

Annual Report

2010

**IFRS – compliant Group Management Report
and Consolidated Financial Statements**

OVERVIEW OF THE RLB NÖ-WIEN GROUP (IFRS FIGURES)

| RLB NÖ-Wien Group MONETARY VALUES ARE IN €m | 2010 | + / (-) CHANGE | 2009 |
|---|---------|----------------|---------|
| Income Statement | | | |
| Net interest income after impairment charge | 193.8 | > 100.0% | 84.8 |
| Net fee and commission income | 65.7 | 20.7% | 54.4 |
| Net trading income | 24.2 | 5.3% | 23.0 |
| Profit from investments in entities accounted for using the equity method | 256.4 | 98.3% | 129.3 |
| General administrative expenses | (180.7) | 5.6% | (171.1) |
| Profit for the year before tax | 316.3 | 80.7% | 175.0 |
| Consolidated net profit for the year | 308.6 | 80.5% | 170.9 |
| Balance Sheet | | | |
| Loans and advances to other banks | 12,189 | (4.5%) | 12,758 |
| Loans and advances to customers | 9,680 | 11.3% | 8,696 |
| Deposits from other banks | 15,899 | 0.1% | 15,883 |
| Deposits from customers | 7,071 | 2.9% | 6,870 |
| Equity (incl. Profit) | 2,383 | 16.8% | 2,040 |
| Assets | 32,683 | 3.1% | 31,699 |
| Regulatory information¹ | | | |
| Risk-weighted basis of assessment | 12,930 | 2.9% | 12,567 |
| Total own funds | 1,826 | 10.0% | 1,661 |
| Own funds requirement | 1,102 | 3.6% | 1,063 |
| Surplus own funds ratio | 65.8% | 9.6 ppt | 56.2% |
| Tier 1 ratio (credit risk) | 9.7% | 0.6 ppt | 9.1% |
| Total Tier 1 ratio | 9.1% | 0.5 ppt | 8.6% |
| Own funds ratio | 13.3% | 0.8 ppt | 12.5% |
| Performance | | | |
| Return on equity before tax | 14.3% | 5.6 ppt | 8.7% |
| Consolidated return on equity | 14.0% | 5.5 ppt | 8.5% |
| Cost:income ratio | 34.6% | (9.5 ppt) | 44.1% |
| Earnings per share, € | 142.06 | 82.4% | 77.90 |
| Return on assets after tax | 0.96% | 0.38 ppt | 0.58% |
| Risk:earnings ratio | 13.3% | (30.5 ppt) | 43.8% |
| Additional information | | | |
| Workforce on balance sheet date | 1,332 | 6.1% | 1,256 |
| Branches and offices | 67 | (3) | 70 |

¹ The RLB NÖ-Wien Group is part of the *Raiffeisen-Holding NÖ-Wien Group*. Austria's *Bankwesengesetz* (BWG: banking act) does not govern the regulatory own funds of subsidiaries that make up a subgroup. The presentation of this regulatory information in accordance with *BWG* on the basis of partial consolidation within the credit institution group (*Kreditinstitutsgruppe*) is therefore provided for informational purposes only.

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GROUP MANAGEMENT REPORT

Business performance and economic conditions

THE GLOBAL ECONOMIC ENVIRONMENT

International economic conditions were altogether positive in 2010. In parts, the growth dynamic already initiated by government economic packages and central bank action in 2009 developed strongly. The threshold countries led, accounting for 80 per cent of the 4.8 per cent increase in global GDP. The United States, the eurozone, the United Kingdom and Japan accounted for just 20 per cent of this growth.

The *Centrope* region made people sit up and take notice in 2010 with its growth edge over the eurozone. Whereas real GDP growth in the eurozone as a whole came to 1.7 per cent, the economies of the Centrope region grew by 2.4 per cent.

Economic and economic policy events in the eurozone were shaped by the debt crises occurring in a number of countries. In May 2010, the EU Commission intervened jointly with the International Monetary Fund, promising Greece massive support. Risk premiums were a clear reflection of worries about loan losses and the financeability of extremely high debt ratios.

The European financial markets were burdened anew by the troubled state of the Irish budget. As a result, the European Financial Stability Fund (EFSF) was called into being in June 2010.

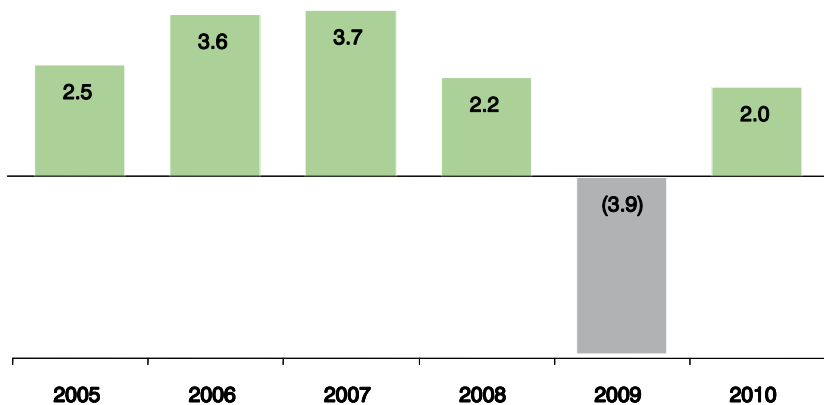
The heads of state and government leaders in the EU also took additional action to stabilize the Monetary Union. To protect the euro against further deliberate attacks from the financial markets, the EU summit in the middle of December decided to create a permanent rescue fund for countries threatened by insolvency.

Germany emerged as the eurozone's growth leader in 2010, recording GDP growth of 3.7 per cent. Thanks to the good growth dynamic, there was a strong increase in its exports. Combined with the weak euro, this stimulated economic activity at home and abroad.

The jobless rate in the eurozone fell slightly, to 10.1 per cent. Lending in Europe began to grow again in the course of 2010. The average rate of inflation over the year was still below the ECB's 2 per cent target.

Economic Growth in Austria

(Percentage Real Change versus Previous Year. Data sources: Statistik Austria, WIFO.)



THE ECONOMIC ENVIRONMENT IN AUSTRIA

2010 was the year in which Austria's economic recovery broadened. Growth came to just under 2 per cent. In all, the economic stimulus packages put in place since the start of the economic crisis increased GDP growth by 1.4 percentage points. Those economic stimulus packages, which were substantial by international standards, were already having a significant impact in 2010.

Besides those special measures to support the economy, the principal contributor to the recovery in Austria was the welcome recovery of the global economy. Exports were still 3 per cent down on the previous year at the beginning of 2010, but they grew strongly in August, coming to nearly 29 per cent more than in 2009. However, this pace could not be maintained later in the year. Besides driving a strong increase in industrial output, Austria's exporting successes also led to record employment levels in the labour market. The jobless rate of 4.1 per cent was well below the EU average of 9.6 per cent.

The way ahead was set for the budget consolidation path in the period up to 2013. Net new debt reached its outer limit at 4.5 per cent of GDP. Total public debt came to 70.2 per cent of aggregate GDP, which was well above the Maastricht threshold figure of 60 per cent. The tax reform and the first and second federal economic stimulus packages came to more than €5 billion, and measures taken by the Austrian provinces came to slightly over €1 billion.

THE EUROZONE MONEY AND CAPITAL MARKETS AND THE INTERNATIONAL EQUITY MARKETS

The ECB maintained its highly expansionary monetary policy throughout the year. Besides leaving its key interest rate unchanged at a historical low of 1 per cent, a variety of other measures were taken to support the economy. They included the large-scale buying of government bonds and the continuation of extensive tender operations.

10-year capital market rates were dominated by worries about the euro debt crisis, falling to an all-time low of 2.10 per cent (10-year German *Bunds*) at the end of August. Numerous supporting measures and concrete efforts to consolidate public budgets took the 10-year rate up to just under 3 per cent by year-end.

The recovery of the world economy was reflected in the international equity markets, and this was especially true in Russia, the United States and Germany. These three stock markets were clear leaders, delivering an annual performance of 22.5, 19.2 and 16 per cent, respectively. The Vienna Stock Exchange also did well in international comparisons, gaining over 16 per cent in 2010.

CHANGE IN THE SCOPE OF CONSOLIDATION

The scope of consolidation did not change in 2010.



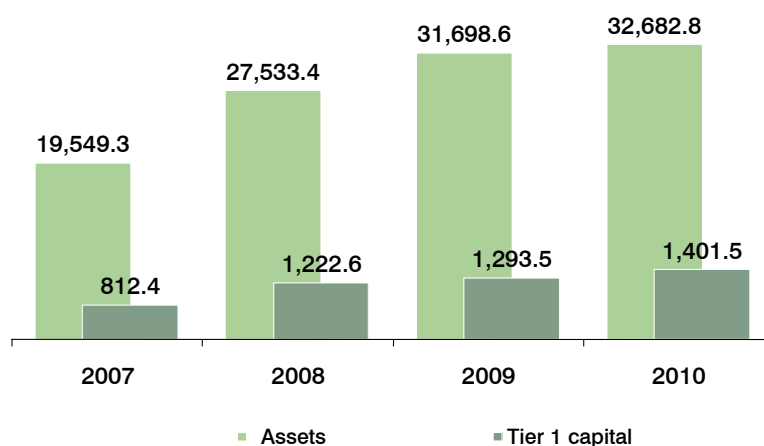
Source: Reuters EcoWin

Results in 2010

The RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN Group (RLB NÖ-Wien Group) made a very good profit in the 2010 financial year. In view of the RLB NÖ-Wien Group's responsibility for the people living in the region, the Managing Board attached great importance to sustained development. By combining cost savings and efficiency enhancements with the responsible conduct of financial transactions, the Group was able to remain on its safe and secure path. This in turn benefited its customers.

- At 31 December 2010, the Group's assets came to €32,682.8 million, which was 3.1 per cent or €984.2 million more than the figure of €31,698.6 million recorded at the end of 2009.
- Operating profit in 2010 was outstanding, at €341.9 million. This was €125.2 million or 57.8 per cent up on the prior-year figure of €216.7 million. Operating income increased by €134.8 million or 34.8 per cent to €522.6 million, whereas general administrative expenses increased by €9.6 million or 5.6 per cent to €180.7 million.
- Net interest income—the most important item of income from the Group's core operations—was very satisfactory, at €223.5 million. This was €72.6 million or 48.1 cent more than the prior-year figure of €151.0 million.
- Net fee and commission income was substantially up on the previous year to €65.7 million, having increased by €11.3 million or 20.7 percent.
- Net trading income increased to €24.2 million, which was €1.2 million up on the previous year.
- Our profit from investments in entities accounted for using the equity method is mainly a reflection of the performance of the *Raiffeisen Zentralbank Group (RZB Group)*. It came to €256.4 million, which was €127.1 million or 98.3 per cent more than in 2009.
- Profit from financial investments was down on 2009, falling by €20.4 million to €4.2 million. The increase in interest rate volatility in the international money and capital markets played a major role in this decline.
- General administrative expenses increased by €9.6 million or 5.6 per cent to €180.7 million, having come to €171.1 million in 2009. The cost saving and efficiency enhancement programme that has been running since 2008 continued to brake the rise in costs and improve workflows during 2010.
- Consolidated profit for the year after tax and minorities came to €308.6 million, compared with €170.9 million in 2009. The increase of €137.6 million was, to a large degree, due to the increases in net interest income, net fee and commission income and profit from investments in entities accounted for using the equity method.
- The RLB NÖ-Wien Group's good business performance in 2010 allowed another big increase in its Tier 1 capital, which increased from €1,293.5 million to €1,401.5 million.
- The Group's Tier 1 ratio (in relation to total risk) was sustained at a high 9.1 per cent in 2010, as against 8.6 per cent in 2009.

Assets and Tier 1 Capital, €m



Notes on the Group's Profit, Assets and Liabilities and Financial Position

CONSOLIDATED OPERATING PROFIT IN 2010 COMPARED WITH 2009

| €'000 | 2010 | 2009 |
|---|------------------|------------------|
| Net interest income | 223,539 | 150,967 |
| Net fee and commission income | 65,714 | 54,440 |
| Net trading income | 24,189 | 22,982 |
| Profit from investments in entities accounted for using the equity method | 256,430 | 129,290 |
| Other operating profit/(loss) | (47,272) | 30,086 |
| Operating income | 522,600 | 387,765 |
| Staff costs | (99,120) | (95,470) |
| Other administrative expenses | (77,468) | (71,678) |
| Depreciation/amortization/write-offs | (4,155) | (3,963) |
| General administrative expenses | (180,743) | (171,111) |
| Operating profit | 341,857 | 216,654 |

The year 2010 was shaped by the economy's recovery following the 2008/2009 recession. Precisely in these difficult times, the RLB NÖ-Wien Group profited from its conservative risk policy and a business model that is focused on customers' needs. Emerging from the crisis stronger than before, the RLB NÖ-Wien Group proved itself to be a strong partner to corporate and retail banking customers in the Centropo region.

Customer operations made an important contribution to the increase in **net interest income**, which grew by €72.6 million or 48.1 per cent to €223.5 million. Credit operations expanded significantly as the demand for loans increased with the economy's recovery. RLB NÖ-Wien Group consistently fulfilled its role as a lender to business, increasing the balance of loans and advances to customers by 11.3 per cent during 2010. Moreover, it proved possible to improve credit margins. The structure of RLB NÖ-Wien's customer base constitutes a solid foundation for further sustainable credit growth.

Although interest rates were low, confidence in the *Raiffeisen* brand was strong. As a result, customer deposits remained a vital source of funds. This too helped drive another increase in net interest income in 2010.

The third contributing factor to the success of the Group's interest rate operations was the profitable use of maturity transformation. Thanks to our cautiously optimistic market outlook and accurate interest rate forecasting, it generated a pleasing amount of interest income.

The economic recovery was also clearly apparent in the securities sector and, therefore, in net fee and commission income. The demand for shares, fund units and bonds was greatly increased by customers' renewed faith in rising markets, ending the downtrend of the crisis years. **Net fee and commission income** totalled €65.7 million in 2010, which was €11.3 million or 20.7 per cent more than in 2009. Alongside fee and commission from securities operations, this increase was driven mainly by fee and commission income from payment services and credit operations. Insurance and building society operations also proved to be an important source of earnings thanks to the undiminished demand for secure saving and investment products.

Net trading income was again very high, at €24.2 million. This compared with €23.0 million in 2009. Earnings from interest rate operations (bond trading and money market operations) contributed to the increase, as did trading in foreign exchange and (gold) coins.

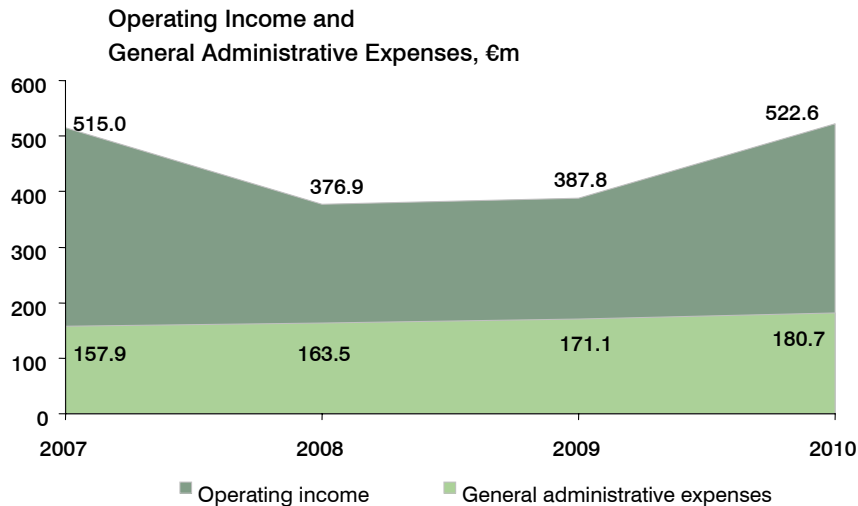
RLB NÖ-Wien's **Profit from investments in entities accounted for using the equity method** is mainly a reflection of the performance of the RZB Group, which was very satisfactory in 2010. On balance, the RLB NÖ-Wien Group's direct equity investments in the Czech Republic, Slovakia and Hungary also made positive contributions, although an exceptional burden was imposed on Raiffeisenbank in Hungary as a result of the supplementary levy on banks. Profit from investments in entities accounted for using the equity method nearly doubled, increasing by €127.1 million on the previous year to €256.4 million.

Other operating profit/(loss) consisted largely of profit or loss from 'other' derivative operations and income from services and reimbursed costs. Together, they came to negative €47.3 million, which was substantially down on the profit of €30.1 million recorded in 2009. This was, above all, due to revaluation losses on derivative financial instruments that were neither held for trading nor hedging instruments within the meaning of IAS 39.

General administrative expenses increased by €9.6 million to €180.7 million. This line item consisted of staff

costs of €99.1 million, other administrative expenses of €77.5 million and depreciation/amortization/write-offs of property and equipment and intangible assets totalling €4.2 million. The rise in general administrative expenses was kept in check by individual cost optimizations and efficiency enhancements. Staff numbers were selectively increased to meet the growing demands of banking operations as effectively as possible, but staff costs as a whole rose by just €3.7 million. Other administrative expenses increased by €5.8 million. Most of the increase was in IT, advertising and entertainment expenses. On the one hand, it enabled us to implement our growth strategy in the customer segment. On the other, we needed to continue to steadily modernize our banking IT systems at a low cost.

Total **operating profit** increased by €125.2 million or 57.8 per cent to €341.9 million. Operating income increased by €134.8 million or 34.8 per cent to €522.6 million, while general administrative expenses increased by €9.6 million or 5.6 per cent. This improved the cost:income ratio to 34.6 per cent, compared with 44.1 per cent in 2009.



CONSOLIDATED PROFIT IN 2010 COMPARED WITH 2009

| €'000 | 2010 | 2009 |
|---|----------------|----------------|
| Operating profit | 341,857 | 216,654 |
| Impairment charge on loans and advances | (29,732) | (66,144) |
| Profit from financial investments | 4,151 | 24,523 |
| Profit for the year before tax | 316,276 | 175,033 |
| Income tax | (7,703) | (4,084) |
| Profit for the year after tax | 308,573 | 170,949 |
| Minority interests in profit | (8) | (13) |
| Consolidated profit for the year | 308,565 | 170,936 |

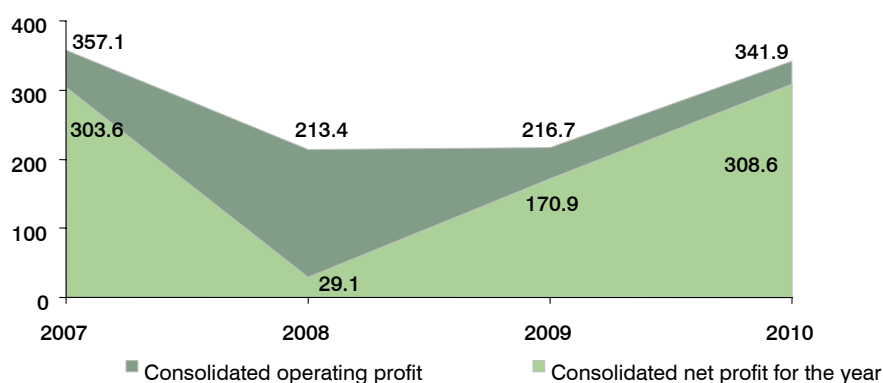
Consistent risk management and a successful lending strategy gave us an excellent risk position. The balance of impairment allowances and impairment reversals resulted in an **impairment charge on loans and advances** of €29.7 million, which was well below the prior-year figure of €66.1 million.

Profit from financial investments came to €4.2 million. It was largely generated by financial investments designated as at fair value through profit or loss. In addition, this line item includes profits from other financial investments and unlisted securities. Profit from financial investments was €20.4 million down on the previous year.

Income tax expense came to €7.7 million. Current income tax consisted mainly of the portion of *Körperschaftsteuer* (Austrian corporation tax) payable under the *Steuerumlagenvereinbarung* (tax contribution agreement) with *RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN reg. Gen.m.b.H.* (Raiffeisen-Holding NÖ-Wien), which is the parent of the *steuerliche Unternehmensgruppe* (taxable enterprises group).

In total, the Group's successful business growth together with integrated risk management and effective cost controls resulted in **consolidated net profit for the year** of €308.6 million, compared with €170.9 million in 2009. The RLB NÖ-Wien Group thus achieved a lasting increase in profit in the year under review.

Consolidated Operating Profit and Consolidated Net Profit for the Year, €m



SEGMENTAL REPORT FOR 2010

The RLB NÖ-Wien Group is divided into the segments listed below. The segment definitions correspond exactly to the customers being serviced. (Primary segment reporting within the meaning of IFRS 8 is based on the RLB NÖ-Wien Group's internal management reporting system.)

- Retail Banking (Personal and Business Banking Customers)
- Corporate Customers
- Financial Markets
- Investments
- Management Services

The **Retail Banking (Personal and Business Banking Customers)** segment encompasses retail business carried on by the Group's branches in Vienna. It therefore covers the banking requirements of retail banking customers in Vienna. In particular, this includes providing them with advisory services in the loan, saving and investment fields. The Group's private banking teams provide professional advice to high net worth personal banking customers in Vienna. The Group's centres of excellence for trade and business customers service small and medium-sized enterprises in Vienna. Because money market rates were low, 2010 was a particularly challenging year for this segment. However, as in 2009, it proved possible to sustain the level of savings deposit balances in 2010. In addition, the economic recovery had a very beneficial effect on risks and customers' propensity to invest. Profit for the year before tax in this segment came to €25.1 million, compared with €16.3 million in 2009. This resulted in a return on equity before tax of 17.3 per cent (2009: 12.3 per cent). This segment's cost:income ratio improved from 75.7 per cent in 2009 to 73.5 per cent in 2010.

The **Corporate Customers** segment made an excellent profit in 2010. The keys to this segment's success are made-to-measure products and solutions and close attention to the needs of corporate customers in the Centre region. The Group continued to pursue a consistent business acquisition strategy during the year under review while at the same time deepening its relationships with existing customers. Our profit-orientated business policy led to another increase in business volumes and advance in net interest income. As the segment's net interest income after the impairment charge shows, risks were under control. It was massively up on the previous year, coming to €98.2 million in 2010, as against €58.5 million in 2009.

The RLB NÖ-Wien Group's corporate customers segment therefore made a profit for the year before tax of €94.1 million, compared with €43.2 million in 2009. With average equity employed of €709.4 million, it thus delivered a return on equity before tax of 13.3 per cent (2009: 6.5 per cent).

Although the money and capital market were volatile, the **Financial Markets** segment made another contribution to consolidated net profit thanks to consistent risk- and profit-orientated management. Net interest income in 2010 came to €78.9 million, which was considerably up on the prior-year figure of €16.9 million. Net trading income remained at the same high level as in 2009, coming to €11.7 million. However, high volatilities dented other profit/(loss) and led to realized losses and impairments that mainly affected interest positions. The financial markets segment recorded profit for the year before tax of €15.4 million and a return on equity of 4.9 per cent. This was on the back of a strong profit from maturity transformation activities and the success of its trading activities.

The **Investments** segment accounted for the biggest slice of the RLB NÖ-Wien Group's consolidated profit for the year before tax, namely €196.8 million, with *RZB's* consolidated net profit for 2010 playing a pivotal role. The successful merger of parts of *RZB* with *Raiffeisen Bank International AG (RBI)* contributed to this increase in profit, and the direct stakes held in the *Raiffeisen Network Banks* in the Czech Republic and Slovakia also yielded generally satisfactory results in 2010. However, the bank levy in Hungary severely dented profit from our investment in *Raiffeisenbank Hungary*.

The **Management Services** segment encompasses all the activities of the RLB NÖ-Wien Group within the scope of its role in the Austrian *Raiffeisen* organization—serving the *Raiffeisen Banks* in Lower Austria as their central institution—as well as income and expenses arising from the work it does to support activities in the market in the other customer segments. In 2010, risk management activities carried out jointly with the Group's credit divisions made a substantial contribution to reducing the impairment charge on loans and advances. In 2010, this segment recorded a loss of €15.1 million, compared with a loss of €14.5 million in 2009.

BALANCE SHEET PERFORMANCE IN 2010

The RLB NÖ-Wien Group's **assets** grew by €984.2 million or 3.1 per cent compared with the end of the previous year to €32,682.8 million. This reflected the continued steady and stable growth of the Group's customer operations. The principal contributor to growth on the assets side of the Balance Sheet was *Loans and advances to customers*. Growth on the equity and liabilities side of the Balance Sheet was driven by increases in *Deposits from customers*, *Liabilities evidenced by paper* and *Equity*.

ASSETS

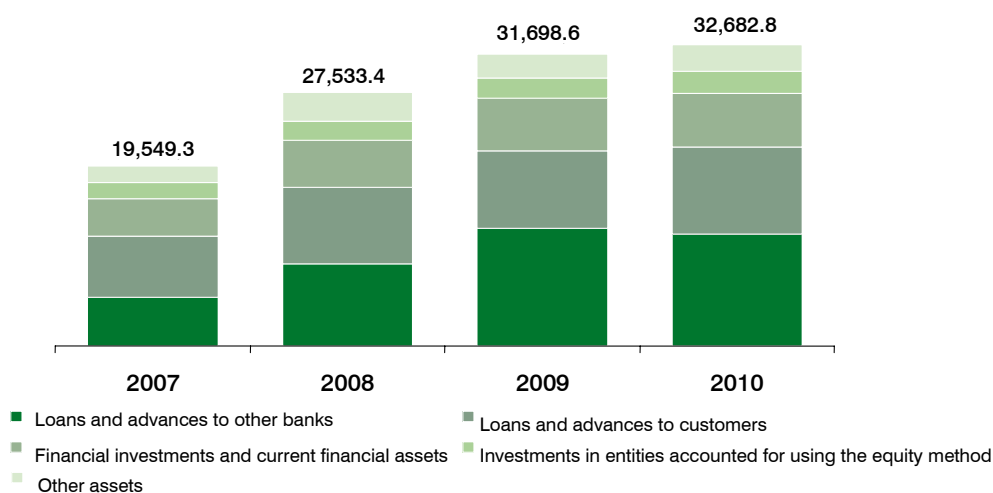
During 2010, **loans and advances to other banks** fell by €569.7 million or 4.5 per cent to €12,188.5 million. Most of the balance of loans and advances to other banks resulted from loans and advances to banks within the Austrian *Raiffeisen* organization, including, above all, *RZB* and the *Raiffeisen Banks* in Lower Austria.

Loans and advances to customers grew by €984.3 million or 11.3 per cent to €9,680.4 million. Commercially, this was one of the most important line items on the assets side of the Balance Sheet alongside *Loans and advances to other banks*. The improvement in the economic climate boosted the demand for loans among corporate and retail banking customers. Qualitative growth was always our main priority in the customer loan market. The Group remained true to its conservative risk policy throughout and continued to actively manage its existing loan portfolio.

Other current financial assets fell by €183.7 million or 7.3 per cent to €2,320.5 million. On the other hand, **financial investments** were €270.0 million or 8.2 per cent up on the previous year to €3,548.7 million. **Trading assets** increased from €396.6 million to €588.3 million.

Investments in entities accounted for using the equity method increased to €2,384.3 million. During 2010, the corporate customer operations of *Raiffeisen Zentralbank Österreich AG (RZB)* were hived off to *Cembra Beteteiligungs AG (Cembra)*, after which *Cembra* was merged into *RBI* as general legal successor. These restructurings did not alter RLB NÖ-Wien's stake in *RZB*. RLB NÖ-Wien therefore remained *RZB*'s biggest single shareholder, with a 31.4 per cent stake.

Structure of Assets on the Balance Sheet, €m



EQUITY AND LIABILITIES

Deposits from other banks were virtually static on the previous year at €15,899.3 million, compared with €15,883.3 million in 2009. Deposits from *Raiffeisen Banks* in Lower Austria and *RZB* accounted for €8,692.2 million or 54.7 per cent of total deposits from other banks. The structure of the RLB NÖ-Wien Group's equity and liabilities is a reflection of RLB NÖ-Wien's role as the central institution of *Raiffeisen-Bankengruppe NÖ-Wien* (the *Raiffeisen Banking Group* in Lower Austria and Vienna). The *Raiffeisen Banks* in Lower Austria hold their statutory liquidity reserves at RLB NÖ-Wien.

RLB NÖ-Wien itself does not carry on retail banking business in Lower Austria.

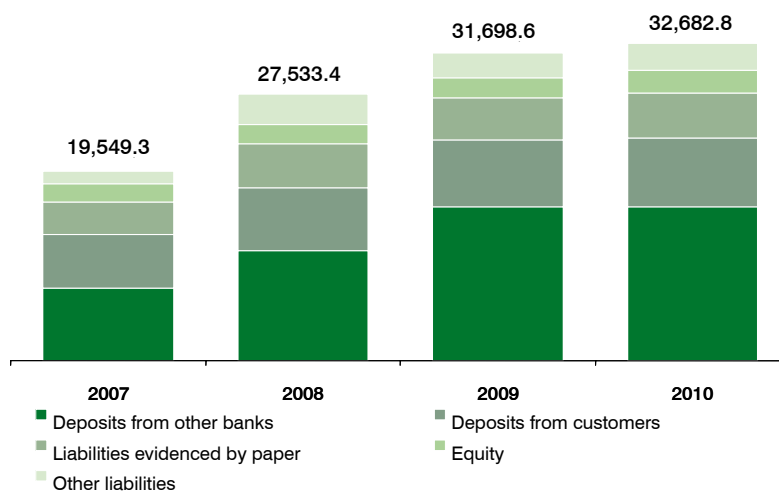
Deposits from customers increased by €200.7 million or 2.9 per cent to €7,071.2 million during the year under review, with **savings deposit balances** accounting for €2,260.2 million of the total at year-end. Overall, the

demand for secure forms of investment among retail banking customers was undiminished, confirming customer confidence in RLB NÖ-Wien. Customer **sight deposit balances** came to €3,835.4 million at the end of 2010. **Time deposit balances** totalled €975.6 million.

Liabilities evidenced by paper came to €3,844.0 million, which was 4.9 per cent or €179.2 million more than the total of €3,664.8 million recorded at the end of the previous year.

Primary funds—comprising balances of deposits from customers and all liabilities evidenced by paper—totalled €10,915.1 million, accounting for roughly 33.4 per cent of the RLB NÖ-Wien Group's balance sheet total.

Structure of Equity and Liabilities on the Balance Sheet, €m



Financial Performance Indicators

PERFORMANCE

The key performance indicators that are in widespread international use stayed very good in 2010.

The Group's **cost:income ratio**—the ratio of operating costs to operating income—came to 34.6 per cent, which was also outstanding by international standards. As this showed, the Group continued consistently and successfully to apply its cost optimization and efficiency enhancement programme and other measures in the customer operations and proprietary trading fields. Its cost:income ratio in 2009 was 44.1 per cent.

The Group's **consolidated return on equity after tax**—its return on equity based on average consolidated equity—came to 14.0 per cent in 2010, compared with 8.5 per cent in 2009. This means that the RLB NÖ-Wien Group was still operating very profitably.

REGULATORY OWN FUNDS

At 31 December 2010, the RLB NÖ-Wien Group had total **own funds** of €1,826.5 million. This compared with a regulatory own funds requirement of €1,101.8 million, giving the Group surplus own funds of €724.6 million or 65.8 per cent of its own funds requirement on its balance sheet date in 2010.

The Group was also able to increase its **Tier 1 ratio** (calculated in relation to total risk) to 9.1 per cent, as against 8.6 per cent in 2009 (regulatory minimum: 4.0 per cent), and its **own funds ratio** (calculated in relation to all risks) also increased further, namely from 12.5 per cent in 2009 to 13.3 per cent in 2010 (regulatory minimum: 8.0 per cent). (See Note (50) *Regulatory own funds*).

The Internal Control System for the Financial Reporting Process

The Managing Board of RLB NÖ-Wien has put in place an effective and appropriate internal control system for the financial reporting process. The Supervisory Board monitors the effectiveness of this internal control system.

The internal control system includes pre-defined controls that make it an integral part of the Group's technical and organizational processes. It ties together risk and compliance and ensures that adequate controls are implemented and correctly applied based on the defined risks.

Risks and controls are documented using a risk control matrix. Its purpose is to show which risks should be limited, which processes should be controlled, what the controls should look like, and by whom and how frequently they should be carried out.

The internal control system for the financial reporting process is designed to ensure reasonable reliability during the preparation and fair presentation of published annual financial statements and financial information in accordance with the legislative provisions contained in *BWG* (Austrian banking act) and *UGB* (Austrian enterprises code).

The Supervisory Board and Managing Board rely on the support of experts, including, in particular, the experts in Accounts and Controlling, which is a Head Office department. In addition, Audit, likewise a Head Office department, audits adherence to the internal control system. Auditing the effectiveness of the internal control system for the financial reporting process is also one of the objects of the annual audits performed by *Österreichische Raiffeisenverband* and *KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft*.

Risk Report

We refer the reader to the detailed **Risk Report** provided in Note (31) for information about the RLB NÖ-Wien Group's overall financial risks and its risk management goals and methodologies.

Material Events after the Balance Sheet Date

To date, there have been no business transactions or other events that would be of particular public interest or will materially affect the annual financial statements for 2011.

Branches and Offices

At year-end 2010, some 600 account managers and sales assistants were servicing RLB NÖ-Wien's customers at 67 branches and offices in Vienna. These included 49 retail banking branches, seven private banking teams for high net worth personal banking customers and six special centres of excellence for trade and business customers. The *Raiffeisen-Mitarbeiterberatung* staff advice service provides special services for enterprises within the Austrian *Raiffeisen* organization as well as for their employees at another five locations.

The Group has neither offices nor branches abroad.

Corporate customers are serviced by some 90 account managers and sales assistants in 11 departments at *Raiffeisenhaus Wien*, which is located at F.-W.-Raiffeisen-Platz 1. The Group has some 5,000 corporate customers. They value the customer-orientated advice and professional processing services they are offered in the classical loan, corporate finance (project and investment finance), acquisition finance, property finance, trade and export finance, documentary business and local authority and financial institutions fields.

Research and Development

Because of the industry in which it operates, the Bank does not perform any material research or development activities.

Non-financial Performance Indicators

HUMAN RESOURCES

Being a bank with a strong advisory focus, RLB NÖ-Wien continued to enlarge its workforce in every customer segment. It processed over 5,870 job applications, carried out 1,150 individual job interviews and held 40 assessment centre modules with over 200 participants. 170 new staff joined RLB NÖ-Wien during 2010, increasing the workforce to 1,332 by year-end.

In August 2010, RLB NÖ-Wien launched its apprenticeships offensive jointly with the *Raiffeisen Banks* in Lower Austria to help young people in our region. Eleven apprentices were accepted in Vienna and 16 in Lower Austria. Because the apprentices are completing their three-year banking apprenticeships in direct contact with customers, the emphasis is on intensive in-branch training supported by a mentor combined with training at MODAL (*RBG NÖ-Wien's* training centre) and studies at a vocational school.

When recruiting staff, RLB NÖ-Wien attaches particular importance to working together with secondary schools, universities and vocational colleges. Lectures by management staff and RLB NÖ-Wien's presence at professional fairs also help it meet its sizeable staffing requirements. *Karrieretalk* sessions with over 200 school pupils again proved to be a highly successful positioning and recruiting instrument.

From their first day at work, employees' development is fostered by an intensive training programme made up of on-the-job training and seminars. Mentorships play a special role, making sure that new employees fulfil their potential more rapidly. The induction scheme for new staff members makes an important contribution to their integration. It consists of a Welcome Day and being greeted personally by the Managing Board on the day of their induction.

The management training schemes for existing heads of department and for young management personnel continued successfully. Meanwhile, the Group's 'pool programme' for young management personnel, *Mehr[WERT]* 'value added' training in the corporate customers segment, mentor training and our trainee programme for young college and university graduates continued to provide training for a new generation of team leaders and senior account managers. As in 2009, staff attended a large number of training days during 2010, namely 7,642. This translates into 5.9 training days per member of staff. 89.1 per cent of the workforce took advantage of our extensive range of training opportunities.

Refining job descriptions was especially important. These act as guides and provide orientation for staff during their development. The aim was to create transparent development grades and foster banking careers, ensuring stronger identification with each job.

RLB NÖ-Wien's personnel management activities particularly emphasize staff satisfaction. Our feedback culture was reinforced by quarterly surveys. These were based on sentiment barometer assessments carried out in five Head Office departments. Survey analyses were discussed directly in the departments concerned and the overall results were presented at the beginning of January 2011.

The health and well-being of employees at the workplace are also important to RLB NÖ-Wien. Staff members attended a series of expert lectures on a variety of health and fitness topics within the scope of the Group's *Wellness* Programme. In addition, nearly 400 employees had check-ups. To encourage staff to be physically fit, they were offered a broad range of sporting opportunities by *Turn- und Sportunion Raiffeisen NÖ-Wien*. These proved very popular.

Raiffeisen-Holding having already received it in 2009, RLB NÖ-Wien was awarded the *Beruf & Familie* (Job & Family) Audit Quality Seal in 2010. During this standardized process, Management (with the support of an internal project group) agreed on numerous measures that will make RLB NÖ-Wien more family-friendly. These measures will be put into effect in years to come, after which recertification can take place.

THE ENVIRONMENT AND CLIMATE PROTECTION

An *RKI Manual for Enterprises and Staff* was drawn up within the scope of the *Raiffeisen* Climate Protection Initiative (RKI) set up by the Austrian *Raiffeisenverband*. The measures it recommends have been in the implementation stage since the end of 2008. One of the measures implemented at RLB NÖ-Wien was the distribution of regular information to every member of staff using weekly pop-ups on their PCs, which has been happening since 2010. These pop-ups provide valuable advice about saving energy in the office and in one's free time. An online quiz was held to increase employee awareness of climate issues, and 45 per cent of our staff took part.

Moreover, RLB NÖ-Wien gives the city's population the free use of bicycles in cooperation with city of Vienna, providing them with an environmentally friendly additional form of public transport.

RLB NÖ-Wien's commitment to protecting the environment also finds expression in its business activities. The financing of environmental investments in Austria and abroad is becoming ever more important. This is particularly the case in the renewable energy field, which includes wind power, biomass and biogas technologies.

RLB NÖ-Wien held Lower Austria's fourth *Energy Saving Day* and Vienna's third in 2010, offering visitors extensive information about energy-efficient building materials, construction ecology, subsidies, financing models, heating and building regulations in cooperation with the Province of Lower Austria, the City of Vienna and experts from the *Raiffeisen Banks*. Some 3,500 advice sessions took place during these events, which were held on 12 February 2010. This successful project is part of *Raiffeisen's* standard annual programme in Lower Austria and Vienna.

RLB NÖ-Wien also acts as a partner in the energy contracting field. This is a commercially compelling model for optimizing a building's energy consumption and energy (cost) efficiency. Measures taken to boost energy efficiency also benefit the environment in that energy contracting reduces energy consumption without affecting comfort. The measurable benefit for the environment is a substantial CO₂ saving.

'MIT.GESTALTEN'—A PROJECT FOR THE FUTURE

In the financial year under review, RLB NÖ Wien launched a multi-year project for the future called *mit.gestalten* (co.designing) in cooperation with *Raiffeisen-Holding NÖ-Wien*. On the basis of cooperative underlying principles, they developed a modern corporate strategy designed to successfully and sustainably position *Raiffeisen* with its employees and customers. A multi-layer process was used to pinpoint areas of activity that have the potential for further development. They are 'inter-generation.dialogue', 'migration.integration', 'opportunities.equality', 'Austrian *Raiffeisen* organization.network' and 'society.responsibility'. The first measures developed within the scope of this project were already put into effect in 2010.

Corporate Social Responsibility

SOCIAL WELFARE

RLB NÖ-Wien's employees demonstrated their high levels of personal commitment by cooking for the clients of the *Gruft*—a Caritas refuge for the homeless—within the scope of sponsorship of the *Gruft* by *Raiffeisen* and the *Kurier* newspaper as part of the 'Cardinal König' scheme. Since the beginning of this partnership in 2006, they have served over 14,000 plates of food at more than 120 *Raiffeisen* evening meals cooked for an average of 120 people. Their activities are rounded off by Christmas present collections for people staying at the *Gruft* refuge and by arranging collections of non-financial donations at companies close to the *Raiffeisen* organization.

This personal contribution by members of our staff is a part of the corporate social responsibility lived out by RLB NÖ-Wien. In 2010, we again did a number of things to improve the quality of life in the regions where our customers live.

The 'Cardinal König' scheme is an important part of the mosaic that makes up *Raiffeisen's* commitment to helping socially disadvantaged people in Vienna. Help ranges from direct financial support that aims to prevent people from sliding back into homelessness to buying food to paying for a psychiatrist for the people staying in the *Gruft* refuge. Moreover, *Raiffeisen* did more than fill the scheme's coffers directly; it also activated its network links to other companies, in turn generating substantial non-financial donations from them.

SPORT

The attractiveness of a neighbourhood also depends greatly on the leisure opportunities that it offers. Sponsoring sporting events, including above all running events like the *Business Run*, the *Frauenlauf* (women's run) and the *Friedenslauf* (peace run), was another of RLB NÖ-Wien's priorities. This commitment to sport is rounded off by its support of young athletes through sponsorship of the *Austria Juniors* (who train young footballers), the *Raiffeisen Vikings* (football) and the *Aon Fivers* (handball).

SAFETY AND SECURITY

Ensuring people's safety and security is becoming increasingly important, so there too, RLB NÖ-Wien is playing an active role in partnership with the police. For instance, it sponsors the *Sicherheitsverdienstpreis* (security prize of honour) for Vienna and Lower Austria, which is awarded to both law enforcement officers and civilians.

INTEGRATION

Since 2009, RLB NÖ-Wien has also been breaking new ground in an area of great importance to society and to business, namely integration. At the suggestion of our Deputy CEO Georg Kraft-Kinz, RLB NÖ-Wien set up the *Wirtschaft für Integration* (business for integration) charity in March 2009. The charity's patrons are Michael Häupl (Mayor of Vienna) and Christian Konrad (Chairman of the Supervisory Board of RLB NÖ-Wien and *Raiffeisen's* advocate general). This organization is a platform for top managers and business proprietors that takes effective action to address the issue of integrating people who have immigrated or are immigrating to Austria in a way that reflects their true potential. *Wirtschaft für Integration's* basic funding is provided by RLB NÖ-Wien. In 2010, this charity set important accents in the public integration debate by awarding Austria's first integration prize (together with ORF), organizing the first multilingual public speaking competition (*Sag's Multi*) and setting up an information and discussion forum called *Forum Brunnenpassage*.

OUTLOOK FOR 2011

THE ECONOMIC ENVIRONMENT

The decade that began in 2011 will be shaped by the economic recovery that takes place following the massive slump in economic growth during 2008 and 2009. Recovery in Austria has been and will continue to be dominated by strong growth in its exports. Against this backdrop, the *Wirtschaftsforschungsinstitut* (the Austrian Institute of Economic Research) is predicting real GDP growth of 2.2 per cent in Austria in 2011, compared with 2.0 per cent in 2010. This would be the strongest growth since 2008 and would maintain Austria's growth edge over the eurozone as a whole, which will record growth of about 1.7 per cent in 2011.

Economic recovery in 2011 will improve conditions in the labour market. In addition, the path of public budget consolidation will have a major impact on Austria's economic policy environment. The federal government has drawn up a multi-year fiscal consolidation programme that should bring the budget deficit back below the Maastricht target of 3 per cent of GDP in 2012.

RLB NÖ-WIEN — THE 'BEST ADVISOR BANK'

In this environment, the RLB NÖ-Wien Group is following a commercial path that is consistently directed at sustainability while remaining closely tied to RLB NÖ-Wien's cooperative roots. The RLB NÖ-Wien Group services its customers in markets with which it is not just familiar but in which it has also had lasting success. In 2011, the RLB NÖ-Wien Group will continue to focus on advising and supporting its retail and corporate customers as Vienna's 'Best Advisor Bank'. Both lending and saving and investment operations will profit from further stabilization of the global economy and the positive economic outlook.

The RLB NÖ-Wien Group's strength also makes it a reliable partner to the *Raiffeisen Banks* in Lower Austria and to *RZB* and its subsidiary *Raiffeisen Bank International AG*. Cooperation within the Austrian *Raiffeisen* organization will again be intensified in 2011.

THE RAIFFEISEN ORGANIZATION'S 1-IT PROJECT

1-IT for Austria is a core project that will permit cost effective cooperation across Austria's regional borders and further increase the quality of that cooperation. This will give even greater strength to *Raiffeisen's* already outstanding position in the nationwide market. The increases in efficiency that should result from this project will enable us to work in a modern way at a lower cost. The relevant strategic decisions have been made and the first steps in the project have been taken. The project to implement a shared nationwide IT system for the Austrian *Raiffeisen* organization was launched at the start of 2011.

THE RAIFFEISEN BRAND STANDS FOR TRUST

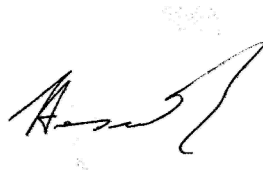
The *Raiffeisen* brand remained *the* banking brand of trust in uncertain times. The RLB NÖ-Wien Group will continue to earn this trust in 2011 and will steadily enlarge its customer base. 'Wien erobern' (conquering Vienna) is our ambitious motto, and it will come a step closer to fruition with the help of the events we will be holding and the many contacts we will be cultivating during 2011.

In line with its medium-term plans, the RLB NÖ-Wien Group expects to achieve a modest increase in its assets in 2011. Growth will be driven both by corporate customer and retail banking business. Moreover, since every business segment is planning for a steady increase in operating income that will outstrip the rise in costs, our cost:income ratio should also improve.

We will consistently continue two important market initiatives—'Wien erobern' and 'Centropé'—and our successful treasury and equity investment operations. Together, these activities should ensure that the RLB NÖ-Wien Group achieves sustained growth and that its positive business development continues.

Vienna
21 March 2011

The Managing Board



CEO
Erwin HAMESEDER



Deputy CEO
Georg KRAFT-KINZ



Member
Reinhard KARL



Member
Gerhard REHOR



Member
Michael RAB

IFRS-COMPLIANT CONSOLIDATED FINANCIAL STATEMENTS

A. Statement of Comprehensive Income

INCOME STATEMENT

| €'000 | Note | 2010 | 2009 |
|---|-------------|----------------|----------------|
| Interest income | (1) | 705,090 | 763,607 |
| Interest expenses | (1) | (481,551) | (612,640) |
| Net interest income | (1) | 223,539 | 150,967 |
| Impairment charge on loans and advances | (2) | (29,732) | (66,144) |
| Net interest income after impairment charge | | 193,807 | 84,823 |
| Fee and commission income | (3) | 94,821 | 79,699 |
| Fee and commission expenses | (3) | (29,107) | (25,259) |
| Net fee and commission income | (3) | 65,714 | 54,440 |
| Net trading income | (4) | 24,189 | 22,982 |
| Profit from investments in entities accounted for using the equity method | (5) | 256,430 | 129,290 |
| Profit from financial investments | (6) | 4,151 | 24,523 |
| General administrative expenses | (7) | (180,743) | (171,111) |
| Other operating profit/(loss) | (8) | (47,272) | 30,086 |
| Profit for the year before tax | | 316,276 | 175,033 |
| Income tax | (10) | (7,703) | (4,084) |
| Profit for the year after tax | | 308,573 | 170,949 |
| Minority interests in profit | | (8) | (13) |
| Consolidated net profit for the year | | 308,565 | 170,936 |
| Undiluted earnings per share, € | (11) | 142.06 | 77.90 |

There were no conversion or option rights in issue. Consequently, earnings per share were undiluted.

RECONCILIATION TO COMPREHENSIVE INCOME

| €'000 | Attributable to Equity Holders of the Parent | | Minorities | |
|---|---|-----------------|------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| Consolidated net profit for the year | 308,565 | 170,936 | 8 | 13 |
| Cash flow hedge reserve | (5,912) | (798) | 0 | 0 |
| Available-for-sale reserve | (12,301) | 6,533 | 1 | 3 |
| Enterprise's interest in other comprehensive income of the entities accounted for using the equity method | 56,540 | (76,013) | 0 | 0 |
| Deferred taxes | 4,115 | (1,908) | 0 | 0 |
| Other comprehensive income | 42,441 | (72,186) | 1 | 3 |
| Comprehensive Income | 351,006 | 98,750 | 9 | 16 |

B. Balance sheet

| ASSETS, €'000 | Note(s) | 2010 | 2009 |
|---|--------------|-------------------|-------------------|
| Cash and balances with the central bank | (13) | 42,837 | 47,420 |
| Loans and advances to other banks | (14, 34, 35) | 12,188,513 | 12,758,222 |
| Loans and advances to customers | (15, 34, 35) | 9,680,435 | 8,696,138 |
| Impairment allowance balance | (16, 35) | (299,122) | (281,035) |
| Trading assets | (17, 34, 35) | 588,348 | 396,585 |
| Other current financial assets | (18, 34, 35) | 2,320,545 | 2,504,290 |
| Financial investments | (19, 34, 35) | 3,548,723 | 3,278,686 |
| Investments in entities accounted for using the equity method | | 2,384,329 | 2,085,007 |
| Intangible assets | (20) | 5,947 | 6,273 |
| Property and equipment | (21) | 8,879 | 9,538 |
| Other assets | (22, 35) | 2,213,411 | 2,197,478 |
| Total assets | | 32,682,845 | 31,698,602 |

| EQUITY AND LIABILITIES, €'000 | Note(s) | 2010 | 2009 |
|--|--------------|-------------------|-------------------|
| Deposits from other banks | (23, 34, 35) | 15,899,314 | 15,883,332 |
| Deposits from customers | (24, 34, 35) | 7,071,160 | 6,870,496 |
| Liabilities evidenced by paper | (25, 34, 35) | 3,843,953 | 3,664,804 |
| Trading liabilities | (26, 34, 35) | 242,383 | 65,039 |
| Other liabilities | (27, 35) | 2,428,127 | 2,396,775 |
| Provisions | (28, 35) | 60,905 | 62,130 |
| Subordinated debt capital | (29, 34) | 753,739 | 715,890 |
| Equity | (30) | 2,383,264 | 2,040,136 |
| Attributable to equity holders of the parent | | 2,383,165 | 2,040,043 |
| Minorities | | 99 | 93 |
| Total equity and liabilities | | 32,682,845 | 31,698,602 |

C. Statement of Changes in Equity

| €'000 | Share Capital | Non-voting Non-ownership Capital (Participations- kapital) | Capital Reserves | Retained Earnings | Consolidated Net Profit | Minority Interests | Total |
|--|----------------|--|---------------------|----------------------|----------------------------|-----------------------|------------------|
| Equity at 1 January 2010 | 214,520 | 76,500 | 432,688 | 1,316,335 | 0 | 93 | 2,040,136 |
| Comprehensive income | | | | 42,441 | 308,565 | 9 | 351,015 |
| Contractual profit transfer | | | | | (56,500) | | (56,500) |
| Distribution in respect of non-voting non-ownership capital (Partizipationskapital) | | | | | (3,825) | | (3,825) |
| Transferred to retained earnings | | | | 248,240 | (248,240) | | 0 |
| Other distributions | | | | | | (3) | (3) |
| Other changes | | | | 52,441 | | | 52,441 |
| Equity at 31 December 2010 | 214,520 | 76,500 | 432,688 | 1,659,457 | 0 | 99 | 2,383,264 |

| €'000 | Share Capital | Non-voting Non-ownership Capital (Partizipations- kapital) | Capital Reserves | Retained Earnings | Consolidated Net Profit | Minority Interests | Total |
|--|----------------|--|---------------------|----------------------|----------------------------|-----------------------|------------------|
| Equity at 1 January 2009 | 214,520 | 76,500 | 432,688 | 1,272,710 | 0 | 80 | 1,996,498 |
| Comprehensive income | | | | (72,186) | 170,936 | 16 | 98,766 |
| Contractual profit transfer | | | | | (53,700) | | (53,700) |
| Distribution in respect of non-voting non-ownership capital (Partizipationskapital) | | | | | (3,825) | | (3,825) |
| Transferred to retained earnings | | | | 113,411 | (113,411) | | 0 |
| Other distributions | | | | | | (3) | (3) |
| Other changes | | | | 2,400 | | | 2,400 |
| Equity at 31 December 2009 | 214,520 | 76,500 | 432,688 | 1,316,335 | 0 | 93 | 2,040,136 |

The share capital of RAIFFEISENLANDES-BANK NIEDERÖSTERREICH-WIEN AG (RLB NÖ-Wien) was €214,520,100.00 (year-end 2009: €214,520,100.00). Its subscribed share capital comprised 2,145,201 (year-end 2009: 2,145,201) no-par bearer shares (*Stückaktie*) with a nominal value of €214,520,100.00 (year-end 2009: €214,520,100.00). In 2008, RLB NÖ-Wien AG issued 765,000 registered non-voting non-ownership 'participation' certificates (*Partizipationsschein*) within the meaning of § 23 Abs. 3 Z. 8. in conjunction with Abs. 4 und Abs. 5 BWG. One such certificate has a nominal value of €100.00.

The cash flow hedge reserve and available-for-sale reserve transferred to retained earnings (in both cases, prior to the deduction of deferred taxes) and deferred taxes recognized directly in other comprehensive income changed as follows:

| €'000 | Cash Flow Hedge Reserve | Available-for-sale Reserve | Deferred Taxes Taken to Equity |
|---|-------------------------|----------------------------|--------------------------------|
| At 1 January 2010 | (22,628) | (6,176) | 8,597 |
| Net changes in the financial year | (5,912) | (12,300) | 4,115 |
| Of which gains and losses taken to <i>Other comprehensive income</i> | (3,952) | (14,477) | |
| Of which the amount taken from <i>Other comprehensive income</i> and recognized in profit or loss in the financial year | (1,960) | 2,177 | |
| At 31 December 2010 | (28,540) | (18,476) | 12,712 |

| €'000 | Cash Flow Hedge Reserve | Available-for-sale Reserve | Deferred Taxes Taken to Equity |
|---|-------------------------|----------------------------|--------------------------------|
| At 1 January 2009 | (21,830) | (12,712) | 10,505 |
| Net changes in the financial year | (798) | 6,536 | (1,908) |
| Of which gains and losses taken to <i>Other comprehensive income</i> | 2,188 | (2,295) | |
| Of which the amount taken from <i>Other comprehensive income</i> and recognized in profit or loss in the financial year | (2,986) | 8,831 | |
| At 31 December 2009 | (22,628) | (6,176) | 8,597 |

Amounts charged off against the cash flow hedge reserve through profit or loss were recognized in *Net interest income*.

Breakdown of the change in deferred taxes recognized in *Other comprehensive income*:

| €'000 | 2010 | 2009 |
|--|--------------|----------------|
| Deferred taxes arising from the cash flow hedge reserve | 988 | (300) |
| Deferred taxes arising from the available-for-sale reserve | 3,127 | (1,608) |
| Total | 4,115 | (1,908) |

D. Cash Flow Statement

| €'000 | 2010 | 2009 |
|--|------------------|------------------|
| Profit for the year before minority interests | 308,573 | 170,949 |
| Non-cash items in profit and reconciliation to net cash from/(used in) operating activities: | | |
| Write-downs/(write-ups) of property and equipment and financial investments | 3,794 | (2,017) |
| Revaluation (gains)/losses on investments in entities accounted for using the equity method | (256,430) | (129,290) |
| Net creation of provisions and impairment allowances | 37,997 | 72,601 |
| (Gains)/losses on disposals of property and equipment and financial investments | (2,795) | (16,479) |
| Other adjustments (net) | (173,094) | (60,851) |
| Subtotal | (81,955) | 34,913 |
| Change in assets and liabilities arising from operating activities after corrections for non-cash items: | | |
| Loans and advances to customers and other banks | (414,065) | (4,015,460) |
| Trading assets | (191,762) | 1,840,225 |
| Other current financial assets | 184,950 | (262,134) |
| Other assets | (41,957) | (1,369,616) |
| Deposits from customers and other banks | 216,647 | 4,932,869 |
| Liabilities evidenced by paper | 179,149 | (187,797) |
| Trading liabilities | 177,344 | (2,122,363) |
| Other liabilities | 28,519 | 1,434,070 |
| Subtotal | 56,870 | 284,707 |
| Interest and dividends received | 776,232 | 432,166 |
| Interest paid | (604,658) | (273,091) |
| Income taxes paid | 1,063 | (1,287) |
| Net cash from operating activities | 229,507 | 442,495 |
| Cash receipts from sales of: | | |
| Financial investments and equity investments | 846,280 | 673,470 |
| Property and equipment and intangible assets | 84 | 139 |
| Cash paid for: | | |
| Financial investments and equity investments | (1,057,578) | (1,110,409) |
| Property and equipment and intangible assets | (3,254) | (3,685) |
| Net cash from/(used in) investing activities | (214,468) | (440,485) |
| Net inflows of subordinated debt capital | 37,849 | 45,282 |
| Contractual profit transfer including service of non-voting non-ownership capital (<i>Partizipationskapital</i>) | (57,525) | (45,300) |
| Net cash from/(used in) financing activities | (19,676) | (18) |
| €'000 | 2010 | 2009 |
| Cash and cash equivalents at end of previous period | 47,420 | 45,423 |
| Net cash from operating activities | 229,507 | 442,495 |
| Net cash from/(used in) investing activities | (214,468) | (440,485) |
| Net cash from/(used in) financing activities | (19,676) | (18) |
| Effect of exchange rate changes | 54 | 5 |
| Cash and cash equivalents at end of period | 42,837 | 47,420 |

Cash and cash equivalents corresponds to Cash and balances with the central bank.

E. Notes

THE ENTERPRISE

RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG (RLB NÖ-Wien) is the regional central institution of *Raiffeisen Bankengruppe NÖ-Wien*. It is registered in the companies register (*Firmenbuch*) at Vienna trade court (*Handelsgericht Wien*) under the number FN 203160 s. The company's address is *Friedrich-Wilhelm-Raiffeisen-Platz 1*, 1020 Vienna.

RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung (*Raiffeisen-Holding NÖ-Wien*) is RLB NÖ-Wien's majority shareholder with a stake of 78.58 per cent. In accordance with Austrian disclosure regulations, the consolidated financial statements of *Raiffeisen-Holding NÖ-Wien* are lodged in the companies register and published in the *Raiffeisen* newspaper. The remaining shares of RLB NÖ-Wien are held by the *Niederösterreichische Raiffeisenbanken* (Lower Austrian *Raiffeisen Banks*). As their central institution, RLB NÖ-Wien provides them with support in every area of banking.

RLB NÖ-Wien is a regional bank. In its core business segment, it operates in its regional home market—eastern Austria—and thus within the Centrope region, providing professional advisory services and optimum banking products. Thanks to its stake in *Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB)*, it also profits from the *Raiffeisen Banking Group's* presence in Central and Eastern Europe.

The foundation stones of RLB NÖ-Wien's banking activities are personal banking, business banking, corporate banking and proprietary operations. It provides retail banking services at its branches and consulting offices in Vienna under the slogan '*Raiffeisen in Wien. Meine BeraterBank*' (*Raiffeisen in Vienna. My Advisor Bank*). RLB NÖ-Wien's core strategic operations are supplemented by its participation in syndicated loan projects and its equity investments in banks and other banking-related investments in Austria, Hungary, the Czech Republic and Slovakia.

The Fundamentals of Preparing IFRS-compliant Consolidated Financial Statements

PRINCIPLES

The Consolidated Financial Statements for the financial year 2010 and the prior-year figures for 2009 were prepared in accordance with *EU Directive (EC) 1606/2002*,

as issued by the Commission on 11 September 2002, in conjunction with *§ 245a UGB* (Austrian enterprises code) and *§ 59a BWG* (Austrian banking act). All the International Financial Reporting Standards and IFRIC interpretations whose application in connection with the Consolidated Financial Statements was mandatory were taken account of as adopted by the EU.

The basis for the Consolidated Financial Statements was provided by the separate financial statements of all the consolidated entities, which were prepared applying uniform, Group-wide standards and in accordance with the provisions of IFRSs. The effect of the non-consolidated subsidiaries on the Group's assets, liabilities, financial position and profit or loss for the purposes of the framework in IAS/IFRS F 29f *et seq* was immaterial.

With the exception of two subsidiaries accounted for as of and for the periods ended 30 September and 31 October, respectively, and two subsidiaries whose balance sheet dates were 28 February and 31 March, respectively, for which interim financial statements were prepared as of and for the period ended 31 December, the consolidated companies and the entities accounted for using the equity method prepared their annual financial statements as of and for the period ended 31 December. Appropriate adjustments were carried out to allow for the effects of material business transactions and other events occurring between a subsidiary's reporting date and 31 December.

Unless specifically stated otherwise, the figures in these Financial Statements are in full thousands of euros (€'000). There may be rounding errors in the tables that follow.

CONSOLIDATION POLICIES

The consolidation process involves eliminating intra-group investments and equity, balances, gains and losses, income and expenses.

In accordance with *IFRS 3 Business Combinations*, the elimination of intragroup investments and equity arising from combinations took place applying the *purchase method of accounting*, acquired assets and liabilities being recognized as at the date of acquisition applying their fair values on that date. The difference between cost and the fair value of the acquired net assets was, if positive, recognized as goodwill.

Pursuant to IFRS 3, par. 55, goodwill is not amortized. Instead, it is tested for impairment once a year. Following reassessment, negative goodwill is immediately

recognized in profit or loss in accordance with IFRS 3, par. 56.

Investments in entities over which the RLB-NÖ-Wien Group had a significant influence were accounted for using the equity method and recorded on the Balance Sheet in the line item *Investments in entities accounted for using the equity method*. The Group's interests in the annual profits/(losses) of entities accounted for using the equity method were reported in *Profit from investments in entities accounted for using the equity method*. The Group's interest in the 'other comprehensive income' of entities accounted for using the equity method was reported in *Other comprehensive income*. The same rules were applied to investments in entities accounted for using the equity method (date of first-time consolidation, calculation of goodwill or negative goodwill) as to investments in subsidiaries. The basis for recognition was provided by the respective financial statements of the entities accounted for using the equity method. If an entity accounted for using the equity method deviated from Group-wide recognition and measurement policies in respect of similar transactions and events, appropriate adjustments were carried out.

Investments in other entities were recognized at fair value, or if a fair value was not available or could not be determined reliably, at cost less any impairment.

During the elimination of intragroup balances, intragroup receivables and payables were eliminated.

Intragroup gains and losses were eliminated if their effect on line items in the Income Statement was mate-

rial. Banking business between the individual companies within the Group was conducted on arm's length terms.

Expenses and income resulting from transactions between consolidated entities were eliminated.

SCOPE OF CONSOLIDATION

The scope of consolidation of the RLB NÖ-Wien Group included all of the following Group members, in which RLB NÖ-Wien held direct or indirect interests of more than 50 per cent or over whose operating and/or financial policies it had a controlling influence:

- *RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG* (Group parent)
- *RLB NÖ-Wien Holding GmbH*
- *RLB NÖ-Wien Sektorbeteiligungs GmbH*
- *RLB Ostbankenholding GmbH*
- *Tatra Holding GmbH*
- *'ARSIS' Beteiligungs GmbH*
- *'BARIBAL' Holding GmbH*
- *'EXEDRA' Holding GmbH*
- *'FIBULA' Beteiligungs GmbH*
- *Acceptia Holding GmbH*
- *VAKS – Veranstaltungskartenservice Ges.m.b.H.*
- *Raiffeisen Centropa Invest Verwaltungs- und Beteiligungs AG*

The number of consolidated entities and entities accounted for using the equity method changed as follows:

| N of Entities | Consolidated | | Equity Method | |
|--|--------------|-----------|---------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| At 1 January | 11 | 11 | 6 | 5 |
| First included in the year under review | 0 | 0 | 0 | 1 |
| Restructuring carried out during the year under review | 0 | 0 | 0 | 0 |
| At 31 December | 11 | 11 | 6 | 6 |

Twenty subsidiaries (2009: 20 subsidiaries) were not consolidated because their effect on the Group's assets, liabilities, financial position and profit or loss was immaterial. They were accounted for in the line item *Financial investments* at cost less impairments as *Investments in subsidiaries*. The assets of excluded entities came to less than 1 per cent of the Group's aggregated assets.

Entities over whose operating and/or financial policies the RLB NÖ-Wien Group had a significant influence were accounted for using the equity method. In the 2010 financial year, this applied to *RZB*, *Raiffeisen Bank International AG (RBI)*, *Raiffeisenbank a.s.* (Czech Republic), *Tatra banka a.s.* (Slovakia), *Raiffeisen Bank Zrt.* (Hungary) and *Raiffeisen Informatik GmbH*.

In 2010, *RZB*'s corporate customer operations were hived off to *Cembra Beteiligungs AG (Cembra)*. *Cembra* was then amalgamated into *Raiffeisen International Bank-Holding AG (RI)* by way of universal succession. The merger increased the share capital of RI, which was renamed as *Raiffeisen Bank International AG*.

In addition to a direct interest of 0.58 per cent (year-end 2009: 0.58 per cent), RLB NÖ-Wien held an indirect stake of 30.82 per cent (year-end 2009: 30.82 per cent) in *RZB* via *RLB NÖ-Wien Holding GmbH*.

The RLB NÖ-Wien Group held interests of 47.75 per cent in *Raiffeisenbank Informatik GmbH* (year-end 2009: 47.75 per cent) and 24.00 per cent in *Raiffeisenbank a.s.* (year-end 2009: 24.00 per cent). In addition, the RLB NÖ-Wien Group held an interest of 16.23 per cent in *Raiffeisen Bank Zrt. via Raiffeisen-RBHU Holding GmbH* (year-end 2009: 16.23 per cent), an interest of 12.62 per cent in *Tatra banka a.s.* (year-end 2009: 12.80 per cent) and an interest of 0.54 per cent in *RBI* (year-end 2009: 0.86 per cent).

Investments in 11 associates (2009: 12 associates) were not accounted for using the equity method because their effect on the Group's assets, liabilities, financial position and profit or loss was immaterial. They were recognized in the line item *Financial investments* at cost less impairments. Viewed together and based on current data, the immaterial associates would have changed the Group's consolidated equity and consolidated assets by less than 1 per cent had they been accounted for using the equity method.

No financial statements prepared in a foreign currency required consolidation. A list of consolidated entities, investments in entities accounted for using the equity method and other equity investments is provided in the *Overview of Equity Investments*.

Recognition and Measurement Policies

FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. According to IAS 39, all financial instruments must be recognized on the Balance Sheet at their fair value at the date of acquisition. This is usually the transaction price, which corresponds to the fair value of the consideration given or received. Financial instruments must be divided into defined categories. Their subsequent measurement will depend on the classification carried out.

The following measurement categories result:

At fair value through profit or loss: Financial assets or liabilities at fair value through profit or loss are financial instruments either, on initial recognition, classified by the entity as held for trading or designated as at fair value through profit or loss.

- Financial assets and financial liabilities classified as financial instruments held for trading serve the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Instruments held for trading were measured at fair value, revaluation gains and losses being recognized in profit or loss. Liabilities held for trading also belong to this valuation category.

- Upon initial recognition, financial assets, financial liabilities and groups of financial instruments (financial assets, financial liabilities or a combination of the two) were designated as financial instruments at fair value through profit or loss if more relevant information could be communicated that way.

This requirement is met if such a designation eliminates or substantially reduces mismatches in measurement or approach (accounting mismatches).

Assignment to this category also took place if financial assets and/or financial liabilities (including derivatives) were managed on the basis of a documented risk management or investment strategy within the scope of portfolios measured to fair value whose performance was reported on a regular basis to the Managing Board as a body. If such derivatives have substantial financial effects, financial instruments with embedded derivatives can also be designated as at fair value through profit or loss. If derivatives embedded in financial instruments could not be measured separately, the entirety of such a financial instrument was assigned *a priori* to this class.

Classification took place as at the date of acquisition of a financial instrument. The irrevocable designation was documented by a summary in the portfolio, allowing separate risk monitoring in each case and, above all, management action directed at achieving defined profit goals. Responsibility for individual portfolios was regulated by clear assignments of responsibilities and the associated risk was limited by means of monitored lines and limits.

Financial assets and liabilities designated upon initial recognition as financial assets at fair value through profit or loss must subsequently be measured at fair value, with valuation gains and losses being recognized in profit or loss. The decisive criterion for assignment to this measurement category was that, at the time of acquisition or upon designation at the time of the first-time adoption of this standard, as amended, irrevocable assignment to this class had taken place. Financial investments in equity instruments that did not have quoted market prices and whose fair values could not be determined reliably and derivatives whose values were dependent upon and required settlement by delivery of such equity instruments were not measured at fair value through profit or loss. Such financial instruments were classified as available for sale and were measured at cost less any impairment.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not classified as held for trading, at fair value through profit or loss or available for sale. Such financial instruments result from the supply of money, goods or services. They were measured at amortized cost using the *effective interest rate method* taking account of any impairment.

Held-to-maturity: This category comprises financial assets with fixed or determinable payments that an entity has the positive intention and ability to hold to maturity. Such financial instruments were measured at amortized cost using the *effective interest rate method*. Premiums and discounts were recognized on a proportionate basis. Write-downs were carried out if there was an impairment of credit quality. If the reason for a write-down no longer applies, a write-back will take place up to the amount of the asset's amortized cost and will be recognized in the Income Statement.

Available-for-sale: Available-for-sale financial assets are non-derivative financial assets that are classified as available for sale and not as loans or receivables, held-to-maturity investments or financial assets designated as at fair value through profit or loss. Such assets were measured to fair value. Revaluation gains and losses are recognized in a separate item in equity in *Other comprehensive income* until the asset is sold or an impairment occurs. If an increase in fair value is objectively determinable, an impairment of a debt instrument will be reversed and the reversal will be recognized in the Income Statement; an impairment of an equity instrument will be reversed and recognized in *Other comprehensive income*.

Equity and debt instruments not meeting the criteria for classification as held to maturity or as loans and receivables, that did not have a quoted market price and whose fair value could not be determined reliably were classified as available for sale and were measured at cost less any impairment.

Financial liabilities not designated as at fair value through profit or loss or classified as held for trading were measured at amortized cost using the *effective interest rate method*. We refer the reader to the above comments regarding the recognition of financial liabilities designated as at fair value through profit or loss or classified as held for trading.

Reacquired securities issued by the enterprise were deducted on the equity and liabilities side of the Balance Sheet.

The 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. The fair value of a listed financial instrument is its market value. Where no market values were available, future cash flows from a financial instrument were discounted applying the pertinent yield curve at the measurement date using the methods of financial mathematics. If a fair value could not be determined reliably, measurement took place at cost less any impairment.

Embedded derivatives outside the trading portfolio were separated from the host contract and accounted for as separate derivative financial instruments if the financial instrument was not measured in its entirety at fair value, if changes in fair value were not recognized in profit or loss, if the economic characteristics and risks of the embedded derivative were not closely related to the economic characteristics and risks of the host contract and if the embedded derivative really met the definition of a derivative financial instrument. The host contract was then recognized according to its classification. The change in the value of the separated derivative measured at fair value was recognized in profit or loss. If an embedded derivative could not be valued either upon acquisition or on subsequent reporting dates, the entire structured product was designated as at fair value through profit or loss.

According to IAS 32, if an entity reacquires its own equity instruments (treasury shares), those instruments shall be taken from equity and not capitalized.

A financial asset or financial liability was recognized on the Balance Sheet if a Group entity was a party to the contractual arrangements for the financial instrument and, consequently, had a right to receive or a legal obligation to pay cash. Initial recognition on the Balance Sheet, measurement in the Income Statement and accounting for the disposal of a financial instrument took place using *trade date accounting*.

Financial assets were derecognized as of the time when the right to dispose of the asset or the contractual rights to the asset were lost.

DERIVATIVES

Financial derivatives not designated in a hedge accounting relationship or accounted for using the fair value option described above were recognized on the Balance Sheet at fair value. Changes in value were recognized in profit or loss.

Because of the different ways in which hedging relationships between hedged items and derivatives are accounted for under IAS 39, derivatives acquired for hedging purposes were divided into the following categories:

Fair value hedge: In the case of a fair value hedge, an existing asset or an existing liability is hedged against possible future changes in fair value attributable to a particular risk that would affect profit or loss. Using hedge accounting, the hedging instrument is measured at fair value, with changes in value being recognized in profit or loss. The carrying amount of the hedged item is adjusted through profit or loss by the amount of the revaluation gains or losses attributable to the hedged risk. These hedges are formally documented, continually assessed and expected to be highly effective. In other words, throughout the term of a hedge, one can assume that changes in the fair value of a hedged item will be nearly completely offset by changes in the fair value of the hedging instrument and that the actual risk offset will lie within a range of deviation of 80 – 125 per cent.

Cash flow hedge: Cash flow hedges are hedges of the exposure to variability in cash flows associated with a recognized asset or liability or a highly probable forecast transaction that would affect profit or loss. Within the scope of cash flow hedge accounting, derivatives are used to hedge against possible future changes in interest payments. The extent to which derivatives are used to hedge against the exposure to interest rate risk is decided within the scope of the asset liability management process, with future variable interest payments on variable-yield receivables and debt mainly being swapped for fixed-rate payments using interest rate swaps. Hedging instruments were measured at fair value. Revaluation gains and losses must be separated into an effective portion and an ineffective portion. Hedging relationships are judged to be effective if changes in the cash flow arising from the hedged items are nearly completely offset by changes in the cash flow arising from the hedges at the beginning of the transaction and throughout its term. During the first two years, cash flows are subdivided into monthly time bands; from the third to the fifth year, they are subdivided into quarterly time bands; and from the fifth year they are subdivided into annual time bands according to the balance sheet date.

Predictions of hedged interest cash flows were based on the following expectations regarding capital cash flows:

| 2010 €'000 | Up to 1 Year | 1 – 3 Years | 3 – 5 Years | 5 – 10 Years | > 10 Years |
|--------------------------------|--------------------|--------------------|--------------------|----------------|------------|
| Cash inflows (assets) | 501,800 | 525,000 | 375,000 | 450,000 | 0 |
| Cash outflows (liabilities) | (1,667,093) | (2,883,336) | (1,486,976) | (107,828) | 0 |
| Net cash flows | (1,165,293) | (2,358,336) | (1,111,976) | 342,172 | 0 |

| 2009 €'000 | Up to 1 Year | 1 – 3 Years | 3 – 5 Years | 5 – 10 Years | > 10 Years |
|--------------------------------|--------------------|--------------------|--------------------|---------------|---------------|
| Cash inflows (assets) | 987,867 | 776,800 | 475,000 | 550,000 | 50,000 |
| Cash outflows (liabilities) | (2,124,277) | (3,202,723) | (2,446,962) | (495,201) | (348) |
| Net cash flows | (1,136,410) | (2,425,923) | (1,971,962) | 54,799 | 49,652 |

The effective portion of the gain or loss on the hedging instrument is taken to *Other comprehensive income* and reported in a separate line item (*Cash flow hedge reserve*).

Gains and losses on these derivatives are set against the future compensating effects of the hedging relationships, whose recognition on the Balance Sheet is not yet allowed. The cash flow hedge reserve is reversed through profit or loss in the periods in which the cash

flows from the hedged items affect profit or loss for the period. The ineffective portion of hedging derivatives must be recognized in profit or loss.

CLASSIFICATION OF FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 7

Since the nature of financial instruments is already expressed by the format of the Balance Sheet, the classifi-

cation of financial instruments is based on their assignment to balance sheet items. If a balance sheet item includes financial instruments in different valuation categories for the purposes of IAS 39, this will be taken into account accordingly. The categories of financial instrument on the assets side of the Balance Sheet are cash and balances with the central bank, loans and advances to other banks, loans and advances to customers, trading assets, other current financial assets, held-to-maturity financial investments, available-for-sale financial investments (measured at fair value), available-for-sale financial investments (measured at cost) and the derivative financial instruments and derivatives designated as hedging instruments included in *Other assets*. The categories of financial instrument on the equity and liabilities side of the Balance Sheet are deposits from other banks, deposits from customers, liabilities evidenced by paper, trading liabilities, subordinated debt capital and the derivative financial instruments and derivatives designated as hedging instruments included in *Other liabilities*.

RECEIVABLES

Receivables were measured at amortized cost without deducting impairment losses. Accrued interest was reported in the relevant line item. Premiums and discounts were accrued over a receivable's term to maturity.

Purchased receivables were also classified as *Loans and receivables*.

In the case of receivables constituting hedged items in a fair value hedge, revaluation gains and losses on the hedged item were captured and the carrying amount of the receivable was adjusted accordingly (basis adjustment). Receivables not attributable to a core banking relationship were classified as *Loans and receivables* and recognized in *Other assets*.

IMPAIRMENT ALLOWANCE BALANCE

Allowance was made for credit risks by recognizing item-by-item impairment charges.

Applying uniform Group-wide policies, impairment allowances in the amount of the expected losses were made for the recognizable counterparty risks associated with loans and advances to customers and other banks, were reversed insofar as the credit risk no longer existed, and were used if the loan was deemed to be irrecoverable and was charged off. A risk of default was deemed to exist if, taking account of collateral, the present value of expected repayments and interest payments was less than the carrying amount of the receivable.

A collective assessment of impairments of portfolios was recognized for losses incurred but not yet reported at the time of the Balance Sheet's preparation. They were classified by risk category on the basis of default probability time series.

The balance of impairment allowances for receivables recognized on the Balance Sheet was presented in a separate line item on the assets side of the Balance Sheet below receivables (*Loans and advances*). The impairment allowance for off-balance sheet transactions was recognized as a provision.

As a rule, direct write-offs only took place if the waiver of a receivable had been agreed with a borrower or an unexpected loss had occurred.

TRADING ASSETS

Trading assets are held for the purpose of exploiting short-term fluctuations in market prices.

Securities and derivative instruments held for trading purposes were measured at their fair values. In the case of listed products, exchange prices were used as fair values. In the case of unlisted products, prices close to market prices (*Bloomberg, Reuters*) were used. If such prices were not available, primary financial instruments and forwards were measured using internal prices based on present value calculations, and options were measured using appropriate option price models. Derivatives held for trading were also recognized as part of the trading portfolio. Where fair values were positive, these derivatives were classified as *Trading assets*, and where fair values were negative, they were recorded on the Balance Sheet in the line item *Trading liabilities*, the fair values of derivatives being calculated without accrued interest (giving clean prices). Positive and negative fair values were not netted off against each other.

Receivables arising from accruals of interest on derivatives held for trading were also reported in the line item *Trading assets*. Changes in their clean prices were recognized in the Income Statement in the line item *Net trading income*.

Realized and unrealized gains and losses on trading assets and interest income and interest expenses arising from derivatives held for trading were recognized in the Income Statement in the line item *Net trading income*. Interest and dividend income arising from securities held for trading and the interest costs of funding them were recognized in the line item *Net interest income*.

OTHER CURRENT FINANCIAL ASSETS

This line item comprises financial instruments designated as at fair value through profit or loss under the fair value option. They are bonds and other fixed-interest securities and shares and other variable-yield securities. Accrued interest on such financial instruments was also reported in this line item on the Balance Sheet.

Realized and unrealized gains and losses were recognized in the Income Statement in the line item *Profit/(loss) from financial investments*, and current investment income was recognized in the line item *Net interest income*.

FINANCIAL INVESTMENTS

The line item *Financial investments* includes fixed-interest securities classified as held to maturity and available for sale, variable-yield securities, investments in subsidiaries not consolidated on the grounds of immateriality and other equity investments. The held-to-maturity portfolio was recognized on the Balance Sheet at amortized cost. Securities, investments in subsidiaries and other equity investments not classified as held to maturity were classified as available for sale. If listed, these financial assets were recognized at their exchange prices at the balance sheet date. Otherwise, they were measured at fair value, or, if their fair value could not be determined reliably, they were measured at cost. If a financial investment was classified as available for sale, revaluation gains and losses were taken to equity and reported in a special reserve (*Available-for-sale reserve*) as 'other comprehensive income.' Gains and losses on the disposal of financial investments were recognized in the line item *Profit/(loss) from financial investments*. When an asset is disposed of, the available-for-sale reserve in respect of that asset is reversed through profit

PROPERTY AND EQUIPMENT

Property and equipment were stated at cost of acquisition or conversion less depreciation. Depreciation is carried out on a straight-line basis assuming the following useful lives:

| Useful Life | Years |
|--------------------------------|---------|
| Buildings | 25 – 50 |
| Office furniture and equipment | 3 – 20 |

Fittings in rented premises are depreciated on a straight-line basis over the shorter of the lease term and their expected useful life, which is usually 10 years.

Pursuant to IAS 36, if there is any indication that an asset may be impaired, insofar as the carrying amount of the asset exceeds its recoverable amount, an impairment loss must in addition be recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If, in subsequent re-

porting periods, there are grounds to believe that the impairment no longer exists, IAS 36 requires a write-back up to the recoverable amount but to no more than the asset's amortized cost.

INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

Investments in entities accounted for using the equity method were presented in a separate line item. Profit from them was also reported separately in the Income Statement. The Group's interest in the 'other comprehensive income' of entities accounted for using the equity method was reported in *Other comprehensive income*.

INTANGIBLE ASSETS

Purchased intangible assets with a determinable useful life were measured at cost less straight-line, ordinary amortization. Straight-line amortization is based on expected useful lives of between three and 50 years.

According to IAS 36, if there is any indication that an asset may be impaired, insofar as the carrying amount of an asset exceeds its recoverable amount, an impairment loss must in addition be recognized. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. If, in the subsequent reporting period, there are grounds to believe that the impairment no longer exists, IAS 36 requires a write-back up to the recoverable amount but to no more than the asset's amortized cost. A write-back of goodwill is not permitted.

At the balance sheet date, RLB NÖ Wien had no self-produced intangible assets with reliably determinable conversion costs that were likely to generate future economic benefits.

OTHER ASSETS

The line item *Other assets* consists mainly of receivables not resulting from core banking relationships (essen-

tially, receivables resulting from supplies and services), tax assets, coin and inventories as well as the positive fair values of derivatives not held for trading and receivables arising from accruals of interest on such derivatives.

Inventories were measured at the lower of their cost and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs to sell.

PAYABLES

Financial liabilities not designated as at fair value through profit or loss or classified as held for trading were measured at amortized cost. Accrued interest was reported in the pertinent line item on the Balance Sheet. Premiums and discounts are accrued over a payable's term.

Insofar as the exposure to interest rate risk arising from payables was hedged against in a fair value hedge, carrying amounts were adjusted by the amount of the changes in value arising from the interest rate risk (basis adjustment).

LIABILITIES EVIDENCED BY PAPER

Any difference between the issue price and settlement amount of a liability evidenced by paper and measured at amortized cost is spread over the term of the liability as a write-up or write-down. Zero-coupon bonds and similar obligations were measured on a present value basis.

The recognized total of liabilities evidenced by paper was reduced by the amount of the securities issued by the enterprise that had been repurchased. Insofar as the exposure to interest rate risk associated with such issuances was hedged against in a fair value hedge, carrying amounts were adjusted by the amount of the changes in value arising from the interest rate risk (basis adjustment). To avoid any accounting mismatch, liabilities evidenced by paper that were designated as at fair value through profit or loss were measured in the same way as interest rate derivative financial instruments using the fair value option.

TRADING LIABILITIES

Trading liabilities are held for the purpose of exploiting short-term fluctuations in market prices.

Derivatives held for trading were measured at fair value. In the case of listed products, exchange prices or prices close to market prices (*Bloomberg*, *Reuters*) were used as fair values. If such prices were not available, forwards were measured using internal prices based on

present value calculations and options were measured using appropriate option price models. Where fair values were positive, these derivatives were recognized in the line item *Trading assets*. Where fair values were negative, they were recorded on the Balance Sheet in the line item *Trading liabilities*. The fair values of derivatives were calculated without accrued interest (giving clean prices). Positive and negative fair values were not netted off against each other. Liabilities arising from accruals of interest on derivatives held for trading were also reported in the line item *Trading liabilities*. Changes in their clean prices were recognized in the Income Statement in the line item *Net trading income*.

Realized and unrealized gains and losses on trading liabilities and interest income and expenses arising from derivatives held for trading were recognized in the Income Statement in the line item *Net trading income*.

OTHER LIABILITIES

Other liabilities consists mainly of liabilities not resulting from core banking relationships. These were essentially payables resulting from supplies of goods and services, tax liabilities and other payables. Negative fair values of derivative financial instruments and liabilities arising from accruals of interest on such derivatives were reported in this line item. The obligation to transfer profits to *Raiffeisen-Holding NÖ-Wien*—the parent of RLB NÖ-Wien—under the profit-transfer agreement was also accounted for here.

PROVISIONS

Provisions were created if there was a reliably determinable legal or actual obligation to a third party.

All provisions for so-called *social capital* (for post-employment, termination and jubilee benefits and for part-time work by older staff) were created in accordance with *IAS 19 Employee Benefits* using the *projected unit credit method*.

We distinguished between two kinds of post-employment old-age benefit plan:

Defined contribution plan: Sums are transferred to a pension fund for a group of employees. The fund manages the money and pays the post-employment benefits. The enterprise does not have any further obligations. The investment risk associated with the pension fund's investment activities is borne by the employee. In other words, the enterprise merely makes a promise to the employee to pay the contributions to the pension fund and does not promise any amount of subsequent pension payments. In the case of such plans, payments to the pension fund are treated as current expenditure.

Defined benefit plan: The RLB NÖ-Wien Group has, with legal and binding effect and irrevocably, promised a group of employees defined benefit plans (by way of so-called *post-employment benefit statutes*, special agreements) that specify the amounts of subsequent pensions. These plans are in part unfunded (i.e. the funds needed to pay for them remain within the enterprise) and partly funded (i.e. the funds are saved with the pension fund and/or insurers). In the case of benefit payments under post-employment benefit statutes financed via the pension fund, the entitlement is determined once, at the time the employee retires, and then transferred to a defined contribution plan. Such a removal from the scope of actuarial valuations is reported separately.

No allowance was made for fluctuation rates in the provision for post-employment benefits because the Group's commitments were founded on promises made in individual contracts that were individualized and irrevocable with respect to the post-employment benefit.

To ascertain termination benefit obligations in the case of employees who joined the organization up to and including 2002, the present value of the total obligation and additional entitlements earned in the period under review were determined using the *projected unit credit method* in accordance with generally accepted actuarial practice. In the case of all employees who joined the organization on or after 1 January 2003, the termination benefit obligations were assumed by a staff benefit fund and a defined contribution system is in place. The enterprise pays contributions to a staff benefit fund on the basis of legislative provisions. Having paid the contributions, the enterprise does not have any further benefit obligations.

Besides invalidity rates, mortality rates and factors arising in connection with the termination of employment upon the attainment of retirement age, the Group also applied annual years-of-service dependent fluctuation rates using internal statistical data on premature terminations of employment.

The same applied, *mutatis mutandis*, to the provision for jubilee benefits (after 25 and 35 years of service). When calculating the provision for part-time work by older staff, account was taken of the individual time span of each promise. No fluctuation rates were applied.

Allowance was made for actuarial gains and losses on provisions for termination and post-employment benefits using the *corridor method*. Applying this method, actuarial gains and losses were only recognized on the Balance Sheet if one of the limits laid down in the standard, namely of 10 per cent of the present value of the defined benefit obligation (DBO) or 10 per cent of the present value of the plan assets, had been exceeded at the end of the previous reporting period, the bigger gain or loss being recognized. Amounts outside the corridor are amortized over the average remaining period of

service of the active employee as determined by an expert.

The actuarial parameters used to calculate provisions for termination and post-employment benefits are described in more detail in Note (28) *Provisions*.

Expenditure on provisions for post-employment benefits was reported in the Income Statement in the line item *General administrative expenses*.

Other provisions were created for indefinite obligations to third parties in the amount of the expected claims. These provisions were not discounted because the interest effect of discounting them was unlikely to have any material effects on the Annual Financial Statements.

SUBORDINATED DEBT CAPITAL

The subordinated liabilities recognized at amortized cost comprised subordinated liabilities within the meaning of § 23 Abs. 8 BWG and supplementary capital within the meaning of § 23 Abs. 7 BWG. The capitalized amount was reduced by the amount of securities issued by the enterprise that had been repurchased. Insofar as the exposure to the interest rate risk associated with such instruments was hedged against in a fair value hedge, carrying amounts were adjusted by the amount of the changes in value arising from the interest rate risk (basis adjustment). Associated accrued interest was also reported in this line item on the Balance Sheet.

If the performance and repayable amount of subordinated liabilities depended on the performance of a specific portfolio of assets, accounting mismatches were avoided by designating all the assets and liabilities as at fair value through profit or loss. Such liabilities were subordinated within the meaning of § 45 Abs. 4 BWG.

Subordinated liabilities were also designated as at fair value through profit or loss if they were measured in the same way as interest rate derivative financial instruments using the fair value option so as to avoid any accounting mismatch.

EQUITY

Equity is made up of paid-in capital, this being capital made available to the entity (subscribed share capital, non-voting non-ownership capital [*Partizipationskapital*] within the meaning of § 23 Abs. 4 BWG and capital reserves), and earned capital (retained earnings, liable reserves [*Haftrücklage*], profit carryforward, profit for the year, 'other comprehensive income' [comprising gains and losses resulting from cash flow hedges not recognized in the Income Statement, the available-for-sale reserve, the Group's interest in the 'other comprehensive income' of entities accounted for using the equity me-

thod and deferred taxes taken to *Other comprehensive income*).

Minority interests in the equity of consolidated subsidiaries were reported separately in this line item.

INCOME TAX

Income tax was recognized and measured in conformity with IAS 12 using the *balance sheet liability method*. Deferred taxes were calculated on the basis of temporary differences between carrying amounts in the Consolidated Financial Statements and the tax base that were going to balance out in subsequent periods. Deferred taxes were formed to adjust current tax expense as recognized in the Income Statement in the IFRS-compliant annual financial statements to the profit for the year reported therein as if that profit for the year were the basis of assessment for tax. The recognition of deferred tax assets or liabilities anticipated the future tax effects of present and past events. Deferred tax assets and liabilities were netted off against each other in respect of each taxable unit. Deferred tax assets resulting from tax loss carryforwards were recognized if the same taxable unit was expected to record a corresponding amount of taxable profits in the future.

Since the assessment year 2005, RLB NÖ-Wien has been a member of a taxable enterprises group (*steuerliche Unternehmensgruppe*) within the meaning of § 9 KStG (Austrian corporation tax act) under group parent (*Gruppenträger*) *Raiffeisen-Holding NÖ-Wien*. It has signed a tax contribution agreement (*Steuerumlagenvereinbarung*) with its group parent. The profit-transfer agreement, signed among other things because of prior group taxation rules (*Organschaft*), remains in place. In the assessment year 2010, the taxable enterprises group under group parent *Raiffeisen-Holding NÖ-Wien* had 82 members besides group member RLB NÖ-Wien (2009: 87). The basis of assessment for tax on the group as a whole is the sum of the earnings of the group parent and the allocated taxable profits of the group members taking account of the group parent's tax loss carryforwards to the extent allowed by law. RLB NÖ-Wien incurs group corporation tax (*Gruppenkörperschaftsteuer*), which is assessed at the level of the group parent *Raiffeisen-Holding NÖ-Wien*, on a proportionate basis. A contractually agreed tax contribution is payable to group parent *Raiffeisen-Holding NÖ-Wien* for the untaxed portion of the taxable profit of RLB NÖ-Wien. If RLB NÖ-Wien makes a tax loss, a negative tax contribution will be charged.

Deferred taxes were measured applying the corporation tax rate of 25 per cent in force on the balance sheet date. The gains and losses taken to equity (cash flow hedge reserve, available-for-sale reserve) were, likewise, adjusted by the amount of deferred tax on a proportionate basis.

Income tax assets and liabilities were recognized in *Other assets* or *Other liabilities*. Deferred tax assets and liabilities were recognized in *Other assets* or *Tax provisions*. Profit-based current and deferred taxes were recognized in the Income Statement in the line item *Income tax*. Non-profit based taxes were recognized in the Income Statement in the line item *Other operating profit/(loss)*. Deferred taxes were not discounted.

INCOME STATEMENT

Besides interest income and interest expenses, the line item *Net interest income* also includes all similar recurring and non-recurring income and charges. Interest and similar income and charges were measured on an accrual basis using the *effective interest rate method*. This line item also includes all interest and dividend income from securities and earnings from associates and non-consolidated subsidiaries. Dividend income was recognized as of the time when the right to payment arose.

The line item *Impairment charge on loans and advances* includes all expenses and income in connection with the revaluation of loans and advances to customers and other banks and in connection with other credit risks for which provisions were created.

The line item *Net fee and commission income* includes all income and expenses arising with legal and binding effect in connection with the rendering of services.

Net trading income includes all realized and unrealized gains and losses arising from trading in securities, currencies and derivatives and interest income and interest expenses arising from derivatives held for trading. Interest and dividend income arising from securities held for trading and the costs of funding them were recognized in the line item *Net interest income*.

Profit from investments in entities accounted for using the equity method made a material contribution to consolidated profit. It is presented in a separate line item.

Profit/(loss) from financial investments includes all realized and unrealized gains and losses on financial investments, securities classified as current financial assets and other financial instruments designated as at fair value through profit or loss using the fair value option. Consequently, to avoid any accounting mismatch, revaluation gains and losses on derivatives measured in the same way as securities classified as 'other' current financial assets using the fair value option as well as liabilities evidenced by paper and subordinated liabilities designated as at fair value through profit or loss were reported in this line item in the Income Statement. Revaluation gains and losses arising from an impairment or reversal of an impairment loss were likewise reported in this line item.

General administrative expenses includes staff costs, other administrative expenses and depreciation/amortization/write-offs of intangible assets and property and equipment.

Other operating profit/(loss) includes all revaluation gains and losses on 'other' derivatives in the banking book as well as the Group's other operating profit/(loss).

REPO TRANSACTIONS

During 'genuine' repurchase (repo) transactions, the Group sells assets to a counterparty and undertakes at the same time to repurchase the same assets on a specified date at a specified price. The assets remain on the Group's Balance Sheet and are measured applying the rules governing the respective measurement category. At the same time, an obligation in the amount of the payments received is recognized as a liability.

During reverse repo transactions, assets are acquired subject to a simultaneous undertaking to sell them in the future subject to payment. Such transactions were recognized on the Balance Sheet in the line item *Loans and advances to other banks* or *Loans and advances to customers*. Interest expenses arising from repos and interest income from reverse repos are deferred over the transaction's term. They were recognized in the line item *Net interest income*.

In the case of a 'non-genuine' or 'pseudo' repo (*unechtes Pensionsgeschäft*), the seller is obliged to repurchase the pledged asset but is not entitled to demand its sale. Retransfer is solely at the discretion of the purchaser. The right to retransfer the asset constitutes a put option for the purchaser in respect of which the seller acts as writer of the option. If the put option is deeply in the money, the securities will not be derecognized in the seller's accounts because the associated rewards and risks are retained. If the put option is deeply out of the money, repurchase is very unlikely and the pledged security must be derecognized. If the put option is neither deeply out of the money nor deeply in the money, one must ascertain whether the transferring entity (seller) still has power of disposal over the asset. If the security is traded in an active market, one can assume that power of disposal will be transferred and the pledged security will be derecognized. In the case of a financial asset not traded in an active market, the pledged security must continue to be recognized on the seller's balance sheet.

TRUST ACTIVITIES

Transactions undertaken in the management or placing of assets for account of third parties were not recognized on the Balance Sheet. Commission payments arising from such transactions were recognized in the line item *Net fee and commission income*.

LEASING

During the period under review, the Group did not carry on any active leasing business as lessor. Lease relationships only existed where the Group was lessee. The leases of material importance to the Group, namely vehicle leases, were operating leases for the purposes of IAS 17. The resulting lease instalments were recorded in the Income Statement as current expenditure in the line item *General administrative expenses*.

FOREIGN CURRENCY TRANSLATIONS

Foreign currency translations took place in accordance with the provisions of IAS 21. As a result, non-euro monetary assets and liabilities were translated at the market exchange rates (usually ECB reference rates) ruling at the balance sheet date. Non-monetary assets and liabilities not measured at fair value were measured applying the rates ruling at the dates of their initial acquisition. Non-monetary assets and liabilities measured at fair value were translated at the market exchange rates (usually ECB reference rates) ruling at the balance sheet date.

Items in the Income Statement were immediately translated into the functional currency as at the time they came into being applying the rates ruling at the date of the transaction.

LATITUDE OF JUDGEMENT AND ESTIMATES

In the Consolidated Financial Statements, latitude of judgement was employed when applying recognition and measurement policies and, to a certain extent, estimates and assumptions were made that affected the recognition of assets and liabilities, the statement of contingent liabilities at the balance sheet date and the reporting of income and expenses during the reporting period.

When applying recognition and measurement policies, Management exercised its latitude of judgement in the light of the purpose of the Annual Financial Statements, which is to provide meaningful information about the enterprise's assets, liabilities, financial position and profit or loss and about changes in its assets, liabilities and financial position.

Assumptions and estimates were, above all, made when determining the fair values of some financial instruments, recognizing impairment allowances for future losses on loans and advances and interest rebates, creating provisions for post-employment benefits, termination benefits and similar obligations as well as other provisions, determining discounted cash flows during impairment testing and determining the useful lives of non-current assets. Actual results may differ from estimates.

NEW STANDARDS AND INTERPRETATIONS

The following new and revised standards and interpretations were applicable to financial years ending on or before 31 December 2010:

| New Provisions | | Effective for Annual Periods Beginning On or After | Already Adopted by the EU |
|--------------------------------------|---|--|------------------------------|
| Amendments to Standards | | | |
| IAS 1 | Presentation of Financial Statements (revised April 2009) | 1 January 2010 | Yes |
| IAS 7 | Statement of Cash Flows (revised April 2009) | 1 January 2010 | Yes |
| IAS 17 | Leases (revised April 2009) | 1 January 2010 | Yes |
| IAS 27 | Consequential amendments arising from amendments to IFRS 3 (amended 2008) | 1 July 2009 | Yes |
| IAS 36 | Impairment of Assets (revised April 2009) | 1 January 2010 | Yes |
| IAS 38 | Intangible Assets (revised April 2009) | 1 January 2010 | Yes |
| IAS 39 | Amendment for eligible hedged items (revised July 2008) | 1 July 2009 | Yes |
| IAS 39 | Amendments for embedded derivatives when reclassifying financial instruments (revised March 2009) | 30 June 2009 | Yes |
| IAS 39 | Financial Instruments: Recognition and Measurement (revised April 2009) | 1 January 2010 | Yes |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards (revised November 2008) | 1 July 2009 | Yes |
| IFRS 1 | Amendments relating to oil and gas assets and determining whether an arrangement contains a lease (revised July 2009) | 1 January 2010 | Yes |
| IFRS 2 | Share-based Payment (revised April 2009) | 1 July 2009 | Yes |
| IFRS 2 | Amendments relating to group cash-settled share-based payment transactions (revised June 2009) | 1 January 2010 | Yes |
| IFRS 3 | Comprehensive revision on applying the acquisition method (2008) | 1 July 2009 | Yes |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations (revised May 2008) | 1 July 2009 | Yes |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations (revised April 2009) | 1 January 2010 | Yes |
| IFRS 8 | Operating Segments (revised April 2009) | 1 January 2010 | Yes |
| New Interpretations | | | |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | 1 July 2009 | Yes |
| IFRIC 18 | Transfers of Assets from Customers | 1 July 2009 | Yes |
| Withdrawn Interpretations | | | |
| IFRIC 8 | Scope of IFRS 2 | 1 January 2010 | Yes |
| IFRIC 11 | IFRS 2: Group and Treasury Share Transactions | 1 January 2010 | Yes |
| Amendments to Interpretations | | | |
| IFRIC 9 | Reassessment of Embedded Derivatives (amended 2009) | 1 July 2009 | Yes |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation (amended 2009) | 1 July 2009 | Yes |

Essentially, the revised IFRS 3 gives the option of measuring goodwill using the *full goodwill method*. Using this option, when less than 100 per cent of the shares in an entity are acquired, the goodwill attributable to the shares held by other shareholders is also recognized. In future, if control is not lost, changes in ownership interests will not be recognized in profit or loss.

The amendment to IAS 39 provides guidance on hedging inflation for certain hedged items and the designation of options by their intrinsic or time value.

The changes to IFRS 2 stipulate that not just equity-settled group share-based payment transactions but

also cash-settled ones must be disclosed in the separate IFRS-compliant financial statements of a subsidiary. IFRIC 8 and IFRIC 11 were integrated into IFRS 2 and withdrawn as interpretations.

The Annual Improvements to the IFRSs in 2009 changed details in a number of standards and interpretations.

The revisions of and amendments to financial reporting and accounting standards that we have listed did not have any material effects on the Consolidated Financial Statements of the RLB NÖ-Wien Group.

The following standards and interpretations already issued by the IASB or IFRIC but not yet in force were not applied ahead of schedule in these Consolidated Financial Statements:

| New Provisions | | Effective for Annual Periods Beginning On or After | Already Adopted by the EU |
|--------------------------------------|---|--|---------------------------------|
| New Standard | | | |
| IFRS 9 | Financial Instruments: Classification and Measurement (November 2009) | 1 January 2013 | No |
| Amendments to Standards | | | |
| IAS 1 | Presentation of Financial Statements (revised May 2010) | 1 January 2011 | Yes |
| IAS 12 | Limited scope amendment: recovery of underlying assets (revised December 2010) | 1 January 2012 | No |
| IAS 24 | Revised definition of related parties (revised November 2009) | 1 January 2011 | Yes |
| IAS 27 | Consolidated and Separate Financial Statements (revised May 2010) | 1 July 2010 | Yes |
| IAS 32 | Amendments relating to classification of rights issues (revised 2009) | 1 February 2010 | Yes |
| IAS 34 | Interim Financial Reporting (revised May 2010) | 1 January 2011 | Yes |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards (revised May 2010) | 1 January 2011 | Yes |
| IFRS 1 | Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs' (revised December 2010) | 1 July 2011 | No |
| IFRS 1 | Additional exemption for entities ceasing to suffer from severe hyperinflation (revised December 2010) | 1 July 2011 | No |
| IFRS 3 | Business Combinations (revised May 2010) | 1 July 2010 | Yes |
| IFRS 7 | Financial Instruments: Disclosures (revised May 2010) | 1 January 2011 | Yes |
| IFRS 7 | Amendments enhancing disclosures about transfers of financial assets (revised October 2010) | 1 July 2011 | No |
| New Interpretation | | | |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 | Yes |
| Amendments to Interpretations | | | |
| IFRIC 13 | Customer Loyalty Programmes (amended 2010) | 1 January 2011 | Yes |
| IFRIC 14 | IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amended November 2009) | 1 January 2011 | Yes |

IFRS 9 changes the classification and measurement of financial instruments. This standard is the conclusion of the first part of a three-phase project designed to replace IAS 39 in its present form. IFRS 9 only offers two categories of financial instrument: debt instruments measured at amortized cost and equity instruments measured at fair value through profit or loss (or, in part and as an option, through other comprehensive income). In the new stipulations regarding the recognition of financial liabilities, the fair value option is still available, but the amount of the change in fair value caused by a change in default risk is recorded in equity as other comprehensive income. The remaining amount is still recognized in profit or loss.

A final assessment of the effects of this new standard will only be possible when Phase 2: Impairment Methodology and Phase 3: Hedge Accounting have been completed. Phases 2 and 3 are to be finalized in 2011.

In IAS 24, the definition of *related party* has been clarified.

In IFRS 7, the disclosure requirements about transferred financial assets and liabilities have been changed to improve the reporting of liabilities. This has not changed the requirements regarding the derecognition of financial instruments.

With the exception of IFRS 9, the amended and revised financial reporting and accounting standards described above will not materially affect the presentation of the Group's assets, liabilities, financial position and profit or loss. The revisions and amendments, including in particular the changes to IAS 24 and IFRS 7, will result in corresponding adjustments in the Notes.

Details of the income statement

(1) NET INTEREST INCOME

| €'000 | 2010 | 2009 |
|--|------------------|------------------|
| Interest income | 685,964 | 738,485 |
| from loans and advances to other banks | 185,695 | 214,794 |
| from loans and advances to customers | 242,016 | 277,210 |
| from other current financial assets | 65,179 | 64,763 |
| from trading assets and liabilities | 4,239 | 4,571 |
| from financial investments | 112,486 | 102,101 |
| from derivative financial instruments | 76,345 | 75,040 |
| Other | 4 | 6 |
| Current income | 19,126 | 25,122 |
| from shares and other variable-yield securities | 17,290 | 22,902 |
| from equity investments in subsidiaries | 312 | 1,242 |
| from other equity investments | 1,524 | 978 |
| Total interest income and similar income | 705,090 | 763,607 |
| Interest expenses | (481,551) | (612,640) |
| on deposits from other banks | (192,983) | (246,534) |
| on deposits from customers | (78,788) | (136,965) |
| on liabilities evidenced by paper | (113,205) | (143,343) |
| on subordinated debt capital | (30,195) | (27,061) |
| on derivative financial instruments | (66,301) | (58,664) |
| Other | (79) | (73) |
| Total interest expenses and similar charges | (481,551) | (612,640) |
| Net interest income | 223,539 | 150,967 |

Interest and similar income and charges were measured on an accrual basis. The distribution of premiums and discounts on investment securities on the accrual basis of accounting is also reported in *Interest income*.

Total interest income from and interest expenses on financial assets and liabilities not designated as at fair value through profit or loss requiring recognition using the *effective interest rate method*.

| €'000 | 2010 | 2009 |
|-------------------|-----------|-----------|
| Interest income | 540,201 | 594,111 |
| Interest expenses | (380,857) | (534,890) |

(2) IMPAIRMENT CHARGE ON LOANS AND ADVANCES

| €'000 | 2010 | 2009 |
|--|-----------------|-----------------|
| Item-by-item allowances for impairment | (27,540) | (48,793) |
| Impairment allowances | (82,914) | (95,752) |
| Impairment reversals | 54,737 | 46,379 |
| Direct write-offs | (523) | (590) |
| Recoveries of loans and receivables previously written off | 1,160 | 1,170 |
| Collective assessment of impairments of portfolios | (2,192) | (17,351) |
| Impairment allowances | (2,193) | (17,389) |
| Impairment reversals | 1 | 38 |
| Total | (29,732) | (66,144) |

See Note (16) *Impairment allowance balance* for details of impairment allowances.

(3) NET FEE AND COMMISSION INCOME

| €'000 | 2010 | 2009 |
|---|---------------|---------------|
| Payment services | 16,036 | 13,556 |
| Credit and guarantee operations | 8,827 | 5,448 |
| Securities operations | 23,475 | 18,366 |
| Foreign exchange, notes-and-coin and precious-metals business | 4,995 | 4,935 |
| Other banking services | 12,381 | 12,135 |
| Total | 65,714 | 54,440 |

Fee and commission income came to €94,821 thousand (2009: €79,698 thousand). Fee and commission expenses came to €29,107 thousand (2009: €25,259 thousand). No fee and commission payments were received for trust activities.

(4) NET TRADING INCOME

Net trading income captures interest income from and interest expenses on derivatives held for trading and realized and unrealized changes in the fair values of trading portfolios. Interest and dividend income and the interest costs of funding securities held for trading were recognized in *Net interest income*.

| €'000 | 2010 | 2009 |
|------------------------------------|---------------|---------------|
| Interest rate contracts | 859 | 9,004 |
| Of which from securities | 1,666 | 7,283 |
| Of which from derivative contracts | (807) | 1,721 |
| Currency contracts | 14,938 | 8,349 |
| Equity and index contracts | 5,504 | 4,611 |
| Of which from securities | 5,228 | 4,360 |
| Of which from derivative contracts | 276 | 251 |
| Other contracts | 2,888 | 1,018 |
| Total | 24,189 | 22,982 |

(5) PROFIT FROM INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

| €'000 | 2010 | 2009 |
|--|----------------|----------------|
| Group interest in annual profits or losses | 255,580 | 125,321 |
| Revaluation gains and losses | 850 | 3,969 |
| Total | 256,430 | 129,290 |

In 2009, this line item included a one-off effect of €13.3 million caused by an increase in the Group's interest in *RBI* and by the first-time use of the equity method to account for the investment in *Raiffeisen Informatik GmbH* (stake held: 47.75 per cent) as a result of recognizing negative goodwill.

(6) PROFIT/(LOSS) FROM FINANCIAL INVESTMENTS

| €'000 | 2010 | 2009 |
|---|----------------|----------------|
| Gains less losses from financial investments classified as held to maturity | 2,537 | 3,051 |
| Of which revaluation gains and losses | (2,221) | (2,716) |
| Of which gains and losses on disposal | 4,758 | 5,767 |
| Gains less losses from financial investments classified as available for sale and measured at fair value | (1,785) | (8,831) |
| Of which revaluation gains and losses | 392 | (10,937) |
| Of which gains and losses on disposal | (2,177) | 2,106 |
| Gains less losses from financial investments classified as available for sale and measured at cost | 246 | 389 |
| Of which revaluation gains and losses | (270) | 0 |
| Of which gains and losses on disposal | 516 | 389 |
| Gains less losses from investments in entities accounted for using the equity method | 187 | 3,040 |
| Of which gains and losses on disposal | 187 | 3,040 |
| Gains less losses from unlisted securities recognized as receivables and classified as loans and receivables | 953 | (1,157) |
| Of which revaluation gains and losses | 0 | (1,155) |
| Of which gains and losses on disposal | 953 | (2) |
| Gains less losses from financial instruments designated as at fair value through profit or loss | 1,205 | 29,008 |
| Of which revaluation gains and losses | 2,460 | 20,789 |
| Of which gains and losses on disposal | (1,255) | 8,219 |
| Realized gains and losses from liabilities measured at cost | 808 | (977) |
| Total | 4,151 | 24,523 |

Gains less losses from financial instruments designated as at fair value through profit or loss comprises gains and losses from securities classified as current financial assets and gains and losses from other financial instruments designated as at fair value through profit or loss under the fair value option. Consequently, to avoid any accounting mismatch, revaluation gains and losses on derivatives and on liabilities evidenced by paper and subordinated liabilities designated as at fair value through profit or loss that were measured in the same way using the fair value option were reported in this line item in the Income Statement. All changes in value in the other categories that were not recognized in profit or loss were due to impairments.

Gains less losses from financial instruments designated as at fair value through profit or loss is the net result of fluctuations in value. *Gains less losses from financial investments classified as available for sale and measured at fair value* includes a write-up in the amount of €392 thousand. All changes in value in the other categories were due to impairments.

(7) GENERAL ADMINISTRATIVE EXPENSES

| €'000 | 2010 | 2009 |
|---|------------------|------------------|
| Staff costs | (99,120) | (95,470) |
| Of which wages and salaries | (72,505) | (69,412) |
| Of which social security costs | (18,203) | (17,529) |
| Of which voluntary fringe benefits | (1,808) | (1,705) |
| Of which expenditure on termination and post-employment benefits | (6,604) | (6,824) |
| Other administrative expenses | (77,468) | (71,678) |
| Of which building rental, maintenance and operating costs | (18,024) | (18,560) |
| Of which IT costs | (25,943) | (21,858) |
| Of which advertising and entertainment expenses | (14,189) | (12,851) |
| Of which other items | (19,312) | (18,409) |
| Depreciation/amortization/write-offs of property and equipment and intangible assets | (4,155) | (3,963) |
| Of which of property and equipment | (2,502) | (2,519) |
| Of which of intangible assets | (1,653) | (1,444) |
| Total | (180,743) | (171,111) |

Other administrative expenses includes rental and leasing expenses in the amount of €15,529 thousand (2009: €16,162 thousand).

The fees paid to the auditors of Group members contained in the line item *Other administrative expenses* broke down as follows:

| Financial Year 2010 €'000 | KPMG Austria GmbH | Österreichischer Raiffeisenverband |
|--|-------------------|---------------------------------------|
| Audit of the Annual Financial Statements and Consolidated Financial Statements | 203 | 479 |
| Other auditing services | 10 | 116 |
| Tax consulting services | 9 | 0 |
| Other services | 23 | 52 |
| Total | 245 | 647 |

| Financial Year 2009 €'000 | KPMG Austria GmbH | Österreichischer Raiffeisenverband |
|--|-------------------|---------------------------------------|
| Audit of the Annual Financial Statements and Consolidated Financial Statements | 180 | 462 |
| Other auditing services | 29 | 127 |
| Tax consulting services | 11 | 0 |
| Other services | 29 | 27 |
| Total | 249 | 616 |

(8) OTHER OPERATING PROFIT/(LOSS)

Other operating profit/(loss) includes, *inter alia*, income and expenses arising from non-banking activities and from the disposal of property and equipment and intangible assets. Changes in the values of derivatives designated in a hedge accounting relationship that required

recognition in profit or loss were recognized in this line item. Moreover, this line item also contains revaluation gains and losses on derivative financial instruments that were neither held in the trading portfolio nor hedging instruments within the meaning of IAS 39.

| €'000 | 2010 | 2009 |
|---|-----------------|----------------|
| Effect of hedge accounting | (1,426) | (952) |
| Of which revaluation gains and losses on hedging instruments in fair value hedges | 55,392 | (768) |
| Of which revaluation gains and losses on hedged items in fair value hedges | (56,818) | (184) |
| Gains less losses from other derivatives | (57,359) | 18,049 |
| Of which from interest rate derivatives | (53,993) | 9,646 |
| Of which from currency derivatives | (1,267) | (602) |
| Of which from equity and index contracts | 1,508 | 1,721 |
| Of which from credit derivatives | (3,607) | 7,284 |
| Other operating income | 15,676 | 14,688 |
| Of which income from services and reimbursed costs | 13,029 | 12,158 |
| Of which other items | 2,647 | 2,327 |
| Other operating expenses | (4,163) | (1,699) |
| Of which damages | (3,353) | (920) |
| Of which arising from the solidarity association (<i>Solidaritätsverein</i>) | (633) | (619) |
| Of which other items | (177) | (160) |
| Total | (47,272) | 30,086 |

(9) PROFIT/(LOSS) FROM FINANCIAL INSTRUMENTS

| €'000 | 2010 | 2009 |
|--|------------------|------------------|
| Gains less losses from financial instruments designated as at fair value through profit or loss | 15,137 | 139,611 |
| Of which from financial instruments held for trading | (3,067) | 67,844 |
| Of which from financial instruments designated as at fair value through profit or loss | 18,204 | 71,767 |
| Gains less losses from financial instruments classified as available for sale | 57,349 | 25,468 |
| Of which taken from other comprehensive income and recognized in profit or loss for the financial year | (2,177) | (8,831) |
| Of which taken directly to the Income Statement for the financial year | 59,526 | 34,299 |
| Gains less losses from financial instruments classified as held to maturity | 67,812 | 82,477 |
| Gains less losses from financial instruments classified as loans and receivables | 398,936 | 424,709 |
| Gains less losses from liabilities measured at cost | (380,049) | (535,867) |
| Total | 159,185 | 136,398 |

Gains and losses in each valuation category comprise realized and unrealized gains and losses, interest income, interest expenses, dividends and other distributions. These disclosures are made in accordance with the requirements of IFRS 7, para 20(a). Gains and losses on available-for-sale financial instruments recognized in *Other comprehensive income* are presented in C. *Statement of Changes in Equity*.

(10) INCOME TAX

| €'000 | 2010 | 2009 |
|---|----------------|----------------|
| Current income tax | (7,002) | (3,264) |
| Of which tax attributed to the group parent | (7,059) | (3,100) |
| Of which current domestic tax | (60) | (149) |
| Of which current foreign tax | 117 | (15) |
| Deferred tax | (701) | (820) |
| Total | (7,703) | (4,084) |

The following reconciliation shows the relationship between profit for the year and actual tax expense:

| €'000 | 2010 | 2009 |
|---|----------------|----------------|
| Profit for the year before tax | 316,276 | 175,033 |
| Theoretical income tax expense based on the income tax rate of 25 per cent | (79,069) | (43,758) |
| Effect of the lower tax contribution rate ¹ | 10,728 | 6,760 |
| Reduction in the tax burden because of tax-exempt income from equity participations and other tax-exempt income | 66,250 | 36,925 |
| Increase in the tax burden because of non-tax deductible expenses | (7,185) | (4,001) |
| Use of tax loss carryforwards and remeasurement of deferred tax items | (181) | (127) |
| Other | 1,754 | 117 |
| Actual tax burden | (7,703) | (4,084) |

¹ The tax contribution rates agreed within the scope of the group taxation regime were lower than the Austrian corporate tax rate. This line item shows the resulting effect on the actual income tax burden.

(11) EARNINGS PER SHARE

| €'000 | 2010 | 2009 |
|--|---------------|--------------|
| Consolidated net profit for the year | 308,565 | 170,936 |
| Less distribution in respect of non-voting non-ownership capital (<i>Partizipationskapital</i>) | (3,825) | (3,825) |
| Adjusted consolidated net profit for the year | 304,740 | 167,111 |
| Average number of ordinary shares in issue | 2,145,201 | 2,145,201 |
| Undiluted earnings per share, € | 142.06 | 77.90 |

There were no conversion or option rights in circulation. Consequently, undiluted earnings per share were identical to diluted earnings per share.

(12) SEGMENTAL REPORTING

Segmental reporting is based on the Group's internal Management performance calculations, which take the form of a multi-stage contribution income statement. Income and expenses are allocated on a cost-by-cause basis. The income items are net interest income, net fee and commission income, net trading income and other operating profit/(loss). Net interest income is calculated on a market-interest rate basis.

Interest earnings from equity are allocated to individual segments according to regulatory capital requirements on the basis of an assumed interest rate and reported in *Net interest income*. The *Impairment charge on loans and advances* captures the net impairment allowance for counterparty risks and direct write-offs less recoveries of loans and advances previously written off. *General administrative expenses* includes direct and indirect costs. Direct costs (*Staff costs* and *Other administrative expenses*) are incurred by individual business segments, whereas indirect costs are allocated on the basis of predefined ratios.

Segments are presented as if they were autonomous enterprises with their own capital resources and with responsibility for their own results.

Segments are defined according to the RLB NÖ-Wien customers being serviced.

Our segmental reports distinguish between the following segments:

- **The *Retail Banking* segment (personal and business banking customers) encompasses the Group's retail operations in Vienna.**

This segment targets all private individuals, small businesses and self-employed customers. Branches and offices in Vienna are arranged into branches for retail banking customers, offices for high net worth personal banking customers (*Private Banking Wien*), special centres of excellence for trade and business (*Gewerbe*) customers, and consulting offices. The consulting offices are also open for customers outside normal banking hours, and a customer can, in addition, choose where a consultation session should take place. This modern, pioneering approach reflects both RLB NÖ-Wien's service-orientated advisory concept and its local roots.

Offerings in the *Retail Banking* segment consist mainly of standardized products like *Sparbuch* passbook accounts, savings deposits, time deposits, current and salary accounts, personal loans, overdrafts and mortgages and other special purpose loans.

RLB NÖ-Wien is the only entity in the *Raiffeisen Group* operating in this segment in Vienna. It also supports the activities of the other institutions in the *Raiffeisen* organization through its branch network.

- **The *Corporate Customers* segment encompasses business conducted with corporate customers in the Centropre region, the public sector and institutional clients and International Operations.**

This segment covers classical credit services for corporate customers, corporate finance (project and investment finance, acquisition finance, property finance), trade and export finance, documentary services and the financing of local authorities and financial institutions.

Classical credit services include the provision of working capital, investment finance and trade finance using a wide variety of financing instruments (e.g. current account loans, cash advances, direct loans, factoring, venture capital finance).

The International Department—a Head Office department—is responsible for export finance and foreign investments (e.g. export loans from export funds and *OeKB* and *OeKB* equity finance loans) as well as the structuring and settlement of letters of credit, collections and furnishing Austrian and foreign clients with guarantees; and in addition, the International Department handles relations with correspondents (Financial Institutions) and foreign corporate customers.

The activities of the Corporate Finance Department include handling project and investment finance (specially tailored financing of specific business projects) in the Group's core market and processing all subsidized credit products. In addition, they include handling transactions undertaken jointly with the European Investment Bank (EIB) and *Kreditanstalt für Wiederaufbau* (KfW).

- **The *Financial Markets* segment encompasses the Group's treasury activities, including in particular its earnings from management of the banking book (profit from maturity transformation [Strukturbeitrag]) and from the trading book.**

The Treasury Department is responsible for the Group's proprietary positions in on-balance sheet products (e.g. money-market deposits) and off-balance sheet interest rate and price products (forwards, futures and options). These include interest rate and currency contracts, and the Treasury Department is likewise responsible for liquidity management and asset liability management (maturity transformation).

¹ As defined by Austria's *Gewerbeordnung* (commercial code).

Treasury operations also include the management of RLB NÖ-Wien's portfolios of bonds, funds and short-term and long-term alternative investments (combinations of securities products with derivatives).

Trading in financial instruments takes place centrally and is subject to strictly enforced limits. Whereas all proprietary trading was reported in this segment, profit contributions made by customer treasury services were allocated to other segments. The portion of the contribution to profit made over and above market prices was allocated to customer segments.

- **The *Investments* segment encompasses RLB NÖ-Wien's banking-related equity investments, including in particular its investment in RZB.**

This segment primarily encompasses RLB NÖ-Wien's portfolio of equity investments in banks and other financial institutions. This also includes its stake in the *RZB Group*—which is accounted for using the equity method—and all of the *RZB Group's* activities in Central and Eastern European countries as well as RLB NÖ-Wien's equity investments in the *Raiffeisen Banks* in the Czech Republic, Slovakia and Hungary and its direct stakes in *RBI* and *Raiffeisen Informatik GmbH*.

- **The *Management Services* segment (which corresponds to the Raiffeisen Banks/Management Services and Risk Management/Organization divisions in the Group's organizational chart).**

This segment encompasses any activities undertaken to support other segments in the marketplace. They consist, in particular, of appropriate marketing activities. All services rendered for *Raiffeisenkasse* banks within the scope of the Austrian *Raiffeisen* organization are included in this segment. In addition, this segment encompasses income and expenses that cannot, by their nature, be allocated to any other segment.

The RLB NÖ-Wien Group uses two central steering benchmarks:

Return on equity expresses the relationship between profit before tax and average equity employed in the respective segment.

The *cost:income* ratio expresses a segment's cost efficiency. It is the ratio of general administrative expenses to the sum of net interest income, net fee and commission income, net trading income, profit from investments in entities accounted for using the equity method and other operating profit/(loss) (i.e. without profit/(loss) from financial investments and the impairment charge on loans and advances)

The RLB NÖ-Wien Group operates primarily in the Centre region, and within that region, mainly in Austria in the Vienna area.

| Financial Year 2010 €'000 | Retail Banking | Corporate Customers | Financial Markets | Investments | Management Services | Total |
|---|-------------------|------------------------|----------------------|----------------|------------------------|----------------|
| Net interest income | 81,989 | 120,435 | 78,884 | (57,978) | 209 | 223,539 |
| Impairment charge on loans and advances | (7,034) | (22,230) | (468) | 0 | 0 | (29,732) |
| Net interest income after impairment charge | 74,955 | 98,205 | 78,416 | (57,978) | 209 | 193,807 |
| Net fee and commission income | 34,554 | 21,579 | (585) | 0 | 10,166 | 65,714 |
| Net trading income | 4,886 | 3,172 | 11,735 | 0 | 4,396 | 24,189 |
| Profit from investments in entities accounted for using the equity method | 0 | 0 | 0 | 256,430 | 0 | 256,430 |
| Profit/(loss) from financial investments | 0 | 1,584 | 2,464 | 103 | 0 | 4,151 |
| General administrative expenses | (88,848) | (33,680) | (14,814) | (1,727) | (41,674) | (180,743) |
| Of which staff costs | (53,921) | (22,460) | (7,211) | (447) | (15,081) | (99,120) |
| Of which other administrative expenses | (32,702) | (10,913) | (6,334) | (1,270) | (26,250) | (77,468) |
| Of which depreciation/amortization/write-offs | (2,225) | (307) | (1,269) | (11) | (343) | (4,155) |
| Other operating profit/(loss) | (489) | 3,231 | (61,827) | (36) | 11,849 | (47,272) |
| Profit/(loss) for the year before tax | 25,058 | 94,091 | 15,389 | 196,792 | (15,054) | 316,276 |
| Average risk-weighted assets, €m | 1,529 | 7,476 | 3,277 | 1,346 | 487 | 14,115 |
| Average allocated equity, €m | 145 | 709 | 311 | 1,000 | 47 | 2,212 |
| Return on equity before tax, % | 17.3% | 13.3% | 4.9% | 19.2% | — | 14.3% |
| Cost:income ratio, % | 73.5% | 22.7% | 52.5% | 0.9% | 156.6% | 34.6% |

| Financial Year 2009 €'000 | Retail Banking | Corporate Customers | Financial Markets | Investments | Management Services | Total |
|--|-------------------|------------------------|----------------------|---------------|------------------------|----------------|
| Net interest income | 77,358 | 113,810 | 16,870 | (57,918) | 847 | 150,967 |
| Impairment charge on loans and advances | (10,874) | (55,357) | 87 | 0 | 0 | (66,144) |
| Net interest income after impairment charge | 66,484 | 58,453 | 16,957 | (57,918) | 847 | 84,823 |
| Net fee and commission income | 29,171 | 17,135 | (1,179) | 0 | 9,313 | 54,440 |
| Net trading income | 3,937 | 3,083 | 12,428 | 0 | 3,534 | 22,982 |
| Profit from investments in entities accounted for using the equity method | 0 | 0 | 0 | 129,290 | 0 | 129,290 |
| Profit/(loss) from financial investments | 0 | (4,296) | 27,107 | 1,712 | 0 | 24,523 |
| General administrative expenses | (84,719) | (32,689) | (13,347) | (2,039) | (38,317) | (171,111) |
| Of which staff costs | (51,816) | (21,870) | (6,533) | (553) | (14,698) | (95,470) |
| Of which other administrative expenses | (30,817) | (10,530) | (5,652) | (1,467) | (23,212) | (71,678) |
| Of which depreciation/amortization/write-offs | (2,086) | (289) | (1,162) | (19) | (407) | (3,963) |
| Other operating profit | 1,405 | 1,534 | 16,788 | 195 | 10,164 | 30,086 |
| Profit/(loss) for the year before tax | 16,278 | 43,220 | 58,754 | 71,240 | (14,460) | 175,033 |
| Average risk-weighted assets, €m | 1,415 | 7,088 | 2,842 | 1,427 | 483 | 13,255 |
| Average allocated equity, €m | 132 | 662 | 265 | 914 | 45 | 2,018 |
| Return on equity before tax, % | 12.3% | 6.5% | 22.1% | 7.8% | — | 8.7% |
| Cost:income ratio, % | 75.7% | 24.1% | 29.7% | 2.8% | 160.6% | 44.1% |

Profit from investments in entities accounted for using the equity method in the **Investments** segment included one-off effects in the 2009 financial year. See Note (5) *Profit from investments in entities accounted for using the equity method* for details.

Details of the Balance Sheet

(13) CASH AND BALANCES WITH THE CENTRAL BANK

| €'000 | 2010 | 2009 |
|--------------|---------------|---------------|
| Cash | 42,837 | 47,420 |
| Total | 42,837 | 47,420 |

(14) LOANS AND ADVANCES TO OTHER BANKS

| €'000 | 2010 | 2009 |
|--------------------------|-------------------|-------------------|
| Demand deposits | 1,161,530 | 855,838 |
| Time deposits | 8,497,247 | 9,519,535 |
| Other loans and advances | 2,446,658 | 2,273,067 |
| Debt instruments | 23,784 | 39,936 |
| Other | 59,294 | 69,846 |
| Total | 12,188,513 | 12,758,222 |

Loans and advances to other banks broke down by region as follows:

| €'000 | 2010 | 2009 |
|--------------|-------------------|-------------------|
| Austria | 10,608,664 | 11,094,457 |
| Abroad | 1,579,849 | 1,663,765 |
| Total | 12,188,513 | 12,758,222 |

With the exception of loans and advances hedged against the exposure to interest rate risks in a fair value hedge, the loans and advances accounted for here were classified as *Loans and receivables*.

(15) LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers broke down as follows:

| €'000 | 2010 | 2009 |
|------------------|------------------|------------------|
| Current accounts | 1,463,536 | 1,279,777 |
| Cash advances | 744,955 | 990,913 |
| Loans | 7,415,477 | 6,368,067 |
| Debt instruments | 20,223 | 26,009 |
| Other | 36,244 | 31,372 |
| Total | 9,680,435 | 8,696,138 |

Applying *Basel II* definitions, *Loans and advances to customers* broke down as follows:

| €'000 | 2010 | 2009 |
|-------------------------|------------------|------------------|
| Public sector exposures | 568,539 | 417,956 |
| Retail exposures | 1,526,227 | 1,402,151 |
| Corporate customers | 7,585,669 | 6,876,031 |
| Total | 9,680,435 | 8,696,138 |

In 2010, the allocation of *Loans and advances to customers* was changed. Having previously been classified as corporates, professionals are now classified as retail customers.

Loans and advances to customers broke down by region as follows:

| €'000 | 2010 | 2009 |
|--------------|------------------|------------------|
| Austria | 8,262,032 | 7,485,218 |
| Abroad | 1,418,403 | 1,210,920 |
| Total | 9,680,435 | 8,696,138 |

With the exception of loans and advances hedged against the exposure to interest rate risks in a fair value hedge, the loans and advances accounted for here were classified as *Loans and receivables*.

(16) IMPAIRMENT ALLOWANCE BALANCE

| 2010 €'000 | At 1 January | Added | Reversed | Used | At 31 December |
|--|-----------------|---------------|-----------------|-----------------|-------------------|
| Item-by-item allowances for impairment | 258,611 | 74,896 | (42,233) | (16,768) | 274,506 |
| Loans and advances to other banks | 15,245 | 3,052 | (954) | (5,203) | 12,140 |
| Of which abroad | 15,245 | 3,052 | (954) | (5,203) | 12,140 |
| Loans and advances to customers | 243,366 | 71,844 | (41,279) | (11,565) | 262,366 |
| Of which in Austria | 230,723 | 54,739 | (33,924) | (11,558) | 239,980 |
| Of which abroad | 12,643 | 17,105 | (7,355) | (7) | 22,386 |
| Collective assessment of impairments of portfolios | 22,424 | 2,193 | (1) | 0 | 24,616 |
| Loans and advances to other banks | 2,811 | 10 | 0 | 0 | 2,821 |
| Loans and advances to customers | 19,613 | 2,183 | (1) | 0 | 21,795 |
| Impairment allowance balance (loans and advances)¹ | 281,035 | 77,089 | (42,234) | (16,768) | 299,122 |
| Risks arising from off-balance sheet liabilities² | 18,443 | 8,018 | (12,504) | (80) | 13,877 |
| Total | 299,478 | 85,107 | (54,738) | (16,848) | 312,999 |

| 2009 €'000 | At 1 January | Added | Reversed | Used | At 31 December |
|--|-----------------|----------------|-----------------|-----------------|-------------------|
| Item-by-item allowances for impairment | 236,606 | 83,612 | (33,385) | (28,223) | 258,611 |
| Loans and advances to other banks | 12,230 | 8,444 | (1,390) | (4,039) | 15,245 |
| Of which abroad | 12,230 | 8,444 | (1,390) | (4,039) | 15,245 |
| Loans and advances to customers | 224,376 | 75,168 | (31,995) | (24,184) | 243,366 |
| Of which in Austria | 216,326 | 63,269 | (29,721) | (19,152) | 230,723 |
| Of which abroad | 8,050 | 11,899 | (2,274) | (5,032) | 12,643 |
| Collective assessment of impairments of portfolios | 5,073 | 17,389 | (38) | 0 | 22,424 |
| Loans and advances to other banks | 1,941 | 878 | (8) | 0 | 2,811 |
| Loans and advances to customers | 3,132 | 16,511 | (30) | 0 | 19,613 |
| Impairment allowance balance (loans and advances)¹ | 241,679 | 101,001 | (33,423) | (28,223) | 281,035 |
| Risks arising from off-balance sheet liabilities² | 19,529 | 12,140 | (12,994) | (232) | 18,443 |
| Total | 261,208 | 113,141 | (46,417) | (28,455) | 299,478 |

¹ The balance of impairment charges on loans and advances is recorded on the Balance Sheet in the line item *Impairment allowance balance*.

² Risks arising from off-balance sheet liabilities are recorded on the Balance Sheet in the line item *Provisions*.

(17) TRADING ASSETS

Trading assets contains the following held-for-trading securities and derivative financial instruments:

| €'000 | 2010 | 2009 |
|--|----------------|----------------|
| Bonds and other fixed-interest securities | 340,026 | 325,028 |
| Of which public-sector debt instruments eligible for rediscounting | 22,454 | 16,166 |
| Of which bonds and similar debt securities issued by other issuers | 317,572 | 308,862 |
| Shares and other variable-yield securities | 4,500 | 3,078 |
| Of which shares | 4,053 | 2,609 |
| Of which other variable-yield securities | 447 | 469 |
| Positive fair values of derivative contracts | 181,954 | 56,111 |
| Of which of interest rate derivatives | 54,611 | 14,313 |
| Of which of currency derivatives | 127,308 | 41,798 |
| Of which of equity and index derivatives | 35 | 0 |
| Accruals arising from derivatives | 61,868 | 12,368 |
| Of which from interest rate derivatives | 61,868 | 12,368 |
| Total | 588,348 | 396,585 |

(18) OTHER CURRENT FINANCIAL ASSETS

| €'000 | 2010 | 2009 |
|--|------------------|------------------|
| Bonds and other fixed-interest securities | 1,930,522 | 2,136,848 |
| Designated as at fair value through profit or loss | 1,930,522 | 2,136,848 |
| Of which public-sector debt instruments eligible for rediscounting | 53,589 | 31,069 |
| Of which other debt instruments issued by the public sector | 62,073 | 138,894 |
| Of which bonds and similar debt securities issued by other issuers | 1,814,860 | 1,966,885 |
| Shares and other variable-yield securities | 390,023 | 367,442 |
| Designated as at fair value through profit or loss | 390,023 | 367,442 |
| Of which shares | 27,108 | 29,427 |
| Of which units in investment funds | 335,710 | 314,880 |
| Of which other variable-yield securities | 27,205 | 23,135 |
| Total | 2,320,545 | 2,504,290 |

(19) FINANCIAL INVESTMENTS

| €'000 | 2010 | 2009 |
|---|------------------|------------------|
| Bonds and other fixed-interest securities | 3,145,506 | 2,870,275 |
| Classified as held to maturity | 1,529,477 | 2,051,081 |
| Of which public-sector debt instruments eligible for rediscounting | 135,691 | 420,094 |
| Of which other debt instruments issued by the public sector | 38,312 | 59,024 |
| Of which bonds and similar debt securities issued by other issuers | 1,355,474 | 1,571,963 |
| Classified as available for sale and measured at fair value | 1,616,029 | 819,194 |
| Of which public-sector debt instruments eligible for rediscounting | 863,670 | 308,376 |
| Of which other debt instruments issued by the public sector | 0 | 41,377 |
| Of which bonds and similar debt securities issued by other issuers | 752,359 | 469,441 |
| Shares and other variable-yield securities | 354,123 | 359,700 |
| Classified as available for sale and measured at fair value | 325,423 | 331,000 |
| Of which units in investment funds | 184 | 181 |
| Of which other variable-yield securities | 325,239 | 330,819 |
| Classified as available for sale and measured at cost | 28,700 | 28,700 |
| Of which other variable-yield securities | 28,700 | 28,700 |
| Equity investments | 49,094 | 48,711 |
| Classified as available for sale and measured at cost | 49,094 | 48,711 |
| Of which equity investments in non-consolidated subsidiaries ¹ | 11,032 | 11,261 |
| Of which equity investments in associates not accounted for using the equity method | 3,302 | 2,642 |
| Of which other equity investments | 34,760 | 34,808 |
| Total | 3,548,723 | 3,278,686 |

¹ This total includes non-voting non-ownership capital (*Partizipationskapital*) of *Raiffeisen-Holding NÖ-Wien* in the amount of €277 thousand (year-end 2009: €277 thousand).

No sales of available-for-sale financial instruments measured at cost were planned. During the financial year, such financial instruments with a carrying amount of €336 thousand (2009: €480 thousand) were derecognized, generating a gain on disposal of €516 thousand (2009: €389 thousand).

In the fourth quarter of 2008, bonds issued by Austrian and foreign banks with a nominal value of €157,740 thousand and a fair value of €156,727 thousand were reclassified from the trading portfolio to the held-to-maturity portfolio. At 31 December 2010, these reclassified financial instruments had a carrying amount of €35,597 thousand (year-end 2009: €84,695 thousand) and a fair value of €36,091 thousand (year-end 2009: €85,040 thousand).

On the date of their reclassification, the estimated effective interest rates on the reclassified financial instruments lay between 3.0 and 5.9 per cent. The estimated future cash flows came to €172,944 thousand.

Until the time of their reclassification, valuation gains on the reclassified financial instruments recognized in *Net trading income* came to €378 thousand in 2008 (2007: negative €213 thousand). Had the financial instruments not been reclassified as the result of a change in RLB NÖ-Wien's intentions with regard to holding them, valuation gains/(losses) of €225 thousand would have been recognized in *Net trading income* in the 2010 financial year (2009: €2,392 thousand).

After the time of their reclassification, we registered interest income in the amount of €1,116 thousand in the 2010 financial year (2009: €2,389 thousand) and gains on disposal in the amount of €0 thousand (2009: €5 thousand). At 31 December 2010, the reclassified securities were unimpaired (31 December 2009: unimpaired).

(20) INTANGIBLE ASSETS

| €'000 | 2010 | 2009 |
|--|-----------------|-----------------|
| Acquisition costs | | |
| At 1 January | 41,438 | 39,679 |
| Additions | 1,339 | 1,759 |
| Disposals ¹ | (246) | 0 |
| At 31 December | 42,531 | 41,438 |
| Amortization | | |
| At 1 January | (35,165) | (33,721) |
| Disposals | 234 | 0 |
| Amortization during the financial year | (1,653) | (1,444) |
| At 31 December | (36,584) | (35,165) |
| Carrying amounts | | |
| At 1 January | 6,273 | 5,958 |
| At 31 December | 5,947 | 6,273 |

¹ This figure includes subsequent adjustments to acquisition and conversion costs.

The elimination of intragroup investments and equity upon consolidation did not give rise to any goodwill.

(21) PROPERTY AND EQUIPMENT

| €'000 | Land and Buildings used by the Group for its Own Operations | Other Property and Equipment |
|--|---|------------------------------|
| Acquisition costs | | |
| At 1 January 2010 | 2,903 | 27,390 |
| Additions | 0 | 1,915 |
| Disposals ¹ | (261) | (1,203) |
| Reclassifications | 0 | 0 |
| At 31 December 2010 | 2,642 | 28,102 |
| Depreciation | | |
| At 1 January 2010 | (1,855) | (18,899) |
| Additions | 0 | 0 |
| Disposals | 248 | 1,145 |
| Depreciation during the financial year | (255) | (2,248) |
| Reclassifications | 0 | 0 |
| At 31 December 2010 | (1,862) | (20,002) |
| Carrying amounts | | |
| At 1 January 2010 | 1,048 | 8,489 |
| At 31 December 2010 | 779 | 8,100 |

¹ This figure includes subsequent adjustments to acquisition and conversion costs.

| €'000 | Land and Buildings used by the Group for its Own Operations | | Other Property and Equipment |
|--|--|--|------------------------------|
| Acquisition costs | | | |
| At 1 January 2009 | 2,838 | | 26,570 |
| Additions | 65 | | 1,862 |
| Disposals ¹ | 0 | | (1,042) |
| At 31 December 2009 | 2,903 | | 27,390 |
| Amortization | | | |
| At 1 January 2009 | (1,587) | | (17,551) |
| Additions | 0 | | 0 |
| Disposals | 0 | | 903 |
| Depreciation during the financial year | (268) | | (2,252) |
| At 31 December 2009 | (1,855) | | (18,900) |
| Carrying amounts | | | |
| At 1 January 2009 | 1,251 | | 9,019 |
| At 31 December 2009 | 1,048 | | 8,490 |

¹ This figure includes subsequent adjustments to acquisition and conversion costs.

The land and buildings used by the Group for its own operations consisted exclusively of investments (structural adaptations) in such properties that did not belong to the Group itself.

Liabilities arising from the use of property and equipment not recognized on the Balance Sheet in the ensuing financial year came to €15,974 thousand (2009: €16,572 thousand). Such liabilities in the ensuing five financial years totaled €79,064 thousand (2009: €81,837 thousand).

(22) OTHER ASSETS

| €'000 | 2010 | 2009 |
|--|------------------|------------------|
| Tax assets | 20,708 | 20,258 |
| Of which current tax assets | 602 | 3,567 |
| Of which deferred tax assets | 20,106 | 16,691 |
| Positive fair values of derivative hedging instruments in fair value hedges | 145,163 | 84,788 |
| Of which of interest rate derivatives | 142,311 | 77,962 |
| Of which of currency derivatives | 2,436 | 0 |
| Of which of equity and index derivatives | 416 | 6,826 |
| Positive fair values of derivative hedging instruments in cash flow hedges | 21,414 | 27,331 |
| Of which of interest rate derivatives | 21,414 | 27,331 |
| Positive fair values of derivative financial instruments designated as at fair value through profit or loss | 23,291 | 13,039 |
| Of which of interest rate derivatives | 21,533 | 12,729 |
| Of which of currency derivatives | 43 | 14 |
| Of which of equity and index derivatives | 155 | 1 |
| Of which of credit derivatives | 1,560 | 295 |
| Positive fair values of other derivative financial instruments | 1,333,145 | 1,299,162 |
| Of which of interest rate derivatives | 1,309,486 | 1,269,531 |
| Of which of currency derivatives | 18,488 | 19,616 |
| Of which of equity and index derivatives | 63 | 763 |
| Of which of credit derivatives | 5,108 | 9,252 |
| Interest accruals arising from derivative financial instruments | 511,523 | 595,043 |
| Of which from interest rate derivatives | 505,559 | 583,688 |
| Of which from currency derivatives | 3,739 | 9,297 |
| Of which from equity and index derivatives | 2,081 | 1,824 |
| Of which from credit derivatives | 144 | 234 |
| Other items | 158,167 | 157,857 |
| Total | 2,213,411 | 2,197,478 |

Insofar as they met the requirements for hedge accounting for the purposes of IAS 39, derivative financial instruments were designated as hedges. The fair values of derivatives were measured without accrued interest (giving clean prices).

In accordance with IAS 39, this line item also includes the positive fair values of derivative financial instruments that were neither held for trading nor hedging instruments in a fair value or cash flow hedge for the purposes of IAS 39.

The derivative financial instruments designated as at fair value through profit or loss were those derivatives that were measured in the same way as securities classified as *Other current financial assets* or liabilities evidenced by paper or subordinated liabilities using the fair value option.

DEFERRED TAX ASSETS

Tax was deferred as follows:

| €'000 | 2010 | 2009 |
|--------------------------------|---------------|---------------|
| Deferred tax assets | 20,106 | 16,691 |
| Provisions for deferred taxes | 0 | 0 |
| Net deferred tax assets | 20,106 | 16,691 |

Net deferred tax assets resulted from the following items on the Balance Sheet:

| €'000 | 2010 | 2009 |
|--|----------------|----------------|
| Impairment allowance balance | 6,154 | 5,606 |
| Intangible assets | 253 | 758 |
| Deposits from other banks | 10,089 | 4,281 |
| Deposits from customers | 3,847 | 3,784 |
| Liabilities evidenced by paper | 14,569 | 11,115 |
| Other liabilities | 375,332 | 366,233 |
| Provisions | 954 | 693 |
| Other balance sheet items | 10,382 | 4,303 |
| Deferred tax assets | 421,580 | 396,773 |
| Loans and advances to other banks | 5,080 | 7,172 |
| Other current financial assets | 5,576 | 7,704 |
| Financial investments | 10,037 | 10,037 |
| Other assets | 373,974 | 349,810 |
| Other balance sheet items | 5,077 | 5,359 |
| Deferred tax liabilities | 399,744 | 380,082 |
| Revaluation of deferred tax assets | 1,730 | 0 |
| Deferred tax assets net of deferred tax liabilities | 20,106 | 16,691 |

Assets in the amount of €11,682 thousand (year-end 2009: €10,998 thousand) arising from as yet unused tax loss carryforwards and deductible temporary differences were not capitalized in the Consolidated Financial Statements because, as things stood at the time, it seemed unlikely that it would be possible to realize them within a reasonable period.

(23) DEPOSITS FROM OTHER BANKS

Deposits from other banks broke down as follows:

| €'000 | 2010 | 2009 |
|-----------------|-------------------|-------------------|
| Demand deposits | 4,870,185 | 3,848,062 |
| Time deposits | 9,884,838 | 10,661,748 |
| Borrowed funds | 1,144,291 | 1,373,522 |
| Total | 15,899,314 | 15,883,332 |

| €'000 | 2010 | 2009 |
|--------------|-------------------|-------------------|
| Austria | 13,600,766 | 13,520,759 |
| Abroad | 2,298,548 | 2,362,573 |
| Total | 15,899,314 | 15,883,332 |

With the exception of deposits hedged against the exposure to interest rate risks in a fair value hedge, the deposits accounted for here were measured at amortized cost.

(24) DEPOSITS FROM CUSTOMERS

Deposits from customers broke down into product groups as follows:

| €'000 | 2010 | 2009 |
|------------------|------------------|------------------|
| Sight deposits | 3,835,424 | 3,348,920 |
| Time deposits | 975,593 | 1,144,907 |
| Savings deposits | 2,260,143 | 2,376,669 |
| Total | 7,071,160 | 6,870,496 |

Applying *Basel II* definitions, *Deposits from customers* broke down as follows:

| €'000 | 2010 | 2009 |
|-------------------------|------------------|------------------|
| Public sector exposures | 697,037 | 614,774 |
| Retail exposures | 3,971,109 | 4,025,299 |
| Corporate customers | 2,174,401 | 1,904,591 |
| Other | 228,613 | 325,832 |
| Total | 7,071,160 | 6,870,496 |

In 2010, the allocation of *Deposits from customers* changed. Having previously been classified as corporates, professionals are now classified as retail customers.

Deposits from customers broke down by region as follows:

| €'000 | 2010 | 2009 |
|--------------|------------------|------------------|
| Austria | 6,293,811 | 6,182,041 |
| Abroad | 777,349 | 688,455 |
| Total | 7,071,160 | 6,870,496 |

With the exception of deposits hedged against the exposure to interest rate risks in a fair value hedge, the deposits accounted for here were measured at amortized cost.

(25) LIABILITIES EVIDENCED BY PAPER

| €'000 | 2010 | 2009 |
|---|------------------|------------------|
| Measured at amortized cost | 2,961,884 | 2,782,448 |
| Issued bonds | 2,605,802 | 2,388,384 |
| Other liabilities evidenced by paper | 356,082 | 394,064 |
| Designated as at fair value through profit or loss | 882,069 | 882,356 |
| Issued bonds | 828,783 | 828,916 |
| Other liabilities evidenced by paper | 53,286 | 53,440 |
| Total | 3,843,953 | 3,664,804 |

To avoid any accounting mismatch, the liabilities evidenced by paper that were designated as at fair value through profit or loss were measured in the same way as interest rate derivative financial instruments using the fair value option. Negative €562 thousand of the change in the fair values of these liabilities was attributable to changes in default risk (2009: €12,801 thousand). The carrying amount of these liabilities was €19,429 thousand higher than the contractually agreed repayment amount (2009: 19,716 thousand).

With the exception of liabilities hedged against the exposure to interest rate risks in a fair value hedge, the liabilities accounted for here were measured at amortized cost. They also included securities listed on the Vienna stock exchange.

(26) TRADING LIABILITIES

Trading liabilities contains the following derivative instruments held for trading:

| €'000 | 2010 | 2009 |
|---|----------------|---------------|
| Negative fair values of derivative contracts | 178,620 | 52,704 |
| Of which of interest rate derivatives | 69,040 | 16,667 |
| Of which of currency derivatives | 109,542 | 36,037 |
| Of which equity and index derivatives | 38 | 0 |
| Accruals arising from derivatives | 63,763 | 12,335 |
| Of which from interest rate derivatives | 63,763 | 12,335 |
| Total | 242,383 | 65,039 |

(27) OTHER LIABILITIES

| €'000 | 2010 | 2009 |
|--|------------------|------------------|
| Tax liabilities | 8,703 | 16,777 |
| Of which current tax liabilities | 8,703 | 16,777 |
| Negative fair values of derivative hedging instruments in fair value hedges | 88,694 | 83,708 |
| Of which of interest rate derivatives | 85,845 | 78,178 |
| Of which of equity and index derivatives | 2,849 | 5,530 |
| Negative fair values of derivative hedging instruments in cash flow hedges | 55,412 | 57,377 |
| Of which of interest rate derivatives | 55,412 | 57,377 |
| Negative fair values of derivative financial instruments designated as at fair value through profit or loss | 44,866 | 52,044 |
| Of which of interest rate derivatives | 44,780 | 51,974 |
| Of which of equity and index derivatives | 53 | 0 |
| Of which of credit derivatives | 33 | 70 |
| Negative fair values of other derivative financial instruments | 1,384,459 | 1,330,814 |
| Of which of interest rate derivatives | 1,364,553 | 1,308,805 |
| Of which of currency derivatives | 17,638 | 17,629 |
| Of which of equity and index derivatives | 974 | 2,551 |
| Of which of credit derivatives | 1,294 | 1,829 |
| Interest accruals arising from derivative financial instruments | 466,451 | 579,125 |
| Of which from interest rate derivatives | 463,702 | 574,556 |
| Of which from currency derivatives | 2,541 | 4,359 |
| Of which from equity and index derivatives | 178 | 182 |
| Of which from credit derivatives | 30 | 28 |
| Contractual profit transfer | 56,500 | 53,700 |
| Other items | 323,042 | 223,230 |
| Total | 2,428,127 | 2,396,775 |

Insofar as they met the requirements for hedge accounting for the purposes of IAS 39, derivative financial instruments were designated as hedges. The fair values of these derivatives are stated here without accrued interest (giving clean prices).

In accordance with IAS 39, this line item also includes the negative fair values of derivative financial instruments that were neither held for trading nor hedging instruments in a fair value or cash flow hedge for the purposes of IAS 39.

The derivative financial instruments designated as at fair value through profit or loss were those derivatives that were measured in the same way as securities classified as *Other current financial assets* or liabilities evidenced by paper or subordinated liabilities using the fair value option.

(28) PROVISIONS

| €'000 | 2010 | 2009 |
|---|---------------|---------------|
| Termination benefits | 20,580 | 19,196 |
| Post-employment benefits | 18,442 | 18,395 |
| Jubilee benefits and part-time work by older staff | 4,557 | 4,099 |
| Taxes | 43 | 118 |
| Of which current | 43 | 118 |
| Of which deferred | 0 | 0 |
| Other | 17,283 | 20,322 |
| Total | 60,905 | 62,130 |

PROVISIONS FOR STAFF BENEFITS

An interest rate of 4.0 per cent *per annum* (2009: 4.75 per cent) was applied when calculating provisions for termination and post-employment benefits as of the reporting date. Plan assets were measured on the basis of an expected return on investment of 5.8 per cent *per annum* (2009: 5.8 per cent). We assumed future increases in salaries of 3.0 per cent *per annum* in the case of employees compensated outside the scope of collective agreements (2009: 3.0 per cent), of 4.0 per cent *per annum* in the case of employees compensated under collective agreements (2009: 4.0 per cent), and of 4.5 per cent *per annum* in the case of employees compensated under the transitional collective agreement (*Überleitungskollektivvertrag*) (2009: 4.5 per cent). We assumed an increase in pensioners' post-employment benefits of 2.5 per cent *per annum* (2009: 2.5 per cent). Increases in the salaries of members of the Managing Board were calculated individually. The biometrical basis for the computation of all provisions for 'social capital' was provided by *AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung* (computational framework for post-employment benefit insurance) – *Pagler & Pagler* using the variant for salaried employees. Calculations took place on the basis of the earliest possible retirement ages of men and women. Individual retirement ages were only taken into account when calculating the provision for part-time work by older staff.

Termination benefit obligations changed as follows:

| €'000 | 2010 | 2009 |
|--|---------------|---------------|
| Present value of defined benefit obligations at 1 January | 20,423 | 18,669 |
| Service cost | 1,160 | 1,050 |
| Interest cost | 946 | 1,050 |
| Termination benefit payments | (653) | (1,228) |
| Actuarial (gain)/loss for the financial year | 2,388 | 882 |
| Present value of defined benefit obligations at 31 December | 24,264 | 20,423 |
| Accumulated unrecognized actuarial gains/(losses) | (3,684) | (1,296) |
| Added for other termination benefit obligations | 0 | 69 |
| Provision balance at 31 December | 20,580 | 19,196 |

Post-employment benefit obligations changed as follows:

| €'000 | 2010 | 2009 |
|--|---------------|---------------|
| Present value of defined benefit obligations at 1 January | 63,303 | 58,981 |
| Service cost | 1,537 | 1,425 |
| Interest cost | 2,932 | 3,239 |
| Settlement payments and transfers | 0 | (727) |
| Transferred to defined contribution plan | (440) | (883) |
| Payments to beneficiaries | (3,015) | (2,944) |
| Actuarial/(gain) loss for the financial year | 7,051 | 4,212 |
| Present value of defined benefit obligations at 31 December | 71,368 | 63,303 |

Plan assets changed as follows:

| €'000 | 2010 | 2009 |
|---|---------------|---------------|
| Fair value of plan assets at 1 January | 35,523 | 33,112 |
| Expected return on the plan assets | 2,035 | 1,907 |
| Transferred to defined contribution plan | (412) | (967) |
| Contributions to plan assets | 746 | 907 |
| Retirement benefits paid from plan assets | (1,167) | (1,116) |
| Actuarial gain/(loss) for the financial year | (2,245) | 1,680 |
| Fair value of plan assets at 31 December | 34,480 | 35,523 |

Reconciliation of the present value of the post-employment benefit obligations and the fair value of the plan assets to recognized provisions:

| €'000 | 2010 | 2009 |
|---|---------------|---------------|
| Present value of defined benefit obligations at 31 December | 71,368 | 63,303 |
| Fair value of plan assets at 31 December | 34,480 | 35,523 |
| Net obligations | 36,888 | 27,780 |
| Accumulated unrecognized actuarial gains/(losses) | (18,446) | (9,385) |
| Provision balance at 31 December | 18,442 | 18,395 |

Breakdown of post-employment benefit obligations by source of financing:

| €'000 | 2010 | 2009 |
|--|---------------|---------------|
| Present value of the defined post-employment benefit obligations at 31 December | 71,368 | 63,303 |
| Of which directly financed obligations | 57,135 | 48,664 |
| Of which financial obligations financed via pension funds and/or insurers | 14,233 | 14,639 |

The plan assets were structured as follows:

| Per cent | 2010 | 2009 |
|--|---------------|---------------|
| Bonds and other fixed-interest securities | 50.23 | 57.62 |
| Shares and other variable-yield securities | 36.97 | 16.74 |
| Property | 1.56 | 0.99 |
| Other | 11.24 | 24.65 |
| Total | 100.00 | 100.00 |

The plan assets did not include any financial instruments issued by the RLB NÖ-Wien Group or other assets that were being utilized by the RLB NÖ-Wien Group.

Return on the plan assets:

| €'000 | 2010* | 2009 |
|------------------------------|-------|-------|
| Actual return on plan assets | (210) | 3,587 |

* The final allocation of the income from the plan assets attributable to the RLB NÖ-Wien Group will not be known until the annual financial statements of *Valida Pension AG* have been prepared. Consequently, the figure presented here is provisional.

Provisions for jubilee benefits and part-time work by older staff changed as follows:

| €'000 | 2010 | 2009 |
|--|--------------|--------------|
| Present value of defined benefit obligations at 1 January | 4,099 | 3,773 |
| Service cost | 264 | 220 |
| Interest cost | 188 | 208 |
| Payments | (302) | (359) |
| Actuarial/(gain) loss for the financial year | 308 | 257 |
| Present value of defined benefit obligations at 31 December | 4,557 | 4,099 |

Present values of the defined benefit obligations, fair values of the plan assets and experience adjustments:

| €'000 | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|--------|---------|--------|--------|--------|
| Termination benefits | | | | | |
| Obligations | 24,264 | 20,423 | 18,669 | 19,311 | 17,548 |
| Experience adjustments on obligations | (220) | 978 | 508 | (216) | (812) |
| Post-employment benefits | | | | | |
| Obligations | 71,368 | 63,303 | 58,981 | 61,738 | 59,505 |
| Plan assets | 34,480 | 35,523 | 33,112 | 32,412 | 36,956 |
| Net obligations | 36,888 | 27,780 | 25,869 | 29,326 | 22,549 |
| Experience adjustments on obligations | 728 | 1,844 | 1,638 | (407) | (425) |
| Experience adjustments on plan assets | 2,245 | (1,680) | 1,439 | 5,531 | 1,087 |
| Jubilees benefits and part-time work by older staff | | | | | |
| Obligations | 4,557 | 4,099 | 3,773 | 4,267 | 4,330 |
| Experience adjustments on obligations | 78 | (5) | 84 | 44 | (881) |

Estimate of amounts that will be paid into the plan in the ensuing year:

| €'000 | 2011 |
|--------------------------|-------|
| Post-employment benefits | (423) |

Breakdown of expenditure on defined contribution plans:

| €'000 | 2010 | 2009 |
|--|--------------|--------------|
| Expenditure on defined contribution plans | 1,317 | 1,170 |
| Of which on defined contribution plans (pension fund) | 828 | 750 |
| Of which on the staff benefit fund (<i>Mitarbeitervorsorgekasse</i>) | 489 | 420 |

OTHER PROVISIONS

The other provisions changed as follows:

| €'000 | 2010 | 2009 |
|-----------------------|---------------|---------------|
| At 1 January | 20,322 | 21,140 |
| Added | 9,808 | 12,735 |
| Released | (12,598) | (7,163) |
| Used | (249) | (6,390) |
| At 31 December | 17,283 | 20,322 |

Other provisions includes provisions for guarantees in the amount of €12,712 thousand (year-end 2009: €9,483 thousand) and provisions for customer risks in the Ukraine in the amount of €0 thousand (year-end 2009: €8,000 thousand).

(29) SUBORDINATED DEBT CAPITAL

| €'000 | 2010 | 2009 |
|---|----------------|----------------|
| Measured at amortized cost | 666,384 | 638,030 |
| Subordinated debt | 359,513 | 311,206 |
| Supplementary capital | 306,871 | 326,824 |
| Designated as at fair value through profit or loss | 87,355 | 77,860 |
| Subordinated debt | 87,355 | 77,860 |
| Total | 753,739 | 715,890 |

Subordinated liabilities were designated as at fair value through profit or loss if such a designation eliminated or substantially reduced mismatches in measurement or approach (accounting mismatches).

This applied to subordinated liabilities measured in the same way as interest rate derivative financial instruments using the fair value option. €554 thousand of the change in the fair values of these liabilities was attributable to changes in default risk (2009: €783 thousand). The carrying amount of these liabilities was €2,760 thousand higher than the contractually agreed repayment amount (2009: €757 thousand).

Furthermore, profit-share certificates (*Genussrecht*) furnished for an indefinite term but with the possibility of termination were included in this line item as subordinated debt designated as at fair value through profit or loss. These profit-share certificates evidence a contractual right to a portion of the assets in a specially created portfolio that is likewise designated as at fair value through profit or loss and recognized in the line item *Other current financial assets*. In the event of termination, the repayment amount will be the fair value and, therefore, the carrying amount reported here. Changes in the fair value thereof are attributable in their entirety to changes in the fair value of the assets in the portfolio.

With the exception of liabilities hedged against the exposure to interest rate risks in a fair value hedge, the other liabilities accounted for here were measured at amortized cost.

(30) EQUITY

| €'000 | 2010 | 2009 |
|---|------------------|------------------|
| Attributable to equity holders of the parent | 2,383,165 | 2,040,043 |
| Subscribed capital | 214,520 | 214,520 |
| Non-voting non-ownership capital (<i>Partizipationskapital</i>) | 76,500 | 76,500 |
| Capital reserves | 432,688 | 432,688 |
| Retained earnings | 1,659,457 | 1,316,335 |
| Minorities | 99 | 93 |
| Total | 2,383,264 | 2,040,136 |

In accordance with a decision made by the Annual General Meeting held on 30 April 2008, the Managing Board was authorized, subject to the Supervisory Board's approval, to raise the share capital of *RLB NÖ-Wien AG* in the period up to and including 30 April 2013 by up to €25,000 thousand through the issuance of up to 250,000 new, registered no-par shares. By virtue of this authority, the Managing Board decided, in a decision dated 17 November 2008, to raise the share capital of *RLB NÖ-Wien AG* by €15,323 thousand through the issuance of 153,228 new, registered voting no-par shares (ordinary shares) with a nominal value of €100.00 at an issue price of €1,738.00 per share. Under this authority, another 96,772 new registered no-par shares could be issued.

In 2008, *RLB NÖ-Wien AG* issued 765,000 registered non-voting non-ownership 'participation' certificates (*Partizipationsschein*) within the meaning of § 23 Abs. 3 Z. 8. in conjunction with Abs. 4 und Abs. 5 BWG. One such certificate has a nominal value of €100.00. The non-voting non-ownership capital has been furnished for the duration of the enterprise and rights of ordinary and extraordinary termination have been waived. This capital can only be reduced by virtue of the provisions of Austrian stock corporation law, applied *mutatis mutandis*, or in accordance with the provisions of § 102 BWG. Returns on the non-voting non-ownership capital will depend on profits. The distribution on the non-voting non-ownership capital in respect of the year 2010 was €3,825 thousand.

Because of the profit-transfer agreement in place with *Raiffeisen-Holding NÖ-Wien*, the principal equity holder of *RLB NÖ-Wien*, profit within the meaning of *UGB/BWG* (Austrian enterprises code and Austrian banking act) remaining after transfers to the contractually provided reserves and after making the fixed payment for the non-voting non-ownership capital is transferred to *Raiffeisen-Holding NÖ-Wien*. The transferable amount is booked as a liability. At the moment, the minority shareholders of *RLB NÖ-Wien* receive a guaranteed minimum dividend from *Raiffeisen-Holding NÖ-Wien* as recompense.

Equity management is an important component of the *RLB NÖ-Wien* Group's medium-term planning. This process is regularly reviewed and updated. The goal of equity management is to ensure a sustained supply of own funds so as to give timely support to the *RLB NÖ-Wien* Group's growth. The definition of equity is based on regulatory own funds requirements (see Note (50) *Regulatory own funds*). Pursuant to § 39a BWG, it is moreover still one of the legal duties of care imposed on banks to ensure that they have sufficient equity to protect themselves against all material banking and operational risks (see our remarks on *Central risk management and risk-bearing capacity* in Note (31) *Risks arising from financial instruments [Risk Report]*). There were no material changes in the equity management process during the financial year under review compared with the previous year. The legislative minimum own funds requirements as set out in *BWG* were adhered to throughout the financial year at both bank and Group level at *Raiffeisen-Holding NÖ-Wien*.

NOTES ON FINANCIAL INSTRUMENTS

(31) RISKS ARISING FROM FINANCIAL INSTRUMENTS (RISK REPORT)

The following notes on financial instruments contain disclosures of the nature and extent of risks arising from financial instruments in accordance with IFRS 7.B6.

RISK POLICY AND RISK MANAGEMENT

The integrated risk management process at RLB NÖ-Wien is based on the risk policy laid down by the Managing Board together with the accompanying strategies. Risk policy also includes the definition of risk management principles, the setting of limits for every material risk and risk monitoring procedures.

The professional management of the risks arising from financial instruments is a core task and, therefore, a decisive competitive factor for every bank. The ability of a financial institution to capture and measure all material risks and to monitor and manage them close to real time is paramount. RLB NÖ-Wien therefore sees risk management as a proactive corporate function. The primary focus is on optimizing risk and returns; in other words, on *managing opportunities and risks* and not just on *managing risks*. Subject to the needs of customer-orientated banking operations within the framework of RLB NÖ-Wien's 'advisor bank' concept and subject to the requirements of the legislative environment, RLB NÖ-Wien's risk policy and risk strategy mirror its conservative handling of banking risks and operational banking risks.

RISK MANAGEMENT AND RISK CONTROLLING

RLB NÖ-Wien employs well-established methods of risk management and risk controlling to ensure the bank's profitability and security in the interests of its customers and its equity holders.

RLB NÖ-Wien's risk management activities are based on clear responsibilities. Risk policy is an integral part of the bank's central management procedures, so earnings and risk management in all business divisions are systematically interlinked. All material risks in the Bank are captured and subjected to an optimized strategic management process taking account of the Bank's own funds position (covering assets).

Risk controlling and risk management units and special committees that act independently from front-office units support the Managing Board in the performance of its risk-related tasks. The Central Risk Committee (*Gesamtbankrisikorumde*) is the working committee that

analyzes the Bank's risk position and makes strategic risk decisions. The Bank's overall risk position is evaluated on the basis of analysis of its risk-bearing capacity and detailed reports on individual categories of risk. The strategic risk decisions involve laying down the limit systems for the bank as a whole and for individual business divisions. The Central Risk Committee consists of the Managing Board member responsible for the Risk Management and Organization Division, the Head of Credit Risk Management, the Head of the Special Accounts Management Unit (SOG: *Sondergestion*), who reports directly to the Managing Board, the Head of Treasury Mid-office, the heads of the Head Office departments that take risks, the Head of Accounts and Controlling, the Head of Internal Audit, the Head of Country and Bank Analysis (to help obtain risk information relating to sovereign and bank exposures) and a representative of *Raiffeisen-Holding NÖ-Wien*. It works under the leadership of the Head of the Central Risk Department, who reports directly to the Managing Board. This committee meets quarterly. Final decisions are made during meetings of the Managing Board and presented to the Supervisory Board on a quarterly basis by the Managing Board member responsible for risk.

The Central Risk Department (GBR: *Gesamtbankrisiko*) is part of the Risk Management and Organization Division. It reports directly to the responsible member of the Managing Board. This ensures that the Central Risk Department acts independently from front-office divisions. It is where all the pertinent risk analysis activities such as credit, market, liquidity, equity investment and operational risk analysis converge. Within the framework of the risk controlling process, the Treasury Mid-Office Department (TMO)—a Head Office department that is also a part of the Risk Management and Organization Division and, therefore, independent from the Treasury Department—carries out evaluations, monitors adherence to limits and analyzes and reports on trading books on a daily basis, passing the results on to the Managing Board. Adherence to market risk limits for the banking book is likewise monitored and analyzed on a daily basis. The continuous monitoring of risks is one of the core tasks of the Central Risk Department. Based on its monitoring activities, the different risks (including, in particular, credit, equity investment, market, liquidity and operational risks) are presented in an overall, aggregated view of the risk-bearing capacity analysis process.

All the tasks, bodies, reports, procedures and organizational units involved in the risk management process are defined and described in detail in the *Raiffeisen Holding Group's Risk Management Manual (Handbuch Risikomanagement)*. It is updated annually by the Central Risk Department in collaboration with Credit Risk Management, the Treasury Mid-office Department, Country and Bank Analysis and the Group Controlling and Risk Management Department at *Raiffeisen-Holding NÖ-Wien* and adopted by the Managing Board of RLB NÖ-Wien and the management of *Raiffeisen-Holding NÖ-Wien*.

This ensures that a coordinated process is in place within the Bank to capture, limit, measure, report and document risks.

As an integral part of the risk controlling and risk management system, the Internal Audit Department at RLB NÖ-Wien audits the effectiveness of RLB NÖ-Wien's internal control system. The Internal Audit Department's principal task is to audit and assess the effectiveness of workflows, processes and internal controls. The Internal Audit Department works without specific instructions, acting by order of RLB NÖ-Wien's Managing Board. This means that this department's audit procedures are performed by staff members who are not involved in operational workflows and, therefore, are not responsible for the results of the processes being monitored. This ensures that its evaluations and recommendations are objective.

CENTRAL RISK MANAGEMENT AND RISK-BEARING CAPACITY

During RLB NÖ-Wien's central risk management procedures, the bank's existing risk covering potential (profit, equity and hidden reserves) is compared with all its material risks (including, in particular, credit, market, liquidity, equity investment and operational risks). This comparison is carried out using well-established methods and employing appropriate systems. The Bank's risks are subdivided into three scenarios (normal case, problem case and extreme case). Covering assets are divided into four pools, with covering assets in pools one to three earmarked to cover the risks assumed within the scope of the three risk scenarios. The ring-fenced cover pool No. 4 is set aside to ensure RLB NÖ-Wien's continued existence as a going concern in an extreme, crisis situation. The intention is to ensure that, given the assumptions that have been made, sufficient covering assets will be available even in an unlikely extreme situation. The Bank's risk-bearing capacity sets a limit on its aggregated overall bank risk, and detailed risk limits are also laid down for individual risk categories and business segments. As is consistent with the main focuses of RLB NÖ-Wien's business activities, credit risk, market risk and liquidity risk are at the forefront of the risk management process. Because of their materiality, due attention is also given to the equity investment risks associated with RLB NÖ-Wien's equity investments in banking-related fields.

Market risk in the trading and banking books is measured on the basis of *value at risk* (VaR: the potential loss with a given probability over a specified holding period). Unexpected credit risk losses are assessed and analyzed both on a value at risk basis (for problem cases) and using scenario analysis techniques (for extreme cases). Appropriate attention is also paid to settlement risk within the scope of credit risk by way of a suitable limits system, numerous netting agreements and the settlement of transactions using settlement platforms.

Equity investment risks are measured on the basis of expert assessments that cover both problem cases and extreme cases.

The central risk management process also captures liquidity and operational risks.

As we have said, the central instrument that brings together and captures all risk-related information is the quarterly analysis of the Bank's risk-bearing capacity. This analysis is the starting point for our risk policy, which limits risky activities to a level that is appropriate to the Bank.

In the light of expectations regarding the future development of the markets, Risk Management again performed additional analyses during 2010. RLB NÖ-Wien prepared a Contingency Plan within the scope of which simulation analyses were carried out taking a number of scenarios into consideration and developing concrete measures to reduce or limit risks.

In addition, in conformity with ICAAP, we prepared a comprehensive risk profile of RLB NÖ-Wien that took into account every category of risk defined in the risk map.

CREDIT RISK

RLB NÖ-Wien defines credit risk as the risk that it might suffer a loss if a customer or counterparty fails to discharge a contractual obligation. On the one hand, credit risk results from traditional lending operations (loan losses with the consequent management of the loan exposure in response to any decline in creditworthiness). On the other, it results from trading in and acquiring market risk instruments (counterparty default risk in the case of derivatives).

Country risk is also a part of credit risk. Country risk and transfer risk involve a debtor failing to discharge a contractual obligation as a result of sovereign action by a state. Transfer risk also includes the risk that debts of a country in financial difficulties could be rescheduled (i.e. deferred for several years) under an international agreement. This risk is limited separately. The counterparty default risk associated with derivatives operations is also included in this risk category. Counterparty risk is minimized by netting (offsetting receivables and payables).

RLB NÖ-Wien sees itself as a financier operating in the Centrope region, which is also one focus of its business activities. RLB NÖ-Wien offers its customers all the usual credit products. As part of the strategic credit management process, the Managing Board formulates and implements all of the Bank's strategic goals and actions according to the risks concerned within the scope of a credit risk strategy. This is an integral part of the Bank's corporate and segmental strategies and

interacts with all other (sub-)strategies. Stipulation of the segments within the Bank where loans can be granted and specification of which products can be used to this end also take place here.

Credit risk is a major component of risk at RLB NÖ-Wien. Consequently, sales units are assisted by Credit Risk Management (KRM), which is a Head Office department. Its tasks are to provide support and perform a controlling role during the measurement and management of credit risk and to take on the management and realization of problem loan assets. The Special Accounts Management Unit, which reports directly to the Managing Board and answers directly to the Managing Board member responsible for the Risk Management and Organization Division, supports the risk management process by resolving problem loans.

Credit risk is handled by Credit Risk Management, which is a Head Office department. The activities this involves range from checking exposures before an application is made to minimizing damage in the event of an insolvency. If risky exposures need resolving, the job of processing them is transferred to the Special Accounts Management Unit, which reports directly to the Managing Board. Developing credit risk measurement systems (rating, scoring) is also the responsibility of Credit Risk Management.

Credit risks at RLB NÖ-Wien are monitored and analyzed both loan-by-loan for each customer and on a portfolio basis. Credit risk management processes and credit decisions are based on the risk policy approved by the Managing Board of RLB NÖ-Wien. Lending principles are laid down in writing in our Risk Manual (in the sections on risk policy and in the Risk Management Manual) which, in particular, contains business policy statements regarding credit scoring, collateral and return and risk requirements.

To safeguard its sustained market presence, RLB NÖ-Wien has an extensive credit limits system in place at the level of the Bank as a whole as well as spanning banks, countries and corporate customers. When looking at individual exposures, care is taken to ensure that the Bank's approval ceilings are kept below regulatory limits.

This means that an exposure greater than or equal to 7.5 per cent of RLB NÖ-Wien's own funds will already be submitted to the Supervisory Board for approval even if this is not a legislative requirement.

The risk content of an exposure is captured using an extensive rating system. Various model variants are employed, depending on what is required in the customer segments in question. When assessing creditworthiness, RLB NÖ-Wien employs the nationally developed *Raiffeisen* rating system as well as an additional retail customer scoring model that classifies risks and gauges default risk. The rating models use ten credit

quality classes and ten collateral classes, satisfying the requirements of *Basel II*.

The credit process and the involvement of experts from Credit Risk Management and Credit Back Office, both of which are Head Office departments, encompass every necessary kind of monitoring measure. Monitoring measures are built directly or indirectly into the workflows being monitored. Before a loan involving a risky exposure is approved, the Material Credit Control Department and the Balance Sheet and Corporate Analysis Department will be involved in the exposure assessment procedure as part of the credit risk management process; and before a loan to a bank or a loan involving country risk is approved, Country and Bank Analysis, an organizational unit, will also be involved in the exposure assessment procedure.

Alongside the determination of internal ratings within the framework of the loan approval process, collateral values are also checked based on a predetermined collateral assessment catalogue that lays down predefined risk charges. This catalogue is regularly reviewed and revised. Collateral is captured within the scope of a separate collateral management system and continuously reassessed. RLB NÖ-Wien's derivatives operations are integrated into the existing limits system. The Financial Services Department (FIS) performs collateral management for these operations on a daily basis. In risk areas, assessments are subjected to institutionalized plausibility checks in the course of the loan application process. The updating of internal ratings and the examination and analysis of risk positions both take place at regular intervals.

The periodic updating of ratings also includes regularly assessing the need to recognize impairment losses. Direct loan receivables that are highly unlikely to be recoverable require revaluation, taking assigned collateral into account, and provisions must be created for claims under guarantee credits. RLB NÖ-Wien has a default database that allows it to evaluate and analyze key risk parameters even more effectively.

Where an impairment exists, RLB NÖ-Wien statistically captures credit exposures within the scope of a restructuring process and the associated redefinition of terms and conditions.

Besides portfolio data, the Credit Risk Reports prepared by Credit Risk Management, a Head Office department, also show movements within the portfolio. Together with the results of risk-bearing capacity analysis, they provide the basis for appropriate steering and other measures.

The expected loss and the available collateral are reflected by the Bank's standard risk costs. Together with liquidity, own funds and unit costs, these are key variables in RLB NÖ-Wien's management performance calculations, which are prepared employing the *market interest rate method*. Taking these factors into account

places the necessary emphasis on the relationship between risk and return. Various analyses of the Bank's current risk profile are fixed components of its reporting activities.

Against the backdrop of the financial markets crisis and its effects, RLB NÖ-Wien has set up a special Problem Exposures Task Force. This group operates under the Head of Credit Risk Management, which is a Head Office department. It is made up of members of both front-office and banking and back-office units. Its role is to ensure that crisis events are observed, managed and overcome and that debts are collected. The task force meets as required.

Aggregated credit risk at the overall portfolio level is measured and managed on the basis of credit value at risk using a portfolio model. RLB NÖ-Wien's credit value at risk is calculated using Monte Carlo simulations. The credit value at risk is brought into the Bank's problem case risk-bearing capacity analysis process. When calculating credit value at risk within the scope of risk-bearing capacity analysis, RLB NÖ-Wien bases its calculations on a risk horizon of one year and a problem case confidence interval of 95 per cent. In extreme cases, expert valuations are obtained

The table below provides a breakdown of loans (credit exposures inclusive of guarantees and the positive fair values of derivatives) applying RLB NÖ-Wien's internal ratings (in thousands of euros):

| Internal rating | | 2010 | Per Cent | Impairment Charge Recognized on Item-by-item Basis | 2009 | Per Cent | Item-by-item Allowances for Impairment |
|-----------------|----------------------------|-------------------|--------------|--|-------------------|--------------|--|
| | | | | | | | |
| 0.5 | Minimal risk | 2,038,108 | 6.5 | 0 | 1,888,235 | 6.2 | 0 |
| 1 | Excellent credit standing | 3,077,142 | 9.8 | 0 | 4,274,145 | 14.0 | 0 |
| 1.5 | Very good credit standing | 17,012,351 | 54.1 | 67 | 15,458,688 | 50.7 | 4,085 |
| 2 | Good credit standing | 2,618,587 | 8.3 | 252 | 2,353,589 | 7.7 | 412 |
| 2.5 | Average credit standing | 2,083,162 | 6.6 | 158 | 1,859,881 | 6.1 | 239 |
| 3 | Mediocre credit standing | 1,981,361 | 6.3 | 2,398 | 2,212,250 | 7.3 | 2,207 |
| 3.5 | Weak credit standing | 1,003,965 | 3.2 | 9,478 | 1,081,631 | 3.6 | 14,515 |
| 4 | Very weak credit standing | 903,977 | 2.9 | 49,903 | 623,675 | 2.0 | 39,116 |
| 4.5 | Doubtful/high default risk | 264,651 | 0.9 | 78,515 | 235,136 | 0.8 | 80,371 |
| 5 | Default | 197,536 | 0.6 | 132,932 | 177,200 | 0.6 | 117,066 |
| | Unrated | 251,466 | 0.8 | 803 | 315,685 | 1.0 | 600 |
| Total | | 31,432,306 | 100.0 | 274,506 | 30,480,115 | 100.0 | 258,611 |

The charge for impairment of the portfolio came to €24,616 thousand in 2010, compared with €22,424 thousand in 2009.

The following table presents RLB NÖ-Wien's loan exposure net of impaired and past due accounts (in thousands of euros):

| Internal rating | | 2010 | Per Cent | 2009 | Per Cent |
|-----------------|----------------------------|-------------------|--------------|-------------------|--------------|
| | | | | | |
| 0.5 | Minimal risk | 2,038,108 | 6.6 | 1,888,235 | 6.3 |
| 1 | Excellent credit standing | 3,077,132 | 9.9 | 4,267,524 | 14.3 |
| 1.5 | Very good credit standing | 17,010,619 | 55.0 | 15,424,116 | 51.5 |
| 2 | Good credit standing | 2,616,260 | 8.5 | 2,346,215 | 7.8 |
| 2.5 | Average credit standing | 2,081,025 | 6.7 | 1,850,992 | 6.2 |
| 3 | Mediocre credit standing | 1,966,980 | 6.4 | 2,181,546 | 7.3 |
| 3.5 | Weak credit standing | 980,079 | 3.2 | 1,038,964 | 3.5 |
| 4 | Very weak credit standing | 779,225 | 2.5 | 545,025 | 1.8 |
| 4.5 | Doubtful/high default risk | 105,798 | 0.3 | 69,114 | 0.2 |
| 5 | Default | 24,226 | 0.1 | 25,727 | 0.1 |
| | Unrated | 246,835 | 0.8 | 310,764 | 1 |
| Total | | 30,926,287 | 100.0 | 29,948,222 | 100.0 |

The following table presents total loans and advances and financial investments that entailed credit risk:

| €'000 | Loans and Advances to Customers | | Loans and Advances to Other Banks | | Financial Investments | |
|---------------|------------------------------------|-----------|--------------------------------------|------------|-----------------------|-----------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Loan exposure | 9,680,435 | 8,696,138 | 12,188,513 | 12,758,222 | 3,499,629 | 3,229,975 |

Appropriate impairment losses were also recognized on problem exposures (non-performing loans²). By region, customer exposures thus broke down as follows:

| €'000 | Austria | | CENTROPE Region | | Rest of EU | | Other | |
|---|------------|------------|-----------------|---------|------------|-----------|---------|---------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Financial Institutions | 10,194,655 | 10,292,773 | 161,174 | 167,675 | 1,113,206 | 1,250,882 | 305,340 | 247,593 |
| Non-performing | 0 | 0 | 0 | 0 | 630 | 1,019 | 11,115 | 18,162 |
| Impairment charge on loans and advances | 0 | 0 | 0 | 0 | 630 | 745 | 11,115 | 14,500 |
| Corporate Customers | 6,137,158 | 5,635,578 | 532,793 | 409,992 | 620,030 | 511,319 | 229,782 | 254,648 |
| Non-performing | 311,260 | 346,487 | 170 | 262 | 38,129 | 6,880 | 7,889 | 13,457 |
| Impairment charge on loans and advances | 151,811 | 144,974 | 35 | 0 | 17,634 | 2,900 | 3,320 | 7,594 |
| Retail Customers | 1,439,163 | 1,319,442 | 2,826 | 2,821 | 14,997 | 13,533 | 16,001 | 14,872 |
| Non-performing | 138,166 | 141,398 | 10 | 19 | 583 | 1,827 | 1,425 | 1,076 |
| Impairment charge on loans and advances | 88,169 | 85,749 | 5 | 5 | 377 | 1,306 | 1,015 | 839 |
| Sovereigns | 1,016,763 | 1,232,110 | 0 | 0 | 0 | 0 | 165 | 184 |
| Non-performing | 0 | 4,992 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment charge on loans and advances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 82,957 | 100,094 | 0 | 1 | 1,010 | 24 | 928 | 33 |
| Non-performing | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment charge on loans and advances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

² *Non-performing* loans were defined applying the definition of past due contained in *Basel II* (i.e. inclusive of loans past due for more than 90 days). The figures for 2009 have been restated accordingly.

The following table presents RLB NÖ-Wien's past due customer balances (in thousands of euros):

| Internal Rating | 2010 | Per Cent | 2009 | Per Cent |
|--------------------------------|----------------|--------------|----------------|--------------|
| 0.5 Minimal risk | 0 | 0.0 | 0 | 0.0 |
| 1 Excellent credit standing | 10 | 0.0 | 6,621 | 2.4 |
| 1.5 Very good credit standing | 968 | 0.4 | 29,978 | 11.1 |
| 2 Good credit standing | 2,072 | 1.0 | 6,966 | 2.6 |
| 2.5 Average credit standing | 1,834 | 0.9 | 8,592 | 3.2 |
| 3 Mediocre credit standing | 8,804 | 4.1 | 26,674 | 9.8 |
| 3.5 Weak credit standing | 7,876 | 3.6 | 17,312 | 6.4 |
| 4 Very weak credit standing | 30,612 | 14.2 | 18,862 | 7.0 |
| 4.5 Doubtful/high default risk | 11,647 | 5.4 | 32,696 | 12.1 |
| 5 Default | 151,536 | 70.3 | 122,745 | 45.3 |
| Unrated | 172 | 0.1 | 198 | 0.1 |
| Total | 215,531 | 100.0 | 270,644 | 100.0 |

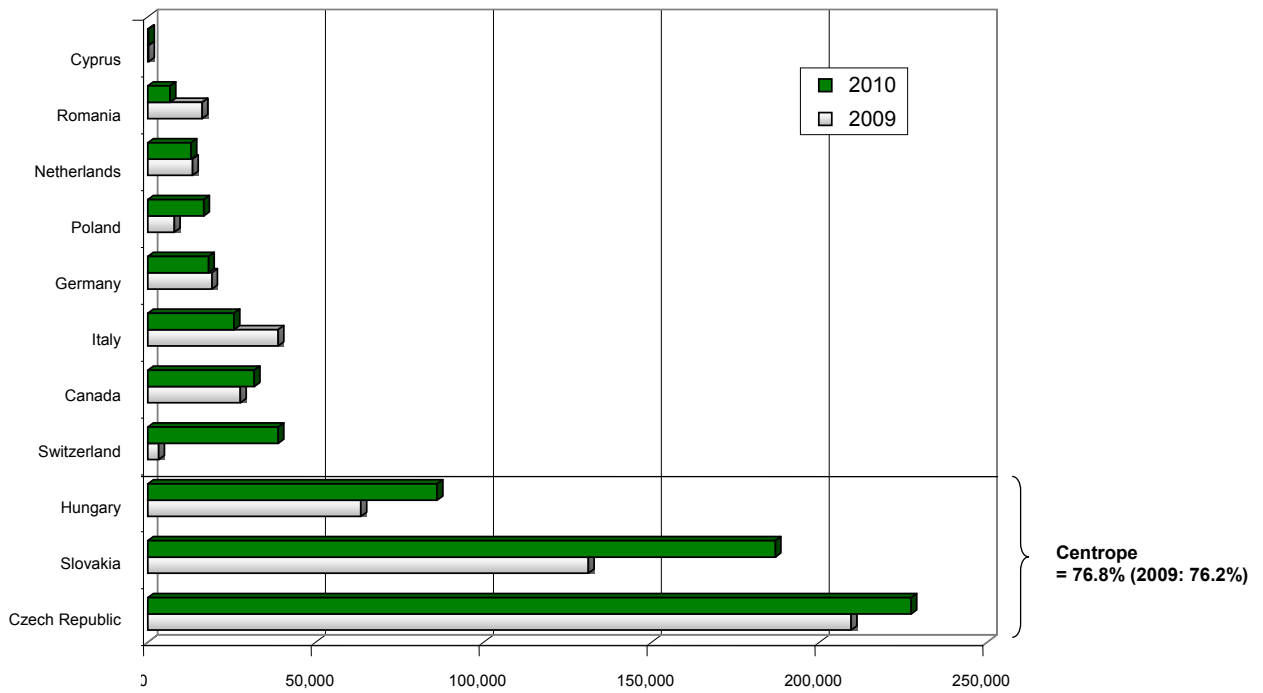
At the end of the 2010 financial year, impairment losses had not been recognized on past due customer balances totalling €54,200 thousand (year-end 2009: €106,539 thousand).

| Past Due | 2010 | Per Cent | 2009 | Per Cent |
|---------------|---------------|--------------|----------------|--------------|
| Up to 30 days | 31,146 | 57.5 | 38,940 | 36.5 |
| 31 – 60 days | 3,644 | 6.7 | 8,427 | 8.0 |
| 61 – 90 days | 1,319 | 2.4 | 5,045 | 4.7 |
| > 90 days | 18,091 | 33.4 | 54,127 | 50.8 |
| Total | 54,200 | 100.0 | 106,539 | 100.0 |

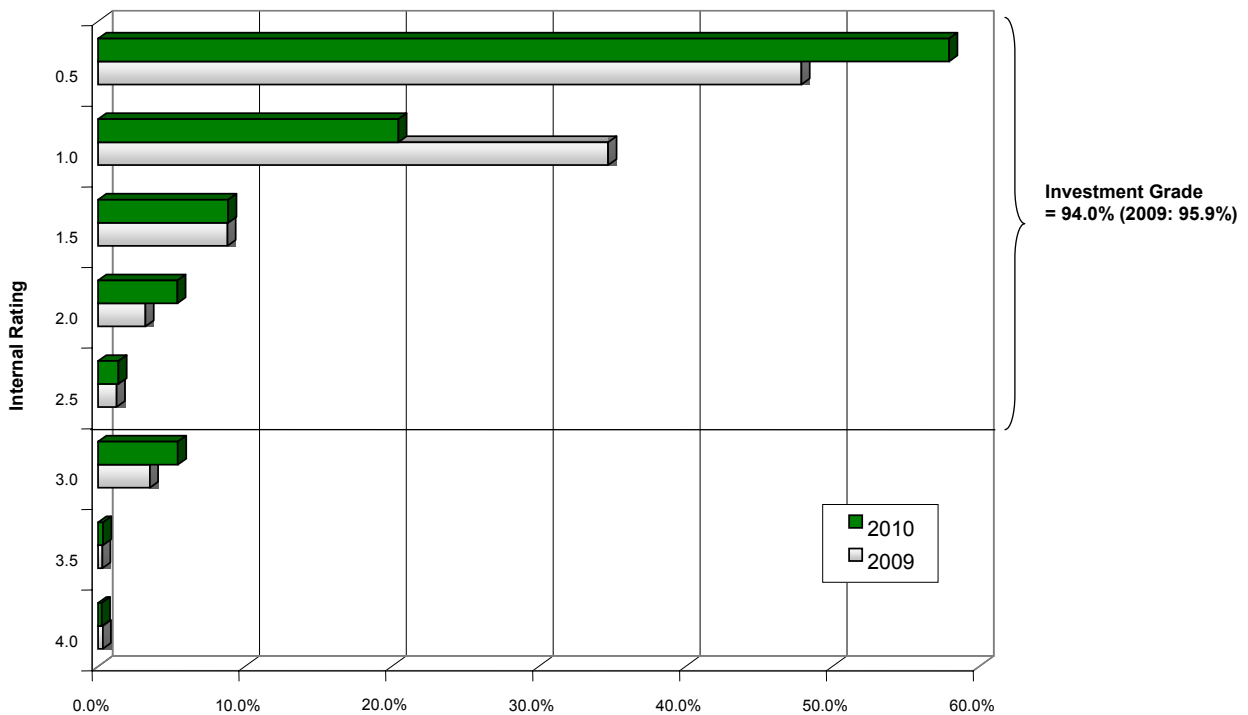
At year-end 2010, the proportion of real estate loans in RLB NÖ-Wien's total loan portfolio came to €3,210,932 thousand (year-end 2009: €2,539,767 thousand).

| Category | 2010 | | | | 2009 | | | |
|--|------------------|--------------|----------------|--------------|------------------|--------------|----------------|--------------|
| | Austria | Per Cent | Abroad | Per Cent | Austria | Per Cent | Abroad | Per Cent |
| Residential (subsidized) | 537,996 | 21.0 | 0 | 0.0 | 330,194 | 16.4 | 0 | 0.0 |
| Residential (financed without subsidies) | 719,896 | 28.1 | 37,440 | 5.8 | 655,046 | 32.6 | 36,185 | 6.8 |
| Commercial (tourism) | 173,049 | 6.8 | 135,076 | 20.7 | 118,796 | 5.9 | 115,799 | 21.8 |
| Commercial (shopping centres) | 274,637 | 10.7 | 152,657 | 23.4 | 162,869 | 8.1 | 123,962 | 23.3 |
| Commercial (offices) | 443,826 | 17.4 | 122,037 | 18.7 | 358,765 | 17.9 | 86,460 | 16.3 |
| Other | 409,911 | 16.0 | 204,407 | 31.4 | 382,919 | 19.1 | 168,772 | 31.8 |
| Total | 2,559,315 | 100.0 | 651,617 | 100.0 | 2,008,589 | 100.0 | 531,178 | 100.0 |

At year-end 2010, most of the real estate loan exposure, namely 79.7 per cent, was Austrian (year-end 2009: 79.1 per cent). Just 20.3 per cent of the real estate loan portfolio was foreign (year-end 2009: 20.9 per cent). A breakdown of this foreign real estate loan exposure by country shows a strong predominance of the Centrope region.

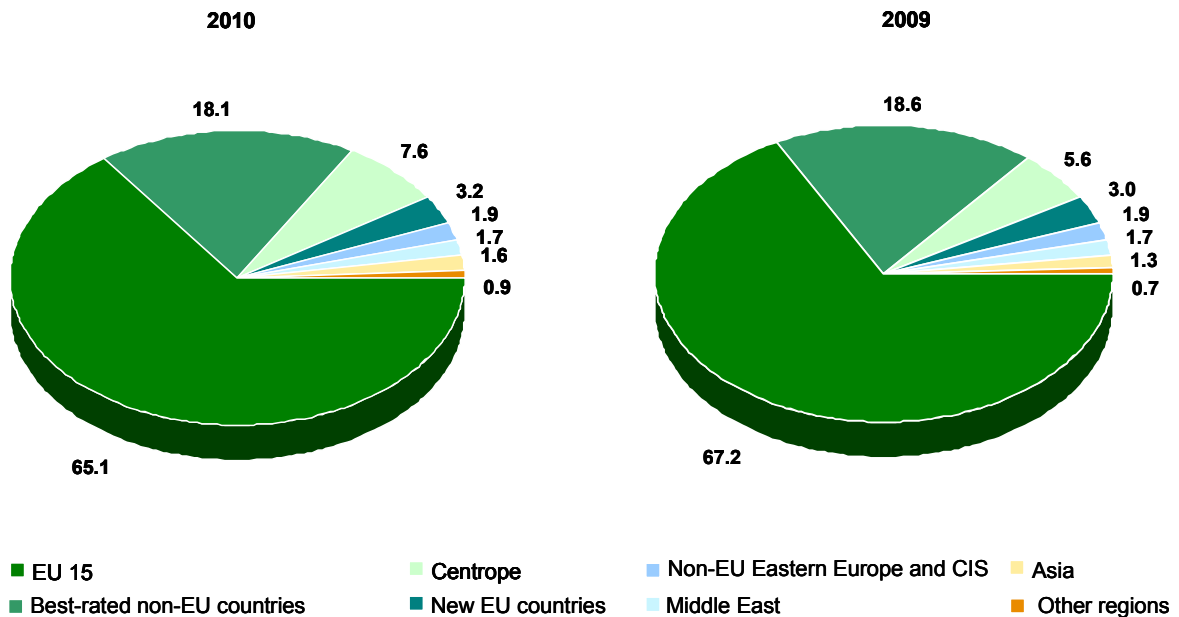


The chart below depicts the percentage distribution of country limits based on internal ratings in the 2010 financial year and, by way of comparison, in the 2009 financial year:

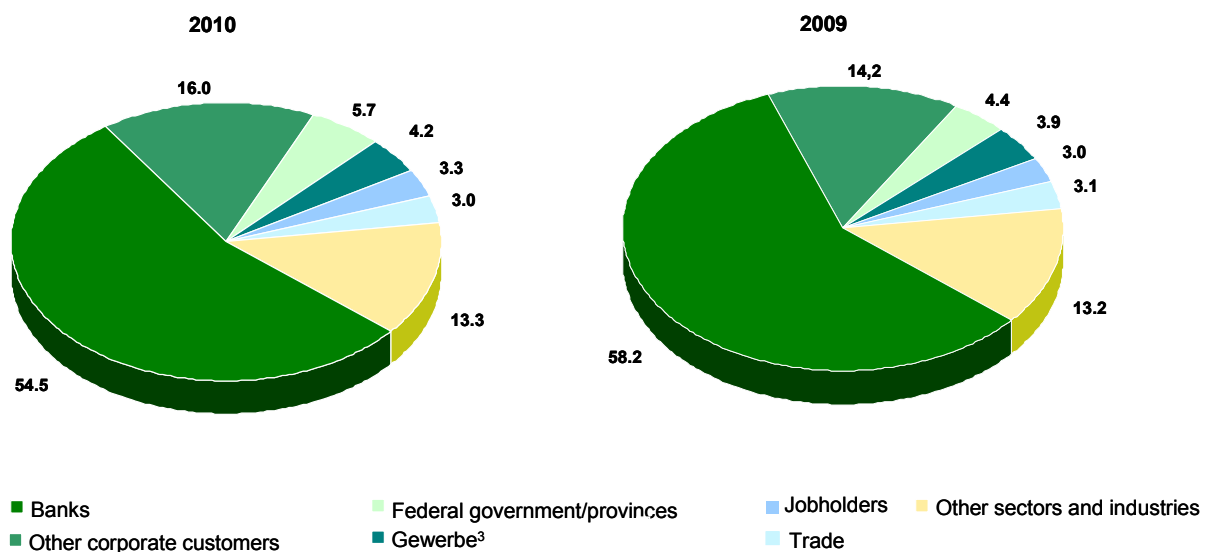


Risk concentrations at RLB NÖ-Wien are also monitored within the scope of country risk measurements and limited by way of special country limits. At the end of 2010, 94.0 per cent of the approved country exposures were in investment grade classes and a total of 87.2 per cent were assigned to one of the three best rating classes (0.5 to 1.5).

We will now look at the regional distribution of country limits. The charts below depict the percentage distributions of country limits in 2009 and 2010. *Best-rated non-EU countries* includes countries like the United States, Japan and Singapore that have *Moody's* ratings of at least Aa3.



We monitor branch and industry concentrations with the help of regular sector and industry analyses. The following charts provide breakdowns of the Bank's loan exposure by sector and industry group (in per cent):



When analyzing the country risks captured by credit risk evaluations, RLB NÖ-Wien draws, *inter alia*, upon the professional support of the Financial Institutions, Country Risk and Portfolio Management Department at *RBI*. Among other things, the resulting internal country ratings provide the basis for RLB's own country limits system, which applies in every organizational unit within the enterprise. RLB NÖ-Wien also cooperates closely with *RBI*'s Financial Institutions Analysis Department when analyzing banking risks. Moreover, RLB NÖ-Wien has access to *RBI*'s country and bank rating pool through a database. Since the financial markets crisis in 2008, exposures to other banks have undergone additional detailed scrutiny. The resulting risks are also brought into the assessment of overall bank risk within the framework of the risk-bearing capacity analysis process.

³ Within the meaning of Austria's *Gewerbeordnung* (commercial code). Given the specific nature of some of the terms used in this breakdown, the reader is advised to refer to the German original if greater precision is desired

RLB NÖ-Wien has reached contractual agreements with its customers in the corporate customers and retail banking segments regarding collateral, which takes the form of guarantees and other assets. When assessing collateral, the Bank makes allowance for its type, quality and realizability and the time needed for realization by carrying out appropriate collateral write-downs.

The following table presents the structure of collateral given to RLB NÖ-Wien (in thousands of euros):

| Category of Collateral | 2010 | Per Cent | 2009 | Per Cent |
|-------------------------|------------------|--------------|------------------|--------------|
| Land register | 3,475,958 | 36.3 | 2,812,041 | 36.9 |
| Securities | 309,626 | 3.2 | 241,800 | 3.2 |
| Financial products | 701,948 | 7.3 | 896,039 | 11.7 |
| Insurance | 185,760 | 2.0 | 167,753 | 2.2 |
| Other rights and claims | 695,744 | 7.3 | 495,877 | 6.5 |
| Guarantees | 4,204,461 | 43.9 | 3,017,142 | 39.5 |
| Total | 9,573,497 | 100.0 | 7,630,652 | 100.0 |

RLB NÖ-Wien does not directly purchase any collateral provided by customers. If collateral cannot immediately be realized, the Bank has subsidiaries through which such transactions take place. Any proceeds from the realization of collateral are netted off against the corresponding loan accounts when the collateral is realized. The corresponding parts of a loan are treated as having been secured prior to realization.

MARKET RISK

Market risk results from movements in market prices. These lead to fluctuations in the fair values of or future cash flows from financial instruments. RLB NÖ-Wien defines interest rate risks, currency risks, other price risks and volatility risks as market risks.

RLB NÖ-Wien has a trading book of short-term interest rate and currency transactions. Medium-term to long-term transactions are classified as part of the banking book.

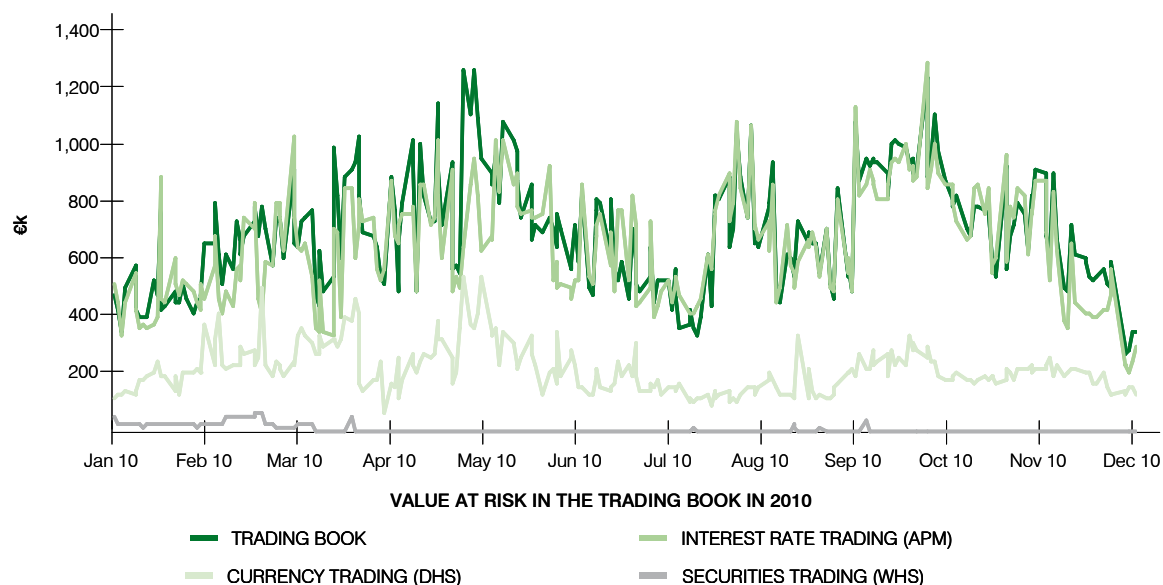
Market risk in the trading and banking books is measured using the customary *value at risk* approach (VaR: the potential loss with a given probability over a specified holding period). In addition, the banking book undergoes gap analysis, and basis point values (BPVs) are calculated for each currency.

RLB NÖ-Wien has an extensive system of lines and limits for all trading and banking book portfolios made up of the Treasury Limits Framework and the Products, Services, Limits and Markets Catalogue. These regulatory tools limit market risk for each type of transaction and for each portfolio. In this risk category, value at risk and sensitivity limits have been defined to mitigate risks and stop-loss limits have been defined to limit the risk of losses.

The limits system is updated annually by the Managing Board on the basis of recommendations made by Treasury Mid-office, which is a Head Office department. Adherence to this limits system is monitored daily by Treasury Mid-office to ensure that limits are observed.

MARKET RISK IN THE TRADING BOOK

The Managing Board of RLB NÖ-Wien receives daily value at risk (VaR) reports containing information about current limit utilization in the trading book as a whole and in the individual portfolios within the trading book.



The chart shows risk in the trading book and in its various sub-portfolios (interest rate trading, proprietary trading, flow, securities and currency sales) on a daily basis in terms of 99 per cent one-day value at risk. Daily worst-case analyses are also carried out, providing information about losses in extreme cases and showing how big the risk of losses on interest rate, currency and securities trading was in the course of 2010. To take an example, a value at risk of €200,000 means that, on the particular day of trading, the Bank would, with a probability of 99 per cent, not have been able to lose more than €200,000 on trading operations. This figure says nothing about the amount of the Bank's actual gain or loss on the day in question.

To keep risk in the trading book as small as possible, very narrow limits were set at the beginning of the year. Value at risk in the trading book arises primarily from the value at risk associated with interest rate trading. Trading by the Securities and Currency Sales Department consists mainly of trading as an intermediary, so it does not contribute to risk. There were sharp peaks in value at risk in the trading book in May and October. These were linked to the crisis in the so-called *peripheral countries*.

The reliability of the VaR approach, which is based on historical data, is verified by daily backtesting and added to and continuously improved by weekly stress tests.

The table below presents the Bank's VaR at 31 December 2010 (99%, 1-day) and the comparative figures for 31 December 2009 as shown in the chart above:

| €'000 | VaR at 31/12/2010 | VaR at 31/12/2009 |
|-----------------------|-------------------|-------------------|
| Trading book (total) | 345 | 484 |
| Interest rate trading | 296 | 488 |
| Currency trading | 124 | 95 |
| Securities trading | 1 | 50 |

The value-at-risk figures that we obtain forecast maximum losses under normal market conditions but do not provide any information about the effects of exceptional, extreme market movements. Such events are taken account of using stress tests that capture the biggest

daily market movements in the preceding six years. This allows the simulation of crisis situations and major fluctuations in market parameters. The simulations are then applied to portfolio positions.

The table below shows the Bank's VaR (99%, 10-day) for market risk in the trading book:

| €'000 | VaR at 31/12/2010 | Average VaR | Minimum VaR | Maximum VaR |
|--------------------|-------------------|-------------|-------------|-------------|
| Interest rate risk | 982 | 2,005 | 39 | 4,272 |
| Currency risk | 21 | 254 | 21 | 1,278 |
| Price risk | 392 | 304 | 48 | 922 |

| €'000 | VaR at 31/12/2009 | Average VaR | Minimum VaR | Maximum VaR |
|--------------------|-------------------|-------------|-------------|-------------|
| Interest rate risk | 1,986 | 1,207 | 311 | 2,664 |
| Currency risk | 134 | 384 | 23 | 1,894 |
| Price risk | 592 | 427 | 81 | 810 |

MARKET RISK IN THE BANKING BOOK

Interest rate risk is managed centrally by Treasury, a Head Office department, which systematically aggregates and manages all interest rate positions. They are captured on the basis of internal contracts. In the case of large exposures, these are specifically agreed between customer account managers and the Treasury Department. Retail business is captured by the Bank's internal systems.

Interest rate risk is managed using gap analysis. Treasury Mid-office, a Head Office department, carries out

VaR and scenario analyses on the basis of this gap analysis. The scenarios are based on the recommendations of the *Finanzmarktaufsicht* (Austrian Financial Market Authority) and *OeNB* (Austrian *Nationalbank*) as well as the Basel Committee on Banking Supervision. The Asset Liability Committee meets once a month. During its meetings, market risks in the banking book are reported and it decides on the Bank's interest rates projection and interest rates policy.

The following interest rate gaps mirror the structure of the Bank's interest rate dependent operations, which are a product of the Asset Liability Committee's interest rates projection. (Positive numbers mean that RLB NÖ-Wien receives fixed rates, whereas negative numbers mean that it pays them.)

RLB NÖ-Wien's interest rate gaps at 31 December 2010 (in thousands of euros):

| Interest Rate Gap | 6 – 12 Months | 1 – 2 Years | 2 – 5 Years | > 5 Years |
|-------------------|---------------|-------------|-------------|-----------|
| EUR | 510,319 | (273,909) | 620,899 | (220,892) |
| USD | (16,466) | (196,425) | (52,080) | 129,459 |
| JPY | 75,216 | (238) | (713) | 0 |
| CHF | (24,118) | 20,364 | (1,938) | 8,544 |
| Other | 781 | (1,629) | (4,939) | 0 |

RLB NÖ-Wien's interest rate gaps at 31 December 2009 (in thousands of euros):

| Interest Rate Gap | 6 – 12 Months | 1 – 2 Years | 2 – 5 Years | > 5 Years |
|-------------------|---------------|-------------|-------------|-----------|
| EUR | 194,444 | (355,311) | 198,338 | 426,052 |
| USD | (23,029) | (6,072) | (17,728) | 14,604 |
| JPY | (117,617) | (12) | (35) | 0 |
| CHF | (712,166) | 132,084 | (1,647) | 32,322 |
| Other | (4,820) | (451) | (1,319) | 0 |

Market risk is managed in line with the Bank's interest rates projection. Banking book performance and risk analyses take place on a *total return* basis. In other words, they also look at changes in the present value of RLB NÖ-Wien's banking book alongside the profit from maturity transformation (*Strukturbeitrag*), ensuring the sustained flexibility and profitability of its maturity trans-

formation activities. To capture present value risk, interest rate gaps are recognized and measured like fixed-interest bonds or fixed-rate funding: positive values are treated like bonds, and negative values are treated like funding. Present value risk is calculated using a value at risk model to gauge the possible impact of a change in interest rates on the enterprise's profit or loss.

| 31/12/2010 | Holding Period | Confidence interval: 95% | |
|-------------|----------------|--------------------------|--------------|
| Portfolio | | Banking Book | Trading Book |
| RLB NÖ-Wien | 180 days | 18,912 | 1,876 |

| 31/12/2009 | Holding Period | Confidence interval: 95% | |
|-------------|----------------|--------------------------|--------------|
| Portfolio | | Banking Book | Trading Book |
| RLB NÖ-Wien | 180 days | 27,807 | 4,310 |

Changes in present value in RLB NÖ-Wien's banking book at 31 December 2010 given a parallel, one-basis-point rise in interest rates: a positive number means that a rise in interest rates will cause an increase in present value; a negative number shows the loss in present value caused by a one-basis-point rise in interest rates (in thousands of euros). This change in present value mirrored the basis point value:

| Interest Rate Gap | 6 – 12 Months | 1 – 2 Years | 2 – 5 Years | > 5 Years |
|-------------------|---------------|-------------|-------------|-----------|
| EUR | (49.16) | 52.97 | (234.80) | 162.63 |
| USD | 38.08 | 5.09 | 16.92 | (110.12) |
| JPY | (7.19) | 0.05 | 0.28 | 0.00 |
| CHF | 2.31 | (3.96) | 0.31 | (2.30) |
| Other | (0.07) | 0.31 | 1.88 | (0.02) |

Changes in present value in RLB NÖ-Wien's banking book at 31 December 2009 given a parallel, one-basis-point rise in interest rates (in thousands of euros):

| Interest Rate Gap | 6 – 12 Months | 1 – 2 Years | 2 – 5 Years | > 5 Years |
|-------------------|---------------|-------------|-------------|-----------|
| EUR | (16.90) | 66.18 | 4.09 | (564.14) |
| USD | 1.12 | 1.64 | 4.67 | (15.76) |
| JPY | 10.09 | 0.00 | 0.01 | 0.00 |
| CHF | 61.29 | (24.42) | 0.58 | (37.85) |
| Other | 0.42 | 0.08 | 0.50 | 0.11 |

Regulatory standards require the monthly simulation of the effects of interest rate shocks on the economic capital requirements for the banking book and trading book. The stress test used is a sudden and unexpected parallel shift in interest rates of plus 200 basis points. The maximum effect of this change in interest rates at 31 December 2010 would have been €16,913 thousand, implying a decline of 1.01 per cent in our regulatory own funds in 2010.

Derivative positions are a major cause of market risk. The risk content of derivative contracts is analyzed daily and the results are included in daily reports to the Managing Board. This ensures that the Managing Board too is kept informed about these transactions on a real-time basis. Note (32) *Derivative financial instruments* provides a detailed overview of their structure.

CURRENCY RISK

RLB NÖ-Wien's currency risks are managed centrally within the Treasury Department, a Head Office department, by the Proprietary and Flow Trading Department. Currency risks are limited by a system of limits (VaR limit, sensitivity limits and a stop-loss limit) detailed in the Treasury Limits Framework.

As a result, all foreign currency positions are constantly monitored, controlled and managed.

LIQUIDITY RISK

Liquidity risk is the risk that the Bank may not be able to meet its current and future financial obligations in full or in time and that, if the market is not sufficiently liquid, transactions may not be possible or may only be possible on less favourable terms.

Liquidity risk includes insolvency risk (liquidity risk in the narrow sense of the term), liquidity maturity transformation risk and the risk of regulatory sanctions and penalties for failure to observe minimum requirements (e.g. the minimum reserve requirement). Insolvency risk (liquidity risk in the narrow sense of the term) includes maturity risk (the risk of an unplanned lengthening of the period for which capital items treated as assets are tied up) and withdrawal risk (the risk of premature withdrawals of deposits, unexpected drawdowns on promised lines of credit). Liquidity maturity transformation risk includes market liquidity risk (balance sheet assets cannot be sold or can only be sold on poorer terms) and funding cost risk (follow-up funding is impossible or is only possible on poorer terms).

Since 2007, funding cost risks have been captured on a scenario analysis basis within the scope of the risk-bearing capacity analysis process.

Being solvent at all times is a central focus at RLB NÖ-Wien. To achieve this, RLB NÖ-Wien, *Raiffeisen-Holding NÖ-Wien* and the *Raiffeisen Banks* in Lower Austria have had an appropriate joint limits system in place since 2007. RLB NÖ-Wien has assumed responsibility for liquidity management for the *NÖ-Wien Raiffeisen Banking Group* (*Raiffeisen-Holding NÖ-Wien*, RLB NÖ-Wien and the *Raiffeisen Banks* in Lower Austria) and prepares regular liquidity profiles. Liquidity risk is measured on the basis of the aggregated data for the *NÖ-Wien Raiffeisen Banking Group* (*RBG NÖ-Wien*) and the appropriate shares are applied in the appropriate amounts within the scope of risk-bearing capacity analysis processes at the *Raiffeisen-Holding NÖ-Wien Group*, *Raiffeisen-Holding NÖ-Wien* and RLB NÖ-Wien. Taking into account recommendations 1 – 18 of the CEBS Liquidity Risk Management Papers (CEBS 2008 147) and FMA's liquidity risk management directive, which entered into force on 31 December 2010, the liquidity risk manage-

ment agreement in place within *RBG NÖ-Wien* and the liquidity risk model based upon it were already amended as of 31 March 2010.

RBG NÖ-Wien's liquidity position is observed under various scenarios, differentiating between normal case, crises of reputation, systemic crises and combined crisis scenarios. All the scenarios assume that no new business will be done in the present situation. The scenarios that are applied to each of the assumed stress situations differ in their effects on the cash flow balance sheet (including both on-balance sheet and off-balance sheet positions).

When looking at risks, the existing liquidity gaps (surplus inflows and outflows of funds) in each of the defined maturity bands are compared with the liquidity buffer available at the time—comprising a pool of highly liquid assets (tenderable securities, credit claims, etc.)—in the light of the defined scenarios.

In general, there is a strong focus on safeguarding liquidity within a defined survival period. It must be ensured by RLB NÖ-Wien's available liquidity buffer and will be founded on the existing limits system. The survival period has been set at three months.

The measurement model is regularly revised and adapted to changing conditions. RLB NÖ-Wien is currently working on the implementation of early-warning indicators that will allow the early recognition of possible future liquidity risks and liquidity bottlenecks.

RLB NÖ-Wien has a detailed limits system in place to mitigate liquidity risk. In line with CEBS guidelines, it differentiates between three liquidity indicators: **'short-term liquidity transformation'**, **'structural liquidity transformation'** and **'gap over assets'**.

'Short-term liquidity transformation' (known internally as O-LFT) describes short-term liquidity from one to 18 months. It is the quotient of assets to liabilities in the accumulated maturity bands within this period. When calculating O-LFT, off-balance sheet items and the liquidity buffer are also taken into account on the assets side of the equation. This indicator shows whether a bank will be able to meet its short-term financial obligations without new business (funding rollovers).

The second model, **'structural liquidity transformation' (known internally as S-LFT)**, presents the long-term liquidity position of all participants at RBG NÖ-Wien for maturities from 18 months. It is the quotient of assets to liabilities for maturity bands from 18 months to more than 15 years on a band-by-band basis and presented in an aggregated form. When calculating the S-LFT indicator, off-balance sheet items and the liquidity buffer are also taken into account on the assets side of the equation. This indicator presents the matched maturity funding of long-term assets.

The third indicator used to monitor liquidity risk is the 'GBS quotient' or 'gap over assets'. Gap over assets is the quotient of net positions in each maturity band to balance sheet assets. It exposes any excessive funding risk in a specific maturity band.

In addition to the system of indicators we have described, the Central Risk Department calculates and reports RLB NÖ-Wien's short-term funding limit on a daily basis, comparing the current daily need to raise funds in the interbank market with the available tenderable securities.

Account is also taken of the stronger focus on RLB NÖ-Wien's short-term liquidity by way of the weekly liquidity

reports to *OeNB*, which are also reported to the ensuing Managing Board meeting. Expected incoming payments are compared with expected outgoing payments and with the available liquidity buffer (dynamic approach).

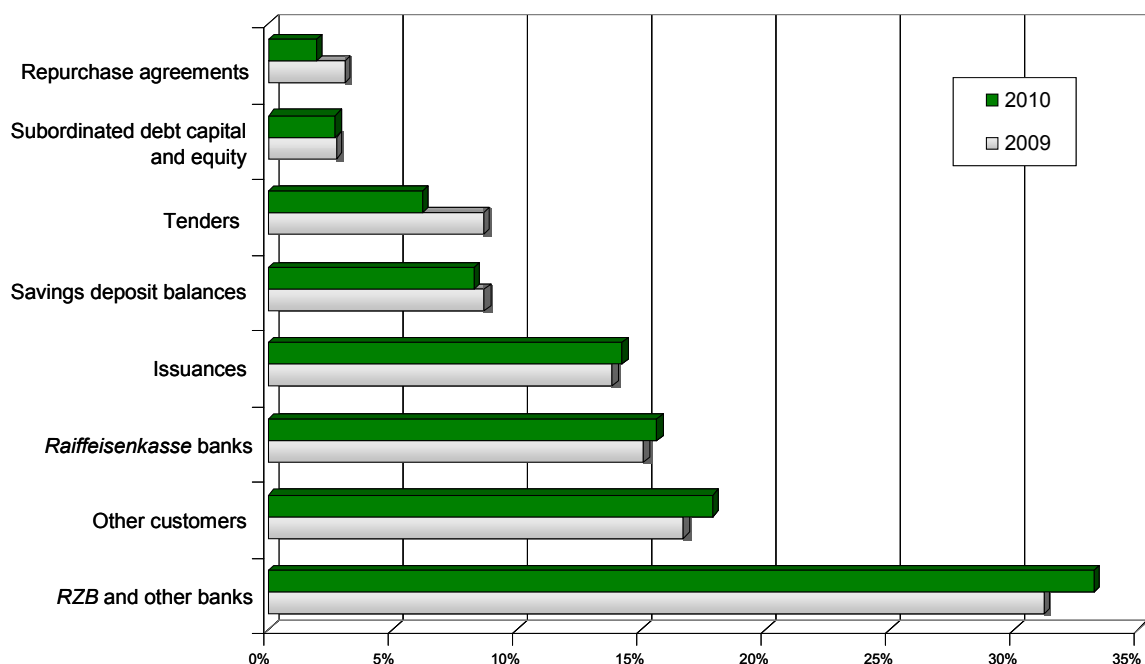
In addition, an appropriate emergency plan has been put in place to deal with any crises. If necessary, it will be put into effect by the Liquidity Management (LIMA) Committee. Liquidity is managed centrally by RLB NÖ-Wien's Treasury Department, which is a Head Office department.

The tables below present RLB NÖ-Wien's structural liquidity in 2010 compared with 2009:

| €'000 | | | | | | | 31/12/2010 | |
|---------------|----------------|---------|-----------|-------------------------|--------|-------------|------------|--|
| Maturity Band | Gap (Absolute) | GBS | GBS Limit | Accumulated from Behind | S-LFT | S-LFT Limit | | |
| 18 months | 147,705.02 | 0.49% | (10%) | 482,042.61 | | | | |
| 2 years | (550,611.17) | (1.83%) | (10%) | 334,337.59 | 96.54% | > 80% | | |
| 3 years | 550,109.75 | 1.82% | (10%) | 884,948.76 | 93.02% | > 70% | | |
| 5 years | 668,690.23 | 2.22% | (10%) | 334,839.01 | | | | |
| 7 years | (913,594.68) | (3.03%) | (10%) | (333,851.22) | 96.81% | > 60% | | |
| 10 years | (963,704.69) | | | 579,743.46 | | | | |
| 15 years | 630,124.07 | | | 1,543,448.15 | | | | |
| 20 years | 55,171.23 | | | 913,324.08 | | | | |
| 30 years | 390,095.51 | | | 858,152.85 | | | | |
| > 30 years | 468,057.34 | | | 468,057.34 | 88.45% | > 50% | | |

| €'000 | | | | | | | 31/12/2009 | |
|---------------|----------------|---------|-----------|-------------------------|---------|-------------|------------|--|
| Maturity Band | Gap (Absolute) | GBS | GBS Limit | Accumulated from Behind | S-LFT | S-LFT Limit | | |
| 18 months | 868,287.08 | 2.95% | (10%) | 470,943.92 | | | | |
| 2 years | (610,855.52) | (2.07%) | (10%) | (397,343.15) | 96.34% | > 80% | | |
| 3 years | 646,172.79 | 2.19% | (10%) | 213,512.37 | 98.09% | > 70% | | |
| 5 years | 48,004.38 | 0.16% | (10%) | (432,660.42) | | | | |
| 7 years | (590,792.61) | (2.01%) | (10%) | (480,664.80) | 104.75% | > 60% | | |
| 10 years | (1,177,804.69) | | | 110,127.80 | | | | |
| 15 years | 477,208.28 | | | 1,287,932.50 | | | | |
| 20 years | 187,037.90 | | | 810,724.22 | | | | |
| 30 years | 310,105.62 | | | 623,686.32 | | | | |
| > 30 years | 313,580.70 | | | 313,580.70 | 97.56% | > 50% | | |

The table below provides a breakdown of RLB NÖ-Wien's sources of funds compared with 2009:



Note (34) contains a supplementary breakdown of maturities at RLB NÖ-Wien that provides an overview of the Bank's liquidity structure.

EQUITY INVESTMENT RISK

Because of its focus on operating as a so-called *universal* bank, RLB NÖ-Wien holds equity investments within the Austrian *Raiffeisen* organization, all of which are strategic, as well as other equity investments that support its banking activities.

Equity investment risk can affect RLB NÖ-Wien by way of losses caused by lost dividends, write-downs of carrying amounts, realized losses, transferred losses and declines in hidden reserves.

The management and control of equity investments and the management of equity investment risk are carried out by *Raiffeisen-Holding NÖ-Wien* under a function allocation agreement (*Geschäftsbesorgungsvertrag*).

The equity investment risk management process begins with a due diligence audit as soon as a new investment is acquired. As a rule, it is supported by external experts (management consultants, auditors, lawyers). In addition, in the case of big projects and poorly rated equity investments, the Risk Management/Group Control Department at *Raiffeisen Holding* carries out a risk assessment of the asset being acquired based on the opinions of front-office departments.

RLB NÖ-Wien exercises a significant influence over the business operations of the entities in which equity investments are held by appointing officers of RLB NÖ-Wien to serve in the managements and as members of the supervisory and advisory boards of such entities.

The analysis and auditing of figures in financial statements and budgets and the assessment of strategic positions using SWOT (Strengths, Weaknesses, Opportunities and Threats) analyses are important means and measures used in the course of the Bank's regular equity investment and risk control activities.

The following table presents the carrying amounts of RLB NÖ-Wien's equity investments and their ratings at 31 December 2010 and 31 December 2009:

| €'000 | Carrying Amount | | | Carrying Amount | | |
|---------------------------------------|------------------|--------------|------------|------------------|---------------|------------|
| | 31/12/2010 | Per Cent | Rating | 31/12/2009 | Per Cent | Rating |
| Investments in other banks | 2,373,509 | 97.5 | 1.5 | 2,077,400 | 97.4% | 1.5 |
| Investments in banking-related fields | 59,914 | 2.5 | 2.0 | 56,318 | 2.6% | 2.0 |
| Total equity investments | 2,433,423 | 100.0 | 1.5 | 2,133,718 | 100.0% | 1.5 |

Investments in other banks had the same risk rating of 1.5 as in 2009. As for the economic climate, both Western and Eastern Europe saw a return to growth during the financial year under review. The improvement in the risk situation compared with the previous year was reflected by a substantial reduction in the impairment charge on loans and advances. Economic forecasts for 2011 are also very positive, although there are still doubts about the sustainability of the uptrend.

Similarly, there were no significant changes in the risks associated with RLB NÖ-Wien's investments in banking-related fields. As a result, the overall rating of RLB NÖ-Wien's equity investments was unchanged.

Each quarter, the potential risks as assessed (for both problem cases and extreme cases) by experts and the covering assets arising from entities in which equity investments are held are brought into the periodic risk-bearing capacity analyses carried out at the overall bank level.

OPERATIONAL RISKS

RLB NÖ-Wien defines operational risk as the risk of losses resulting from failures of systems and processes or caused by staff or external risks. This definition includes legal risks.

Operational risks at RLB NÖ-Wien are constantly monitored and action is taken to mitigate them. This process is supported by continuous staff training, emergency plans, backup systems and unremitting process quality enhancement. Rules of procedure are implemented and instructions issued to minimize these risks. All action taken to mitigate operational risks must also take cost-benefit considerations into account.

RLB NÖ-Wien has a loss database containing historical data from 1999 onward as well as all current cases from 2001. This has created the foundations for an operational risk management approach that goes beyond the *basic indicator approach*. The Managing Board is given quarterly reports on the course of recorded loss events. RLB NÖ-Wien is a participant in projects to refine various risk management systems being carried out within the Austrian *Raiffeisen* organization.

RLB NÖ-Wien carries out risk self-assessments at divisional and departmental level that span the entire Group to identify potentially serious but infrequent risks. Consciously studying loss events also has learning effects that make it possible to mitigate risks.

During both the risk self-assessment process and the capturing of loss events, classifications take place using internationally accepted methods. In 2010, we began an early-warning key risk indicators pilot project in the payment services and investment and private pension and saving products fields as an additional instrument for identifying operational risks alongside self-assessment and the loss database. This represents a consistent continuation of the measures being taken on our path towards the proactive management of operational risk.

Operational risk is currently recognized using the *earnings volatility method* and taken account of during the risk-bearing capacity analysis process.

To safeguard against operational risk within the meaning of § 22i BWG, RLB NÖ-Wien has undertaken to use the basic indicator approach within the meaning of § 22j BWG to calculate its minimum own funds requirement and to make the requisite disclosures to the regulators. The basic indicator approach does not impose any further obligations on the Bank to quantify its operational risks.

CUSTOMER DEPOSIT GUARANTEE ASSOCIATION (KUNDENGARANTIEGEMEINSCHAFT) OF THE AUSTRIAN RAIFFEISEN ORGANIZATION

Supplementing internal measures to capture, measure and manage risk, RLB NÖ-Wien is a member of the *Raiffeisen* customer deposit guarantee association (*Kundengarantiegemeinschaft*). This association of *Raiffeisen Banks*, *Regional Raiffeisen Banks (Raiffeisenlandesbanken)*, *RZB* and *RBI* guarantees on a mutual basis up to 100 per cent of all customer deposit balances with those entities as well as securities issued by those entities. The customer deposit guarantee association is a two-tiered organization. It functions at a regional level, with, for instance, *Raiffeisen Banks* in Lower Austria mutually guaranteeing customer deposit

balances, and a second level of security is provided by the federal customer deposit guarantee association

(*Bundeskundengarantiegemeinschaft*), which comes into play when any regional guarantee system proves insufficient. The customer deposit guarantee association of the *Raiffeisen Banks*, *Regional Raiffeisen Banks*, RZB and *RBI* thus provides a double safety net to secure customer deposits.

THE SOLIDARITY ASSOCIATION (SOLIDARITÄTSVEREIN) OF RAIFFEISEN- BANKENGRUPPE NIEDERÖSTERREICH-WIEN

RLB NÖ-Wien and the *Raiffeisen Banks* in Lower Austria have jointly set up this solidarity association to ensure that members in financial difficulties can be given suitable help. The solidarity association thus provides added security alongside the Austrian and Lower Austrian *Raiffeisen* deposit guarantee system described below.

DEPOSIT GUARANTEE FACILITIES OF THE AUSTRIAN RAIFFEISEN ORGANIZATION

RLB NÖ-Wien and the *Raiffeisen Banks* in Lower Austria are members of *Österreichische Raiffeisen-Einlagensicherung reg. Gen. mbH.* by way of *Raiffeisen-Einlagensicherung Niederösterreich-Wien reg. Gen. mbH.* This deposit guarantee cooperative is the 'liability facility' (*Haftungseinrichtung*) for the whole of the Austrian *Raiffeisen Banking Group* for the purposes of § 93, § 93a and § 93b *BWG*. The early-warning system used to safeguard deposits within the Austrian *Raiffeisen* organization provides a high level of security for savers and investors that goes far beyond the legislative requirements. This early-warning system is based on extensive income and risk performance reporting by all the *Regional Raiffeisen Banks* (including all the *Raiffeisen Banks* within a particular province) to *Österreichische Raiffeisen-Einlagensicherung reg. Gen. mbH* combined with appropriate continuous analysis and monitoring processes.

THE AUSTRIAN RAIFFEISEN BANKING GROUP

The Austrian *Raiffeisen Banking Group* (*Österreichische Raiffeisen-Bankengruppe*) is the country's largest private banking group. It consists of some 540 locally active *Raiffeisen Banks*, eight *Regional Raiffeisen Banks* and *RZB* in Vienna, making up the country's densest banking network with a total of 1,684 banking outlets. Roughly 1.7 million Austrians are members—and therefore also co-owners—of a *Raiffeisen* bank.

GOVERNMENT DEPOSIT GUARANTEES

To boost saver confidence, the Austrian government reacted to the uncertainty among savers caused by the financial markets crisis by guaranteeing 100 per cent of personal deposits. This guarantee was put in place until 31 December 2009. Since 1 January 2010, the guaranteed amount of personal deposits has been limited to €100,000 per customer and bank, and the deposits of small and medium-sized enterprises have been guaranteed up to a maximum of €50,000 per customer and bank. From 1 January 2011, there will be one ceiling of €100,000. There is an exhaustive list of exceptions to these deposit guarantees that includes the deposit balances of large corporations.

(32) DERIVATIVE FINANCIAL INSTRUMENTS

The following tables present the derivative financial products outstanding on the balance sheet date, broken down by maturity.

- Derivative financial products not held for trading and recorded on the Balance Sheet in the line items *Other assets* or *Other liabilities*:

| 2010 €'000 | NOMINAL AMOUNTS | | | | FAIR VALUES | |
|---|-------------------|----------------------|--------------------------|-------------------|------------------|--------------------|
| | Up to 1 Year | From 1 to 5 Years | From 5 Years and Over | Total | Positive | Negative |
| Total | | | | | | |
| a) Interest rate contracts | 14,973,300 | 22,258,010 | 20,646,486 | 57,877,796 | 1,897,297 | (1,919,237) |
| (contracts traded on a stock exchange) | | | | | | |
| Interest rate futures | 151,000 | 0 | 0 | 151,000 | 247 | (156) |
| (OTC products) | | | | | | |
| Interest rate swaps | 14,211,537 | 21,024,348 | 19,677,457 | 54,913,342 | 1,876,319 | (1,895,405) |
| FRAs – calls | 100,000 | 0 | 0 | 100,000 | 10 | (31) |
| FRAs – puts | 100,000 | 0 | 0 | 100,000 | 37 | (7) |
| Interest rate options – calls | 154,280 | 555,661 | 428,624 | 1,138,565 | 20,529 | (11) |
| Interest rate options – puts | 256,183 | 646,301 | 540,405 | 1,442,889 | 0 | (23,318) |
| Bond options – calls | | 11,500 | | 11,500 | 155 | 0 |
| Bond options – puts | 300 | 20,200 | | 20,500 | 0 | (309) |
| b) Exchange rate contracts | 2,554,520 | 87,708 | 184,126 | 2,826,354 | 28,575 | (115,608) |
| (OTC products) | | | | | | |
| Currency forwards | 52,092 | 0 | 0 | 52,092 | 811 | (910) |
| Cross currency and cross currency interest rate swaps | 2,486,032 | 67,550 | 184,126 | 2,737,708 | 25,850 | (112,784) |
| Currency options – calls | 8,198 | 10,079 | 0 | 18,277 | 1,914 | 0 |
| Currency options – puts | 8,198 | 10,079 | 0 | 18,277 | 0 | (1,914) |
| c) Securities contracts | 19,597 | 46,439 | 494,792 | 560,828 | 2,609 | (4,122) |
| (contracts traded on a stock exchange) | | | | | | |
| Equity and index futures | 3,186 | 0 | 0 | 3,186 | 0 | (41) |
| (OTC products) | | | | | | |
| Equity and index options – calls | 1,000 | 4,400 | 223,211 | 228,611 | 407 | 0 |
| Equity and index options – puts | 15,411 | 4,401 | 223,376 | 243,188 | 0 | (1,317) |
| Other securities contracts | | 37,638 | 48,205 | 85,843 | 2,202 | (2,764) |
| d) Credit derivatives | 0 | 387,140 | 0 | 387,140 | 6,798 | (1,343) |
| (OTC products) | | | | | | |
| Credit default swaps – secured party | 0 | 64,300 | 0 | 64,300 | 1,804 | (1,138) |
| Credit default swaps – securing party | 0 | 322,840 | 0 | 322,840 | 4,994 | (205) |

| 2009 | NOMINAL AMOUNTS | | | | FAIR VALUES | |
|---|-------------------|----------------------|--------------------------|-------------------|------------------|--------------------|
| €'000 | Term to Maturity | | | Total | Positive | Negative |
| | Up to 1 Year | From 1 to 5 Years | From 5 Years and Over | | | |
| Total | 16,428,556 | 28,412,522 | 21,303,342 | 66,144,420 | 1,914,704 | (2,047,626) |
| a) Interest rate contracts | 12,634,377 | 27,960,223 | 20,789,111 | 61,383,711 | 1,860,362 | (1,968,639) |
| (contracts traded on a stock exchange) | | | | | | |
| Interest rate futures | 269,300 | 0 | 0 | 269,300 | 1,082 | (132) |
| (OTC products) | | | | | | |
| Interest rate swaps | 9,504,253 | 26,612,194 | 20,410,377 | 56,526,824 | 1,850,649 | (1,953,319) |
| FRAs – calls | 520,846 | 138,831 | 0 | 659,677 | 192 | (211) |
| FRAs – puts | 520,846 | 138,831 | 0 | 659,677 | 220 | (136) |
| Interest rate options – calls | 471,700 | 380,788 | 133,834 | 986,322 | 7,960 | 0 |
| Interest rate options – puts | 1,347,432 | 657,579 | 244,900 | 2,249,911 | 0 | (14,342) |
| Bond options – calls | 0 | 11,500 | 0 | 11,500 | 259 | 0 |
| Bond options – puts | 0 | 20,500 | 0 | 20,500 | 0 | (499) |
| b) Exchange rate contracts | 3,586,285 | 45,873 | 231,578 | 3,863,736 | 36,895 | (68,813) |
| (OTC products) | | | | | | |
| Currency forwards | 37,454 | 0 | 0 | 37,454 | 240 | (587) |
| Cross currency and cross currency interest rate swaps | 3,410,193 | 22,877 | 225,578 | 3,658,648 | 32,964 | (64,535) |
| Currency options – calls | 69,319 | 11,498 | 3,000 | 83,817 | 3,691 | 0 |
| Currency options – puts | 69,319 | 11,498 | 3,000 | 83,817 | 0 | (3,691) |
| c) Securities contracts | 14,011 | 19,711 | 282,653 | 316,375 | 7,677 | (8,259) |
| (contracts traded on a stock exchange) | | | | | | |
| Equity and index futures | 4,458 | 0 | 0 | 4,458 | 0 | (49) |
| (OTC products) | | | | | | |
| Equity and index options – calls | 0 | 4,400 | 91,900 | 96,300 | 763 | 0 |
| Equity and index options – puts | 9,553 | 4,401 | 92,900 | 106,854 | 0 | (2,551) |
| Other securities contracts | 0 | 10,910 | 97,853 | 108,763 | 6,914 | (5,659) |
| d) Credit derivatives | 193,883 | 386,715 | 0 | 580,598 | 9,770 | (1,915) |
| (OTC products) | | | | | | |
| Credit default swaps – secured party | 0 | 69,300 | 0 | 69,300 | 605 | (1,659) |
| Credit default swaps – securing party | 193,883 | 317,415 | 0 | 511,298 | 9,165 | (256) |

| 2009 | NOMINAL AMOUNTS | | | | FAIR VALUES | |
|--|------------------|----------------------|--------------------------|------------------|---------------|-----------------|
| €'000 | Term to Maturity | | | Total | Positive | Negative |
| | Up to 1 Year | From 1 to 5 Years | From 5 Years and Over | | | |
| Total | 1,827,283 | 3,683,681 | 393,964 | 5,904,928 | 60,811 | (57,751) |
| a) Interest rate contracts | 631,612 | 3,345,767 | 393,964 | 4,371,343 | 19,013 | (21,714) |
| (contracts traded on a stock exchange) | | | | | | |
| Interest rate futures | 9,000 | 0 | 0 | 9,000 | 66 | 0 |
| (OTC products) | | | | | | |
| Interest rate swaps | 352,452 | 2,901,073 | 301,620 | 3,555,145 | 15,718 | (15,845) |
| Interest rate options – calls | 55,372 | 222,347 | 21,172 | 298,891 | 3,229 | 0 |
| Interest rate options – puts | 214,788 | 222,347 | 71,172 | 508,307 | 0 | (5,869) |
| b) Exchange rate contracts | 1,195,671 | 337,914 | 0 | 1,533,585 | 41,798 | (36,037) |
| (OTC products) | | | | | | |
| Currency options – calls | 600,880 | 169,243 | 0 | 770,123 | 41,057 | 0 |
| Currency options – puts | 587,135 | 168,671 | 0 | 755,806 | 0 | (35,363) |
| Other exchange rate contracts – calls | 3,828 | 0 | 0 | 3,828 | 741 | 0 |
| Other exchange rate contracts – puts | 3,828 | 0 | 0 | 3,828 | 0 | (674) |
| c) Securities contracts | 0 | 0 | 0 | 0 | 0 | 0 |
| d) Credit derivatives | 0 | 0 | 0 | 0 | 0 | 0 |

These nominal and fair values are derived from the (non-netted) totals of all calls and puts. Fair values are stated here at dirty prices (fair value inclusive of accrued interest).

Derivative interest rate instruments and derivatives on securities were mainly acquired within the scope of proprietary trading. Exchange rate derivatives were acquired within the scope of both proprietary and customer business. Credit derivatives were only acquired within the scope of proprietary trading.

(33) FAIR VALUES OF FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS RECOGNIZED AT FAIR VALUE

Fair value is the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. One distinguishes between different valuation 'levels': At **Level I**, available market prices are used (applies mainly to securities and derivatives traded on exchanges and in liquid markets). All other financial instruments are

measured using valuation models. These are mainly present value and generally accepted option price models. At **Level II**, use is made of input data based directly or indirectly on observable market data. At **Level III**, valuation takes place using models that estimate fair value based on the bank's own internal assumptions.

| 2010 €'000 | Level I | Level II | Level III |
|--|-----------|-----------|-----------|
| Assets | | | |
| Trading assets | 106,355 | 465,656 | 0 |
| Other current financial assets designated as at fair value through profit or loss | 1,156,261 | 1,156,663 | 7,622 |
| Financial investments classified as available for sale and measured at fair value | 1,549,650 | 391,801 | 0 |
| Other assets (positive fair values of derivative financial instruments) | 230 | 1,930,264 | 155 |
| Liabilities | | | |
| Liabilities evidenced by paper designated as at fair value through profit or loss | 0 | 882,069 | 0 |
| Trading liabilities | 115 | 225,453 | 0 |
| Other liabilities (negative fair values of derivative financial instruments) | 156 | 2,034,205 | 304 |
| Subordinated debt capital designated as at fair value through profit or loss | 0 | 87,355 | 0 |
| | | | |
| 2009 €'000 | Level I | Level II | Level III |
| Assets | | | |
| Trading assets | 20,366 | 346,501 | 22,050 |
| Other current financial assets designated as at fair value through profit or loss | 967,510 | 1,528,253 | 8,527 |
| Financial investments classified as available for sale and measured at fair value | 570,740 | 547,424 | 32,029 |
| Other assets (positive fair values of derivative financial instruments) | 1,058 | 1,924,531 | 259 |
| Liabilities | | | |
| Liabilities evidenced by paper designated as at fair value through profit or loss | 0 | 882,356 | 0 |
| Trading liabilities | 0 | 56,938 | 0 |
| Other liabilities (negative fair values of derivative financial instruments) | 132 | 2,053,951 | 487 |
| Subordinated debt capital designated as at fair value through profit or loss | 0 | 77,860 | 0 |

The fair values of derivatives are stated here at dirty prices (fair value inclusive of accrued interest).

Reclassifications between Level I and Level II:

| 2010 €'000 | From Level I to Level II | From Level II to Level I |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Trading assets | 0 | 55,937 |
| Other current financial assets designated as at fair value through profit or loss | 15,527 | 252,081 |
| Other current financial assets classified as available for sale and measured at fair value | 3,863 | 334,009 |
| Assets | | |
| Trading assets | 19,648 | 0 |
| Other current financial assets designated as at fair value through profit or loss | 642,390 | 0 |
| Other current financial assets classified as available for sale and measured at fair value | 916 | 0 |

For each financial instrument, we checked whether prices were listed in an active market (Level I). If listed market prices were not available for a financial instrument, observable market data like yield curves were used to calculate a fair value (Level II). If our assessment of the situation changed, reclassification took place.

Reconciliation

Financial instruments allocated to Level III:

| 2010 €'000 | Trading Assets | Current Financial Assets | Financial Investments | Other Assets | Other Liabilities |
|--|-------------------|--------------------------------|--------------------------|-----------------|----------------------|
| At 1 January | 22,050 | 8,527 | 32,029 | 259 | (487) |
| Reclassification to Level III | 0 | 118 | 0 | 0 | 0 |
| Purchases | 0 | 55 | 0 | 0 | 0 |
| Revaluation gains and losses (profit/(loss) from financial investments) | 0 | (693) | 0 | 0 | 0 |
| Revaluation gains and losses (other operating profit/(loss)) | 0 | 0 | 0 | (104) | 183 |
| Reclassification from level III | (22,050) | 0 | (32,029) | 0 | 0 |
| Sales | 0 | (385) | 0 | 0 | 0 |
| At 31 December | 0 | 7,622 | 0 | 155 | (304) |
| Revaluation gains and losses on financial instruments recognized in the Consolidated Income Statement at 31 December | 0 | (693) | 0 | (104) | 183 |
| 2009 | | | | | |
| €'000 | Trading Assets | Current Financial Assets | Financial Investments | Other Assets | Other Liabilities |
| At 1 January | 0 | 9,580 | 0 | 7 | (273) |
| Reclassification to Level III | 22,050 | 0 | 29,339 | 0 | 0 |
| Purchases | 0 | 953 | 2,400 | 259 | (450) |
| Revaluation gains and losses (other operating profit/(loss)) | 0 | 0 | 0 | (7) | 236 |
| Interest accruals | 0 | (6) | 291 | 0 | 0 |
| Sales | 0 | (2,000) | 0 | 0 | 0 |
| At 31 December | 22,050 | 8,527 | 32,030 | 259 | (487) |
| Revaluation gains and losses on financial instruments recognized in the Consolidated Income Statement at 31 December | 0 | 0 | 0 | (7) | 236 |

FINANCIAL INSTRUMENTS NOT RECOGNIZED AT FAIR VALUE

Fixed-interest loans and advances to and deposits from customers and other banks were only measured to fair values different from their carrying amounts on the Balance Sheet if they had a term to maturity of more than one year. Variable-rate loans and advances and deposits were only included if they had an interest rate adjustment period of more than one year; only in such

cases does discounting based on an assumed interest rate in line with market rates have a material effect. The table below presents the fair values and carrying amounts of balance sheet items that are, as a rule, not measured at fair value. *Loans and advances to other banks* and *Loans and advances to customers* are reported net of impairment allowance balances.

| 2010 €'000 | Fair Value | Carrying Amount | Difference |
|--|------------|-----------------|------------|
| Assets | | | |
| Loans and advances to other banks | 12,295,891 | 12,176,373 | 119,518 |
| Loans and advances to customers | 9,431,266 | 9,418,069 | 13,197 |
| Financial investments | 3,553,349 | 3,548,723 | 4,626 |
| Of which classified as held to maturity | 1,534,102 | 1,529,477 | 4,626 |
| Of which classified as available for sale and measured at cost | 77,794 | 77,794 | 0 |
| Of which classified as available for sale and measured at fair value | 1,941,452 | 1,941,452 | 0 |
| Liabilities | | | |
| Deposits from other banks | 16,076,933 | 15,899,314 | 177,618 |
| Deposits from customers | 7,075,506 | 7,071,160 | 4,346 |
| Liabilities evidenced by paper | 3,781,437 | 3,843,953 | (62,516) |
| Of which classified at amortized cost | 2,899,368 | 2,961,884 | (62,516) |
| Of which designated as at fair value through profit or loss | 882,069 | 882,069 | 0 |
| Subordinated debt capital | 724,651 | 753,739 | (29,088) |
| Of which classified at amortized cost | 637,296 | 666,384 | (29,088) |
| Of which designated as at fair value through profit or loss | 87,355 | 87,355 | 0 |
| | | | |
| 2009 €'000 | Fair Value | Carrying Amount | Difference |
| Assets | | | |
| Loans and advances to other banks | 12,903,235 | 12,742,977 | 160,258 |
| Loans and advances to customers | 8,473,330 | 8,452,772 | 20,557 |
| Financial investments | 3,276,911 | 3,278,686 | (1,775) |
| Of which classified as held to maturity | 2,049,306 | 2,051,081 | (1,775) |
| Of which classified as available for sale and measured at cost | 77,411 | 77,411 | 0 |
| Of which classified as available for sale and measured at fair value | 1,150,193 | 1,150,193 | 0 |
| Liabilities | | | |
| Deposits from other banks | 16,083,277 | 15,883,332 | 199,945 |
| Deposits from customers | 6,870,845 | 6,870,496 | 349 |
| Liabilities evidenced by paper | 3,653,369 | 3,664,804 | (11,435) |
| Of which classified at amortized cost | 2,771,013 | 2,782,448 | (11,435) |
| Of which designated as at fair value through profit or loss | 882,356 | 882,356 | 0 |
| Subordinated debt capital | 697,270 | 715,890 | (18,620) |
| Of which classified at amortized cost | 619,410 | 638,030 | (18,620) |
| Of which designated as at fair value through profit or loss | 77,860 | 77,860 | 0 |

If no reliable market values were available for equity instruments reported in the line item *Financial investments*, they were measured at cost. If the volume or frequency of trades gave reason to doubt a price's validity, listed equity instruments were measured at cost.

In the case of unlisted equity instruments, there were no observable market transactions in identical or similar equity instruments on the basis of which reliable fair

values could be deduced. Estimation of a reliable fair value or its determination within a range of fluctuation weighted on the basis of specific occurrence probabilities by means of a discounted cash flow measurement or similar method was not productive in that fair values can only be calculated on the basis of an entity's internal data, from which, however, no market relevance can be reliably deduced.

Additional Information

(34) BREAKDOWN OF TERMS TO MATURITY

Breakdown of terms to maturity at 31 December 2010:

| €'000 | On Demand or of Unspecified Maturity | Up to 3 Months | From 3 Months to 1 Year | From 1 to 5 Years | From 5 Years and Over | Total |
|-----------------------------------|--|-------------------|----------------------------|----------------------|--------------------------|------------|
| Loans and advances to other banks | 1,160,752 | 6,191,408 | 1,411,569 | 2,748,487 | 676,297 | 12,188,513 |
| Loans and advances to customers | 192,094 | 2,038,596 | 917,219 | 3,457,207 | 3,075,319 | 9,680,435 |
| Trading assets | 4,053 | 29,114 | 101,552 | 183,168 | 270,461 | 588,348 |
| Other current financial assets | 365,582 | 116,071 | 185,286 | 1,159,335 | 494,271 | 2,320,545 |
| Financial investments | 200,705 | 210,354 | 171,932 | 1,521,695 | 1,444,037 | 3,548,723 |
| Deposits from other banks | 4,927,671 | 7,747,923 | 370,717 | 1,694,690 | 1,158,313 | 15,899,314 |
| Deposits from customers | 3,862,344 | 474,514 | 1,342,811 | 855,997 | 535,494 | 7,071,160 |
| Liabilities evidenced by paper | 0 | 78,538 | 484,080 | 2,491,268 | 790,067 | 3,843,953 |
| Trading liabilities | 0 | 19,936 | 64,917 | 91,714 | 65,816 | 242,383 |
| Subordinated debt capital | 49,426 | 35,687 | 0 | 65,117 | 603,509 | 753,739 |

Breakdown of terms to maturity at 31 December 2009:

| €'000 | On Demand or of Unspecified Maturity | Up to 3 Months | From 3 Months to 1 Year | From 1 to 5 Years | From 5 Years and Over | Total |
|-----------------------------------|--|-------------------|----------------------------|----------------------|--------------------------|------------|
| Loans and advances to other banks | 855,399 | 6,876,570 | 1,154,713 | 2,886,123 | 985,417 | 12,758,222 |
| Loans and advances to customers | 308,776 | 2,002,981 | 1,048,768 | 2,532,337 | 2,803,276 | 8,696,138 |
| Trading assets | 2,609 | 29,172 | 50,350 | 116,664 | 197,790 | 396,585 |
| Other current financial assets | 350,315 | 68,432 | 159,978 | 1,365,450 | 560,115 | 2,504,290 |
| Financial investments | 199,426 | 82,596 | 476,537 | 1,619,553 | 900,574 | 3,278,686 |
| Deposits from other banks | 4,005,241 | 6,793,468 | 2,188,398 | 1,607,526 | 1,288,699 | 15,883,332 |
| Deposits from customers | 3,406,765 | 773,330 | 969,275 | 1,173,247 | 547,879 | 6,870,496 |
| Liabilities evidenced by paper | 0 | 273,503 | 538,451 | 1,883,949 | 968,901 | 3,664,804 |
| Trading liabilities | 0 | 10,894 | 28,594 | 19,641 | 5,910 | 65,039 |
| Subordinated debt capital | 44,934 | 36,664 | 0 | 83,275 | 551,017 | 715,890 |

(35) RELATED PARTY DISCLOSURES

| €'000 | 2010 | 2009 |
|--|-----------|-----------|
| Loans and advances to other banks | | |
| Parent | 1,471,960 | 1,363,262 |
| Entities accounted for using the equity method | 5,889,286 | 5,714,835 |
| Associates (not accounted for using the equity method) | 1,827 | 2,561 |
| Loans and advances to customers | | |
| Entities related via the parent | 381,731 | 291,506 |
| Non-consolidated subsidiaries | 31,592 | 9,759 |
| Entities accounted for using the equity method | 95 | 120 |
| Associates (not accounted for using the equity method) | 10,328 | 9,798 |
| Impairment allowance balance | | |
| Non-consolidated subsidiaries | (5,140) | (1,583) |
| Trading assets | | |
| Parent | 0 | 2,487 |
| Entities accounted for using the equity method | 20,527 | 21,656 |
| Other current financial assets | | |
| Entities accounted for using the equity method | 85,528 | 105,833 |
| Financial investments | | |
| Parent | 277 | 277 |
| Entities accounted for using the equity method | 144,306 | 168,550 |
| Other assets | | |
| Parent | 111,208 | 91,514 |
| Entities related via the parent | 233 | 249 |
| Entities accounted for using the equity method | 58,111 | 54,094 |
| Associates (not accounted for using the equity method) | 352 | 203 |
| €'000 | 2010 | 2009 |
| Deposits from other banks | | |
| Entities accounted for using the equity method | 4,584,161 | 4,056,443 |
| Deposits from customers | | |
| Entities related via the parent | 276,560 | 283,119 |
| Non-consolidated subsidiaries | 6,235 | 9,104 |
| Associates (not accounted for using the equity method) | 4,158 | 7,460 |
| Liabilities evidenced by paper | | |
| Non-consolidated subsidiaries | 3,407 | 155 |
| Entities accounted for using the equity method | 9,180 | 9,193 |
| Trading liabilities | | |
| Entities accounted for using the equity method | 387 | 283 |
| Other liabilities | | |
| Parent | 82,415 | 73,880 |
| Entities accounted for using the equity method | 59,707 | 56,416 |
| Provisions | | |
| Entities related via the parent | 0 | 2 |
| Subordinated debt capital | | |
| Parent | 19,312 | 25,436 |
| Entities accounted for using the equity method | 5,619 | 12,481 |

| €'000 | 2010 | 2009 |
|--|---------|---------|
| Contingent liabilities | | |
| Parent | 5,814 | 6,123 |
| Entities related via the parent | 17,509 | 10,729 |
| Non-consolidated subsidiaries | 51 | 14,398 |
| Entities accounted for using the equity method | 334,944 | 159,221 |
| Associates (not accounted for using the equity method) | 22 | 22 |

RLB NÖ-Wien's parent is *Raiffeisen-Holding NÖ-Wien*. Business relationships between RLB NÖ-Wien and *Raiffeisen-Holding NÖ-Wien* primarily involved the funding of *Raiffeisen-Holding NÖ-Wien* and the use of derivative financial instruments.

Business relationships with related parties were conducted on arm's length terms and conditions.

In view of the immaterial amounts involved, receivables from and payables to members of the Managing Board and members of the Supervisory Board of RLB NÖ-Wien, management personnel, members of the managing and supervisory boards of *Raiffeisen-Holding NÖ-Wien* and members of their families as related parties for the purposes of IAS 24 were not disclosed. Those business relationships did not have any material effects on the Consolidated Financial Statements.

(36) REMUNERATION OF BOARD MEMBERS

Expenditure on the members of the Managing Board of RLB NÖ-Wien broke down as follows:

| €'000 | 2010 | 2009 |
|--------------------------|-------|-------|
| Expenditure on | | |
| Short-term benefits | 2,143 | 1,507 |
| Post-employment benefits | 1,080 | 531 |
| Other long-term benefits | 15 | 0 |
| Termination benefits | 0 | 727 |

€55 thousand was paid to the members of the Supervisory Board during 2010 (2009: €55 thousand).

Remuneration paid to erstwhile Managing Board members (including erstwhile members of the managing board of the former *RLB reg. Gen.m.b.H.*) and their surviving dependents came to €1,097 thousand (2009: €2,102 thousand).

(37) DISCLOSURE OF LOANS AND ADVANCES TO MEMBERS OF THE MANAGING BOARD AND MEMBERS OF THE SUPERVISORY BOARD IN ACCORDANCE WITH § 266 Z. 5 UGB

On the balance sheet date, loans outstanding to the members of the Managing Board came to €1,969 thousand (2009: €1,560 thousand). Loans and advances to members of the Supervisory Board came to €31 thousand (2008: €109 thousand).

No guarantees were in place on behalf of this group of persons. Loans and advances to the members of the Supervisory Board also included loans and advances to

employees appointed to the Supervisory Board by the Staff Council.

Durations and interest rates were those generally available from banks. During the financial year, €20 thousand was repaid by members of the Managing Board (2009: €59 thousand), and €7 thousand was repaid by members of the Supervisory Board (2009: €185 thousand).

(38) FOREIGN CURRENCY BALANCES

The following balances of assets and liabilities denominated in a foreign currency were recognized in the Consolidated Financial Statements:

| €'000 | 2010 | 2009 |
|-------------|-----------|-----------|
| Assets | 2,805,643 | 2,598,318 |
| Liabilities | 1,309,917 | 968,030 |

(39) ASSETS AND LIABILITIES ABROAD

Assets and liabilities arising from transactions with counterparties outside Austria broke down as follows:

| €'000 | 2010 | 2009 |
|-------------|-----------|-----------|
| Assets | 6,075,962 | 6,369,582 |
| Liabilities | 3,405,062 | 3,559,076 |

(40) SUBORDINATED ASSETS

Assets included the following subordinated assets:

| €'000 | 2010 | 2009 |
|-----------------------------------|----------------|----------------|
| Loans and advances to other banks | 40,609 | 40,609 |
| Loans and advances to customers | 4,368 | 6,937 |
| Trading assets | 2,677 | 5,076 |
| Other current financial assets | 37,398 | 31,378 |
| Financial investments | 302,490 | 301,996 |
| Total | 387,541 | 385,996 |

(41) SUBORDINATED BORROWINGS**SUBORDINATED DEBT CAPITAL**

The following subordinated debt instruments were issued during the financial year:

| | Currency | Amount (€'000) | Interest Rate | Maturing on | Extraordinary Right of Termination |
|--|----------|-------------------|------------------|------------------|--|
| <i>Nachrangiger Raiffeisen Best Zins Garant 2010-2022/61</i> (private placement) | EUR | 28,752 | ¹ | 28 February 2022 | None |

¹ No periodic interest payments will be made on these notes during their term. Instead, a positive difference will develop between their initial issue price or issue price from time to time and their redemption price. The redemption price will be 100 per cent of their nominal value plus the performance of the *Dow Jones EURO STOXX 50 (R) Index* expressed in percentage terms. The redemption price will be at least 185 per cent of the notes' nominal value and not more than 235 per cent of their nominal value.

This is subordinated debt capital within the meaning of *§ 23 Abs. 8 BWG*.

These notes are securities issued in a continuous manner.

SUPPLEMENTARY CAPITAL

The following supplementary capital instruments were issued during the 2010 financial year:

| | Currency | Amount (€'000) | Interest Rate | Maturing on | Extraordinary Right of Termination |
|--|----------|-------------------|------------------|------------------|--|
| 1 <i>Raiffeisen Ergänzungskapital Stufenzins-Obligation 2010-2018/9</i> | EUR | 32,240 | ¹ | 26 March 2018 | None |
| 2 <i>Raiffeisen Ergänzungskapital Schuldverschreibungen 2010-2020/15</i> | EUR | 25,015 | 5% | 3 September 2020 | None |

¹ During the first coupon period (26 March 2010 – 25 March 2011) and the second coupon period (26 March 2011 – 25 March 2012), the coupon is 3.00 per cent *per annum*; during the third coupon period (26 March 2012 – 25 March 2013) and the fourth coupon period (26 March 2013 – 25 March 2014), the coupon is 4.00 per cent *per annum*; during the fifth coupon period (26 March 2014 – 25 March 2015) and the sixth coupon period (26 March 2015 – 25 March 2016), the coupon is 5.00 per cent *per annum*; during the seventh coupon period (26 March 2016 – 25 March 2017), the coupon period is 6.00 per cent *per annum*; and during the eighth coupon period (26 March 2017 – 25 March 2018), the coupon is 8.00 per cent *per annum*. Interest is calculated using the Actual/Actual (ICMA) method.

This is subordinated debt capital within the meaning of § 23 Abs. 7 BWG.

These notes are securities issued in a continuous manner.

(42) CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET LIABILITIES AND COMMITMENTS

The following off-balance sheet liabilities and commitments existed at year-end:

| €'000 | 2010 | 2009 |
|---|------------------|------------------|
| Contingent liabilities | 1,175,532 | 917,488 |
| Of which arising from other guarantees | 1,082,541 | 837,024 |
| Of which arising from letters of credit | 92,879 | 80,352 |
| Of which other contingent liabilities | 112 | 112 |
| Commitments | 6,004,913 | 5,600,372 |
| Of which arising from revocable loan promises (stand-by facilities) | 6,004,913 | 5,600,372 |
| Up to 1 year | 3,845,783 | 4,037,451 |
| More than 1 year | 2,159,130 | 1,562,921 |
| Of which arising from 'non-genuine' or 'pseudo' repurchase agreements | 0 | 0 |

RLB NÖ-Wien is a member of *Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien* (Raiffeisen customer deposit guarantee association in Lower Austria and Vienna). Under the provisions of the association's memorandum and articles (*Vereinssatzung*), the joint and several settlement of payables to customers (*Deposits from customers* as per line item 2 of *Equity and liabilities* on the Balance Sheet) and payables to other banks (as per line item 1 of *Equity and liabilities* on the Balance Sheet) and securities issued by any insolvent member of the association are guaranteed up to the limit of the sum of the individual capacities of the other members of the association.

The capacity of any one member of the association will depend on its freely available reserves subject to the pertinent provisions of *BWG*.

Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien is, in turn, a member of *Raiffeisen-Kundengarantiegemeinschaft Österreich* (Raiffeisen customer deposit guarantee association in Austria), whose members are *RZB*, *RBI* and other *Landeskundengarantiegemeinschaften* (regional Raiffeisen customer deposit guarantee associations). The purpose of the association is the same as that of *Raiffeisen-Kundengarantiegemeinschaft NÖ-Wien* with respect to *RZB*, *RBI* and the members of the regional Raiffeisen customer deposit guarantee associations that have joined it (see also Note (31) *Risk Report*).

(43) REPURCHASE AGREEMENTS

The following repurchase and redelivery commitments existed at 31 December:

| €'000 | 2010 | 2009 |
|--|----------------|----------------|
| Genuine repurchase agreements as seller | | |
| Deposits from other banks | 563,228 | 708,288 |
| Total | 563,228 | 708,288 |

At the end of the financial year, the carrying amount of the securities sold subject to a sale and repurchase agreement came to €550,656 thousand (2009: €712,713 thousand). No securities were purchased within the scope of a sale and repurchase agreement.

(44) ASSETS PLEDGED AS COLLATERAL

The following assets recognized on the Balance Sheet were pledged as collateral for the liabilities listed below:

| €'000 | 2010 | 2009 |
|--|------------------|------------------|
| Securities lodged in connection with ECB tenders | 1,697,825 | 2,200,388 |
| Collateral for derivative contracts | 885,110 | 989,353 |
| Receivables assigned to <i>OeNB</i> | 811,895 | 621,176 |
| Cover pool for issued covered partial debentures | 684,858 | 657,112 |
| Receivables assigned to <i>OeKB</i> | 491,367 | 578,688 |
| Bonds lodged with <i>OeKB</i> in connection with EIB loans | 127,090 | 126,914 |
| Receivables assigned to the EIB | 86,780 | 91,454 |
| Receivables in the <i>RZB</i> cover pool | 55,100 | 0 |
| Collateral for securities transactions with <i>OeKB</i> (securities) | 29,000 | 29,000 |
| Cover pool for fiduciary savings deposit balances | 13,401 | 12,983 |
| Receivables assigned to <i>KfW</i> | 11,128 | 7,960 |
| Bonds lodged with <i>OeKB</i> as a clearing link for the <i>Deutsche Börse (Xetrahande)</i> | 8,918 | 8,754 |
| Other receivables assigned | 6,903 | 6,903 |
| Government bond pledged in favour of <i>Raiffeisen Wohnbaubank AG</i> | 6,495 | 6,154 |
| Deposit for 'HOAM.AT' (Home Accounting Module Austria, formerly 'ARTIS') lodged with <i>OeNB</i> | 5,320 | 5,153 |
| Collateral for securities transactions lodged with <i>OeKB</i> (cash deposit) | 55 | 54 |
| Total | 4,921,245 | 5,341,992 |

The following liabilities were collateralized by the assets recognized on the Balance Sheet:

| €'000 | 2010 | 2009 |
|--------------------------------|------------------|------------------|
| Deposits from other banks | 2,185,684 | 2,941,530 |
| Deposits from customers | 9,043 | 8,497 |
| Liabilities evidenced by paper | 375,764 | 570,663 |
| Other liabilities | 885,110 | 989,353 |
| Total | 3,455,601 | 4,510,043 |

(45) TRUST ACTIVITIES

Fiduciary balances on the balance sheet date that were not included on the Balance Sheet changed as follows:

| €'000 | 2010 | 2009 |
|---------------------------------|---------------|---------------|
| Loans and advances to customers | 18,422 | 22,834 |
| Fiduciary assets | 18,422 | 22,834 |
| Deposits from customers | 18,422 | 22,834 |
| Fiduciary liabilities | 18,422 | 22,834 |

(46) DISCLOSURE OF BONDS AND OTHER FIXED-INTEREST SECURITIES AND OF BONDS ISSUED BY THE GROUP IN ACCORDANCE WITH § 64 BWG ABS. 1 Z. 7 BWG

Bonds and other fixed-interest securities and bonds issued by the Group maturing in the year following the balance sheet date broke down as follows:

| €'000 | 2010 | 2009 |
|---|---------|---------|
| a) Receivables arising from bonds and other fixed-interest securities | 629,307 | 487,066 |
| b) Payables arising from bonds issued by the Group | 478,399 | 710,061 |

(47) DISCLOSURE OF SECURITIES ADMITTED FOR TRADING ON AN EXCHANGE IN ACCORDANCE WITH § 64 ABS. 1 Z. 10 BWG

| €'000 | 2010 | Listed | | Unlisted | |
|--|-----------|-----------|------|----------|------|
| | | 2009 | 2010 | 2009 | 2010 |
| Bonds and other fixed-interest securities | 4,255,088 | 4,446,636 | 0 | 0 | 0 |
| Shares and other variable-yield securities | 237,724 | 236,247 | 0 | 0 | 0 |

(48) DISCLOSURE OF FINANCIAL INVESTMENTS IN ACCORDANCE WITH § 64 ABS. 1 Z. 11 BWG

The securities included in the line items *Bonds and other fixed-interest securities* and *Shares and other variable-yield securities* that were admitted for trading on an exchange and were classified as investments broke down as follows:

| €'000 | 2010 | 2009 |
|---|-----------|-----------|
| a) Bonds and other fixed-interest securities | 2,132,528 | 2,136,166 |
| b) Shares and other variable-yield securities | 179,405 | 186,772 |

Classification as a *Financial investment* or *Current financial asset* was decided on a case-by-case basis by the responsible committees.

(49) DISCLOSURE OF (NOMINAL) HOLDINGS IN THE TRADING BOOK IN ACCORDANCE
WITH § 22 BWG

| €'000 | 2010 | 2009 |
|--|------------|-----------|
| Fixed-interest securities, nominal values | 216,329 | 190,959 |
| Supplementary capital bonds (<i>Ergänzungskapitalanleihe</i>), nominal values | 450 | 450 |
| Shares, investment certificates, participation notes (<i>Genussrecht</i>), market prices | 4,052 | 2,609 |
| Other financial instruments (derivatives), nominal values | 11,290,529 | 5,904,928 |

(50) REGULATORY OWN FUNDS

The RLB NÖ-Wien Group is a subgroup of the *Raiffeisen-Holding NÖ-Wien Group*. The calculation of regulatory own funds in accordance with § 24 BWG in conjunction with § 30 BWG is geared to the superordinate institution in the credit institution group (*Kreditinstitutsgruppe*). Consequently, regulatory own funds are presented in the consolidated financial statements of the *Raiffeisen-Holding NÖ-Wien Group*. BWG does not govern the regulatory own funds of subsidiaries that make up a subgroup. The following presentation of RLB NÖ-Wien's own funds (partially consolidated) within the meaning of BWG is therefore provided for informational purposes only. Calculations were carried out in accordance with the applicable provisions of BWG 1993 as amended in 2006 (*Basel II*).

| €'000 | 2010 | 2009 |
|---|------------------|------------------|
| Paid-in capital | 290,743 | 290,743 |
| Earned capital | 1,116,686 | 1,008,973 |
| Minorities | 59 | 75 |
| Hybrid capital | 0 | 0 |
| Intangible assets | (5,947) | (6,272) |
| Tier 1 capital | 1,401,541 | 1,293,519 |
| Deductions from Tier 1 capital | (147,286) | (154,103) |
| Eligible Tier 1 capital (after deductions) | 1,254,255 | 1,139,416 |
| Supplementary capital within the meaning of § 23 (1). 5 BWG | 272,151 | 271,232 |
| Hidden reserves | 50,700 | 20,700 |
| Supplement in respect of amounts guaranteed | 0 | 0 |
| Long-term subordinated debt capital | 377,968 | 371,140 |
| Additional own funds | 700,819 | 663,072 |
| Deductions from additional own funds | (147,286) | (154,102) |
| Additional own funds (after deductions) | 553,533 | 508,970 |
| Eligible own funds | 1,807,788 | 1,648,386 |
| Tier 2 capital available to be reclassified as Tier 3 capital | 18,665 | 12,665 |
| Total own funds | 1,826,453 | 1,661,051 |
| Surplus own funds | 724,615 | 597,645 |
| Surplus own funds ratio | 65.76% | 56.20% |
| Tier 1 ratio (credit risk) | 9.70% | 9.07% |
| Total Tier 1 ratio | 9.11% | 8.57% |
| Own funds ratio (credit risk) | 13.98% | 13.12% |
| Total own funds ratio | 13.26% | 12.50% |

The Tier 1 ratio and own funds ratio are stated in relation to the risk-weighted basis of assessment pursuant to § 22 BWG.

The total own funds requirement was made up as follows:

| €'000 | 2010 | 2009 |
|---|-------------------|-------------------|
| Own funds requirement | | |
| Credit risk pursuant to § 22 (2) BWG | 1,034,423 | 1,005,352 |
| Trading book pursuant to § 22o (2) BWG | 18,665 | 12,665 |
| Operational risk pursuant to § 22i BWG | 48,750 | 45,389 |
| Qualifying equity investments pursuant to § 29 Abs. 4 BWG | 0 | 0 |
| Total own funds requirement | 1,101,838 | 1,063,406 |
| Basis of assessment (credit risk) pursuant to § 22 (2) BWG | 12,930,288 | 12,566,900 |
| Basis of assessment (total risk) | 13,772,975 | 13,292,575 |

Information required to be disclosed pursuant to § 26 und § 26a BWG and the *Offenlegungsverordnung* (Austrian disclosures directive) is published by the superordinate credit institution, *Raiffeisen-Holding NÖ-Wien*, on its website at www.rhnoew.at. The relevant information pertaining to RLB NÖ-Wien is published on its website at www.rlbnoew.at.

(51) AVERAGE NUMBER OF STAFF

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

| | 2010 | 2009 |
|--------------|--------------|--------------|
| White collar | 1,231 | 1,196 |
| Blue collar | 0 | 0 |
| Total | 1,231 | 1,196 |

(52) EVENTS AFTER THE BALANCE SHEET DATE AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

To date, there have been no business transactions or other occurrences that could be of particular public interest or that could materially affect the Annual Financial Statements for 2011. The Consolidated Financial Statements were completed by the Managing Board

during the Managing Board meeting on 21 March 2011, are being examined by the Supervisory Board and will be presented for approval during the Supervisory Board meeting on 12 April 2011.

Overview of Equity Investments (pursuant to § 265 Abs. 2 UGB)

The tables below present the RLB NÖ-Wien Group's equity investments.

(53) CONSOLIDATED SUBSIDIARIES

| Entity | Subscribed Capital | Currency | Percentage Held | Type ¹ |
|---|--------------------|----------|-----------------|-------------------|
| 'ARISIS' Beteiligungs GmbH, Vienna | 140,000 | € | 100% | OT |
| 'BARIBAL' Holding GmbH, Vienna | 105,000 | € | 100% | OT |
| 'EXEDRA' Holding GmbH, Vienna | 70,000 | € | 100% | OT |
| 'FIBULA' Beteiligungs GmbH, Vienna | 70,000 | € | 100% | OT |
| Acceptia Holding GmbH, Vienna | 35,000 | € | 100% | OT |
| Raiffeisen Centropa Invest Verwaltungs- und Beteiligungs AG, Vienna | 250,000 | € | 80% | OT |
| RLB NÖ-Wien Holding GmbH, Vienna | 70,000 | € | 100% | OT |
| RLB NÖ-Wien Sektorbeteiligungs GmbH, Vienna | 35,000 | € | 100% | OT |
| RLB Ostbankenholding GmbH, Vienna | 37,000 | € | 100% | OT |
| Tatra Holding GmbH, Vienna | 37,000 | € | 100% | OT |
| VAKS - Veranstaltungskartenservice Ges.m.b.H., Vienna | 37,000 | € | 100% | OT |

(54) ENTITIES ACCOUNTED FOR IN THE CONSOLIDATED FINANCIAL STATEMENTS USING THE EQUITY METHOD

| Entity | Subscribed Capital | Currency | Percentage Held | Type ¹ |
|--|--------------------|----------|-----------------|-------------------|
| Raiffeisenbank a.s., Prague (CZ) | 6,564,000,000 | Kč | 24.00% | BA |
| Raiffeisen Informatik GmbH, Vienna | 1,460,000 | € | 47.75% | OT |
| Raiffeisen Bank International AG, Vienna | 596,290,628 | € | 0.54% | BA |
| Raiffeisen Bank Zrt., Budapest (H) | 45,129,140,000 | Ft | 16.23% | BA |
| Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna | 443,713,864 | € | 31.41% | BA |
| Tatra banka a.s., Bratislava (SK) | 54,554,928 | € | 12.62% | BA |

Stock market prices of entities accounted for using the equity method:

| € per share | 31 December 2010 |
|--|------------------|
| Raiffeisen Bank International AG, Vienna | 41.00 |

Summary of financial information about entities accounted for using the equity method:

| €'000 | 2010 | 2009 |
|-------------------------------|-------------|-------------|
| Assets | 292,978,465 | 249,806,166 |
| Liabilities | 269,300,376 | 230,566,600 |
| Revenues (non-banking) | 1,302,210 | 1,164,682 |
| Net interest income (banking) | 8,091,225 | 7,213,403 |
| Profit for the year | 1,948,512 | 809,266 |

(55) NON-CONSOLIDATED SUBSIDIARIES

| Entity | Subscribed Capital | Currency | Percentage Held | Type ¹ |
|---|--------------------|----------|-----------------|-------------------|
| 'AKTUELL' Raiffeisen Versicherungs-Maklerdienst Gesellschaft m.b.H., Vienna | 73,000 | € | 100.00% | OT |
| 'PRONEPOS' Immobilienentwicklungs- und Beteiligungs GmbH, Vienna | 35,000 | € | 100.00% | OT |
| 'PRUBOS' Beteiligungs GmbH, Vienna | 35,000 | € | 100.00% | OT |
| 'TEMISTO' Beteiligungs GmbH, Vienna | 35,000 | € | 100.00% | OT |
| 'TOJON' Beteiligungs GmbH, Vienna | 70,000 | € | 100.00% | OT |
| Baureo Projektentwicklungs GmbH, Vienna | 35,000 | € | 100.00% | OT |
| B&E Projektmanagement GmbH, Vienna | 41,176 | € | 85.00% | OT |
| KREBEG Finanzierungsberatungs GmbH, Vienna | 35,000 | € | 95.00% | OT |
| MODAL-Gesellschaft für betriebsorientierte Bildung und Management GmbH, Vienna | 400,000 | € | 75.00% | OT |
| NÖ Raiffeisen Kommunalservice Holding GmbH, Vienna | 35,000 | € | 100.00% | OT |
| Raiffeisen Beratung direkt GmbH, Vienna | 37,000 | € | 100.00% | BR |
| Raiffeisen-Einlagensicherung Niederösterreich-Vienna registrierte Genossenschaft mit beschränkter Haftung, Vienna | 41,936 | € | 98.40% | OT |
| Raiffeisen Liegenschafts- und Projektentwicklungs GmbH, Wiener Neudorf | 35,000 | € | 100.00% | OT |
| Raiffeisen Versicherungs- und Bauspar-Agentur GmbH, Vienna | 70,000 | € | 100.00% | OT |
| RALV Holding GmbH, Vienna | 37,000 | € | 100.00% | OT |
| RLB Businessconsulting GmbH, Vienna | 35,000 | € | 100.00% | OT |
| RLB NÖ-W Factoring Beteiligungs GmbH, Vienna | 70,000 | € | 100.00% | OT |
| RLB NÖ-Wien Leasingbeteiligungs GmbH, Vienna | 35,000 | € | 100.00% | OT |
| TIONE Altbau-Entwicklung GmbH, Vienna | 37,000 | € | 100.00% | OT |
| Veritas Treuhandgesellschaft für Versicherungsüberprüfung und -vermittlung m.b.H., Graz | 50,000 | € | 100.00% | OT |

(56) OTHER EQUITY INVESTMENTS

Associates not accounted for using the equity method:

| Entity | Subscribed Capital | Currency | Percentage Held | Type ¹ |
|---|-----------------------|----------|--------------------|-------------------|
| 'SALUTANS' Holding GmbH, Vienna | 35,000 | € | 50.00% | OT |
| Central Danube Region Marketing & Development GmbH, Vienna | 200,000 | € | 50.00% | OT |
| Die Niederösterreichische Leasing Gesellschaft m.b.H., Vienna | 36,400 | € | 40.00% | OT |
| Die Niederösterreichische Leasing Gesellschaft m.b.H. & CO KG, Vienna ² | — | — | — | FI |
| ecoplus International GmbH, Vienna | 35,000 | € | 30.00% | OT |
| e-force Internet-Entwicklungen für e-business GmbH, Linz | 39,375 | € | 20.28% | OT |
| NÖ Beteiligungsfinanzierungen GmbH, Vienna | 1,816,821 | € | 29.00% | BA |
| NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H., Vienna | 50,000 | € | 74.00% | FI |
| Raiffeisen Factoring Holding GmbH, Vienna | 35,000 | € | 35.77% | OT |
| Raiffeisen Software Solution und Service GmbH, Vienna | 773,000 | € | 37.83% | OT |
| RSC Raiffeisen Daten Service Center GmbH, Vienna | 2,000,000 | € | 25.01% | OT |

KEY:

¹ Entity type

BA Bank

BR Entity rendering banking-related ancillary services

FH Financial holding company

FI Other financial institution

OT Other

² Partner with unlimited liability.

As a result of contractual agreements, *NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H.* and *Die Niederösterreichische Leasing Gesellschaft m.b.H. & Co. KG* were not controlled.

(57) ENTITIES RELATED VIA PARENT RAIFFEISEN-HOLDING NÖ-WIEN

Of which consolidated subsidiaries of *Raiffeisen-Holding NÖ-Wien*:

'ADELANTE' Holding GmbH, Vienna
 'ALDOS' Beteiligungs GmbH, Vienna
 'ALMARA' Holding GmbH, Vienna
 AMPA s.r.o., Pardubice (CZ)
 AURORA Kamionka Sp. z o.o., Kamień Krajeński (PL)
 AURORA MÜHLE HAMBURG GmbH, Hamburg (D)
 AURORA MÜHLEN GMBH, Hamburg (D)
 AURORA POLSKA Sp. z o.o., Kutno (PL)
 'BALURA' Holding GmbH, Vienna
 'BASCO' Beteiligungs GmbH, Vienna
 'BELLAGIO' Holding GmbH, Vienna
 BLR-Baubeteiligungs GmbH, Vienna
 'BORTA' Holding GmbH, Vienna
 Botrus Beteiligungs GmbH, Vienna
 cafe+co International Holding GmbH, Vienna
 café+co Ital- és Ételaautomata Kft., Alsónémedi (H)
 'CRIOLLA' Beteiligungs GmbH, Vienna
 Delikomats Betriebsverpflegung Gesellschaft m.b.H., Vienna
 Delikomats Deutschland Automaten Catering GmbH, Regensburg (D)
 DELIKOMAT d.o.o., Maribor (SI)
 Delikomats Polska Sp. z o.o., Bielsko-Biala (PL)
 Delikomats s.r.o., Brno (CZ)
 DELTA MLÝNY s.r.o., Kyjov (CZ)
 DEVELOP Baudurchführungs- und Stadtentwicklungs-Gesellschaft m.b.H., St. Pölten
 DEVON GRUNDSTÜCKSVERWALTUNGS-GESELLSCHAFT MBH & Co. Mühlenobjekte KG, Eschborn (D)
 Diamant International Malom Kft., Baja (H)
 Diamant International Polska Młyn Stanisława Grygiera Sp. z o.o., Grodzisk Wielkopolski (PL)
 DIAMANT STRADUNIA Sp. z o.o., Stradunia (PL)
 'DIMALO' Beteiligungs GmbH, Vienna
 DZR Immobilien und Beteiligungs GmbH, Vienna
 Eidermühle GmbH, Hamburg (D)
 'EMERIA' Beteiligungs GmbH, Vienna
 'ERCOM' Beteiligungs GmbH, Vienna
 Erste Wiener Walzmühle Vonwiller Gesellschaft m.b.H., Schwechat
 'ESTELEC' Beteiligungs GmbH, Vienna
 Estezet Beteiligungsgesellschaft m.b.H., Vienna
 Eudamonia Projektentwicklungs GmbH, Vienna
 FARINA Mühlen GmbH, Raaba
 'FILIUS' Holding GmbH, Vienna
 Frischlogistik und Handel GmbH, Baden bei Wien
 'GINAWE' Beteiligungs GmbH, Vienna
 Gloria Mühlenwerke GmbH, Hamburg (D)
 KAMPFFMEYER Food Innovation GmbH, Hamburg (D)
 Kampffmeyer Mühlen GmbH, Hamburg (D)
 Kremser Landstraße Projektentwicklung GmbH, Vienna
 'Küche & Kantine' Betrieb GmbH, Vienna
 'LAREDO' Beteiligungs GmbH, Vienna
 LBD Lebensmittel Beratungsdienst GmbH, Mannheim (D)

LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna
LLI EUROMILLS GmbH, Vienna
'LOMBA' Beteiligungs GmbH, Vienna
Marchfelder Zuckerfabriken Gesellschaft m.b.H., Vienna
'MARMARIS' Holding GmbH, Vienna
MAZ Beteiligungs GmbH, Vienna
Mecklenburger Elde-Mühlen GmbH, Parchim (D)
Mona Hungary Kft., Budapest (H)
'MORUS' Beteiligungs GmbH, Vienna
Müller´s Mühle GmbH, Gelsenkirchen (D)
NBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H., Vienna
'NESSOS' Beteiligungs GmbH, Vienna
Niederösterreichische Milch Holding GmbH, Vienna
NOBE Grundstücksverwaltung GmbH, Hamburg (D)
NÖM AG, Baden bei Wien
NOM DAIRY UK LIMITED, London (UK)
NÖM International AG, Baden
Nordland Mühlen GmbH, Jarmen (D)
Obere Donaustraße Liegenschaftsbesitz GmbH, Vienna
'Octavia' Holding GmbH, Vienna
'OLIGO' Holding GmbH, Vienna
PANNONMILL Malomipari Zrt., Komárom (H)
'PIANS' Beteiligungs GmbH, Vienna
'PROCAS' Holding GmbH, Vienna
'PROKAP' Beteiligungs GmbH, Vienna
Raiffeisen Agrar Holding GmbH, Vienna
Raiffeisen Agrar Invest GmbH, Vienna
RAIFFEISEN-HOLDING NÖ-Wien Beteiligungs GmbH, Vienna
Rannersdorfer Bio Mühlen GmbH, Schwechat
RARITAS Holding GmbH, Vienna
'RASKIA' Beteiligungs GmbH, Vienna
R-FMZ Immobilienholding GmbH, Vienna
RFT Beteiligungs GmbH, Vienna
RH Anteilsverwaltungs GmbH, Vienna
RH Finanzberatung und Treuhandverwaltung Gesellschaft m.b.H., Vienna
RH Finanzbeteiligungs GmbH, Vienna
RHG Holding GmbH, Vienna
RHG Management GmbH, Vienna
RH Versicherungsholding GmbH, Vienna
RH WEL Beteiligungs GmbH, Vienna
Rosenmühle GmbH, Ergolding (D)
Rossauer Lände 3 Immobilienprojektentwicklung GmbH, Vienna
'RUMOR' Holding GmbH, Vienna
Schüttmühle Berlin GmbH, Berlin (D)
'SEPTO' Beteiligungs GmbH, Vienna
Sofia Mel EAD, Sofia (BG)
St. Leopold Liegenschaftsverwaltungs- und Beteiligungsgesellschaft m.b.H., Vienna
'TALIS' Holding GmbH, Vienna
TITAN S.A., Pantelimon (RO)
TOP.CUP Office-Coffee-Service Vertriebsgesellschaft m.b.H., Klagenfurt
TOV Regionprodukt, Gnidin (UA)
UNIMILLS a.s., Prague (CZ)

'URUBU' Holding GmbH, Vienna
 Vendare Warenhandels-gesellschaft m.b.H., Vienna
 VK Mühlen Aktiengesellschaft, Hamburg (D)
 VK MÜHLEN POLSKA Sp. z o.o., Grodzisk Wielkopolski (PL)
 VK 'Polen' GmbH, Hamburg (D)
 Zucker-Beteiligungsgesellschaft m.b.H., Vienna
 Zucker Invest GmbH, Vienna
 Zuckermarkt - Studiengesellschaft m.b.H., Vienna
 Zucker Vermögensverwaltungs GmbH, Vienna

Of which non-consolidated entities in the *Raiffeisen Holding NÖ-Wien Group*.

ABC Reiseservice GmbH, Vienna
 'ARAGOS' Beteiligungs GmbH, Vienna
 'ARANJA' Beteiligungs GmbH, Vienna
 'BANUS' Beteiligungs GmbH, Vienna
 'BENEFICIO' Holding GmbH, Vienna
 Beteiligungsgesellschaft Diamant Mühle Hamburg GmbH, Hamburg (D)
 Big Push Vertrieb GmbH in Liqu., Vienna
 Bioenergie Orth a.d. Donau GmbH, Vienna
 'BONADEA' Immobilien GmbH, Vienna
 Café+co Rus, ZAO, Moscow (RU)
 CAFE+CO Timisoara S.R.L, Timisoara (RO)
 C - Holding s.r.o., Modřice (CZ)
 Conrad GmbH Mehlgroßhandel, Neunkirchen (D)
 'CREMBS' Hotelbetriebsgesellschaft m.b.H., Krems
 DELIKOMAT d.o.o., Belgrade (RS)
 DELIKOMAT d.o.o., Tomislavgrad (BA)
 DELIKOMAT d.o.o., Zagreb (HR)
 Delikomats Slovensko spol. s.r.o., Bratislava (SK)
 Diana Slovakia spol. s.r.o., Bratislava (SK)
 Dritte Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)
 Echion Projektentwicklungs GmbH, Vienna
 'ELIGIUS' Holding GmbH, Vienna
 Erste Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)
 'EUSEBIO' Beteiligungs GmbH, Vienna
 Farina Marketing d.o.o., Ljubljana (SI)
 Fünfte Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)
 Gesundheitspark St. Pölten Errichtungs- und Betriebs GmbH, Vienna
 'GULBIS' Beteiligungs GmbH, Vienna
 Haldenhof Liegenschaftsverwaltungs- und -verwertungsges.m.b.H., Vienna
 HEFRA solarpark development s.r.o., Lipová (CZ)
 'HELANE' Beteiligungs GmbH, Vienna
 Holz- und Energiepark Vitis GmbH, Vienna
 Intech Vertriebsgesellschaft mbH, Hamburg (D)
 Internationales Reisebüro Primus-GmbH in Liqu., Vienna
 Kampffmeyer Food Innovation Polska Sp. z o.o., Poznań (PL)
 Kasernen Immobilienerichtungsgesellschaft mbH, Vienna
 KASERNEN Projektentwicklungs- und Beteiligungs GmbH, Vienna
 'MAURA' Immobilien GmbH, Vienna
 MID 5 Holding GmbH, Vienna
 Müfa Mehl und Backbedarf Handelsgesellschaft mbH, Hamburg (D)

Neue Marktgasse Einkaufspassage Stockerau GmbH, Vienna
Neuß & Wilke GmbH, Gelsenkirchen (D)
PBS Immobilienholding GmbH, Vienna
PBS Immobilienprojektentwicklungs GmbH, Vienna
'PINUS' Liegenschaftsverwaltungs GmbH, Vienna
Raiffeisen Analytik GmbH, Vienna
Raiffeisen-Fachmarktzentrum SIEBEN GmbH, Vienna
Raiffeisen-Fachmarktzentrum VIER GmbH, Vienna
Raiffeisen-Fachmarktzentrum ZWEI GmbH, Vienna
RAIFFEISEN IMMOBILIEN VERMITTLUNG GES.M.B.H., Vienna
Raiffeisen-Reisebüro Gesellschaft m.b.H., Vienna
Raiffeisen Vorsorgewohnungserichtungs GmbH, Vienna
RENERGIE Bad Schmiedeberg GmbH & Co. KG, Wetterzeube OT Trebnitz (D)
RENERGIE Bioplyn Slusovice spol. s.r.o., Slušovice (CZ)
RENERGIE Carbex Trade GmbH, Vienna
RENERGIE Carbon GmbH, Vienna
RENERGIE Dorf Mecklenburg GmbH & Co. KG, Wetterzeube OT Trebnitz (D)
RENERGIE Elsterwerda GmbH & Co. KG, Wetterzeube OT Trebnitz (D)
RENERGIE green solutions GmbH, Wetterzeube (D)
RENERGIE green solutions Management GmbH, Wetterzeube, OT Trebnitz (D)
RENERGIE Korgau GmbH, Wetterzeube OT Trebnitz (D)
RENERGIE Lübars GmbH & Co. KG, Wetterzeube OT Trebnitz (D)
RENERGIE Raiffeisen Managementgesellschaft für erneuerbare Energie GmbH, Vienna
RENERGIE Trebnitz GmbH & Co. KG, Wetterzeube OT Trebnitz (D)
RENERGIE Vehlgest GmbH & Co. KG, Wetterzeube OT Trebnitz (D)
R-FMZ 'MERCATUS' Holding GmbH, Vienna
RLB Businessconsulting GmbH, Vienna
ROLLEGG Liegenschaftsverwaltungs GmbH, Vienna
'RUFUS' Beteiligungs GmbH, Vienna
'SANSARA' Holding GmbH, Vienna
Schöpferstrasse Projektentwicklung GmbH, Vienna
'SERET' Beteiligungs GmbH, Vienna
'SEVERUS' Beteiligungs GmbH, Vienna
snack+co GmbH, Vienna
Steinmetz-Mehl Vertriebsgesellschaft Süd GmbH, Aalen (D)
St. Hippolyt Beteiligungs-GmbH, Vienna
TECHBASE Science Park Vienna GmbH, Vienna
Techno-Park Tulln GmbH, Wiener Neudorf
THE AUTHENTIC ETHNIC FOOD COMPANY GmbH, Gelsenkirchen (D)
Theranda Entwicklungsgenossenschaft für den Kosovo registrierte Genossenschaft mit beschränkter Haftung, Vienna
TIONE Altbau-Entwicklung GmbH, Vienna
TOP-CUP Deutschland office-coffee Service GmbH, Regensburg (D)
Vierte Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)
VivaNatur Mühle West GmbH, Grevenbroich (D)
WALDSANATORIUM PERCHTOLDSDORF GmbH, Salzburg
Waldviertel Immobilien-Vermittlung GmbH, Zwettl
wertCorn GmbH Getreidespezialitäten, Hameln (D)
ZEG Immobilien- und Beteiligungs registrierte Genossenschaft mit beschränkter Haftung, Vienna
Zweite Biogas Falkenhagen Betriebs GmbH & Co. KG, Regensburg (D)

Boards and Officers

MANAGING BOARD:

Chairman:

Erwin HAMESEDER

Deputy Chairman:

Georg KRAFT-KINZ
(since 1 May 2010; previously an ordinary member of
the Managing Board)

Members:

Reinhard KARL
Michael RAB
Gerhard REHOR

SUPERVISORY BOARD:

Chairman:

Christian KONRAD

Deputy Chairman:

Johann VIEGHOFER

Members:

Anton BODENSTEIN
Franz HUBINGER (to 7 May 2010)
Alfons NEUMAYER
Johann PLACHWITZ
Gerhard PREISS
Christian RESCH
Brigitte SOMMERBAUER (since 7 May 2010)

Staff Council delegates:

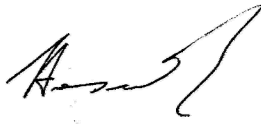
Johann AMON
Anton HECHTL
Michael HOFER
Sibylla WACHSLER

State commissioners:

Alfred LEJSEK
Silvia ZENDRON (to 28 February 2010)
Bernhard MAZEGGER (since 1 March 2010)

The Managing Board of RLB NÖ-Wien completed these Consolidated Financial Statements on 21 March 2011 in accordance with the provisions of the International Financial Reporting Standards (IFRSs) as adopted by the European Union. The provisions of enterprise law that were, in addition, applicable under § 245a UGB in conjunction with § 59a BWG were taken into account. The Group Management Report was prepared in accordance with the provisions of Austrian enterprise law and is consistent with the Consolidated Financial Statements.

The Managing Board



CEO
Erwin HAMESEDER



Deputy CEO
Georg KRAFT-KINZ



Member
Reinhard KARL



Member
Gerhard REHOR



Member
Michael RAB

The Managing Board released the Consolidated Financial Statements for submission to the Supervisory Board on 21 March 2011.

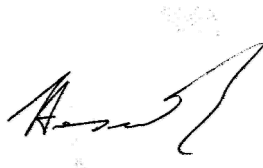
DECLARATION BY THE MANAGING BOARD

We declare that, to the best of our knowledge, the Consolidated Financial Statements prepared in accordance with the applicable financial reporting standards present fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the RLB NÖ-Wien Group; the Group Management Report presents the business performance, business results and position of the RLB NÖ-Wien Group in such a way that it presents fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the Group; and the Group Management Report describes the material risks and uncertainties to which the Group is exposed.

Vienna

21 March 2011

The Managing Board



Erwin HAMESEDER
CEO

Responsible for Raiffeisen Banks and Management Services



Georg KRAFT-KINZ
Deputy CEO
Responsible for
Personal and Business Banking Customers



Reinhard KARL
Member
Responsible for
Corporate Customers



Gerhard REHOR
Member
Responsible for
Financial Markets



Michael RAB
Member
Responsible for
Risk Management and Organization

AUDITOR'S REPORT

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of

RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG,

Vienna, Austria,

for the year from 1 January 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 the 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 as well as 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 § 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 § 243a UGB (Austrian Commercial Code) are appropriate.

Vienna

21 March 2011

As the Auditors appointed by *Österreichischer Raiffeisenverband*:

Verband Auditor

*KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft*

Signed by:

Christian Loicht
Wirtschaftsprüfer

Wilhelm Kovsca
Wirtschaftsprüfer

Franz Frauwallner
Wirtschaftsprüfer

(Austrian Chartered Accountants)

This report is a translation of the original report in German, which is solely valid.

GLOSSARY

Basis of assessment – The risk-weighted basis of assessment within the meaning of § 22 BWG (see *Risk-weighted assets*).

BWG – [Austrian] federal banking act (*Bankwesengesetz*).

Clean price – The price of an interest rate instrument without accrued interest.

Dirty price – The price of an interest rate instrument plus accrued interest.

Entities accounted for using the equity method – Entities over whose operating or financial policies an investor has a significant influence.

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

Hedge – A transaction that reduces the risk (e.g. price or interest rate risk) on an already existing or future position.

IFRIC, SIC – International Financial Reporting Interpretation Committee: Interpreter of the International Financial Reporting Standards; formerly also called SIC (Standing Interpretations Committee).

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

Loan exposure – Loan exposures comprise all on-balance sheet exposures (loans and advances, bonds) and off-balance sheet exposures (guarantees, credit lines).

Own funds ratio – This ratio's numerator is eligible own funds within the meaning of BWG and its denominator is the basis of assessment pursuant to § 22 BWG.

Own funds within the meaning of BWG – These are made up of Tier 1 capital, supplementary and subordinated debt capital (Tier 2) and short-term subordinated debt capital and reclassified Tier 2 capital (Tier 3).

Risk:earnings ratio – The impairment charge on loans and advances in relation to net interest income.

Risk-weighted assets – The total of the assets, off-balance sheet items and special off-balance sheet items in the banking book weighted according to business and/or counterparty risk, determined in accordance with the Austrian *Bankwesengesetz* (banking act).

Tier 1 capital – Paid-in capital and reserves less intangible assets and balance-sheet losses as well as material losses during the current financial year.

Tier 1 ratio – This ratio's numerator is Tier 1 capital and its denominator is the basis of assessment for the purposes of § 22 BWG.

UGB – *Unternehmensgesetzbuch*: Austrian enterprises code.

VaR – Value at risk expresses the potential loss that will, with a 99 per cent probability, not be exceeded in the portfolio in question within the specified holding period.

INFORMATION IN THE INTERNET

Raiffeisenlandesbank Niederösterreich-Wien's website provides detailed, up-to-date information about *Raiffeisen* at www.raiffeisenbank.at

PUBLICATION DETAILS

Published by:

Raiffeisenlandesbank Niederösterreich-Wien AG
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Publication Officer:

Michaela Stefan

IFRS-compliant Consolidated Financial Statements:

Editing and coordination:
Accounts and Controlling at RLB NÖ-Wien
Reinhold Grossebner and his team

Typesetting: Produced in-house using FIRE.sys, *Michael Konrad GmbH*, Frankfurt

Translated by Adrian Weisweiler BA (Oxon), MA (Oxon), London
The translation of the Auditors' Report was provided by the Auditors.

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Copy deadline:

4 April 2011

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Note and Disclaimer:

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