

**INTERIM  
REPORT  
THIRD  
QUARTER  
2009**

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In this Interim Report, "RZB" refers to the RZB Group and "Raiffeisen Zentralbank" is used whenever statements refer solely to the Raiffeisen Zentralbank Österreich AG. Adding and subtracting rounded amounts in tables and charts may lead to minor discrepancies.

# Overview

## RZB Group

Monetary values in € million	2009	2008	Change
<b>Income statement</b>	<b>1/1 – 30/9</b>	<b>1/1 – 30/9</b>	
Net interest income	2,626	2,774	(5.3%)
Provisioning for impairment losses	(1,708)	(372)	359.1%
Net fee and commission income	1,058	1,305	(18.9%)
Net trading income	369	48	668.8%
General administrative expenses	(2,051)	(2,311)	(11.3%)
Profit before tax	805	954	(15.6%)
Profit after tax	511	776	(34.1%)
Consolidated profit	399	403	(1.0%)
Earnings per share, €	43.0	74.3	(31.3 €)
<b>Balance sheet</b>	<b>30/9</b>	<b>31/12</b>	
Loans and advances to banks	37,907	29,115	30.2%
Loans and advances to customers	76,616	84,918	(9.8%)
Deposits from banks	53,047	54,148	(2.0%)
Deposits from customers	53,686	59,120	(9.2%)
Equity (including minority interests and profit)	10,245	8,587	19.4%
Balance sheet total	151,299	156,921	(3.6%)
<b>Regulatory Information</b>	<b>30/9</b>	<b>31/12</b>	
Risk-weighted assets (credit risk)	78,911	89,040	(11.4%)
Total own funds	12,351	10,801	14.4%
Total own funds requirement	7,714	8,505	(9.3%)
Excess cover ratio	60.1%	27.0%	33.1 ppt
Tier 1 ratio, credit risk	11.2%	8.4%	2.8 ppt
Own funds ratio	12.8%	10.2%	2.6 ppt
<b>Performance</b>	<b>1/1 – 30/9</b>	<b>1/1 – 31/12</b>	
Return on equity before tax	12.4%	7.3%	5.1 ppt
Return on equity after tax	7.9%	5.3%	2.6 ppt
Consolidated return on equity	8.6%	0.9%	7.7 ppt
Cost/income ratio	49.6%	52.8%	(3.2 ppt)
Return on assets before tax	0.70%	0.40%	0.30 ppt
Net provisioning ratio (average risk-weighted assets, credit risk)	2.75%	1.19%	1.56 ppt
Risk/earnings ratio	65.0%	28.7%	36.3 ppt
<b>Resources</b>	<b>30/9</b>	<b>31/12</b>	
Number of staff on the reporting date	61,907	66,651	(7.1%)
Business outlets	3,166	3,251	(2.6%)

Ratings	Long-term	Short-term	Financial strength	Outlook (long-term)
Fitch Ratings	A	F1	–	Stable
Moody's Investors Service	A1	P-1	D+	Stable
Standard & Poor's	A	A-1	–	Negative

# RZB's Performance as of 30 September 2009

## Economic Conditions

### Economic growth gradually recovering in the established economies

After the unprecedented economic downturn at the beginning of the year, economic activity stabilised in many western countries in the second quarter of 2009. There was a further step forward in the third quarter as the recession ended in most of the established economies around mid-year and economic growth resumed. The United States recorded GDP growth of almost 0.9 per cent in the third quarter and Germany also saw positive quarterly growth of 0.7 per cent. Growth in the euro zone as a whole was 0.4 per cent in the third quarter. In the first six months of 2009 real GDP in the euro zone was still down 4.8 per cent on the figure for the first half of 2008.

Judging by the leading economic indicators, such as surveys and new manufacturing orders, GDP growth is likely to be at a similar level in the fourth quarter. However, this cannot disguise the fact that output remains well below its level before the economic crisis. For example, the real value of goods and services produced in the euro zone in the third quarter of 2009 was 4.1 per cent below the level of a year ago. The resultant low capacity utilisation levels are leading to rising unemployment and a lack of inflationary pressure. Inflation fell below the zero level in the euro zone in June and remained in the negative zone in October at minus 0.1 per cent year-over-year. Overall, the recent significant recovery in the economic situation in the established markets is only the first step on a long road to global economic recovery.

### Austrian economy growing again

The recession in Austria, which lasted for a full year, ended in the third quarter of 2009 with seasonally and working day adjusted GDP growth of 0.9 per cent compared with the second quarter of 2009. This put Austria in the leading group in Europe during the period under review. Nonetheless, GDP was still down 2.4 per cent year-over-year.

Due to low inflation and the impact of the tax reform, private consumption remained stable, rising 0.1 per cent compared with the second quarter of 2009. However, the government's fiscal stimulus measures were reflected in strong growth in public sector consumption, which rose by 1.8 per cent. In addition to this temporary boost, there was also a significant recovery in export-oriented industry. The manufacturing industry grew by 4 per cent on the previous quarter, which was reflected both in exports (up 1.4 per cent quarter-on-quarter) and in gross investment (up 1.8 per cent). As an open economy Austria was initially hit hard by the collapse in world trade during the global economic crisis but equally it has benefited strongly from the recent normalisation trend.

## Fall in production means CEE still slumping

The global recession hit the economies of Central and Eastern Europe (the CEE region) hard during the first half of 2009. As a result, GDP in the region will fall on average by two percentage points more than in the euro zone in 2009. However, the outlook varies greatly from country to country – whereas Poland saw real GDP growth of 1.0 per cent in the first half of 2009, output shrank by 19.2 per cent in Ukraine in the same period.

The stabilisation of a range of leading indicators and a clear turnaround in some countries stoked optimism in the third quarter that the end of the recession is in sight. Recent industrial production data can be interpreted as a confirmation that the economic slump in the CEE region has bottomed out. However, it would be premature to sound the all clear, as there continues to be a risk that the fall in production in the export-oriented manufacturing industry will spill over to the service sector. Unemployment, which usually follows the performance of the economy with a lag, is also likely to rise further over the course of the year.

# Developments in the Banking Industry in RZB's Principal Markets

## The regulation debate dominates

The third quarter saw the first anniversary of the collapse of the investment bank Lehman Brothers. The banking world is therefore currently dominated by the debate about the lessons to be drawn from the collapse of Lehman Brothers and the subsequent financial crisis. The main focus is on how the future regulatory framework will be structured.

Many banks raised additional capital in anticipation of higher capital requirements. In addition to raising share capital, banks also issued subordinated bonds again for the first time after a prolonged hiatus. By the end of September 2009, US banks had repaid 35 per cent of the funds they received under the capital purchase programme. A number of Western European banks have also announced that they plan to repay government support.

## International support packages for CEE make an impact

The difficult situation in the real economy led to an increase in non-performing loans in the CEE financial sector in the first half of 2009 and so to a rise in provisioning for impairment losses. This was the case particularly in Ukraine, Romania and Hungary, where there was a toxic combination of foreign currency borrowing and, in some cases, significant currency depreciation. However, other countries such as Poland, the Czech Republic and Slovakia saw a relatively minor rise in provisioning for impairment losses.

The rapid and wide-ranging support provided by the International Monetary Fund (IMF), the European Union (EU), the World Bank, the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) had the hoped-for positive impact on the Central and Eastern European economies. However, the conditionality attached to the IMF's aid to keep the budget deficits within certain limits significantly limits the scope for national fiscal stimulus packages.

The international equity markets and indirectly the Central and Eastern European financial markets benefited from the financial support and the associated hopes that the recession will end soon. As a result, most exchange rates stabilised in the second quarter and saw a recovery in the third quarter. Parallel to this, risk premia (as measured by credit default swaps) continued to fall sharply in the course of the third quarter and returned to the levels that prevailed before the collapse of Lehman Brothers.

## **Further improvement in the market perception of Austrian banks**

The IMF published its report on the stability of the global financial system in April, although in May it had to restate some of the estimated values for the CEE economies contained in the report due to double counting and incorrect entries, including the overstatement of values in relation to the ratio of foreign debt to currency reserves. The resulting more optimistic market sentiment also substantially reduced the spreads of Austrian credit default swaps (CDS) – credit derivatives used to transfer credit risk between two market participants – over the course of the second quarter.

This applies especially to credit derivatives on large Austrian banks. Thus, following the record highs seen in March 2009, prices on the CDS market dropped sharply in the second quarter. This trend continued in the third quarter. Due to increasing risk tolerance, the positive market sentiment and the improvement in most of the leading economic indicators, the spreads of the most heavily traded Austrian CDS contracts declined significantly and narrowed by an average of 116 basis points between the beginning of July and the end of September.

## **Banks draw down only a small proportion of the government support package**

In the autumn of 2008, the Austrian federal government announced a €100 billion package of measures to strengthen the Austrian financial market, which was subsequently implemented in the first quarter of 2009. In addition to a 100 per cent guarantee for customer deposit balances (€10 billion), it includes a bank bond guarantee (€75 billion) and allocation of funds to strengthen the equity base of banks (€15 billion).

On this basis, the Republic of Austria subscribed €4.95 billion in participation capital of Austrian banks in the first half of 2009 (RZB: €1.75 billion). Negotiations over the subscription of €550 million were concluded with another Austrian bank in the third quarter. In total, since the beginning of the financial market crisis in 2008 until the end of September 2009 the Republic of Austria has made available €6.4 billion for the purpose of strengthening banks' equity bases.

The Austrian banks issued government-guaranteed bonds totalling €4.85 billion in the second quarter after €9.75 billion in the first quarter. Up to the end of September a further €3.35 billion of government-guaranteed bonds were issued. The total issuance of government-guaranteed paper in the first nine months of 2009 was therefore €19.17 billion (RZB: €4.25 billion).

# Results of Operations, Financial Position and Assets

## Consolidated profit at the same level as a year ago

Profit before tax was €805 million for the first three quarters. This represented a decline of 16 per cent or €149 million compared with the same period in 2008. RZB's consolidated profit after tax and minority interests for the first nine months of 2009 was €399 million and therefore only slightly down on the result for the same period of 2008 (€403 million).

However, the composition of the result reveals important differences. The fall in profits in the previous year against the comparable period in 2007 was driven primarily by valuation losses on securities and structured products, and to a lesser extent by provisioning for loans and advances to banks. In contrast, the main factor holding back profits in the first three quarters of 2009 was the steep increase in provisioning for impairment losses, which more than outweighed a rise in operating profits. Provisioning for impairment losses amounted to €1,708 million, representing an increase of €1,330 million on the figure for 30 September 2008.

## Non-performing loans and provisioning continue to burden profits

The rise in non-performing loans (according to Basel II definition), which has been seen since the fourth quarter of 2008 continued in the reporting period. After rising by €2,186 million in the first six months of 2009, non-performing loans increased by a further €626 million in the third quarter. Almost all the reporting segments were affected by this increase. However, borrowers in Ukraine, Russia, Hungary and Romania were at the forefront of this trend. At 30 September 2009 the total volume of non-performing loans customer loans was €5,128 million. The non-performing loan ratio (non-performing loans as a proportion of total customer loans) rose by 3.97 percentage points compared with the beginning of the year to 6.69 per cent.

This development led to a further sharp increase in provisioning for impairment losses. New provisions amounted to €441 million in the third quarter of 2009 and totalled €1,708 million in the first nine months of the year. This represents an increase of €1,336 million on the same period in 2008. At the end of September 2009 the risk/earnings ratio was 65.0 per cent and therefore 36.3 percentage points above the figure for the year-end 2008.

## Operating result up on a year ago

Operating profit for the first nine months of 2009 was up 11 per cent on the same period in 2008 to €2,081 million. Operating profit was €655 million in the third quarter, unchanged from the second quarter and at the same level as in the third quarter of 2008.

The increase in operating profit resulted from two main factors. First, net trading income increased by €321 million compared with the same period of the previous year year to €369 million, due primarily to revaluation gains on interest rate derivatives and write-ups of previously impaired financial instruments. Second, on a euro basis the general administrative expenses fell significantly by €260 million to €2,051 million.

However, net fee and commission income, which fell 19 per cent or €248 million to €1,058 million, had a negative impact on operating income. The decline was caused by a fall in the value of foreign exchange transactions and payments due to the currency turmoil and the downturn in the economy. Demand was also weaker in the securities and investment fund business.

Net interest income was also hit by the lower business volumes and fell 5 per cent or €149 million year-over-year in the first nine months of 2009 to €2,626 million. However, overall operating income was only slightly down on the figure for the same period of 2008, falling 1 per cent to €4,132 million.

## Significant improvement in cost/income ratio

As previously mentioned, general administrative expenses were down 11 per cent in the first nine months of the year from the same period of 2008 to €2,051 million. The largest fall was recorded in staff expenses, which fell by 14 per cent or €162 million. This was due both to foreign exchange effects and cost-cutting programmes and measures launched or implemented in the individual Group units.

The number of staff fell by 4,744 from the end of 2008 to 61,907 at 30 September 2009. Headcount was reduced in almost all CEE network banks, with the largest cuts coming in Russia (1,382), Ukraine (1,054), Romania (486) and Bulgaria (400). In Russia and Bulgaria this was based entirely on natural fluctuation. As the number of employees was increasing until the third quarter of 2008 and most of the headcount reduction only began in the fourth quarter of 2008, the average number of staff in the period 1 January to 30 September 2009 was down only 1 per cent on the same period of 2008 to 64,184.

The cost/income ratio improved by 5.6 percentage points compared with the first three quarters of 2008 to 49.6 per cent. There was also an improvement compared with the full year 2008, when the cost/income ratio stood at 52.8 per cent.

## Strong equity base through participation capital

RZB's balance sheet equity increased by €1,658 million from the end of 2008 to €10,245 million. This figure includes the €1,750 million of participation capital received from the Republic of Austria's subscription at the beginning of April.

There were further changes in equity due to the depreciation of local currencies in Central and Eastern Europe. After taking account of relevant hedging transactions, this led to valuation losses of €296 million in the Group's equity. Dividend payments also reduced equity: the shareholders of Raiffeisen Zentralbank received dividends of €150 million (€25.73 per share) and €92 million in dividends were paid to minority shareholders in Group companies.

RZB's total own funds according to the Austrian Banking Act (Bankwesengesetz/BWG) increased by 14 per cent from €10,801 million to €12,351 million.

## Return on equity at 12.4 per cent

The sharp increase in provisioning for impairment losses was reflected in the return on equity. At 12.4 per cent the return on equity before tax was well below the 15.2 per cent level achieved in the same period of 2008. The average equity on which this figure is based rose by 4 per cent to €8.7 billion, mainly as a result of the issue of participation capital.

Consolidated return on equity (after tax and minority interests) was also relatively low at 8.6 per cent. Nonetheless, it was significantly above the figure for the year-end 2008, which was only 0.9 per cent as a result of the immediate effects of the financial crisis.

## Slight decline in balance sheet total

RZB's balance sheet total fell by around 4 per cent to €151.3 billion in the period under review. This reflected a number of different and offsetting factors. Measures to cut back and stabilise the loan portfolio reduced the customer loan book by 10 per cent or €8.3 billion, with a corresponding impact on the balance sheet total. Provisions for impairment losses recognised in the period under review led to a further decline of around €1.4 billion. Exchange rate movements also had a significant impact on the balance sheet; the currency depreciations since the beginning of the year led the balance sheet total to fall by around €3 billion. This was caused both by the Central and Eastern European currencies and by the weakening of the US dollar over the course of the year.

As the capital markets returned to normal, liquidity was transferred from deposits with central banks to short to medium-term investments in top-quality securities (primarily government and government-guaranteed bonds). The effect of this was to increase the balance sheet by around €6.9 billion.

On the liabilities side, deposits from customers shrank by 9 per cent. However, retail customer deposits rose by over €0.5 billion. In Slovakia deposits fell from their unusually high level at the end of 2008, but this was the result of a one-off effect relating to the introduction of the euro.

Overall, the loan/deposit ratio fell slightly by 1 percentage point to 143 per cent.

Liabilities evidenced by paper grew by €0.9 billion from the end of 2008. Maturing paper was mostly substituted by three government-guaranteed bond issues with a total volume of €4.25 billion.

# Detailed Review of Items in the Income Statement

## Operating profit (periodic comparison)

€ million	1/1- 30/9/2009	Change	1/1- 30/9/2008	1/1- 30/9/2007
Net interest income	2,626	(5.3%)	2,774	2,054
Net fee and commission income	1,058	(18.9%)	1,305	1,090
Net trading income	369	668.8%	48	135
Other net operating income	79	31.7%	60	87
<b>Operating income</b>	<b>4,132</b>	<b>(1.3%)</b>	<b>4,188</b>	<b>3,366</b>
Staff expenses	(1,018)	(13.7%)	(1,180)	(971)
Other administrative expenses	(806)	(11.5%)	(911)	(707)
Depreciation/amortisation/write-downs	(226)	3.2%	(219)	(192)
<b>General administrative expenses</b>	<b>(2,051)</b>	<b>(11.3%)</b>	<b>(2,311)</b>	<b>(1,869)</b>
<b>Operating profit</b>	<b>2,081</b>	<b>10.9%</b>	<b>1,877</b>	<b>1,496</b>

## Operating income stable

Operating income was virtually unchanged in the first nine months of 2009, falling just 1 per cent or €56 million from the same period of the previous year to €4,132 million. The main reason for this stability was the rise in net trading income, which offset higher funding costs and lower fee and commission income resulting from the weak economy, and fluctuations in the Central and Eastern European currencies. There were no significant changes in the scope of consolidation during the period under review.

## Net interest income impacted by lower interest rate level

Net interest income was €2,626 million in the year to 30 September 2009, which represents a decline of 5 per cent compared with the same period last year. At the same time the average balance sheet total rose by 3 per cent, giving a net interest margin of 2.26 per cent, compared with 2.44 per cent for the comparable period of the previous year.

Interest income fell by 14 per cent to €5,819 million. The low interest rate level led to a fall in interest income on loans and advances to banks in particular by 61 per cent to €625 million. Interest expenses fell by 20 per cent to €3,244 million. This decline was largely due to a fall in interest paid to banks, which was down by €746 million or 46 per cent to €893 million compared with the same period last year.

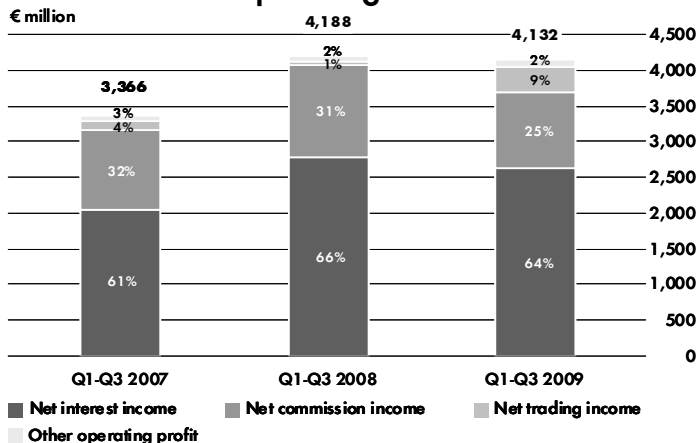
The picture continues to differ across the geographical segments. The improvement in lending margins in Russia led net interest income to rise by 5 per cent compared with last year to €523 million. However, net interest income fell by 6 per cent in both Central Europe and Southeastern Europe to €719 million and €659 million respectively. This was mainly attributable to competition for customer deposits and the ensuing higher funding costs. In the Austrian reporting segment net interest income fell by around 3 per cent to €560 million.

## Net fee and commission income reflects economic conditions

Net fee and commission income fell by 19 per cent or €248 million to €1,058 million compared with the same period of the previous year. However, the net income of €369 million achieved in the third quarter of 2009 was the best quarterly result for the year so far.

Lower transaction volumes in foreign exchange, notes and coins and precious metals and payments were responsible for the decline compared with 2008. Net income from foreign exchange fell by €103 million and net income from payment services by €82 million. The main reasons for the decline in the foreign exchange business were lower volumes of foreign currency loans in Hungary as well as lower margins in the customer business in Poland and in Slovakia due to the introduction of the euro. In payment services the largest fall in net fee and commission income was seen in Ukraine and Russia – primarily due to the depreciation of their currencies. In the securities business net commission income declined by €20 million to €89 million due to a decline in trading volumes, particularly in Austria. Income from managing investment and pension funds declined by €11 million, primarily in Slovakia and Croatia. However, income from arranging services for financial products doubled to €24 million.

## Breakdown of Operating Income



## Trading income boosted by valuation gains

While in 2008 the financial market crisis resulted in substantial valuation losses on securities, prices began to recover in the last two quarters and led to revaluation gains in some areas. Against this backdrop, net trading income rose more than six-fold or by €321 million to €369 million in the first nine months of 2009 compared with the same period last year.

The largest contribution to this result came from interest-related trading at €301 million, a rise of €459 million on the first three quarters of 2008. By region, interest-related trading saw the strongest increases in the reporting segments Austria (up €182 million) and the Rest of the World (up €156 million). However, the foreign exchange trading result fell by €90 million to €95 million in the first three quarters of 2009 compared with the same period last year. This decline mainly derived from the valuation of currency forward transactions in Russia. Equity-related trading, however, saw a positive result. After a small loss of €1 million in the same period of the previous year, there was a profit of €23 million in the nine months to September 2009. Most of this improvement came from Austria, where it was generated by Raiffeisen Centrobank, which specialises in equity products.

## Improvement in other net operating income

Other net operating income was €79 million in the first three quarters of 2009, an increase of €19 million on the same period last year. Net income from the allocation and reversal of other provisions was €2 million compared with a loss of €12 million in the first three quarters of 2008. The settlement of legal disputes in Ukraine, the Czech Republic and Hungary contributed to this improvement. Net proceeds from the disposal of tangible and intangible assets rose by €11 million.

## Reduction in general administrative expenses

General administrative expenses fell by €260 million or 11 per cent compared with the same period of the previous year to €2,051 million. As operating income fell by only 1 per cent, the cost/income ratio improved by 5.6 percentage points to 49.6 per cent.

The decline in administrative expenses can be explained partly by the cost optimisation measures implemented in certain CEE Group units and partly by the depreciation of the CEE currencies compared with a year ago. In the first nine months of 2009, the average exchange rate of the Ukrainian hryvna fell by 42 per cent, the Polish zloty by 27 per cent, the Russian rouble by 21 per cent, the Serbian dinar by 17 per cent, the Belorussian rouble by 16 per cent, the Romanian leu by 15 per cent and the Hungarian forint by 14 per cent compared with the first nine months of 2008.

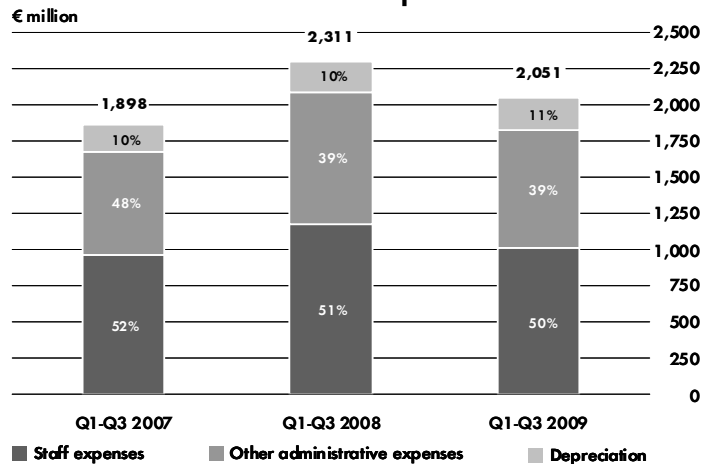
## Staff expenses down 14 per cent

Staff expenses are the largest single item in the general administrative expenses, accounting for 50 per cent of this expense category, although they fell by 14 per cent or €162 million from the previous year's period to €1,018 million. The cost-cutting programmes which have been launched, which also involve job and bonus cuts, therefore already had a noticeable impact in the third quarter of 2009.

The largest fall in staff expenses in absolute terms was seen in Central Europe (down €71 million or 20 per cent). The largest reductions at a national level in this region were seen in Hungary and Poland. There were also significantly lower costs in the CIS Other reporting segment (down €47 million or 31 per cent), which was due to targeted job cuts in Ukraine combined with the fall in the hryvna. In Russia (down €28 million or 18 per cent) and Southeastern Europe (down €13 million or 5 per cent), the reduction in staff expenses was largely due to currency depreciations. In Austria, however, cuts in bonuses were the main cause of the slight decline in staff expenses (down €3 million or 1 per cent).

As the number of employees was increasing until the third quarter of 2008 and the reduction in staff numbers only began in the fourth quarter of 2008, the average number of staff in the period 1 January to 30 September 2009 was down only 1 per cent on the same period of 2008 to 64,184. While average staff numbers fell by 6 per cent or 1,182 employees in the CIS Other segment, they remained unchanged in Russia. In the other regions, staff numbers increased. Average staff numbers rose by 3 per cent in both Southeastern and Central Europe (or by 507 and 332 employees respectively) compared with the previous year's period and by 8 per cent (241 employees) in Austria. The Rest of the World segment also saw growth of 8 per cent (32 employees), although this was mostly due to the incorporation of Group units for the first time. The impact of the bank's cost-cutting programme and the associated headcount reduction on staff numbers is more clearly visible in the figures for 30 September 2009 than the average staff numbers for the first nine months of the year. Whereas RZB had 66,651 employees at 31 December 2008, by 30 September 2009 this had fallen to 61,907. This corresponds to a reduction in staff numbers by 7 per cent or 4,744 employees.

## General Administrative Expenses



## Other administrative expenses down 12 per cent

Other administrative expenses were a further focus of the bank's cost-cutting programme in recent months and fell by 12 per cent or €105 million from the previous year's period to €806 million in the first nine months of 2009. The reduction, which affected virtually all categories of expenses, had the largest impact on advertising, PR and promotional expenses and on legal and consultancy fees. At a national level the largest reductions were achieved by the Group units in Albania, Slovakia and Slovenia. The biggest items of expenditure in the other administrative expenses were premises costs at €247 million (up 3 per cent) and IT costs at €124 million (up 2 per cent).

At 30 September 2009 the number of business outlets was 3,166, a reduction of 22 on the previous year's figure. Further optimisations of the bank's network led to the closure of 103 business outlets in the CIS Other segment, all of which were in Ukraine. In Russia, the number of business outlets fell by 24. However, a total of 71 new business outlets were opened in Southeastern Europe, particularly in Romania (28), Croatia (14), Serbia (13) and Bulgaria (10). In Central Europe 32 new business outlets took up operations in the first nine months of 2009.

Depreciation, amortisation and write-offs of tangible and intangible fixed assets increased by 3 per cent to €226 million, of which depreciation of tangible fixed assets accounted for €128 million, amortisation of intangible fixed assets €73 million, and write-downs of assets acquired under operating leases €25 million.

RZB Group made €355 million in investments during the period under review. Of this, 54 per cent (€192 million) was channelled into tangible fixed assets and 35 per cent (€123 million) into intangible fixed assets, the majority of which was related to software systems. The remainder was invested in assets held under operating leases.

## Consolidated profit

### Consolidated profit (periodic comparison)

€ million	1/1 – 30/9/2009	Change	1/1 – 30/9/2008	1/1 – 30/9/2007
<b>Operating profit</b>	<b>2,081</b>	<b>10.9%</b>	<b>1,877</b>	<b>1,496</b>
Provisioning for impairment losses	(1,708)	359.1%	(372)	(217)
Other profit/(loss)	432	–	(552)	(113)
<b>Profit before tax</b>	<b>805</b>	<b>(15.6%)</b>	<b>954</b>	<b>1,166</b>
Income taxes	(294)	66.1%	(177)	(258)
<b>Profit after tax</b>	<b>511</b>	<b>(34.1%)</b>	<b>776</b>	<b>908</b>
Minority interests in profit	(113)	(69.7%)	(373)	(314)
<b>Consolidated profit</b>	<b>399</b>	<b>(1.0%)</b>	<b>403</b>	<b>594</b>

Consolidated profit amounted to €399 million in the first three quarters of 2009. This includes €1,708 million of provisions for impairment losses.

The allocations to individual loan loss provisions (including the reversal of provisions for impairment losses, direct write-offs and income received on written-off claims) amounted to €1,517 million. The highest net allocations to individual loan loss provisions by reporting segment were in the CIS Other segment with €367 million. Of this, €341 million was accounted for by Raiffeisen Bank Aval (Ukraine) alone, mainly in respect of mortgage lending to private individuals. The total net allocation in all of RZB's Ukrainian Group units was €357 million. In Austria there were individual loan loss provisions of €325 million in the first nine months of 2009, relating primarily to Western European financial institutions. In Southeastern Europe new allocations to individual loan loss provisions amounted to €278 million, with the largest contributions from Romania (€89 million) and Bulgaria (€49 million). Due to overdue and non-performing loans there were also higher individual loan loss provisions in Russia (€272 million), two-thirds of which were accounted for by large customers. In Central Europe new allocations to individual loan loss provisions amounted to €254 million. Provisions of €104 million were set aside in Hungary, €57 million in Poland and €50 million in Slovakia.

In contrast to the high level of individual loan loss provisions, provisions for portfolio impairments saw a relatively modest increase of €195 million. The Central Europe segment accounted for most of this with €92 million. Hungary was worst hit with €80 million, largely due to retail customers.

At the same time, the sale of loans in Russia and Poland generated revenues of around €5 million.

The sharp rise in provisioning for impairment losses was reflected in the risk/earnings ratio, which rose from 28.7 per cent at the end of 2008 to 65.0 per cent at the end of the third quarter of 2009, a rise of 36.3 percentage points.

## Other profit significantly positive as a result of write-ups

With €432 million in the first nine months of 2009, other profit crossed back into positive territory after standing at negative €552 million during the same period in 2008, due primarily to net income from derivatives (€132 million) as well as net income from financial investments (€299 million). The improvement in income from derivatives was driven in particular by the increased book value of credit derivatives (CDS). Net income from financial investments rose by €773 million over the same period the previous year.

There was a significant change in the trend for mark-to-market securities: While net revaluation gains during the same period in the previous year were negative €569 million due to the situation on the capital market at the time, revaluation gains of €318 million were generated in the first three quarters of 2009. Net disposal gains from securities also rose to €30 million from negative €14 million during the same period in 2008.

By contrast, net income from equity participations fell – as a consequence of impairments in the amount of €57 million – to negative €52 million.

## Profit before tax at €805 million

At €805 million, profit before tax remained 16 per cent below the level achieved during the same period of the previous year. However, income tax rose by 66 per cent, or €117 million to €294 million. One reason for this was that deferred tax assets relating to valuation losses in the previous year had to be released due to the write-ups resulting from more positive market conditions. In addition, deferred tax assets relating to losses carried forward which could no longer be used on the basis of the current medium-term tax forecast were reduced by €107 million. After the third quarter, this brought the tax ratio to 36 per cent, or 17 percentage points above the previous year's level.

Profit after tax fell by 34 per cent, from €776 million in the previous year to €511 million. Minority interests in profit dropped by 72 per cent, or €260 million to €113 million.

Consolidated profit attributable to the equity holders of Raiffeisen Zentralbank amounted to €399 million. After payment of dividends on participation capital, earnings per share amounted to €43.02, as compared to €74.33 in the previous year (a drop of €31.31).

## The Balance Sheet

RZB's balance sheet total was €151.3 billion as at 30 September 2009, a 4 per cent decline from the end of 2008, or €5.6 billion.

There were two primary factors in this development. Firstly, measures to reduce and stabilise the loan portfolio took effect, thereby reducing the balance sheet total by €8.3 billion. And secondly, provisioning for impairment losses in the period under review also reduced the balance sheet total by an additional €1.4 billion.

Currency depreciation in Central and Eastern Europe in relation to the euro also had an impact on the balance sheet total, leading to a reduction of about €3 billion in net terms. This trend toward depreciation began in the fourth quarter of 2008 and continued into the first few months of 2009, only to lose momentum after that. In the third quarter, some currencies even posted gains. At the reporting date, for example, the Ukrainian hryvnia and the Russian rouble both lost 7 per cent of their value relative to the euro compared with year-end 2008, while the US dollar was down by 5 per cent. By contrast, the Czech koruna rose 6 per cent.

In contrast to these measures and effects related to reducing the balance sheet total, short to medium-term investment positions were built up in top-quality securities (primarily government and government-guaranteed bonds). This increased the balance sheet total by around €6.9 billion, especially in financial investments.

Changes in the consolidation group did not have a significant effect on the balance sheet total.

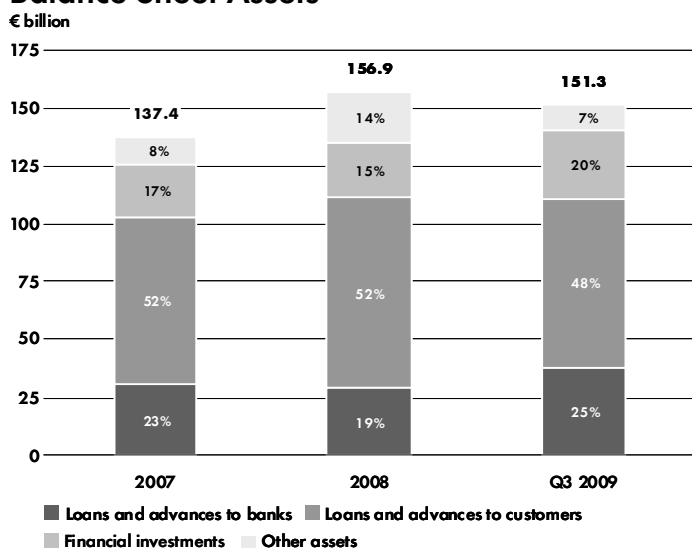
## Assets

On the assets side, loans and advances to customers dominated the RZB balance sheet. The 10 per cent decline in loans and advances to customers (before loan loss provisions) in the period under review to €76.6 billion was primarily due to lending operations. As demand slowed with the economy, loans to corporate customers experienced the steepest decline by €6.7 billion, or 11 per cent. Loans to retail customers fell by €1.5 billion, or 7 per cent. While these weaknesses had an impact on every country, those in Southeast and Central Europe were least affected. At the end of the third quarter, loans and advances to customers – after deducting provisions for impairment losses – made up 48 per cent of the balance sheet total, 4 percentage points less than at year-end 2008.

The ratio of customer loans to customer deposits improved by one percentage point compared with the end of 2008 to 143 per cent.

Loans and advances to banks rose by €8.8 billion or 30 per cent to €37.9 billion, pushing up their share of balance sheet assets by 6 percentage points over year-end 2008, to 25 per cent. Due to a reallocation of liquidity, deposits with central banks declined by €5.9 billion. This liquidity was transferred to short to medium-term investments in top-quality securities (primarily government and government-guaranteed bonds)

### Balance Sheet Assets



The difficult economic environment necessitated an enormous increase in provisioning for impairment losses of 62 per cent or €1.4 billion, amounting to €3.7 billion as at 30 September 2009.

Financial investments totalled €29.5 billion as at 30 September 2009, an increase of 29 per cent or €6.6 billion. Most of these investments were in public sector and government-guaranteed debt securities eligible for central bank refinancing. The proportion of balance sheet assets accounted for by financial investments increased by 5 percentage points to 20 per cent.

Other assets declined by half from year-end 2008, to €11.0 billion. This decline resulted primarily from a €9.5 billion decrease in cash reserves, which had the largest impact on balances with central banks. The proportion of total assets accounted for by other assets fell by half to 7 per cent.

## Equity and liabilities

There were only minor structural changes on the liabilities side of the balance sheet as at 30 September 2009. Only the proportion of the balance sheet total due to deposits from customers declined, while the proportion of own funds increased.

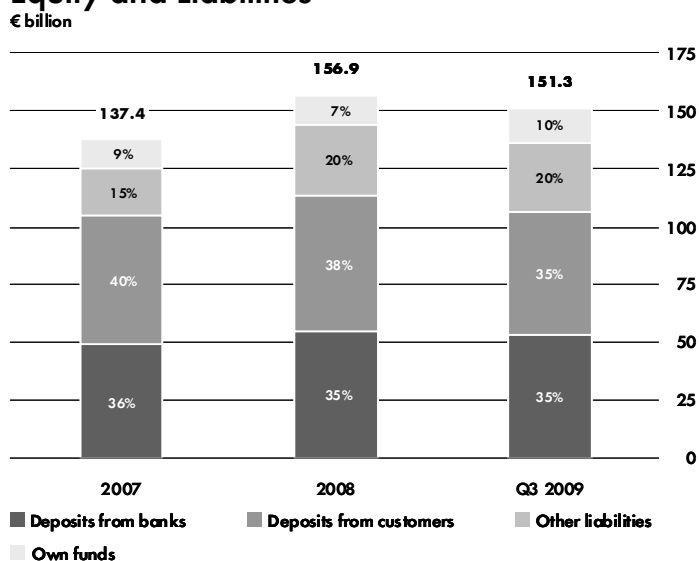
Deposits from customers fell by 9 per cent or €5.4 billion to €53.7 billion compared with year-end 2008. Declines were registered in all reporting segments. While deposits from retail customers rose by 2 per cent to €24.1 billion in spite of intense competition, deposits from corporate customers declined significantly, by 17 per cent or € 5.3 billion to €26.7 billion. Time deposits fell 16 per cent, to €31.4 billion. By contrast, savings deposits rose by 42 per cent to €1.4 billion. Deposits from customers made up 35 per cent of balance sheet liabilities, 3 percentage points less than at year-end 2008.

Deposits from banks decreased since the start of the year by 2 per cent or €1.1 billion to €53.0 billion. Short-term deposits rose, but not enough to balance out the significant decline in long-term borrowing, which was down 16 per cent or €2.4 billion compared to year-end 2008. As tensions in the interbank market began to ease, borrowings from central banks were reduced by 30 per cent or €2.4 billion, amounting to €5.7 billion at the end of the third quarter 2009. Loans from commercial banks rose by 3 per cent or €1.3 billion, reaching a volume of €45.9 billion. Deposits from banks remained constant, at 35 per cent of the balance sheet total.

Liabilities evidenced by paper, i.e. borrowing on the capital markets in the form of debt issues, rose by a net 4 per cent or €0.9 billion – including new issues and redemptions – to €21.6 billion as at 30 September 2009.

Own funds on the balance sheet – comprising equity and subordinated capital – amounted to €14.8 billion, representing an increase of €1.8 billion. The figure for equity includes the participation capital of €1.75 billion subscribed by the Republic of Austria at the beginning of April.

### Equity and Liabilities



The depreciation of the CEE currencies had a negative impact of €296 million on the Group's equity. However, the subordinated capital remained almost unchanged compared with the end of the 2008 financial year at €4.6 billion. At 10 per cent, the proportion of own funds in the balance sheet total was 3 percentage points higher than at the end of 2008, while the proportion of other liabilities remained at last year's level of 20 per cent.

## Equity on the balance sheet

At the end of the third quarter, equity on RZB's balance sheet inclusive of consolidated profit and minority interests amounted to €10.245 billion, representing an increase of €1.7 billion from the 2008 level. Subscribed capital was unchanged at €444 million. In April Raiffeisen Zentralbank issued participation capital amounting to €1,750 million, which was subscribed in full by the Republic of Austria. In December 2008, €750 million of participation capital had already been issued in a first tranche. This was initially stated as subordinated capital. While there are no clear guidelines governing recognition as equity under IFRS, the participation capital is structured in such a way that recognition as equity under IFRS is possible. On the basis of the conventional interpretation, in the second quarter RZB therefore decided to change the way it presents its accounts compared with the first quarter. As a result, the participation capital contained in the Group's equity amounts to €2,500 million in total.

Retained earnings were reduced by €296 million due to currency depreciation among other factors. Effects of the cash flow hedge led to an increase of €82 million, while changes in equity from associates cut retained earnings by €140 million. Deferred tax recognised directly in equity also reduced retained earnings by €21 million. Meanwhile, earned capital was reduced by dividend payments of €242 million. Retained earnings were reduced by another €50 million due to effects arising from the acquisition of further shares in companies in which RZB already has a controlling interest.

## Regulatory capital

Eligible own funds as defined by the Austrian Banking Act (BWG) improved by 14 per cent or €1,550 million compared with year-end 2008 to €12,351 million. Core (Tier 1) capital increased from the start of the year by €1,345 million or 18 per cent. This includes the participation capital of €1,750 million subscribed by the Republic of Austria. The depreciation of CEE currencies had a dampening effect – at the reporting date, for example, the Ukrainian hryvnia and the Russian rouble both lost 7 per cent of their value relative to the euro compared with year-end 2008. Current profit is not included in consolidated own funds because Austrian legislative provisions do not allow its recognition in this line item during the fiscal year.

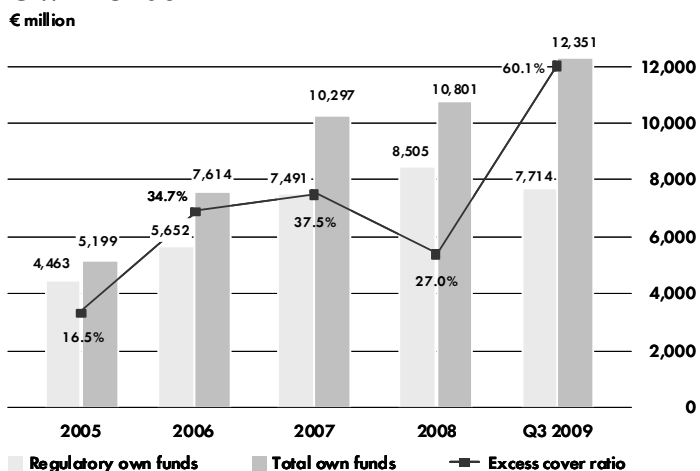
Additional own funds (Tier 2 capital) grew by €139 million to €3,742 million. This change resulted from an extension of the maturity of a loan from the International Finance Corporation to Raiffeisen Bank Aval – which meant that a higher proportion of the bank's capital could be recognised in subordinated capital – and also from the issuance of lower Tier 2 instruments.

Available own funds were €12,351 million, compared with a regulatory own funds requirement of €7,714 million, 9 per cent less than at the end of 2008. This decline was due to a reduction in business volume and exchange rate movements. Currency depreciation reduced eligible own funds from the affected regions, but also led to a lower own funds requirement. Excess own funds at 30 September 2009 was €4,638 million, while the excess cover ratio rose in tandem, increasing by 33.1 percentage points to 60.1 per cent since the end of the previous year.

The detailed breakdown of the own funds requirement is as follows: credit risk accounted for 82 per cent of the requirement (€6,313 million), market risk for 5 per cent (€395 million), operational risk for 8 per cent (€628 million) and open currency positions for 5 per cent (€378 million).

The Tier 1 capital ratio rose by 2.8 percentage points and was 11.2 per cent at the end of the third quarter of 2009. The Tier 1 capital ratio measured in relation to aggregate risk – i.e. including credit, market and operational risk – was 9.2 per cent. RZB's own funds ratio rose by 2.6 percentage points to 12.8 per cent.

### Own Funds



# Risk Management

Alongside numerous other activities, the principal focus of Risk Management in the first half of 2009 was on actively managing the loan portfolio. Specifically, credit risk management consisted of adapting lending policy and lending guidelines and (re-)assessing individual industries and countries and product and concentration limits.

The downturn in the global economy has affected a number of CEE countries, for instance as a result of depreciation of the local currencies. This impacted on RZB by increasing its charges for impairment losses on loans and advances and detrimentally affecting the foreign currency translation of elements of the equity of consolidated entities within the Group. In the affected countries, risks also arose from loans exposing the borrower to currency risk. This was particularly true of loans to retail customers. Depreciation of the local currency in this segment diminishes borrowers' ability to repay loans and usually leads to increased default rates.

Thanks to continuous portfolio analysis and scenario simulations, Risk Management at Raiffeisen Zentralbank is well prepared to cope with the effects of the economic downturn. As a basic principle, risk management is carried out across many levels of the Group. As the main institute within the Group, Raiffeisen Zentralbank develops and implements the corresponding concepts in close coordination with the individual Group units. Lending guidelines have been revised, and credit policy now focuses more closely on reducing limits on unrestricted loan lines, reducing loan-to-value ratios and tightening up minimum requirements for loan repayment capacity.

In addition, the country limit model has been updated, which is based on macroeconomic models and expert forecasts and is used to actively manage lending in different countries, sectors and product types, in order to avoid excessive risk concentration. Selective asset reductions have been carried out based on risk assessments and the results of stress tests.

Finally RZB brought together its resources for ongoing control and monitoring of loans. These resources include:

- an early warning system to identify customers potentially at risk of default;
- processes and measures to proactively avoid loan defaults, e.g. by helping loan customers to make appropriate adjustments to their business model or increasing collateral levels;
- the problem loan departments which have extensive resources to enable debt recovery and realisation of collateral, ensuring high recovery rates in the event of loan defaults;
- the "Collections Excellence" programme tailored to private customers and small businesses in the retailcustomer division.

In many instances, these measures resulted in active loan restructuring arrangements in which the mode of payment was tailored to the customer's needs. In the retail lending business, these types of restructuring packages were implemented using a portfolio approach for Ukraine and Hungary in particular, while an individual approach was taken with corporate customers, using the early warning system.

In the quarter just ended, there was also a change in determining the amount of own funds to be retained for credit risks according to the requirements of Basel II. For most of RZB, this calculation will be made on an internal ratings basis (IRB), though some Group units in Central and Eastern Europe will still use the standardised approach during their transitional phase. The regulatory authorities approved the use of the IRB approach for the portfolios of network banks in Romania as of July 2009 and for the network bank in Croatia as of October 2009.

The advantage for RZB of using the IRB approach is that portfolio risks can be quantified and managed more precisely. The regulatory authorities usually reward the use of this approach by setting lower own funds requirements than when the standardised approach is used. As a means of enhancing capital efficiency, special process optimisation projects were implemented along with strict targets for the regulatory capital consumption of individual Group units, which contributed to an improvement of regulatory capital ratios.

# Segment Reports

## Segment Definitions

RZB has been applying the new IFRS 8 reporting standard since the end of 2008. In accordance with this standard the Group now reports on the basis of regional segments. The segment report was previously based on a breakdown by business segment and only provided a geographical breakdown at a secondary level. The data in this section is therefore not comparable with the segment reports published before 2009.

The RZB Group's smallest controlling units (so called cash generating units or CGUs as defined by IFRS) are Austria, the individual countries in Central and Eastern Europe, and the other countries in which RZB operates. Countries expected to exhibit comparable long-term economic developments and that have comparable long-term economic structures are grouped together into regional segments. Taking the thresholds required by IFRS into account, RZB has defined a total of six regional segments to ensure transparent and clear reporting. In each case, the quantitative threshold laid down by IFRS 8 is 10 per cent of specific variables, these being reported revenues, profit or loss (after tax) and segment assets.

At 30 September 2009, this resulted in the following segments. The location of the individual branches or business outlets determines the segment in which they are classified:

- **Austria**

The results of business carried out by Raiffeisen Zentralbank from its Head Office and the results posted by the many subsidiaries in Austria are reported under Austria.

- **Central Europe**

This segment encompasses the five countries that joined the EU on 1 May 2004, these being the Czech Republic, Hungary, Poland, Slovakia and Slovenia. These are not just, for the most part, the CEE region's most mature banking markets. They are also the markets where RZB has been operating longest.

- **Southeastern Europe**

Southeastern Europe includes Albania, Bosnia and Herzegovina, Croatia, Kosovo, Moldova, Serbia and the two countries that joined the EU on 1 January 2007, namely Bulgaria and Romania. Moldova is included as a part of Romania because of its economic ties to that country and the way it is managed within the Group as a result.

- **Russia**

This segment encompasses the results of the companies acting for RZB in Russia. The Group's entities in Russia include a bank, a leasing company and an investment fund company.

- **CIS Other**

This segment encompasses Belarus, Kazakhstan and Ukraine.

- **Rest of the World**

This segment includes Raiffeisen Zentralbank's branches in London, Singapore, Beijing and Xiamen and the Group units located in other countries such as Germany, Finland, Malta, Sweden, Switzerland and the United States.

The figures contained in the Segment Report are taken from the separate financial statements prepared in accordance with IFRS. These were also used in the preparation of the Consolidated Financial Statements. Figures may differ from the figures published locally if they are based on different local measurement rules or different copy deadlines.

# Segment Overview

In the first three quarters of 2009, all segments of RZB with the exception of Austria and the Rest of the World registered a drop in profits which was primarily a consequence of the increase in provisioning for impairment losses.

In Austria, profit before tax came to €594 million, thanks to significantly improved net income from financial investments, good net trading income and income from derivatives. During the same period of the previous year – largely as a result of market value adjustments to securities which cut into profit – this figure was negative €48 million. Balance sheet assets increased by 4 per cent over the end of September 2008 as a result of risk-neutral investments (government and government-guaranteed bonds) of surplus liquidity.

The Central Europe region registered a decline of about 50 per cent in profit before tax, to €189 million. Apart from that drop in profit, the increase in provisioning for impairment losses also had a considerable dampening effect. Balance sheet assets fell by 4 per cent on the basis of a smaller loan portfolio as compared to the previous year.

Southeastern Europe generated a profit before tax of €178 million, a precipitous drop of 59 per cent or €259 million. Despite stable operating income, which was only down by a slight 4 per cent on last year's level, this did not make up for the significant €341 million increase in provisioning for impairment losses. Balance sheet assets fell 8 per cent year-over-year.

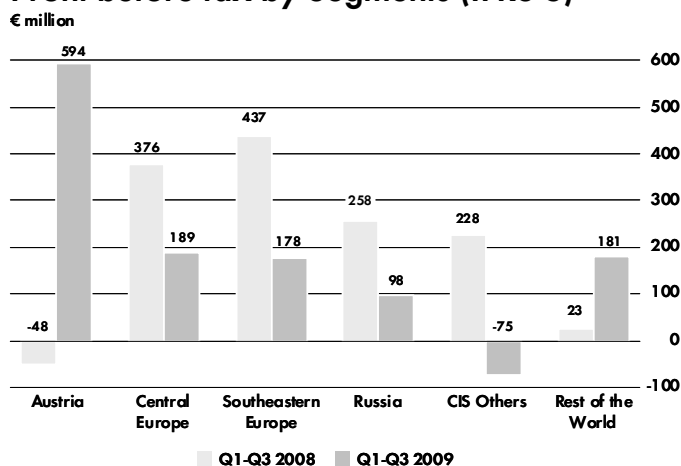
In Russia, profit before tax amounted to €98 million, a decline of 62 per cent or €160 million over the same period the previous year, which was also a consequence of the sharp increase in provisioning for impairment losses despite operating income that remained high. Balance sheet assets in this segment were 20 per cent down on the previous year.

The CIS Other segment registered a negative profit before tax, at minus €75 million. Here too, profit suffered as result of the allocations to provisioning for impairment losses in the amount of €392 million, especially in Ukraine. Balance sheet assets in this segment were down a sharp 31 per cent over the previous year, also as a result of currency effects.

In the Rest of the World segment, profit before tax rose by €158 million to €181 million, primarily as a result of market value increases to the securities portfolio. However, balance sheet assets fell 17 per cent year-over-year.

Austria continued to dominate Group assets, accounting for 52 per cent of the total. The Central Europe segment accounted for the second-largest slice, namely 18 per cent, followed by Southeastern Europe, which accounted for 13 per cent, the Rest of the World, which accounted for 8 per cent, Russia, which accounted for 6 per cent and CIS Other, which accounted for 3 per cent.

## Profit before tax by Segments (IFRS 8)



# Austria

Monetary values in € million	1/1 – 30/9/2009	1/1 – 30/9/2008	Change
Net interest income	560	575	(2.6%)
of which current income from associates	50	54	(7.1%)
Provisioning for impairment losses	(321)	(5)	6,320%
<b>Net interest income after provisioning</b>	<b>239</b>	<b>569</b>	<b>(58.1%)</b>
Net fee and commission income	115	181	(36.5%)
Net trading income	182	62	190.6%
Net income from derivatives	115	(81)	–
Net income from financial investments	243	(473)	–
General administrative expenses	(422)	(410)	2.8%
of which staff expenses	(238)	(241)	(1.2%)
of which other administrative expenses	(141)	(132)	6.7%
of which depreciation/amortization/write-offs	(43)	(37)	14.8%
Other net operating income	121	103	17.2%
Net income from disposal of group assets	1	–	–
<b>Profit/loss before tax</b>	<b>594</b>	<b>(48)</b>	<b>–</b>
Income taxes	(178)	126	–
<b>Profit/loss after tax</b>	<b>417</b>	<b>77</b>	<b>437.8%</b>
Minority interests in profit	(72)	(79)	(8.4%)
<b>Consolidated profit/loss</b>	<b>344</b>	<b>(1)</b>	<b>–</b>
Segment's contribution to profit before tax	51.1%	(3.8)%	54.8 ppt
Segment's contribution to profit after tax	48.0%	7.1%	40.9 ppt
Risk-weighted assets (credit risk)*	37,598	54,016	(30.4%)
Total own funds requirement*	3,409	4,767	(28.5%)
Total assets*	98,716	94,513	4.4%
Liabilities*	91,206	88,830	2.7%
Risk/earnings ratio	57.4%	0.9%	56.4 ppt
Cost/income ratio	43.1%	44.5%	(1.4 ppt)
Average equity	3,287	3,619	(9.2%)
Return on equity before tax	24.1%	–	–
Average number of staff	3,168	2,927	8.2%
Business outlets*	11	11	–

\*Data as at 30 September

The results of business carried out by Raiffeisen Zentralbank from its Head Office and the results posted by the many subsidiaries in Austria are reported under the segment Austria. During the period under review, profit in Austria was up significantly over the first three quarters of 2008. Profit before tax rose to €594 million, mostly as a result of higher market valuations of securities and financial instruments. Nevertheless, the substantial increase in provisioning for impairment losses as well as a decline in net fee and commission income exerted a strong downward pull on profit. The segment's return on equity before tax rose to 24.1 per cent over the previous year.

Net interest income fell by 3 per cent to €560 million, partially as a result of lower intra-group dividends. In Raiffeisen Zentralbank, net interest income was also down a slight 3 per cent from the previous year's level. Group assets in the Austria segment grew by 4 per cent due to investments of surplus liquidity, while loans to customers fell by 10 per cent. As a result, the net interest margin decreased by 11 basis points to 0.76 per cent over the previous year's period. Credit risk-weighted assets shrank by 30 per cent to €37.6 billion, mostly as a result of the first-time use of the IRB approach by Raiffeisen Zentralbank in December 2008, which significantly reduced credit risk-weighted assets.

Allocations to provisioning for impairment losses jumped from €5 million to €321 million. The main cause of this increase was provisioning for individual loan losses related to transactions between Raiffeisen Zentralbank and international banks which were posted under the Austria segment. By contrast, impairments for the domestic customer loan portfolio remained at a very low level. Allocations to provisioning for portfolio impairments amounted to €5 million in the first three quarters of 2009. The risk/earnings ratio was thus substantially worse than at the end of the same period of the previous year, coming to 57.4 per cent at the end of September 2009. The non-performing loan ratio rose by 1.65 percentage points to 2.83 per cent.

Net fee and commission income in the region was down 37 per cent or €66 million to €115 million. The primary component of this development was lower profit due to weak demand in the loan administration and guarantee business, which together dropped by 23 per cent, as well as earnings from the securities business that fell by 18 per cent. The segment also registered higher expenses for an internal CDS transaction in the amount of €28 million, though this is not relevant to consolidated profit.

Net trading income came to €182 million, which was substantially up on the same period of the previous year. Net income from interest-related trading as well as derivatives and market value increases on securities came to €163 million, all of which was generated in Raiffeisen Zentralbank. Currency trading at Raiffeisen Zentralbank accounted for a further €36 million. The stock market recovery was the basis for the increase in income for RZB subsidiary Raiffeisen Centrobank to €24 million, following a slightly negative result during the same period last year.

Net income from derivatives amounted to €115 million, based on valuation gains from credit derivatives (CDS) and interest rate swap transactions. Net income from financial investments was €243 million, following a loss of €473 million during the three quarters of the previous year, thanks once again to market value increases.

General administrative expenses were up 3 per cent or €12 million over the same period of 2008 to €422 million. Staff expenses fell by 1 per cent or €3 million to €238 million, mainly due to reduced variable compensation. Average staff numbers rose by 8 per cent compared with a year ago to 3,168. However, other administrative expenses rose by 7 per cent or €9 million to €141 million, while write-offs also increased by 15 per cent to €43 million. The cost/income ratio in the Austria region improved by 1.4 percentage points to 43.1 per cent.

Other net operating income was €121 million. This line item is comprised largely of intra-group transfers and a number of smaller items of income and expenses. Income taxes came to €178 million. Profit after tax and minority interests came to €344 million.

# Central Europe

Monetary values in € million	1/1 – 30/9/2009	1/1 – 30/9/2008	Change
Net interest income	719	768	(6.4%)
of which current income from associates	–	2	–
Provisioning for impairment losses	(345)	(135)	155.3%
<b>Net interest income after provisioning</b>	<b>374</b>	<b>633</b>	<b>(41.0%)</b>
Net fee and commission income	317	424	(25.3%)
Net trading income	68	28	140.6%
Net income from derivatives	3	1	133.9%
Net income from financial investments	33	8	304.3%
General administrative expenses	(601)	(709)	(15.3%)
of which staff expenses	(282)	(353)	(20.2%)
of which other administrative expenses	(262)	(292)	(10.3%)
of which depreciation/amortization/write-offs	(57)	(64)	(10.4%)
Other net operating income	(5)	(16)	(66.4%)
<b>Profit before tax</b>	<b>189</b>	<b>376</b>	<b>(49.8%)</b>
Income taxes	(43)	(78)	(44.9%)
<b>Profit after tax</b>	<b>145</b>	<b>298</b>	<b>(51.1%)</b>
Minority interests in profit	(75)	(146)	(48.7%)
<b>Consolidated profit</b>	<b>70</b>	<b>151</b>	<b>(53.5%)</b>
Segment's contribution to profit before tax	16.2%	29.5%	(13.3 ppt)
Segment's contribution to profit after tax	16.8%	27.2%	(10.4 ppt)
Risk-weighted assets (credit risk)*	22,045	26,001	(15.2%)
Total own funds requirement*	2,003	2,379	(15.8%)
Total assets*	33,739	35,255	(4.3%)
Liabilities*	31,152	32,826	(5.1%)
Risk/earnings ratio	48.0%	17.6%	30.4 ppt
Cost/income ratio	54.7%	58.8%	(4.1 ppt)
Average equity	1,993	1,761	13.2%
Return on equity before tax	12.6%	28.5%	(15.8 ppt)
Average number of staff	13,701	13,369	2.5%
Business outlets*	583	551	5.8%

\*Data as at 30 September

Profit before tax fell by half in Central Europe over the previous year, to €189 million, primarily due to higher provisioning for impairment losses as well as a sharp drop in net fee and commission income. The segment's return on equity before tax fell by 15.8 percentage points to 12.6 per cent.

Net interest income fell by 6 per cent to €719 million. The largest decline in profit was registered by the Group's unit in Poland, as interest costs for customer deposits rose on the back of heightened competition. In Hungary, currency exchange rate effects cut into profit. By contrast, the Group's unit in the Czech Republic recorded significant growth in net interest income, largely thanks to improved margins on mortgage loans. Group assets fell

by 4 per cent. Net interest margins declined over the comparable period of the previous year by 40 basis points to 2.80 per cent, and credit risk-weighted assets also fell from the previous year's period by 15 per cent, from €26 billion to €22 billion. Apart from currency effects, this decrease was due primarily to the introduction of the Basel II, IRB approach for certain asset classes in Slovakia, Hungary and the Czech Republic, which had the greatest impact on the Group's units in the latter two countries.

Allocations to provisioning for impairment losses spiked 155 per cent to €345 million in the last three quarters of 2009, as compared to €135 million during the same period of the previous year. This increase is mostly due to developments in Hungary, where the Group's units had to undertake significantly higher allocations to provisioning for portfolio impairments related to retail lending. Individual loan loss provisions grew at twice the rate in Hungary than in other countries in the region, where provisions increased in roughly the same proportion. The non-performing loan ratio rose by 3.5 percentage points to 6.2 per cent.

Net fee and commission income declined in every country except the Czech Republic. A 44 per cent drop in income from foreign exchange and notes and coins, to €105 million, played the largest role in the overall decline of 25 per cent to €317 million, which was in turn caused by the reduction in volume of the foreign exchange business in Poland, the introduction of the euro in Slovakia and lower revenues resulting from the decline in new foreign currency lending in Hungary. Income from payment transfers and account transfers fell by 17 per cent to €125 million, affecting every country in the region. Due to the weak economy, the securities business dropped by a third to €21 million.

Net trading income was €68 million, a 141 per cent increase on the figure for the same period in 2008. Of that, €40 million came from currency trading, primarily in Hungary and Poland. Net income from interest-related trading was €29 million in the region, most of which resulted from revaluation gains on interest rate swaps in Slovakia. Equity/index-related trading took a loss of €1 million, which came almost entirely from Hungary.

Net income from derivatives of €3 million came largely from currency hedging transactions in Hungary and the Czech Republic, which were used to adjust the currency structure.

Net income from financial investments came to €33 million. Proceeds from an intra-group sale of a company in Slovakia came to €12 million. However, this was neutralised at Group level on consolidation. The remaining income from financial investments comprises valuation gains from securities in every Group unit in the region. With €7 million, the Czech Republic generated the most income.

General administrative expenses were 15 per cent or €108 million down on the same period of 2008 to €601 million. The main reason for this was a 20 per cent drop in staff expenses to €282 million, which resulted from lower bonus payments and reduced staff numbers in some countries. However, average staff numbers were up 3 per cent up on the same period of the previous year to 13,701. Other administrative expenses fell by 10 per cent compared with a year ago to €262 million and depreciation, amortisation and write-offs were down €7 million to €57 million. The number of business outlets grew by 32 over the course of the year to 583 – particularly in Hungary (an additional 23). The cost/income ratio in the region increased by 4.1 percentage points to 54.7 per cent.

Other net operating income in the region came to negative €5 million. This line item is comprised largely of non-profit-related tax expenses incurred by the Group units in Hungary and Slovakia. Operating leases contributed €7 million to other net operating income.

Income taxes dropped from the same period the previous year by 45 per cent to €43 million. The tax ratio in the region increased by 2 percentage points to 23 per cent. Profit after tax and minority interests came to €70 million.

# Southeastern Europe

Monetary values in € million	1/1 – 30/9/2009	1/1 – 30/9/2008	Change
Net interest income	659	699	(5.7)%
Provisioning for impairment losses	(341)	(91)	276.6%
<b>Net interest income after provisioning</b>	<b>318</b>	<b>608</b>	<b>(47.7)%</b>
Net fee and commission income	307	347	(11.4)%
Net trading income	72	41	74.7%
Net income from derivatives	(3)	–	–
Net income from financial investments	8	(5)	–
General administrative expenses	(548)	(572)	(4.3)%
of which staff expenses	(238)	(251)	(5.3)%
of which other administrative expenses	(236)	(255)	(7.3)%
of which depreciation/amortization/write-offs	(74)	(67)	10.7%
Other net operating income	23	19	18.3%
<b>Profit before tax</b>	<b>178</b>	<b>437</b>	<b>(59.4)%</b>
Income taxes	(29)	(69)	(57.6)%
<b>Profit after tax</b>	<b>148</b>	<b>368</b>	<b>(59.7)%</b>
Minority interests in profit	(50)	(126)	(60.3)%
<b>Consolidated profit</b>	<b>99</b>	<b>243</b>	<b>(59.4)%</b>
Segment's contribution to profit before tax	15.3%	34.3%	(19.1) ppt
Segment's contribution to profit after tax	17.1%	33.6%	(16.5) ppt
Risk-weighted assets (credit risk)*	16,722	19,395	(13.8)%
Total own funds requirement*	1,521	1,706	(10.8)%
Total assets*	23,793	25,751	(7.6)%
Liabilities*	21,022	22,939	(8.4)%
Risk/earnings ratio	51.8%	13.0%	38.8 ppt
Cost/income ratio	51.6%	51.8%	(0.2) ppt
Average equity	1,577	1,319	19.5%
Return on equity before tax	15.0%	44.2%	(29.2) ppt
Average number of staff	18,453	17,946	2.8%
Business outlets*	1,204	1,133	6.3%

\*Data as at 30 September

In Southeastern Europe, profit before tax was down 59 per cent or €259 million from the same period of the previous year to €178 million, mostly as a result of the sharp increase in provisioning for impairment losses. Return on equity before taxes also fell as a result by 29.2 percentage points to 15.0 per cent.

Net interest income fell by 6 per cent or €40 million to €659 million, largely due to higher refinancing costs in Romania. Amounting to €23.8 million, balance sheet assets were down 8 per cent year-over-year, while the net interest margin shrank by 28 basis points to 3.61 per cent. Credit risk-weighted assets also declined by 14 per cent, from €19.4 billion to €16.7 billion. This disproportionate decline was a consequence of the reduction in volume of government securities in Albania and the reduction of off-balance-sheet items in Croatia. In Romania,

the Basel II, IRB approach was used for the first time for certain asset classes starting in July 2009, though this did not have any effect on risk-weighted assets.

Allocations to provisioning for impairment losses jumped by €250 million to €341 million. This spike was primarily a result of individual loan losses related to retail lending in the Group's Romanian units, along with loans to corporate customers in the Group's Croatian units. Though portfolio impairments had to be reprovioned in all the Group's units in the region, their volume was €7 million lower than in the previous year's period. The proportion of non-performing loans in the loan portfolio rose by 4.1 percentage points to 5.8 per cent, the lowest level among all the Central and Eastern European segments.

Net fee and commission income declined by 11 per cent compared with a year ago to €307 million. The payment transfer business grew by 3 per cent to €131 million, with the Group's unit in Romania contributing the most to that result with €64 million, which mostly came from new credit cards and payment transactions. By contrast, the foreign exchange and notes and coins business fell by 21 per cent to €59 million. The loan and guarantee business generated another €54 million, also for the most part in Romania.

Net trading income in Southeastern Europe showed a positive trend, rising from €41 million year-over-year to €72 million at the end of the third quarter of 2009. Currency trading made a significant contribution to that result, accounting for €57 million. In Romania, the revaluation of interest rate derivatives contributed a substantial €40 million, while positive market value adjustments to the securities portfolio in Croatia compensated for the valuation losses incurred during the previous periods. A profit of €16 million was earned on interest-related trading, distributed evenly across all countries in the region.

Net income from derivatives was a negative €3 million, based on valuation losses arising from hedging transactions – which cannot be recognised under IFRS – with other derivatives employed to minimise interest rate risk.

Following a loss in the previous year's period, net income from financial investments rose to €8 million thanks to valuation gains on securities. This was particularly true of valuation gains on bonds in Romania.

General administrative expenses remained slightly below the previous year's level, at €548 million in all. Staff expenses decreased by 5 per cent to €238 million, while the average number of staff rose by 3 per cent as compared to the first three quarters of 2008 to a total of 18,453. Though the network of business outlets was expanded, other administrative expenses declined by 7 per cent over the previous year's period to €236 million. Depreciation, amortisation and write-offs, which mainly related to investments in the branch network, increased by 11 per cent to €74 million. From 1,133 at the end of the previous year's period, the number of business outlets grew by 71 to 1,204. Southeastern Europe registered the highest growth in business outlets among all the reporting segments, with Romania adding the most branches (28). The segment's cost/income ratio rose slightly, by 0.2 percentage points, to 51.6 per cent.

Other net operating income rose 18 per cent compared with the corresponding period in 2008 to €23 million. Setting aside other small expenditure items, income from operating leases contributed €27 million.

Income taxes fell from the same period of the previous year by 58 per cent to €29 million, yet the tax ratio in Southeastern Europe remained at the same level as the previous year's period at 16 per cent. Profit after tax and minority interests came to €99 million.

# Russia

Monetary values in € million	1/1 – 30/9/2009	1/1 – 30/9/2008	Change
Net interest income	523	499	5.0%
Provisioning for impairment losses	(287)	(84)	241.6%
<b>Net interest income after provisioning</b>	<b>236</b>	<b>415</b>	<b>(43.0)%</b>
Net fee and commission income	150	148	1.6%
Net trading income	(14)	17	–
Net income from derivatives	7	(1)	–
Net income from financial investments	3	10	(72.5)%
General administrative expenses	(275)	(326)	(15.8)%
of which staff expenses	(124)	(152)	(18.4)%
of which other administrative expenses	(127)	(153)	(17.3)%
of which depreciation/amortization/write-offs	(24)	(21)	14.9%
Other net operating income	(9)	(5)	93.5%
<b>Profit before tax</b>	<b>98</b>	<b>258</b>	<b>(62.0)%</b>
Income taxes	(27)	(74)	(63.5)%
<b>Profit after tax</b>	<b>71</b>	<b>184</b>	<b>(61.5)%</b>
Minority interests in profit	(20)	(56)	(65.2)%
<b>Consolidated profit</b>	<b>51</b>	<b>128</b>	<b>(59.8)%</b>
Segment's contribution to profit before tax	8.4%	20.3%	(11.8) ppt
Segment's contribution to profit after tax	8.2%	16.8%	(8.6) ppt
Risk-weighted assets (credit risk)*	6,920	10,379	(33.3)%
Total own funds requirement*	689	975	(29.3)%
Total assets*	12,335	15,329	(19.5)%
Liabilities*	10,810	13,596	(20.5)%
Risk/earnings ratio	54.9%	16.9%	38.0 ppt
Cost/income ratio	42.3%	49.5%	(7.2) ppt
Average equity	814	722	12.7%
Return on equity before tax	16.1%	47.7%	(31.6) ppt
Average number of staff	9,566	9,524	0.4%
Business outlets*	223	247	(9.7)%

\*Data as at 30 September

In Russia, profit before tax declined – despite higher net interest and net fee and commission income – due to the spike in provisioning for loss impairments, by 62 per cent or €160 million, to €98 million. The segment's return on equity before tax fell as a result by 31.6 percentage points to 16.1 per cent.

The 5 per cent increase in net interest income to €523 million was largely driven by improved margins on the asset side. Net interest income from derivatives – primarily interest-rate swaps – contributed €7 million more than during the first three quarters of 2008. The net interest margin improved by 28 basis points to 5.18 per cent, while the sharp devaluation of the Russian rouble by 20 per cent or €3.0 billion year-over year pushed down

balance sheet assets to €12.3 billion. Credit risk-weighted assets were reduced by 33 per cent, to €6.9 billion, mostly through the scaling back of committed credit lines on off-balance-sheet business.

Allocations to provisioning for impairment losses rose by 242 per cent year-over-year, from €84 million to €287 million. Individual loan loss provisions of €272 million primarily affected loans to corporate customers, while provisions made for impairment losses in public sector lending amounted to €6 million. At €19 million, portfolio impairment provisioning remained virtually unchanged from the previous year. Due to a sharp increase in non-performing loans, whose share in the loan portfolio grew by 7.9 percentage points to 9.2 per cent, a corresponding rise in specific impairment loss provisioning was necessary.

Net fee and commission income grew by 2 per cent to €150 million, slightly higher than the previous year. The payment transfer business contributed €54 million (minus 22 per cent) to this result. However, income from foreign exchange and notes and coins rose by 10 per cent to €46 million, and net income from the loan and guarantee business also went up by 31 per cent to €21 million.

Russia was the only reporting segment to post a loss in net trading income, with a drop from €17 million the previous year to negative €14 million at the end of the third quarter of 2009. The primary factor in this development was a €52 million loss in currency trading largely caused by revaluation of currency forward transactions due to movements in forward rates. Interest-related trading went in the opposite direction, with a strong trend in write-ups generating income of €37 million thanks to falling interest rates on fixed-interest securities.

Net income from derivative financial instruments came to €7 million during the period under review. This was primarily a result of revaluation on interest rate swaps used to mitigate interest rate risk.

Net income from financial investments and current financial assets came to €3 million. Mark-to-market valuation of fixed-interest securities resulted in a valuation gain under this item of €5 million, which set off a €2 million loss provision related to the issue of a local Russian bond.

General administrative expenses declined in Russia, mostly as a result of currency depreciation of 16 per cent or €51 million to €275 million. Staff expenses showed the greatest decrease, down by 18 per cent to €124 million, even though the average number of staff remained virtually unchanged from the previous year at 9,566. Other administrative expenses declined by 17 per cent to €127 million, while depreciation, amortisation and write-offs rose in tandem with new acquisitions in property, plant and equipment by €3 million to €24 million. The segment's cost/income ratio rose significantly, by 7.2 percentage points, to 42.3 per cent.

Other net operating income in this segment nearly doubled its loss year-over-year to negative €9 million, mainly as a result of outlay for non-profit-dependent taxes.

Income taxes dropped from the same period of the previous year by 64 per cent to €27 million, while the tax ratio in the region was 28 per cent, 1 percentage point below the previous year's level. Profit after tax and minority interests fell by 60 per cent to €51 million.

# CIS Other

Monetary values in € million	1/1 – 30/9/2009	1/1 – 30/9/2008	Change
Net interest income	373	392	(4.9%)
Provisioning for impairment losses	(392)	(56)	600.0%
<b>Net interest income after provisioning</b>	<b>(19)</b>	<b>337</b>	-
Net fee and commission income	131	175	(24.9%)
Net trading income	17	18	(5.6%)
Net income from derivatives	1	-	-
Net income from financial investments	11	(3)	-
General administrative expenses	(216)	(289)	(25.2%)
of which staff expenses	(108)	(155)	(30.7%)
of which other administrative expenses	(81)	(104)	(22.0%)
of which depreciation/amortization/write-offs	(27)	(29)	(7.2%)
Other net operating income	(1)	(10)	(89.6%)
<b>Profit/loss before tax</b>	<b>(75)</b>	<b>228</b>	-
Income taxes	4	(67)	-
<b>Profit/loss after tax</b>	<b>(71)</b>	<b>161</b>	-
Minority interests in profit	20	(56)	-
<b>Consolidated profit/loss</b>	<b>(51)</b>	<b>105</b>	-
Segment's contribution to profit before tax	(6.4%)	17.9%	(24.3 ppt)
Segment's contribution to profit after tax	(8.2%)	14.7%	(22.9 ppt)
Risk-weighted assets, credit risk*	5,758	8,183	(29.6%)
Total own funds requirement*	524	724	(27.6%)
Total assets*	6,660	9,580	(30.5%)
Liabilities*	5,837	8,214	(28.9%)
Risk/earnings ratio	105.0%	14.2%	90.8 ppt
Cost/income ratio	41.5%	50.2%	(8.7 ppt)
Average equity	590	524	12.7%
Return on equity before tax	-	58.0%	-
Average number of staff	18,880	20,062	(5.9%)
Business outlets*	1,135	1,238	(8.3%)

\*Data as at 30 September

Profit before tax for the segment CIS Other fell €303 million in the period under review to minus €75 million. The segment requires more nuanced consideration, as the countries in this region are showing very heterogeneous development. For example, the decline in profit was primarily due to the massive increase in allocations to provisioning for impairment losses in the Ukrainian Group units and the depreciation of the local currencies, which had a particular strong impact in this segment. To some extent the losses in the segment were offset by the Group units in Belarus, which significantly increased profit as a result of increases in operating profit.

Net interest income for the segment fell 5 per cent or €19 million to €373 million, compared to the previous period. While the currency effects in Ukraine had a particularly strong negative impact on profit despite the

marked improvement in margins on the assets side, net interest income rose in Belarus as a result of repricing measures for loans in all business divisions. Balance sheet assets fell by 31 per cent or €2.9 billion, to €6.7 billion, while the net interest margin rose by 28 basis points to 6.77 per cent. Credit risk-weighted assets fell by 30 per cent to €5.8 billion, in line with balance sheet assets. The deterioration in the country rating of Ukraine was reflected in higher risk weighting in calculating the risk-weighted assets.

Net allocations to provisioning for impairment losses rose from €56 million in the comparable period in 2008 by a factor of six to €392 million. The increase of €336 million was the highest in all reporting segments, and reflects the continuing generally weak lending market in Ukraine. €322 million of this was for provisions for individual loan losses, and almost entirely went on extensive provisioning for mortgage loans to private individual customers in Ukraine. New portfolio-based provisioning was lower at €26 million, mostly for loans to corporate customers in Ukraine. The non-performing loan ratio for the segment's credit portfolio rose by 13.7 percentage points to 17.7 per cent. However, while the ratio was 20.9 per cent in Ukraine, it was only 2.7 per cent in Belarus.

Net fee and commission income fell sharply by a quarter, or €44 million, to €131 million, as a result of both the limited customer activity in Ukraine and currency effects. At €86 million, payment transfers made the largest contribution to income in this area, with foreign exchange and notes and coins business contributing €43 million.

Net trading income decreased only slightly from €18 million to €17 million, due almost entirely to currency-related trading. Currency-related trading generated earnings of €5 million, earned entirely in Ukraine.

Net income from derivatives during the period under review was €1 million, and was generated in Kazakh leasing operations.

Net income from financial investments came to €11 million. Revaluation gains on securities valued using a mark-to-market approach had a positive impact on RZB's Group unit in Ukraine.

General administrative expenses fell by 25 per cent or €73 million to €216 million. The sharpest decrease was in staff expenses, which fell by 31 per cent or €47 million to €108 million. When the crisis erupted, cost saving programmes were immediately initiated, and one result of these was a reduction in the average number of employees by 6 per cent or 1,182 year-over-year to 18,880. Other administrative expenses also fell by 22 per cent to €81 million due to the selective reduction in the number of business outlets in Ukraine (minus 106). Depreciation, amortisation and write-offs were also down 7 per cent on the comparable period in 2008, to €27 million. The segment's cost/income ratio improved considerably by 8.7 percentage points to 41.5 per cent.

Other net operating income in this segment came to minus €1 million.

Income taxes amounted to €4 million as a result of recognition of deferred tax assets, as opposed to minus €67 million in the corresponding period in the previous year. Profit after taxes and minority interests swung from €105 million in the first nine months of 2008 to a loss of €51 million for the first three quarters of 2009.

## Rest of the World

Monetary values in € million	1/1 – 30/9/2009	1/1 – 30/9/2008	Change
Net interest income	133	141	(5.6%)
Provisioning for impairment losses	(22)	(1)	2,100%
<b>Net interest income after provisioning</b>	<b>112</b>	<b>140</b>	<b>(20.5%)</b>
Net fee and commission income	52	38	36.9%
Net trading income	44	(98)	–
Net income from derivatives	3	(4)	–
Net income from financial investments	6	(12)	–
General administrative expenses	(48)	(47)	1.0%
of which staff expenses	(29)	(27)	6.5%
of which other administrative expenses	(17)	(18)	(6.1%)
of which depreciation/amortization/write-offs	(2)	(2)	–
Other net operating income	12	7	80.1%
<b>Profit before tax</b>	<b>181</b>	<b>23</b>	<b>687.0%</b>
Income taxes	(23)	(16)	41.4%
<b>Profit after tax</b>	<b>158</b>	<b>7</b>	<b>2,157.1%</b>
Minority interests in profit	–	–	–
<b>Consolidated profit</b>	<b>158</b>	<b>7</b>	<b>2,157.1%</b>
Segment's contribution to profit before tax	15.5%	1.8%	13.7 ppt
Segment's contribution to profit after tax	18.2%	0.6%	17.5 ppt
Risk-weighted assets, credit risk*	4,018	6,654	(39.6%)
Total own funds requirement*	350	572	(38.9%)
Total assets*	14,663	17,648	(16.9%)
Liabilities*	14,040	17,150	(18.1%)
Risk/earnings ratio	16.3%	0.6%	15.7 ppt
Cost/income ratio	19.9%	54.5%	(34.6 ppt)
Average equity	400	423	(5.4%)
Return on equity before tax	60.1%	7.3%	52.8 ppt
Average number of staff	416	384	8.3%
Business outlets*	10	8	25.0%

\*Data as at 30 September

This segment includes Raiffeisen Zentralbank's branches in London, Singapore, Beijing and Xiamen and the Group units located in other countries such as Germany, Finland, Malta, Sweden, Switzerland and the United States. Profit before tax in the Rest of the World segment came to €181 million in the first three quarters of 2009, significantly up on the figure of €23 million in the same period of 2008. A large part of the improvement was attributable to an increase in net fee and commission income and – in contrast to the same period of the previous year – positive net trading income and net income from financial investments. This increased the return on equity before tax to 60.1 per cent.

Net interest income in the segment fell 6 per cent or €8 million to €133 million, balance sheet assets declined by 17 per cent to €14.7 billion. The net interest margin rose by 9 basis points to 1.07 per cent, somewhat higher than in the first three quarters of 2008. Compared to the balance sheet assets, credit risk-weighted assets fell more sharply by €6.7 billion to €4.0 billion (minus 40 per cent). This is due to the application of the IRB approach in Raiffeisen Zentralbank's branches and the Group units in New York and Malta, and also to the reduction in off-balance-sheet items.

Provisioning for impairment losses totalled €22 million. Of this, provisions for specific impairment losses totalling €12 million related to a problem case at the Singapore branch, and a further €10 million was transferred by the Group unit in the United States, primarily for a non-performing loan. The risk/earnings ratio was 16.3 per cent, and the non-performing loan ratio in the credit portfolio rose by 2.51 percentage points compared with the previous year's period to 3.29.

Net fee and commission income grew strongly to €52 million by the end of the quarter. Credit and guarantee operations contributed €43 million to this total, most of which was generated by an intra-group assumption of risk by the Group unit in Malta.

Net trading income performance was also positive. Almost all the €44 million income was due to the recovery in the market value of securities at the London branch. In the previous year the trading book of the London entity had still been seriously affected by the collapse in prices during the financial market crisis.

Net income from financial investments came to €3 million, which was largely derived from the revaluation of securities at the Singapore branch and the Group unit in Malta. By contrast, the impairment loss of €5 million on an equity investment substantially reduced income.

General administrative expenses increased by 1 per cent to €48 million. Staff expenses rose slightly, increasing by 7 per cent to €29 million, and the average number of staff was up 8 per cent to 416 on the same period of the previous year. By contrast, other administrative expenses were €17 million, or 6 per cent below the level of the first nine months of 2008. Depreciation, amortisation and write-offs were unchanged at €2 million. The cost/income ratio improved significantly to 19.9 per cent.

Other net operating income rose by €5 million compared with the corresponding period in 2008 to €12 million, as a result of a higher contribution to earnings from commodities trading companies.

At €23 million, income taxes were 41 per cent higher than in the same period of the preceding year. Profit after tax and minority interests came to €158 million (plus €151 million).

# Consolidated financial statements

(Interim report as of 30 September 2009)

## Income statement

€ million	Notes	1/1 – 30/9 2009	1/1 – 30/9 2008	Change
Interest income		5,819.4	6,794.7	(14.4%)
Current income from associates		50.7	55.5	(8.6%)
Interest expenses		(3,244.3)	(4,075.9)	(20.4%)
<b>Net interest income</b>	<b>(2)</b>	<b>2,625.8</b>	<b>2,774.3</b>	<b>(5.4%)</b>
Provisioning for impairment losses	(3)	(1,708.0)	(371.8)	359.4%
<b>Net interest income after provisioning</b>		<b>917.8</b>	<b>2,402.5</b>	<b>(61.8%)</b>
Fee and commission income		1,255.1	1,537.2	(18.4%)
Fee and commission expense		(197.5)	(231.8)	(14.8%)
<b>Net fee and commission income</b>	<b>(4)</b>	<b>1,057.6</b>	<b>1,305.4</b>	<b>(19.0%)</b>
Net trading income	(5)	369.3	48.4	663.0%
Net income from derivatives	(6)	132.3	(83.0)	–
Net income from financial investments	(7)	298.8	(474.4)	–
General administrative expenses	(8)	(2,050.6)	(2,310.5)	(11.3%)
Other net operating income	(9)	78.9	59.7	32.3%
Net income from disposal of group assets		1.1	5.7	(81.7%)
<b>Profit (loss) before tax</b>		<b>805.2</b>	<b>953.7</b>	<b>(15.6%)</b>
Income taxes		(293.8)	(177.3)	65.7%
<b>Profit (loss) after tax</b>		<b>511.4</b>	<b>776.4</b>	<b>(34.1%)</b>
Minority interests in profit		(112.7)	(373.3)	(69.8%)
<b>Consolidated profit</b>		<b>398.7</b>	<b>403.1</b>	<b>(1.1%)</b>

€	1/1 – 30/9 2009	1/1 – 30/9 2008	Change
Earnings per share	43.0	74.3	(31.3)

Earnings per share are calculated on the basis of the adjusted consolidated profit for the period (following deduction of the preference dividend and distributions on participation capital) and the average number of ordinary shares outstanding. In the first nine months of 2009 there were 5,539,885 ordinary shares outstanding compared with 5,290,494 in the comparable period in 2008.

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

# Profit performance

## Quarterly results

€ million	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Net interest income	1,040.8	1,236.0	910.5	881.5	833.8
Provisioning for impairment losses	(172.1)	(778.7)	(596.4)	(670.6)	(441.0)
<b>Net interest income after provisioning</b>	<b>868.8</b>	<b>457.3</b>	<b>314.1</b>	<b>210.9</b>	<b>392.8</b>
Net fee and commission income	462.5	462.4	346.7	342.0	368.9
Net trading income	(53.3)	(29.0)	164.2	102.1	103.0
Net income from derivatives	(29.9)	(7.8)	2.6	139.3	(9.6)
Net income from financial investments	(377.6)	(483.8)	(61.0)	222.5	137.3
General administrative expenses	(816.9)	(806.5)	(693.1)	(697.6)	(659.9)
Other net operating income	22.1	48.4	44.8	24.9	9.2
Net income from disposal of group assets	(0.4)	1.9	(0.4)	1.4	0.1
<b>Profit/loss before tax</b>	<b>75.3</b>	<b>(357.1)</b>	<b>117.9</b>	<b>345.4</b>	<b>341.9</b>
Income taxes	50.2	12.7	(29.3)	(192.7)	(71.8)
<b>Profit/loss after tax</b>	<b>125.5</b>	<b>(344.4)</b>	<b>88.6</b>	<b>152.7</b>	<b>270.1</b>
Minority interests in profit	(115.7)	(10.8)	(12.6)	(60.4)	(39.7)
<b>Consolidated profit/loss</b>	<b>9.9</b>	<b>(355.2)</b>	<b>76.0</b>	<b>92.3</b>	<b>230.4</b>

As a result of the retroactive conversion of participation capital into equity, there are differences in presentation from the interim report for the first quarter of 2009.

# Balance sheet

Assets € million	Notes	30/9/2009	31/12/2008	Change
Cash reserve		4,260	13,712	(68.9%)
Loans and advances to banks	(11.30)	37,907	29,115	30.2%
Loans and advances to customers	(12.30)	76,616	84,918	(9.8%)
Provisioning for impairment losses	(13)	(3,720)	(2,304)	61.5%
Trading assets	(14.30)	9,009	9,482	(5.0%)
Derivatives	(15.30)	2,181	2,853	(23.5%)
Financial investments	(16.30)	19,232	12,188	57.8%
Investments in associates	(30)	1,224	1,158	5.6%
Intangible fixed assets	(17.30)	1,076	1,090	(1.3%)
Tangible fixed assets	(18.30)	1,600	1,619	(1.2%)
Other assets	(19.30)	1,914	3,090	(38.0%)
<b>Total assets</b>		<b>151,299</b>	<b>156,921</b>	<b>(3.6%)</b>

Equity and liabilities € million	Notes	30/9/2009	31/12/2008	Change
Deposits from banks	(20.30)	53,047	54,148	(2.0%)
Deposits from customers	(21.30)	53,686	59,120	(9.2%)
Liabilities evidenced by paper	(22.30)	21,572	20,700	4.2%
Provisions for liabilities and charges	(23.30)	611	695	(12.1%)
Trading liabilities	(24.30)	4,496	5,042	(10.8%)
Derivatives	(25.30)	1,764	2,524	(30.1%)
Other liabilities	(26.30)	1,320	1,655	(20.3%)
Subordinated capital*	(27.30)	4,558	4,450	2.4%
Equity	(28)	10,245	8,587	19.3%
Consolidated equity*		7,306	5,864	24.6%
Consolidated profit		399	48	731.3%
Minority interests		2,540	2,675	(5.0%)
<b>Total equity and liabilities</b>		<b>151,299</b>	<b>156,921</b>	<b>(3.6%)</b>

\*Participation capital of €750 million, which was recognized under subordinated capital in the previous year, has been reclassified as equity.

## Statement of changes in equity

30/9/2009 € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Minority interests	Total
Equity as of 1/1/2009	444	750	1,051	3,620	48	2,675	8,587
Capital increases	-	1,750	-	-	-	19	1,769
Transferred to retained earnings	-	-	-	(102)	102	-	-
Dividend payments	-	-	-	-	(150)	(92)	(242)
Comprehensive income	-	-	-	(305)	399	42	136
Changes in shares	-	-	-	62	-	(112)	(50)
Other changes	-	-	-	37	-	8	45
<b>Equity</b>	<b>444</b>	<b>2,500</b>	<b>1,051</b>	<b>3,312</b>	<b>399</b>	<b>2,540</b>	<b>10,245</b>

30/9/2008 € million	Subscribed capital	Participation capital	Capital reserves	Retained earnings	Consolidated profit	Minority interests	Total
Equity as of 1/1/2008	424	-	906	3,559	778	2,755	8,422
Capital increases	-	-	-	-	-	52	52
Transferred to retained earnings	-	-	-	643	(643)	-	-
Dividend payments	-	-	-	-	(135)	(81)	(216)
Comprehensive income	-	-	-	110	403	475	988
Changes in shares	-	-	-	68	-	(68)	-
Other changes	-	-	-	(15)	-	(33)	(48)
<b>Equity</b>	<b>424</b>	<b>-</b>	<b>906</b>	<b>4,365</b>	<b>403</b>	<b>3,100</b>	<b>9,198</b>

## Comprehensive income

€ million	Consolidated equity		Minority interests	
	1/1 - 30/9 2009	1/1 - 30/9 2008	1/1 - 30/9 2009	1/1 - 30/9 2008
<b>Consolidated profit</b>	<b>399</b>	<b>403</b>	<b>113</b>	<b>373</b>
Exchange differences	(212)	147	(64)	113
Capital hedge	(20)	(5)	-	(5)
Cash flow hedge	82	36	-	(2)
Changes in equity from associates	(133)	(56)	(7)	(11)
Changes in value of available-for-sale financial assets	(1)	2	1	7
Deferred taxes on sundry income and expenses directly recognised in equity	(21)	(15)	-	-
<b>Comprehensive income</b>	<b>94</b>	<b>513</b>	<b>42</b>	<b>475</b>

# Cash flow statement

€ million	1/1 – 30/9 2009	1/1 – 30/9 2008
<b>Cash and cash equivalents at the end of the previous period</b>	<b>13,712</b>	<b>5,748</b>
Net cash from operating activities	(3,926)	(35)
Net cash from investing activities	(7,047)	(1,428)
Net cash from financing activities	1,635	137
Effect of exchange rate changes	(114)	117
<b>Cash and cash equivalents at the end of the period</b>	<b>4,260</b>	<b>4,539</b>

# Segment reporting

RZB reports on the following operating segments. The location of the respective business outlets is the criterion for segment assignment:

- **Austria**  
Head office and Austrian subsidiaries
- **Central Europe**  
Czech Republic, Hungary, Poland, Slovakia and Slovenia
- **Southeastern Europe**  
Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Moldova, Romania and Serbia
- **Russia**
- **CIS Other**  
Belarus, Kazakhstan and Ukraine
- **Rest of the World**  
RZB's branches in London, Singapore, Beijing and Xiamen and Group units located in other countries such as Germany, Finland, Malta, Switzerland and the United States.

The reconciliation mainly comprises amounts resulting from the elimination of intra-group results and consolidation between segments.

1/1 – 30/9/2009								
€ million	Austria	Central Europe	South-eastern Europe	Russia	CIS Other	Rest of the World	Reconciliation	Total
Net interest income	560.1	718.7	658.8	523.5	373.1	133.3	(341.7)	2,625.8
of which current income from associates	50.2	–	0.5	–	–	–	–	50.7
Provisioning for impairment losses	(321.2)	(345.2)	(341.0)	(287.2)	(391.6)	(21.8)	–	(1,708.0)
<b>Net interest income after provisioning</b>	<b>238.9</b>	<b>373.5</b>	<b>317.8</b>	<b>236.3</b>	<b>(18.5)</b>	<b>111.5</b>	<b>(341.7)</b>	<b>917.8</b>
Net fee and commission income	114.7	316.8	307.1	150.2	131.5	51.6	(14.3)	1,057.6
Net trading income	181.5	68.4	72.4	(14.3)	16.6	44.3	0.4	369.3
Net income from derivatives	115.3	2.9	(2.7)	7.2	1.0	3.3	5.3	132.3
Net income from financial investments	243.5	32.8	8.0	2.8	11.4	5.8	(5.5)	298.8
General administrative expenses	(421.6)	(600.6)	(547.5)	(274.7)	(216.0)	(48.0)	57.7	(2,050.6)
of which staff expenses	(237.6)	(281.9)	(237.9)	(124.3)	(107.7)	(28.7)	–	(1,018.1)
of which other administrative expenses	(141.1)	(261.7)	(236.0)	(126.8)	(81.4)	(17.2)	57.7	(806.5)
of which depreciation/amortization/write-offs	(42.9)	(57.0)	(73.6)	(23.6)	(26.9)	(2.1)	–	(226.1)
Other net operating income	121.2	(5.2)	22.5	(9.5)	(1.0)	12.0	(61.1)	78.9
Net income from disposal of group assets	1.0	0.1	–	–	–	–	–	1.1
<b>Profit/loss before tax</b>	<b>594.4</b>	<b>188.7</b>	<b>177.6</b>	<b>98.0</b>	<b>(75.0)</b>	<b>180.5</b>	<b>(359.2)</b>	<b>805.2</b>
Income taxes	(177.9)	(43.2)	(29.2)	(27.0)	3.5	(22.8)	2.8	(293.8)
<b>Profit/loss after tax</b>	<b>416.6</b>	<b>145.5</b>	<b>148.4</b>	<b>71.0</b>	<b>(71.4)</b>	<b>157.7</b>	<b>(356.4)</b>	<b>511.4</b>
Minority interests in profit	(72.3)	(75.1)	(49.9)	(19.6)	20.1	–	84.1	(112.7)
<b>Consolidated profit/loss</b>	<b>344.3</b>	<b>70.4</b>	<b>98.5</b>	<b>51.4</b>	<b>(51.3)</b>	<b>157.7</b>	<b>(272.3)</b>	<b>398.7</b>
Segment's contribution to profit before tax	51.1%	16.2%	15.3%	8.4%	(6.4%)	15.5%	–	100.0%
Segment's contribution to profit after tax	48.0%	16.8%	17.1%	8.2%	(8.2%)	18.2%	–	100.0%
Risk-weighted assets (credit risk)	37,598	22,045	16,722	6,920	5,758	4,018	(14,149)	78,911
Own funds requirement	3,409	2,003	1,521	689	524	350	(783)	7,714
Total assets	98,716	33,739	23,793	12,335	6,660	14,663	(38,607)	151,299
Liabilities	91,206	31,152	21,022	10,810	5,837	14,040	(33,013)	141,054
Risk/earnings ratio	57.4%	48.0%	51.8%	54.9%	105.0%	16.3%	–	65.0%
Cost/income ratio	43.1%	54.7%	51.6%	42.3%	41.5%	19.9%	–	49.6%
Average equity	3,287	1,993	1,577	814	590	400	–	8,662
Return on equity before tax	24.1%	12.6%	15.0%	16.1%	–	60.1%	–	12.4%
Average number of staff	3,168	13,701	18,453	9,566	18,880	416	–	64,184
Business outlets	11	583	1,204	223	1,135	10	–	3,166

1/1 - 30/9/2008								
€ million	Austria	Central Europe	South-eastern Europe	Russia	CIS Other	Rest of the World	Reconciliation	Total
Net interest income	574.8	768.2	698.6	498.7	392.4	141.1	(299.4)	2,774.3
of which current income from associates	54.1	1.5	(0.1)	-	-	-	-	55.5
Provisioning for impairment losses	(5.4)	(135.2)	(90.5)	(84.1)	(55.7)	(0.9)	-	(371.8)
<b>Net interest income after provisioning</b>	<b>569.4</b>	<b>633.0</b>	<b>608.1</b>	<b>414.6</b>	<b>336.7</b>	<b>140.2</b>	<b>(299.4)</b>	<b>2,402.5</b>
Net fee and commission income	180.6	423.9	346.5	147.8	175.0	37.7	(6.1)	1,305.4
Net trading income	62.5	28.5	41.4	17.4	17.6	(98.4)	(20.5)	48.4
Net income from derivatives	(81.1)	1.2	-	(0.7)	-	(4.2)	1.8	(83.0)
Net income from financial investments	(472.8)	8.1	(5.3)	10.3	(2.9)	(11.6)	(0.1)	(474.4)
General administrative expenses	(410.0)	(708.7)	(572.3)	(326.2)	(288.8)	(47.4)	42.9	(2,310.5)
of which staff expenses	(240.5)	(353.5)	(251.3)	(152.3)	(155.4)	(26.9)	-	(1,179.9)
of which other administrative expenses	(132.2)	(291.6)	(254.5)	(153.4)	(104.4)	(18.3)	42.9	(911.4)
of which depreciation/amortization/write-offs	(37.3)	(63.6)	(66.5)	(20.5)	(29.0)	(2.2)	-	(219.2)
Other net operating income	103.4	(15.6)	19.1	(4.9)	(9.8)	6.6	(39.1)	59.7
Net income from disposal of group assets	(0.1)	5.6	-	-	-	0.2	-	5.7
<b>Profit/loss before tax</b>	<b>(48.0)</b>	<b>376.0</b>	<b>437.4</b>	<b>258.3</b>	<b>227.7</b>	<b>23.1</b>	<b>(320.5)</b>	<b>953.7</b>
Income taxes	125.5	(78.3)	(69.0)	(73.9)	(66.6)	(16.1)	1.0	(177.3)
<b>Profit/loss after tax</b>	<b>77.4</b>	<b>297.7</b>	<b>368.4</b>	<b>184.3</b>	<b>161.1</b>	<b>7.0</b>	<b>(319.6)</b>	<b>776.4</b>
Minority interests in profit	(78.8)	(146.3)	(125.7)	(56.4)	(56.2)	-	90.0	(373.3)
<b>Consolidated profit/loss</b>	<b>(1.4)</b>	<b>151.4</b>	<b>242.7</b>	<b>127.9</b>	<b>105.0</b>	<b>7.0</b>	<b>(229.6)</b>	<b>403.1</b>
Segment's contribution to profit before tax	(3.8%)	29.5%	34.3%	20.3%	17.9%	1.8%	-	100.0%
Segment's contribution to profit after tax	7.1%	27.2%	33.6%	16.8%	14.7%	0.6%	-	100.0%
Risk-weighted assets (credit risk)	54,016	26,001	19,395	10,379	8,183	6,654	(18,350)	106,276
Own funds requirement	4,767	2,379	1,706	975	724	572	(1,220)	9,904
Total assets	94,513	35,255	25,751	15,329	9,580	17,648	(36,115)	161,961
Liabilities	88,830	32,826	22,939	13,596	8,214	17,150	(30,792)	152,762
Risk/earnings ratio	0.9%	17.6%	13.0%	16.9%	14.2%	0.6%	-	13.4%
Cost/income ratio	44.5%	58.8%	51.8%	49.5%	50.2%	54.5%	-	55.2%
Average equity	3,619	1,761	1,319	722	524	423	-	8,369
Return on equity before tax	-	28.5%	44.2%	47.7%	58.0%	7.3%	-	15.2%
Average number of staff	2,927	13,369	17,946	9,524	20,062	384	-	64,212
Business outlets	11	551	1,133	247	1,238	8	-	3,188

# Notes

## Accounting and valuation principles

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

The unaudited interim report as of 30 September 2009 is prepared in conformity with IAS 34. In the interim reporting, exactly the same accounting and measurement principles and consolidation methods are applied as in the preparation of the 2008 consolidated financial statements. The interim report for the first three quarters of 2009 for Raiffeisen Zentralbank Österreich AG was neither fully audited nor reviewed by an external auditor.

## Changes in consolidated group

Number of units	Fully consolidated		Equity method	
	30/9/2009	31/12/2008	30/9/2009	31/12/2008
As of beginning of period	357	335	13	13
Included for the first time in the financial period	20	53	–	2
Merged in the financial period	(1)	(2)	–	–
Excluded in the financial period	(9)	(29)	–	(2)
<b>As of end of period</b>	<b>367</b>	<b>357</b>	<b>13</b>	<b>13</b>

The following companies were included in the consolidated financial statements for the first time:

Name	Proportion	Included as of	Reason
Six subsidiaries of Raiffeisen Leasing Gesellschaft m.b.H., Vienna (AT)	–	Various	Materiality
Centrotrade Singapore Pte. Ltd., Singapore (SG)	100.0%	1.1.	Materiality
CP Inlandsimmobilien Holding GmbH, Vienna (AT)	100.0%	1.1.	Materiality
Regional Card Processing Center s.r.o., Bratislava (SK)	46.2%	1.1.	Foundation
Raiffeisen Leasing Kosovo LLC, Pristina (KO)	71.6%	1.1.	Foundation
Raiffeisen Investment Ltd., Moscow (RU)	100.0%	1.1.	Materiality
Raiffeisen Investment (Malta) Limited, Sliema (MT)	100.0%	1.1.	Materiality
Raiffeisen Investment Polska sp.z.o.o., Warsaw (PL)	100.0%	1.1.	Materiality
Raiffeisen Investment Romania LLC, Bucharest (RO)	100.0%	1.1.	Materiality
Raiffeisen Property Management GmbH, Vienna (AT)	100.0%	1.1.	Materiality
REC Alpha LLC, Kiew (UA)	99.9%	1.7.	Foundation
REH Limited, Limassol (CY)	100.0%	1.7.	Foundation
ROOF Global Loan CLO 2009(1,) Dublin (IRL)	0.0%	1.6.	Foundation
ROOF Global Loan CLO 2009(2,) Dublin (IRL)	0.0%	1.6.	Foundation
SCTAI Angol Iskola Kft, Budapest (HU)	56.9%	22.9.	Materiality

Two companies with their registered office in Dublin, ROOF Global Loan CLO 2009-1 and ROOF Global Loan CLO 2009-2, were included in the consolidated financial statements as of 1 June 2009 due to the controlling influence exerted from an economic perspective (based on SIC 12).

During the period under review, four companies were removed from the group of consolidated companies due to immateriality and were deconsolidated with effect from 1 January/1 July 2009. Five subsidiaries of Raiffeisen Leasing Gesellschaft m.b.H., Vienna, were deconsolidated following their disposal.

## Notes to the income statement

### (1) Income statement according to measurement categories

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

€ million	1/1 – 30/9 2009	1/1 – 30/9 2008
Net income from financial assets and liabilities held for trading	720.9	(280.4)
Net income from financial assets and liabilities at fair value through profit or loss	612.4	(327.3)
Net income from financial assets available for sale	7.2	130.1
Net income from loans and receivables	3,282.4	5,955.0
Net income from financial assets held to maturity	350.1	174.9
Net income from financial liabilities measured at amortized cost	(3,231.7)	(4,071.9)
Net income from derivatives (hedging)	0.7	0.1
Net revaluations from exchange differences	(23.9)	257.4
Other net operating income/expenses	(912.9)	(884.2)
<b>Total profit before tax from continuing operations</b>	<b>805.2</b>	<b>953.7</b>

## (2) Net interest income

€ million	1/1 – 30/9 2009	1/1 – 30/9 2008
<b>Interest income</b>	<b>5,788.0</b>	<b>6,756.5</b>
from loans and advances to banks	624.8	1,598.6
from loans and advances to customers	4,101.9	4,398.1
from financial investments	625.3	433.3
from leasing claims	257.2	318.6
from derivative financial instruments (non-trading), net	178.8	7.9
<b>Current income from shareholdings</b>	<b>12.1</b>	<b>22.4</b>
<b>Interest-like income</b>	<b>19.3</b>	<b>15.8</b>
<b>Interest and interest-like income, total</b>	<b>5,819.4</b>	<b>6,794.7</b>
<b>Current income from associates</b>	<b>50.7</b>	<b>55.5</b>
<b>Interest expenses</b>	<b>(3,203.7)</b>	<b>(4,049.0)</b>
on deposits from banks	(893.0)	(1,638.5)
on deposits from customers	(1,463.9)	(1,647.8)
on liabilities evidenced by paper	(675.9)	(609.9)
on subordinated capital	(170.9)	(152.8)
<b>Interest-like expenses</b>	<b>(40.6)</b>	<b>(26.9)</b>
<b>Interest and interest-like expenses, total</b>	<b>(3,244.3)</b>	<b>(4,075.9)</b>
<b>Net interest income</b>	<b>2,625.8</b>	<b>2,774.3</b>

## (3) Impairment losses on loans and advances

€ million	1/1 – 30/9 2009	1/1 – 30/9 2008
<b>Individual loan loss provisions</b>	<b>(1,517.3)</b>	<b>(248.8)</b>
Allocation to provisions for impairment losses	(1,742.5)	(404.6)
Release of provisions for impairment losses	266.5	197.3
Direct write-downs	(63.7)	(56.1)
Income received on written-down claims	22.4	14.5
<b>Portfolio-based provisions</b>	<b>(195.2)</b>	<b>(123.0)</b>
Allocation to provisions for impairment losses	(427.8)	(222.4)
Release of provisions for impairment losses	232.6	99.4
<b>Proceeds from the sale of loans</b>	<b>4.5</b>	<b>-</b>
<b>Total</b>	<b>(1,708.0)</b>	<b>(371.8)</b>

## (4) Net fee and commission income

€ million	1/1 – 30/9 2009	1/1 – 30/9 2008
Payment transfer business	405.6	487.5
Loan administration and guarantee business	190.4	235.5
Securities business	89.0	108.9
Foreign currency and precious metals business	272.2	375.1
Management of investment and pension funds	19.1	29.7
Agency services for own and third party products	24.4	12.0
Credit derivatives business	2.4	(4.3)
Other banking services	54.5	61.0
<b>Total</b>	<b>1,057.6</b>	<b>1,305.4</b>

## (5) Net trading income

€ million	1/1 – 30/9 2009	1/1 – 30/9 2008
Interest-related trading	301.0	(157.6)
Currency-related trading	94.8	184.6
Equity/index-related trading	23.0	(0.9)
Credit derivatives business	(10.0)	6.8
Other transactions	(22.1)	19.3
Net income from liabilities designated at fair value	(17.4)	(3.8)
<b>Total</b>	<b>369.3</b>	<b>48.4</b>

## (6) Net income from derivatives

€ million	1/1 – 30/9 2009	1/1 – 30/9 2008
Net income from hedge accounting	4.2	0.1
Net income from credit derivatives	55.0	(130.0)
Net income from other derivatives	73.1	46.9
<b>Total</b>	<b>132.3</b>	<b>(83.0)</b>

## (7) Net income from financial investments

€ million	1/1 – 30/9 2009	1/1 – 30/9 2008
<b>Net income from financial investments held to maturity</b>	<b>2.9</b>	<b>(6.4)</b>
Net revaluation gains from financial investments held to maturity	5.5	(6.3)
Net disposal gains from financial investments held to maturity	(2.6)	(0.1)
<b>Net income from equity participations</b>	<b>(51.7)</b>	<b>115.4</b>
Net revaluation gains from equity participations	(57.0)	6.5
Net disposal gains from equity participations	5.3	108.9
<b>Net income from securities at fair value through profit and loss</b>	<b>347.6</b>	<b>(583.4)</b>
Net revaluation gains from securities at fair value through profit and loss	317.7	(569.1)
Net disposal gains from securities at fair value through profit and loss	29.9	(14.3)
<b>Total</b>	<b>298.8</b>	<b>(474.4)</b>

## (8) General administrative expenses

€ million	1/1 – 30/9 2009	1/1 – 30/9 2008
Staff expenses	(1,018.1)	(1,179.9)
Other administrative expenses	(806.5)	(911.4)
Depreciation on tangible and intangible fixed assets	(226.0)	(219.2)
<b>Total</b>	<b>(2,050.6)</b>	<b>(2,310.5)</b>

## (9) Other net operating income

€ million	1/1 – 30/9 2009	1/1 – 30/9 2008
Sales revenues from non-banking activities	739.1	1,152.4
Expenses arising from non-banking activities	(697.4)	(1,094.7)
Net income from services arranged	1.5	2.8
Net income from investment property	8.1	2.4
Net income from operating leases	34.5	31.1
Net proceeds from disposal of tangible and intangible fixed assets	2.9	(8.0)
Other taxes	(41.7)	(45.3)
Income from release of negative goodwill	4.6	5.4
Net income from allocation and release of other provisions	1.8	(11.9)
Other net operating income	57.1	49.5
Other operating expenses	(31.6)	(24.0)
<b>Total</b>	<b>78.9</b>	<b>59.7</b>

# Notes to the balance sheet

## (10) Balance sheet according to measurement categories

The following table shows the book values according to the measurement categories defined in IAS 39:

<b>Assets according to measurement categories € million</b>	<b>30/9/2009</b>	<b>31/12/2008</b>
Trading assets	10,254	11,691
Financial assets at fair value through profit or loss	6,663	6,259
Financial assets available for sale	656	709
Loans and advances	116,945	128,487
Financial assets held to maturity	11,610	4,962
Derivatives (hedging)	936	644
Other assets	4,235	4,169
<b>Total assets</b>	<b>151,299</b>	<b>156,921</b>

Positive market values of derivatives not designated as hedging instruments under IAS 39 hedge accounting are reported in the trading assets measurement category. The financial assets available for sale measurement category exclusively comprises other equity participations. Loans and advances are reported net of any provisions for impairment losses. Other assets comprise intangible and tangible fixed assets, investments in associates and other affiliated companies.

<b>Equity and liabilities according to measurement categories € million</b>	<b>30/9/2009</b>	<b>31/12/2008</b>
Trading liabilities	5,735	7,122
Liabilities at amortized cost	132,190	139,469
Liabilities at fair value through profit and loss	1,993	604
Derivatives (hedging)	525	444
Provisions for liabilities and charges	611	695
Equity	10,245	8,587
<b>Total equity and liabilities</b>	<b>151,299</b>	<b>156,921</b>

Negative market values of derivatives not designated as hedging instruments under IAS 39 hedge accounting are reported in the trading liabilities measurement category.

## (11) Loans and advances to banks

€ million	30/9/2009	31/12/2008
Giro and clearing business	2,170	2,126
Money market business	28,004	15,520
Loans to banks	5,545	9,058
Purchased loans	46	114
Leasing claims	91	97
Claims evidenced by paper	2,051	2,200
<b>Total</b>	<b>37,907</b>	<b>29,115</b>

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

€ million	30/9/2009	31/12/2008
Austria	12,417	8,920
Central Europe	1,055	2,836
Southeastern Europe	1,540	1,423
Russia	424	535
CIS Other	393	302
Other	22,078	15,099
<b>Total</b>	<b>37,907</b>	<b>29,115</b>

The breakdown of loans and advances to banks by bank segment is as follows:

€ million	30/9/2009	31/12/2008
Central banks	1,774	7,676
Commercial banks	36,079	21,389
Multilateral development banks	54	50
<b>Total</b>	<b>37,907</b>	<b>29,115</b>

## (12) Loans and advances to customers

€ million	30/9/2009	31/12/2008
Credit business	43,111	50,103
Money market business	9,642	9,440
Mortgage loans	17,135	17,360
Purchased loans	745	1,309
Leasing claims	4,836	5,515
Claims evidenced by paper	1,147	1,191
<b>Total</b>	<b>76,616</b>	<b>84,918</b>

In accordance with Basel II definitions, the breakdown of loans and advances to customers by asset class is as follows:

€ million	30/9/2009	31/12/2008
Sovereigns	1,632	1,632
Corporate customers – large	49,690	55,498
Corporate customers – small business	4,484	5,397
Retail customers – private individuals	18,149	19,315
Retail customers – small and medium-sized entities	2,538	2,909
Other	123	167
<b>Total</b>	<b>76,616</b>	<b>84,918</b>

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

€ million	30/9/2009	31/12/2008
Austria	9,090	10,218
Central Europe	23,914	24,640
Southeastern Europe	12,672	12,944
Russia	6,305	8,819
CIS Other	5,519	6,602
Other	19,116	21,695
<b>Total</b>	<b>76,616</b>	<b>84,918</b>

## (13) Impairment losses on loans and advances

In accordance with Basel II definitions, provisions for impairment losses are allocated to the following asset classes:

€ million	30/9/2009	31/12/2008
Sovereigns	9	2
Banks	451	203
Corporate customers – large	1,687	1,131
Corporate customers – small business	297	178
Private individual customers	1,065	674
Retail customers – small and medium-sized entities	211	116
<b>Total</b>	<b>3,720</b>	<b>2,304</b>

The following table shows the geographic breakdown of provisioning (including provisions for off-balance-sheet commitments) by the entities' registered office:

€ million	As of 1/1/09	Change in consolidated group	Allocation*	Release	Usage**	Transfers, exchange differences	As of 30/9/09
<b>Individual loan loss provisions</b>	<b>1,690</b>	-	<b>1,784</b>	<b>(267)</b>	<b>(230)</b>	<b>(45)</b>	<b>2,934</b>
Austria	534	-	343	(18)	(35)	(4)	821
Central Europe	449	-	374	(120)	(49)	6	661
Southeastern Europe	239	-	346	(68)	(67)	(2)	449
Russia	223	-	326	(54)	(66)	(12)	416
CIS Other	200	-	374	(7)	(11)	(31)	525
Other	45	-	21	-	(2)	(2)	62
<b>Portfolio-based provisions</b>	<b>698</b>	-	<b>428</b>	<b>(233)</b>	-	<b>(16)</b>	<b>876</b>
Austria	90	-	-	(3)	-	-	87
Central Europe	166	-	153	(61)	-	5	263
Southeastern Europe	148	-	98	(37)	-	(10)	199
Russia	150	-	74	(56)	-	(9)	160
CIS Other	135	-	101	(76)	-	(2)	158
Other	9	-	2	-	-	-	9
<b>Total</b>	<b>2,388</b>	-	<b>2,212</b>	<b>(499)</b>	<b>(230)</b>	<b>(61)</b>	<b>3,810</b>

\* Allocation includes direct write-offs and income received on written-off claims.

\*\* Usage includes direct write-offs and income received on written off claims.

The following table gives an overview of loans and advances as well as loan loss provisions according to Basel II asset classes:

30/9/2009	Total gross carrying amount	Individual loan loss provisions	Portfolio- based provisions	Total net carrying amount	Individually impaired assets	Fair value
€ million						
Banks	37,907	451	-	37,456	547	37,465
Sovereigns	1,632	9	-	1,623	43	1,566
Corporate customers – large	49,690	1,375	311	48,004	3,579	48,347
Corporate customers – small business	4,484	249	49	4,186	585	4,356
Retail customers – private individuals	18,149	646	419	17,084	1,051	17,904
Retail customers – small and medium-sized entities	2,538	155	56	2,327	291	2,444
Other	123	-	-	123	-	126
<b>Total</b>	<b>114,523</b>	<b>2,885</b>	<b>835</b>	<b>110,803</b>	<b>6,096</b>	<b>112,208</b>

31/12/2008	Total gross carrying amount	Individual loan loss provisions	Portfolio-based provisions	Total net carrying amount	Individually impaired assets	Fair value
€ million						
Banks	29,115	203	–	28,912	336	29,002
Sovereigns	1,632	2	–	1,630	6	1,567
Corporate customers – large	55,498	854	277	54,367	2,000	54,974
Corporate customers – small business	5,397	129	49	5,219	318	5,281
Retail customers – private individuals	19,315	373	301	18,641	507	18,921
Retail customers – small and medium-sized entities	2,909	77	39	2,793	132	2,879
Other	167	–	–	167	–	169
<b>Total</b>	<b>114,033</b>	<b>1,639</b>	<b>665</b>	<b>111,729</b>	<b>3,299</b>	<b>112,793</b>

## (14) Trading assets

€ million	30/9/2009	31/12/2008
Bonds, notes and other fixed-interest securities	4,559	4,730
Shares and other variable-yield securities	477	521
Positive fair values of derivative financial instruments	3,461	3,710
Call/time deposits for trading purposes	512	521
<b>Total</b>	<b>9,009</b>	<b>9,482</b>

## (15) Derivatives

€ million	30/9/2009	31/12/2008
Positive fair values of derivatives in fair value hedges (IAS 39)	336	239
Positive fair values of derivatives in cash flow hedges (IAS 39)	600	405
Positive fair values of credit derivatives	16	103
Positive fair values of other derivatives	1,229	2,106
<b>Total</b>	<b>2,181</b>	<b>2,853</b>

## (16) Financial investments

€ million	30/9/2009	31/12/2008
Bonds, notes and other fixed-interest securities	17,900	10,971
Shares and other variable-yield securities	591	473
Equity participations	741	744
<b>Total</b>	<b>19,232</b>	<b>12,188</b>

## (17) Intangible fixed assets

€ million	30/9/2009	31/12/2008
Goodwill	587	620
Software	369	335
Other intangible fixed assets	120	135
<b>Total</b>	<b>1,076</b>	<b>1,090</b>

## (18) Tangible fixed assets

€ million	30/9/2009	31/12/2008
Land and buildings used by the Group for own purposes	647	614
Other land and buildings (investment property)	58	49
Office furniture and equipment as well as other tangible fixed assets	577	639
Leased assets (operating lease)	318	317
<b>Total</b>	<b>1,600</b>	<b>1,619</b>

## (19) Other assets

€ million	30/9/2009	31/12/2008
Tax assets	306	438
Receivables arising from non-banking activities	183	315
Accrued expenses and deferred income	293	473
Clearing claims from securities and payment transfer business	432	507
Lease in progress	215	226
Assets held for sale (IFRS 5)	15	14
Current assets	79	187
Other assets	391	930
<b>Total</b>	<b>1,914</b>	<b>3,090</b>

## (20) Deposits from banks

€ million	30/9/2009	31/12/2008
Giro and clearing business	3,438	2,819
Money market business	37,191	36,532
Long-term loans	12,418	14,797
<b>Total</b>	<b>53,047</b>	<b>54,148</b>

The regional breakdown (counterparty's location) for deposits from customers is as follows:

€ million	30/9/2009	31/12/2008
Austria	27,944	25,321
Central Europe	1,684	1,609
Southeastern Europe	745	556
Russia	121	1,333
CIS Other	58	180
Other	22,495	25,149
<b>Total</b>	<b>53,047</b>	<b>54,148</b>

The breakdown of deposits by bank segment is as follows:

€ million	30/9/2009	31/12/2008
Central banks	5,691	8,113
Commercial banks	45,852	44,587
Multilateral development banks	1,504	1,448
<b>Total</b>	<b>53,047</b>	<b>54,148</b>

## (21) Deposits from customers

€ million	30/9/2009	31/12/2008
Sight deposits	20,955	20,747
Time deposits	31,369	37,413
Savings deposits	1,362	960
<b>Total</b>	<b>53,686</b>	<b>59,120</b>

In accordance with Basel II definitions, the breakdown of deposits from customers is as follows:

€ million	30/9/2009	31/12/2008
Sovereigns	2,373	2,954
Corporate customers – large	24,333	28,872
Corporate customers – small business	2,343	3,085
Private individual customers	21,298	20,775
Retail customers – small and medium-sized entities	2,811	2,914
Other	528	520
<b>Total</b>	<b>53,686</b>	<b>59,120</b>

The regional breakdown (counterparty's location) for deposits from customers is as follows:

€ million	30/9/2009	31/12/2008
Austria	5,808	7,378
Central Europe	19,633	20,432
Southeastern Europe	12,055	13,143
Russia	5,432	5,834
CIS Other	2,736	2,985
Other	8,022	9,348
<b>Total</b>	<b>53,686</b>	<b>59,120</b>

## (22) Liabilities evidenced by paper

€ million	30/9/2009	31/12/2008
Bonds and notes issued	19,773	19,924
Money market instruments issued	1,153	8
Other liabilities evidenced by paper	646	768
<b>Total</b>	<b>21,572</b>	<b>20,700</b>

## (23) Provisions for liabilities and charges

€ million	30/9/2009	31/12/2008
Severance payments	62	60
Retirement benefits	61	60
Taxes	111	151
Guarantees and sureties	90	84
Restructuring	4	4
Pending legal cases	63	69
Unused vacation	42	50
Bonus payments	120	163
Other	58	54
<b>Total</b>	<b>611</b>	<b>695</b>

## (24) Trading liabilities

€ million	30/9/2009	31/12/2008
Negative fair values of derivative financial instruments	4,150	4,897
Short-selling of trading assets	343	124
Call/time deposits for trading purposes	3	21
<b>Total</b>	<b>4,496</b>	<b>5,042</b>

## (25) Derivatives

€ million	30/9/2009	31/12/2008
Negative fair values of derivatives in fair value hedges (IAS 39)	25	40
Negative fair values of derivatives in cash flow hedges (IAS 39)	500	404
Negative fair values of credit derivatives	35	190
Negative fair values of other derivatives	1,204	1,890
<b>Total</b>	<b>1,764</b>	<b>2,524</b>

## (26) Other liabilities

€ million	30/9/2009	31/12/2008
Liabilities arising from non-banking business	182	316
Accrued expenses and deferred income	277	392
Liabilities arising from dividends	–	8
Clearing claims from securities and payment transfer business	593	323
Liabilities held for sale (IFRS 5)	2	–
Other liabilities	266	616
<b>Total</b>	<b>1,320</b>	<b>1,655</b>

## (27) Subordinated capital

€ million	30/9/2009	31/12/2008
Hybrid tier 1 capital	813	1,076
Subordinated liabilities	2,713	2,768
Supplementary capital	773	606
Participation capital	259	–
<b>Total</b>	<b>4,558</b>	<b>4,450</b>

Participation capital of €750 million, which was recognized under subordinated capital in the previous year, has been reclassified as equity.

## (28) Equity and minorities

€ million	30/9/2009	31/12/2008
Consolidated equity	7,306	5,864
Subscribed capital	444	444
Participation capital	2,500	750
Capital reserves	1,051	1,051
Retained earnings	3,312	3,620
Consolidated profit	399	48
Minority interests	2,540	2,675
<b>Total</b>	<b>10,245</b>	<b>8,587</b>

# Risk report

## Credit risk

### Corporate Customers

The internal rating model used for corporate customers takes into account both qualitative factors and a variety of business and performance figures (e.g. interest coverage, EBT margin, EBITDA margin, equity ratio, overall return on assets, debt repayment period) that are individually tailored to the various industries and financial reporting standards.

The following table provides a breakdown of credit exposures (including off-balance-sheet items) for each score in line with the internal rating model for the Corporate Customers division. These figures relate solely to credit exposures. Collateral must also be taken into account in the overall assessment of credit risk:

Internal rating € million		30/9/2009	Proportion	31/12/2008	Proportion
0.5	Minimal risk	431	0.6%	695	0.8%
1.0	Excellent credit standing	9,056	11.7%	10,077	11.5%
1.5	Very good credit standing	7,247	9.3%	8,666	9.9%
2.0	Good credit standing	8,873	11.4%	10,998	12.6%
2.5	Sound credit standing	9,684	12.5%	11,637	13.3%
3.0	Acceptable credit standing	11,011	14.2%	14,454	16.5%
3.5	Heightened risk	12,665	16.3%	15,375	17.6%
4.0	Weak credit standing/sub-standard	8,508	11.0%	7,831	9.0%
4.5	Very weak credit standing/doubtful	3,737	4.9%	2,641	3.0%
5.0	Default (Basel II definition)	3,510	4.5%	1,541	1.8%
NR	Not rated	2,826	3.6%	3,520	4.0%
<b>Total</b>		<b>77,548</b>	<b>100.0%</b>	<b>87,435</b>	<b>100.0%</b>

RZB stresses that the scores in this table relate solely to the borrower and do not take account of collateral furnished for any transaction.

Total credit exposure of corporate customers decreased 11 per cent in the first three quarters of 2009, compared to year-end 2008. This was partly due to currency effects, but also because measures were taken to selectively reduce the portfolio. The average credit standing among corporate customers has deteriorated somewhat. Compared to the previous year, the share of the highest rating categories (up to rating 2.0) fell 1.8 percentage points to 33.0 per cent. The share of the middle rating classes up to rating 3.0 fell more sharply, dropping 3.2 percentage points to 26.7 per cent. Accordingly, the proportion of the portfolio in the weaker rating classes increased by 2.6 percentage points to 32.1 per cent. The same applied to the share of customers in default as defined by Basel II (rating of 5.0), which rose from 1.8 per cent at year-end 2008 to 4.5 per cent at the end of the third quarter 2009. Regionally, the largest part of the credit exposure in default was in Ukraine and Russia; it was somewhat lower in Hungary.

There is only a five-stage rating model for project finance. The breakdown of project finance volumes is as follows:

Project rating € million	30/9/2009	Proportion	31/12/2008	Proportion
6.1 Excellent project risk profile – very low risk	2,407	37.8%	3,292	48.3%
6.2 Good project risk profile – low risk	2,284	35.9%	2,450	35.9%
6.3 Acceptable project risk profile – average risk	1,118	17.6%	880	12.9%
6.4 Poor project risk profile – high risk	335	5.3%	112	1.6%
6.5 Default	75	1.2%	14	0.2%
NR Not rated	152	2.4%	75	1.1%
<b>Total</b>	<b>6,371</b>	<b>100.0%</b>	<b>6,823</b>	<b>100.0%</b>

The volume of exposures designated as project finance fell by 7 per cent compared to the end of 2008. The Austria and Central Europe regions accounted for most of these exposures. These good rating profiles reflect the high collateralization of these special finance transactions. Even so, there was a slight rating migration evident here as well in the course of the first nine months of 2009.

#### Retail Customers

The Retail Customers division is subdivided into private individuals and small and medium-sized entities (SMEs). A dual scoring system is used for retail customers. It is based on a combination of initial and ad hoc analyses using customer data and behavioural scoring using account data. Below is a regional breakdown of credit exposures (including off-balance sheet items), by region (domicile of Group unit):

30/9/2009 € million	Total	Austria	Central Europe	Southeastern Europe	Russia	CIS Other	Rest of the World
Retail – private individuals	19,595	10	8,905	6,609	1,987	2,084	–
Retail – SMEs	2,496	4	1,359	871	32	230	–
<b>Total</b>	<b>22,091</b>	<b>14</b>	<b>10,264</b>	<b>7,481</b>	<b>2,018</b>	<b>2,314</b>	<b>–</b>

31/1/2008 € million	Total	Austria	Central Europe	Southeastern Europe	Russia	CIS Other	Rest of the World
Retail – private individuals	20,709	19	8,659	7,205	2,437	2,389	–
Retail – SMEs	2,972	7	1,533	1,027	39	366	–
<b>Total</b>	<b>23,681</b>	<b>26</b>	<b>10,192</b>	<b>8,232</b>	<b>2,476</b>	<b>2,755</b>	<b>–</b>

Up to end-September 2009 the total retail credit portfolio fell 7 per cent to €22.1 billion. The main reason for this was measures to selectively reduce the credit portfolio and the cutback in foreign currency loans in several CEE countries. In addition, currency effects also had an impact on the contraction of the portfolio. The main factor in the decrease was loans to small and medium-sized entities (minus 16 per cent). Loans to private individual customers decreased by 5 per cent. In relative terms, the retail credit portfolio fell most sharply in Russia (minus 18 per cent) and CIS Other (minus 16 per cent).

#### Financial Institutions

The Financial Institutions division primarily includes banks and securities firms. The internal rating model for these financial institutions is based on a peer-group approach that takes both qualitative and quantitative information into account. The final rating for this customer group is capped by the respective country rating.

The following table shows credit exposures to financial institutions (including off-balance-sheet items but excluding central banks) by internal rating class. Additional real and financial collateral or guarantees (e.g. from central governments) are also to be taken into account for risk assessment purposes.

Internal rating € million		30/9/2009	Proportion	31/12/2008	Proportion
A1	Excellent credit standing	280	0.6%	442	1.1%
A2	Excellent credit standing	3,501	6.9%	6,394	15.5%
A3	Very good credit standing	30,440	59.9%	20,138	48.9%
B1	Good credit standing	9,283	18.3%	5,853	14.2%
B2	Average credit standing	3,278	6.5%	4,033	9.8%
B3	Mediocre credit standing	1,806	3.5%	1,373	3.3%
B4	Weak credit standing	998	2.0%	1,704	4.1%
B5	Very weak credit standing	321	0.6%	583	1.4%
C	Doubtful/high default risk	62	0.1%	114	0.3%
D	Default	596	1.1%	361	0.9%
NR	Not rated	229	0.5%	194	0.5%
<b>Total</b>		<b>50,794</b>	<b>100.0%</b>	<b>41,190</b>	<b>100.0%</b>

Loans and advances to banks and the securities portfolio in the Financial Institutions division grew 23 per cent to €50.8 billion compared to year-end 2008. The total for rating class A2 fell by just under 9 percentage points, while loans in rating class A3 rose 11 percentage points. This increase was primarily the result of securities investments undertaken to reduce the liquidity risk, which were predominantly made in government guaranteed bonds. There was also an increase of 4.1 percentage points for rating class B1. The total for financial institutions in default was 1.1 per cent or €596 million.

### Sovereigns

Sovereign states, central banks, regional authorities and other sovereign-like organisations make up a further customer group. The table below shows credit exposures to sovereigns (including central banks and off-balance-sheet items) by internal rating class:

Internal rating € million		30/9/2009	Proportion	31/12/2008	Proportion
A1	Excellent credit standing	3,233	17.6%	7,793	31.4%
A2	Excellent credit standing	1,509	8.2%	246	1.0%
A3	Very good credit standing	3,408	18.5%	4,713	19.0%
B1	Good credit standing	862	4.7%	1,343	5.4%
B2	Average credit standing	416	2.3%	3,986	16.0%
B3	Mediocre credit standing	5,797	31.5%	4,028	16.2%
B4	Weak credit standing	1,471	8.0%	2,002	8.1%
B5	Very weak credit standing	1,520	8.3%	565	2.3%
C	Doubtful/high default risk	–	–	–	–
D	Default	11	0.1%	4	0.0%
NR	Not rated	193	0.8%	173	0.7%
<b>Total</b>		<b>18,420</b>	<b>100.0%</b>	<b>24,853</b>	<b>100.0%</b>

The credit exposure to sovereigns fell 26 per cent in the period under review. This was the result of the reallocations in cash reserves, as the gradual normalisation of the money markets meant that larger amounts were again invested with other commercial banks rather than central banks. At the same time, securities investments – e.g. in government bonds – were made. In comparison with year-end 2008, the share of the best rating category A1 decreased by 13.8 percentage points. This is due to the reduction in the liquid assets invested with the Austrian National Bank. The reduction of the portfolio in the rating category A3 was due to a reduction in the deposit and securities portfolios of Slovakian sovereigns. The total in the rating class B2 decreased by €3.6 billion, with the short-term investments with the Russian central bank playing a decisive role. Total loans in rating category B5 increased by around € 1.0 billion: This is due specifically to the downgrading of Serbia from B4 to B5.

### Non-performing loans

The table below shows lending in the stated asset classes recognised on the balance sheet in the line items loans and advances to banks and loans and advances to customers (excluding off-balance-sheet items) and the percentage of non-performing loans they accounted for, furnished collateral and provisioning for impairment losses on loans and advances, by domicile of Group unit:

30/9/2009 € million	Austria	Central Europe	Southeastern Europe	Russia	Other CIS Countries	Rest of the World	Total
<b>Corporate Customers</b>	<b>20,834</b>	<b>14,882</b>	<b>7,294</b>	<b>4,593</b>	<b>3,298</b>	<b>3,396</b>	<b>54,297</b>
Non-performing	818	997	498	423	467	221	3,424
of which secured	168	379	348	263	317	167	1,643
Provisioning for impairment losses	439	524	272	368	312	70	1,985
<b>Retail Customers</b>	<b>122</b>	<b>9,359</b>	<b>7,058</b>	<b>1,958</b>	<b>2,190</b>	<b>-</b>	<b>20,687</b>
Non-performing	6	576	411	186	505	-	1,684
of which secured	1	182	152	146	386	-	866
Provisioning for impairment losses	8	359	358	182	369	-	1,276
<b>Financial Institutions</b>	<b>30,278</b>	<b>1,500</b>	<b>1,475</b>	<b>345</b>	<b>702</b>	<b>1,780</b>	<b>36,079</b>
Non-performing	570	-	2	-	-	1	573
of which secured	1	-	1	-	-	-	2
Provisioning for impairment losses	444	6	-	-	-	1	451
<b>Sovereigns</b>	<b>518</b>	<b>741</b>	<b>1,881</b>	<b>164</b>	<b>144</b>	<b>11</b>	<b>3,460</b>
Non-performing	-	8	-	12	-	-	20
of which secured	-	6	-	-	-	-	6
Provisioning for impairment losses	-	3	-	6	-	-	9
<b>Total</b>	<b>51,752</b>	<b>26,482</b>	<b>17,708</b>	<b>7,060</b>	<b>6,334</b>	<b>5,187</b>	<b>114,523</b>
Non-performing	1,394	1,581	912	621	972	222	5,701
of which secured	170	567	501	409	703	167	2,516
Provisioning for impairment losses	891	892	630	557	681	71	3,720

In the third quarter of 2009 the trend of rising non-performing loans continued. This applies particularly to the commercial customers portfolio, which showed the most significant increase of 153 per cent to €3,424 million. Regionally, the most affected was the Central Europe segment, followed by Russia and Austria. At the end of the third quarter, the share of non-performing loans in the corporate credit portfolio (non-performing loan ratio) was 6.3 per cent, 4.1 percentage points higher than at year-end 2008. Provisioning for impairment losses for corporates was increased by 52 per cent to €1,985 million, reducing the coverage ratio from 97 to 58 per cent.

In lending to retail customers, non-performing loans rose 76 per cent to €1,684 million. Most of this increase was due to Central Europe (plus €249 million, or 76 per cent) and Southeastern Europe (plus €213 million or 108 per cent). The non-performing loan ratio for retail credit exposure rose by 3.8 percentage points to 8.1 per cent.

Provisioning for impairment losses for retail customers was increased 61 per cent to €1,276 million. RZB's coverage ratio fell by 6.8 percentage points to 75.8 per cent.

The consequences of the financial market crisis lead to further defaults in the Financial Institutions division in the first nine months of the current year. At the end of the third quarter of 2009, non-performing loans in Financial Institutions totalled €573 million (non-performing loan ratio: 1.6 per cent), with €451 million in provisions for these impairment losses. This gives a coverage ratio of 71.6 per cent, 12.9 percentage points above the level at year-end 2008.

<b>31/12/2008</b> € million	<b>Austria</b>	<b>Central Europe</b>	<b>Southeastern Europe</b>	<b>Russia</b>	<b>Other CIS Countries</b>	<b>Rest of the World</b>	<b>Total</b>
<b>Corporate Customers</b>	<b>22,002</b>	<b>15,666</b>	<b>8,470</b>	<b>6,487</b>	<b>3,934</b>	<b>3,934</b>	<b>61,062</b>
Non-performing	480	488	184	44	108	108	1,354
of which secured	68	209	179	79	52	52	602
Provisioning for impairment losses	406	363	146	212	130	130	1,309
<b>Retail Customers</b>	<b>97</b>	<b>9,222</b>	<b>7,605</b>	<b>2,669</b>	<b>2,631</b>	<b>2,631</b>	<b>22,224</b>
Non-performing	6	327	198	134	292	292	957
of which secured	1	113	206	48	164	164	532
Provisioning for impairment losses	8	214	212	155	202	202	790
<b>Financial Institutions</b>	<b>16,533</b>	<b>674</b>	<b>834</b>	<b>629</b>	<b>514</b>	<b>514</b>	<b>21,389</b>
Non-performing	345	–	–	–	–	–	346
of which secured	7	–	–	–	–	–	7
Provisioning for impairment losses	197	4	–	–	–	–	203
<b>Sovereigns</b>	<b>4,559</b>	<b>2,823</b>	<b>1,693</b>	<b>191</b>	<b>79</b>	<b>79</b>	<b>9,358</b>
Non-performing	–	5	–	–	–	–	5
of which secured	–	–	–	–	–	–	–
Provisioning for impairment losses	–	2	–	–	–	–	2
<b>Total</b>	<b>43,191</b>	<b>28,386</b>	<b>18,602</b>	<b>9,976</b>	<b>7,158</b>	<b>7,158</b>	<b>114,033</b>
Non-performing	831	820	383	178	400	400	2,662
of which secured	76	322	385	128	215	215	1,142
Provisioning for impairment losses	610	584	357	368	332	332	2,304

### Concentration risk

RZB's loan portfolio is well diversified in terms of both regions and sectors. The granularity of the portfolio is high, even though the focus of Raiffeisen Zentralbank is on the top 1,000 Austrian companies, multinational groups and medium-sized and large entities in CEE. The geographical breakdown of loans and advances reflects the broad diversification of its lending operations across European markets. The table below gives a breakdown of loans and advances to banks and customers and off-balance-sheet items based on each customer's place of residence or domicile:

€ million	30/9/2009	Proportion	31/12/2008	Proportion
Austria	36,308	21.0%	41,821	22.3%
Hungary	10,564	6.1%	11,711	6.2%
Slovakia	9,896	5.7%	12,446	6.6%
Czech Republic	9,749	5.6%	9,054	4.8%
Germany	8,518	4.9%	6,337	3.4%
United Kingdom	7,270	4.2%	6,228	3.3%
Poland	7,008	4.1%	8,469	4.5%
Romania	6,670	3.9%	7,456	4.0%
Bulgaria	4,631	2.7%	5,498	2.9%
France	3,016	1.7%	3,414	1.8%
Other EU Member States	19,608	11.4%	15,537	8.3%
<b>Total European Union</b>	<b>123,238</b>	<b>71.4%</b>	<b>127,970</b>	<b>68.2%</b>
Russia	9,850	5.7%	14,802	7.9%
Far East	7,018	4.1%	6,296	3.4%
Croatia	6,074	3.5%	6,338	3.4%
Ukraine	5,486	3.2%	6,748	3.6%
USA	4,745	2.7%	5,239	2.8%
Serbia	3,424	2.0%	4,739	2.5%
Other	12,836	7.4%	15,528	8.3%
<b>Total</b>	<b>172,671</b>	<b>100.0%</b>	<b>187,660</b>	<b>100.0%</b>

RZB also takes a borrower's sector or industry into account when assessing creditworthiness. The table below shows the Group's credit exposures and off-balance-sheet items (excluding banks and central banks):

€ million	30/9/2009	Proportion	31/12/2008	Proportion
Manufacturing	19,376	16.6%	24,892	18.7%
Real estate	19,449	16.7%	24,235	18.2%
Retailing and wholesaling	17,728	15.2%	22,257	16.7%
Private households	19,938	17.1%	21,545	16.2%
Public administration, social security	14,931	12.8%	10,506	7.9%
Credit and insurance	8,228	7.0%	9,086	6.8%
Construction	5,213	4.5%	6,686	5.0%
Transport and communication	4,760	4.1%	5,589	4.2%
Other	7,123	6.1%	8,131	6.1%
<b>Total</b>	<b>116,746</b>	<b>100.0%</b>	<b>132,927</b>	<b>100.0%</b>

## Market risk

Market risk in RZB's trading books consists mainly of currency risk, which arises from the equity of foreign Group units denominated in foreign currencies and from the corresponding hedges, which are managed by Raiffeisen Zentralbank's Assets Liability Management Committee. Sizeable fluctuations in foreign exchange rates heightened this risk during the period under review.

Interest rate risks and price risks (arising from equities, investment funds, etc.) are also material, but commodity risk is negligible. The table below quantifies market risk in the trading book for each risk category at RZB at the end of the third quarter of 2009 (10-day 99% VaR):

€ million	VaR as at 30/9/2009	Average VaR	Minimum VaR	Maximum VaR
Interest rate risk	11	10	5	22
Currency risk	271	272	246	291
Price risk	17	16	13	20

Market risk at year-end 2008 is presented in the following table:

€ million	VaR as at 31/12/2008	Average VaR	Minimum VaR	Maximum VaR
Interest rate risk	20	9	3	20
Currency risk	239	108	39	239
Price risk	14	18	14	22

Besides value-at-risk techniques, classical principal and interest maturity analysis techniques are used to quantify interest rate risk in the banking book. The table below shows the change in the present value of RZB's banking book assuming a general interest rate increase of one basis point as of 30 September 2009:

Change in present value (€'000)	6 - 12 months	>1-2 years	>2-5 years	>5 years
€	(20.7)	(14.5)	(224.5)	353.1
USD	11.0	58.1	198.7	(123.0)
JPY	-	-	-	2.1
CHF	(2.3)	(1.1)	11.8	(32.0)
Other	40.1	(109.6)	(83.8)	(69.0)

For the purposes of comparison, the table below shows the change in the present value of RZB's banking book that would have resulted from a general interest rate increase of one basis point at year-end 2008:

Change in present value (€'000)	6 - 12 months	>1-2 years	>2-5 years	>5 years
€	301.6	(3.1)	52.4	176.3
USD	83.8	22.9	220.2	(179.8)
JPY	(0.2)	(0.1)	(2.0)	-
CHF	(2.0)	(3.5)	2.5	(24.1)
Other	34.0	(36.1)	(51.3)	(18.5)

## Liquidity risk

The breakdown that follows shows the cumulative liquidity surplus and the ratio of matured assets to liabilities (liquidity ratio) for selected maturities including all line items on the balance sheet as well as off-balance-sheet transactions. Based on expert opinions, statistical analyses and factors specific to each country, calculations also take into account cautious estimates of the liquidity of specific asset items and the basic balances normally kept in customer deposit accounts. These assumptions were further revised in the course of the year and a detailed model of expected repayments from loans and advances to customers and the collateral deemed necessary by central banks added.

€ million Maturity	30/9/2009			31/12/2008		
	1 week	1 month	1 year	1 week	1 month	1 year
Surplus liquidity	20,498	20,144	4,945	14,469	9,131	2,537
Liquidity ratio	175%	139%	104%	140%	117%	103%

Limits have been set for each Group unit to limit liquidity risk. Based on equally conservative estimates on generating liquidity from liquid assets and possible outflows on the liabilities side of the account, they too call for a positive short-term liquidity gap. There are also corresponding limits for medium and longer-term periods to cushion the impact of a possible increase in the cost of refinancing on Raiffeisen Zentralbank's results.

# Additional notes

## (29) Contingent liabilities and commitments

€ million	30/9/2009	31/12/2008
Contingent liabilities	10,523	11,716
Commitments (irrevocable credit lines)	10,018	11,522

Moreover, revocable credit lines amounting to €9,442 million (31/12/2008: €13,142 million) were granted, which currently bear no credit risk.

## (30) Related parties

Transactions with related parties who are natural persons are limited to banking business transactions which are carried out at fair market conditions. Business transactions, especially large banking business transactions with related parties who are natural persons, were not concluded in the reporting period.

Transactions with related companies are shown in the tables below:

30/9/2009	Companies with a significant influence				
€ million	Parent companies	Affiliated companies	Associates	Other interests	
Loans and advances to banks	–	4,191	1	337	497
Loans and advances to customers	–	14	575	772	172
Trading assets	–	68	–	68	107
Financial investments	–	–	336	3	628
Investments in associates	–	–	–	1,224	–
Other assets including derivatives	–	–	31	–	27
Deposits from banks	–	6,013	–	8,058	2,415
Deposits from customers	1	–	159	10	313
Provisions for liabilities and charges	–	–	–	–	11
Trading liabilities	–	–	–	30	200
Other liabilities including derivatives	–	–	1	–	15
Subordinated capital	–	115	–	–	–
Guarantees given	–	1	6	516	10
Guarantees received	–	145	–	178	20

<b>31/12/2008</b>					
<b>€ million</b>	<b>Parent companies</b>	<b>Companies with a significant influence</b>	<b>Affiliated companies</b>	<b>Associates</b>	<b>Other interests</b>
Loans and advances to banks	–	1,619	–	328	332
Loans and advances to customers	–	15	625	775	229
Trading assets	–	46	–	89	55
Financial investments	–	–	304	2	521
Investments in associates	–	–	–	1,158	–
Other assets including derivatives	–	–	33	–	–
Deposits from banks	–	3,709	1	8,786	2,244
Deposits from customers	–	–	160	26	513
Provisions for liabilities and charges	–	–	–	–	10
Trading liabilities	–	–	–	42	35
Other liabilities including derivatives	–	–	1	–	3
Subordinated capital	–	29	–	–	–
Guarantees given	–	–	2	–	–
Guarantees received	–	345	1	359	28

## (31) Regulatory own funds

The own funds of the RZB Group according to the Austrian Banking Act 1993/Amendment 2006 (Basel II) comprise the following:

€ million	30/9/2009	31/12/2008
Paid-in capital	4,253	2,253
Earned capital	2,096	2,291
Minority interests	2,137	2,309
Hybrid tier 1 capital	800	1,050
Intangible fixed assets	(352)	(314)
<b>Core (tier 1) capital</b>	<b>8,934</b>	<b>7,589</b>
Deductions from core capital	(100)	(118)
<b>Eligible core capital (after deductions)</b>	<b>8,834</b>	<b>7,471</b>
Additional own funds according to Section 23 (1) 5 BWG	600	600
Provision excess of internal rating approach positions	201	194
Hidden reserves	465	465
Long-term subordinated own funds	2,476	2,344
<b>Additional own funds (tier 2 capital)</b>	<b>3,742</b>	<b>3,603</b>
Deductions (interests, securitization)	(100)	(118)
<b>Eligible additional own funds (after deductions)</b>	<b>3,642</b>	<b>3,485</b>
Deductions (insurance)	(443)	(443)
Tier 2 capital available to be redesignated as tier 3 capital	318	288
<b>Short-term subordinated own funds (tier 3)</b>	<b>318</b>	<b>288</b>
<b>Total own funds</b>	<b>12,351</b>	<b>10,801</b>
<b>Total own funds requirement</b>	<b>7,714</b>	<b>8,505</b>
Excess own funds	4,638	2,296
Excess cover ratio	60.1%	27.0%
Tier 1 ratio (credit risk)	11.2%	8.4%
Tier 1 ratio, incl. market and operational risk	9.2%	7.0%
Own funds ratio	12.8%	10.2%

The total own funds requirement is as follows:

€ million	30/9/2009	31/12/2008
Risk-weighted assets according to Section 22 BWG	78,911	89,040
of which 8 per cent minimum own funds for the credit risk according to Sections §§ 22a to 22h BWG	6,313	7,123
Standardized approach	3,638	4,537
Internal ratings based approach	2,675	2,586
Own funds requirement for position risk in bonds, equities and commodities	395	440
Own funds requirement for open currency positions	378	362
Own funds requirement for operational risk	628	580
<b>Total own funds requirement</b>	<b>7,714</b>	<b>8,505</b>

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

€ million	30/9/2009	31/12/2008
<b>Risk-weighted assets according to standardized approach</b>	<b>45,479</b>	<b>56,710</b>
Central governments and central banks	3,412	4,065
Regional governments	335	498
Public administration and non-profit organizations	93	68
Multilateral development banks	28	28
Banks	1,140	1,296
Corporates	23,489	32,662
Retail (including small and medium-sized entities)	12,021	13,595
Investment funds	192	142
Securitization positions	82	49
Other positions	4,687	4,307
<b>Risk-weighted assets according to IRB approach</b>	<b>33,432</b>	<b>32,330</b>
Central governments and central banks	114	139
Banks	6,539	5,441
Corporates	26,517	26,019
Equity exposures	181	582
Securitization positions	81	149
<b>Total</b>	<b>78,911</b>	<b>89,040</b>

## (32) Average number of staff

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

Full-time equivalents	1/1 – 30/9 2009	1/1 – 30/9 2008
Austria	3,168	2,927
Central Europe	13,701	13,433
Russia	9,566	9,524
CIS Other	18,880	20,062
Southeastern Europe	18,453	17,883
Other	416	383
<b>Total</b>	<b>64,184</b>	<b>64,212</b>



# Publication Details

The forecasts, plans and forward-looking statements contained in this report are based on RZB's state of knowledge and assessments at the time of its preparation. Like all statements of this kind, they are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

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

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

Adding and subtracting rounded amounts in tables may have led to minor discrepancies. Statements of rates of change (percentages) are based on actual figures and not on the rounded figures presented in tables.

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