk and credit risk.

### **Risk capacity and risk management**

Risk capacity denotes the capability of a bank to cover the risks arising from its transactions by furnishing equity capital and similar items. As banks cannot as a general rule completely preclude the incurring of risks, the losses arising from the realisation of these risks are to be defrayed by these funds, which are

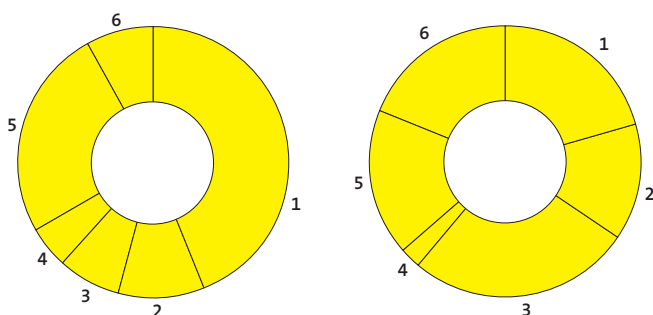
referred to as the risk coverage sum. The amount of this sum determines which risk-bearing activities- and the maximum exposure associated with them- are suitable for a bank. The ability to bear risk thus significantly impacts on a bank's assumption of further risk. This, in turn, determines the focus and scope of the bank's transactions.

The risk capacity analysis of the RZB Credit Institution Group is supplemented by scenarios adapted to the business model of Raiffeisen Centrobank which are used to verify whether or not potential losses (the risk potential) exceed the amount of the aggregate risk cover available at the time. These loss scenarios are based on a going-concern perspective (calculated with a 95 per cent confidence interval and a three-month retention period) and the liquidation perspective (with an increased confidence level of 99.9 per cent). They also include stress tests to assess the effects of significant negative changes in risk factors that may not be adequately represented in VaR models.

Securing capital adequacy is one of the primary goals of risk management at Raiffeisen Centrobank. The adequacy of capital is assessed every quarter on the basis of risk calculated according to internal models. Capital requirements both from a regulatory perspective (going-concern perspective) and from an economic point of view (liquidation perspective) are taken into account. In both perspectives, all material risks are determined using a VaR model. Market risk constitutes the most significant risk from both perspectives. This accounts for 44 per cent of total risk as at 31 December 2010 (2009: 58 per cent). The relative rise in equity participation risk from 12.8 per cent to 25.1 per cent in the going-concern perspective and from 8.9 per cent to 17.5 per cent in the liquidations perspective is attributable to a rise in working capital financing of the commodity trading subsidiaries as well as to a rise in default probability applied for this rating category.



Going-concern perspective 2010 // Liquidations perspective 2010



Going-concern perspective	31/12/2010	31/12/2009
1. Market risk	44.1%	57.8%
2. Credit risk	10.2%	8.9%
3. Operational risk	7.4%	6.4%
4. Business risk	5.2%	6.8%
5. Equity participation risk	25.1%	12.8%
6. Other risks	8.0%	7.3%
<b>Liquidations perspective</b>	<b>31/12/2010</b>	<b>31/12/2009</b>
1. Market risk	20.9%	39.6%
2. Credit risk	13.7%	10.3%
3. Operational risk	26.7%	21.3%
4. Business risk	2.5%	4.7%
5. Equity participation risk	17.5%	8.9%
6. Other risks	18.7%	15.2%

### Market risk

The top priority of Raiffeisen Centrobank is to counteract market risk. Raiffeisen Centrobank defines market risk as incurring potential losses due to market changes, resulting from fluctuating or changing market prices (e.g. share, currency and securities prices) and parameters which affect prices (e.g. interest rates, volatilities). Comprehensive, real-time evaluations of market risk are developed, enabling the bank to combine this information with data on other risk factors to prepare an overall risk assessment. Market risks primarily consist of share and warrant

prices as well as interest rate fluctuation and exchange rate risks and are managed by the bank's Securities Trading & Sales and Treasury segment.

The main focus of the business activities of Raiffeisen Centrobank is in securities trading and the issue of equity-index based derivatives and structured products (certificates and guarantee bonds). Risk positions primarily result from the dynamic hedging of the warrants and certificates issued by Raiffeisen Centrobank. The market risk arising from the securities trading book of Raiffeisen Centrobank mainly refers to price risks resulting from trading book positions held in shares and derivatives.

Market risk also represents the most important overall risk for Raiffeisen Centrobank. In addition to volume and sensitivity limits, Value-at-Risk plays a key role in the management of market risk. The use of a Monte Carlo simulation adapted to reflect the Raiffeisen Centrobank business model ensures that decision-making also includes all market-relevant, non-linear risks resulting from the use of warrants.

Raiffeisen Centrobank measures, monitors and manages all market risks by setting a variety of limits which are defined by taking account of the risk capacity of the bank. Depending on the type of transaction, these limits can include volume, position and sensitivity limits (delta, gamma, vega and basis point value) as well as stop-loss limits that are embedded in a Value-at-Risk system that covers the entire company. Compliance and use of limits are monitored and reported to the Executive Board on a daily basis by Controlling Securities, within the context of a comprehensive reporting system.

Value-at-Risk plays an important role. It furnishes forecasts on potential greater losses under normal market conditions and is contrasted against a particular limit. On the basis of the variance-covariance model which is calculated daily the Value-at-Risk for interest rate risk, currency risk and price risk is calculated with a confidence interval of 99 per cent and a retention period of one day. The market data for calculation of volatility and correlations are based on a one-year history.

The following table shows the one day Value-at-Risk (in accordance with the variance-covariance model) for the market risk arising from the trading books, depending on the type of risk:

Amounts in thousand Euros	31/12/2010	30/09/2009	30/06/2009	31/03/2009	31/12/2009
Interest rate risk	421	226	164	203	126
Foreign exchange risk	49	43	26	56	32
Price risk	995	900	1,083	1,670	2,091
<b>Total</b>	<b>1,465</b>	<b>1,169</b>	<b>1,273</b>	<b>1,929</b>	<b>2,249</b>

The substantial reduction in price risk is attributable to a decrease in volatilities. In the course of monitoring the overall banking risk (ICAAP) the Value-at-Risk is calculated using the statistically more precise Monte Carlo simulation. This practice permits the taking into account those non-linear risks resulting from the employment of options, and impacting upon market-related risks. The Monte Carlo simulation is based upon a full-scale valuation of the portfolio. The future development of this figure is the simulated by subjecting the portfolio to an array of randomly generated movements on exchanges. Whether or not random variables (risk factors) are realised is determined by applying a stochastic process (distributions and random walks) and parameters (for instance volatility, correlations) incorporating historic data or predefined scenarios. This represents a significant

increase in the flexibility of the risk measurement method, which is now able to incorporate new methods of valuation, non-normal distribution assumptions and such non-linear correlation models as copulas. Included in Raiffeisen Centrobank's portfolio are exotic options and path-dependent instruments. It is for that reason that the Monte Carlo simulation represents the most effective way of measuring risk borne by Raiffeisen Centrobank's portfolio. In a further benefit, the incorporation of stress tests enables the taking into account of extreme market variations, of catastrophic events, and of risks specific to individual countries and arising from concentration of operations. The subsequent table shows the three months Value-at-Risk (according to the Monte Carlo model) for market risk in the going-concern and liquidations perspective:

Amounts in thousand Euros	31/12/2010	30/09/2009	30/06/2009	31/03/2009	31/12/2009
Going Concern (95 per cent confidence interval)	7,121	4,387	4,628	7,326	10,556
Liquidation (99.9 per cent confidence interval)	10,914	5,793	5,714	9,564	25,430

### Stress tests

In addition to Value-at-Risk, Raiffeisen Centrobank uses stress tests – primarily to evaluate market risk and credit risk, but also for operational and liquidity risk. The performance and analysis of stress tests represent a valuable addition to the Value-at-Risk model because of their focus on extreme events. The Value-at-Risk model cannot depict the full coverage of risk because it is based solely on historic data and only determines risks at a specific confidence interval (99 per cent). In contrast to the Value-at-Risk model, stress tests simulate the performance of the portfolio under abnormal market situations and atypical price

movements. These stress tests are used to identify possible weaknesses in the portfolio that have a significant potential to produce losses, and thereby allow for the planning of appropriate measures. Stress tests involve artificial changes to various risk factors in the Raiffeisen Centrobank portfolio in order to simulate the effects of unusual market situations.

The stress tests used by Raiffeisen Centrobank are based on historic data as well as criteria defined by management. Historic stress tests are based on significant past events on the relevant markets. The assumption is that the same or similar events will occur in the future, and are therefore pertinent to the risk situa-

tion of the company (e.g. Lehman default scenario).

Management-defined stress tests are designed to evaluate the effects of hypothetical events on the portfolio. The relevant scenarios are developed jointly by an expert team and the management. In this way, shifts in key risk factors – such as share prices, CDS spreads and interest rate curves – can be calculated. These stress tests enable the company to identify the occurrence of risks at an early point in time. Current results show a satisfactory picture.

#### Backtesting

Raiffeisen Centrobank uses a backtesting procedure for its trading portfolio to evaluate the accuracy of the Value-at-Risk calculations. This procedure involves the comparison of hypothetical daily profits and losses under the buy-and-hold assumptions with the amounts forecasted by the Value-at-Risk model. Risk Management discusses the results of backtesting on a regular basis, analyses the resulting Value-at-Risk movements and

evaluates the quality of the forecasts produced by the Value-at-Risk model. The current results of backtesting confirm the validity of the model used by the company.

#### Required capital coverage for the securities trading book as defined in § 22 o of the Austrian Banking Act

The required trading book capital is calculated in accordance with § 22 o of the Austrian Banking Act. As at 31 December 2010, the required securities trading book capital amounted to EUR 29.60 million (31/12/2009: EUR 27.20 million).

#### Interest rate risk

The interest rate risk associated with the banking book is of secondary importance, and is calculated using the methods of analysis classically applied to capital and interest rate commitments. Interest rate risk is reported to supervisory authorities on a quarterly basis within the framework of interest rate statistics.

The interest maturity gap of Raiffeisen Centrobank as at 31 December 2010 was as follows:

Amounts in thousand Euros	> 6 M – 1 Y	> 1 – 2 Y	> 2 – 5 Y	> 5 Y
EUR	1,426	0	0	1
USD	-163	0	0	0
Other	0	0	0	0

The interest maturity gap of Raiffeisen Centrobank as at 31 December 2009 was as follows:

Amounts in thousand Euros	> 6 M – 1 Y	> 1 – 2 Y	> 2 – 5 Y	> 5 Y
EUR	51,225	20,790	0	1
USD	584	0	0	0
Other	0	0	0	0

A positive interest maturity gap represents an asset surplus, while a negative interest maturity gap represents a liability surplus.

### Credit risk

The credit risk represents default risk that arises from the inability of a customer to fulfil contractually agreed financial obligations, when services have been rendered (e.g. liquidity, securities, advisory services) or when unrealised profits from pending business transactions can no longer be recovered.

The traditional credit and loan business is of immaterial significance for Raiffeisen Centrobank due to the limited business volume and the company's strategic orientation. Additional credit risks primarily relate to acquired debt instruments and structured products which serve to hedge debt instruments and structured products issued by the company.

The limitation and measurement of risks is primarily carried out by setting nominal limits as well as by the Value-at-Risk figures for credit risk made available by RZB Credit Institution Group. The internal system for controlling credit risk encompasses all forms of monitoring that are directly or indirectly integrated into the work processes that require monitoring. Against the backdrop of the capital adequacy framework for banks (Basel II)

the ongoing management, controlling and monitoring of credit risk at the RZB Credit Institution Group are assured. The Group-wide rating and default database registers and evaluates customers and documents default processes.

To measure risk internally, Raiffeisen Centrobank uses a modified version of the Basel II IRB approach, which enables the determination of a Value-at-Risk consistent risk value and, unlike the original IRB formula, includes the expected loss. The credit risk of Raiffeisen Centrobank is monitored and analysed on a loan-by-loan (employing a comprehensive and well-founded analysis of potential debtor's creditworthiness and collateral) and portfolio-wide basis. The methods of calculation employed yield a comprehensive depiction of the company's credit-incurred risks and reveal their relative (when compared to market-related risks) lack of importance.

As at December 31, 2010, Raiffeisen Centrobank had interest-bearing assets subject to credit risk as well as off-balance sheet volume amounting to TEUR 1,219,596 (31/12/2009: TEUR 982,612) before deductions made for value adjustments.

Asset volume	31/12/2010		31/12/2009	
Amounts in thousand Euros				
Bonds and notes of public bodies	0		0	
Loans and advances to credit institutions	730,993		624,466	
Loans and advances to customers	143,495		68,336	
Bonds	339,920		286,548	
	<b>1,214,408</b>		<b>979,350</b>	
Product-weighted off-balance sheet transactions	5,188		3,262	
	<b>1,219,596</b>	<b>100.0%</b>	<b>982,612</b>	<b>100.0%</b>
Irrecoverable	355	0.0%	455	0.0%
Default potential	0	0.0%	2,164	0.2%
Requiring attention	0	0.0%	0	0.0%

The parent company of Raiffeisen Centrobank, Raiffeisen Bank International AG uses the IRB approach based on internal ratings to assess credit risk. Raiffeisen Centrobank AG applies the standard approach, for which the "permanent partial use" has been approved.

### Operational risks

In line with Basel II, operational risk is defined as the risk of unexpected losses resulting from inadequate or failed internal processes, people and systems or from external events including legal risk. As is the case with other types of risk, the principle of ensuring a strict division of responsibilities between risk management and risk controlling is also applied to operational risk. Operational risk is analysed and managed on the basis of the Group's own regular self-risk assessments, the results of evaluating risk scenarios and the Group's historic loss data. The standardised approach, which is based on segment operating income, is used to determine the necessary capital coverage for operational risk as defined in Basel II. Provisions are made in order to meet pending legal risks in accordance with appraisals carried out of the potential economic losses resulting from court decisions. The calculation of Value-at-Risk consistent risk values is going to be carried out using the operating amounts determined by using the standard approach stipulated by Basel II for standard business lines. The method of quantification employed is derived from a large-scale empirical study on the advanced measurement approaches used in analysing databases chronicling operating losses as they relate to Basel II's standard approach. The data presented in the study forms the basis for the employment of empirical values and a reversed engineering approach in the deriving of the parameters. The calculation of Value-at-Risk consistent risk values enables immediate and fully-intermeshing taking into account of the operational risks and of an assessment of its role within the bank's overall exposure to risk and the limits placed upon it. This Value-at-Risk consistent risk value (95 per cent confidence interval, three-month retention period) amounted to EUR 1.19 million as at 31 December 2010 (31/12/2009: EUR 1.17 million).

### Equity participation risks

Part of the banking book also encompasses risks derived from equity participations (all of which involve unlisted companies). As at December 31, 2010 the carrying amount of the equity participations of Raiffeisen Centrobank totalled EUR 15.5 million. The resulting share of these equity participations in the capital requirements of Raiffeisen Centrobank is thus 2.25 per cent (previous year: 2.52 per cent). The focal point of the bank's efforts to mitigate and control equity participation risks is the limits set for the trading subsidiaries of Raiffeisen Centrobank. Financial and trading limits are approved by the internal credit committee or, when specified limits are to be exceeded, by the Supervisory Board of Raiffeisen Centrobank. On this basis a standardised and comprehensive spectrum of reports are put together, sometimes on a daily basis but on a monthly basis at a minimum, including risk reports for performance risk, financial risk and position risk. The limits are monitored at various levels: by the subsidiaries themselves, by the controlling subsidiaries department of Raiffeisen Centrobank and by the economic controls imposed by the company's credit department within the context of the supervision of capital loans to subsidiaries. The information provided by all equity participations of Raiffeisen Centrobank are merged into one single report each month and conveyed to the Executive Board of Raiffeisen Centrobank and also on a quarterly basis to the Supervisory Board.

Risk assessment operations distinguish between equity participations per se and all other exposures associated with these items ("participatory-similar items"). These risks are generally quantified with a modified IRB approach, similar to the procedure applied to credit risk. Direct equity participations are quantified using a procedure similar to the PD/LGD approach (§§ 72, 77 (4) of the Austrian Solvability Regulation ("Solvabilitätsverordnung"). Participatory-similar items are categorised on an item-by-item basis as either equity participations or credit positions.

### Other risks

Other subordinate types of risk (e.g. business, FX and reputation risk) will be encompassed in the risk capacity analysis in the future by means of risk buffers and risk surcharges.

## Internal Control System for Group Accounting Processes

Raiffeisen Centrobank and its governing bodies are committed to ensuring balanced and complete financial reporting. A fundamental requirement in this is compliance with all relevant legal regulations. In connection with the accounting process, the Executive Board is responsible for designing and installing an internal control and risk management system that meets the requirements of the Company. The object of this internal control system is to support the management by making certain that effective internal controls are applied to the accounting process and that these controls are enhanced whenever appropriate. The control system is designed to assure compliance with guidelines and regulations, as well as to create optimal conditions for specific control measures.

The consolidated financial statements are prepared on the basis of the pertinent Austrian laws, above all the Banking Act (BWG) in connection with the Austrian Commercial Code (UGB), which governs the preparation of consolidated annual financial statements for credit institutions.

The accounting department is responsible for the bank's accounting system. Accounting and financial reporting are directly subordinated to the Executive Board. The department is responsible for dealing with all accounting issues and has the authority to provide for safeguarding the application of uniform standards. Organisational instructions and guidelines, which are comprised in a manual, have been set up for support.

Accounting according to the Austrian Banking Act and Austrian Commercial Code is effected via a central IT system applying the PAGORO/400 system, which is protected by the restricted assignment of access authorisations. The table of accounts is tailored to the bank's individual requirements. Transactions are registered both automatically and manually. Accounting vouchers are then filed systematically and chronologically.

Monthly balance sheets are created and passed on to the Executive Board and the senior management by means of a standardised financial reporting system. At least once per quarter the Supervisory Board is informed in the course of the Super-

visory Board meetings of the current course of business including the bank's operative planning and medium-term strategy.

The Executive Board evaluates and monitors material risks in connection with the consolidated accounting process. In this, the focus is placed on the risks that are typically found to be material. The annual evaluation of the internal control measures applied by each of the responsible units is based on a risk-oriented approach. The risk of faulty financial reporting is assessed on the basis of a number of different criteria. For example, complex accounting principles can increase the risk of errors. Different principles for the measurement of assets and complex or changing business conditions can also cause substantial errors in the financial reporting.

Estimates must regularly be made during the preparation of the financial statements. In all of these cases, there is an inherent risk that the actual developments may deviate from these estimates. This especially applies to the parameters in valuation models that are used to determine the fair values of financial instruments for which there is no current price quotation as well as to social capital, the outcome of legal disputes, the collectability of loans and advances, and the impairment of equity participations and inventories. In some cases, external experts are involved or publicly available information sources used to minimise the risk of incorrect estimates.

In addition to the Executive Board, the general control framework also includes middle management (the department heads). All control measures are applied to the daily business processes to ensure that potential errors or deviations in the financial reporting are prevented or discovered and corrected. The control measures that are applied at regular intervals range from the review of the periodic results by the management to the specific reconciliation and coordination of accounts and the analysis and further optimisation of accounting processes. The Internal Audit department is also involved in the monitoring process. Its activities are based on the Austrian Financial Market Authority's minimum standards for internal auditing and international best practices. The Internal Audit department reports directly to the Executive Board.

The Controlling and Reporting Department is responsible for drafting the notes to the annual financial statements set up according to the Austrian Banking Act and the Austrian Commercial Code. In addition, a management report is drawn up which explains the results in line with statutory requirements. The annual financial statements and the management report are forwarded to and reviewed by the Audit Committee of the Supervisory Board and are then presented to the Supervisory Board for its acceptance. The annual financial statements are published on the company's website, the Federal Gazette to the Wiener Zeitung, and are also filed with the Austrian Company Register. Key employees and the Executive Board review the annual financial statements prior to their distribution to the Supervisory Board. Moreover, analyses of the annual financial statements are prepared for especially for the senior management.

## Human Resources

The successes achieved in the 2010 financial year would not have been possible without the competence and dedication of Raiffeisen Centrobank's staff. Raiffeisen Centrobank had 219 employees as at December 31, 2010 (2009: 217 Mitarbeiter).

Even though the total number of employees did not change substantially, the available personnel resources were developed in close alignment with the general business strategy. This was facilitated by consistent and sustained focus on three areas: targeted internal and external development measures, job rotation and selective recruiting.

Raiffeisen Centrobank Group is proud of the outstanding expertise, commitment and tight integration of its staff. As this is a cornerstone of its success, substantial investments were again made in various training measures during the 2010 financial year. The motivation that the staff and management have displayed in continually expanding their professional knowledge and skills in line with current developments and enhancing their expertise in their areas of focus is remarkable. The employees' strong interest in taking on new professional challenges fuels the Bank's innovative strength and general drive to grow further.

A strategic focus on the CEE markets is a key element of the Group's personnel policy. The staff at the Group parent company, Raiffeisen Centrobank in Vienna, includes people of fifteen different nationalities and with sixteen different native languages. The focused approach to staff recruiting and selection has enabled the Company to expand and deepen its market and customer expertise in the CEE growth markets. Language courses in different Eastern European languages as well as English and German have proven to be extremely popular and help to improve the external and internal information flow. A particular focus was placed on achieving a balanced ratio of male to female employees in 2010, something that is particularly challenging in the field of investment banking. Only 19 per cent of the applications received by the Group parent company last year were from women. Nevertheless, the Company filled 40 per cent of its vacancies with highly qualified women, and increased its overall share of women from 43 to 44 per cent. The share of women at the senior manager and Direktor level is also relatively high at 37 per cent.

## Outlook for 2011

After experiencing the most severe recession since the end of World War II in 2009, the world economy showed consistent signs of recovery in 2010. Economic activity was on the rise around the globe, often fuelled by massive fiscal and monetary policy stimulus measures.

The 2011 economic outlook for the USA has brightened considerably, with real economic growth forecast to come in at roughly 2.7 per cent. In Europe, the two-class economy is expected to continue. While the growth prospects for internationally competitive regions such as Germany and Austria remain robust, Southeastern Europe is still lagging behind in its recovery. The eurozone economy is expected to grow by 1.8 per cent, and the EU-27 economy by 1.6 per cent.

Austria should be among the strongest eurozone members with expected growth of around 2.5 per cent. After the hefty surge in exports last year, one of the key factors in this will be the substantial need for gross capital formation as a result of the above-average capacity utilisation levels. Robust corporate investment activity is expected in Austria in the coming quarters, facilitated in part by the current low interest rates, high liquidity and solid earnings prospects.

Economic conditions should continue to improve in CEE (plus 3.2 per cent) in 2011. While exports are the main driver of economic growth at present, there are also signs of recovering domestic demand and investment activity. The positive trend in Central Europe (plus 3.1 per cent) will be driven by the growth in Poland and Slovakia. Southeastern Europe, which was still in a state of recession in 2010, should also see growth of 1.9 per cent in 2011. GDP growth is projected to total 3.6 per cent in the Com-

monwealth of Independent States, whereby Russia's economy should expand by 3.5 per cent.

The global equity markets should be able to maintain most of the momentum they gained at the end of 2010 at least until the middle of 2011. There may be a number of setbacks as a result of the debt crisis, but the equity market will primarily be driven by the more immediately relevant positive factors. The signs of economic growth in 2011 are encouraging, the risk of another recession has diminished significantly, corporate earnings are stable, and the valuations are moderate – and even still attractive in Europe. Combined with high levels of liquidity, this will even overshadow the higher bond yields and worries about the debt crisis, and most established equity markets are expected to see growth on par with the levels achieved in 2010.

With the upswing that began in 2010 being expected to continue in the current financial year, the outlook for Raiffeisen Centrobank Group is also positive across the board. Even though the market conditions are likely to remain challenging despite the positive overall trend, the good position that the Group occupies within RZB Group and the region should allow it to translate the recovery on its core markets in Austria and Central and Eastern Europe into above-average profits in the central business areas of equity trading, capital market transactions and M&As.

As of the writing of this report, it is not yet possible to reliably assess the medium- and long-term effects that the natural disaster and resulting nuclear accident in Japan in March 2011 will have on the development of the global economy and the course of business for Raiffeisen Centrobank but it is primarily assumed that the contingent investment and technology boost can as well trigger medium to long-term positive effects.



## Significant Events after the Balance Sheet Date

No material events occurred after the reporting date.

## Research and Development

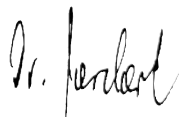
Because its business focuses on investment banking Raiffeisen Centrobank does not engage in research and development.

## Distribution of the profit 2010

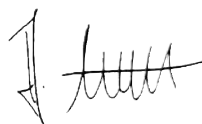
The 2010 financial year closed with a net income for the year of EUR 26,859,041.02. Including the profit carried forward of EUR 11,108,276.71 the net profit for the year amounted to EUR 37,967,317.73.

The Executive Board of Raiffeisen Centrobank recommends to the Supervisory Board that a dividend of EUR 38.00 per share be distributed from the net profit as at December 31, 2010. This corresponds to a total dividend amounting to EUR 24,890,000 for 655,000 shares. The Executive Board further recommends to carry forward the remaining profit of EUR 13,077,317.73.

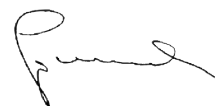
Vienna, April 4, 2011  
The Executive Board



**Eva Marchart**  
Chief Executive Officer



**Alfred Michael Spiss**  
Deputy Chief Executive Officer



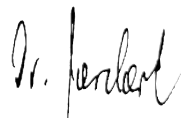
**Gerhard Grund**  
Member of the Executive Board

## Statement of Legal Representatives pursuant to § 82 Austrian Stock Exchange Act

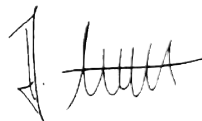
We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view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

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

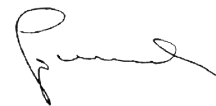
Vienna, April 4, 2011  
The Executive Board



**Eva Marchart**  
Chief Executive Officer



**Alfred Michael Spiss**  
Deputy Chief Executive Officer



**Gerhard Grund**  
Member of the Executive Board



**Individual Financial Statements** of Raiffeisen  
Centrobank AG as at December 31, 2010  
according to the Austrian Banking Act

## Balance sheet as at December 31, 2010

Assets	31/12/2010 EUR	31/12/2010 EUR	31/12/2009 TEUR	31/12/2009 TEUR
1. Cash in hand and deposits with central banks		3,813,237.71		2,461
2. Loans and advances to credit institutions				
a) payable on demand	39,922,724.04		76,639	
b) other loans and advances	691,070,562.46	730,993,286.50	545,812	622,451
3. Loans and advances to customers		143,569,060.53		68,376
4. Bonds, notes and other fixed-interest securities				
a) issued by public bodies	6,021,322.09		8,714	
b) issued by other borrowers	333,898,904.96	339,920,227.05	277,835	286,549
5. Shares and other variable-yield securities		632,986,332.15		717,676
6. Equity participations		5,153,970.61		5,154
7. Shares in affiliated companies		10,367,552.00		10,367
8. Intangible fixed assets		121,055.00		181
9. Tangible fixed assets		17,738,942.22		18,712
thereof land and buildings used by the credit institution for own purposes: EUR 13,098,040.92 previous year: TEUR 13,391				
10. Other assets		203,136,630.73		230,129
11. Prepayments and other deferrals		1,187,193.26		1,055
<b>Total assets</b>		<b>2,088,987,488.40</b>		<b>1,963,111</b>
<b>Off-balance sheet items</b>				
1. Foreign assets		616,579,347.59		558,129

<b>Equity and liabilities</b>	<b>31/12/2010 EUR</b>	<b>31/12/2010 EUR</b>	<b>31/12/2009 TEUR</b>	<b>31/12/2009 TEUR</b>
1. Liabilities to credit institutions				
a) repayable on demand	53,545,788.02		49,993	
b) with agreed maturity dates or periods of notice	1,947,747.60	55,493,535.62	90,302	140,295
2. Liabilities to customers				
a) repayable on demand	103,469,689.36		97,167	
b) with agreed maturity dates or periods of notice	22,499,546.98	125,969,236.34	27,491	124,658
3. Securitised liabilities (other securitised liabilities)		822,769,501.41		858,875
4. Other liabilities		926,188,412.04		689,171
5. Accruals and deferred items		242,631.69		784
6. Provisions				
a) for severance payments	5,221,145.88		4,342	
b) for retirement benefits	1,759,830.73		1,293	
c) for taxes	0.00		400	
d) other provisions	14,643,309.42	21,624,286.03	14,251	20,286
7. Subordinated liabilities		20,412,500.00		20,619
8. Subscribed capital		47,598,850.00		47,599
9. Capital reserves (committed)		6,651,420.71		6,651
10. Retained earnings				
a) legal reserve	1,030,936.83		1,031	
b) other reserves	9,500,000.00	10,530,936.83	9,500	10,531
11. Liability reserve pursuant to Article 23 para 6 Austrian Banking Act		13,538,860.00		13,539
12. Net profit for the year		37,967,317.73		30,103
<b>Total equity and liabilities</b>		<b>2,088,987,488.40</b>		<b>1,963,111</b>
<b>Off-balance sheet items</b>				
1. Contingent liabilities arising from guarantees and assets pledged as collateral security		10,297,558.47		1,322
2. Credit risks		9,564,513.68		14,702
3. Commitments arising from fiduciary business transactions		7,091,124.47		7,091
4. Eligible own funds pursuant to Article 23 para 14 Austrian Banking Act thereof: own funds pursuant to Article 23 para 14 no 7 Austrian Banking Act: EUR 0.00; previous year: TEUR 0		98,199,012.54		98,139
5. Own funds requirement pursuant to Article 22 para 1 Austrian Banking Act thereof: own funds requirement pursuant to Article 22 para 1 nos. 1, 4 and 5 Austrian Banking Act: EUR 16,494,000.00 previous year: TEUR 11,838		55,191,000.00		49,314
6. Foreign equity and liabilities		202,298,650.24		235,479

## Income statement for the 2010 financial year

	2010 EUR	2010 EUR	2009 TEUR	2009 TEUR
1. Interest and interest-like income		17,076,776.82		22,534
thereof fixed-interest securities	10,034,322.55		6,304	
2. Interest and interest-like expenses		-13,576,207.79		-11,450
<b>I. Net interest income</b>		<b>3,500,569.03</b>		<b>11,084</b>
3. Income from securities and financial investments				
a) Income from shares, share rights and other variable-yield securities	6,903,536.45		7,077	
b) Income from shares in affiliated companies	2,636,142.91	9,539,679.36	5,604	12,681
4. Fee and commission income		19,580,468.26		15,405
5. Fee and commission expenses		-9,265,177.25		-9,098
6. Net profit on financial trading activities		39,185,025.00		34,307
7. Other operating income		1,754,089.26		1,476
a) Net profit on commercial trading activities	204,567.46		362	
b) Sundry operating income	1,549,521.80		1,113	
<b>II. Operating income</b>		<b>64,294,653.66</b>		<b>65,855</b>
8. General administrative expenses		-37,976,849.54		-35,735
a) staff expenses				
aa) wages and salaries	21,881,855.25		20,344	
bb) expenses for statutory social contributions and compulsory contributions related to wages and salaries	4,321,387.43		3,970	
cc) other social expenses	386,277.69		432	
dd) expenses for pensions and assistance	455,555.68		528	
ee) provisions for retirement benefits	466,981.08		517	
ff) expenses for severance payments and contributions to severance funds	1,076,698.40		493	
	<b>28,588,755.53</b>		<b>26,284</b>	
b) other administrative expenses	9,388,094.01		9,451.00	
9. Value adjustments on asset items 8 and 9		-1,913,952.90		-2,131
10. Other operating expenses		-403,569.00		-246
<b>III. Operating expenses</b>		<b>-40,294,371.60</b>		<b>-38,112</b>
<b>IV. Operating result</b>		<b>24,000,282.06</b>		<b>27,743</b>

	2010 EUR	2010 EUR	2009 TEUR	2009 TEUR
<b>IV. Operating result (= amount carried forward)</b>		<b>24,000,282.06</b>		<b>27,743</b>
11. Loan loss provisions and expenditures arising from the valuation of loans and advances and disposal of securities held as other current assets		-11,933.76		-113
12. Income arising from the valuation of loans and advances and disposal of securities held as other current assets		197,829.26		422
13. Expenditures arising from the valuation of interests and shares in affiliated companies held as financial investments		0.00		-14
<b>V. Result on ordinary activities</b>		<b>24,186,177.56</b>		<b>28,038</b>
14. Income taxes (thereof passed on from parent company: EUR 3,056,709.00 (previous year: TEUR 2,451))		3,940,851.96		-4,039
15. Other taxes unless included in item 14		-1,267,988.50		-135
<b>VI. Net income for the year</b>		<b>26,859,041.02</b>		<b>23,864</b>
16. Profit carried forward		11,108,276.71		6,239
<b>VII. Net profit for the year</b>		<b>37,967,317.73</b>		<b>30,103</b>



## Development of Fixed Assets in the 2010 Financial Year

Amounts in Euros	Cost of acquisition Balance as at 1/1/2010	Cost of acquisition Additions	Cost of acquisition Disposals
<b>I. Intangible fixed assets</b>			
Software licenses	3,038,653.01	77,600.14	17,940.26
<b>II. Tangible fixed assets</b>			
1. Land and buildings used by the credit institution for own purposes thereof value of property: EUR 3,066,200.92; previous year: TEUR 3,066	14,789,785.11	0.00	0.00
2. Office furniture and equipment	21,014,652.18	747,779.76	109,914.95
3. Prepayments	0.00	73,151.58	0.00
	<b>35,804,437.29</b>	<b>820,931.34</b>	<b>109,914.95</b>
<b>III. Financial investments</b>			
1. Shares in affiliated companies thereof in credit institutions: EUR 0.00	13,216,512.84	0.00	0.00
2. Equity participations thereof credit institutions: EUR 0.00	5,168,286.12	0.00	0.00
	<b>18,384,798.96</b>	<b>0.00</b>	<b>0.00</b>
<b>Total</b>	<b>57,227,889.26</b>	<b>898,531.48</b>	<b>127,855.21</b>

Cost of acquisition Balance as at 31/12/2010	Accumulated depreciation	Carrying amount 31/12/2010	Carrying amount 31/12/2009	Depreciation in the 2010 financial year
3,098,312.89	2,977,257.89	121,055.00	181,507.00	132,073.14
14,789,785.11	1,691,744.19	13,098,040.92	13,391,131.92	293,091.00
21,652,516.99	17,084,767.27	4,567,749.72	5,321,103.72	1,488,788.76
73,151.58	0.00	73,151.58	0.00	0.00
<b>36,515,453.68</b>	<b>18,776,511.46</b>	<b>17,738,942.22</b>	<b>18,712,235.64</b>	<b>1,781,879.76</b>
13,216,512.84	2,848,960.20	10,367,552.64	10,367,552.64	0.00
5,168,286.12	14,315.51	5,153,970.61	5,153,970.61	0.00
<b>18,384,798.96</b>	<b>2,863,275.71</b>	<b>15,521,523.25</b>	<b>15,521,523.25</b>	<b>0.00</b>
<b>57,998,565.53</b>	<b>24,617,045.06</b>	<b>33,381,520.47</b>	<b>34,415,265.89</b>	<b>1,913,952.90</b>

## Financial statements as at December 31, 2010

### Notes

#### A. Accounting policies

##### General principles

The financial statements of Raiffeisen Centrobank for the 2010 financial year have been prepared in accordance with the general accounting principles stipulated in the Austrian Commercial Code and the specific sectoral regulations as specified by the Austrian Banking Act. The balance sheet as well as the income statement have been structured according to Appendix 2 of the forms contained in Article 43 Austrian Banking Act. The structure of the income statement in regards to ensuring an adequate representation of the commodity trading (counter-trade) activities of Raiffeisen Centrobank have been expanded to include a sub-item entitled "Net profit on commercial trading activities".

Changes in the accounting and valuation methods have not been made compared to the 2009 financial statements.

##### Foreign currency translation

Assets and liabilities denominated in foreign currencies are reported at the middle rates of exchanges fixed by the European Central Bank on the balance sheet date. Amounts denominated in currencies for which the European Central Bank published no rates are converted at the middle rates of exchange published by Raiffeisen Bank International AG on the balance sheet date.

Currency futures and options transactions in foreign currencies are capitalised at the forward exchange rates. Any differences in rates resulting from currency conversion are reported as a profit or loss in the income statement.

##### Trading portfolio – valuation of securities, futures and options

A daily market price system is applied for the valuation of securities held for trading purposes or as other current assets. In terms of securities held for trading purposes or as other current assets, the company's portfolio of shares in publicly-listed companies as well as fixed-interest securities is reported at the share price prevailing on the balance sheet date. If no quotes or share prices are available the value is determined by means of valuation models.

Certificates acquired based on a share price-related or index-related performance are valued with the share prices prevailing on the balance sheet date, and if no share prices are available, with the assistance of valuation models to illustrate stochastic development processes.

Bonds issued by borrowers from Eastern European markets as well as shares issued by Eastern European companies held by the company for trading purposes are valued at the market rates announced by other credit institutions and brokers, or as quoted by Reuters, or valuation models, provided that share prices for these securities are not available or do not provide sufficient information. If no such market rates are available, prices for primary financial instruments are calculated on the basis of the net present value method. In order to determine the value of unlisted bank bonds depreciation or parameter adjustments are considered to reflect market liquidity risks within these evaluation methods.

Options on securities of publicly-listed companies and options on security indices (i.e. sold and bought calls and puts, primarily ÖTOB and EUREX options) as well as futures held for trading purposes are valued according to the market prices prevailing on the balance sheet date.

Various models are used for the valuation of OTC options, depending on the type of option. For plain-vanilla options (American and European style), the Black-Scholes model and the binomial pricing model according to Cox-Ross-Rubinstein are applied. The Curran approximation is applied to Asian options, whereas barrier options use Heinen-Kat and spread options rely on the Kirk model.

**Loans and advances to credit institutions and customers**

Loans and advances to credit institutions and customers are shown at their nominal value. Individual loan loss provisions are made in the case of an identifiable recognisable risk of default on the part of borrowers.

**Equity participations and shares in affiliated companies**

Equity participations and shares in affiliated companies are principally capitalised according to the principle of “going concern” (the ability to continue functioning as a business entity) at their cost of acquisition. Depreciation is carried out when, in all probability, permanent impairment has taken place.

**Intangible and tangible fixed assets**

The valuation of intangible fixed assets as well as tangible fixed assets (i.e. land and buildings, office furniture and equipment as well as other tangible fixed assets) is carried out at the cost of acquisition less their scheduled, linear depreciation.

Depreciation rates applied are 33.3% and 14.3% p.a. for intangible fixed assets, 2.5% and 10.0% p.a. for immovable fixed assets, and 10% - 33% for movable fixed assets. A full year's depreciation is taken in the case of additions made during the first half of the financial year, whereas half-year depreciation applies to additions in the second half of the financial year. Assets with an extremely low value (cost of acquisition per item less than TEUR 0.4) are fully depreciated in the year of acquisition.

**Liabilities to credit institutions and customers**

Liabilities to credit institutions and customers are reported at the amount of repayment, taking into consideration the principle of financial prudence.

**Securitised liabilities**

Securitised liabilities (the majority of which are structured capital guaranteed bonds, whose rate of interest depends on the share price or share price index performance) are valued according to the present value method, or according to the Curran approximation for the option component.

**Provisions for severance payments**

The provisions for severance payments are designed to fulfil legal demands, as well as those arising from individual or collective contractual agreements. Provisions are calculated in accordance with the guidelines specified by IAS 19, applying the Projected Unit Credit Method and assuming a calculatory interest rate of 4.25% (previous year: 4.75 %), as well as an unchanged annual salary increase amounting to 3.0%.

The AVÖ (Austrian actuaries' association) 2008-P-basis for calculating retirement pension insurances – Pagler & Pagler for salaried employees was taken as biometric basis for calculation. The underlying presumption is a decreasing fluctuation rate in connection with the earliest possible retirement date, at the age of 60 for women and 65 for men, taking into account the changes to Austria's General Social Security Law in accordance to the Budgetary Amendment 2003. The premium reserve amounts to 72.84% of the statistical termination benefit obligations on the balance sheet date.

**Provisions for retirement benefits**

Provisions for retirement benefits are calculated in accordance with the guidelines specified by IAS 19, applying the Projected Unit Credit Method and assuming a calculatory interest rate of 4.25% (previous year: 4.75%), an unchanged 2% increase in the probable profit sharing rate, and a retirement age of 60 years. The AVÖ (Austrian actuaries' association) 2008-P-basis for calculating retirement pension insurances – Pagler & Pagler for salaried employees was taken as biometric basis for calculation. In 2005, pension commitments were allocated to a specified group of eligible employees. The cash value of the pension plan reinsurance concluded for future beneficiaries is reported as other assets.

**Other provisions**

Other provisions have been made according to expected demands. They comprise identifiable risks and liabilities, the extent of which has not yet been determined.

## B. Notes to the Financial Statement

### I. Cash in hand and deposits with central banks

The balance sheet item A 1, which encompasses cash in hand and deposits with the Austrian National Bank, is reported as TEUR 3,813 (31/12/2009: TEUR 2,461). Prevailing regulations pertaining to liquidity and minimum reserves were observed.

### II. Loans and advances

#### II.1. Classification of loans and advances other than those payable on demand according to their term to maturity

<b>31/12/2010</b> Amounts in thousand Euros	<b>0 – 3 months</b>	<b>3 – 12 months</b>	<b>1 – 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Loans and advances to credit institutions	318,197	22,071	304,994	45,808	691,070
Loans and advances to customers	16,118	11,444	6,230	4,038	37,830
Bonds, notes and other fixed-interest securities	0	50,225	279,820	9,875	339,920
	<b>334,315</b>	<b>83,740</b>	<b>591,044</b>	<b>59,721</b>	<b>1,068,820</b>

#### Comparative figures as at 31/12/2009

<b>31/12/2009</b> Amounts in thousand Euros	<b>0 – 3 months</b>	<b>3 – 12 months</b>	<b>1 – 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Loans and advances to credit institutions	97,015	297,576	124,317	26,905	545,813
Loans and advances to customers	815	1,833	14,326	5,665	22,639
Bonds, notes and other fixed-interest securities	54,111	6,295	162,221	63,921	286,548
	<b>151,941</b>	<b>305,704</b>	<b>300,864</b>	<b>96,491</b>	<b>855,000</b>

#### II.2. Loans and advances to affiliated companies and equity participations

<b>31/12/2010</b> Amounts in thousand Euros	<b>Loans and advances to affiliated companies (direct/indirect &gt; 50 %)</b>	<b>Loans and advances to equity participations (in which Raiffeisen Centrobank has a direct shareholding)</b>
Loans and advances to credit institutions	554,057	0
Loans and advances to customers	68,726	514
Bonds, notes and other fixed-interest securities	201,462	0
Shares and other variable-yield securities	284,024	0
Other assets	102,429	11
	<b>1,210,698</b>	<b>525</b>

## Comparative figures as at 31/12/2009

31/12/2009 Amounts in thousand Euros	Loans and advances to affiliated companies (direct/indirect > 50 %)	Loans and advances to equity participations (in which Raiffeisen Centrobank has a direct shareholding)
Loans and advances to credit institutions	424,549	0
Loans and advances to customers	26,750	514
Bonds, notes and other fixed-interest securities	230,554	0
Shares and other variable-yield securities	289,396	0
Other assets	89,001	11
	<b>1,060,250</b>	<b>525</b>

## III. Securities

Figures supplied pursuant to Article 64 para 1 no 10 and 11 Austria 1 Banking Act

31/12/2010 Amounts in thousand Euros	OTC products	Products traded on stock exchange	Total	Valued at market price
Bonds, notes and other fixed-interest securities, A4	0	339,920	339,920	339,920
Shares and other variable-yield securities, A5	282,269	350,717	632,986	632,986
Equity participations, A6	5,154	0	5,154	x
Shares in affiliated companies, A7	10,368	0	10,368	x

## Comparative figures as at 31/12/2009

31/12/2009 Amounts in thousand Euros	OTC products	Products traded on stock exchange	Total	Valued at market price
Bonds, notes and other fixed-interest securities, A4	0	286,548	286,548	287,050
Shares and other variable-yield securities, A5	348,557	369,119	717,676	717,676
Equity participations, A6	5,154	0	5,154	x
Shares in affiliated companies, A7	10,368	0	10,368	x

The fair value of securities held as other current assets exceeded the purchase price by TEUR 1,014 (31/12/2009: TEUR 973) as at December 31, 2010.

As at December 31, 2010 balance sheet item A 4 includes fixed-interest securities amounting to TEUR 339,920 (31/12/2009 balance sheet item A 4: TEUR 286,548) of which TEUR 50,225 (31/12/2009: TEUR 60,406) will fall due in the forthcoming year.

Balance sheet items A 6 and A 7 were valued according to the moderate lower of cost or market principle.

#### IV. Equity participations and shares in affiliated companies

The following list contains information on companies in which the bank directly held a minimum 20% shareholding on the balance sheet date.

##### Figures as at 31/12/2010

Amounts in thousand Euros			
Name Domicile	Shareholding held by Raiffeisen Centrobank in %	Subscribed capital	Annual results 2010
1 Centrotrade Holding AG Vienna	100	3,523 *)	3 *)
2 Centrotrade Investment AG Vienna	100	8,623 *)	2,946 *)
3 Raiffeisen Investment AG Vienna	100	7,627	-547
4 Centro Asset Management Ltd Jersey	100	1,371 *)	303 *)
5 Centrotrade Malaysia Sdn Bhd Petaling Jaya	30	42**)	0**)
6 Syrena Immobilien Holding AG Spittal/Drau	21	29,232 *)	102 *)

\*) unaudited figures

\*\*\*) Annual results for 2004. The company is being liquidated. The liquidation proceedings were completed in January 2011.

##### Comparative figures as at 31/12/2009

Amounts in thousand Euros			
Name Domicile	Shareholding held by Raiffeisen Centrobank in %	Subscribed capital	Annual results 2009
1 Centrotrade Holding AG Vienna	100	4,600	925
2 Centrotrade Investment AG Vienna	100	7,314	2,555
3 Raiffeisen Investment AG Vienna	100	8,174	2,970
4 Centro Asset Management Ltd Jersey	100	1,071	82
5 Centrotrade Malaysia Sdn Bhd Petaling Jaya	30	42 *)	0 *)
6 Syrena Immobilien Holding AG Spittal/Drau	21	29,130	73

\*) Annual results for 2004. The company is being liquidated.

**V. Fixed assets**

The composition and development of fixed assets is contained in the table outlining the development of fixed assets.

**VI. Other assets**

Balance sheet item A 10 "Other assets" amounting to TEUR 203,137 (31/12/2009: TEUR 230,129) primarily refers to purchase contracts from trading in derivative financial instruments reported at fair value as at 31/12/2010 in the amount of TEUR 197,818 (31/12/2009: TEUR 223,566) as well as loans and advances to tax authorities of TEUR 236 (31,12,2009: TEUR 647).

**VII. Liabilities****VII.1. Classification of liabilities other than those repayable on demand according to their time to maturity**

<b>31/12/2010</b>	<b>0 – 3 months</b>	<b>3 – 12 months</b>	<b>1 – 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Amounts in thousand Euros					
Liabilities to credit institutions	1,948	0	0	0	1,948
Liabilities to customers	14,298	8,202	0	0	22,500
Securitised liabilities	35,552	105,727	570,802	110,689	822,770
	<b>51,798</b>	<b>113,929</b>	<b>570,802</b>	<b>110,689</b>	<b>847,218</b>

**Comparative figures as at 31/12/2009**

<b>31/12/2009</b>	<b>0 – 3 months</b>	<b>3 – 12 months</b>	<b>1 – 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Amounts in thousand Euros					
Liabilities to credit institutions	90,302	0	0	0	90,302
Liabilities to customers	20,001	7,490	0	0	27,491
Securitised liabilities	79,336	53,629	557,363	168,547	858,875
	<b>189,639</b>	<b>61,119</b>	<b>557,363</b>	<b>168,547</b>	<b>976,668</b>

**VII.2. Liabilities to affiliated companies and equity participations**

<b>31/12/2010</b>	<b>Liabilities to affiliated (direct/indirect &gt;50 %)</b>	<b>Liabilities to equity participations</b>
Amounts in thousand Euros		
Liabilities to credit institutions	1,357	0
Liabilities to customers	23,199	9
Other liabilities	39,593	1
	<b>64,149</b>	<b>10</b>



## Comparative figures as at 31/12/2009

31/12/2009 Amounts in thousand Euros	Liabilities to affiliated (direct/indirect >50 %)	Liabilities to equity participations
Liabilities to credit institutions	32,821	0
Liabilities to customers	6,173	9
Other liabilities	43,447	1
	<b>82,441</b>	<b>10</b>

**VII.3. Securitised liabilities**

The balance sheet item P 3 contains own issues totalling TEUR 141,278 (31/12/2009: TEUR 132,965), which will fall due in the course of 2011.

**VII.4. Other liabilities**

The balance sheet item P 4 "Other liabilities" amounting to TEUR 926,188 (31/12/2009: TEUR 689,171) primarily refers to liabilities reported at fair value as well as premiums received from trading in securities and derivative financial instruments of TEUR 919,401 (31/12/2009: TEUR 678,967).

**VII.5. Subordinated liabilities**

Subordinated liabilities refer to a subordinated bond amounting to TEUR 20,000 issued in 2008 to strengthen the own funds of Raiffeisen Centrobank pursuant to Supervisory Board requirements. The balance sheet item relates to this subordinated bond including all interest accrued as at 31/12/2010 amounting to TEUR 20,413. The bond has an indefinite term, and may not be called by the issuer before 31 January 2013. The interest rate equals EURIBOR + 100 bp.

**VIII. Share capital**

The share capital is comprised of 655,000 no-par-value shares.

The shares in Raiffeisen Centrobank are owned by the companies:

	%	Shares
RZB IB Beteiligungs GmbH, Vienna	100.00	654,999
Lexxus Services Holding GmbH, Vienna	0.00	1
	<b>100.00</b>	<b>655,000</b>

## IX. Provisions

### Other provisions

The balance sheet item P6 d) "Other provisions" amounting to TEUR 14,643 (2008: TEUR 14,251) includes the following:

Amounts in thousand Euros	31/12/2010	31/12/2009
Salaries and bonuses	7,305	6,547
Litigation risks	3,248	3,248
Overdue vacation	1,942	1,846
Legal, auditing and consulting expenses	559	430
Provisions for recourse claims	284	426
Provisions for the Securities Trading & Sales Department	473	848
Management fees	144	319
RBI/RZB Group services	387	333
Others	301	254
<b>Total</b>	<b>14,643</b>	<b>14,251</b>

## X. Obligations arising from the use of tangible fixed assets not recognised in the balance sheet

The rental and leasing expenses during the period under review amounted to TEUR 582 (2009: TEUR 568), thereof TEUR 220 (2009: TEUR 216) to affiliated companies. For the 2011 financial year, rental costs are expected to total TEUR 642 and TEUR 3,212 for the 2011-2015 financial years, of which the rental costs to affiliated companies will total TEUR 212 and TEUR 1,060, respectively.

## XI. Supplementary data

### Assets and liabilities in foreign currencies

The following amounts are contained in the balance sheet in foreign currencies:

Current value in thousand Euros	31/12/2010	31/12/2009
Assets	335,243	268,926
Liabilities	139,040	105,442

### Unsettled futures and options contracts according to the VERA scheme

At the balance sheet date, the following futures and options transactions (banking and trading book) had not yet been settled:

Amounts in thousand Euros	31/12/2010	31/12/2009
<b>Purchase contracts</b>		
Interest rate futures	1,000	0
Currency and interest rate swaps in a single currency <sup>1</sup>	38,643	715,496
Options on interest-rate instruments	500	0
Forward exchange contracts/gold contracts	88,058	28,464
Index future contracts	440,369	341,294
Options on asset values and equity index options	909,795	1,077,772
Precious metals and commodity future contracts	28,611	24,510
Commodity options	32,486	6,236
<b>Sales contracts</b>		
Interest rate futures	38,500	17,675
Currency and interest rate swaps in a single currency	38,643	10,667
Forward exchange contracts/gold contracts	86,367	27,511
Index future contracts	51,735	39,076
Options on asset values and equity index options <sup>1</sup>	1,219,406	1,602,376
Commodity options	62,922	45,007

<sup>1</sup> Due to a change in allocation, previous year figures are not comparative.

### Securities trading book

A securities trading book is maintained pursuant to Article 22 of the Austrian Banking Act. On the balance sheet date the trading volume at fair values (derivatives on shares, commodities, precious metals and gold with delta values) amounts to:

Amounts in thousand Euros	31/12/2010	31/12/2009
Shares/ mutual funds	-191,705	-83,581
Listed options	1,369	647
Futures	418,498	327,928
Warrants/ certificates	-372,446	-262,450
OTC options	222,932	160,189
Purchased bonds	1,240,086	862,075
Issued guarantee bonds	-824,190	-768,797
<b>Total</b>	<b>494,544</b>	<b>236,011</b>

### Data on transactions with derivative financial instruments

Stock market trading in derivative financial instruments focuses on shares and equity/index futures and options. The financial instruments issued by Raiffeisen Centrobank can be classified as warrants, certificates mainly on shares and share indices (Turbo, Discount, Bonus and Open-End Certificates), and guarantee bonds with a payment structure related to equity or equity indices.

Listed derivatives are reported in the balance sheet at the listed market price. Unlisted derivatives are reported in the balance sheet with synthetic market prices. In both cases, adjustments in value are recognised through profit or loss in the income statement. The synthetic market prices are determined according to the bank's own evaluation methods, which are examined and approved by the risk management teams and which are based on recognised option-theoretical models.

For plain vanilla options (American and European style), the Black-Scholes model and the binomial pricing model according to Cox-Ross-Rubinstein are applied. The Curran approximation is applied to Asian options, whereas barrier options use Heinen-Kat and spread options rely on the Kirk model (please see table on next page).

31/12/2010 Amounts in thousand Euros	Nominal amount		Positive market value		Negative market value	
	Banking book	Trading book	Banking book	Trading book	Banking book	Trading book
<b>1. Interest rate contracts</b>	<b>18,786</b>	<b>98,500</b>	<b>-335</b>	<b>2,233</b>	<b>338</b>	<b>42,323</b>
<b>1.1. OTC products</b>	<b>18,786</b>	<b>59,000</b>	<b>-335</b>	<b>1,045</b>	<b>338</b>	<b>-1,045</b>
Interest rate swaps	18,286	59,000	-338	1,045	338	-1,045
Options on interest-rate instruments	500	0	3	0	0	0
<b>1.2. Products traded on stock exchange</b>	<b>0</b>	<b>39,500</b>	<b>0</b>	<b>1,188</b>	<b>0</b>	<b>43,368</b>
Interest rate futures	0	39,500	0	1,188	0	43,368
<b>2. Foreign exchange contracts</b>	<b>110,243</b>	<b>64,182</b>	<b>355</b>	<b>30,825</b>	<b>-341</b>	<b>24,022</b>
<b>2.1. OTC products</b>	<b>110,243</b>	<b>0</b>	<b>355</b>	<b>0</b>	<b>-341</b>	<b>0</b>
Forward exchange contracts	110,243	0	355	0	-341	0
<b>2.2. Products traded on stock exchange</b>	<b>0</b>	<b>64,182</b>	<b>0</b>	<b>30,825</b>	<b>0</b>	<b>24,022</b>
Currency futures	0	64,182	0	30,825	0	24,022
<b>3. Equity contracts</b>	<b>0</b>	<b>2,745,324</b>	<b>0</b>	<b>640,674</b>	<b>0</b>	<b>579,394</b>
<b>3.1. OTC products</b>	<b>0</b>	<b>1,099,234</b>	<b>0</b>	<b>140,780</b>	<b>0</b>	<b>57,648</b>
Equity-based options - purchased	0	660,543	0	140,780	0	0
Equity-based options - sold	0	438,691	0	0	0	57,648
<b>3.2. Products traded on stock exchange</b>	<b>0</b>	<b>1,646,090</b>	<b>0</b>	<b>499,894</b>	<b>0</b>	<b>521,746</b>
Share and other equity/ index options and future contracts	0	1,486,624	0	452,972	0	435,205
Commodities / precious metals	0	124,019	0	46,922	0	51,010
Certificates (Reverse Convertibles))	0	35,447	0	0	0	35,532
<b>Total OTC products</b>	<b>0</b>	<b>1,099,234</b>	<b>0</b>	<b>140,780</b>	<b>0</b>	<b>57,648</b>
<b>Total listed products</b>	<b>0</b>	<b>1,646,090</b>	<b>0</b>	<b>499,894</b>	<b>0</b>	<b>521,746</b>
<b>Total</b>	<b>129,029</b>	<b>2,908,006</b>	<b>20</b>	<b>673,732</b>	<b>-3</b>	<b>645,739</b>

Due to the separation of the interest and the derivatives components in certificates (equity and liabilities) and the non-inclusion of structured products (assets) the nominal values and the market values were adjusted in the above table compared to the previous year.

## C. Notes to the Income Statement

### I. Other operating income

The income reported in "Other operating income" from commercial trading activities amounting to TEUR 205 (2009: TEUR 363) primarily refers to fulfilling offset transactions. Furthermore, this item also includes income from charging-ons and non-banking income.

### II. Other operating expenses

"Other operating expenses" amounting to TEUR 404 (2008: TEUR 246) primarily relates to fees and charging-on expenses for non-banking transactions.

### III. Income taxes

Income taxes are comprised of the following:

Amounts in thousand Euros	31/12/2010	31/12/2009
Passed on from the parent company for the business year	3,057	2,451
Adjustment of Group taxation- previous years	-7,367	1,207
arising from the termination of a tax audit	-453	0
arising from amendment of the AbgÄG 2009 (Austrian Tax Amendment Act) which entered into force retroactively	-6,914	1,207
Corporate income tax-previous years	43	0
arising from the termination of a tax audit	43	0
Not recognised as foreign withholding tax	326	381
	<b>-3.941</b>	<b>4.039</b>

### IV. Deferred tax

The bank did not exercise its right to capitalise deferred tax. The capitalisable amount of about TEUR 500 was calculated on the basis of non tax-deductible expenses for the 2010 financial year and previous years.

### V. Subordinated capital

Expenses related to subordinated capital amounted to TEUR 469 (2009: TEUR 708) for the period under review.

### VI. Expenses for auditing the financial statements

Expenses for auditing the financial statements split into expenses for auditing and for tax consultancy services are contained in the consolidated financial statements.

## D. Other disclosures

### Contingent liabilities

The breakdown of contingent liabilities arising from guarantees and assets pledged as security totalling TEUR 10,298 (31/12/2009: TEUR 1,322) consists of the following:

Amounts in thousand Euros	31/12/2010	31/12/2009
Letters of credit	9,728	332
Guarantees	570	990
	<b>10,298</b>	<b>1,322</b>
thereof for affiliated companies	1,431	493

In accordance with Article 93 Austrian Banking Act, the bank is legally obliged to provide for a proportionate deposit insurance as part of its membership in a professional association. Raiffeisen Centrobank AG is a member of the Fachverband der Raiffeisenbanken (professional association of the Raiffeisen Banking Group). This also entails an affiliation with Österreichischen Raiffeisen Einlagensicherung reg, GenmbH., Vienna (the deposit insurance arm of the Raiffeisen Banking Group, registered as a limited liability company). In the 2009 financial year the theoretical claim on this insurance is limited to a rate of 1.5% of the assessment basis in accordance with Article 22 para 2 Austrian Banking Act at the balance sheet date, plus the weighted items of the securities trading book, also in accordance with Article 22 Austrian Banking Act. These contingent liabilities are reported at a market value of Euro 0.07).

### Commitments shown under the balance sheet

Commitments shown under the balance sheet amounting to TEUR 9,565 (31/12/2009: TEUR 14,702) refer exclusively to irrevocable credit lines and standby facilities.

### Other contractual bank guarantee obligations

The following assets were pledged as security for obligations as of December 31, 2010:

#### Item A 2 Loans and advances to credit institutions

TEUR 40,881 (31/12/2009: TEUR 78,249)  
Collateral deposited with banks and stock exchanges for the securities and options business

#### Item A 4 Fixed-interest securities

TEUR 141,107 (31/12/2009: TEUR 71,448)  
Collateral deposited with banks and stock exchanges for the securities and options business

#### Item A 5 Shares and other variable-yield securities

TEUR 36,402 (31/12/2009: TEUR 49,550)  
Collateral deposited with banks and stock exchanges for the securities and options business

### Trustee transactions

Trustee transactions not included in the balance sheet refer to one equity participation held in trust.

### Own funds

The own funds of Raiffeisen Centrobank pursuant to Article 23 Austrian Banking Act (Tier 1) are comprised of the following:

Amounts in thousand Euros	31/12/2010	31/12/2009
Subscribed capital	47,599	47,599
Capital reserve	6,651	6,651
Legal reserve	1,031	1,031
Reserve pursuant to Austrian Banking Act	13,539	13,539
Other reserves	9,500	9,500
	<b>78,320</b>	<b>78,320</b>

### Number of staff

	31/12/2010	Annual average	31/12/2009	Annual average
Salaried employees (including Executive Board)	208	201	209	208
thereof part-time	15	14	13	14
Wage employees	11	9	8	8
thereof part-time	2	1	0	0
<b>Total</b>	<b>219</b>	<b>210</b>	<b>217</b>	<b>216</b>

### Advances and loans to members of the Executive Board and Supervisory Board

At the balance sheet date no advances and loans had been granted to members of the Executive Board. No advances, loans or guarantees were granted to members of the Supervisory Board.

### Expenses for severance payments and retirement benefits

Expenses for severance payments and retirement benefits (including contributions to pension funds and staff retirement benefit plans, as well as provisions for severance payments) amounted to TEUR 679 (2009: TEUR 658) for members of the Executive Board and to TEUR 1,320 (2009: TEUR 880) for other employees. The payment made to staff retirement benefit plans totalled TEUR 143 (2009: TEUR 125).

### Remuneration for members of the Executive Board and Supervisory Board

In the 2010 financial year remuneration for three Executive Board members totalled TEUR 2,435 (2009: TEUR 2,514). In 2010 attending fees in the amount of TEUR 110 were paid to members of the Supervisory Board.



### Group relations

The company is an affiliated company of Raiffeisen-Landesbanken-Holding GmbH, Vienna, and is intergrated in its consolidated financial statements, as well as in the consolidated financial statements of Raiffeisen Bank International AG, Vienna which provides the consolidated financial statements for the least number of companies required.

Raiffeisen Centrobank itself is considered to be a parent company pursuant to Article 30 para 1 Austrian Banking Act. Provisions pertaining to the exempting consolidated financial statements pursuant to Article 245 para 5 Austrian Commercial Code are not applicable, due to the fact that securities issued by the company are traded on an organised stock exchange as stipulated in Article 2 (37) Austrian Banking Act. For this reason, the company draws up its own consolidated financial statements for its subgroup in accordance with International Financial Reporting Standards. These consolidated financial statements are available at the relevant parent company as well as at the Commercial Court of Vienna.

Since December 17, 2008, the company has been a member of the corporate group Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB) pursuant to Article 9 Austrian Corporation Tax Act. The application submitted by the company to become a group member of the corporate group RZB as of the business year 2008 pursuant to Article 9 Austrian Corporation Tax Act was notified to the financial authorities on December 19, 2008 and was approved by notice on April 22, 2009.

The taxable results of the members of the group are attributed to the parent company. Any tax adjustments between the parent company and the individual members of the corporate group are regulated in the form of a tax allocation agreement.

## Members of the Executive Board, the Supervisory Board and State Commissioners

### Executive Board

#### **Eva Marchart**

*Chief Executive Officer*

#### **Alfred Michael Spiss**

*Deputy Chief Executive Officer*

#### **Gerhard Grund**

*Member of the Executive Board*

### Supervisory Board

#### **Walter Rothensteiner**

*Chairman*

Chief Executive Officer of Raiffeisen Zentralbank  
Österreich Aktiengesellschaft, Vienna

#### **Patrick Butler**

*First Deputy Chairman*

Member of the Board of Raiffeisen Bank  
International AG, Vienna

#### **Herbert Stepic**

*Second Deputy Chairman*

Chief Executive Officer of Raiffeisen Bank  
International AG, Vienna

### Members

#### **Karl Sevelda**

Deputy Chief Executive Officer of Raiffeisen Bank  
International AG, Vienna

#### **Johann Strobl**

Member of the Board of Raiffeisen Bank  
International AG and Raiffeisen Zentralbank  
Österreich Aktiengesellschaft, Vienna

#### **Christian Teufl (to October 31, 2010)**

Director of Raiffeisen Zentralbank  
Österreich Aktiengesellschaft, Vienna

#### **Werner Kaltenbrunner (from November 3, 2010)**

Executive Director of Raiffeisen Bank  
International AG, Vienna

### State Commissioners

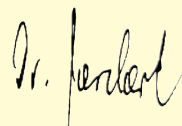
#### **Peter Braumüller (to October 31, 2010)**

*Divisional Director*

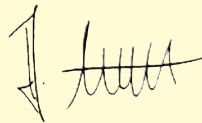
#### **Tamara Els**

*Head of Department*

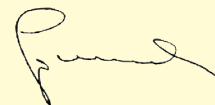
Vienna, April 4, 2011  
The Executive Board



**Eva Marchart**  
Chief Executive Officer



**Alfred Michael Spiss**  
Deputy Chief Executive Officer



**Gerhard Grund**  
Member of the Executive Board

## Auditor's Report

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Raiffeisen Centrobank AG, Vienna, for the year from 1 January 2010 to 31 December 2010. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2010, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2010 and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the Group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and its cash flows for the year from 1 January to 31 December 2010 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

**Report on the Management Report for the Group**

Pursuant to statutory provisions, the management report is to

be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, April 4, 2011  
KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

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Austrian chartered accountants

**Josef Kirchknopf**  
Tax adviser

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