

Financials & Risk Management

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October 2005



Financial Performance - Balance Sheet

Balance Sheet (€ mn)

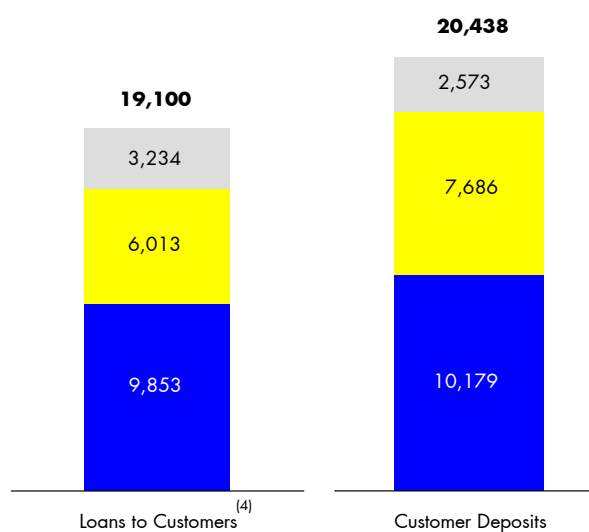
	2002	2003	2004	HY2005
Loans and advances to banks	2,719	3,521	4,779	5,773
y-o-y (%)	0.4%	29.5%	35.8%	20.8%
Loans and advances to customers ⁽¹⁾	8,052	11,435	15,876	18,681
y-o-y (%)	39.7%	42.1%	38.7%	17.7%
Deposits from banks	2,909	5,320	6,620	7,361
y-o-y (%)	12.6%	82.9%	24.4%	11.2%
Deposits from customers	9,365	12,083	18,169	20,438
y-o-y (%)	31.2%	29.0%	50.4%	12.5%
Shareholders' Equity	918	1,103	1,840	2,592
Minority Interest	227	276	337	365
Balance Sheet Total	14,381	20,063	28,907	32,880

Financial Ratios

	2002	2003	2004	HY2005
Tier I ratio (Banking Book)	10.8%	10.0%	11.8%	12.4%
Tier I ratio (Total) ⁽²⁾	9.8%	9.4%	10.1%	10.9%
Total capital ratio	11.5%	11.4%	12.0%	12.8%
Loan/Deposit ratio ⁽³⁾	86.0%	94.6%	87.4%	93.5%

- (1) Loans and advances to customers net of impairment losses on loans and advances
 (2) Tier I Ratio calculated based on banking and trading book as well as open FX positions
 (3) Loans and advances to customers over deposits by customers
 (4) Loans excluding provisions

Loans and Deposits Volume by Region HY 2005 (€ mn)

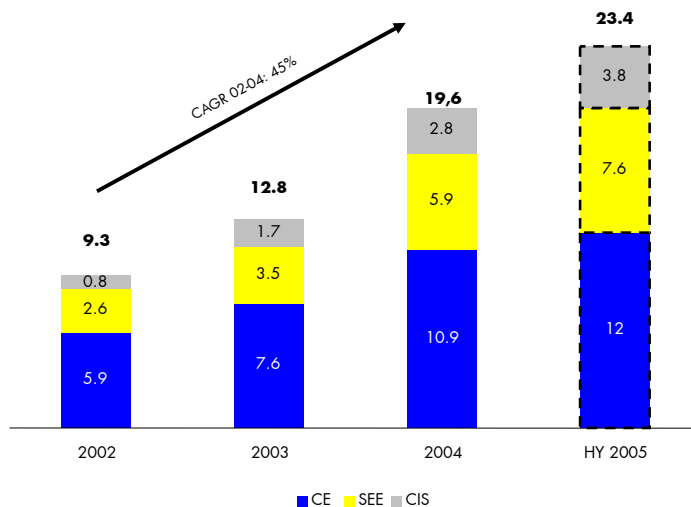


■ CE ■ SEE ■ CIS

Risk-Weighted Assets

- On a regional level 51% of the RWAs come from the CE region (2002: 64%)
- Due to the strong organic growth in CIS and SEE regions the proportion of this regions increased:
 - CIS accounted for 16% of RI's RWAs in HY 2005 (2002: 9%)
 - SEE increased its share from 28% in 2002 to 33% in HY 2005

Development of Risk-Weighted Assets (€ bn)



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Financial Performance – Income Statement

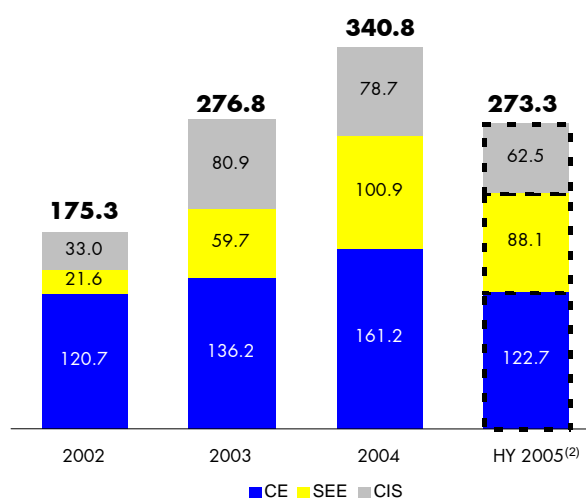
Income Statement (€ mn)

	2002	2003	2004 ⁽¹⁾	HY 2005
Net interest income	393.7	563.7	803.5	535.7
y-o-y (%)	49.1%	43.2%	42.5%	49.6%
Provisioning for possible loan losses	(49.5)	(87.6)	(137.6)	(63.4)
y-o-y (%)	245.1%	76.9%	57.1%	29.1%
Net commission income	134.5	213.1	299.7	180.3
y-o-y (%)	68.9%	58.4%	40.6%	29.3%
Trading profit/(loss)	199.7	241.6	220.1	123.5
y-o-y (%)	15.3%	21.0%	(8.9%)	34.5%
Administrative expenses	(510.4)	(658.6)	(823.3)	(502.6)
y-o-y (%)	43.7%	29.0%	25.0%	36.8%
Profit before Tax	175.3	276.7	340.8	273.3
y-o-y (%)	9.7%	57.9%	23.1%	58.1%
Consolidated Profit	103.5	178.7	209.4	185.8
y-o-y (%)	10.5%	72.6%	17.2%	91.9%

Financial Ratios

	2002	2003	2004	HY 2005
RoE pre-tax	19.9%	24.1%	22.2%	22.8%
Cost/Income ratio	70.3%	64.7%	63.5%	59.9%
RoA pre-tax	1.4%	1.6%	1.4%	1.8%

Profit Before Tax (€ mn)



(1) Due to amended and new IFRS standards 2004 figures are slightly different than those in the Annual Report 2004.

(2) HY 2005 results for the first six months only.

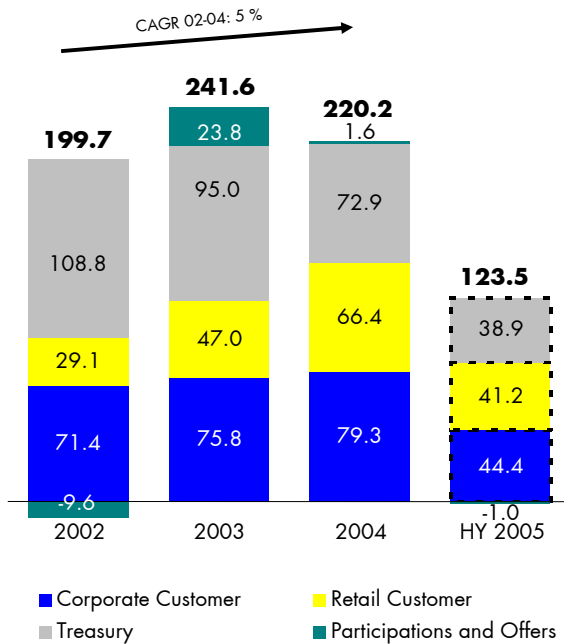
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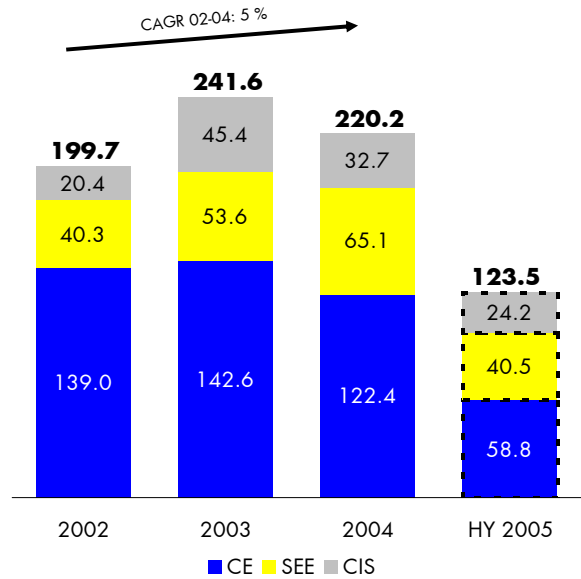


Trading Profit/Loss (€ mn)

Trading Profit/Loss by Business Customers



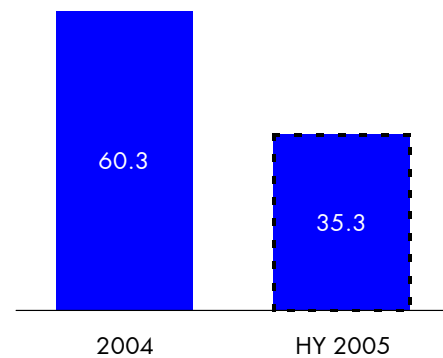
Trading Profit/Loss by Region



Minority Interest

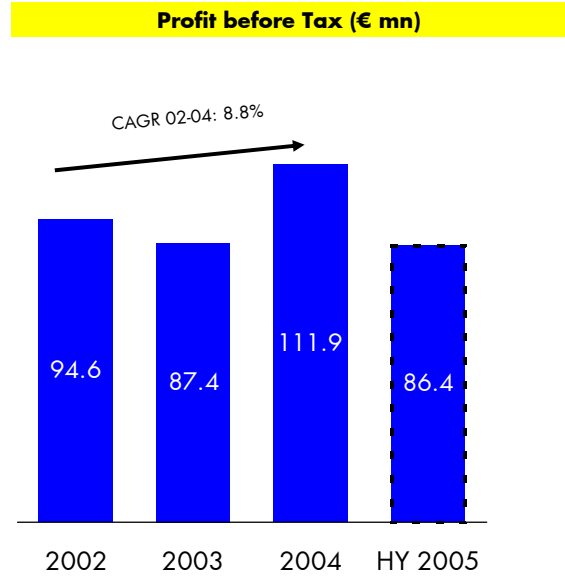
Minority Interest (€ mn)

- Minority charges will be higher in 2005 than in 2004, but
- grow substantially slower than Profit after Tax. Minority shareholdings in units did not change



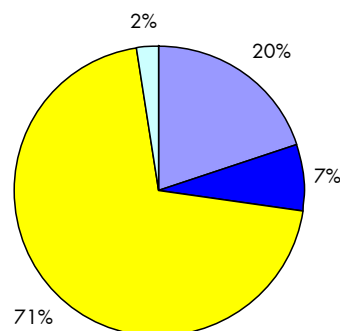
Treasury

- Main components of Treasury segment are FX-trading and asset and liability management
- P&L:
 - Contribution of Treasury business has been decreasing since 2002
 - Contribution in HY 2005:
 - 30% FX-trading
 - 55% asset and liability management
 - 15% securities portfolio and money market activities



Sources of Funding HY 2005 (€ mn)

- Local funding:
 - Local depositors
 - Local lenders
 - Investors
- Funding from supranational and governmental Organisations
- Other external funding (cross-border, institutional)
- RZB funding:
 - At arms length
- Intra-Network funding:
 - Only with authorisation of RI Board; no intra-group arbitrage

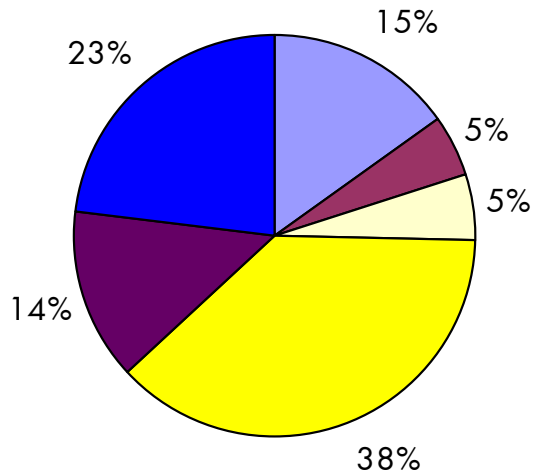


- Term funding (senior and subordinated) € 5.82 bn = 20% (2)
- MM lines and other institutional deposits € 2.06 bn = 7% (3)
- Deposits from customers € 20.44 bn = 71%
- Liabilities evidenced by paper € 0.73 bn = 2%

(1) All figures are unaudited (originated from internal records and preliminary figures) and represent an approximate breakdown only
 (2) Term funding from banks, institutions and the market
 (3) Primarily MM Lines (incl. from RZB)

Long-term Funding from Banks, Institutions and the Markets (€ mn)

Total outstanding amount from RZB and other institutional investors for RI Group: EUR 5.82 bn as of June 30, 2005



- Commercial Banks € 877 mn = 15%
- Local Bond Market € 280 mn = 5%
- Raiffeisen Landesbanken € 315 mn = 5%
- RZB € 2195 mn = 38%
- Supranational & Governmental € 814 mn = 14%
- Syndicated Loan Market € 1339 mn = 23%

Risk Management Organisation

- Austrian Banking Act requires RZB as our parent to establish a RZB Group wide RM system
- Our risk management methodology is fully compliant with RZB Group standards
- Services regarding credit risk for financial institutions and sovereigns as well as market and operational risk are provided by RZB to our Network Banks
- RI controls local units and provides oversight for corporate and retail risk
- In all local subsidiaries independent risk management units responsible for all type of risks and daily monitoring procedures are in place

Risk Management Policies

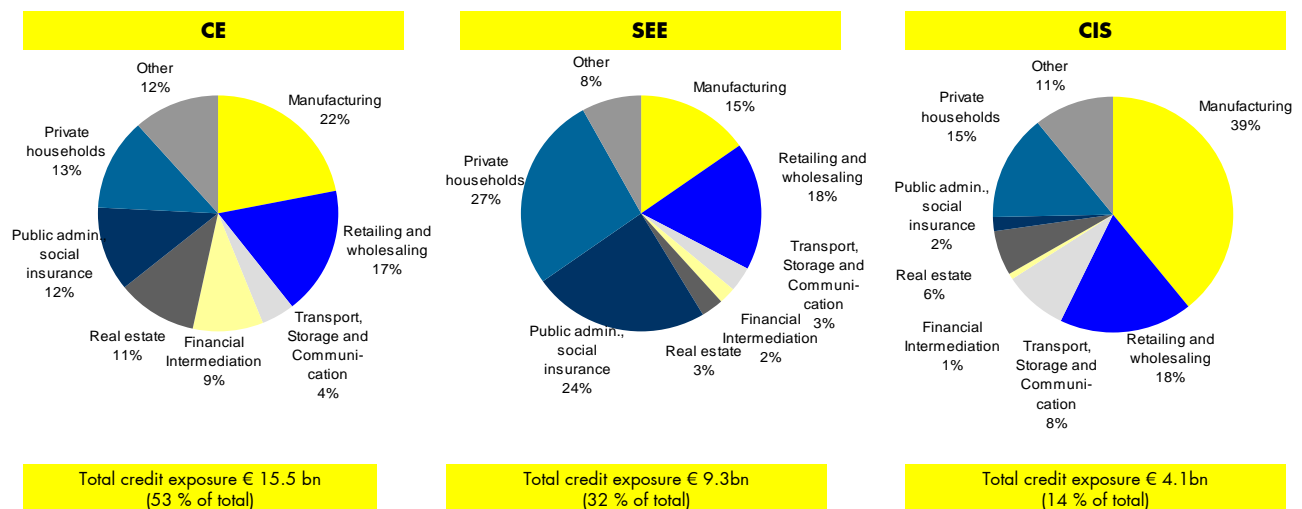
- Clear separation between business origination and risk management activities are in place in all NWBs
- Risk policy per local subsidiary and asset classes ensure sound risk management on Group level
- Credit policies review and approval within annual budgeting and planning process
- Group wide credit risk management and approval process is based on common rating methodologies
- Expected as well as unexpected loss is part of pricing policies
- Corporate loan loss provisioning is mainly based on a case-by-case basis, taking into account the risk of loss. Retail provisioning is based on portfolio

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Credit Risk: Well Diversified Portfolios in All Regions HY 2005



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Retail Credit Risk (I)

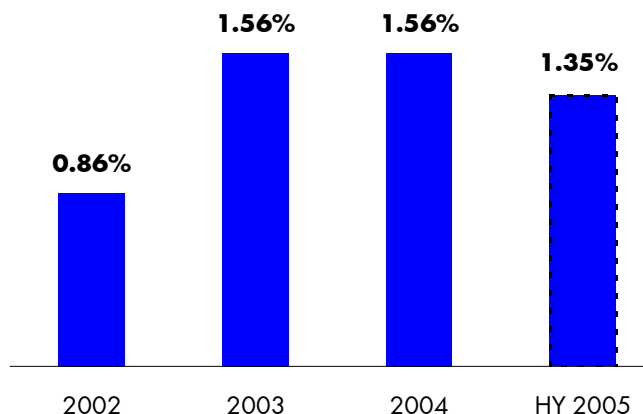
Framework

- Based on portfolio approach (Products, Programs, Channels)
- Centralization & Process Management is of key importance. Current focus on loan approval process, collections
- Building robust models & platforms

Focus

- People (Head Office and local teams)
- Standardization: development & roll-out of key policies
- Loan origination and fraud prevention
- Portfolio management (analytics & cross-sell)
- Collections

Development of Retail Provisioning Ratio



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Retail Credit Risk (II)

Key Wins YTD

Next Steps

People

- New head of retail risk hired
- Risk manager(-s) in charge in every NWB
- Training program rolled out (7 courses)

- Continue staffing
- Launch 3 new trainings

Standardization

- Product approval process started in PI segment
- SME specific deal flow and approval process

- Roll out product approval process to SME
- Further core policies (e.g. loan loss provisions)

Loan Origination

- Multiple BII compliant scorecards launched
- SME credit policy paper introduced

- Further scorecard roll-out including focus on behaviour models in new EU-5 countries

Portfolio Management

- Monthly reviews with each NWB launched
- Provisioning model & guidelines

- Improvement of standardized reporting platform

Collections

- Debt Manager (London Bridge) installed in 3 countries

- Install in further 2 countries

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Market Risk (I)

Market Risk Management

- Market risk management refers to fluctuations in interest rates, FX rates and share prices and covers both, trading as well as banking book items
- Based on Treasury Rule Book product and limit approval is done centrally by RI/RZB:
 - Limits are set based on local risk taking capacity
 - Limits may include volume and position limits as well as sensitivity limits (basis-point value, delta, gamma, vega) and stop-loss limits, depending on the type of transaction. Options may only be entered into by appropriately trained dealers
- Monitoring of positions and limits is done daily within respective Network Banks and weekly on RI/RZB Group level

Value-at-Risk

- Value-at-Risk:
 - RI/RZB uses the standard methodology within the meaning of the Capital Adequacy Directive to calculate its own fund requirements for the trading book
 - Value-at-risk is calculated based on weekly reporting
 - RI market risk (99% VaR, 10-day) in the trading books, by risk type

(€ '000)	VaR as of 30/06/2005	Average VaR	Minimum VaR	Maximum VaR
Interest risk	2,006	2,114	1,733	2,873
Currency risk	42,127	36,178	26,777	42,127
Price risk	590	292	76	590

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Market Risk (II)

Currency Risk and Capital Hedging

- Besides exposure in foreign currency resulting from banking and trading activities in Network Banks RI has a foreign currency position due to the fact, that share capital of our Network Banks is denominated in local currency while participations RI has in different Network Banks are shown and funded on RI's Balance Sheet in "Euro"
- We centrally manage FX risk resulting from capital positions on Group level. Depending on currency and country hedges are booked local or central. The result is shown in P/L in case of local booked hedges; in case of centrally booked hedges result is shown as capital

Interest Rate Risk (Banking Book)

- Interest roll-over gaps in RI as of 30 June 2005 in € '000

Interest Gap 2004	>6-12mths	>1-2 yrs	>2-5 yrs	5 yrs
EUR	(42,421)	(34,503)	73,249	20,486)
USD	89,343	(107,530)	38,579	23,594
Other	(161,902)	89,741	137,895	(25,429)

- Change in the present value of RI's banking book as of 30 June 2005 (€ '000) given a parallel increase in interest rates of one basis point:

Present Value Change 1BP	>6-12mths	>1-2 yrs	>2-5 yrs	5 yrs
EUR	4,8	6,7	(20,0)	(12,4)
USD	(7,8)	16,2	(11,6)	(13,8)
Other	6,7	0,1	10,2	2,9

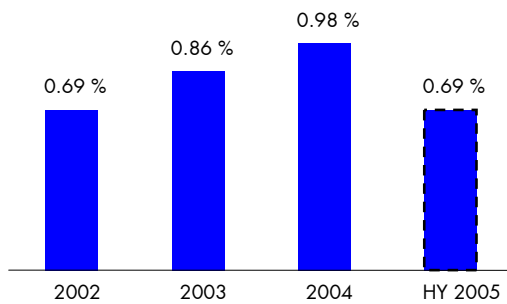
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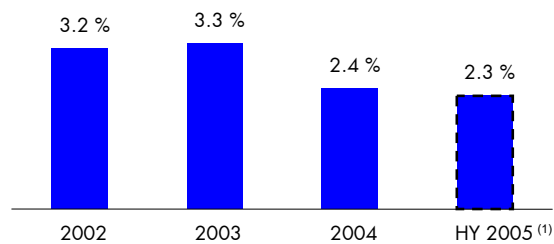


Risk Management-Ratios

Provisioning Ratios



Non-performing Loans in % of Customer Loans



Non-performing Loans & Coverage Ratio

	2002	2003	2004	HY 2005
Non-performing loans (€mn)	262	382	378	428
Coverage ratio	72.1%	71.2%	96.9%	98.0%

The Financial Risk Manager (FRM) designation is the most globally respected and widely recognized certification for financial risk management. The global standard for financial risk. Recognized in every major market, the FRM is the leading certification for risk managers. It is consistently in demand by nearly every major bank and firm in the world, and is awarded only to professionals who demonstrate the knowledge and ability to anticipate, respond, and adapt to critical risk issues. Financial risk management is the process of understanding and managing the financial risks that your business might be facing either now or in the future. It's not about eliminating risks, since few businesses can wrap themselves in cotton wool. Rather, it's about drawing a line in the sand. The idea is to understand what risks you're willing to take, what risks you'd rather avoid, and how you're going to develop a strategy based on your risk appetite. The key to any financial risk management strategy is the plan of action. Financial risk management is the practice of economic value in a firm by using financial instruments to manage exposure to risk: operational risk, credit risk and market risk, foreign exchange risk, shape risk, volatility risk, liquidity risk, inflation risk, business risk, legal risk, reputational risk, sector risk etc. Similar to general risk management, financial risk management requires identifying its sources, measuring it, and plans to address them.