ANNUAL REPORT 2016

EXTRACT:
RAIFFEISEN ZENTRALBANK GROUP MANAGEMENT REPORT
CONSOLIDATED FINANCIAL STATEMENTS
AUDITOR'S REPORT

RZB Group

Overview

Raiffeisen Zentralbank (RZB) Monetary values in € million	2016	Change	2015	2014	2013	2012
Income statement	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**	**1/1-31/12**	**1/1-31/12**
Net interest income	3,218	(11.2)%	3,623	4,024	3,931	3,531
Net provisioning for impairment losses	(758)	(39.8)%	(1,259)	(1,786)	(1,200)	(1,031)
Net fee and commission income	1,599	0.3%	1,594	1,647	1,630	1,521
Net trading income	220	>500.0%	16	(21)	323	196
General administrative expenses	(3,141)	(0.9)%	(3,170)	(3,294)	(3,460)	(3,340)
Profit/loss before tax	843	14.4%	737	(56)	1,049	918
Profit/loss after tax	533	14.5%	465	(556)	756	641
Consolidated profit/loss	253	6.7%	237	(399)	422	370
Earnings per share	37.28	2.33	34.95	(58.84)	62.29	58.79
Statement of financial position	**31/12**		**31/12**	**31/12**	**31/12**	**31/12**
Loans and advances to banks	11,024	(9.0)%	12,113	18,892	22,650	21,430
Loans and advances to customers	79,769	0.4%	79,458	87,741	90,594	85,600
Deposits from banks	24,060	(14.4)%	28,113	33,200	33,733	38,410
Deposits from customers	80,325	2.9%	78,079	75,168	75,660	66,439
Equity	9,794	5.4%	9,296	9,207	11,788	12,172
Assets	134,847	(2.6)%	138,426	144,805	147,324	145,955
Key ratios	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**	**1/1-31/12**	**1/1-31/12**
Return on equity before tax	8.9%	1.3 PP	7.6%	–	8.9%	7.9%
Consolidated return on equity	4.7%	0.4 PP	4.3%	–	5.9%	5.4%
Cost/income ratio	61.2%	1.8 PP	59.4%	57.5%	57.4%	62.2%
Return on assets before tax	0.61%	0.10%	0.51%	–	0.74%	0.60%
Net interest margin (average interest-bearing assets)	2.51%	(0.20) PP	2.72%	2.98%	3.05%	2.61%
Provisioning ratio (average loans and advances to customers)	0.93%	(0.52) PP	1.45%	1.97%	1.40%	1.20%
Bank-specific information	**31/12**		**31/12**	**31/12**	**31/12**	**31/12**
NPL ratio	8.7%	(2.4) PP	11.1%	10.8%	10.2%	9.7%
Risk-weighted assets (total RWA)	68,055	(5.5)%	72,038	78,703	89,082	87,065
Total capital requirement	5,444	(5.5)%	5,763	6,296	7,127	6,965
Total capital	10,088	2.7%	9,820	11,814	12,645	12,667
Common equity tier 1 ratio (transitional)	11.9%	1.5 PP	10.4%	10.2%	9.8%	10.9%
Common equity tier 1 ratio (fully loaded)	11.9%	2.0 PP	9.9%	8.5%	–	–
Total capital ratio (transitional)	14.8%	1.2 PP	13.6%	15.0%	13.1%	14.5%
Total capital ratio (fully loaded)	14.0%	0.8 PP	13.2%	13.5%	–	–
Resources	**31/12**		**31/12**	**31/12**	**31/12**	**31/12**
Employees as at reporting date (full-time equivalents)	50,203	(5.4)%	53,096	56,212	59,372	60,694
Business outlets	2,523	(7.3)%	2,722	2,882	3,037	3,115

Content

In this report, "RZB"refers to RZB Group respectively not separatley specified Group units. "RZB AG" is used wherever statements refer solely to Raiffeisen Zentralbank Österreich AG. Adding and subtracting rounded amounts in tables may have led to minor differences. Information about changes (percentages) is based on actual and not rounded values, which are shown in the tables.

Management report

Market development

Markets swayed by monetary policy

Developments in the money and capital markets continued to be dominated last year by international central bank policies. In the spring of 2016, for example, the European Central Bank (ECB) decided among other things to expand its bond-buying program from € 60 billion per month to € 80 billion, to offer banks funding through long-term refinancing operations, as well as to cut key interest rates. The central bank made adjustments to its policy mix at its last meeting in 2016. The minimum remaining period for its bond purchases was extended to the end of 2017, with the monthly volume to return to € 60 billion as of April 2017. Money market rates fluctuated between the central bank's deposit rate and main refinancing rate over the course of last year, and were in negative territory across all maturities since mid-January 2016. The yield on two-year German government bonds was already negative in 2015, with yields at the short end continuing to fall in 2016. The yield on ten-year German government bonds came down in the first half of 2016, due to falling inflation expectations and the increase in ECB bond purchases; however, started increasing as of last autumn. In the US, the Fed raised its key rate range by 25 basis points to 0.50-0.75 per cent in December after a one-year pause.

According to preliminary data, real GDP in the euro area grew 1.7 per cent in 2016. Consequently, the upswing in the monetary union continued, despite the fact that economic growth concerns repeatedly surfaced last year. Economic growth was driven primarily by private consumption and to a lesser extent by government consumption and gross fixed capital formation. At the country level, economic development continued to be highly varied. Whereas Spain's GDP expanded by 3.3 per cent, Italy posted GDP growth of a mere 1.0 per cent. The average price level of consumer goods remained virtually unchanged in the euro area during most of the year. The lack of general inflationary pressure on consumer goods was attributable to falling prices for energy and imported goods. Only when energy prices increased towards the end of 2016 – compared to prior year levels – did the inflation rate pull away appreciably from the zero per cent mark.

Austria's economy experienced a moderate upturn in 2016, with real GDP growing 1.5 per cent. Domestic demand was the main pillar of economic growth. Private consumption benefited from the tax reform that went into effect at the beginning of 2016, and equipment investment was comparatively dynamic. Construction investment expanded for the first time in a number of years. In contrast, net exports did not support real GDP growth.

The US economy had a weak start to 2016. This was primarily the result of unusually low inventory investment, as well as declining investment in mining and oil and gas exploration due to sharply lower commodity prices. These negative effects subsequently subsided in the second half of the year, and the economy resumed its dynamic growth. In particular, private consumption grew at an encouraging pace. Nevertheless, real gross domestic product increased only 1.6 per cent in 2016, due to the weak start to the year.

China's economic growth stabilized and is estimated to be 6.7 per cent for 2016. Although the government's economic support initiatives are likely to have kicked in, these primarily benefited large state enterprises through infrastructure investment. Growth impetus continued to come from the real estate sector.

Solid growth in CE and SEE, recession flattening out in Russia

The low and in some cases negative inflation rates in Central and Southeastern Europe (CE and SEE) and the ECB's low interest rate policy enabled key rates in the region to be kept at a low level last year. In a number of countries further monetary policy easing measures were even taken or continued to be implemented. In Poland and Romania, moreover, fiscal growth stimuli supported private consumption.

The CE region registered somewhat weaker economic trend in 2016, with GDP growth at 2.7 per cent. Although CE continued to benefit from solid economic growth in Germany, as well as from the recovery in the euro area and from expansionary monetary policies in some CE countries, economic growth in CE came in below the previous year's level. One contributory factor was the drop in investment activity owing to temporarily lower EU transfer payments into the region. Poland, the region's growth engine, lost considerable momentum and recorded 2.8 per cent year-on-year growth. Overall, however, the economic data indicates balanced growth with solid export and dynamic domestic economic activity.

SEE reported strong economic growth of 3.9 per cent year-on-year in 2016. Once again, the Serbian and Croatian economies significantly stepped up their pace of growth compared to the previous year. The Croatian economy benefited from political stabilization. In Romania, household demand was stimulated by tax cuts. With GDP growth of 3.3 per cent, Bulgaria caught up somewhat with Romania. Overall, economic growth in SEE was at its strongest pace in several years. Although a portion of this growth was attributable to temporary factors, it nonetheless underscores that the weak phase of previous years has been overcome.

Economic conditions in Eastern Europe (EE) improved in 2016. Russia benefited from a recovery in oil prices over the course of the year. Prudent monetary and fiscal policy had a stabilizing effect but failed to deliver additional growth impetus. The recession in Russia flattened out significantly, and economic output fell only 0.2 per cent year-on-year in 2016. Russia's manufacturing sector improved somewhat towards the end of last year, but private household demand remained weak. Ukraine's economy bottomed out in 2015 and returned to growth of 2.2 per cent in 2016. The Belarusian economy, which is heavily dependent on financial support from and exports to Russia, remained in a persistent recession. Inflation rates in EE retreated from high levels amid more stable exchange rate developments and weak domestic demand.

Annual real GDP growth in per cent compared to the previous year

Region/country	2015	2016e	2017f	2018f
Czech Republic	4.6	2.3	2.7	2.5
Hungary	2.9	2.0	3.2	3.4
Poland	3.9	2.8	3.3	3.0
Slovakia	3.8	3.3	3.3	4.0
Slovenia	2.3	2.5	2.7	2.5
Central Europe	**3.8**	**2.7**	**3.1**	**3.0**
Albania	2.6	3.5	4.0	4.0
Bosnia and Herzegovina	3.0	2.5	3.0	3.5
Bulgaria	3.6	3.3	3.3	3.3
Croatia	1.6	2.9	3.3	2.8
Kosovo	4.1	3.5	3.5	3.5
Romania	3.9	4.8	4.2	3.5
Serbia	0.7	2.7	3.0	3.0
Southeastern Europe	**3.1**	**3.9**	**3.7**	**3.3**
Belarus	(3.8)	(2.6)	(0.5)	1.5
Russia	(2.8)	(0.2)	1.0	1.5
Ukraine	(9.9)	2.2	2.0	3.0
Eastern Europe	**(3.3)**	**(0.1)**	**1.0**	**1.6**
Austria	**1.0**	**1.5**	**1.7**	**1.5**
Germany	**1.5**	**1.8**	**1.7**	**1.5**
Euro area	**2.0**	**1.7**	**1.9**	**1.7**

Economic recovery in Austria

In 2016, the Austrian economy was able to increase the rate of expansion, which is mainly due to the second half of the year. For the full year of 2016, the real GDP expanded by 1.5 per cent, compared to 1.0 per cent in 2015. The main pillar of the economic development was domestic demand. On the one hand, private consumption benefited from the increase in real disposable income as a result of the tax reform that came into force at the beginning of 2016. On the other hand, gross fixed capital formation was encouraging, mainly due to equipment investments. Against the backdrop of the cyclical economic recovery, imports continued to develop dynamically. Since at the same time exports could only be expanded moderately, foreign trade did not contribute positively to GDP growth in 2016. The recovery is expected to continue in 2017. Economic growth should continue to be driven by domestic demand (private consumption, investments), while net exports are expected to continue to not contribute to GDP growth in 2017.

Development of the banking sector

Development of the banking sector in CEE

In 2016, many indicators exhibited a substantial recovery of the banking sector from the subdued levels of the previous year. Positive trends in new lending or in asset growth continued in several CE and SEE countries in 2016 (e.g. in the Czech Republic, Slovakia and Romania). The banking sector in Russia also recovered significantly. Nearly all banking markets in CEE now show a comfortable loan/deposit ratio (well below 100 per cent for the most part), which represents a solid foundation for future growth. In addition, many challenging banking markets of recent years started posting considerable profits again at sector level in 2016 (e.g. Hungary, Romania, Croatia and Russia). In particular, leading foreign banks also significantly outperformed general market trends in the challenging Eastern European banking markets (Russia, Ukraine and Belarus). The positive profitability trend was additionally supported by the sustained stabilization, or even a sharp drop, in non-performing loans (NPLs) in CE and SEE (with significant differences at country level). Overall, the NPL ratio in CE and SEE fell from previously 8.3 per cent to 7.4 per cent in 2016 as a result. In view of the positive developments in CE and SEE, as well as the stabilization of NPLs and profitability in Russia, return on equity in the CEE banking sector significantly increased above the comparable figure in the euro area again in 2016.

Banking sector in Austria

In 2016, the banking sector in Austria continued to perform below average when compared to the euro area in terms of credit growth (notably in corporate banking). Lending focused on retail customer and real estate financing transactions in particular. However, the profitability of Austria's banking sector markedly increased at a consolidated level, mainly supported by CEE business. As a result, the Austrian banking sector also significantly improved its capitalization relative to major Western European countries. However, the reported regulatory capital ratios continue to be below average by international standards. If the leverage ratio is included as benchmark, Austrian banks performed remarkably better. Capital requirements will gradually increase following the introduction of the Systemic Risk Buffer as well as of the buffer for Other Systemically Important Institutions (O-SIIs), which the Financial Market Stability Board (FMSB) has recommended. The reduction in the bank tax from 2016 should also have a positive impact in the following years.

In the first half of 2016, the Austrian banks generated a positive consolidated net income of roughly € 2.9 billion, or € 0.3 billion more than in the same period of the previous year. The positive result was mainly driven by the sharp reduction in loan loss provisions, which not only more than offset significant declines in net interest income as the most important income component, but also lower income from commissions and net trading income. The profitability of Austrian subsidiary banks in CEE significantly improved in the first quarter of 2016. Profit contributions from Austrian subsidiary banks were positive in all CEE countries. The highest profits were made in the Czech Republic, Romania and Russia, albeit with profits down in Russia in comparison with the previous year's quarter. The Sustainability Package, which was launched in 2012, has helped to strengthen the local funding base of Austrian subsidiary banks in CEE. The loan/deposit ratio fell from 117 per cent in 2008 to 88 per cent in the first quarter of 2016, and was primarily attributable to an increase in local savings deposits. Accordingly, credit growth is increasingly financed on a local basis.

The Single Resolution Mechanism (SRM) became fully effective on 1 January 2016. The Single Resolution Board (SRB) is the central body responsible for making all decisions relating to the resolution of major banks that are either failing or at risk of failing. The measures are implemented in cooperation with the relevant national resolution authorities.

Regulatory environment

Changes in the regulatory environment

The Group focused intensively on current and forthcoming regulatory developments again in the year under review.

Proposed legislation relating to the European Deposit Insurance Scheme (EDIS)

In 2015, the European Commission proposed a European Deposit Insurance Scheme (EDIS) designed to support the banking union, strengthen the protection of depositors, increase financial stability, and further weaken the link between banks and sovereigns. The EDIS is part of the European SRB and covers all national deposit guarantee systems (including IPS) and is to be developed incrementally in three stages by 2024. In the first stage it is to comprise a reinsurance scheme of the national deposit guarantee systems and subsequently become a co-insurance scheme after three years, under which the contribution of the EDIS is to progressively increase over time. A fully comprehensive EDIS is planned as the last stage, which is scheduled for 2024. The final adoption and publication of the law is lined up for the fourth quarter of 2017 at the earliest.

Bank recovery and bank resolution

The Austrian Bank Recovery and Resolution Act (Bankenabwicklungs- und Sanierungsgesetz (BaSAG)) went into force in 2015 and ensures the national implementation of the EU's Bank Recovery and Resolution Directive from 2014. With regard to recovery planning under the Single Supervisory Mechanism (SSM), the Group is subject to direct supervision by the ECB while, with regard to resolution planning under the SRM, it is subject to direct supervision by the SRB.

The Group has drawn up a recovery plan that meets the requirements of the BaSAG. The recovery plan describes potential measures for ensuring the capacity to act in financial stress situations. With the help of material key performance indicator (KPI) monitoring for early detection, the recovery plan establishes a comprehensive governance structure for stress situations. The recovery plan is drawn up by the Group, updated on a regular basis and reviewed by the supervisory authority (ECB).

Resolution plans are drafted by the resolution authority, which also grants powers to remove any barriers to resolution. Resolution strategies for banks are likewise laid down in the resolution plans. As part of the framework for the resolution of banks, specific resolution tools are made available to the resolution authorities. For example, the Group – already prior to the introduction of the Austrian Bank Intervention and Restructuring Act (Banken Interventions- und Restrukturierungsgesetz (BIRG)) and the BaSAG – set limits on intra-Group relationships in order to reduce cluster risk and unrestricted residual risk both to itself and to its owners.

In addition to preparing resolution plans, the obligation to comply with an MREL (Minimum Requirement for Own Funds and Eligible Liabilities) is also determined and individually specified for each bank/resolution entity. The Group is currently working in close cooperation with the SRB and national resolution authorities to draw up a resolution plan that meets the statutory requirements. The participation of creditors (bail-in tool) represents one possible tool in a resolution concept. As a result, the resolution authorities will set the MREL. On the basis of the resolution strategy, an MREL is set for each bank/resolution entity or the entire banking group. The calibration of MREL targets is to be carried out by the supervisory authorities and is based on relevant statutory regulations, resolution plans, as well as individual aspects of the respective bank (e.g. size, business model and risk profile). Not only a bank's regulatory capital but also its long-term unsecured debt that is not subject to a deposit protection scheme or similar restrictions are basically considered to be eligible for MREL.

Amendment to European regulations

In November 2016, the European Commission published a legislative proposal to change the prudential requirements (CRD IV/CRR), as well as to amend the recovery and resolution framework (BRRD, SRM). The documents provide the basis for follow-up negotiations with the EU Parliament and European Council and at the same time offer a preview of the regulatory challenges for the years following 2017.
On the one hand, the proposed changes to the CRR can be broken down thematically into criteria for classification under the finalized Basel III. This comprises, for example, the introduction of a binding minimum leverage ratio and net stable funding ratio (NSFR), as well as add-ons to the bank recovery and resolution regulations, in order to meet the Total Loss Absorbing Capacity (TLAC) requirements for global systemically important banks. On the other hand, the drafts include adjustments whose content already relates to Basel IV, e.g. the introduction of a standardized approach for measuring counterparty risks, an overhaul of market price risk regulations within the framework of the Fundamental Review of the Trading Book (FRTB) and new rules for investment funds. Compared to the previous implementation of Basel standards, it is clearly evident that proportionality is given far greater weight, in particular, to meet the needs of the numerous smaller banks in the EU. According to the latest information, the new rules and regulations are expected to be applicable from 2019 onwards.

Action plan for building a capital markets union

The European Commission aims to improve access to capital market funding for all companies, especially small and medium-sized enterprises (SMEs). It wants to break down barriers that are blocking cross-border investments on the capital market. The action plan of 30 September 2015, provides for a bundle of measures through to 2017, including specific legislative proposals relating to securitization and consultations on covered bonds. The work packages for the action plan were processed and/or expedited in 2016. While the fundamental aim of driving cross-border investments is certainly to be welcomed, it cannot provide a realistic alternative to credit financing for SMEs through banks. Instead, the proposed measures can arguably only be considered as measures to supplement financing by banks.

Earnings and financial performance

Introduction and scope of consolidation

The consolidated financial statements of RZB are prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU. RZB AG also prepares separate financial statements in accordance with the the Austrian Commercial Code (UGB), in conjunction with Austrian Banking Act (BWG) which provide the formal basis of assessment for calculating dividend distributions and taxes. For more information on the disclosures required by the UGB and BWG, please see the relevant sections of this Group management report, including the notes section.

At the end of September 2016, the ultimate parent company of RZB AG, Raiffeisen-Landesbanken-Holding GmbH, Vienna, and its 100 per cent subsidiary R-Landesbanken-Beteiligung GmbH, Vienna, in which 82.4 per cent of stakes in RZB AG were bundled, were merged into RZB AG. This is part of a strategy simplifying the group's structure. This way, RZB AG functions as ultimate parent company. The core shareholders of RZB AG are the regional Raiffeisen banks that hold together 90.4 per cent.

As at 31 December 2016, RZB AG's scope of consolidation comprised 283 Group units including 27 banks and 168 financial institutions and bank-related service providers. Changes in the financial year resulted primarily from the sales of Raiffeisen-Leasing Polska S.A., Warsaw, and of Raiffeisen Banka d.d., Maribor.

Significant events

Merger of RZB AG and RBI AG

On 5 October 2016, the Management and Supervisory Boards of RZB AG and RBI AG passed in principle a resolution to merge RZB AG and RBI AG. The respective Extraordinary General Meetings of the participating companies subsequently approved the merger by a clear majority in January 2017. Accordingly, the merger of RZB AG into RBI AG will become effective in the first quarter of 2017 with its entry in the commercial register. Consequently, reporting will be prepared on the basis of the combined bank as of the first quarter of 2017. The company will continue to operate under the name of Raiffeisen Bank International AG, and RBI shares will remain listed on the Vienna Stock Exchange. The shareholding of the RBI free float will be 41.2 per cent following the merger. The regional Raiffeisen banks will hold approximately 58.8 per cent of RBI shares. There is a related syndicate agreement that contains, among other things, lock-up provisions.

Following the merger, the Group's risk-weighted assets (total RWA) would increase 13 per cent to € 68 billion (pro forma as at the end of 2016). The CET1 ratio (transitional) of the merged entity, based on a pro forma calculation, would be 12.7 per cent as at the end of 2016, with a CET1 ratio (fully loaded) of 12.4 per cent.

Transformation program of RBI

The sale of Raiffeisen-Leasing Polska S.A., Warsaw, to PKO Leasing S.A., Warsaw, was closed on 1 December 2016. The purchase price was € 193 million. Including reclassified realized currency effects, this led to a positive impact of approximately € 18 million on RBI's consolidated profit in the fourth quarter. The transaction also resulted in an improvement of 33 basis points in RBI's CET1 ratio (fully loaded). RWA decreased around € 1,272 million.

Negotiations with Alior Bank S.A., Warsaw, on the sale of the core banking business of Raiffeisen Bank Polska S.A. (Raiffeisen Polbank), Warsaw, were terminated on 7 December 2016. As agreed with the regulator, RBI is now preparing to list a 15 per cent stake in Raiffeisen Polbank in an initial public offering, while also working on rightsizing the business model.

Following the inconclusive sales process relating to ZUNO BANK AG, parts of the existing business are being integrated into the subsidiary banks in the Czech Republic and Slovakia. It is planned to complete the integration by the middle of 2017.

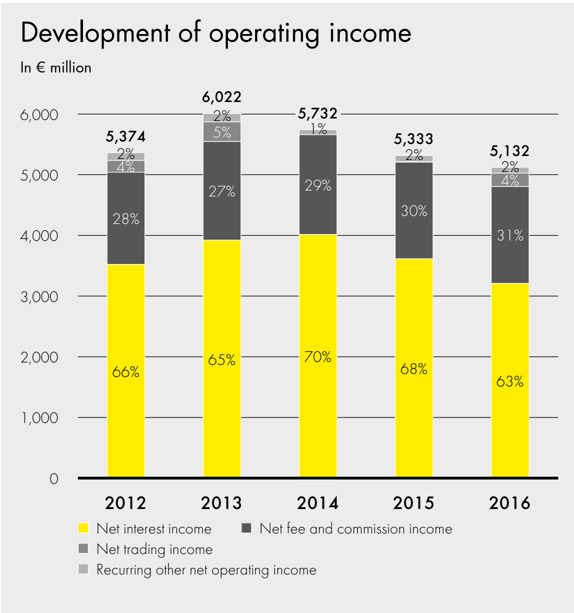
As part of the planned reduction in RWA, significant progress has been made in Asia since the end of 2014, with RWA scaled back by approximately 84 per cent to € 596 million. The winding down of the US operations is also making good headway, with a decrease in RWA of circa 66 per cent to € 347 million since the end of 2014. The remaining business is now being run down; branches in Asia and business outlet in the US are being reduced to a minimum, and no longer conduct active business.

As a result of the measures described, RBI reached its CET1 ratio (fully loaded) target of at least 12 per cent by the end of 2017, ahead of schedule, and significantly exceeded it with a ratio of 13.6 per cent (fully loaded) at the end of 2016. The transformation program was thereby completed ahead of time, and the Non-Core segment is to be dissolved as of the beginning of 2017. The remaining business will be integrated into the existing segments.

Sale of a significant stake in UNIQA Insurance Group AG

In December 2016, the partial sale of RZB's participation in UNIQA Insurance Group AG (UNIQA), Vienna, in the amount of 17.6 per cent, which had already been announced in June 2016, was successfully concluded by means of share transfer to UNIQA Versicherungsverein Privatstiftung. At the same time, RZB purchased shares in UNIQA Insurance Group AG amounting to a 2.2 per cent stake from Raiffeisen-Holding Niederösterreich-Wien, Raiffeisen-Landesbank Steiermark and Raiffeisenlandesbank Kärnten. After the sale and the clearing of minority interests, RZB will consequently hold around 10.9 per cent of the shares in UNIQA in total. The transactions are part of the current measures to simplify the group's structure and the group's adaption to increased regulatory capital requirements. The transaction led to a negative result after tax and minorities of € 99 million.

Revision of bank levy regulation in Austria



In July 2016, the Austrian government reached an agreement to amend the bank levy regulation from 2017 onwards. The amend-amendment includes a reduction in the annual bank levy; at the same time, Austrian banks are to make a one-off payment. For the merged RBI group this will amount to around € 163 million. This payment will be spread over a four-year period, starting in 2017. The Austrian bank levy came to approximately € 102 million for RZB in 2016 (€ 3 million less than in 2015). Starting in 2017, the amount will be around € 58 million per year for the merged Group, including the proportional share of the one-off payment, until 2020.

Overview of the financial year

In addition to the persistently low interest rate level, which also resulted in a decline in RZB's operating result, the financial year was primarily influenced by significantly lower impairment losses on loans and advances. In CEE, nearly all markets registered declines. Also in Asia, impairment losses were € 118 million lower than in the previous year. Net provisioning for impairment losses fell 40 per cent year-on-year, or € 501 million to € 758 million. The largest declines occurred in Ukraine, Asia and at RBI AG. The partial sale of a stake in UNIQA Insurance Group AG resulted in a negative effect and led to a loss after tax and minorities of € 99 million in total. The Group result was at € 253 million and increased year-on-year by 7 per cent or € 16 million.

Operating income was down 4 per cent year-on-year, or € 201 million, to € 5,132 million. A portion of the decline was attributable to currency devaluations in Eastern Europe. Net interest income fell 11 per cent, or € 406 million, to € 3,218 million. This was primarily attributable to a volume decline by 4 per cent of interest-bearing assets and the continuing low market interest rates, a reduction of € 230 million, particularly in Russia, in interest income from derivatives entered into for hedging purposes as well as € 58 million lower contributions from at-equity companies. Net fee and commission income increased € 5 million to 1,599 million year-on-year. Net trading income rose € 204 million year-on-year to € 220 million. Net income from currency-based transactions improved by € 175 million to € 116 million, primarily as a result of a more limited devaluation of the Ukrainian hryvnia than in the previous year (€ 81 million increase).

General administrative expenses were down 1 per cent year-on-year, or € 29 million, to € 3,141 million. On the one hand, this decline was attributable to currency devaluations in Eastern Europe; on the other hand office space expenses declined by € 29 million due to the closure of branches. In addition, deposit insurance fees were lower (€ 28 million) mainly in Poland, the Czech Republic, Romania and Bulgaria. Expenses were increased by expenditures for IT (up € 13 million) and the bank resolution fund (up € 10 million). Staff expenses rose 3 per cent, or € 38 million, to € 1,552 million. Cost savings from the workforce reduction of 7 per cent were set against increases from the purchase of Citibank's retail business in the Czech Republic and from growth in

Slovakia. Furthermore, no bonuses for the year 2014 were paid in 2015, which resulted in a release of provisions. This effect was absent in the 2016 financial year.

The average number of staff was further reduced, down 3,885 year-on-year to 51,810. The number of business outlets decreased 199 year-on-year to 2,523.

In the course of the year, total assets fell 3 per cent, or € 3,579 million, to € 134,847 million. Changes in the scope of consolidation were responsible for around € 2,200 million decline in consolidated total assets, which resulted primarily from the sale of the Polish leasing business and of the Slovenian subsidiary bank. In return, currency developments – predominantly the appreciation of the Russian rouble (up 25 per cent) and the US-Dollar against the Euro (up 3 per cent) – resulted in an increase of around € 1,700 million.

Equity including capital attributable to non-controlling interests increased 5 per cent, or € 498 million, to € 9,794 million. Increases resulted from profit after tax of € 533 million and other comprehensive income of € 152 million. Exchange rate differences represented the largest item in other comprehensive income and amounted to € 291 million in the reporting period (2015: minus € 189 million).

In terms of regulatory capital, the key metrics changed as follows: CET1 (after deductions) was € 8,112 million at the end of the year, the € 633 million increase is attributable to retained profits, positive currency development of the Russian rouble as well as to the partial sale of UNIQA Insurance Group AG. Total capital pursuant to the CRR came to € 10,088 million, which corresponds to an increase of € 268 million compared to the 2015 year-end figure. Total risk-weighted assets were down € 3,982 million to € 68,055 million, as a result of the sale of the Slovenian subsidiary bank and the Polish leasing business, RWA reductions at subgroup Raiffeisen-Leasing and the dismantling units in Asia and the US, as well as due to rating improvements in Ukraine and Belarus. Based on total risk, the CET1 ratio (transitional) was 11.9 per cent while the total capital ratio (transitional) was 14.8 per cent. Excluding the transitional provisions as defined in the CRR, the CET1 ratio (fully loaded) stood at 11.9 per cent, and the total capital ratio (fully loaded) was 14.0 per cent.

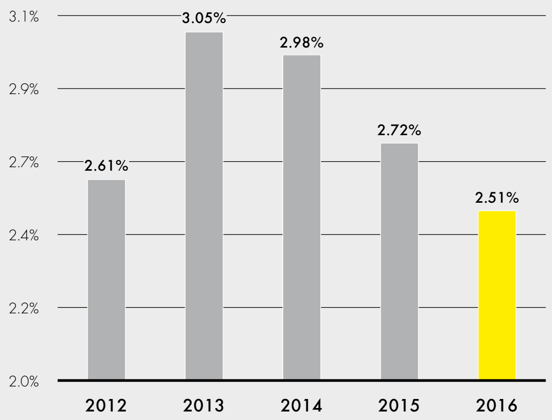
Income statement

in € million	2016	2015	Change absolute	Change in %
Net interest income	3,218	3,623	(406)	(11.2)%
Net fee and commission income	1,599	1,594	5	0.3%
Net trading income	220	16	204	>500.0%
Recurring other net operating income	96	100	(4)	(4.1)%
Operating income	**5,132**	**5,333**	**(201)**	**(3.8)%**
Staff expenses	(1,552)	(1,515)	(38)	2.5%
Other administrative expenses	(1,214)	(1,277)	63	(4.9)%
Depreciation	(375)	(378)	4	(1.0)%
General administrative expenses	**(3,141)**	**(3,170)**	**29**	**(0.9)%**
Operating result	**1,991**	**2,163**	**(172)**	**(7.9)%**
Net provisioning for impairment losses	(758)	(1,259)	501	(39.8)%
Other results	(391)	(167)	(224)	134.2%
Profit/loss before tax	**843**	**737**	**106**	**14.4%**
Income taxes	(310)	(272)	(38)	14.1%
Profit/loss after tax	**533**	**465**	**68**	**14.5%**
Profit attributable to non-controlling interests	(280)	(228)	(52)	22.7%
Consolidated profit/loss	**253**	**237**	**16**	**6.7%**

Operating income

Net interest income

Development of the net interest margin (average interest-bearing assets)



In 2016, net interest income declined 11 per cent, or € 406 million, to € 3,218 million. This development was primarily attributable to a volume reduction of interest-bearing assets by 4 per cent and the continuing low level of interest rates. Net income contribution from associates fell 44 per cent to € 74 million, which was primarily attributable to lower contributions from the participation in UNIQA Insurance AG, Vienna, as well as from Raiffeisen Informatik GmbH, Vienna.

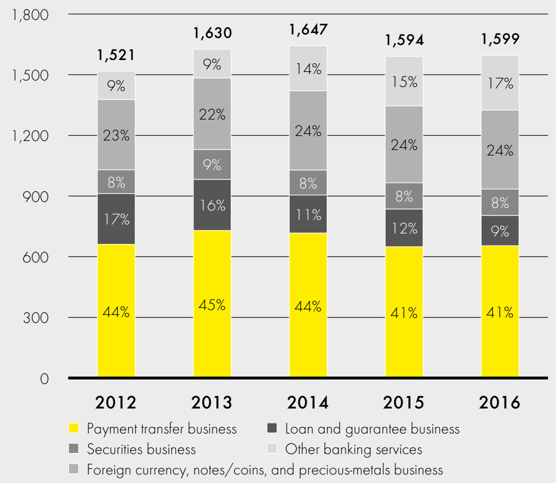
In the RBI segment, net interest income fell 12 per cent, or € 391 million, to 2,920 million in 2016. In Central Europe, net interest income fell 4 per cent, or € 25 million, to € 629 million. Here, lower interest rates reduced net interest income by € 23 million in Slovakia, and by € 14 million in Hungary. In contrast, the Czech Republic reported a volume-related rise of € 12 million. In Southeastern Europe, net interest income fell 5 per cent, or € 42 million, to € 738 million. All countries in this segment – with the exception of Bosnia and Herzegovina – reported declines, which were also mainly attributable to the continuing low level of interest rates. Eastern Europe reported a 9 per cent, or € 82 million, decline in net interest income to € 866 million. This primarily resulted from a 12 per cent, or € 80 million, drop in net interest income to € 567 million in Russia, due to a € 175 million reduction in interest income from derivatives. In contrast, margins from the core business improved significantly, especially on the liabilities side. In Ukraine, the 3 per cent, or € 5 million, decline in net interest income to € 171 million was currency related, whereas in local currency terms, net interest income rose 14 per cent. In Belarus, net interest income increased € 3 million to € 128 million. Asia reported a decline of 56 per cent to € 37 million due to reduced volumes. In the US, net interest income fell € 11 million to € 14 million, due to the reduction in business volumes. In contrast, in Poland, repricing measures in the deposit business increased net interest income by 4 per cent, or € 9 million, to € 262 million.

In the segment Central institution and specialized subsidiaries net interest income declined 15 per cent, or € 27 million, to € 161 million, due to the low interest level and due to a € 34 million reduced contribution from Raiffeisen Informatik GmbH.

In the segment Other Equity Participations, net interest income rose 8 per cent, or € 11 million, to € 154 million primarily due to higher dividend earnings, contrasting with a 44 per cent, or € 58 million, lower income contribution of associates in the amount of € 74 million. This was primarily due to the decline in income contribution from UNIQA Insurance Group AG of € 75 million to € 31 million. In contrast, there was an increase in income contribution by € 26 million from Raiffeisen evolution project development GmbH, Vienna, because in the previous year losses were recorded due to impairment of real estate projects.

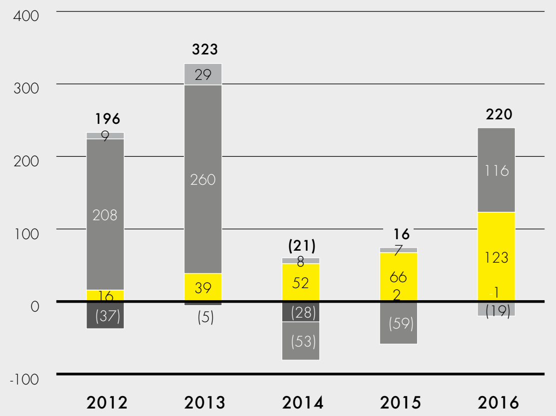
Development of net fee and commission income

In € million



Net trading income by products

In € million



The Group's net interest margin declined 20 basis points year-on-year to 2.51 per cent. The decline in the net interest margin was attributable to the aforementioned low market interest rates, especially in several countries of the Group and to a limited extent to currency devaluations in Eastern Europe. In addition, the business volume (average interest-bearing assets) was down 4 per cent.

Net fee and commission income

Net fee and commission income increased year-on-year, despite the currency devaluations in Eastern Europe and lower sales in Central Europe, by € 5 million, to € 1,599 million. Net income from the management of investment and pension funds increased € 39 million to € 162 million due to the inclusion of Valida Group (€ 52 million) in October 2015. Also, the net income from the foreign currency, notes/coins and precious metals business grew 3 per cent, or € 11 million, to € 392 million, predominantly due to higher income in the Czech Republic and at RBI AG. In contrast, the loan and guarantee business fell € 37 million to € 150 million. Aside from currency effects, this was also due to volume reductions in Asia and Slovenia, the legal restriction on fees for early loan repayments in Slovakia, lower guarantee income at RBI AG and in Croatia, and lower fee and commission income in Hungary as well as higher fee and commission expenses at Raiffeisen Bausparkasse.

Net trading income

Net trading income increased € 204 million year-on-year to € 220 million. Currency-based transactions rose € 175 million to € 116 million, primarily as a result of a more limited Ukrainian hryvnia devaluation than in the previous year (€ 81 million increase). Another positive effect was attributable to the discontinuation of a hedging transaction for Russian rouble denominated dividend income, which had resulted in a € 70 million reduction in the previous year. Net trading income also increased as a result of valuation gains on derivatives and foreign currency positions in Russia (€ 13 million increase) and Croatia (€ 6 million increase). In contrast, Belarus (down € 61 million) reported declines resulting from lower net income from open foreign currency positions due to valuations and volumes and to the termination of a strategic currency position. Net income from interest-based business rose € 57 million to € 123 million, primarily due to valuation gains and higher interest income from derivatives and securities positions at RBI AG. In contrast, net income from equity and index-based transactions fell € 25 million to minus € 19 million, as a result of an adjustment of the yield curve due to changed market conditions.

Recurring other net operating income

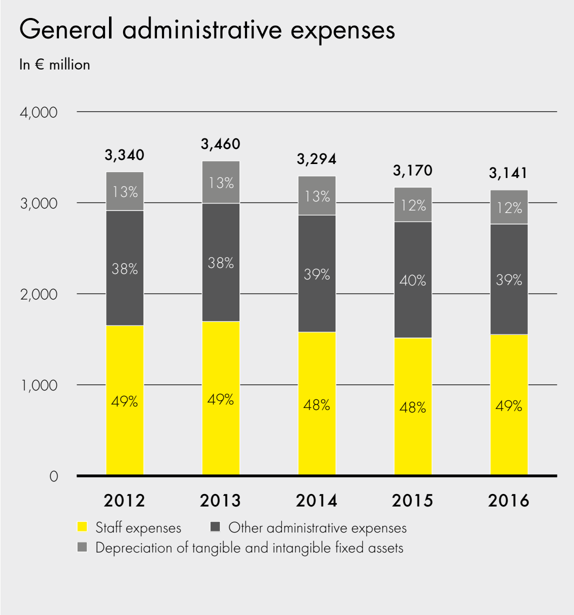
Recurring other net operating income decreased 4 per cent, or € 4 million, year-on-year to € 96 million. This included a € 15 million decline in net income from the allocation and release of other provisions, caused by higher allocations for litigation in Slovakia. Net income from non-banking activities increased € 8 million, net income from sale of tangible and intangible fixed assets increased € 4 million.

General administrative expenses

The Group's general administrative expenses were down 1 per cent, or € 29 million, to € 3,141 million in the reporting period. The cost/income ratio increased 1.8 percentage points to 61.2 per cent due to lower operating income.

Staff expenses

Staff expenses, which constituted the largest item within general administrative expenses (49 per cent), increased 3 per cent, or € 38 million, to € 1,552 million. Following the decision not to pay a bonus for 2014, bonus provisions were released in the previous year. The Czech Republic reported an increase of € 27 million, primarily driven by higher staffing levels following the purchase of Citibank's retail business. In Slovakia, staff expenses rose € 9 million which was also due to increased staffing levels. At RBI AG, staff expenses grew € 7 million as a result of an increase in staffing levels and salary adjustments. The first-time consolidation of Valida Group in October 2015 resulted in an increase of € 11 million compared to the previous year. Staff expenses fell in Russia (down € 14 million) due to a reduction in staffing levels and to currency effects. In Asia, staff expenses were down € 5 million due to reduced staffing levels.



The average number of staff (full-time equivalents) fell 3,885 year-on-year to 51,810. The largest declines occurred in Ukraine (down 1,728), in Poland (down 1,143) due to the sale of the Polish leasing company, in Russia (down 358), in Slovenia (down 189) due to the sale of the Slovenian subsidiary bank, and in Hungary (down 150). The largest increases occurred in the Czech Republic (up 341) and in Slovakia (up 154).

Other administrative expenses

Other administrative expenses decreased 5 per cent, or € 63 million, to € 1,214 million. The decline was largely driven by a decrease in space expenses (down € 29 million) due to branch closures. The number of business outlets was down 199 to 2,523 compared to year-end 2015. The most significant declines occurred in Ukraine (down 80), Poland (down 58), Romania (down 32), and in Slovenia due to the sale of the subsidiary bank (down 13). In addition, contributions to deposit insurance fees decreased by € 28 million, especially in Poland, the Czech Republic, Romania and Bulgaria. Also, advertising, PR and promotional expenses declined by € 8 million. In contrast, IT expenses grew € 13 million and contributions to the bank resolution fund increased € 10 million.

Depreciation of tangible and intangible fixed assets

Depreciation of tangible and intangible fixed assets fell 1 per cent year-on-year, or € 4 million, to € 375 million. The most significant decline occurred in Hungary, which reported impairment charges in the previous year as a result of branch closures (€ 5 million) and in relation to software (€ 7 million). Ukraine also reported a decline of € 10 million, following impairment charges in relation to buildings and the brand in the previous year. The impairment charge in relation to the Polbank brand amounted to € 21 million in the previous year, with the remaining € 26 million written down in the year under review. An increase was reported in Russia, where investments in software and licenses resulted in higher depreciation. At the Raiffeisen-Leasing Group the sale of wind park companies led to a decrease in expenses of € 5 million. At Raiffeisen Immobilienfonds there was an increase due to an impairment of investment property in the amount of € 18 million.

The Group invested € 391 million in fixed assets in the reporting period. Of that amount, 36 per cent (€ 140 million) were invested in own tangible assets. Investments in intangible fixed assets – mainly related to software projects – accounted for 41 per cent. The remainder was invested in assets in the operating leasing business.

Net provisioning for impairment losses

Net provisioning for impairment losses declined 40 per cent overall year-on-year, or € 501 million, to € 758 million. This included a € 555 million reduction in individual loan loss provisions to € 771 million, while net releases for portfolio-based loan loss provisions declined € 53 million to € 4 million. Proceeds from the sale of impaired loans remained almost unchanged at € 10 million.

The majority of net provisioning for impairment losses in the reporting year was attributable to corporate customers, for which provisions of € 500 million were required. The figure for retail customers was € 241 million, of which € 88 million were related to the switch to a rating-based model (PD/LGD) to calculate portfolio-based loan loss provisions, which had commenced in the previous year. For this, an amount of € 28 million was already reported in the previous year.

The largest decline in net provisioning for impairment losses was recorded in Ukraine, which reported a net release of € 2 million compared to a net provisioning requirement of € 212 million in the previous year. This was because higher allocations for retail and corporate customers were still necessary in 2015, due to the economic situation in the Donbass region, and because currency effects had a reduced influence in the reporting period. At RBI AG net provisioning for impairment losses for corporate customers stood at € 255 million, thus € 178 million below the levels of the previous year. Hungary even reported a net release of € 7 million, compared to net provisioning for impairment losses of € 56 million for corporate and retail customers in the previous year. The decline was in particular due to sales of non-performing loans collateralized with real estate and to rating improvements of corporate customers. The credit risk situation for corporate and retail customers also improved in Russia, where net provisioning for impairment losses amounted to € 145 million, € 36 million less than in the previous year. In Bulgaria, the settlement of several corporate customer non-performing loans resulted in a decline of € 32 million, with no net provisioning requirement in the reporting year. Albania was the only country where the situation was different, with the default of several large corporate customers resulting in a € 34 million increase to € 65 million.

The significant credit risk improvement is also reflected in the portfolio of non-performing loans, which fell € 1,906 million to € 6,911 million during the year. The reduction was primarily attributable to sales of non-performing loans (€ 1,187 million), while the remainder of the decline was largely due to the derecognition of uncollectible loans. Currency effects resulted in a € 56 million rise. The largest declines occurred at RBI AG (down € 839 million), Ukraine (down € 299 million), Hungary (down € 252 million), Russia (down € 152 million), Slovenia (down € 121 million as a result of the sale of the Slovenian subsidiary bank), Bulgaria (down € 77 million), Croatia (down € 72 million) as well as the Raiffeisen-Leasing Group (down € 55 million). The Group’s NPL ratio declined 2.4 percentage points year-on-year to 8.7 per cent. Non-performing loans compared to loan loss provisions amounted to € 5.195 million. Despite the sales and write-offs, the NPL coverage ratio improved from 71.2 per cent to 75.2 per cent.

The provisioning ratio – net provisioning for impairment losses in relation to the average volume of loans and advances to customers – fell 0.52 percentage points to 0.93 per cent year-on-year.

Other results

Net income from derivatives and liabilities

Net income from derivatives and liabilities declined € 244 million to minus € 259 million. This reduction was primarily due to net income from changes in credit spreads for own liabilities, which fell € 116 million to minus € 119 million due to lower risk premiums for RBI AG. Net income from the valuation of derivatives entered into for hedging purposes fell € 128 million.

Net income from financial investments

Net income from financial investments improved € 88 million year-on-year to € 56 million. This was primarily attributable to net proceeds from the sale of equity participations, which rose € 130 million year-on-year to € 146 million. The sale of Visa Europe shares to Visa Inc. in June 2016 resulted in proceeds of € 132 million, of which € 78 million was transferred from other comprehensive income. In contrast, net income from the sale of securities from the fair value portfolio fell € 24 million. This decline was primarily due to the sale of bonds at RBI AG in the previous year. The valuation result for securities in the fair value portfolio increased € 14 million. Valuation results from primarily eligible government bonds at RZB AG contrasted with significantly lower valuation results on fixed income government bonds linked to the US-Dollar in Ukraine. In the reporting period, net income from associates amounted to minus € 130 million compared to minus € 94 million in the previous year. The partial sale of UNIQA Insurance Group AG, Vienna, resulted in an impairment of the carrying amount of € 79 million as well as an impairment of the stake available for sale, in accordance with IFRS 5, of € 84 million in the reporting period. The carrying amount of the remaining stake was impaired at € 25 million. In the previous year, an impairment of the carrying amount of UNIQA Insurance Group AG, Vienna, of € 86 million was necessary.

Bank levy, one-off effects and goodwill

The expense for bank levies rose € 35 million year-on-year to € 174 million. The increase was primarily due to expenses of € 34 million for the newly-introduced bank levy in Poland.

In Romania, the "Walkaway Law" came into force in the second quarter of 2016. The expected utilization resulted in a provisioning requirement of € 27 million in the reporting period. The new mortgage loan law stipulates that borrowers can sign their properties over to banks and thereby settle their debts, even if the outstanding volume of the loan exceeds the value of the property. The law relates to certain mortgage loans taken out by private individuals in any currency and applies retroactively. Since the Group is of the opinion that this law contravenes the Romanian constitution, corresponding proceedings were initiated. In October 2016, the Romanian Constitutional Court repealed sections of the law connected with its retroactive application.

A provision of € 67 million was released in the previous year in connection with the implementation of the adjustments required in 2014 under the Settlement Act in Hungary, and a further € 7 million was released in the reporting period.

In Croatia, a law to enforce the conversion of loans denominated in Swiss francs resulted in a negative one-off effect of € 77 million in the previous year (2016: minus € 10 million). Proceedings initiated by the banks against the Croatian government challenging the constitutionality of the law are pending.

Net income from the disposal of Group assets

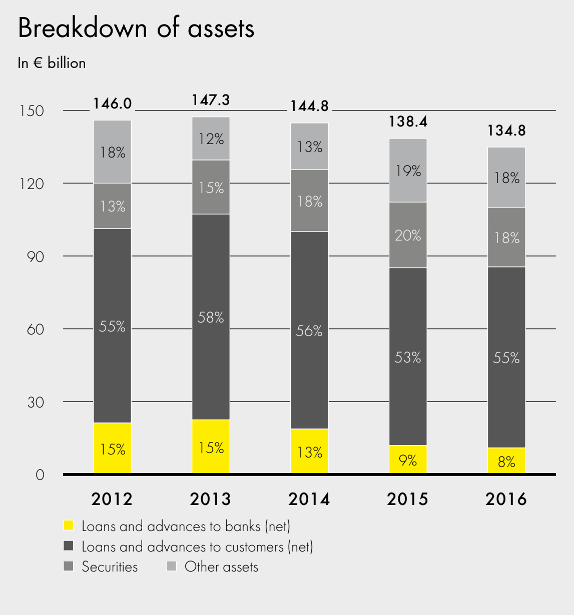
In the reporting year, the disposal of 25 subsidiaries resulted in net income of € 27 million, mainly from the sale of the Polish leasing company and a real estate leasing project in the Czech Republic. In the previous year, net income of € 52 million was recorded as a result of the exclusion of 47 subsidiaries from the consolidation group. In the previous year, the greatest impact came from proceeds of € 86 million from the sale of the 75 per cent stake in the Russian pension fund business ZAO NPF Raiffeisen, Moscow, and an impairment of € 52 million on assets available for sale in connection with the sale of the Slovenian subsidiary bank Raiffeisen Banka d.d., Maribor. Of the subsidiaries excluded in the reporting year, twelve companies were excluded due to immateriality, eight as a result of their sale, four due to the termination of operations and a further one due to a change in control. The companies were predominantly active in leasing, financing and banking business, and as suppliers of ancillary services.

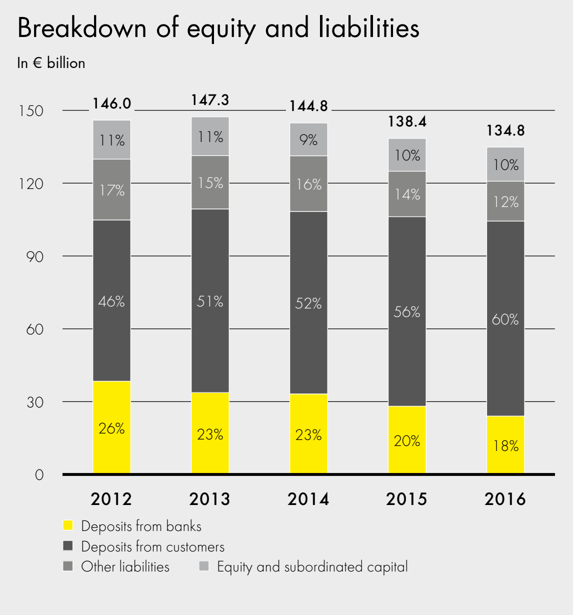
Income taxes

Income taxes increased € 38 million, or 14 per cent, year-on-year to € 310 million. The increase was predominantly the result of the write-off of tax receivables from prior periods in Poland and the return to positive results from a tax perspective in Ukraine and in Croatia. At 37 per cent, the effective tax rate in the reporting year was significantly above the Austrian income tax rate of 25 per cent.

Statement of financial position

In the course of 2016, RZB's total assets declined 3 per cent, or € 3,579 million, to € 134,847 million. The reduction was attributable to changes in the scope of consolidation of around € 2,200 million, primarily as a result of the sale of the Polish leasing company and the Slovenian subsidiary bank. Currency developments – predominantly the appreciation of the Russian rouble (up 25 per cent) and the US-Dollar (up 3 per cent) against the Euro – resulted in a rise of around € 1,700 million.





Assets

Loans and advances to banks before deduction of impairment losses (€ 50 million) fell 9 per cent over the year, or € 1,090 million, to € 11,024 million. This was primarily attributable to a decline of € 893 million to € 1,778 million in receivables from the lending business, mainly at RBI AG. In contrast, receivables from repurchase agreements and securities lending increased € 2,194 million to € 3,374 million.

Loans and advances to customers before deduction of impairment losses (€ 5,195 million) increased € 311 million, to € 79,769 million in the reporting period. In particular, this included a € 852 million net increase in loans and advances to retail customers to € 32,016 million, while loans and advances to corporate customers declined € 374 million to € 46,980 million, and loans and advances to sovereigns fell € 166 million to € 773 million. Loans to private individuals recorded a rise of € 1,497 million. This loan increase came mainly from Russia (primarily currency-related), the Czech Republic (as a result of organic growth in the lending and mortgage lending business and of the acquisition of Citibank's retail customer and credit card business) and Slovakia. The € 645 million decline in loans and advances to small and medium-sized entities to € 2,209 million was attributable to the sale of the Polish leasing business. Declines in loans and advances to corporate customers in Asia and the US, due to the planned reduction in business volumes, were largely offset by increases in the Czech Republic, in Russia (notably currency-related) and in Romania.

The item securities registered a decrease of € 2,486 million to € 24,524 million, notably at RBI AG and in Poland as well as due to the sale of stakes in UNIQA Insurance Group AG, Vienna. The € 1,470 million decline in other assets was mainly the result of the € 563 million reduction in the cash reserve (primarily at RBI AG) and of the € 745 million reduction in assets available for sale pursuant to IFRS 5 (sale of the Slovenian subsidiary bank, reclassification of ZUNO Bank AG, Vienna).

Equity and liabilities

The volume of Group financing from banks (mainly commercial banks) decreased 14 per cent, or € 4,053 million, to € 24,060 million. Long-term and short-term deposits declined, notably at RBI AG and in Asia.

Deposits from customers increased 3 per cent, or € 2,246 million, to € 80,325 million in the course of the year. In particular, deposits from retail customers increased € 4,738 million to € 47,428 million, while deposits from corporate customers declined € 2,244 million to € 31,423 million. The € 3,885 million increase in deposits from retail customers was attributable to private individuals mainly in the Czech Republic (organic growth and purchase of a business unit), Russia, Slovakia and Romania. Deposits from small and medium-sized entities also rose, by € 853 million to € 5,949 million, notably in the Czech Republic and Slovakia. The decline in deposits from corporate customers was mainly recorded at RBI AG (repayments) as well as in Poland and Slovakia due to the reduction of excess liquidity. In particular, deposits from large corporate customers reduced by € 2,239 million to € 28,436 million.

Other liabilities fell € 2,303 million to € 16,431 million. Debt securities issued decreased € 826 million, primarily due to the reduced refinancing required, while liabilities available for sale pursuant to IFRS 5 declined € 1,294 million (sale of the Slovenian subsidiary bank, reclassification of ZUNO BANK AG).

Funding

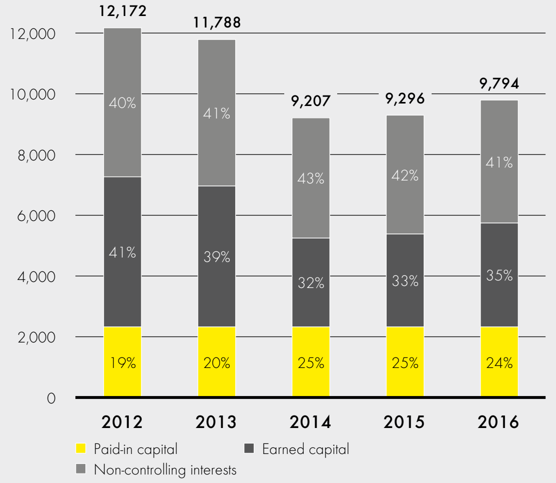
For information related to funding, please refer to the risk report, note (43) Risks of financial instruments, in the consolidated financial statements.

Equity

Equity on the statement of financial position

Breakdown of equity

In € million

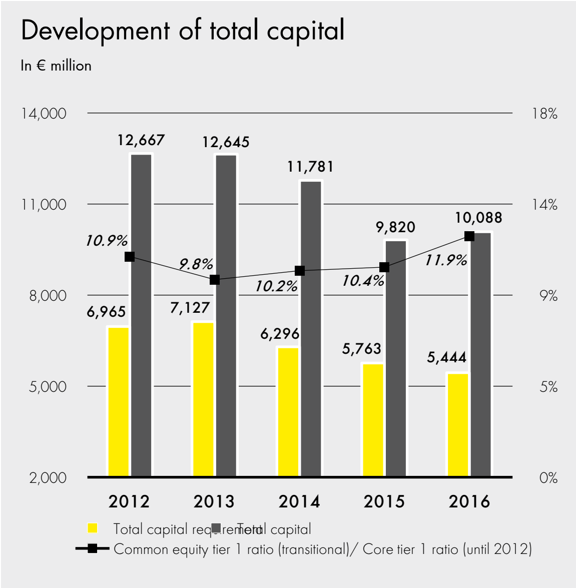


Equity on the statement of financial position – consisting of consolidated equity, consolidated profit/loss and non-controlling interests – increased 5 per cent compared to year-end 2015, or € 498 million, to € 9,794 million. No dividends were paid out to RZB's shareholders for the financial year 2015.

Total comprehensive income attributable to the Group of € 355 million comprises consolidated profit of € 253 million and other comprehensive income of € 102 million. Exchange rate differences represented the largest item in other comprehensive income and amounted to € 181 million in the reporting year (2015: minus € 112 million). Key drivers were the appreciation of the Russian rouble (25 per cent) and the devaluation of the Polish zloty (3 per cent). Since one part of the equity in these currencies was hedged (capital hedge), the movement in the exchange rate also resulted in a loss of € 26 million. The sale of Visa Europe Ltd. shares to Visa Inc. realized € 74 million, resulting in a net loss of € 46 million under the item net gains (losses) on financial assets available-for-sale. Due to the partial sale of UNIQA Insurance Group AG, € 50 million of cumulative profits were reclassified to the income statement. A contribution of € 26 million came from other changes in equity of associates valued at equity.

Capital of non-controlling interests rose € 137 million to € 4,045 million. This was primarily due to the proportion of total comprehensive income attributable to non-controlling interests of € 330 million. In contrast, the partial sale of a stake in UNIQA Insurance Group AG caused a decline in the amount of € 142 million. Moreover, the payment of dividends of € 59 million to minority shareholders of Group units, mainly from Tatra banka a.s., Bratislava, (€ 24 million), BL Syndikat Beteiligungs GmbH, Vienna, (€ 13 million) and Raiffeisenbank a.s., Prague, (€ 13 million) had to be paid.

Total capital pursuant to CRR/Austrian Banking Act (BWG)



The following consolidated figures have been calculated in accordance with the provisions of the Capital Requirements Regulation (CRR) and the Austrian Banking Act (BWG). In addition to the minimum capital requirements defined by the CRR, RZB is also obliged to comply with the capital requirements imposed by the ECB under the SREP process. With respect to this, please refer to note (48) Capital management and total capital according to CRR/CRD IV and the BWG.

RZB's CET1 before deductions stood at € 8,809 million at year-end 2016, after deductions CET1 stood at € 8,112 million. The increase from the 2015 comparable level totaled € 633 million, mainly due to the partial sale of UNIQA Insurance Group AG and the resulting elimination of deductions for significant participations, the inclusion of the net profit for 2016 and positive currency effects, especially in relation to the Russian rouble. In contrast, the application of transitional provisions for 2016 of the CRR, as well as matured additional tier 1 capital and consideration of federal-IPS contributions had a negative impact. Tier 2 capital declined € 365 million compared to the previous year and totaled € 1,976 million. The decline was mainly attributable to matured tier 2 capital instruments in RBI AG and a higher deduction of minorities in tier 2 capital. Total capital under CRR amounted to € 10,088 million. This corresponds to an increase of € 268 million compared to the 2015 year-end figure.

Total capital compared to a total capital requirement of € 5,444 million (2015: € 5.763 million). The decline was based on the sale of Raiffeisen-Leasing Polska, Raiffeisen Banka d.d., Maribor, the rating improvement in Belarus and Ukraine, the sale of UNIQA shares and also on the reduction in exposures in Asia and the US. The total capital requirement for credit risk amounted to € 4,501 million. The total capital requirement for position risk in bonds, equities, commodities and currencies came to € 216 million. The decline of € 35 million in the total capital requirement for operational risk to € 727 million was attributable to the conversion of larger units to the advanced approach.

Based on total risk, the CET1 ratio (transitional) was 11.9 per cent, with a total capital ratio (transitional) of 14.8 per cent.

Excluding the transitional provisions as defined in the CRR, the CET1 ratio (fully loaded) stood at 11.9 per cent, and the total capital ratio (fully loaded) was 14.0 per cent.

Research and development

As a universal bank, RZB is not involved in research and development in the strictest sense of the term.

In the context of financial engineering, it does however develop investment, financing and risk hedging solutions for its customers. Financial engineering encompasses not only structured investment products, but also and in particular structured financing: financing concepts that go beyond the application of standard instruments and are used in acquisition or project finance, for example. RZB also develops tailor-made solutions for its customers to hedge a broad spectrum of risks – from interest rate risk and currency risk through to commodity price risk. Besides financial engineering, RZB works actively in cash management to develop integrated product solutions for international payments.

The Program Digital Regional Bank under the lead of RZB AG focuses on quality leadership in omni-channel sales to create the requirements for the Raiffeisen Banking Group to remain competitive. It aims to bridge the gap between a digital and regional presence and views all channels as equal – from bank branch to website. The Digital Regional Bank also increases efficiency and response times by establishing uniform process and product standards and promoting a culture of innovation within the Raiffeisen Banking Group. As part of innovation management, networking with ambitious start-up companies, well-known research institutes and cross-thinkers injects momentum and creates solutions for meeting customer requirements, placing these at the disposal of the Raiffeisen Banking Group. Here, too, the focus is on developing a culture of innovation and supporting the digital transformation of the entire Raiffeisen Banking Group. In CEE, the RBI subsidiary banks in Slovakia and the Czech Republic are leaders in the field of mobile and online banking. To learn from the experiences and know-how in these markets, an extensive project to establish a group-wide digital roadmap was launched at the end of 2016.

The internal control and risk management system in relation to the Group accounting process

Balanced and comprehensive financial reporting is a priority for RZB and its governing bodies. Compliance with all relevant statutory requirements is of course a basic prerequisite. The Management Board is responsible for establishing and defining a suitable internal control and risk management system that encompasses the entire accounting process while adhering to company requirements. This is embedded in the company-wide framework for the internal control system (ICS).

The ICS is intended to provide the Management Board with the information needed to ensure effective and continuously improving internal controls for accounting. The control system is designed to comply with all relevant guidelines and regulations and to optimize the conditions for specific control measures.

The consolidated financial statements are prepared in accordance with the relevant Austrian laws, predominantly the Austrian Banking Act (BWG) and the Austrian Commercial Code (UGB), which govern the preparation of consolidated financial statements. The accounting standards, applied to the consolidated financial statements, are the International Financial Reporting Standards (IFRS) in the form in which they have been taken over in the EU.

Control environment

An internal control system has been in place for many years at the Group, including directives and instructions on key strategic issues. It incorporates:

- The hierarchical decision-making process for approving Group and company directives and departmental and divisional instructions.
- Process descriptions for the preparation, quality control, approval, publishing, implementation and monitoring of directives and instructions.
- Rules on revising and repealing directives and instructions.

The senior management of each Group unit is responsible for implementing the Group-wide instructions. Compliance with Group rules is monitored as part of the audits performed by Group Audit and by local auditors.

The consolidated financial statements are prepared by the RBI main department Accounting & Reporting (on the basis of a service level agreement) which reports to the Chief Financial Officer of RBI. The associated responsibilities are defined for the Group within the framework of a dedicated Group function.

Risk Assessment

Significant risks relating to the Group accounting process are evaluated and monitored by the Management Board. Complex accounting standards can increase the risk of errors, as can the use of differing valuation standards, particularly in relation to the Group's principal financial instruments. A difficult business environment can also increase the risk of significant financial reporting errors.

For the purpose of preparing the consolidated financial statements, estimates have to be made for asset and liability items for which no market value can be reliably determined. This is particularly relevant for credit business, equity participations, trademark rights and goodwill. Social capital and the valuation of securities are also based on estimates.

Control measures

The preparation of individual financial statements is decentralized and carried out by each Group unit in accordance with the RZB guidelines. The Group unit employees and managers responsible for accounting are required to provide a full presentation and accurate valuation of all transactions.

Differences in reporting dates and local accounting standards can result in inconsistencies between the individual financial statements and the figures submitted to the RBI Group Financial Reporting department in accordance with central guidelines. The local management is responsible for ensuring implementation of mandatory internal control measures, such as the separation of functions and the principle of dual control. Reconciliation and validation controls are imbedded in the aggregation, calculation and accounting valuation activities for all financial reporting processes.

Group consolidation

The transfer of financial statement data, which are examined by an independent auditor or undergo an audit review, are mostly entered directly in, or automatically transferred to, the IBM Cognos Controller consolidation system by the end of January of the subsequent year. The IT system is kept secure by limiting access rights.

The plausibility of the financial statement data submitted by the Group units is initially checked by the responsible key account manager within the RBI Group Accounting & Reporting. Group-level control activities comprise the analysis and, where necessary, modification of the financial statements submitted by Group units. These controls take into account the reports submitted by the independent auditor and the results of the closing discussions with representatives of the individual companies, during which both the plausibility of the individual financial statements and individual critical issues of the Group units are discussed.

The subsequent consolidation steps are then performed using the consolidation system, including capital consolidation, expense and income consolidation, and debt consolidation. Finally, any intra-Group gains are eliminated through bookings at the Group level. At the end of the consolidation process, the notes to the financial statements are prepared in accordance with IFRS, the BWG and UGB.

The general control system encompasses both the Management Board and middle management. All control measures constitute part of the day-to-day business processes and are used to prevent, detect and correct any potential financial reporting errors or inconsistencies. Control measures range from managerial reviews of the results for the period as well as the specific reconciliation of accounts through to analyzing ongoing accounting processes.

The consolidated financial statements and the management report are reviewed by the Supervisory Board's Audit Committee and are also presented to the Supervisory Board for information. The consolidated financial statements are published on the Company's website and in the Wiener Zeitung's official register and are filed with the commercial register as part of the annual report.

Information and communication

The consolidated financial statements are prepared using Group-wide standard forms. The accounting and valuation standards are defined and explained in the RZB Group Accounts Manual and must be applied when preparing the financial statements. Detailed instructions for the Group units on measuring credit risk and similar issues are provided in the Group directives. The relevant units are kept abreast of any changes to the instructions and standards through regular training courses.

The consolidated results are reported in the form of complete consolidated financial statements in the annual report. These consolidated financial statements are examined by an independent auditor. In addition, the management summary (Group management report) provides verbal comments on the consolidated results in accordance with the statutory requirements.

The Group produces consolidated quarterly reports. The external publication process takes place on a half-yearly basis: i. e. in addition to the consolidated financial statements as of year-end, a semi-annual financial report is drawn up and published in compliance with the provisions of IAS 34. Before publication, the consolidated financial statements are presented to senior managers and the Chief Financial Officer for final approval and then submitted to the Supervisory Board's Audit Committee. Analyses pertaining to the consolidated financial statements are also provided for the management as well as preliminary Group figures at regular intervals. The financial budgeting process includes the compilation of a three-year Group budget.

Monitoring

Financial reporting is a main focus of the ICS framework, whereby financial reporting processes with inherent misstatement risk are identified and subject to additional monitoring and control reviews – the results of which are presented to the Management Board and the Supervisory Board’s Audit Committee for evaluation. The Management Board is responsible for ongoing company-wide monitoring. In accordance with the target operating model, three successive lines of defense are established to meet the increased requirements for internal control systems.

The first line of defense is formed by individual departments, where department heads are responsible for monitoring their business areas. The departments conduct control activities and plausibility checks on a regular basis, in accordance with the documented processes.

The second line of defense is provided by specialist areas focused on specific issues. These include, for example, Compliance, Data Quality Governance, Operational Risk Controlling, and Security and Business Continuity Management. Their primary aim is to support the individual departments when carrying out control steps, to validate the actual controls and to introduce state-of-the-art practices within the organization.

Internal audits are the third line of defense in the monitoring process. Responsibility for auditing lies with Group Internal Audit at RZB and also the respective internal audit departments of the Group units. All internal auditing activities are subject to the Group Audit standards, which are based on the Austrian Financial Market Authority’s minimum internal auditing requirements and international best practices. Group Audit’s internal rules also apply (notably the Audit Charter). Group Audit regularly and independently verifies compliance with the internal rules within the RZB Group units. The head of Group Internal Audit reports directly to the Management Boards.

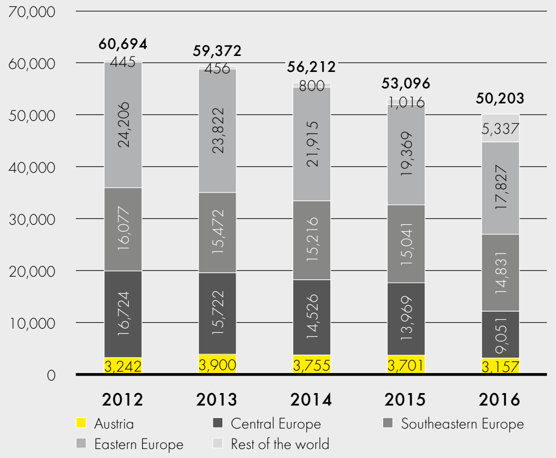
Risk management

For information on risk management, please refer to note (43) Risks arising from financial instruments, in the risk report section of the consolidated financial statements.

Human Resources

Human Resources (HR) deals with the key corporate processes for managing personnel resources within the Group, taking into account both the needs of employees and corporate interests. As of 31 December 2016, RZB had 50,203 employees (full-time equivalents), 2,893 people or 5 per cent fewer than at the end of 2016. The majority of this reduction is attributable to developments in Ukraine, Russia, Poland and Slovenia. The average age of employees remained relatively low at 37 years and women accounted for 67 per cent of the workforce. Graduates make up 73 per cent of employees, indicating a highly skilled workforce.

Development of personnel
Number of staff on balance sheet date



Professional and management development

In 2016, the training budget was primarily used for strategic objectives and initiatives. As well as ensuring regulatory training requirements were met, increasing emphasis was placed on key areas such as digital banking, sales, affluent retail customer business, procurement and IT. The "Branch Management Academy", a training initiative for managers in sales, was implemented throughout the Group.

The main focus for management development was on strengthening management expertise in the areas of change management, staff leadership, motivation, and communication. The use of reflective learning methods, such as 360° feedback, coaching and mentoring, as well as experience-based measures such as job rotation, was also further expanded.

In Albania, for example, a development program covering a wide variety of areas, "Growth is a Marathon, not a Sprint", was initiated within the subsidiary bank to equip managers for the challenges faced in an increasingly complex operating environment and to facilitate growth.

A similar program named "FIRE" (Freedom - Inspiration - Raiffeisen - Energy), was also implemented in Hungary, focusing on key leadership skills such as credibility and integrity, or resilience and inspiration.

The subsidiary bank in Russia increased efforts to foster a positive culture of communication and cooperation among managers and employees, for example, by implementing ad-hoc feedback and round-table discussions on topical business issues.

Further exemplary measures are the support of the integration of RSC's postal services into ZHS by management training, the implementation of a body of experts for authorized employees as a forum for structured exchange at Raiffeisen-Leasing and the implementation of structured personnel development reviews with the B-1 managers at Raiffeisen Bausparkasse.

Performance und Talent Management

The new performance management model for Group executives developed during 2015 was successfully implemented in 2016. This included introducing clearly defined target categories (similar to a balanced scorecard approach) and improving consultation between head office and Group units.

With one exception, the uniform Performance Management according to RZB/RBI standards was already introduced in the specialized subsidiaries and presented to managers in the course of workshops and information events.

Other measures included a new competence model and the intensification of dialogue and feedback. Based on these concepts, an international team developed the guidelines and fundamental principles for the new performance management process for all other employee levels. Some subsidiary banks have already launched corresponding pilot projects. In Hungary, for example, the focus was on increasing the level of individual responsibility with respect to target definition and performance, as well as on regular and mutual feedback, coaching and staff development.

The annual standard processes to identify and develop talent – each with varying local focal points – were carried out again in 2016. The intensive efforts produced results, with talent pipelines at all levels in almost all units. Data for Austria, for example, shows that 39 per cent of talented individuals identified have advanced in their careers in the last two years (compared to 14 per cent of other employees).

Employee survey

In 2016, around 40,000 employees participated in a Group-wide employee survey. The overall response rate was 87 per cent. Improvements were achieved for the two key factors employee engagement (commitment to the company and associated willingness to voluntarily make additional effort) and employee enablement (existence of an environment which nurtures success). Of the employees surveyed, 65 per cent felt committed to the company and 67 per cent felt their environment nurtured success. Compared to the last Group-wide survey, this represents an increase of four and three percentage points respectively.

The results are now being used as a basis to develop further improvement measures. For example, the Management Board in Hungary has defined four issues which will be given further attention. Each of the issues is being addressed by an interdisciplinary team led by a member of first-level management, with expert support from the change facilitator and with a Management Board member acting as sponsor.

Developments in compensation management

In order to more strongly reflect the critical importance of RZB’s medium-term objectives and its capitalization in the compensation system, the bonus system was further adapted in 2016 by expanding the “step-in” criteria for Group executives and adjusting the criteria for target achievement. A reduction in the variable compensation components of remuneration packages also led to new, non-financial concepts for recognizing special achievements by employees being established. For example, a non-financial motivation program (starting with a system of medical services) was launched in Belarus to improve employee commitment and reward long-serving employees, while the “Success Celebration System”, which aims to strengthen team cooperation and collaboration between business areas, was established in Hungary.

In 2016, steps were taken and processes implemented from a regulatory perspective, in order to adjust the remuneration systems of the specialized subsidiaries to an even higher extent to the Group’s remuneration policies.

HR Awards

The diverse measures taken by HR managers from the subsidiary banks designed to continuously improve HR functions and processes were again recognized by a number of awards. The Hungarian subsidiary bank received the “Employer Partner Certificate” in recognition of high quality standards and “best HR practice”, as well as the “Colibri Internship Award” as the best employer for interns. Headhunters ranked the Russian subsidiary among the “Top 10 best places to work” and the Head of HR was awarded the accolade “Best HR Director in the Banking Sector”. The Romanian subsidiary’s project “Inspire to Aspire-Wakanda Challenge” prevailed against 17 competitors and won an HR award in the category “Training and Development of People”. This program places special emphasis on adapting leadership behavior. The Bulgarian subsidiary received the “Best HR project in a Big Company Award” for the restructuring and modernization of its HR division. The Czech subsidiary received the “HR Excellence Award” which is awarded by HR managers and experts from 300 Czech companies.

Events after the reporting date

Extraordinary General Meeting approves merger with RBI

On 23 January, and respectively on 24 January 2017, Extraordinary General Meetings of RZB AG as well as RBI AG took place passing a resolution on the merger of the two institutes. For passing the resolution a three-fourths majority of the capital represented was required and was approved by a clear majority in both cases. The shareholders also approved the capital increase related to the merger. RBI's share capital will be increased by € 109,679,778.15, from € 893,586,065.90 to € 1,003,265,844.05, through the issuance of 35,960,583 new no par value common bearer shares. The regional Raiffeisen banks, who are the core shareholders of RZB, hold around 58,8 per cent of the combined institute.

The merged company will operate under the name of Raiffeisen Bank International AG, as previously the case for RBI, and RBI shares will continue to be listed on the Vienna Stock Exchange. The number of shares issued will increase to 328,939,621.

Outlook

Economic prospects

Central Europe

Following somewhat weaker growth last year, growth in Central Europe (CE) is expected to pick up again in 2017. Ongoing expansionary monetary policy in the region, a solid growth climate in the euro area and an expected recovery in investment demand – amid continued strong private household consumer spending – should support this positive momentum. Leading the way are Poland and Slovakia, each with projected growth of 3.3 per cent, closely followed by Hungary, whose economy should grow by 3.2 per cent. In the Czech Republic, growth is forecast to reach 2.7 per cent.

Southeastern Europe

The Southeastern European (SEE) region is likewise expected to continue its growth trend. Following very strong GDP growth of 3.9 per cent in 2016, SEE should increase its economic output in 2017 by slightly more than 3 per cent, which is its current potential growth rate. In particular, Romania could continue its solid growth trajectory with GDP growth of 4.2 per cent, but momentum is already slowing somewhat following last year's peak of over 4.8 per cent. Conversely, negative overheating effects such as a ballooning current account deficit should be avoided as a result. Serbia and Croatia, the two countries showing the strongest economic recovery in 2016, should both achieve economic growth of around or just over 3.0 per cent.

Eastern Europe

In Russia, moderate economic growth of 1.0 per cent is expected following the easing of the recession; a positive trend in oil prices would further support the Russian economy. In Ukraine, a continuation of last year's weak recovery process is anticipated whereas the economy in Belarus is still expected to shrink slightly. In general, Eastern Europe (EE) currently lacks strong external and internal growth drivers, as a result of which the region is not able to replicate the higher growth rates of the past. In addition, event risk remains considerable.

Austria

In Austria, the moderate economic upturn in 2017 should continue and gain momentum. Domestic demand (private consumption, gross capital investment) should continue to be the main pillar of support. The growth rate for exports should be higher than in 2016. Notwithstanding continuing solid growth in imports resulting from domestic economic momentum, net exports are expected to continue to support GDP growth in 2017. This scenario implies a 1.7 per cent increase in real GDP, following 1.5 per cent in 2016.

CEE banking sector

Solid economic growth in CE and SEE – as well as the end of the recession in Russia and Ukraine – should have a markedly positive impact on the CEE banking sector in 2017. Favorable developments in the operating business in CE and SEE could also be supported by at least stable or even slightly improved interest margins and/or somewhat steeper yield curves in 2017. In addition, recent years have already seen necessary adjustments for foreign currency loans and NPL portfolios resulting from the earlier expansion in CE and SEE, as well as their negative income effects. Accordingly, return on equity in the CEE banking sector should continue to recover in 2017.

Outlook for RZB following merger with RBI

Due to the resolution passed by the General Extraordinary Meetings of RZB AG and RBI AG on 23 January, and respectively on 24 January 2017, regarding the merger of the two institutes, RBI AG is the universal successor of RZB AG and, among other things, will take over the role of central institution of the RBG.

As a result of the merger with RZB, to be entered in the commercial register on 18 March 2017, the following outlook applies to the combined bank.

RBI reached the 12 per cent CET1 ratio target one year ahead of schedule with a fully loaded CET1 ratio of 13.6 per cent at 31 December 2016 (12.4 per cent for the pro forma combined bank). In the medium term RBI strives to achieve a CET1 ratio (fully loaded) of around 13 per cent.

After stabilizing loan volumes, RBI looks to resume growth with an average yearly percentage increase in the low single digit area.

RBI expects net provisioning for impairment losses for 2017 to be below the level of 2016 (€ 754 million).

RBI looks to reach an NPL ratio of around 8 per cent by the end of 2017, and over the medium term RBI expects this to reduce further.

RBI further aims to achieve a cost/income ratio of between 50 and 55 per cent in the medium term, unchanged from our previous target.

RBI's medium term return on equity before tax target is unchanged at approximately 14 per cent, with a consolidated return on equity target of approximately 11 per cent.

Consolidated financial statements

Statement of comprehensive income

Income statement

in € thousand	Notes	2016	2015	Change
Interest income		4,459,090	5,338,577	(16.5)%
Current income from associates		74,375	132,837	(44.0)%
Interest expenses		(1,315,907)	(1,847,993)	(28.8)%
Net interest income	**[2]**	**3,217,559**	**3,623,422**	**(11.2)%**
Net provisioning for impairment losses	[3]	(757,590)	(1,259,049)	(39.8)%
Net interest income after provisioning		**2,459,970**	**2,364,372**	**4.0%**
Fee and commission income		2,260,483	2,211,819	2.2%
Fee and commission expense		(661,332)	(618,014)	7.0%
Net fee and commission income	**[4]**	**1,599,151**	**1,593,805**	**0.3%**
Net trading income	[5]	219,604	15,700	>500.0%
Net income from derivatives and liabilities	[6]	(258,863)	(14,457)	>500.0%
Net income from financial investments	[7]	55,527	(32,583)	-
General administrative expenses	[8]	(3,141,188)	(3,170,095)	(0.9)%
Other net operating income	[9]	(118,767)	(71,866)	65.3%
Net income from disposal of group assets	[10]	27,186	51,993	(47.7)%
Profit/loss before tax		**842,620**	**736,869**	**14.4%**
Income taxes	[11]	(309,683)	(271,515)	14.1%
Profit/loss after tax		**532,938**	**465,354**	**14.5%**
Profit attributable to non-controlling interests	[33]	(280,309)	(228,489)	22.7%
Consolidated profit/loss		**252,629**	**236,864**	**6.7%**

Earnings per share

in € thousand	2016	2015
Consolidated profit/loss	252,629	236,864
Average number of ordinary shares outstanding	6,776,750	6,776,750
Earnings per share in €	**37.28**	**34.95**

Earnings per share are obtained by dividing consolidated profit/loss by the average number of common shares outstanding. There were no conversion rights or options outstanding and earnings per share were not diluted.

Other comprehensive income and total comprehensive income

in € thousand	Total 2016	Total 2015	Group equity 2016	Group equity 2015	Non-controlling interests 2016	Non-controlling interests 2015
Profit/loss after tax	**532,938**	**465,354**	**252,629**	**236,864**	**280,309**	**228,489**
Items which are not reclassified to profit and loss	**7,756**	**(7,084)**	**7,472**	**(5,276)**	**285**	**(1,808)**
Remeasurements of defined benefit plans	9,865	5,819	8,805	4,667	1,060	1,152
Changes in equity of companies valued at equity which are not reclassified to profit and loss	(959)	(11,868)	(449)	(9,196)	(510)	(2,672)
Deferred taxes on items which are not reclassified to profit and loss	(1,150)	(1,035)	(885)	(747)	(265)	(288)
Items that may be reclassified subsequently to profit or loss	**144,513**	**(134,896)**	**94,971**	**(103,541)**	**49,542**	**(31,355)**
Exchange differences	290,626	(189,332)	181,458	(111,773)	109,168	(77,560)
Capital hedge	(43,445)	90,316	(26,418)	54,929	(17,026)	35,387
Net gains (losses) on derivatives hedging fluctuating cash flows[1]	5,788	(436)	3,921	899	1,867	(1,335)
Changes in equity of companies valued at equity	(39,465)	(76,800)	(25,520)	(66,721)	(13,946)	(10,079)
Net gains (losses) on financial assets available-for-sale	(82,011)	81,490	(45,944)	45,075	(36,068)	36,415
Deferred taxes on income and expenses directly recognized in equity	13,021	(40,133)	7,474	(25,950)	5,547	(14,184)
Other comprehensive income	**152,270**	**(141,980)**	**102,443**	**(108,817)**	**49,826**	**(33,163)**
Total comprehensive income	**685,207**	**323,373**	**355,072**	**128,047**	**330,135**	**195,326**

1 Adjustment of the previous year's figures due to a capital-neutral shift between group equity and non-controlling interests

Other comprehensive income

According to IAS 19, revaluations of defined benefit plans are to be shown in other comprehensive income. This resulted in other comprehensive income of € 9,865 thousand in the reporting year (2015: € 5,819 thousand).

The positive exchange rate differences are derived primarily from the appreciation of the Russian rouble, generating a gain of €347,933 thousand, whereas the devaluation of the Polish zloty created a loss of €48,582 thousand. Due to the deconsolidations, losses of €11,317 thousand (2015: losses of €4,018 thousand) were reclassified to the income statement in the reporting year.

Capital hedge comprises hedges for investments in economically independent sub-units. The negative result of €43,445 thousand posted here in reporting year 2016 is attributable to the partial hedging of the net investments in Russia and Poland and the corresponding currency developments in those countries.

Cash flow hedging has been applied in two Group units to hedge against interest rate risk. In the reporting year, no gains or losses were reclassified to the income statement. In the previous year, losses of €1,079 thousand were reclassified to the income statement.

Changes in equity of companies valued at equity mainly relate to changes in UNIQA Insurance Group AG in Vienna. This is attributable, firstly, to measurement changes of the available-for-sale portfolio of securities. Secondly, in connection with the partial share disposal at the start of December 2016, retained earnings of € 64,205 thousand were reclassified to the income statement.

The item net gains (losses) on financial assets available-for-sale directly shown in equity contains net valuation results from financial investments. The decrease in this item mainly resulted from the sale of shares in VISA Europe to VISA Inc. and the corresponding reclassification of retained earnings of €133,623 thousand to the income statement, following an upward revaluation of €47,789 in the first half of 2016. In the previous year, losses of €15 thousand were reclassified to the income statement.

The components of retained earnings developed as follows:

in € thousand	Remeasure-ments reserve	Exchange differences	Capital hedge	Hyper-inflation	Cash flow hedge[1]	Fair value reserve (afs financial assets)	Deferred taxes	Companies valued at equity
As at 1/1/2015	**(27,592)**	**(2,149,474)**	**62,162**	**131,400**	**(16,360)**	**35,396**	**338,943**	**46,454**
Unrealized net gains (losses) of the period	4,667	(114,216)	54,929	0	243	45,066	(26,695)	(75,917)
Net gains (losses) reclassified to income statement	0	2,443	0	0	656	9	(2)	0
As at 31/12/2015	**(22,925)**	**(2,261,247)**	**117,091**	**131,400**	**(15,461)**	**80,471**	**312,246**	**(29,462)**
Unrealized net gains (losses) of the period	8,805	172,185	(26,418)	0	3,921	28,417	(4,078)	23,780
Net gains (losses) reclassified to income statement	0	9,273	0	0	0	(74,361)	10,668	(49,749)
As at 31/12/2016	**(14,120)**	**(2,079,789)**	**90,673**	**131,400**	**(11,539)**	**34,527**	**318,836**	**(55,431)**

1 Adjustment of the previous year's figures due to a capital-neutral shift between group equity and non-controlling interests

Interim results

in € thousand	H1/2015	H2/2015	H1/2016	H2/2016
Net interest income	1,827,108	1,796,314	1,586,239	1,631,320
Net provisioning for impairment losses	(605,965)	(653,084)	(403,301)	(354,289)
Net interest income after provisioning	**1,221,142**	**1,143,230**	**1,182,938**	**1,277,032**
Net fee and commission income	782,829	810,976	772,642	826,509
Net trading income	(5,676)	21,377	87,951	131,654
Net income from derivatives and liabilities	31,267	(45,724)	(200,910)	(57,953)
Net income from financial investments	40,220	(72,803)	178,152	(122,625)
General administrative expenses	(1,502,298)	(1,667,798)	(1,540,726)	(1,600,462)
Other net operating income	(22,998)	(48,868)	(102,579)	(16,189)
Net income from disposal of group assets	4,140	47,853	(77,490)	104,676
Profit/loss before tax	**548,627**	**188,242**	**299,978**	**542,642**
Income taxes	(167,163)	(104,352)	(177,178)	(132,505)
Profit/loss after tax	**381,463**	**83,890**	**122,800**	**410,138**
Profit attributable to non-controlling interests	(170,948)	(57,541)	(111,132)	(169,177)
Consolidated profit/loss	**210,515**	**26,349**	**11,668**	**240,961**

in € thousand	H1/2013	H2/2013	H1/2014	H2/2014
Net interest income	1,939,453	1,991,606	2,097,393	1,926,720
Net provisioning for impairment losses	(455,083)	(744,773)	(586,748)	(1,198,973)
Net interest income after provisioning	**1,484,370**	**1,246,832**	**1,510,645**	**727,747**
Net fee and commission income	788,211	841,924	805,242	841,482
Net trading income	144,390	178,321	7,386	(27,929)
Net income from derivatives and liabilities	(183,321)	(66,980)	(64,509)	86,391
Net income from financial investments	63,634	86,755	99,600	29,990
General administrative expenses	(1,663,292)	(1,796,414)	(1,632,734)	(1,661,110)
Other net operating income	(55,049)	(16,472)	(124,759)	(643,318)
Net income from disposal of group assets	(6,149)	2,222	(10,921)	1,089
Profit/loss before tax	**572,794**	**476,190**	**589,950**	**(645,658)**
Income taxes	(153,687)	(139,764)	(155,541)	(345,154)
Profit/loss after tax	**419,107**	**336,426**	**434,409**	**(990,812)**
Profit attributable to non-controlling interests	(171,366)	(162,060)	(185,887)	343,518
Consolidated profit/loss	**247,741**	**174,366**	**248,522**	**(647,294)**

Statement of financial position

Assets in € thousand	Notes	2016	2015	Change
Cash reserve	[13,34]	16,838,583	17,401,694	(3.2)%
Loans and advances to banks	[14,34,50]	11,023,532	12,113,132	(9.0)%
Loans and advances to customers	[15,34,50]	79,769,079	79,457,653	0.4%
Impairment losses on loans and advances	[16,34]	(5,245,078)	(6,399,737)	(18.0)%
Trading assets	[17,34,50]	4,944,112	5,774,573	(14.4)%
Derivatives	[18,34,50]	1,261,015	1,480,256	(14.8)%
Financial investments	[19,34,50]	21,430,231	22,448,227	(4.5)%
Investments in associates	[20,34,50]	775,035	1,590,384	(51.3)%
Intangible fixed assets	[21,23,34]	676,518	703,804	(3.9)%
Tangible fixed assets	[22,23,34]	1,842,621	1,790,217	2.9%
Other assets	[24,34,50]	1,530,927	2,065,627	(25.9)%
Total assets		**134,846,575**	**138,425,830**	**(2.6)%**

Equity and liabilities in € thousand	Notes	2016	2015	Change
Deposits from banks	[25,34,50]	24,059,774	28,113,082	(14.4)%
Deposits from customers	[26,34,50]	80,324,996	78,078,973	2.9%
Debt securities issued	[27,34,50]	8,527,381	9,353,330	(8.8)%
Provisions for liabilities and charges	[28,34,50]	1,035,629	1,085,276	(4.6)%
Trading liabilities	[29,34,50]	5,067,584	5,031,949	0.7%
Derivatives	[30,34,50]	779,456	978,346	(20.3)%
Other liabilities	[31,34,50]	1,020,492	2,284,967	(55.3)%
Subordinated capital	[32,34,50]	4,237,503	4,203,781	0.8%
Equity	[33,34]	9,793,760	9,296,127	5.4%
Consolidated equity		5,496,297	5,151,102	6.7%
Consolidated profit/loss		252,629	236,864	6.7%
Non-controlling interests		4,044,834	3,908,160	3.5%
Total equity and liabilities		**134,846,575**	**138,425,830**	**(2.6)%**

Statement of changes in equity

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Total
Equity as at 1/1/2015	**492,466**	**1,834,775**	**3,323,593**	**(398,772)**	**3,955,426**	**9,207,490**
Capital increases/decreases	0	0	0	0	62,670	62,670
Transferred to retained earnings	0	0	(398,772)	398,772	0	0
Dividend payments	0	0	0	0	(57,999)	(57,999)
Total comprehensive income	0	0	(108,817)	236,864	195,326	323,373
Other changes	0	0	7,856	0	(247,263)	(239,407)
Equity as at 31/12/2015	**492,466**	**1,834,775**	**2,823,860**	**236,864**	**3,908,160**	**9,296,127**
Capital increases/decreases	0	0	0	0	0	0
Transferred to retained earnings	0	0	236,864	(236,864)	0	0
Dividend payments	0	0	0	0	(59,058)	(59,058)
Total comprehensive income	0	0	102,443	252,629	330,135	685,207
Other changes	0	21	5,867	0	(134,404)	(128,516)
Equity as at 31/12/16	**492,466**	**1,834,796**	**3,169,034**	**252,629**	**4,044,834**	**9,793,760**

The change in capital reserves amounting to € 21 thousand is attributable to the merger with Raiffeisen-Landesbanken-Holding GmbH, Vienna.

Other capital changes related to non-controlling interests mainly concern the partial disposal of shares in UNIQA Insurance Group AG, Vienna, and the corresponding € 142,308 thousand decrease in non-controlling interests in BL Syndikat Beteiligungs GmbH in Vienna.

In the previous year, the other changes in equity were mainly due to a € 280,841 thousand loss of non-controlling interests attributable to the acquisition of a 49 per cent interest in Raiffeisen Bausparkasse GmbH, Vienna. In contrast, the initial consolidation of the Valida Group, after acquisition of an additional 32.7 per cent interest that brought the total interest in the Valida Group to 57.4 per cent, resulted in a positive effect of € 38,334 thousand.

Further details about the above changes are reported in the notes under (33) Equity.

Statement of cash flows

in € thousand	Notes	2016	2015
Profit/loss after tax		**532,938**	**465,354**
Non-cash positions in profit/loss and transition to net cash from operating activities:			
Write-downs/write-ups of tangible fixed assets and financial investments	[7, 8, 21, 23]	562,288	476,464
Net provisioning for liabilities and charges and impairment losses	[3, 9, 28, 43]	1,225,652	1,533,364
Gains (losses) from disposals of tangible fixed assets and financial investments	[7, 9]	(264,888)	(106,147)
Profit/loss from at-equity	[1, 2, 20]	38,522	(69,779)
Other adjustments (net)		140,143	(1,055,107)
Subtotal		**2,234,655**	**1,244,149**
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:			
Loans and advances to banks and customers	[12, 14, 15]	(853,780)	14,378,208
Trading assets/trading liabilities (net)	[12, 17, 18, 29, 40]	1,023,357	535,103
Other assets/other liabilities (net)	[12, 19, 24, 31]	835,593	(4,715,726)
Deposits from banks and customers	[12, 25, 26]	(3,308,291)	(674,836)
Usage of provisions	[28, 43]	(408,293)	(435,349)
Debt securities issued	[27, 36]	(682,888)	(3,318,437)
Net cash from operating activities		**(1,159,647)**	**7,013,113**
Proceeds from sale of:			
Financial investments	[7, 19]	2,770,477	4,401,724
Tangible and intangible fixed assets	[9, 21, 22, 23]	296,303	186,395
Proceeds from disposal of group assets	[10, 53]	214,778	118,334
Payments for purchase of:			
Financial investments	[19]	(2,255,944)	(2,480,305)
Tangible and intangible fixed assets	[23]	(372,850)	(370,693)
Payments for acquisition of subsidiaries	[19, 53]	(105,000)	(15,851)
Net cash from investing activities		**547,764**	**1,839,604**
Capital increases	[33]	0	62,670
Inflows/outflows of subordinated capital	[32]	(109,566)	(130,043)
Dividend payments	[33]	(59,058)	(57,999)
Change in non-controlling interests	[33]	42	(251,968)
Net cash from financing activities		**(168,582)**	**(377,340)**

in € thousand		2016	2015
Cash and cash equivalents at the end of previous period[1]	**[12, 13]**	**17,672,271**	**9,221,481**
Cash from disposal of subsidiaries		(163,171)	1
Net cash from operating activities		(1,139,582)	7,013,113
Net cash from investing activities		527,699	1,839,604
Net cash from financing activities		(168,582)	(377,340)
Effect of exchange rate changes		109,949	(24,588)
Cash and cash equivalents at the end of period	**[12, 13]**	**16,838,583**	**17,672,271**

1 Cash and cash equivalents as at 1 January 2016 deviates from the item cash reserve due to the disclosure of Raiffeisen Banka d.d., Maribor, and ZUNO BANK AG, Vienna, pursuant to IFRS 5.

Payments for taxes, interest and dividends		2016	2015
Interest received	[2]	4,036,324	4,925,000
Dividends received	[2]	227,842	134,871
Interest paid	[2]	(1,199,507)	(1,755,707)
Income taxes paid	[11]	(427,103)	(269,626)

The statement of cash flows shows the structure and changes in cash and cash equivalents during the financial year and is broken down into three sections:

- net cash from operating activities
- net cash from investing activities
- net cash from financing activities

Net cash from operating activities comprises inflows and outflows from loans and advances to banks and customers, from deposits from banks and customers as well as debt securities issued. Inflows and outflows from trading assets and liabilities, from derivatives, as well as from other assets and other liabilities are also shown in operating activities. The interest, dividend and tax payments from operating activities are separately stated.

Net cash from investing activities shows inflows and outflows from financial investments, tangible and intangible assets, proceeds from disposal of Group assets, and payments for acquisition of subsidiaries.

Net cash from financing activities consists of inflows and outflows of equity and subordinated capital. This covers capital increases, dividend payments, and changes in subordinated capital.

Cash and cash equivalents include the cash reserve recognized in the statement of financial position, which consists of cash in hand and balances at central banks due at call. It does not include loans and advances to banks that are due on demand, which belong to operating activities.

Segment reporting

Segment classification

As a rule, internal management reporting at RZB is based on the current organizational structure. Segmentation is based on cash generating units (CGU). Accordingly, the RZB management bodies – Management Board and Supervisory Board – make key decisions that determine the resources allocated to any given segment based on its financial strength and profitability. These reporting criteria were accordingly seen as material in accordance with IFRS 8 for the purpose of segmentation.

Since RZB AG acts primarily as the central institution of Raiffeisen Banking Group (RBG) and as the holding company for participations, the segments are defined on the basis of the participation structure following the merger of its principal business areas with Raiffeisen International Bank-Holding AG. Besides the majority holding in the Raiffeisen Bank International AG (RBI AG) and its activity as the central institution of Raiffeisen Banking Group, RZB AG holds shares in other companies in its participation portfolio.

These three main business areas correspond to the segments as defined. Segmentation is based on the current Group structure. Since the RBI segment is the largest by far, we refer to segment reporting in the RBI consolidated annual report for maximum transparency. The consolidated financial statements of RBI largely reflect the RBI segment in the consolidated financial statements of RZB.

Raiffeisen Bank International Group (RBI)

This segment comprises the profit of the Raiffeisen Bank International AG group. RBI AG is by far the largest participation of RZB. As the lead bank in the RZB credit institution group, RZB AG has corresponding management and control responsibilities. Together with representatives of its owners, RZB AG appoints eight of the ten RBI Supervisory Board members. Beside the profit arising directly from RBI activities, the segment also covers the expenses incurred for services provided by RZB AG in various areas, such as audit or risk.

Central institution and specialized subsidiaries

This segment consolidates those activities that enable RZB AG to perform its tasks as the central institution of the RBG. This segment accordingly reports all the net income from the banking business of RZB AG within the RBG. In addition, it shows the net income of the specialized subsidiaries which operate in building society, factoring, fund management, and pension fund business as well as in the leasing business with numerous project companies in Austria and abroad. Allocated expenses from Group-wide services are also attributed to this segment. These include Group services such as Sector Marketing and Sector Services.

Other equity participations

The segment for other equity participations shows profit from participations not connected with the function of RZB AG as the central institution of the RBG. This equity participation portfolio contains predominantly non-controlling interests from the non-banking industries, with income from companies valued at equity. These include investments in UNIQA Insurance Group AG and Leipnik-Lundenburger Invest Beteiligungs AG (holding company with investments in flour and milling industries and vending). Additionally, the investment in Notartreuhandbank AG is reported in this segment. The segment for other equity participations also reports the expenses and income from internal allocation and netting.

Assessment of segment profit and loss

The segment reporting according to IFRS 8 shows the segment performance on the basis of internal management reporting, supplemented with the reconciliation of the segment results to the consolidated financial statements. In principle, RZB's management reporting is based on IFRS. Therefore, no differences occur in the recognition and measurement principles between segment reporting and consolidated financial statements.

To keep the presentation of RZB's segment performance transparent and informative, the following management and reporting criteria are used to determine the success of a CGU (cash generating unit):

- Return on equity before tax measures the profitability of the CGU and is calculated as the ratio of pre-tax profit to average capital employed. It shows the return on the capital employed in the segment. Another measure of profitability used for internal management is the return on risk-adjusted capital (RORAC). This ratio shows the return on risk-weighted equity (economic capital), but is not a criterion recognized by IFRS.

- The cost/income ratio shows the cost efficiency of the segments. It is the ratio of general administrative expenses to the sum of net interest income, net fee and commission income, net trading income and other net operating income (less banking levies, impairment of goodwill, profit/loss from the release of negative goodwill and profit/loss from banking business due to governmental measures).

- Risk-weighted assets are an important indicator of the change in business volume. Risk-weighted assets (total RWA) according to CRR (based on Basel III) are an industry-specific addition for segment assets. They are crucial for the calculation of the regulatory minimum capital requirement.

The presentation of segment performance is based on the income statement. Income and expenses are attributed to the segment in which they are generated. Income comprises net interest income, net fee and commission income, net trading income and recurring other net operating income. The results are also shown for associated companies recognized at equity. The main expense items, which are part of segment results, are shown in the income statement. The segment result is shown up to consolidated profit/loss. Segment assets are represented by total assets and risk-weighted assets. Liabilities include all the items on the liabilities side of the statement of financial position except the equity.

The reconciliation includes mainly the amounts resulting from the elimination of intra-group results and consolidation between segments. The income statement is finally supplemented with financial ratios conventionally used within the industry to evaluate performance.

Financial year 2016 in € thousand	RBI	Central institution and specialized subsidiaries	Other Equity participations	Reconciliation	Total
Net interest income	2,919,956	160,969	154,106	(17,472)	3,217,559
Net fee and commission income	1,503,004	99,494	(158)	(3,188)	1,599,151
Net trading income	214,586	628	(1)	4,392	219,604
Recurring other net operating income	49,564	68,736	46,958	(69,395)	95,863
Operating income	**4,687,109**	**329,827**	**200,905**	**(85,662)**	**5,132,178**
General administrative expenses	(2,879,935)	(289,326)	(45,598)	73,671	(3,141,188)
Operating result	**1,807,174**	**40,501**	**155,307**	**(11,991)**	**1,990,990**
Net provisioning for impairment losses	(754,387)	(751)	0	(2,452)	(757,590)
Other results	(208,477)	(24,222)	(153,819)	(4,262)	(390,780)
Profit/loss before tax	**844,311**	**15,528**	**1,488**	**(18,706)**	**842,620**
Income taxes	(315,842)	5,230	973	(45)	(309,683)
Profit/loss after tax	**528,469**	**20,758**	**2,461**	**(18,750)**	**532,938**
Profit attributable to non-controlling interests	(291,715)	(6,218)	17,625	0	(280,309)
Profit/loss after deduction of non-controlling interests	**236,753**	**14,540**	**20,086**	**(18,750)**	**252,629**
Risk-weighted assets (credit risk)	48,841,245	6,108,991	1,535,572	(219,647)	56,266,161
Risk-weighted assets (total RWA)	60,060,645	6,537,123	1,658,488	(200,978)	68,055,278
Total capital requirement	4,804,852	522,970	132,679	(16,078)	5,444,422
Assets	112,262,446	23,875,558	2,197,543	(3,488,972)	134,846,575
Risk/revenue ratio	25.8%	0.5%	–	–	23.5%
Cost/income ratio	61.4%	87.7%	22.7%	–	61.2%
Average equity	8,335,009	908,741	264,000	(36,670)	9,471,080
Return on equity before tax	**10.1%**	**1.7%**	**0.6%**	**–**	**8.9%**
Business outlets	2,506	16	0	1	2,523

Financial year 2015[1] in € thousand	RBI	Central institution and specialized subsidiaries	Other Equity participations	Reconciliation	Total
Net interest income	3,311,306	188,281	143,173	(19,338)	3,623,422
Net fee and commission income	1,526,940	66,215	(79)	729	1,593,805
Net trading income	16,415	1,621	(2)	(2,333)	15,700
Recurring other net operating income	76,639	56,500	44,359	(77,522)	99,976
Operating income	**4,931,299**	**312,617**	**187,450**	**(98,463)**	**5,332,903**
General administrative expenses	(2,964,231)	(232,131)	(47,661)	73,927	(3,170,095)
Operating result	**1,967,069**	**80,486**	**139,790**	**(24,537)**	**2,162,808**
Net provisioning for impairment losses	(1,263,802)	3,156	0	1,597	(1,259,049)
Other results	(44,757)	(30,570)	(61,632)	(29,931)	(166,889)
Profit/loss before tax	**658,510**	**53,072**	**78,158**	**(52,871)**	**736,869**
Income taxes	(261,290)	(12,289)	2,076	(13)	(271,515)
Profit/loss after tax	**397,220**	**40,783**	**80,234**	**(52,884)**	**465,354**
Profit attributable to non-controlling interests	(195,892)	(15,867)	(16,731)	0	(228,489)
Profit/loss after deduction of non-controlling interests	**201,329**	**24,917**	**63,503**	**(52,884)**	**236,864**
Risk-weighted assets (credit risk)	51,458,646	5,858,077	2,576,124	(304,983)	59,587,865
Risk-weighted assets (total RWA)	63,274,685	6,519,676	2,621,376	(285,125)	72,130,611
Total capital requirement	5,061,975	521,574	209,710	(22,810)	5,770,449
Assets	114,587,661	26,119,687	1,801,347	(4,082,865)	138,425,830
Risk/revenue ratio	38.2%	(1.7)%	–	–	34.7%
Cost/income ratio	60.1%	74.3%	25.4%	–	59.4%
Average equity	8,590,743	982,264	289,743	(159,015)	9,703,735
Return on equity before tax	**7.7%**	**5.4%**	**27.0%**	**–**	**7.6%**
Business outlets	2,705	16	0	1	2,722

[1] Due to an error, several individual items in the segment reporting of RZB's annual report for 2015 contained erroneous figures. These were corrected by publishing an erratum in June 2016.

Notes

Principles underlying the preparation of financial statements

Reporting entity

Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB AG) is the central institution of the RBG and registered at the Vienna Commercial Court (Handelsgericht Wien) under Companies Register number FN 58.882 t. The company address is Am Stadtpark 9, 1030 Vienna.

At the end of September 2016, the ultimate parent company of RZB AG, Raiffeisen-Landesbanken-Holding GmbH, Vienna, and its wholly owned subsidiary, R-Landesbanken-Beteiligung GmbH, Vienna, which together held 82.4 per cent of the shares in RZB AG, were merged into RZB AG. Accordingly, RZB AG serves, until its merger into RBI AG, as the ultimate parent company. The core shareholders of RZB AG are the Raiffeisen-Landesbanken – i.e. the regional Raiffeisen banks, which together hold 90.4 per cent.

RZB specializes in commercial banking and investment banking in Austria and is one of the country's most important banks for corporate finance and export and trade financing. Other activities are cash and asset management and treasury. As a highly specialized financial engineer, RZB focuses primarily on providing services for major domestic and foreign large customers, multinational companies and financial service providers. The RZB companies are also active in private banking, capital investment, leasing and real estate, and other bank-related services. Through its subsidiaries, RZB has a close network of branches throughout the CEE region. Supplementing this, it has branches, specialized companies and representative offices in the world's leading financial centers and selected Western European locations.

The consolidated financial statements were signed by the Management Board on 1 March 2017 and subsequently submitted to the Supervisory Board for information.

Principles underlying the consolidated financial statements

The consolidated financial statements for the 2016 financial year and the comparative figures for the 2015 financial year were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) insofar as they were adopted by the EU on the basis of IAS Regulation (EC) 1606/2002. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC) that were already applicable have been considered. All standards published by the IASB as International Accounting Standards and adopted by the EU have been applied to consolidated financial statements for 2016. The consolidated financial statements also satisfy the requirements of Section 245a of the Austrian Commercial Code (UGB) and Section 59a of the Austrian Banking Act (BWG) regarding exempting consolidated financial statements that comply with internationally accepted accounting principles. IAS 20, IAS 41 and IFRS 6 have not been applied as there were no relevant business transactions in the Group.

The consolidated financial statements are based on the reporting packages of all fully consolidated Group members, which are prepared according to IFRS rules and uniform Group standards. All major subsidiaries prepare their annual financial statements as at and for the year ended 31 December. Figures in these financial statements are stated in € thousand. The following tables may contain rounding differences.

The consolidated financial statements are based on the going concern principle.

A financial asset is recognized when it is probable that the future economic benefits will flow to the company and the acquisition or conversion costs or another value can be reliably measured. A financial liability is recognized when it is probable that an outflow of resources embodying economic benefits will result from the settlement of the obligation and the amount at which the settlement will take place can be reliably measured. An exception is certain financial instruments which are recognized at fair value at the reporting date. Revenue is recognized if the conditions of IAS 18 are met and if it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured.

Foreign currency translation

The consolidated financial statements are prepared in euro, which is the functional currency of RZB AG. The functional currency is the currency of the principal economic environment in which the company operates. Each entity within the Group determines its own functional currency taking all factors listed in IAS 21 into account.

All financial statements of fully consolidated companies prepared in a functional currency other than euro were translated into the reporting currency euro employing the modified closing rate method in accordance with IAS 21. Equity was translated at its historical exchange rates, while all other assets, liabilities and the notes were translated at the prevailing foreign exchange rates as of the reporting date. Differences arising from the translation of equity (historical exchange rates) are offset against retained earnings.

The income statement items were translated at the average exchange rates during the year calculated on the basis of month-end rates. Differences arising between the exchange rate as of the reporting date and the average exchange rate applied in the income statement are offset against equity (retained earnings). According to IAS 21, in cases of significantly fluctuating exchange rates, the transaction rate is applied instead of the average rate.

Accumulated exchange differences are reclassified from the item “exchange differences” shown in other comprehensive income to the income statement under net income from disposal of group assets, in the event of disposal of a foreign business operation which leads to loss of control, joint management or significant influence over this business operation.

In the case of one subsidiary headquartered outside the euro area, the US dollar was the reporting currency for measurement purposes given the economic substance of the underlying transactions, as both the transactions and the refinancing were undertaken in US dollars. In the case of one subsidiary headquartered in the euro area, the Russian rouble was the reporting currency for measurement purposes given the economic substance of the underlying transactions and for one subsidiary the Swedish krona was the functional currency.

The following exchange rates were used for currency translation:

	2016		2015	
	As at	Average	As at	Average
Rates in units per €	**31/12**	**1/1-31/12**	**31/12**	**1/1-31/12**
Albanian lek (ALL)	135.400	137.299	137.280	139.668
Belarusian rouble (BYN)	2.158	2.216	2.030	1.991
Bosnian marka (BAM)	1.956	1.956	1.956	1.956
Bulgarian lev (BGN)	1.956	1.956	1.956	1.956
Croatian kuna (HRK)	7.560	7.544	7.638	7.621
Czech koruna (CZK)	27.021	27.041	27.023	27.305
Malaysian ringgit (MYR)[1]	-	-	4.696	4.338
Hungarian forint (HUF)	309.830	312.222	315.980	310.045
Kazakh tenge (KZT)	352.622	376.831	371.310	249.078
Polish zloty (PLN)	4.410	4.366	4.264	4.191
Romanian leu (RON)	4.539	4.496	4.524	4.444
Russian rouble (RUB)	64.300	73.876	80.674	69.043
Serbian dinar (RSD)	123.410	122.970	121.626	120.779
Singapore dollar (SGD)	1.523	1.526	1.542	1.529
Swiss franc (CHF)	1.074	1.090	1,084	1.075
Turkish lira (TRY)[1]	-	-	3.177	3.024
Swedish krona (SEK)	9.553	9.450	9.190	9.341
Ukrainian hryvna (UAH)	28.599	28.214	26.223	24.016
US-Dollar (USD)	1.054	1.102	1.089	1.113

1 Due to the disposal of Group assets, the Malaysian ringgit and the Turkish lira were no longer in use in the 2016 financial year.

Key sources of estimation uncertainty and critical accounting judgments

If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, they are made in accordance with the respective standards. They are based on past experience and other factors such as planning and expectations or forecasts of future events that appear likely. The estimates and underlying assumptions are reviewed on an ongoing basis. Alterations to estimates that affect only one period will be taken into account only in that period. If the following reporting periods are also affected, the alterations will be taken into consideration in the current and following periods. The critical assumptions, estimates and accounting judgments are as follows:

Risk provisions for loans and advances

At each reporting date, all financial assets, not measured at fair value through profit or loss, are subject to an impairment test to determine whether an impairment loss is to be recognized through profit or loss. In particular, it is required to determine whether there is objective evidence of impairment as a result of a loss event occurring after initial recognition and to estimate the amount and timing of future cash flows when determining an impairment loss. Risk provisions are described in detail in (43) Risks arising from financial instruments, in the section on credit risk.

Fair value of financial instruments

Fair value is the price received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This applies regardless of whether the price can be directly observed or was estimated on the basis of a measurement method. In determining the fair value of an asset or liability, the Group takes account of certain features of the asset or liability (e. g. condition and location of the asset or restrictions in the sale and use of an asset) if market participants would also take account of such features in determining the price for the acquisition of the respective asset or for the transfer of the liability at the measurement date. Where the market for a financial instrument is not active, fair value is established using a valuation technique or pricing model. For valuation methods and models, estimates are generally used depending on the complexity of the instrument and the availability of market-based data. The inputs to these models are derived from observable market data where possible. Under certain circumstances, valuation adjustments are necessary in order to account for model risk, liquidity risk or credit risk. The valuation models are described in the notes in the section on financial instruments – Recognition and measurement. In addition, the fair values of financial instruments are shown in the notes under (41) Fair value of financial instruments.

Provisions for pensions and similar obligations

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. The interest rate used to discount the Group's defined benefit obligations is determined on the basis of the yields obtained in the market at the reporting date for top-rated fixed-income corporate bonds. Considerable discretion has to be exercised in this connection in setting the criteria for the selection of the corporate bonds representing the universe from which the yield curve is derived. Mercer's recommendation is used to determine the interest rate. The main criteria for the selection of such corporate bonds are the issuance volumes of the bonds, the quality of the bonds and the identification of outliers, which are not taken into account. Assumptions and estimates used for the defined benefit obligation calculations are described in the section on pension obligations and other termination benefits. Quantitative data for long term employee provisions are disclosed in (28) Provisions for liabilities and charges.

Impairment of non-financial assets

Certain non-financial assets, including goodwill and other intangible assets, are subject to an annual impairment review. Goodwill and other intangible assets are tested more frequently if events or changes in circumstances, such as an adverse change in business climate, indicate that these assets may be impaired. The determination of the recoverable amount requires judgments and assumptions to be made by management. Because these estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change, the Group considers these estimates to be critical. Details concerning the impairment review of non-financial assets are disclosed in the section on business combinations. Additionally, the carrying amounts of goodwill are presented in (21) Intangible fixed assets.

Deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profit will be available against which those unused tax losses, unused tax credits or deductible temporary differences can be utilized. A planning period of five years is used to this end. This assessment requires significant management judgments and assumptions. In determining the amount of deferred tax assets, the management uses historical tax capacity and profitability information, and forecasted operating results based upon approved business plans, including a review of the eligible carry-forward period.

Deferred taxes are not reported separately in the income statement and statement of financial position. Details are provided in the statement of comprehensive income, and in (11) Income taxes, (24) Other assets, and (28) Provisions for liabilities and charges.

Leasing agreements

To distinguish between finance leases on the one hand and operating leases on the other, judgments have to be made from the view of the lessor, the main criterion being the transfer of all risks and opportunities from the lessor to the lessee. Details are provided in (45) Finance leases, and (46) Operating leases.

Control

According to IFRS 10, a Group controls an investee if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the entity. IFRS 10 also provides specific information on the acknowledgement or assessment of potential voting rights, codecision rights or protective rights of third parties and situations that are characterized by delegated or retained decision-making rights or de-facto control. Whether control exists requires a comprehensive assessment (i.e. requiring greater discretion) to determine the parent company's influence over the investee. Details are provided in (53) Group composition.

Interests in structured entities

According to IFRS 12, structured entities are companies that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the company. This applies, for instance, when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. For the purposes of this IFRS, an interest in another entity is a contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity.

Assessment of which companies are structured entities, and what involvement in such companies actually represents an interest, requires judgments to be made. Details are provided in (53) Group composition, in the section on "Structured entities".

Notes to the income statement

(1) Income statement according to measurement categories

in € thousand	2016	2015
Net gains (losses) on financial assets and liabilities held-for-trading	**111,819**	**80,731**
Financial assets and liabilities at fair value through profit or loss	**190,950**	**442,253**
Interest income	227,376	250,873
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	(36,426)	191,380
Financial assets available-for-sale	**266,230**	**67,341**
Interest income	98,707	97,612
Net realized gains (losses) on financial assets available-for-sale	219,835	18,166
Impairment on financial assets available-for-sale	(52,312)	(48,438)
Loans and advances	**3,005,244**	**3,109,921**
Interest income	3,761,917	4,368,687
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	10,174	10,848
Impairment on financial assets not measured at fair value through profit and loss	(766,847)	(1,269,614)
Financial assets held-to-maturity	**159,490**	**178,824**
Interest income	146,759	167,972
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	12,786	10,831
Write-ups/impairment on financial assets not measured at fair value through profit and loss	(55)	21
Financial liabilities	**(1,316,137)**	**(1,844,088)**
Interest expenses	(1,315,907)	(1,847,993)
Income from repurchase of liabilities	(230)	3,905
Derivatives (hedging)	**154,082**	**192,693**
Net interest income	160,449	194,761
Net gains (losses) from hedge accounting	(6,367)	(2,068)
Net revaluations from exchange differences	**24,565**	**66,111**
Current income from associates	**74,375**	**132,837**
Sundry operating income and expenses	**(1,827,998)**	**(1,689,755)**
Profit/loss before tax	**842,620**	**736,869**

(2) Net interest income

Net interest income includes interest income and interest expenses from banking business, dividend income, and fees and commissions with interest-like characteristics.

in € thousand	2016	2015
Interest and interest-like income, total	**4,459,090**	**5,338,577**
Interest income	4,375,619	5,227,538
from balances at central banks	20,924	35,865
from loans and advances to banks	195,115	220,428
from loans and advances to customers	3,382,647	3,893,419
from financial investments	371,715	417,809
from leasing claims	180,886	206,585
from derivative financial instruments - economic hedge	63,883	258,671
from derivative financial instruments - hedge accounting	160,449	194,761
Current income	101,127	98,650
from shares and other variable-yield securities	2,420	1,037
from shares in affiliated companies	84,509	79,741
from other interests	14,197	17,871
Interest-like income	15,193	19,524
Negative interest from financial assets	(32,848)	(7,134)
Current income from associates	**74,375**	**132,837**
Interest expenses and interest-like expenses, total	**(1,315,907)**	**(1,847,993)**
Interest expenses	(1,293,180)	(1,784,511)
on deposits from central banks	(14,360)	(53,964)
on deposits from banks	(209,920)	(259,040)
on deposits from customers	(678,663)	(1,005,150)
on debt securities issued	(229,739)	(279,025)
on subordinated capital	(160,497)	(187,330)
Interest-like expenses	(40,252)	(65,941)
Negative interest from financial liabilities	17,526	2,459
Total	**3,217,559**	**3,623,422**

Interest income includes interest income (unwinding) from impaired loans to customers and banks in the amount of € 186,383 thousand (2015: € 185,612 thousand). Interest income from impaired loans and advances to customers and banks is recognized with the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

The decline in current income from associates was due in particular to lower earnings contributions from UNIQA Insurance Group AG, Vienna.

(3) Net provisioning for impairment losses

Net provisioning for impairment losses on items reported on and off the statement of financial position is as follows:

in € thousand	2016	2015
Individual loan loss provisions	**(771,496)**	**(1,326,810)**
Allocation to provisions for impairment losses	(1,653,537)	(2,009,754)
Release of provisions for impairment losses	866,343	674,827
Direct write-downs	(112,640)	(119,822)
Income received on written-down claims	128,338	127,939
Portfolio-based loan loss provisions	**3,732**	**56,912**
Allocation to provisions for impairment losses	(182,946)	(196,676)
Release of provisions for impairment losses	186,678	253,588
Gains from the sales of loans	**10,174**	**10,848**
Total	**(757,590)**	**(1,259,049)**

Details on risk provisions are shown under (16) Impairment losses on loans and advances.

(4) Net fee and commission income

in € thousand	2016	2015
Payment transfer business	655,938	650,998
Loan and guarantee business	150,148	186,850
Securities business	130,563	130,044
Foreign currency, notes/coins, and precious metals business	391,523	380,977
Management of investment and pension funds	162,215	122,759
Sale of own and third party products	59,670	51,783
Other banking services	49,094	70,393
Total	**1,599,151**	**1,593,805**

(5) Net trading income

The position net trading income includes interest and dividend income, refinancing costs, commissions and any changes in fair value of trading portfolios.

in € thousand	2016	2015
Interest-based transactions	123,217	66,002
Currency-based transactions	116,345	(58,641)
Equity-/index-based transactions	(18,594)	6,792
Credit derivatives business	(3,751)	(926)
Other transactions	2,388	2,473
Total	**219,604**	**15,700**

The improvement in currency-based transactions was primarily the result of the Ukranian hryvnia devaluation of € 80,987 thousand, which was smaller than the previous year. Another positive effect was attributable to the discontinuation of a hedging transaction for Russian rouble denominated dividend income, which had resulted in a € 70,032 thousand reduction in the previous year. Belarus, in contrast, reported a decline of € 61,299 thousand from ending a strategic currency position.

(6) Net income from derivatives and liabilities

in € thousand	2016	2015
Net income from hedge accounting	(6,367)	(2,068)
Net income from credit derivatives	(48)	(74)
Net income from other derivatives	(147,056)	(127,455)
Net income from liabilities designated at fair value	(105,162)	111,235
Income from repurchase of liabilities	(230)	3,905
Total	**(258,863)**	**(14,457)**

Net income from hedge accounting includes a valuation result from derivatives in fair value hedges of € 9,200 thousand (2015: minus € 117,161 thousand) and changes in the carrying amount of the fair value hedged items of minus € 15,778 thousand (2015: € 115,302 thousand). This item also includes the ineffective portions of the cash flow hedge amounting to € 211 thousand (2015: minus € 208 thousand).

Net income from other derivatives includes valuation results from those derivatives, which are held to hedge against market risks (except trading assets/liabilities). They are based on a non-homogeneous portfolio and do not satisfy the requirements for hedge accounting according to IAS 39.

Net income from liabilities designated at fair value comprises a loss from changes in own credit risk amounting to € 119,064 thousand (2015: loss of € 2,572 thousand) and a positive effect from changes in market interest rates of € 13,902 thousand (2015: positive effect of € 113,807 thousand).

(7) Net income from financial investments

Net income from financial investments comprises valuation results and net proceeds from sales of securities from the financial investment portfolio (held-to-maturity), from securities measured at fair value through profit and loss, and equity participations which include shares in affiliated companies, associated companies, and other companies.

in € thousand	2016	2015
Net income from securities held-to-maturity	**12,731**	**10,851**
Net valuations of securities	(55)	21
Net proceeds from sales of securities	12,786	10,831
Net income from equity participations	**100,155**	**(34,838)**
Net valuations of equity participations	(46,078)	(50,615)
Net proceeds from sales of equity participations	146,233	15,776
Net income from associates	**(130,176)**	**(93,591)**
Net valuations of associates	(194,380)	(93,591)
Net proceeds from associates	64,205	0
Net income from securities at fair value through profit and loss	**69,653**	**80,428**
Net valuations of securities	70,246	56,728
Net proceeds from sales of securities	(594)	23,700
Net income from available-for-sale securities	**3,164**	**4,567**
Total	**55,527**	**(32,583)**

In the 2016 financial year, most of the net proceeds from sales of equity participations came from the sale of Visa Europe Ltd. shares to Visa Inc. and the associated reclassification of accumulated gains of € 133,623 thousand to profit or loss.

In the year under review, net income from associates amounted to minus € 130,176 thousand after reaching minus € 93,591 thousand in the previous year. In the course of selling a portion of the equity interest in UNIQA Insurance Group AG, Vienna, the carrying amount of the equity interest was found to be impaired by € 79,213 thousand in the year under review and the portion of the equity interest that was held for sale pursuant to IFRS 5 was found to be impaired by € 83,691 thousand during the same period. An impairment of € 25,240 thousand was applied to the carrying amount of the remaining portion of the equity interest. In the previous year, an impairment of € 85,658 thousand was recognized for the carrying amount of the equity interest in UNIQA Insurance Group AG, Vienna.

(8) General administrative expenses

in € thousand	2016	2015
Staff expenses	(1,552,216)	(1,514,634)
Other administrative expenses	(1,214,141)	(1,277,034)
hereof operating other administrative expenses	(1,062,243)	(1,106,640)
hereof regulatory other administrative expenses	(151,898)	(170,394)
Depreciation of tangible and intangible fixed assets	(374,831)	(378,427)
Total	**(3,141,188)**	**(3,170,095)**

Staff expenses

in € thousand	2016	2015
Wages and salaries	(1,183,202)	(1,152,133)
Social security costs and staff-related taxes	(271,626)	(274,798)
Other voluntary social expenses	(45,894)	(40,479)
Expenses for defined contribution pension plans	(16,325)	(16,642)
Expenses for defined benefit pension plans	1,264	301
Expenses for other post-employment benefits	(9,785)	(7,497)
Expenses for other long-term employee benefits	(3,248)	(6,505)
Termination benefits	(12,860)	(11,028)
Expenses on share incentive program (SIP)	(1,120)	(1,929)
Deferred bonus payments according to Section 39b BWG	(9,420)	(3,925)
Total	**(1,552,216)**	**(1,514,634)**

Other administrative expenses

in € thousand	2016	2015
Office space expenses	(250,949)	(279,791)
IT expenses	(287,890)	(275,141)
Communication expenses	(68,643)	(71,424)
Legal, advisory and consulting expenses	(121,849)	(120,333)
Advertising, PR and promotional expenses	(120,551)	(128,702)
Office supplies	(26,526)	(28,667)
Car expenses	(14,429)	(17,899)
Security expenses	(35,947)	(35,462)
Traveling expenses	(17,400)	(17,700)
Training expenses for staff	(18,139)	(17,751)
Sundry administrative expenses	(99,920)	(113,770)
Operating other administrative expenses	**(1,062,243)**	**(1,106,640)**
Deposit insurance fees	(99,832)	(128,078)
Resolution fund	(52,065)	(42,316)
Regulatory other administrative expenses	**(151,898)**	**(170,394)**
Total	**(1,214,141)**	**(1,277,034)**

Legal, advisory and consulting expenses include audit fees of RZB AG and its subsidiaries which comprise expenses for the audit of financial statements amounting to € 8,444 thousand (2015: € 8,057 thousand) and tax advisory as well as other additional consulting services amounting to € 11,727 thousand (2015: € 7,065 thousand). Thereof, € 3,054 thousand (2015: € 3,099 thousand) relates to the Group auditor for the audit of the financial statements and other consulting services account for € 4,221 thousand (2015: € 2,218 thousand).

Depreciation of tangible and intangible fixed assets

in € thousand	2016	2015
Tangible fixed assets	(153,682)	(165,300)
Intangible fixed assets	(183,518)	(174,925)
Leased assets (operating lease)	(37,631)	(38,202)
Total	**(374,831)**	**(378,427)**

Amortization of intangible fixed assets capitalized in the course of initial consolidation amounted to € 4,719 thousand (2015: € 5,747 thousand) which relates to scheduled amortization of the customer base.

The depreciation of tangible and intangible fixed assets includes impairments of € 53,837 thousand (2015: € 53,252 thousand). The impairments comprise impairment losses for buildings and land of € 22,730 thousand (2015: € 17,850 thousand) and impairment losses for intangible assets of € 28,540 thousand (2015: € 31,993 thousand), mainly for the Polbank brand.

Expenses on severance payments and retirement benefits

in € thousand	2016	2015
Members of the management board and senior staff	(2,408)	(4,343)
Other employees	(25,280)	(27,543)
Total	**(27,689)**	**(31,886)**

For two members of the Management Board essentially the same rules apply as for employees, which provide for a basic contribution to a pension fund on the part of the company and an additional contribution, if the employee makes his own contributions in the same amount. One member of the Management Board has a performance-based pension benefit.

In the event of termination of function or employment and retirement from the company, two members of the Management Board are entitled to severance payments in accordance with the Salaried Employees Act (Angestelltengesetz) in connection with the Bank Collective Agreement (Bankenkollektivvertrag) and one member in accordance with the Company Retirement Plan Act (Betriebliches Mitarbeitervorsorgegesetz).

Furthermore, protection is in place against occupational disability risk through one pension fund and/or on the basis of an individual pension benefit. The contracts for members of the Management Board are concluded for the duration of their functional period or are limited to a maximum of five years.

(9) Other net operating income

in € thousand	2016	2015[1]
Net income arising from non-banking activities	21,187	15,050
Sales revenues from non-banking activities	131,677	133,601
Expenses arising from non-banking activities	(110,490)	(118,551)
Net income from additional leasing services	7,368	5,609
Revenues from additional leasing services	79,616	69,800
Expenses from additional leasing services	(72,247)	(64,191)
Rental income from operating lease (vehicles and equipment)	40,717	41,884
Rental income from investment property incl. operating lease (real estate)	49,906	49,091
Net proceeds from disposal of tangible and intangible fixed assets	5,674	1,457
Other taxes	(74,871)	(77,075)
Net expense from allocation and release of other provisions	(19,880)	(4,864)
Sundry operating income	115,953	159,282
Sundry operating expenses	(50,191)	(90,457)
Recurring other net operating income	**95,863**	**99,976**
Impairment of goodwill	(10,956)	(30,924)
Income from release of negative goodwill	0	18,167
Bank levies	(174,407)	(139,836)
Profit/loss from banking business due to governmental measures	(29,268)	(19,249)
Total	**(118,767)**	**(71,866)**

1 Previous year figures adapted to reflect changes in allocation

The item "other taxes" includes the financial transactions tax in Hungary in addition to property taxes.

Other net operating income in the financial year includes impairment of goodwill amounting to € 10,956 thousand for a Group unit in Austria and the Czech Republic. In the previous year, impairment of goodwill totaling € 30,924 thousand for Group units in Ukraine, Serbia and Austria was included

The bank levies primarily consist of the levies required under the Austrian Stability Act (StabG) amounting to € 85,440 thousand (2015: € 84,175 thousand) as well as bank levies in Poland (€ 34,077 thousand, 2015: € 0 thousand), Slovakia (€ 19,365 thousand, 2015: € 17,553 thousand) and Hungary (€ 18,964 thousand, 2015: € 17,372 thousand).

The "Walkaway Law" came into force in Romania in the second quarter of 2016. Expected utilization resulted in a provisioning requirement of € 26,741 thousand for the reporting period. This new mortgage loan law stipulates that borrowers can sign their properties over to banks and thereby settle their debts, even if the outstanding volume of the loan exceeds the value of the property. The law relates to certain mortgage loans taken out by private individuals in any currency and applies retroactively. Since the Group is of the opinion that this contravenes the Romanian constitution, proceedings were initiated. In October 2016, the Romanian Constitutional Court repealed sections of the law connected with its retroactive application. In the previous year, this item contained charges of € 81,987 thousand in Croatia and € 3,951 thousand in Serbia, which were offset by a partial release of provisions of € 66,689 thousand in Hungary.

(10) Net income from disposal of group assets

in € thousand	2016	2015
Net income from disposal of group assets	27,186	104,223
Impairment of assets held for sale	0	(51,772)
Total	**27,186**	**51,993**

Net income from the disposal of group assets consisted of the following:

in € thousand	RLPL Group	RBSI	Others	Total
Assets	1,580,189	545,114	204,720	2,330,023
Liabilities	1,416,664	489,413	149,513	2,055,590
Total identifiable net assets	**163,525**	**55,701**	**55,207**	**274,433**
Non-controlling interests	0	156	924	1,080
Net assets after non-controlling interests	**163,525**	**55,544**	**54,283**	**273,352**
Selling price	192,787	500	65,584	258,872
Effect from deconsolidations	**29,263**	**(55,044)**	**11,301**	**(14,480)**
Goodwill	0	0	0	0
Usage of provision for assets held for sale	0	51,772	0	51,772
Fair value reserve reclassified to income statement	0	1,212	0	1,212
FX reserve reclassified to income statement	(11,663)	(3,586)	3,932	(11,317)
Net income from disposal of group assets	**17,600**	**(5,647)**	**15,233**	**27,186**

RLPL Group: Raiffeisen-Leasing Polska S.A., Warsaw, and subsidiaries
RBSI: Raiffeisen Banka d.d., Maribor

In the reporting period, twelve subsidiaries were excluded from the consolidated group for materiality reasons. Moreover, eight subsidiaries were excluded due to sale, one subsidiary due to a change in control and four subsidiaries due to the discontinuation of their business operations. Net income from the disposal of these group assets amounted to € 27,186 thousand.

In the previous year's period, net income amounted to € 51,993 thousand. The sale of ZAO NPF Raiffeisen, Moscow, resulted in a gain of € 86,171 thousand. The currency effects of € 4,018 thousand that were realized from this transaction have been reclassified to the income statement. In contrast, a provision of € 51,772 thousand has been recognized for the expected loss on the sale of Raiffeisen Banka d.d., Maribor.

Details are shown under (53) Group composition.

(11) Income taxes

in € thousand	2016	2015
Current income taxes	(281,492)	(275,618)
Austria	(13,892)	(38,028)
Foreign	(267,600)	(237,590)
Deferred taxes	(28,191)	4,102
Total	**(309,683)**	**(271,515)**

RZB AG is the parent company of a tax group comprising 37 subsidiaries and 15 other affiliated companies. This makes it possible to attribute the negative tax result of group members to the tax result of the parent company. In the previous year, the existing tax compensation agreement was expanded with a supplementary agreement. If RBI AG has a negative result in the tax accounts which cannot be used in the group, the group parent is not obliged to pay negative tax contributions to RBI AG. However, the amount is to be settled in the event of a withdrawal from the tax group. The obligation of the tax group head to pay a negative tax contribution to RBI AG for usable losses remains.

The following reconciliation shows the relation between profit before tax and the effective tax burden:

in € thousand	2016	2015
Profit/loss before tax	**842,620**	**736,869**
Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent	**(210,655)**	**(184,217)**
Effect of divergent foreign tax rates	105,309	78,761
Tax decrease because of tax-exempted income from equity participations and other income	70,988	92,731
Tax increase because of non-deductible expenses	(108,860)	(209,400)
Impairment/increases on loss carry-forwards	536	(4,284)
Other changes	(167,001)	(45,106)
Effective tax burden	**(309,683)**	**(271,515)**
Effective tax rate in per cent	**36.8%**	**36.9%**

Other changes include € 89,224 thousand unrecognized deferred taxes from temporary differences. They were not capitalized because there was no utilization based on the current medium-term tax planning.

Notes to the statement of financial position

(12) Statement of financial position according to measurement categories

Assets according to measurement categories in € thousand	2016	2015
Cash reserve	**16,838,583**	**17,401,694**
Trading assets	**5,560,434**	**6,545,557**
Positive fair values of derivative financial instruments	3,241,373	3,573,783
Shares and other variable-yield securities	164,482	203,282
Bonds, notes and other fixed-interest securities	2,154,579	2,768,493
Call/time deposits from trading purposes	0	0
Financial assets at fair value through profit or loss	**8,473,211**	**9,983,551**
Shares and other variable-yield securities	119,721	257,491
Bonds, notes and other fixed-interest securities	8,353,490	9,726,060
Investments in associates	**775,035**	**1,590,384**
Financial assets available-for-sale	**4,738,294**	**4,482,654**
Investments in other affiliated companies	213,924	222,019
Other interests	195,580	249,793
Bonds, notes and other fixed-interest securities	4,274,693	3,958,963
Shares and other variable-yield securities	54,097	51,880
Loans and advances	**86,964,094**	**86,371,223**
Loans and advances to banks	11,023,532	12,113,132
Loans and advances to customers	79,769,079	79,457,653
Other non-derivative financial assets	1,416,562	1,200,174
Impairment losses on loans and advances	(5,245,078)	(6,399,737)
Financial assets held-to-maturity	**8,218,726**	**7,982,022**
Bonds, notes and other fixed-interest securities	8,218,726	7,982,022
Derivatives (hedging)	**644,693**	**709,272**
Positive fair values of derivatives (hedging)	644,693	709,272
Other assets	**2,633,505**	**3,359,474**
Intangible and tangible fixed assets	2,519,140	2,494,020
Inventories	85,539	91,314
Assets held for sale (IFRS 5)	28,826	774,139
Total assets	**134,846,575**	**138,425,830**

Positive fair values of derivatives not designated as hedging instruments according to IAS 39 hedge accounting are reported in the measurement category "trading assets".

Equity and liabilities according to measurement categories in € thousand	2016	2015
Trading liabilities	**5,421,625**	**5,575,505**
Negative fair values of other derivative financial instruments	2,902,215	4,427,187
Short-selling of trading assets	555,346	453,459
Certificates issued	1,964,063	694,859
Financial liabilities	**115,386,498**	**119,445,874**
Deposits from banks[1]	23,308,054	27,274,329
Deposits from customers	80,324,996	78,078,973
Debt securities issued[1]	7,153,963	8,126,365
Subordinated capital[1]	3,578,993	3,681,240
Other non-derivative financial liabilities	1,020,492	991,198
Liabilities held for sale (IFRS 5)	0	1,293,769
Liabilities at fair value through profit and loss	**2,783,648**	**2,588,259**
Deposits from banks[1]	751,720	838,753
Debt securities issued[1]	1,373,418	1,226,965
Subordinated capital[1]	658,510	522,541
Derivatives (hedging)	**425,415**	**434,791**
Negative fair values of derivatives (hedging)	425,415	434,791
Provisions for liabilities and charges	**1,035,629**	**1,085,276**
Equity	**9,793,760**	**9,296,127**
Total equity and liabilities	**134,846,575**	**138,425,830**

1 Adaptation of previous year figures

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

(13) Cash reserve

in € thousand	2016	2015
Cash in hand	2,975,502	2,495,488
Balances at central banks	13,863,081	14,906,206
Total	**16,838,583**	**17,401,694**

(14) Loans and advances to banks

in € thousand	2016	2015
Giro and clearing business	2,242,840	1,496,485
Money market business	6,556,978	7,696,647
Loans to banks	1,777,599	2,670,594
Purchased loans	257,469	49,781
Leasing claims	34,813	27,036
Claims evidenced by paper	153,833	172,590
Total	**11,023,532**	**12,113,132**

The purchased loans amounting to € 257,469 thousand (2015: € 49,781 thousand) are fully assigned to the measurement category "loans and advances".

Loans and advances to banks classified regionally (counterparty domicile) are as follows:

in € thousand	2016	2015
Austria	3,361,882	4,643,729
Foreign	7,661,650	7,469,403
Total	**11,023,532**	**12,113,132**

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

in € thousand	2016	2015
Central banks	1,118,191	2,356,843
Commercial banks	9,901,337	9,749,499
Multilateral development banks	4,003	6,790
Total	**11,023,532**	**12,113,132**

(15) Loans and advances to customers

in € thousand	2016	2015
Credit business	45,280,907	45,917,322
Money market business	4,945,278	3,619,819
Mortgage loans	23,794,971	22,988,846
Purchased loans	2,244,986	1,783,525
Leasing claims	2,999,897	4,490,838
Claims evidenced by paper	503,039	657,303
Total	**79,769,079**	**79,457,653**

Purchased loans amounting to € 2,244,986 thousand (2015: € 1,783,525 thousand) are fully assigned to the measurement category "loans and advances". The drop in leasing claims is primarily due to the sale of the leasing company in Poland. Details on leasing claims are shown under (45) Finance leases.

Loans and advances to customers break down into asset classes as follows:

in € thousand	2016	2015
Sovereigns	773,015	939,350
Corporate customers – large corporates	43,976,735	44,163,046
Corporate customers – mid market	3,002,869	3,190,375
Retail customers – private individuals	29,807,959	28,311,038
Retail customers – small and medium-sized entities	2,208,500	2,853,843
Total	**79,769,079**	**79,457,653**

Loans and advances to customers classified regionally (counterparty domicile) are as follows:

in € thousand	2016	2015
Austria	12,026,757	12,330,774
Foreign	67,742,322	67,126,879
Total	**79,769,079**	**79,457,653**

(16) Impairment losses on loans and advances

Provisions for impairment losses are formed in accordance with uniform Group standards and cover all recognizable credit risks. A table with the development of the impairment losses on loans and advances can be found in the risk report. Provisions for impairment losses are allocated to the following asset classes:

in € thousand	2016	2015
Banks	50,365	119,981
Sovereigns	4,770	5,408
Corporate customers – large corporates	3,119,418	4,009,412
Corporate customers – mid market	266,752	348,398
Retail customers – private individuals	1,565,016	1,636,799
Retail customers – small and medium-sized entities	238,756	279,738
Total	**5,245,078**	**6,399,737**

The reduction in impairment losses on loans and advances was largely caused by the sale of non-performing loans with a nominal value of € 1,186,945 thousand and the derecognition of uncollectible loans.

Loans and advances and loan loss provisions according to asset classes are as follows:

2016 in € thousand	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based loan loss provisions	Net carrying amount
Banks	10,983,971	11,023,532	50,606	48,300	2,065	10,973,166
Sovereigns	707,975	773,015	5,607	4,347	423	768,245
Corporate customers – large corporates	39,692,933	43,976,735	4,439,125	2,997,775	121,643	40,857,317
Corporate customers – mid market	2,758,153	3,002,869	360,676	258,652	8,100	2,736,117
Retail customers – private individuals	28,807,813	29,807,959	1,747,938	1,348,270	216,746	28,242,943
Retail customers – small and medium-sized entities	2,085,155	2,208,500	322,648	213,429	25,327	1,969,744
Total	**85,036,000**	**90,792,610**	**6,926,601**	**4,870,773**	**374,305**	**85,547,532**

2015 in € thousand	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based loan loss provisions	Net carrying amount
Banks	12,036,944	12,113,132	120,657	117,672	2,310	11,993,151
Sovereigns	834,758	939,350	7,808	5,027	381	933,942
Corporate customers – large corporates	39,395,403	44,163,046	5,873,198	3,848,988	160,424	40,153,634
Corporate customers – mid market	2,820,763	3,190,375	483,758	337,792	10,606	2,841,978
Retail customers – private individuals	26,956,959	28,311,038	1,881,097	1,458,974	177,825	26,674,238
Retail customers – small and medium-sized entities	2,709,872	2,853,843	380,006	251,520	28,218	2,574,105
Total	**84,754,699**	**91,570,785**	**8,746,525**	**6,019,972**	**379,765**	**85,171,049**

Impaired financial assets

Impairments and collateral according to asset classes are as follows:

2016 in € thousand	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collateral for individually impaired assets	Interest on individually impaired assets
Banks	50,606	48,300	2,306	0	109
Sovereigns	5,607	4,347	1,260	0	6
Corporate customers – large corporates	4,439,125	2,997,775	1,441,350	702,301	94,662
Corporate customers – mid market	360,676	258,652	102,024	117,076	9,873
Retail customers – private individuals	1,747,938	1,348,270	399,668	428,957	61,924
Retail customers – small and medium-sized entities	322,648	213,429	109,220	100,328	19,809
Total	**6,926,601**	**4,870,773**	**2,055,828**	**1,348,662**	**186,383**

ILLP Individual loan loss provisions

2015 in € thousand	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collateral for individually impaired assets	Interest on individually impaired assets
Banks	120,657	117,672	2,986	183	153
Sovereigns	7,808	5,027	2,781	46	30
Corporate customers – large corporates	5,873,198	3,848,988	2,024,211	1,401,764	96,913
Corporate customers – mid market	483,758	337,792	145,966	82,404	12,898
Retail customers – private individuals	1,881,097	1,458,974	422,123	418,340	58,652
Retail customers – small and medium-sized entities	380,006	251,520	128,486	123,087	16,965
Total	**8,746,525**	**6,019,972**	**2,726,553**	**2,025,823**	**185,612**

ILLP Individual loan loss provisions

(17) Trading assets

in € thousand	2016	2015
Bonds, notes and other fixed-interest securities	**2,154,579**	**2,768,493**
Treasury bills and bills of public authorities eligible for refinancing	632,054	1,029,632
Other securities issued by the public sector	300,058	299,452
Bonds and notes of non-public issuers	1,222,467	1,439,409
Shares and other variable-yield securities	**164,482**	**203,282**
Shares	115,513	173,360
Mutual funds	48,969	29,922
Positive fair values of derivative financial instruments	**2,625,051**	**2,802,799**
Interest-based transactions	1,832,175	1,901,487
Currency-based transactions	694,172	829,254
Equity-/index-based transactions	94,938	69,838
Credit derivatives business	648	1,776
Other transactions	3,119	443
Total	**4,944,112**	**5,774,573**

Pledged securities which are permitted to be sold or repledged by the transferee shown under the item “trading assets” amounted to € 63,540 thousand (2015: € 1,079,590 thousand).

(18) Derivatives

in € thousand	2016	2015
Positive fair values of derivatives in fair value hedges (IAS 39)	**641,851**	**691,539**
Interest-based transactions	641,559	691,539
Currency-based transactions	291	0
Positive fair values of derivatives in cash flow hedges (IAS 39)	**2,842**	**1,021**
Interest-based transactions	2,842	0
Currency-based transactions	0	1,021
Positive fair values of derivatives in net investment hedge (IAS 39)	**0**	**16,711**
Currency-based transactions	0	16,711
Positive fair values of other derivatives	**616,322**	**770,984**
Interest-based transactions	400,262	467,613
Currency-based transactions	216,060	303,371
Total	**1,261,015**	**1,480,256**

As long as the conditions for hedge accounting according to IAS 39 are fulfilled, derivative financial instruments are reported at their fair values (dirty prices) in their function as hedging instruments. The items hedged by fair value hedges are loans and advances to customers, deposits from banks and debt securities issued, which are hedged against interest rate risks. The changes in carrying amount of the hedged underlying transactions in IAS 39 fair value hedges are included in the respective items of the statement of financial position.

This item also includes the positive fair values of derivative financial instruments which are used for hedging against market risks (excluding trading assets and trading liabilities) for a non-homogeneous portfolio. These derivatives do not meet the conditions for IAS 39 hedge accounting.

The time bands in which the hedged cash flows from assets are expected to occur and affect the statement of comprehensive income are as below:

in € thousand	2016	2015
1 year	351,086	411,398
More than 1 year, up to 5 years	708,454	1,577,255
More than 5 years	4,000,862	3,460,207

(19) Financial investments

This position consists of securities available-for-sale, financial assets at fair value through profit or loss, and securities held-to-maturity as well as strategic equity participations held on a long-term basis.

in € thousand	2016	2015
Bonds, notes and other fixed-interest securities	**20,846,909**	**21,667,044**
Treasury bills and bills of public authorities eligible for refinancing	13,087,704	14,283,121
Other securities issued by the public sector	4,673,461	3,849,438
Bonds and notes of non-public issuers	3,065,351	3,514,122
Other	20,394	20,363
Shares and other variable-yield securities	**173,818**	**309,371**
Shares	2,467	3,556
Mutual funds	162,394	296,857
Other variable-yield securities	8,957	8,958
Equity participations	**409,504**	**471,812**
Interest in affiliated companies	213,924	222,019
Other interests	195,580	249,793
Total	**21,430,231**	**22,448,227**

Pledged securities permitted to be sold or repledged by the transferee shown under item "financial investments" amounted to € 598,309 thousand (2015: € 259,526 thousand).

The carrying amount of the securities reclassified into the category "held-to-maturity" amounted at the date of reclassifications to € 452,188 thousand. Thereof, reclassifications in 2008 amounted to € 371,686 thousand and in 2011 € 80,502 thousand. As at 31 December 2016, the carrying amount totaled € 3,314 thousand and the fair value totaled € 3,707 thousand. In 2016, a result from the reclassified securities of € 213 thousand (2015: € 557 thousand) was shown in the income statement. If the reclassification had not been made, a loss of € 78 thousand (2015: loss of € 355 thousand) would have arisen.

Equity participations valued at amortized cost for which fair values could not be measured reliably amounted to € 379,295 thousand (2015: € 334,096 thousand).

(20) Investments in associates

in € thousand	2016	2015
Investments in associates	775,035	1,590,384
hereof goodwill	79,529	228,107

The decline in investments in associates was partially due to the sale of a portion of the equity interest in UNIQA Insurance Group AG, Vienna, resulting in a book value reduction of € 696,256 thousand, and partially due to impairment losses. For details, see (7) Net income from financial investments. UNIQA Insurance Group AG, Vienna, is part of the other equity participations segment. The decline was also attributable to the sale of Raiffeisen evolution project development GmbH, Vienna, which resulted in a book value reduction of € 28,000 thousand.

Company, domicile (country)	Nature of relationship	Ownership interest 2016
card complete Service Bank AG, Vienna (AT)	Issue of credit cards and operating giro, guarantee and credit business	25.0%
LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)	Participation in entities of all kind and industrial, trading and other entities	33.1%
NOTARTREUHANDBANK AG, Vienna (AT)	Business from notarial trusteeships	26.0%
Österreichische Hotel- und Tourismusbank Ges.m.b.H., Vienna (AT)	Financial service provider for tourist enterprises and facilities	31.3%
Österreichische Kontrollbank AG, Vienna (AT)	All kind of bank transactions except of deposit business	8.1%
Prva stavebna sporitelna a.s., Bratislava (SK)	Building society	32.5%
Raiffeisen Informatik GmbH, Vienna (AT)	Services provider for data processing as well as construction and operation of data processing center	47.6%
UNIQA Insurance Group AG, Vienna (AT)	Contract insurance and reinsurance	10.9%
Posojilnica Bank eGen, Klagenfurt (AT)	All kind of bank transactions	58.0%

Financial information on associated companies is as follows:

2016 in € thousand	CCSB	LLI[1]	NTB	OEHT	OeKB
Assets	623,706	1,200,808	1,974,300	972,543	26,504,821
Operating income	100,316	78,525	15,395	3,027	56,333
Profit or loss from continuing operations	2,402	83,010	0	7,862	42,862
Post-tax profit from discontinued operations	0	0	0	0	0
Other comprehensive income	76,811	(3,571)	0	0	(3,261)
Total comprehensive income	**162,036**	**79,439**	**0**	**7,862**	**40,214**
Attributable to non-controlling interests	0	9,517	0	0	285
Attributable to investee's shareholders	0	69,922	0	0	39,928
Current assets	693,746	314,728	1,032,112	171,316	7,861,259
Non-current assets	26,466	886,081	942,188	829,223	18,632,051
Current liabilites	(565,780)	(272,595)	(1,400,907)	(245,304)	(6,786,190)
Non-current liabilities	(21,742)	(404,019)	(545,734)	(722,986)	(18,952,489)
Net assets	**132,691**	**524,194**	**27,659**	**32,249**	**754,631**
Attributable to non-controlling interests	0	125,335	0	0	4,585
Attributable to investee's shareholders	0	398,859	0	0	750,046
Group's interest in net assets of investee as at 1/1	**13,272**	**119,349**	**7,230**	**9,613**	**60,178**
Change in share	0	0	0	0	0
Total comprehensive income attributable to the Group	24,658	19,417	1,521	933	2,352
Dividends received	(4,758)	(6,903)	(1,560)	(469)	(1,626)
Share in capital increase	0	0	0	0	0
Group's interest in net assets of investee as at 31/12	**33,173**	**131,863**	**7,191**	**10,078**	**60,904**
Goodwill	0	57,973	0	0	0
Other adaptations	0	0	0	0	0
Carrying amount	**33,173**	**189,837**	**7,191**	**10,078**	**60,904**

1 Consolidated financial statements: profit and equity is after deduction of non-controlling interests.
CCSB: card complete Service Bank AG, Vienna (AT)
LLI: LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)
NTB: NOTARTREUHANDBANK AG, Vienna (AT)
OEHT: Österreichische Hotel- und Tourismusbank GmbH, Vienna (AT)
OeKB: Österreichische Kontrollbank AG, Vienna (AT)

2016 in € thousand	PSS	RIZ	UNIQA[1] 30/9/2016	PB
Assets	2,848,383	1,145,600	34,240,212	553,561
Operating income	130,530	15,000	230,593	(1,883)
Profit or loss from continuing operations	20,420	(2,976)	142,408	(11,904)
Post-tax profit from discontinued operations	0	0	7,500	0
Other comprehensive income	2,025	(174)	216,813	(244)
Total comprehensive income	**22,445**	**(3,150)**	**366,722**	**(12,148)**
Attributable to non-controlling interests	0	57	4,560	0
Attributable to investee's shareholders	0	(3,207)	362,162	0
Current assets	656,668	739,100	1,614,759	181,016
Non-current assets	2,191,714	406,500	32,625,453	372,545
Current liabilites	(808,086)	(843,500)	(1,546,312)	(321,090)
Non-current liabilities	(1,800,454)	(234,400)	(29,299,640)	(200,830)
Net assets	**239,843**	**67,700**	**3,394,261**	**31,641**
Attributable to non-controlling interests	0	1,400	26,350	0
Attributable to investee's shareholders	0	66,300	3,367,910	0
Group's interest in net assets of investee as at 1/1	**78,049**	**48,984**	**1,148,611**	**7,933**
Change in share	0	291	(811,598)	1,145
Total comprehensive income attributable to the Group	7,293	(14,473)	22,689	(799)
Dividends received	(7,393)	(3,273)	(14,353)	0
Share in capital increase	0	0	0	6,206
Group's interest in net assets of investee as at 31/12	**77,949**	**31,528**	**345,348**	**14,484**
Goodwill	0	0	21,556	0
Other adaptations	0	20	(2,549)	(14,484)
Carrying amount	**77,949**	**31,548**	**364,355**	**0**

1 Consolidated figures as at 30 September 2016, because UNIQA is a listed company and has not yet published 2016 consolidated financial statements. Fair value of the shares held and based on stock exchange price as at 31 December 2016 amounted to € 241,892 thousand (2015: € 731,962 thousand)
PSS: Prva stavebna sporitelna a.s., Bratislava (SK)
RIZ: Raiffeisen Informatik GmbH, Vienna (AT)
UNIQA: UNIQA Insurance Group AG, Vienna (AT)
PB: Posojilnica Bank eGen, Klagenfurt (AT)

2015 in € thousand	CCSB	LLI[1]	NTB	OEHT	OeKB
Assets	536,830	1,209,795	2,424,223	998,359	28,775,190
Operating income	22,183	38,207	16,069	3,206	50,801
Profit or loss from continuing operations	73,705	47,405	7,795	7,198	60,144
Post-tax profit from discontinued operations	0	0	0	0	0
Other comprehensive income	1,260	(24,373)	0	0	749
Total comprehensive income	**74,965**	**23,032**	**7,795**	**7,198**	**60,893**
Attributable to non-controlling interests	0	(562)	0	0	228
Attributable to investee's shareholders	0	23,594	0	0	60,665
Current assets	510,369	288,158	1,591,148	169,808	9,913,114
Non-current assets	26,461	921,637	833,075	829,156	18,862,076
Current liabilites	(485,252)	(344,610)	(1,668,644)	(246,783)	(12,114,013)
Non-current liabilities	(51,577)	(375,721)	(727,771)	(722,872)	(15,915,633)
Net assets	**0**	**489,464**	**27,808**	**29,309**	**745,544**
Attributable to non-controlling interests	0	128,457	0	0	4,439
Attributable to investee's shareholders	0	361,007	0	0	741,105
Group's interest in net assets of investee as at 1/1	**11,823**	**118,684**	**7,240**	**9,373**	**57,465**
Change in share	0	0	0	0	0
Total comprehensive income attributable to the Group	5,027	7,036	1,864	709	4,338
Dividends received	(3,578)	(6,903)	(1,874)	(469)	(1,626)
Share in capital increase	0	531	0	0	0
Group's interest in net assets of investee as at 31/12	**13,272**	**119,349**	**7,230**	**9,613**	**60,178**
Goodwill	0	57,973	0	0	0
Other adaptations	0	0	0	0	0
Carrying amount	**13,272**	**177,322**	**7,230**	**9,613**	**60,178**

1 Consolidated financial statements: profit and equity is after deduction of non-controlling interests.
CCSB: card complete Service Bank AG, Vienna (AT)
LLI: LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)
NTB: NOTARTREUHANDBANK AG, Vienna (AT)
OEHT: Österreichische Hotel- und Tourismusbank GmbH, Vienna (AT)
OeKB: Österreichische Kontrollbank AG, Vienna (AT)

2015 in € thousand	PSS	REV[1]	RIZ	UNIQA[2]	PB
Assets	2,719,774	280,772	1,043,270	33,297,873	276,382
Operating income	137,738	(55,035)	33,893	466,242	(3,271)
Profit or loss from continuing operations	22,747	(57,334)	53,218	317,535	(12,855)
Post-tax profit from discontinued operations	0	0	0	23,147	0
Other comprehensive income	(761)	(5,675)	(165)	(123,041)	(75)
Total comprehensive income	**21,985**	**(63,009)**	**53,053**	**217,641**	**(12,930)**
Attributable to non-controlling interests	0	(9)	2	5,585	0
Attributable to investee's shareholders	0	(63,000)	53,051	212,056	0
Current assets	472,091	206,432	704,970	1,888,831	111,637
Non-current assets	2,247,683	74,341	338,300	31,409,043	164,404
Current liabilites	(626,993)	(215,699)	(745,800)	(1,563,591)	(153,340)
Non-current liabilities	(1,852,631)	0	(193,000)	(28,567,914)	(107,052)
Net assets	**240,150**	**65,073**	**104,470**	**3,166,369**	**15,648**
Attributable to non-controlling interests	0	1,150	809	21,853	0
Attributable to investee's shareholders	0	63,923	103,661	3,144,516	0
Group's interest in net assets of investee as at 1/1	**78,148**	**52,758**	**26,366**	**1,012,638**	**0**
Change in share	0	0	169	0	8,102
Total comprehensive income attributable to the Group	7,186	(27,189)	27,175	(14,986)	(10,118)
Dividends received	(7,285)	0	(4,725)	(40,745)	0
Share in capital increase	0	0	0	0	9,948
Group's interest in net assets of investee as at 31/12	**78,049**	**25,569**	**48,984**	**956,907**	**7,933**
Goodwill	0	0	0	255,792	0
Other adaptations	0	0	0	0	(7,933)
Carrying amount	**78,049**	**25,569**	**48,984**	**1,212,698**	**0**

1 Consolidated financial statements: profit and equity is after deduction of non-controlling interests.
2 Fair value of the shares held and based on stock exchange price as at 31 December 2015 amounted to € 731,962 thousand (2014: € 756,474 thousand)
PSS: Prva stavebna sporitelna a.s., Bratislava (SK)
REV: Raiffeisen evolution project development GmbH, Vienna (AT)
RIZ: Raiffeisen Informatik GmbH, Vienna (AT)
UNIQA: UNIQA Insurance Group AG, Vienna (AT)
PB: Posojilnica Bank eGen, Klagenfurt (AT)

Further information regarding associated companies is stated under (53) Group composition.

(21) Intangible fixed assets

in € thousand	2016	2015
Software	549,802	548,899
Goodwill	93,673	98,188
Other intangible fixed assets	33,044	56,717
hereof brand	9,272	36,657
hereof customer relationships	17,199	12,643
Total	**676,518**	**703,804**

Software

The item “software” comprises acquired software amounting to € 430,626 thousand (2015: € 420,873 thousand) and internally developed software amounting to € 119,176 thousand (2015: € 126,271 thousand).

Goodwill

The following overview shows the development of the carrying value of goodwill, gross amounts and cumulative impairments of goodwill, by cash generating units. Main goodwill positions relate to Raiffeisenbank a.s., Prague (RBCZ), and Raiffeisen Kapitalanlage-GmbH, Vienna (RKAG).

Development of goodwill

2016 in € thousand	RBCZ	RKAG	Other	Total
As at 1/1	**37,881**	**53,728**	**6,579**	**98,188**
Additions	0	0	8,872	8,872
Impairment	0	0	(13,387)	(13,387)
Exchange rate changes	3	0	(3)	0
As at 31/12	**37,884**	**53,728**	**2,061**	**93,673**
Gross amount	37,884	53,728	572,264	663,876
Cumulative impairment[1]	0	0	(570,203)	(570,203)

1 Calculated at average exchange rate
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-GmbH, Vienna (AT)

2015 in € thousand	RBCZ	RKAG	Other	Total
As at 1/1	**36,908**	**53,728**	**38,814**	**129,359**
Additions	0	0	(91)	(91)
Impairment	0	0	(30,924)	(30,924)
Exchange rate changes	972	0	(1,220)	(247)
As at 31/12	**37,881**	**53,728**	**6,579**	**98,188**
Gross amount	37,881	53,728	555,002	646,611
Cumulative impairment[1]	0	0	(548,423)	(548,423)

1 Calculated at average exchange rate
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-GmbH, Vienna (AT)

In the 2016 financial year, the initial consolidation of Raiffeisen Immobilien Fonds, Vienna, resulted in € 6,442 thousand in goodwill that was impaired. Furthermore, goodwill for KHD a.s., Prague, amounting to € 4,515 thousand was also impaired due to negative business performance. Goodwill amounting to € 2,431 thousand was acquired and impaired in connection with the purchase of a Citibank operation in the Czech Republic. The impairment was included in general administrative expenses. The cumulative impairments resulted from impairments recognized in previous years for Raiffeisen Bank Sh.a., Tirana, Raiffeisen Bank Polska S.A., Warsaw, and AO Raiffeisenbank, Moscow.

Impairment test for goodwill

At the end of each financial year, goodwill is reviewed by comparing the recoverable value of each cash generating unit for which goodwill is recognized with the carrying value. The carrying value is equal to net assets considering goodwill and other intangible assets which are recognized within the framework of business combinations. In line with IAS 36, impairment tests for goodwill are carried out during the year if a reason for impairment occurs.

Recoverable value

In the course of impairment testing the carrying amount of each cash generating unit (CGU) is compared with the recoverable amount. If the recoverable amount of a cash generating unit is below its carrying amount, the difference is recognized as impairment in the income statement under other net operating income.

The Group generally identifies the recoverable amount of cash generating units on the basis of the value-in-use concept using a dividend discount model. The dividend discount model reflects the characteristics of the banking business including the regulatory framework. The present value of estimated future dividends that can be distributed to shareholders after taking into account relevant regulatory capital requirements represents the recoverable value.

The calculation of the recoverable amount is based on a five -year detailed planning period. The sustainable future growth (stabilization phase) is based on the premise of perpetuity (perpetual annuity); in the majority of cases country nominal growth rates of earnings are assumed, which are based on the long-term expected rate of inflation. For companies that have a significant overcapitalization an interim period of five years is defined, but without extending the detailed planning phase. Within this period, it is possible for these CGUs to make full payments without violating the capital adequacy requirements. In the stabilization phase, profit retention relating to growth while ensuring compliance with capital requirements is imperative. If, however, zero growth is assumed in the stabilization phase no profit retention is required.

In the stabilization phase the model is based on a normal economically sustainable earnings situation, whereby convergence of expected return on equity and cost of equity is assumed (assumption of convergence).

Key assumptions

The following table shows key assumptions that have been made for the individual cash generating units:

2016 Cash generating units	RBCZ	RKAG
Discount rates (after tax)	9.8-10.9%	9.30%
Growth rates in phase I and II	33.0%	6.1%
Growth rates in phase III	3.0%	2.2%
Planning period	5 years	5 years

RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-GmbH, Vienna (AT)

In the previous year, the Group used the following key parameters:

2015 Cash generating units	RBCZ	RKAG
Discount rates (after tax)	9.7-10.7%	7.8-9.3%
Growth rates in phase I and II	9.0%	1.9%
Growth rates in phase III	3.0%	2.0%
Planning period	5 years	5 years

RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-GmbH, Vienna (AT)

The use value of a cash generating unit is sensitive to various parameters: primarily to the level and development of future dividends, to the discount rates as well as the nominal growth rate in the stabilization phase. The applied discount rates have been calculated using the capital asset pricing model: they are composed of a risk-free interest rate and a risk premium for entrepreneurial risk taking. The risk premium is calculated as the market risk premium that varies according to the country in which the unit is registered multiplied by the beta factor for the indebted company. The values for the risk-free interest rate and the market risk premium are defined using accessible external market data sources. The risk measure beta factor has been derived from a peer group of financial institutions operating in Western and Eastern Europe. The above-mentioned interest rate parameters represent market assessments; therefore they are not stable and could in case of a change affect the discount rates.

The following table provides a summary of significant planning assumptions and a description of the management approach to identify the values that are assigned to each significant assumption taking into account a risk assessment.

Cash generating unit	Significant assumptions	Management approach	Risk assumption
RBCZ	The Czech Republic is a core market for the Group where selective growth strategy is pursued. Improvement through increased use of alternative distribution channels and additional consulting services. Stable costs are assumed.	The assumptions are based on internal as well as external sources. Macroeconomic assumptions of the research department were compared with external data sources and the 5-year plans were presented to the Management Board. Moreover, the detail planning phase was approved by the Supervisory Board.	Weakening of the macroeconomic environment. Possible negative effects of changed local capital requirements. Pressure on interest margins through greater competition.
RKAG	RKAG is one of the leading Austrian fund enterprises with a managed consolidated volume of € 30.3 billion as at year-end 2016 and a market share of 17 per cent. RKAG has been active internationally for years and is a well-known player in numerous European countries.	The assumptions of planning are based on internal and external sources. Macroeconomic assumptions were compared with external data sources and 5-year plans were presented to the managers of the company. Moreover, planning was approved by the Supervisory Board of RKAG.	Possible weakening of the macroeconomic environment. Pressure on net fee and commission income by aggressive market participants can not be excluded.

RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-GmbH, Vienna (AT)

Sensitivity analysis

A sensitivity analysis was carried out based on the above-mentioned assumptions in order to test the stability of the impairment test for goodwill. From a number of options for this analysis, two parameters were selected, namely the cost of equity and the reduction in the growth rate. The following overview demonstrates to what extent an increase in the cost of equity or a reduction in the long-term growth rate could be made without the value in use of cash generating units declining below the respective carrying value (equity capital plus goodwill).

2016 Maximum sensitivity[1]	RBCZ	RKAG
Increase in discount rate	4.7 PP	1.4 PP
Reduction of the growth rates in phase III	0.0 PP	2.4 PP

1 The respective maximum sensitivity refers to the change of the perpetuity.
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-GmbH, Vienna (AT)

The reference values for 2015 are as follows:

2015 Maximum sensitivity[1]	RBCZ	RKAG
Increase in discount rate	0.3 PP	0.7 PP
Reduction of the growth rates in phase III	0.0 PP	0.5 PP

1 The respective maximum sensitivity refers to the change of the perpetuity.
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-GmbH, Vienna (AT)

The recoverable values of all other units have been either higher than the respective carrying values or are immaterial.

Brand

Group companies use brands to differentiate their services from the competition. According to IFRS 3, brands of acquired companies have been recognized separately under the item “intangible fixed assets”. Brands have an indeterminable useful life and are therefore not subject to scheduled amortization. Brands are tested annually in the course of the impairment test of goodwill per cash generating unit and additionally whenever indications of impairment arise.

At the Group, brand rights are only recognized for Raiffeisen Bank Polska S.A., Warsaw (RBPL), and for Raiffeisen Bank Aval JSC, Kiev (AVAL). The carrying values of the brands as well as gross amounts and cumulative impairment losses have developed as shown below:

2016 in € thousand	AVAL	RBPL	Total
As at 1/1	10,109	26,548	36,657
Impairment[1]	0	(26,133)	(26,133)
Exchange differences	(837)	(416)	(1,252)
As at 31/12	9,272	0	9,272
Gross amount	25,757	45,348	71,106
Cumulative impairment[2]	(16,485)	(45,348)	(61,833)

1 Calculated at average exchange rate
2 Calculated at period-end rate
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)

2015 in € thousand	AVAL	RBPL	Total
As at 1/1	15,163	46,803	61,966
Impairment[1]	(1,102)	(20,731)	(21,833)
Exchange differences	(3,953)	476	(3,477)
As at 31/12	10,109	26,548	36,657
Gross amount	27,073	46,905	73,978
Cumulative impairment[2]	(16,964)	(20,357)	(37,321)

1 Calculated at average exchange rate
2 Calculated at period-end rate
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)

According to IAS 36.9 at the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired based on a list of external and internal indicators of impairment. The assumptions underlying the value of the Polbank brand had to be revisited in light of new information in the third quarter of 2016 in preparation for the planned sale of Raiffeisen Bank Polska S.A., Warsaw. IAS 36 defines the recoverable amount as the higher of fair value less costs to sell and the value in use. Both of these perspectives provided strong indications that the brand was impaired since it provided no value in use for potential buyers. The change was caused by the current consolidation of the Polish banking market. The consolidation process is being primarily driven by regulatory pressure on capital ratios, the introduction of bank taxes and other losses in the banking business due to governmental measures. In this environment, the advantages of a brand (cross selling and client loyalty) appear to be greatly diminished. As a result, an impairment of € 26,133 thousand was recognized for the brand Polbank.

The brand value of the Raiffeisen Bank Aval JSC, Kiev (AVAL), was determined using the comparable historical cost approach, because neither immediately comparable transactions nor a market with observable prices was available at the time of purchase price allocation. Documentation of brand-related marketing expenses in the previous years was taken as the basis for the comparable historical cost approach. In 2016, the impairment test led to no impairment.

Customer relationships

If customer contracts and associated customer relationships are acquired in a business combination, they must be recognized separately from goodwill, if they are based on contractual or other rights. The acquired companies meet the criteria for a separate recognition of non-contractual customer relationships for existing customers. The customer base is valued using the multi-period excess earnings method based on projected future income and expenses allocable to the respective customer base. The projections are based on planning figures for the corresponding years.

In 2016, new customer relationships were capitalized following the purchase of Citibank's retail and credit card business in the Czech Republic. The Group also capitalized customer relationship intangibles in relation to Raiffeisen Bank Polska S.A., Warsaw (RBPL), and Raiffeisen Bank Aval JSC, Kiev (AVAL). In the reporting year the carrying values of the customer relationships as well as the gross amount and cumulative impairments developed as follows:

2016 in € thousand	AVAL	RBPL	RBCZ	Total
As at 1/1	**6,413**	**6,230**	**0**	**12,643**
Additions	0	0	9,994	9,994
Depreciation	(833)	(2,212)	(1,674)	(4,720)
Impairment[1]	0	0	0	0
Exchange differences	(531)	(207)	20	(718)
As at 31/12	**5,049**	**3,811**	**8,339**	**17,199**
Gross amount	18,311	15,963	10,007	44,280
Cumulative impairment[2]	(13,262)	(12,152)	(1,668)	(27,082)

1 Calculated at average exchange rate
2 Calculated at period-end exchange rate
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)
RBCZ: Raiffeisenbank a.s., Prague (CZ)

2015 in € thousand	AVAL	RBPL	Total
As at 1/1	**10,390**	**9,481**	**19,872**
Depreciation	(992)	(3,329)	(4,321)
Impairment[1]	(324)	0	(324)
Exchange differences	(2,661)	78	(2,583)
As at 31/12	**6,413**	**6,230**	**12,643**
Gross amount	18,171	16,511	34,682
Cumulative impairment[2]	(11,758)	(10,280)	(22,039)

1 Calculated at average exchange rate
2 Calculated at period-end exchange rate
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)

The impairment test of customer relationships of Raiffeisen Bank Polska S.A., Warsaw (RBPL), Raiffeisenbank a.s., Prague (RBCZ), and Raiffeisenbank Aval JSC, Kiev (AVAL), identified no impairment need in 2016.

(22) Tangible fixed assets

in € thousand	2016	2015
Land and buildings used by the Group for own purpose	631,434	629,695
Other land and buildings (investment property)	631,738	497,803
Office furniture, equipment and other tangible fixed assets	247,572	244,368
Leased assets (operating lease)	331,878	418,350
Total	**1,842,621**	**1,790,217**

The fair value of investment property totaled € 633,846 thousand (2015: € 501,299 thousand).

Details about leased assets are shown under (46) Operating leases.

(23) Development of fixed assets

	Cost of acquisition or conversion						
in € thousand	As at 1/1/2016	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As at 31/12/2016
Intangible fixed assets	**2,350,634**	**(31,811)**	**42,069**	**164,741**	**(85,258)**	**(484)**	**2,439,891**
Goodwill	646,611	(5,720)	20,554	2,431	0	0	663,876
Software	1,555,930	(25,163)	27,615	151,769	(84,543)	(3,793)	1,621,816
Other intangible fixed assets	148,092	(928)	(6,100)	10,541	(715)	3,309	154,199
Tangible fixed assets	**3,240,816**	**85,497**	**41,359**	**228,832**	**(308,413)**	**484**	**3,288,574**
Land and buildings used by the Group for own purpose	1,028,332	(1,538)	12,766	33,733	(46,055)	1,197	1,028,436
Other land and buildings	587,779	216,854	6,732	15,295	(74,674)	485	752,471
of which land value of developed land	11,557	0	(231)	0	(2,728)	0	8,599
Other tangible fixed assets	989,652	(21,191)	23,960	90,999	(91,193)	(1,201)	991,026
Leased assets (operating lease)	635,052	(108,629)	(2,099)	88,805	(96,491)	4	516,641
Total	**5,591,449**	**53,686**	**83,428**	**393,573**	**(393,671)**	**0**	**5,728,465**

	Write-ups, amortization, depreciation, impairment			Carrying amount
in € thousand	Cumulative	hereof write-ups	of which depreciation	31/12/2016
Intangible fixed assets	**(1,763,373)**	**393**	**(194,475)**	**676,518**
Goodwill	(570,203)	0	(13,387)	93,673
Software	(1,072,014)	172	(148,282)	549,802
Other intangible fixed assets	(121,156)	221	(32,806)	33,044
Tangible fixed assets	**(1,445,953)**	**857**	**(191,312)**	**1,842,621**
Land and buildings used by the Group for own purpose	(397,002)	0	(41,707)	631,434
Other land and buildings	(120,733)	83	(34,499)	631,738
of which land value of developed land	(518)	0	(33)	8,081
Other tangible fixed assets	(743,454)	631	(77,476)	247,572
Leased assets (operating lease)	(184,764)	143	(37,631)	331,878
Total	**(3,209,326)**	**1,250**	**(385,787)**	**2,519,140**

	Cost of acquisition or conversion						
in € thousand	As at 1/1/2015	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As at 31/12/2015
Intangible fixed assets	**2,374,199**	**(4,565)**	**(130,026)**	**162,024**	**(64,667)**	**13,669**	**2,350,634**
Goodwill	696,685	4,100	(50,074)	0	0	(4,100)	646,611
Software	1,508,125	(8,648)	(58,168)	160,753	(63,425)	17,294	1,555,930
Other intangible fixed assets	169,389	(17)	(21,784)	1,272	(1,242)	475	148,092
Tangible fixed assets	**3,290,907**	**61,678**	**(96,784)**	**232,983**	**(234,299)**	**(13,669)**	**3,240,816**
Land and buildings used by the Group for own purpose	1,087,450	295	(71,620)	56,865	(45,211)	553	1,028,332
Other land and buildings	385,315	154,617	59,399	11,721	(18,232)	(5,041)	587,779
of which land value of developed land	12,539	(3)	(907)	495	(567)	0	11,557
Other tangible fixed assets	1,218,415	(108,374)	(76,043)	82,553	(111,955)	(14,945)	989,652
Leased assets (operating lease)	599,726	15,140	(8,521)	81,843	(58,901)	5,764	635,052
Total	**5,665,105**	**57,113**	**(226,810)**	**395,007**	**(298,966)**	**0**	**5,591,449**

in € thousand	Write-ups, amortization, depreciation, impairment Cumulative	hereof write-ups	of which depreciation	Carrying amount 31/12/2015
Intangible fixed assets	**(1,646,830)**	**0**	**(205,850)**	**703,804**
Goodwill	(548,423)	0	(30,924)	98,188
Software	(1,007,032)	0	(146,728)	548,899
Other intangible fixed assets	(91,375)	0	(28,198)	56,717
Tangible fixed assets	**(1,450,599)**	**7,502**	**(203,502)**	**1,790,217**
Land and buildings used by the Group for own purpose	(398,637)	2,919	(50,187)	629,695
Other land and buildings	(89,976)	667	(21,185)	497,803
of which land value of developed land	(530)	0	(578)	11,028
Other tangible fixed assets	(745,285)	3,634	(93,928)	244,368
Leased assets (operating lease)	(216,702)	282	(38,202)	418,350
Total	**(3,097,429)**	**7,502**	**(409,352)**	**2,494,020**

In the reporting year and the previous year, no single investments exceeded € 10,000 thousand.

(24) Other assets

in € thousand	2016	2015
Tax assets	356,483	407,310
Current tax assets	183,634	111,714
Deferred tax assets	172,849	295,596
Receivables arising from non-banking activities	112,235	93,681
Accruals and deferred items	139,627	146,769
Clearing claims from securities and payment transfer business	327,391	135,568
Lease in progress	46,986	47,791
Assets held for sale (IFRS 5)	28,826	774,139
Inventories	85,539	91,314
Valuation fair value hedge portfolio	37,699	24,058
Other assets	396,140	344,996
Total	**1,530,927**	**2,065,627**

Application of IFRS 5

The decline in the item “assets held for sale” is attributable to the fact that Raiffeisen Banka d.d., Maribor, was sold as at 30 June 2016 and ZUNO BANK AG, Vienna, was reclassified because the sales negotiations were unsuccessful.

Deferred taxes

in € thousand	2016	2015
Deferred tax assets	172,849	295,596
Provisions for deferred taxes	(88,717)	(82,763)
Net deferred taxes	**84,132**	**212,833**

The net deferred taxes result from the following items:

in € thousand	2016	2015
Loans and advances to customers	29,579	200,420
Impairment losses on loans and advances	141,092	184,163
Tangible and intangible fixed assets	7,374	12,465
Other assets	15,485	4,633
Provisions for liabilities and charges	60,677	70,420
Trading liabilities	67,180	72,177
Other liabilities	368,516	367,042
Tax loss carry-forwards	28,939	54,444
Other items of the statement of financial position	121,982	285,577
Deferred tax assets	**840,822**	**1,251,341**
Loans and advances to banks	10,355	40,791
Loans and advances to customers	49,626	88,281
Impairment losses on loans and advances	49,832	98,371
Trading assets	42,474	85,922
Financial investments	2,317	23,602
Tangible and intangible fixed assets	80,099	84,308
Other assets	495,523	515,971
Deposits from customers	10	603
Provisions for liabilities and charges	1,224	769
Other liabilities	5,633	20,253
Other items of the statement of financial position	19,597	79,636
Deferred tax liabilities	**756,690**	**1,038,508**
Net deferred taxes	**84,132**	**212,833**

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry-forwards which amounted to € 28,939 thousand (2015: € 54,444 thousand). Most of the tax losses can be carried forward indefinitely. The Group did not recognize deferred tax assets of € 383,502 thousand (2015: € 510,591 thousand) because, from a current point of view, there is no prospect of realizing them within a reasonable period of time.

(25) Deposits from banks

in € thousand	2016	2015
Giro and clearing business	12,397,750	4,904,136
Money market business	8,049,619	18,472,173
Long-term refinancing	3,612,405	4,736,772
Total	**24,059,774**	**28,113,082**

The Group refinances itself periodically with international commercial banks and multinational development banks. These credit contracts contain ownership clauses normally used in business. These clauses permit the parties to terminate the contracts in the case of change in direct or indirect control over RBI AG. This can lead to increased refinancing costs for the Group in the future.

Deposits from banks classified regionally (counterparty domicile) break down as follows:

in € thousand	2016	2015
Austria	16,370,490	17,738,079
Foreign	7,689,284	10,375,003
Total	**24,059,774**	**28,113,082**

Deposits from banks break down into the following segments:

in € thousand	2016	2015
Central banks	1,081,913	1,241,339
Commercial banks	21,849,325	24,973,657
Multilateral development banks	1,128,536	1,898,085
Total	**24,059,774**	**28,113,082**

(26) Deposits from customers

Deposits from customers break down as follows:

in € thousand	2016	2015
Sight deposits	44,332,922	37,431,299
Time deposits	25,312,860	30,878,402
Savings deposits	10,679,214	9,769,272
Total	**80,324,996**	**78,078,973**

in € thousand	2016	2015
Sovereigns	1,473,739	1,721,972
Corporate customers – large corporates	28,435,618	30,674,121
Corporate customers – mid market	2,987,327	2,992,483
Retail customers – private individuals	41,479,224	37,594,151
Retail customers – small and medium-sized entities	5,949,087	5,096,246
Total	**80,324,996**	**78,078,973**

Deposits from customers classified regionally (counterparty domicile) are as follows:

in € thousand	2016	2015
Austria	12,714,035	13,957,101
Foreign	67,610,961	64,121,872
Total	**80,324,996**	**78,078,973**

(27) Debt securities issued

in € thousand	2016	2015
Bonds and notes issued	8,470,894	9,238,849
Money market instruments issued	38,995	94,024
Other debt securities issued	17,493	20,457
Total	**8,527,381**	**9,353,330**

The following table contains debt securities issued amounting to or exceeding € 200,000 thousand nominal value:

Issuer	ISIN	Type	Currency	Nominal value in € thousand	Coupon	Due
RBI AG	XS0803117612	Senior public placements	EUR	750,000	2.8%	10/7/2017
RBI AG	XS0989620694	Senior public placements	EUR	500,000	1.9%	8/11/2018

(28) Provisions for liabilities and charges

in € thousand	As at 1/1/2016	Change in consolidated group	Allocation	Release	Usage	Transfers, exchange differences	As at 31/12/2016
Severance payments and other	118,783	(5,386)	16,963	(9,763)	(2,378)	(2,586)	115,633
Retirement benefits	99,724	5	10,011	(18,524)	(2,604)	10	88,622
Taxes	170,092	12,982	98,869	(18,245)	(103,281)	5,345	165,762
Current	87,329	1,314	87,416	(8,813)	(93,304)	3,105	77,046
Deferred	82,763	11,668	11,453	(9,432)	(9,977)	2,241	88,717
Contingent liabilities and commitments	113,804	849	101,355	(72,763)	(353)	1,254	144,147
Pending legal issues	81,793	(84)	21,564	(7,258)	(16,636)	6,818	86,197
Overdue vacation	52,774	(1,426)	13,697	(16,643)	(446)	1,086	49,043
Bonus payments	137,204	(1,028)	122,169	(29,662)	(81,783)	7,318	154,218
Restructuring	15,305	(3,101)	13,504	(5,319)	(8,709)	2,551	14,231
Provisions for banking business due to governmental measures	114,762	0	26,741	(7,109)	(119,885)	(7)	14,503
Other	181,033	(1,835)	129,934	(26,342)	(75,816)	(3,701)	203,274
Total	**1,085,276**	**975**	**554,807**	**(211,628)**	**(411,890)**	**18,089**	**1,035,629**

The item "severance and other" includes provisions for anniversary bonuses and other payments in the amount of € 33,023 thousand (2015: € 33,794 thousand) and obligations from other benefits due to termination of employment according to IAS 19 in the amount of € 82,609 thousand (2015: € 84,989 thousand).

The change in provisions for banking business charges due to governmental measures was partly due to the provisioning of € 26,741 thousand for the Walkaway Law in Romania and partly due to the use of the provision relating to the enforced conversion of loans denominated in Swiss francs at the historic rates at the time of lending in Croatia.

The Group is involved in litigation arising from the banking business. The Group does not expect the litigation to have a material impact on the financial position of the Group. In the reporting period, Group-wide provisions for pending legal issues amounted to € 86,197 thousand (2015: € 81,793 thousand). Single cases exceeding € 10,000 thousand occurred in Austria and Slovakia (2015: in Austria and in Slovakia).

- Legal steps were taken against Raiffeisen Bank International AG, Vienna, in connection with the early repayment of an Icelandic liability. The amount in dispute is € 25,000 thousand.
- In Slovakia, a customer has taken legal action in relation to a disputed amount of approximately € 71,150 thousand against Tatra banka a.s., Bratislava. The case revolves around agreed credit facilities and an alleged breach of contract on the part of Tatra banka a.s. involving the failure to execute payment transfer orders and renew credit facilities, which ultimately led to the termination of the customer's business activities.
- Another closely related legal action in relation to a disputed amount of € 127,063 thousand was brought by a Cypriot plaintiff who had purchased the underlying claim from a shareholder of the above Slovakian customer's holding company.

Pension obligations and other termination benefits

The Group contributes to the following defined benefit pension plans and other post-employment benefits:

- Defined benefit pension plans in Austria and other countries
- Other post-employment benefits in Austria and other countries

These defined benefit plans and other post-employment benefits expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Funding

Various types of pension plans are in existence: unfunded, partly funded and fully funded. The partly and fully funded plans are all placed by the Valida Pension AG, Vienna. Valida Pension AG, Vienna, is a pension fund, and is subject in particular to the provisions of the PKG (Pension Act) and BPG (Company Pension Act).

The Group expects to pay € 331 thousand in contributions to its defined benefit plans in 2017 (2016: € 818 thousand).

Pension obligations/defined benefit pension plans

Financial status

in € thousand	2016	2015
Defined benefit obligation (DBO)	139,192	150,376
Plan assets at fair value	(50,570)	(50,652)
Net liability/asset	88,622	99,724

The defined benefit obligations developed as follows:

in € thousand	2016	2015
DBO as at 1/1	150,376	159,731
Change in consolidated group	0	676
Current service cost	1,446	1,955
Interest cost	2,935	3,122
Past service costs	21	(1,145)
Payments	(6,479)	(6,098)
Transfer	(170)	(2,498)
Remeasurement	(8,936)	(5,365)
DBO as at 31/12	**139,192**	**150,376**

Plan assets developed as follows:

in € thousand	2016	2015
Plan assets as at 1/1	50,652	51,663
Interest income	1,000	1,022
Contributions to plan assets	928	1,619
Payments from fund	(1,803)	(1,831)
Transfer	(244)	(2,568)
Return on plan assets excluding interest income	37	747
Plan assets as at 31/12	**50,570**	**50,652**

The return on plan assets for 2016 was € 962 thousand (2015: € 1,769 thousand). For 2016, the fair value of rights to reimbursement recognized as an asset was € 16,758 thousand (2015: € 17,056 thousand).

Structure of plan assets

Plan assets broke down as follows:

Per cent	2016	2015
Bonds	40	51
Shares	35	27
Alternative Investments	3	2
Property	5	4
Cash	17	17
Total	**100**	**100**
hereof own financial instruments	0	0

In the reporting year, most of the plan assets were quoted on an active market, less than 10 per cent were not quoted on an active market.

Asset Liability Matching

The pension provider Valida Pension AG, Vienna, has an asset/risk management process (ARM process). According to this process, the risk-bearing capacity of each fund is evaluated once a year. Based on this risk-bearing capacity, the investment structure of the fund is derived. When defining the investment tolerance of the customer, defined and documented requirements are also taken into account.

The defined investment structure will be implemented in the two funds named "VRG 60" and "VRG 7", in which the accrued amounts for RZB/RBI are invested with an investment concept. The weighting of predefined asset classes move between a bandwidth according to objective criteria, which can be derived from market trends. In times of stress, hedges of the equity component are made.

Actuarial assumptions

The following table shows the actuarial assumptions used to calculate the net defined benefit obligation:

Per cent	2016	2015
Discount rate	1.6	2.0
Future pension basis increase	2.7	3.0
Future pension increase	1.2	2.0

The following table shows the longevity assumptions used to calculate the net defined benefit obligation:

Years	2016	2015
Longevity at age 65 for current pensioners - males	21.1	20.9
Longevity at age 65 for current pensioners - females	23.6	23.5
Longevity at age 65 for current members aged 45 - males	24.6	24.5
Longevity at age 65 for current members aged 45 - females	26.8	26.7

The weighted average duration of the net defined benefit obligation was 15.1 years (2015: 16.0 years).

Sensitivity analysis

Changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

in € thousand	2016 Addition	Decrease	2015 Addition	Decrease
Discount rate (1 per cent change)	(15,693)	19,275	(17,502)	21,572
Future salary growth (0.5 per cent change)	859	(803)	1,100	(1,031)
Future pension increase (0.25 per cent change)	3,819	(3,658)	4,211	(4,016)
Remaining life expectancy (change 1 year)	8,110	(8,357)	8,785	(9,386)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Other termination benefits

The other termination benefits developed as follows:

in € thousand	2016	2015
DBO as at 1/1	85,378	84,014
Changes in consolidated group	(7,425)	761
Current service cost	5,449	4,914
Interest cost	1,627	1,557
Payments	(3,145)	(3,488)
Loss/(gain) on DBO due to past service cost	(215)	(17)
Transfer	2,311	(2,657)
Remeasurement	(1,371)	294
DBO as at 31/12	**82,609**	**85,378**

Actuarial assumptions

The following table shows the actuarial assumptions used to calculate the other termination benefits:

Per cent	2016	2015
Discount rate	1.6	2.0
Additional future salary increase for employees	2.7	3.0

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

in € thousand	2016 Addition	Decrease	2015 Addition	Decrease
Discount rate (1 per cent change)	(7,902)	9,293	(8,641)	10,230
Future salary growth (0.5 per cent change)	4,370	(4,075)	4,747	(4,485)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Employee benefit expenses

For details of employee benefit expenses (expenses for defined benefit pension plans, other benefits due to termination of employment) are stated under note (8) General administrative expenses.

(29) Trading liabilities

in € thousand	2016	2015
Negative fair values of derivative financial instruments	**2,548,174**	**3,883,631**
Interest-based transactions	1,784,123	1,945,568
Currency-based transactions	588,106	783,852
Equity-/index-based transactions	164,711	1,024,218
Credit derivatives business	687	1,960
Other transactions	10,547	128,033
Short-selling of trading assets	**555,346**	**453,459**
Certificates issued	**1,964,063**	**694,859**
Total	**5,067,584**	**5,031,949**

The decline in equity-/index-based transactions is attributable to a change in the presentation of certificates issued.

(30) Derivatives

in € thousand	2016	2015
Negative fair values of derivatives in fair value hedges (IAS 39)	**132,565**	**194,932**
Interest-based transactions	132,508	194,932
Currency-based transactions	57	0
Negative fair values of derivatives in cash flow hedges (IAS 39)	**275,102**	**239,858**
Currency-based transactions	275,102	239,858
Negative fair values of derivatives in net investment hedge (IAS 39)	**17,749**	**0**
Currency-based transactions	17,749	0
Negative fair values of credit derivatives	**0**	**154**
Negative fair values of other derivative financial instruments	**354,041**	**543,402**
Interest-based transactions	165,546	184,702
Currency-based transactions	188,495	358,700
Total	**779,456**	**978,346**

As long as the conditions for hedge accounting according to IAS 39 are fulfilled, derivative financial instruments are measured at their fair values (dirty prices) in their function as hedging instruments. The hedged items in connection with fair value hedges are loans and advances to customers, deposits from banks and debt securities issued, which are taken to hedge against interest rate risk.

The table below shows the expected hedged cash flows from liabilities in their time periods affecting the statement of comprehensive income:

in € thousand	2016	2015
1 year	2,416,321	3,714,123
More than 1 year, up to 5 years	587,577	385,701
More than 5 years	63,196	109,874

Net gains of € 5,788 thousand (2015: net loss of € 435 thousand) relating to the effective portion of cash flow hedges were recognized in other comprehensive income.

(31) Other liabilities

in € thousand	2016	2015
Liabilities from non-banking activities	134,402	131,780
Liabilities from insurance contracts	82	112
Prepayments and other deferrals	294,147	318,427
Liabilities from dividends	1,094	1,069
Clearing claims from securities and payment transfer business	384,412	171,735
Valuation fair value hedge portfolio	57,564	63,839
Liabilities held for sale (IFRS 5)	0	1,293,769
Other liabilities	148,793	304,236
Total	**1,020,492**	**2,284,967**

Application of IFRS 5

The decline in the item "liabilities held for sale" was caused by the sale of Raiffeisen Banka d.d., Maribor, as at 30 June 2016 and the reclassification of ZUNO BANK AG, Vienna, following the failure of the sales negotiations.

(32) Subordinated capital

in € thousand	2016	2015
Hybrid tier 1 capital	396,725	396,725
Subordinated liabilities and supplementary capital	3,840,778	3,807,056
Total	**4,237,503**	**4,203,781**

The following table contains subordinated borrowings that exceed 10 per cent of the subordinated capital:

Issuer	ISIN	Type	Currency	Nominal value in € thousand	Coupon[1]	Due
RBI AG	XS0619437147	Subordinated capital	EUR	500,000	6.625%	18/5/2021
RBI AG	XS0981632804	Subordinated capital	EUR	500,000	6.000%	16/10/2023
RBI AG	XS1034950672	Subordinated capital	EUR	500,000	4,500%	21/2/2025

1 Current interest rate, interest clauses are agreed

In the reporting period, expenses on subordinated capital totaled € 160,497 thousand (2015: € 187,330 thousand).

(33) Equity

in € thousand	2016	2015
Consolidated equity	5,496,297	5,151,102
Subscribed capital	492,466	492,466
Capital reserves	1,834,796	1,834,775
Retained earnings	3,169,034	2,823,860
Consolidated profit/loss	252,629	236,864
Non-controlling interests	4,044,834	3,908,160
Total	**9,793,760**	**9,296,127**

The development of equity is shown under the section statement of changes in equity.

Subscribed capital

As at 31 December 2016, the subscribed capital of Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB AG) as defined by the articles of incorporation was unchanged at € 492,466 thousand. The subscribed capital consists of 6,776,750 non-par bearer shares.

Dividend proposal

The Management Board intends to propose at the Annual General Meeting that no dividend be distributed for the financial year 2016.

Non-controlling interests

The following table contains financial information on subsidiaries which are held by the Group and in which material non-controlling interests exist. The decline in net assets in the item "Other" is mainly due to the sale of a portion of the equity interest in UNIQA Insurance Group AG, Vienna, and the resulting reduction in the non-controlling interest in BL Syndikat Beteiligungs GmbH, Vienna. In December 2015, RZB purchased the remaining interest in Raiffeisen Bausparkasse GmbH, Vienna. As at year-end 2015, non-controlling interests therefore no longer existed. The amounts reported below refer to the non-controlling interests that were not eliminated.

2016 in € thousand	Ownership interest	Net assets	Profit/loss after tax	Other comprehensive income	Total comprehensive income
Raiffeisen Bank International Group, Vienna (AT)	39%	3,970,844	291,963	64,726	356,689
Other	n/a	73,990	(11,654)	(14,900)	(26,554)
Total		**4,044,834**	**280,309**	**49,826**	**330,135**

2015 in € thousand	Ownership interest	Net assets	Profit/loss after tax	Other comprehensive income	Total comprehensive income
Raiffeisen Bank International Group, Vienna (AT)	39%	3,655,921	204,581	(23,195)	181,386
Raiffeisen Bausparkasse Group, Vienna (AT)	–	–	12,359	(1,371)	10,988
Other	n/a	252,239	11,549	(8,597)	2,952
Total		**3,908,160**	**228,489**	**(33,163)**	**195,326**

In contrast to the above financial information, which only relates to non-controlling interests, the following table contains summary financial information of the individual subsidiaries (including non-controlling interests):

in € thousand	2016 RBI	2015 RBI
Operating income	4,505,109	4,783,447
Profit/loss after tax	573,615	434,991
Other comprehensive income	189,626	(53,269)
Total comprehensive income	**762,235**	**381,722**
Current assets	53,604,284	56,755,272
Non-current assets	58,259,561	57,671,311
Current liabilites	81,960,221	81,932,301
Non-current liabilities	20,671,494	23,993,316
Net assets	**9,232,130**	**8,500,967**
Cash from disposal of subsidiaries	(163,171)	0
Net cash from operating activities	(1,142,106)	4,515,016
Net cash from investing activities	99,258	1,752,615
Net cash from financing activities	(144,084)	(73,093)
Effect of exchange rate changes	109,970	248,748
Net increase in cash and cash equivalents	**(1,240,132)**	**6,443,286**
Dividends paid to non-controlling interests during the year [1]	40,272	50,516

1 Included in net cash from investing activities
RBI: Raiffeisen Bank International Group, Vienna (AT)

Significant restrictions

For Raiffeisenbank a.s., Prague, a syndicate contract exists between RBI AG and the joint shareholder. The syndicate contract in particular regulates purchase options between direct and indirect shareholders. The syndicate contracts expire automatically if control over the company changes – also in the case of a takeover bid.

In the course of the approval process for the acquisition of Polbank shares, it was promised – besides other commitments – to the Polish Financial Market Authority that at least 15 per cent of the shares of the Polish banking unit would be listed on the Warsaw stock exchange in June 2017 at the latest. Furthermore, it was promised in the course of the approval process that shares of RBI would be listed on the Warsaw stock exchange (in addition to the listing at the Vienna stock exchange) from June 2018 at the latest or, alternatively, that the amount of the Polish banking unit's listed shares would be increased to 25 per cent.

The European Bank for Reconstruction and Development (EBRD) participated in the capital increase of Raiffeisen Bank Aval JSC, Kiev, which took place in December 2015. Within the course of this transaction, RBI agreed with EBRD that it would endeavor to offer RBI shares to EBRD in exchange for the AVAL shares held by EBRD after six years of EBRD's participation in AVAL in a so-called share swap. However, the execution of such a transaction is subject to approvals from regulatory authorities, the Annual General Meeting and other committees.

At the end of 2014, the Ukrainian National Bank introduced foreign currency transfer controls. A foreign investor is currently unable to make dividend payments in a foreign currency in Ukraine. This restriction was extended indefinitely in the 2016 financial year.

Share-based remuneration

In 2014, the share incentive program (SIP) was terminated due to regulatory complexities. The last tranches of the SIP were issued in 2011, in 2012 and in 2013. The respective duration periods are five years. Therefore, the 2011 tranche matured in 2016. In accordance with the terms and conditions of the program (published by "euro adhoc" on 14 September 2011), the number of shares actually transferred was as follows:

Share Incentive Program (SIP) 2011 Group of persons	Number of shares due	Value at share price of € 13.92 on allocation date	Number of shares actually transferred
Members of the management board of the company	24,493	340,943	12,809
Members of the management boards of bank subsidiaries affiliated with the company	30,050	418,296	23,125
Executives of the company and other affiliated companies	19,839	276,159	11,384

To avoid legal uncertainties, eligible employees in three countries were given a cash settlement instead of an allocation of shares as permitted by the program terms and conditions. In Austria, eligible parties were granted the option of accepting a cash settlement in lieu of half of the shares due in order to offset the income tax payable at the time of transfer. Therefore, fewer shares were actually transferred than the number that were due. The portfolio of own shares was subsequently reduced by the lower number of shares actually transferred.

This means that as at the reporting date, contingent shares for two tranches were allocated. As at 31 December 2016, the number of these contingent shares was 693,462 (of which 367,977 shares were attributable to the 2012 allotment and 325,485 shares to the 2013 allotment). The originally published number of contingently allotted shares changed due to various personnel changes within Group units. It is shown on an aggregated level in the following table:

Share incentive program (SIP) 2012 – 2013 Group of persons	Number of contingently allotted shares as at 31/12/2016	Minimum of allotment of shares	Maximum of allotment of shares
Members of the management board of the company	214,091	64,227	321,137
Members of the management boards of bank subsidiaries affiliated with the company	291,910	87,573	437,865
Executives of the company and other affiliated companies	187,461	56,238	281,192

In the financial year 2016, no shares were bought back for the share incentive program.

Disclosures to financial instruments

(34) Breakdown of remaining terms to maturity

2016	Short-term assets/liabilities			Long-term assets/liabilities	
in € thousand	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash reserve	16,838,583	0	0	0	0
Loans and advances to banks	4,463,205	3,972,179	1,009,482	923,955	654,711
Loans and advances to customers	7,905,248	10,563,846	10,081,474	26,747,483	24,471,028
Impairment losses on loans and advances	(5,245,078)	0	0	0	0
Trading assets	168,555	649,404	658,497	1,758,728	1,708,928
Financial investments	582,990	3,181,884	2,950,341	10,185,223	4,529,792
Investments in associates	775,035	0	0	0	0
Sundry assets	3,004,575	899,859	183,286	871,694	351,668
Total assets	**28,493,113**	**19,267,172**	**14,883,080**	**40,487,083**	**31,716,126**
Deposits from banks	11,672,849	3,451,216	2,239,282	4,276,459	2,419,967
Deposits from customers	49,007,342	12,992,544	9,831,675	6,594,985	1,898,451
Debt securities issued	0	506,287	2,326,909	3,936,883	1,757,303
Trading liabilities	281,739	483,253	495,598	2,322,525	1,484,469
Subordinated capital	0	37	60,917	999,723	3,176,826
Sundry liabilities	1,158,342	916,664	175,085	486,721	98,766
Subtotal	**62,120,272**	**18,350,002**	**15,129,465**	**18,617,295**	**10,835,781**
Equity	9,793,760	0	0	0	0
Total equity and liabilities	**71,914,032**	**18,350,002**	**15,129,465**	**18,617,295**	**10,835,781**

2015	Short-term assets/liabilities			Long-term assets/liabilities	
in € thousand	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash reserve	17,401,694	0	0	0	0
Loans and advances to banks	1,806,826	7,286,494	1,431,939	1,037,009	550,865
Loans and advances to customers	7,843,649	11,789,791	11,047,274	25,255,573	23,521,366
Impairment losses on loans and advances	(6,399,737)	0	0	0	0
Trading assets	440,114	405,102	643,079	2,804,192	1,482,085
Financial investments	758,515	4,433,907	3,542,481	9,534,378	4,178,946
Investments in associates	1,590,384	0	0	0	0
Sundry assets	3,194,792	523,658	485,349	987,309	848,796
Total assets	**26,636,238**	**24,438,953**	**17,150,121**	**39,618,461**	**30,582,058**
Deposits from banks	4,132,372	12,333,946	3,453,581	5,713,976	2,479,208
Deposits from customers	41,251,133	17,228,830	10,545,654	7,021,850	2,031,506
Debt securities issued	0	732,383	1,191,696	5,804,041	1,625,210
Trading liabilities	412,028	482,034	598,650	2,019,264	1,519,973
Subordinated capital	0	5,807	27,525	514,642	3,655,806
Sundry liabilities	2,043,623	864,670	552,251	591,929	296,116
Subtotal	**47,839,156**	**31,647,670**	**16,369,357**	**21,665,702**	**11,607,818**
Equity	9,296,127	0	0	0	0
Total equity and liabilities	**57,135,283**	**31,647,670**	**16,369,357**	**21,665,702**	**11,607,818**

(35) Foreign currency volumes

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

in € thousand	2016	2015
Assets	63,630,373	58,227,540
Liabilities	51,138,384	51,014,932

(36) Securitization

RZB as originator

Securitization represents a special form of refinancing and credit risk enhancement under which risks from loans or lease agreements are packaged into portfolios and placed with capital market investors. The objective of RZB's securitization transactions is to retrieve Group regulatory total capital and to use additional refinancing sources.

The following transactions for all or at least individual tranches were executed with external contractual partners and are still active in the reporting year and resulted in a reduction in risk-weighted assets. The stated amounts represent the securitized portfolio and the underlying outstanding portfolio as well as the junior tranche at the transaction closing date.

in € thousand	Seller of claims or secured party	Date of contract	End of maturity	Securitized portfolio	Outstanding portfolio (securitized and retained)	Portfolio	Junior tranche
Synthetic Transaction ROOF RBCZ 2015	Raiffeisenbank a.s., Prague (CZ)	December 2015	April 2024	1,000,000	1,422,446	Company loans and guarantees	1.4%
Synthetic Transaction ROOF Infrastructure 2014	Raiffeisen Bank International AG, Vienna	December 2014	March 2027	978,222	1,413,865	Company loans, guarantees, revolving credit facilities	6.1%
Synthetic Transaction ROOF Real Estate 2015	Raiffeisen Bank International AG, Vienna	July 2015	May 2025	552,862	1,067,181	Company loans (real estate financing)	7.1%
Synthetic Transaction EIF JEREMIE Slovakia	Tatra banka a.s., Bratislava (SK)	March 2014	June 2025	26,895	38,421	SME loans	25.0%
Synthetic Transaction EIF JEREMIE Romania	Raiffeisenbank S.A., Bucharest (RO)	December 2010	December 2023	12,597	15,746	SME loans	25.0%
Synthetic Transaction EIF Western Balkans EDIF Croatia	Raiffeisenbank Austria d.d., Zagreb (HR)	April 2015	May 2023	4,590	6,557	SME loans	22.0%

SME: Small and medium-sized entities

In the reporting year, no new securitization programs resulting in a significant transfer of risk were initiated with external investors. The following securitization programs concluded in former years were still active in the reporting year:

In December 2015, a synthetic securitization of € 1,000,000 thousand in loans and advances to corporate customers and project finance loans originated by Raiffeisenbank a.s., Prague, was concluded. This synthetic securitization is referred to as "ROOF RBCZ 2015" and was split into a senior, a mezzanine and a junior tranche. The mezzanine tranche was sold to two institutional investors, while Raiffeisenbank a.s., Prague, holds the credit risk of the junior and senior tranches.

A synthetic securitization of loans and advances to corporate customers essentially originated by RBI AG has been active since 2014 under "ROOF Infrastructure 2014". The junior tranche is externally placed and amounted to € 101,497 thousand as at 31 December 2016 (2015: € 98,963 thousand).

A synthetic securitization of real estate loans and advances to corporate customers from Austria and Germany originated by RBI AG was concluded in July 2015 under "ROOF Real Estate 2015". The transaction was split into a senior and a junior tranche. The junior tranche is externally placed and amounted to € 51,445 thousand as at 31 December 2016 (2015: € 49,720 thousand).

Within the scope of further synthetic securitizations, the Group participated in the JEREMIE programs in Romania in 2010 ("EIF JEREMIE Romania"), as well as in Slovakia from 2013 ("EIF JEREMIE Slovakia SME 2013-1"). The European Investment Fund (EIF) provides guarantees from EIF under the JEREMIE initiative to subsidiaries granting loans to small and medium-sized enterprises. The maximum volume of the portfolio under the JEREMIE first loss guarantees amounts to € 172,500 thousand for Raiffeisenbank S.A., Bucharest, and € 60,000 thousand for Tatra banka a.s., Bratislava.

In 2015, Raiffeisenbank Austria d.d., Zagreb, signed a portfolio guarantee agreement under the Western Balkans Enterprise Development and Innovation Facility (EIF Western Balkans EDIF Croatia); the agreement is financed by the EU and aims to support small and medium-sized enterprises in accessing finance. The maximum volume is € 20,107 thousand.

A securitization transaction placed in 2014 by a leasing subsidiary in Poland under "ROOF Poland Leasing 2014" included a portfolio of car leasing contracts with an underlying transaction volume of PLN 1,500,000 thousand. The SPV established for this transaction was fully consolidated within the group until 30 November 2016. Following the sale of the originating Raiffeisen-Leasing Polska S.A., Warsaw, and ROOF Poland Leasing 2014 Ltd, Dublin (IE), which was closed in December 2016, the securitization transaction was eliminated from the Group.

RZB as investor

Besides the above-mentioned refinancing and packaging of designated portfolios of loans or leasing claims, the Group also acts as an investor in Asset Backed Securities (ABS) structures. Essentially, this relates to investments in Structured Credit Products, Asset Based Financing and partly also Diversified Payment Rights. During the financial year, market value changes led to a negative valuation result of around € 89 thousand (2015: negative valuation result of € 12 thousand) and to a realized result from sale of € 679 thousand (2015: € 811 thousand).

Total exposure to structured products (excluding Credit Default Swaps):

in € thousand	2016 Outstanding nominal amount	2016 Carrying amount	2015 Outstanding nominal amount	2015 Carrying amount
Asset-backed securities (ABS)	445,868	446,569	450,764	450,913
Asset-based financing (ABF)	248,387	248,387	225,406	225,406
Collateralized debt obligations (CDO)	35,595	74	34,633	159
Other	10,000	6,580	0	0
Total	**739,850**	**701,609**	**710,803**	**676,478**

(37) Transferred assets

The Group enters into transactions that result in the transfer of trading assets, financial investments and loans and advances to customers. The transferred financial assets continue to be recognized in their entirety or to the extent of the Group's continuing involvement, or are derecognized in their entirety. The Group transfers financial assets that are not derecognized in their entirety or for which the Group has continuing involvement primarily through sale and repurchase of securities, securities lending and securitization activities.

Transferred financial assets not derecognized

Sale and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it at a fixed price on a future date. The Group continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Securities lending agreements are transactions in which the Group lends securities for a fee and receives cash as collateral. The Group continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash received is recognized as a financial asset and a financial liability is recognized for the obligation to repay it. Because as part of the lending arrangement the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Loans and advances to customers are sold by the Group to securitization vehicles that in turn issue notes to investors collateralized by the purchased assets. In the securitizations in which the Group transfers loans and advances to an unconsolidated securitization vehicle, it retains some credit risk while transferring some credit risk, prepayment and interest rate risk to the vehicle. The Group therefore does not retain or transfer substantially all of the risks and rewards of such assets.

The table below shows the carrying amounts of financial assets transferred:

2016		Transferred assets			Associated liabilities	
in € thousand	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Loans and advances	300,057	0	300,057	292,527	0	292,527
Trading assets	32,783	0	32,783	31,846	0	31,846
Financial investments	49,417	0	49,417	47,748	0	47,748
Total	**382,257**	**0**	**382,257**	**372,120**	**0**	**372,120**

2015		Transferred assets			Associated liabilities	
in € thousand	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Loans and advances	390,409	327,669	62,741	323,619	268,322	55,297
Trading assets	288,276	0	288,276	251,613	0	251,613
Financial investments	37,705	0	37,705	36,098	0	36,098
Total	**716,391**	**327,669**	**388,722**	**611,330**	**268,322**	**343,009**

Transferred financial assets that are not entirely derecognized

The Group currently has no securitization transactions in which financial assets are partly derecognized.

(38) Assets pledged as collateral and received financial assets

The Group pledges assets mainly for repurchase agreements, securities lending agreements as well as other lending arrangements and for margining purposes in relation to derivative liabilities. The table below contains assets from repo business, securities lending business, securitizations and debentures transferred as collateral of liabilities, or guarantees (this means collateralized deposits).

in € thousand	2016	2015
Loans and advances[1]	6,802,644	6,831,870
Trading assets[2]	63,540	1,077,547
Financial investments	679,715	573,805
Total	**7,545,900**	**8,483,221**

1 Without loans and andvances from reverse repo and securities lending business
2 Without derivatives

The table below shows the liabilities corresponding to the assets pledged as collateral and contains liabilities from repo business, securities lending business, securitizations and debentures:

in € thousand	2016	2015
Deposits from banks	2,652,753	3,469,602
Deposits from customers	45,906	561,207
Debt securities issued	1,610,164	1,586,489
Other liabilities	201,069	645,593
Contingent liabilities and commitments	51	115,798
Total	**4,509,943**	**6,378,689**

The following table shows securities and other financial assets accepted as collateral:

in € thousand	2016	2015
Securities and other financial assets accepted as collateral which can be sold or repledged	5,139,516	1,780,968
hereof which have been sold or repledged	418,169	307,566

The Group received collateral which can be sold or repledged even if no default occurs in the course of reverse repo business, securities lending business, derivative and other transactions.

Significant restrictions regarding access to or usage of Group assets

Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests might restrict the ability of the Group to access and transfer assets freely to or from other Group entities and settle liabilities. As at the reporting date, the Group has not granted any material protective rights associated to non-controlling interests and therefore these were not a source of significant restrictions.

The following products restrict the Group in the use of its assets: repurchase agreements, securities lending contracts as well as other lending contracts, for margining purposes in relation to derivative liabilities, securitizations and various insurance activities. The table below shows assets pledged as collateral and otherwise restricted assets with a corresponding liability. These assets are restricted from usage to secure funding, for legal or other reasons.

in € thousand	2016 Pledged	2016 Otherwise restricted with liabilities	2015 Pledged	2015 Otherwise restricted with liabilities
Loans and advances[1]	6,802,644	1,338,469	6,831,870	1,983,278
Trading assets[2]	63,540	29,174	1,077,547	56,227
Financial investments	679,715	386,013	573,805	7,327
Total	**7,545,900**	**1,753,656**	**8,483,221**	**2,046,832**

1 Without loans and advances from reverse repo and securities lending business
2 Without derivatives

(39) Offsetting of financial assets and liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's statement of financial position or are subject to an enforceable/unenforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position or not.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements.

Some of the agreements are not set-off in the statement of financial position. This is because they create, for the parties to the agreement, a right to set-off recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously. The Group receives and gives collaterals in the form of cash and marketable securities.

2016	Gross amount		Net amount	Related amounts not set-off in the statement of financial position		Net amount
in € thousand	of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	Financial instruments	Cash collateral received	
Derivatives (legally enforceable)	4,504,777	733,698	3,771,079	2,634,609	38,683	1,097,787
Reverse repurchase, securities lending & similar agreements (legally enforceable)	3,681,162	0	3,681,162	3,681,162	0	0
Other financial instruments (legally enforceable)	510,079	0	510,079	325,016	0	185,063
Total	**8,696,018**	**733,698**	**7,962,320**	**6,640,787**	**38,683**	**1,282,850**

2016 in € thousand	Gross amount of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	Net amount of recognized liabilities set-off in the statement of financial position	Related amounts not set-off in the statement of financial position Financial instruments	Cash collateral pledged	Net amount
Derivatives (legally enforceable)	3,979,808	733,698	3,246,111	1,989,298	110,345	1,146,468
Repurchase, securities lending & similar agreements (legally enforceable)	447,514	0	447,514	433,849	0	13,665
Other financial instruments (legally enforceable)	335,217	0	335,217	325,016	0	10,201
Total	**4,762,540**	**733,698**	**4,028,842**	**2,748,163**	**110,345**	**1,170,334**

In 2016, assets which were not subject to legally enforceable netting agreements amounted to € 126,884,255 thousand (2015: € 133,182,045 thousand), of which an immaterial part was accounted for by derivative financial instruments and cash balances from reverse repo business. Liabilities which were not subject to legally enforceable netting agreements totaled € 125,068,962 thousand in 2016 (2015: € 128,933,061 thousand), of which only an immaterial part was accounted for by derivative financial instruments and cash deposits from repo business.

2015 in € thousand	Gross amount of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	Net amount of recognized assets set-off in the statement of financial position	Related amounts not set-off in the statement of financial position Financial instruments	Cash collateral received	Net amount
Derivatives (legally enforceable)	4,398,364	563,947	3,834,417	2,693,543	33,017	1,107,857
Reverse repurchase, securities lending & similar agreements (legally enforceable)	1,326,950	0	1,326,950	1,310,863	0	16,087
Other financial instruments (legally enforceable)	1,966,507	14,427	1,952,079	1,753,855	0	198,224
Total	**7,691,821**	**578,374**	**7,113,447**	**5,758,261**	**33,017**	**1,322,168**

2015 in € thousand	Gross amount of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	Net amount of recognized liabilities set-off in the statement of financial position	Related amounts not set-off in the statement of financial position Financial instruments	Cash collateral pledged	Net amount
Derivatives (legally enforceable)	4,329,171	563,947	3,765,224	2,656,661	170,599	937,964
Repurchase, securities lending & similar agreements (legally enforceable)	225,431	0	225,431	217,366	0	8,065
Other financial instruments (legally enforceable)	1,854,837	14,427	1,840,409	1,753,855	0	86,554
Total	**6,409,439**	**578,374**	**5,831,064**	**4,627,883**	**170,599**	**1,032,583**

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured at either fair value (derivatives, other financial instruments) or amortized cost (loans and advances, deposits and other financial instruments). All amounts have been reconciled to the line items in the statement of financial position.

(40) Derivative financial instruments

2016 in € thousand	Nominal amount by maturity Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Fair values Positive	Negative
Total	**65,335,214**	**73,327,784**	**65,889,273**	**204,552,271**	**3,886,066**	**(3,327,631)**
Interest rate contracts	**26,525,580**	**62,252,018**	**47,129,144**	**135,906,743**	**2,876,839**	**(2,082,177)**
OTC products						
Interest rate swaps	23,069,895	51,860,752	40,973,866	115,904,513	2,581,781	(1,850,462)
Interest rate futures	824,943	0	0	824,943	34	0
Interest rate options – purchased	1,203,708	5,353,982	3,206,507	9,764,198	294,952	0
Interest rate options – sold	1,096,945	4,933,439	2,862,453	8,892,837	0	(231,089)
Products trading on stock exchange						
Interest rate futures	330,089	49,412	38,592	418,093	0	(626)
Interest rate options	0	54,433	47,726	102,160	72	0
Foreign exchange rate and gold contracts	**36,875,577**	**9,378,193**	**18,531,807**	**64,785,577**	**910,523**	**(1,069,508)**
OTC products						
Cross-currency interest rate swaps	4,909,304	8,324,391	18,531,807	31,765,501	462,063	(729,120)
Forward foreign exchange contracts	28,748,913	973,379	0	29,722,293	429,818	(320,081)
Currency options – purchased	1,202,723	27,264	0	1,229,987	14,774	0
Currency options – sold	1,402,522	34,639	0	1,437,162	0	(14,003)
Gold commodity contracts	1,431	18,519	0	19,950	492	0
Products trading on stock exchange						
Currency contracts (futures)	610,685	0	0	610,685	3,376	(6,304)
Equity/index contracts	**924,565**	**1,516,131**	**228,322**	**2,669,017**	**94,938**	**(164,711)**
OTC products						
Equity-/index-based options - purchased	48,915	590,584	123,230	762,729	49,563	0
Equity-/index-based options - sold	209,132	901,613	104,595	1,215,340	8,942	(125,233)
Products trading on stock exchange						
Equity/index futures - forward pricing	405,278	291	497	406,066	31,302	(32,414)
Equity/index futures	261,240	23,643	0	284,883	5,131	(7,065)
Commodities	**95,930**	**95,699**	**0**	**191,629**	**3,119**	**(9,428)**
Credit derivatives	**895,537**	**85,743**	**0**	**981,281**	**648**	**(687)**
Precious metals contracts	**18,024**	**0**	**0**	**18,024**	**0**	**(1,120)**

The surplus of negative market values for equity/index contracts is offset by shares purchased for hedging purposes. These shares are recorded as trading assets and are not shown in the above table.

2015	Nominal amount by maturity				Fair values	
in € thousand	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive	Negative
Total	**80,580,384**	**74,772,538**	**47,597,891**	**202,950,813**	**4,283,054**	**(4,861,977)**
Interest rate contracts	**31,071,496**	**61,600,114**	**44,925,399**	**137,597,009**	**3,060,640**	**(2,325,202)**
OTC products						
Interest rate swaps	24,020,987	52,939,891	39,024,610	115,985,488	2,774,203	(2,068,327)
Interest rate futures	1,913,964	0	0	1,913,964	1,231	(2,549)
Interest rate options – purchased	979,419	4,442,682	2,944,024	8,366,125	284,805	0
Interest rate options – sold	1,282,299	4,183,344	2,879,449	8,345,092	0	(254,268)
Other similar contracts	2,161	0	0	2,161	0	0
Products trading on stock exchange						
Interest rate futures	2,872,666	34,198	58,945	2,965,809	336	(57)
Interest rate options	0	0	18,371	18,371	64	0
Foreign exchange rate and gold contracts	**47,600,542**	**10,220,395**	**2,226,613**	**60,047,550**	**1,150,357**	**(1,382,410)**
OTC products						
Cross-currency interest rate swaps	6,338,993	9,176,610	2,213,084	17,728,687	734,968	(940,896)
Forward foreign exchange contracts	37,327,296	866,568	0	38,193,865	381,261	(390,292)
Currency options – purchased	1,497,065	105,479	0	1,602,545	31,221	0
Currency options – sold	1,639,230	68,754	0	1,707,984	0	(29,878)
Gold commodity contracts	0	2,984	13,529	16,512	47	(12,240)
Products trading on stock exchange						
Currency contracts (futures)	797,957	0	0	797,957	2,859	(9,103)
Equity/index contracts	**1,250,956**	**1,820,016**	**401,990**	**3,472,961**	**69,838**	**(1,024,218)**
OTC products						
Equity-/index-based options - purchased	84,862	505,331	113,035	703,229	39,062	0
Equity-/index-based options - sold	133,298	647,167	161,624	942,088	0	(161,175)
Other similar equity/index contracts	229,331	644,521	127,331	1,001,183	120	(826,338)
Products trading on stock exchange						
Equity/index futures - forward pricing	436,540	0	0	436,540	24,803	(22,172)
Equity/index futures	366,924	22,997	0	389,921	5,853	(14,532)
Commodities	**141,386**	**128,795**	**43,889**	**314,071**	**442**	**(110,759)**
Credit derivatives	**494,078**	**992,305**	**0**	**1,486,383**	**1,776**	**(2,114)**
Precious metals contracts	**21,926**	**10,912**	**0**	**32,838**	**1**	**(17,274)**

The previous year's surplus of negative market values for equity/index contracts was offset by shares purchased for hedging purposes. These shares are recorded under trading assets and are not shown in the above table.

(41) Fair value of financial instruments

In the Group fair value is primarily measured based on external data sources (mainly stock exchange prices or broker quotations in highly liquid markets). Financial instruments which are measured using quoted market prices are mainly listed securities and derivatives and also liquid bonds which are traded on OTC markets. These financial instruments are assigned to Level I of the fair value hierarchy.

In the case of a market valuation where the market cannot be considered as an active market because of its restricted liquidity, the underlying financial instrument is assigned to Level II of the fair value hierarchy. If no market prices are available, these financial instruments are measured using valuation models based on observable market data. These observable market data are mainly reproducible yield curves, credit spreads and volatilities. The Group generally uses valuation models which are subject to an internal audit by the Market Risk Committee in order to ensure appropriate measurement parameters.

If fair value cannot be measured using either sufficiently regularly quoted market prices (Level I) or using valuation models which are entirely based on observable market prices (Level II), then individual input parameters which are not observable on the market are estimated using appropriate assumptions. If parameters which are not observable on the market have a significant impact on the measurement of the underlying financial instrument, it is assigned to Level III of the fair value hierarchy. These measurement parameters which are not regularly observable are mainly credit spreads derived from internal estimates.

Assigning certain financial instruments to the level categories requires regular assessment, especially if measurement is based on both observable parameters and also parameters which are not observable on the market. The classification of an instrument can also change over time because of changes in market liquidity and thus price transparency.

Fair value of financial instruments reported at fair value

Bonds are primarily measured using prices that can be realized in the market. If no quotations are available, the securities are measured using the discounted cash flow model. The measurement parameters used here are the yield curve and an adequate credit spread. The credit spread is calculated using comparable financial instruments which are available on the market. For a small part of the portfolio, a conservative approach was selected and credit default spreads were used for measurement. External measurements by third parties are also taken into account, all of which are indicative in nature. Items are assigned to levels at the end of the reporting period.

In the Group, well-known conventional valuation techniques are used to measure OTC derivatives. For example, interest rate swaps, cross currency swaps or forward rate agreements are measured using the customary discounted cash flow model for these products. OTC options, such as foreign exchange options or caps and floors, are based on valuation models which are in line with market standards. For the products mentioned as examples, these would include the Garman-Kohlhagen model, Black-Scholes 1972 and Black 1976. Complex options are measured using binomial tree models and Monte-Carlo simulations.

To determine the fair value a credit value adjustment (CVA) is also necessary to reflect the counterparty risk associated with OTC derivative transactions, especially of those contractual partners with whom hedging via credit support annexes has not yet been conducted. This amount represents the respective estimated market value of a security which could be used to hedge against the credit risk of the counterparties to the Group's OTC derivative portfolios.

For OTC derivatives, credit value adjustments (CVA) and debit value adjustments (DVA) are used to cover expected losses from lending business. The CVA will depend on the expected future exposure (expected positive exposure) and the probability of default of the contractual partner. The DVA is determined based on the expected negative exposure and on RBI's credit quality. The expected positive exposure is calculated by simulating a large number of scenarios for future points in time, taking into account all available risk factors (e.g. currency and yield curves). OTC derivatives are measured at market values taking into account these scenarios at the respective future points in time and are aggregated at counterparty level in order to then ascertain the expected positive exposure for all points in time. Counterparties with CSA contracts (credit support annex contracts) are taken into account in the calculation for the first time from 31 December 2014. Here, the expected exposures are not calculated directly from simulated market values, but from a future expected change in market values based on a "margin period of risk" of 10 days.

A further element of the CVA involves determining a probability of default for each counterparty. Where direct credit default swap (CDS) quotations are available, the Group calculates the market-based probability of default and, implicitly, the loss-given-default (LGD) for the respective counterparty. The probability of default for counterparties which are not actively traded on the market is calculated by assigning a counterparty's internal rating to a sector and rating-specific CDS curve. The valuation result due to changed credit risk of the counterparty is disclosed in the notes under (5) Net trading income, interest-based transactions.

The DVA is determined by the expected negative exposure and by RBI's credit quality and represents the value adjustment for own probability of default. The method of calculation is similar to that for the CVA, but the expected negative market value is used instead of the expected positive market value. Instead of the expected positive exposures, expected negative exposures are calculated from the simulated future aggregated counterparty market values; these represent the expected debt which the Group has to the counterparty at the respective future points in time. Values implied by the market are also used to calculate the own probability of default. Direct CDS quotations are used where available. If no CDS quotation is available, the own probability of default is calculated by assigning the own rating to a sector and rating-specific CDS curve.

No funding value adjustment (FVA) was considered to measure OTC derivatives. The Group is observing market developments and will develop a method to calculate the FVA where appropriate

In the following tables, the financial instruments reported at fair value in the statement of financial position are grouped according to items in the statement of financial position and classified according to measurement category. A distinction is made as to whether the measurement is based on quoted market prices (Level I), or whether the valuation models are based on observable market data (Level II) or on parameters which are not observable on the market (Level III). Items are assigned to levels at the end of the reporting period.

in € thousand	2016 Level I	2016 Level II	2016 Level III	2015 Level I	2015 Level II	2015 Level III
Trading assets	**2,030,638**	**3,457,576**	**72,220**	**2,758,057**	**3,763,285**	**24,214**
Positive fair values of derivatives[1]	93,900	3,146,622	852	64,453	3,507,009	2,320
Shares and other variable-yield securities	164,159	257	65	202,596	449	237
Bonds, notes and other fixed-interest securities	1,772,579	310,697	71,303	2,491,009	255,827	21,657
Financial assets at fair value through profit or loss	**6,447,870**	**1,972,834**	**52,507**	**6,845,476**	**3,072,102**	**65,973**
Shares and other variable-yield securities	118,414	121	1,186	256,283	0	1,209
Bonds, notes and other fixed-interest securities	6,329,456	1,972,712	51,322	6,589,193	3,072,102	64,764
Financial assets available-for-sale	**4,066,393**	**219,021**	**73,585**	**3,441,965**	**536,074**	**170,518**
Other interests[2]	1,536	28,673	0	48,279	0	89,436
Bonds, notes and other fixed-interest securities	4,013,481	190,348	70,865	3,344,302	536,074	78,586
Shares and other variable-yield securities	51,376	0	2,721	49,384	0	2,496
Derivatives (hedging)	**0**	**644,693**	**0**	**0**	**709,272**	**0**
Positive fair values of derivatives from hedge accounting	0	644,693	0	0	709,272	0

1 Including other derivatives
2 Includes securities traded on the stock exchange and also shares measured according to income approach

Level I Quoted market prices
Level II Valuation techniques based on market data
Level III Valuation techniques not based on market data

in € thousand	2016 Level I	2016 Level II	2016 Level III	2015 Level I	2015 Level II	2015 Level III
Trading liabilities	**618,955**	**4,794,887**	**7,783**	**524,973**	**5,021,550**	**28,982**
Negative fair values of derivative financial instruments[1]	135,334	2,766,545	337	161,769	4,243,504	21,914
Short-selling of trading assets	483,236	72,111	0	363,204	90,255	0
Certificates issued	386	1,956,232	7,446	0	687,791	7,068
Liabilities at fair value through profit and loss	**0**	**2,783,648**	**0**	**0**	**2,588,259**	**0**
Deposits from banks[2]	0	751,720	0	0	838,753	0
Debt securities issued[2]	0	1,373,418	0	0	1,226,965	0
Subordinated capital[2]	0	658,510	0	0	522,541	0
Derivatives (hedging)	**0**	**425,415**	**0**	**0**	**434,791**	**0**
Negative fair values of derivatives from hedge accounting	0	425,415	0	0	434,791	0

1 Including other derivatives
2 Adaptation of previous year figures

Level I Quoted market prices
Level II Valuation techniques based on market data
Level III Valuation techniques not based on market data

Movements between Level I and Level II

For each financial instrument, a check is made whether quoted market prices are available on an active market (Level I). For financial instruments where there are no quoted market prices, observable market data, for instance yield curves, are used to calculate fair value (Level II). Reclassification takes place if this estimate changes.

If instruments are reclassified from Level I to Level II, this means that market quotations were previously available for these instruments but are no longer so. These securities are now measured using the discounted cash flow model, using the respective valid yield curve and the appropriate credit spread.

If instruments are reclassified from Level II to Level I, this means that the measurement results were previously calculated using the discounted cash flow model but that market quotations are now available and can be used for measurement.

Compared to year-end, the share of financial assets classified as Level II decreased. The decrease resulted mainly from divestitures from the category "Financial assets at fair value through profit or loss", particularly the category "Bonds, notes and other fixed-interest securities". Compared to year-end, Level I assets also decreased. Moreover, there was a slight shift from Level I to Level II. This was due to the fact that no directly quoted market prices for these financial instruments were available at the reporting date.

Movements in Level III of financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose fair value cannot be calculated on the basis of observable market data and which are therefore subject to other measurement models. Financial instruments in this category have a value component which is unobservable on the market and which therefore has a material impact on the fair value. Due to a change in the observable valuation parameters, certain financial instruments were reclassified from Level III. The reclassified financial instruments are shown under Level II as they are valued on the basis of market input parameters.

in € thousand	As at 1/1/2016	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	24,214	0	(790)	70,261	(19,691)
Financial assets at fair value through profit or loss	65,973	0	4,667	18,586	(45,287)
Financial assets available-for-sale	170,518	0	(2,277)	14,619	(149,215)
Derivatives (hedging)	0	0	146	0	(28)

in € thousand	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 31/12/2016
Trading assets	(1,775)	0	0	0	72,220
Financial assets at fair value through profit or loss	8,569	0	0	0	52,507
Financial assets available-for-sale	129,399	(89,459)	0	0	73,585
Derivatives (hedging)	(118)	0	0	0	0

in € thousand	As at 1/1/2016	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading liabilities	28,982	0	(1)	12,849	(19,984)

in € thousand	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 31/12/2016
Trading liabilities	(258)	0	0	(13,806)	7,783

In the reporting year, gains resulting from financial instruments of the Level III fair value hierarchy amounted to € 135,817 thousand (2015: € 34,227 thousand).

Qualitative information for the measurement of Level III financial instruments

Financial assets	Type	Fair value in € thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Shares and other variable-yield securities	Closed end real estate fund	65	Net asset value	Haircuts	40-90%
Shares and other variable-yield securities	Shares, floating rate notes	3,906	Cost of aquisition, DCF - method	Realization rate Credit spread	10-40%
Other interests	Shares	0	Income approach	Forecasted cash flows	-
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	186,680	Discounted cash flow method	Credit spread	0.4-50%
Bonds, notes and other fixed-interest securities	Asset backed securities	6,810	Discounted cash flow method	Realization rate Credit spread	10-20%
Positive fair value of banking book derivatives without hedge accounting	Forward foreign exchange contracts	852	Net present value method Internal model	Interest rate PD LGD	10-30% 0.25-100% 37-64%
Total		**198,313**			

Financial liabilities	Type	Fair value in € thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Negative fair value of banking book derivatives without hedge accounting	OTC options	337	Option model	Closing period Currency risk LT volatility Index category Net interest rate	2-5% 0-5% 0-3% 0-5% 10-30%
Issued certificates for trading purposes	Certificates	7,446	Option model	Closing period Bid-Ask spread LT volatility Index category	0-3% 0-3% 0-3% 0-2.5%
Total		**7,783**			

Fair value of financial instruments not reported at fair value

Fair values which are different from the carrying amount are calculated for fixed-interest loans and advances to and deposits from banks or customers, if the remaining maturity is more than one year. Variable-interest loans and advances and deposits are taken into account if they have an interest rollover period of more than one year. The fair value of loans and advances is calculated by discounting future cash flows and using interest rates at which similar loans and advances with the same maturities could have been granted to customers with similar creditworthiness. Moreover, the specific credit risk and collateral are considered for the calculation of fair values for loans and advances.

2016 in € thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	16,838,583	0	16,838,583	16,838,583	0
Loans and advances to banks	0	8,275,700	2,708,271	10,983,971	10,973,166	10,805
Loans and advances to customers	0	17,053,879	56,998,151	74,052,029	74,574,366	(522,337)
Financial investments	6,242,120	2,206,434	1,140,615	9,589,169	9,374,591	214,578
Liabilities						
Deposits from banks	0	9,806,023	13,707,862	23,513,884	23,308,054	205,830
Deposits from customers	0	26,623,836	53,817,826	80,441,662	80,324,996	116,666
Debt securities issued	2,044,884	4,562,477	1,485,259	8,092,620	7,812,473	280,147
Subordinated capital	0	3,409,412	431,636	3,841,047	3,578,993	262,055

2015 in € thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	17,401,694	0	17,401,694	17,401,694	0
Loans and advances to banks	0	6,275,003	5,761,941	12,036,944	11,993,151	43,793
Loans and advances to customers	0	15,617,281	57,100,474	72,717,755	73,177,898	(460,142)
Financial investments	5,876,839	2,389,865	2,013,225	10,279,929	9,954,782	325,147
Liabilities						
Deposits from banks[1]	0	12,160,297	15,352,481	27,512,778	27,274,329	238,449
Deposits from customers	0	26,977,038	51,559,426	78,536,465	78,078,973	457,492
Debt securities issued	2,174,292	4,314,378	1,806,157	8,294,827	8,126,365	168,463
Subordinated capital[1]	0	3,624,851	441,623	4,066,474	3,681,240	385,234

1 Adaptation of previous year figures

(42) Contingent liabilities and commitments

in € thousand	2016	2015
Contingent liabilities	**9,780,465**	**10,030,100**
Acceptances and endorsements	0	26,180
Credit guarantees	5,624,327	4,939,167
Other guarantees	2,626,927	3,079,943
Letters of credit (documentary business)	993,936	1,237,908
Other contingent liabilities	535,274	746,901
Commitments	**10,732,550**	**10,481,542**
Irrevocable credit lines and stand-by facilities	10,732,550	10,481,542
Up to 1 year	2,863,167	2,993,998
More than 1 year	7,869,383	7,487,543

The following table contains revocable credit lines:

in € thousand	2016	2015
Revocable credit lines	**16,110,254**	**16,186,591**
Up to 1 year	9,823,208	9,988,236
More than 1 year	4,090,360	4,124,391
Without maturity	2,196,686	2,073,964

Raiffeisen-Kundengarantiegemeinschaft Österreich

RZB AG and RBI AG are members of the Raiffeisen-Kundengarantiegemeinschaft Österreich (RKÖ). The members of this association assume a contractually agreed liability stating that together, they will guarantee to fulfill all customer deposits and own issues of an insolvent member up to the limit which results from the total of the financial strength of each individual member institution within the corresponding deadlines. The financial strength of a member institution depends on its freely available reserves taking into account the relevant rules according to the Austrian Banking Act (BWG).

Institutional Protection Scheme

The introduction of the Capital Requirements Regulation (CRR) in 2014 resulted in some significant adjustments to the provisions contained thus far in Austrian Banking Act (BWG) for decentralized cooperative banking groups. According to this EU regulation, cooperative banking groups with holdings of equity instruments of banks outside the banking group, should deduct these holdings from equity, unless an exemption though an Institutional Protection Scheme (IPS) exists. For this reason an IPS was established in the Raiffeisen Banking Group, and contractual and statutory guarantees agreed upon, which cover participating institutions and in particular maintain, when needed, liquidity and solvency in order to avoid bank failure. Based on the structure of the Raiffeisen Banking Group the IPS has been designed in two stages, and applications were submitted to the competent supervisory authority and approved in October and November 2014.

RZB AG, as the central institution of the Raiffeisen Banking Group, is a participant in the federal IPS alongside the Raiffeisenlandesbanken, Raiffeisen-Holding Niederösterreich-Wien reg. GmbH, Vienna, Posojilnica Bank eGen, Klagenfurt, Raiffeisen Wohnbaubank AG, Vienna, and the Raiffeisen Bausparkasse GmbH, Vienna. Furthermore, in most of the Austrian federal states there is a regional IPS.

The participants in the regional IPS are the regional Raiffeisen banks of the individual federal states and local Raiffeisen banks.

The core of the federal IPS is a uniform and joint risk monitoring within the framework of the early warning system of the Austrian Raiffeisen Deposit Guarantee scheme (ÖRE). The IPS thus supplements the system of mutual cooperation in the framework of the Raiffeisen Banking Group, which comes into effect when members run into financial difficulties. In 2015 and 2016, the scheme was used in the case of Posojilnica Bank eGen, Vienna, when the affected institution received equity and a subordinated loan from fund assets.

Risk report

(43) Risks arising from financial instruments

Active risk management is a core competency of the Group. In order to effectively identify, measure, and manage risks the Group continues to develop its comprehensive risk management system. Risk management is an integral part of overall bank management. In particular, in addition to legal and regulatory requirements, it takes into account the nature, scale, and complexity of the business activities and the resulting risks. The risk report describes the principles and organization of risk management and explains the current risk exposures in all material risk categories.

Risk management principles

The Group has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at controlling and managing material risks at all banks and specialist companies in the Group. The risk policies and risk management principles are laid out by the Management Board of RZB AG. The principles include the following risk policies:

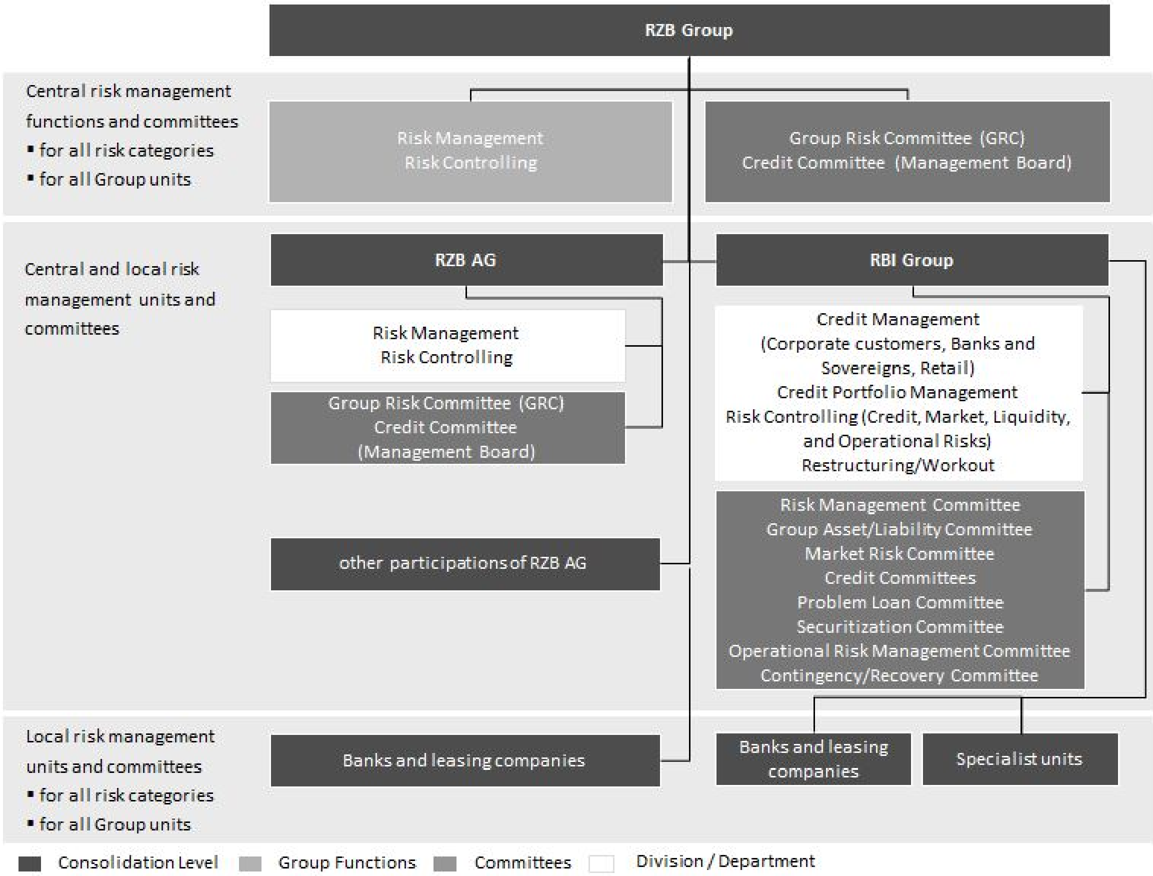
- Integrated risk management: Credit and country risks, participation, market and liquidity risks, and operational risks are managed as main risks on a Group-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies: Risk measurement and risk limitation methods are standardized Group-wide in order to ensure a consistent and coherent approach to risk management. This is efficient for the development of risk management methods and it forms the basis for consistent overall bank management across all countries and business segments.
- Continuous planning: Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to preventing risk concentrations.
- Independent control: A clear personnel and organizational separation is maintained between business operations and any risk management or risk controlling activities.
- Ex ante and ex post control: Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

Individual risk management units of the Group create detailed risk strategies, which set more concrete risk targets and specific standards in compliance with these general principles. The overall Group risk strategy is derived from the Group's business strategy and the risk appetite and adds risk relevant aspects to the planned business structure and strategic development. These aspects include for example structural limits and capital ratio targets which have to be met in the budgeting process and which frame upcoming business decisions. More specific targets for individual risk categories are set in detailed risk strategies. The credit risk strategy of the Group, for instance, sets credit portfolio limits for individual countries and segments and defines the credit approval authority for limit applications.

Organization of risk management

The Management Board of the Group ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the created risk reports and analyses. The Management Board is supported in implementing these tasks by independent risk management units and special committees.

Basically, risk management functions are performed on different levels in the Group. RZB AG as the parent credit institution concluded several Service Level Agreements with risk management units of RBI AG which develop and implement the relevant concepts in coordination with the subsidiaries of the Group. The central risk management units are responsible for the adequate and appropriate implementation of the Group's risk management processes. In particular, they establish common Group directives and set business-specific standards, tools, and practices for all Group entities.



In addition, local risk management units are established in the different Group entities. They implement the risk policies for specific risk types and take active steering decisions within the approved risk budgets in order to achieve the targets set in the business policy. For this purpose, they monitor resulting risks using standardized measurement tools and report them to central risk management units via defined interfaces.

The central Risk Controlling division assumes the independent risk controlling function required by banking law. Its responsibilities include developing the Group-wide framework for overall bank risk management (integrating all risk types) and preparing independent reports on the risk profile for the Risk Committee of the Supervisory Board, for the Management Board and the heads of individual business units. It also measures required risk coverage capital for different Group units and calculates the utilization of the allocated risk capital budgets in the internal capital adequacy framework.

Risk committees

The Group Risk Committee is the highest decision-making body for all risk-relevant issues of the Group. It determines the risk management methods and steering concepts to be implemented for the Group as a whole and its key parts. These include risk appetite, various risk budgets, limits at overall bank level and monitoring the current risk situation, with appropriate management measures.

The Risk Management Committee is responsible for ongoing development and implementation of methods and parameters for risk quantification models and for refining steering instruments. The committee also analyzes the current risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and controlling activities (like the allocation of risk capital) and advises the Management Board in these matters.

The Group Asset/Liability Committee assesses and manages statement of financial position structure and liquidity risks and performs in this context key functions relating to refinancing planning and determining measures for safeguarding against structural risks. The Capital Hedge Committee is a sub-committee of the Group Asset/Liability Committee and manages the currency risk of the capital position.

The Market Risk Committee controls market risks of trading and banking book transactions of the Group and establishes corresponding limits and processes. In particular, it relies on profit and loss reports, the risks calculated and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks.

The Credit Committees are staffed by front office and back office representatives with different participants depending on the type of customer (corporate customers, banks, sovereigns and retail). They decide upon the specific lending criteria for different customer segments and countries and approve all credit decisions concerning them according to the credit approval authority (depending on rating and exposure size).

The Problem Loan Committee (PLC) is the most important committee in the evaluation and decision-making process concerning problem loans. It comprises primarily decision making bodies (members of the Management Board of RZB and RBI). Its chairman is the Chief Risk Officer (CRO) of RBI. Further members with voting rights are those members of the Management Board responsible for the customer divisions, the Chief Financial Officer (CFO) and the relevant division and department managers from risk management and special exposure management (workout).

The Securitization Committee is the decision-making committee for limit requests in relation to securitization positions within the specific decision-making authority framework and develops proposals for modifications to the securitization strategy for the Management Board. In addition, the Securitization Committee is a platform for exchanging information regarding securitization positions and market developments.

The Operational Risk Management Committee comprises representatives of the business divisions (retail, market and corporate customers) and representatives from Compliance (including financial crime), Internal control system (IKS), Operations, Security and Risk Controlling, under chairmanship of the CRO. This committee is responsible for controlling operational risk (including conduct risk) of the Group. It derives and sets the operational risk strategy from the risk profile and the business strategy and also makes decisions regarding measures, controls and risk acceptance.

The Contingency/Recovery Committee is a decision-making body convened by the Management Board. The composition of the committee varies, where applicable depending on the intensity or focus of the specific requirements pertaining to the situation (e.g. capital and/or liquidity). The core task of the committee is to maintain or recover financial stability in accordance with BaSAG (Austrian Bank Recovery and Resolution Act) and BRRD (Banking Recovery and Resolution Directive) in the event of a critical financial situation.

Quality assurance and auditing

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This should make sure that the Group adheres to all legal requirements and that it can achieve the highest standards in risk management related operations.

All these aspects are coordinated by the division Group Compliance which analyzes the internal control system on an ongoing basis and – if actions are necessary for addressing any deficiencies – is also responsible for tracking their implementation.

Two important functions in assuring independent oversight are performed by the divisions Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Audit periodically assesses all business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board of RZB AG which discusses them on a regular basis in its board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements in addition to and as integral part of the internal control system. Thus, compliance with existing regulations in daily operations is monitored.

Moreover, an independent and objective audit, free of potential conflicts of interest, is carried out during the audit of the annual financial statements by the auditing companies. Finally, the Group is continuously supervised by the European Central Bank, the Austrian Financial Markets Authority and by the local supervisor in those countries, where it is represented by branches or subsidiaries.

Overall bank risk management

Maintaining an adequate level of capital is a core objective of the Group. Capital requirements are monitored regularly based on the actual risk level as measured by internal models, and in choosing appropriate models the materiality of risks annually assessed is taken into account. This concept of overall bank risk management provides for capital requirements from a regulatory point of view (sustainability and going concern perspective) and from an economic point of view (target rating perspective). Thus, it covers the quantitative aspects of the internal capital adequacy assessment process (ICAAP) as legally required. The full ICAAP process of the Group is audited during the supervisory review process for RZB credit institution group (RZB-Kreditinstitutsgruppe) on an annual basis.

The Risk Appetite Framework (RAF) limits the Group's overall risk in accordance with the strategic business objectives and allocates these to the different risk categories and divisions. The primary aim of the RAF is to limit risk, particularly in adverse scenarios and for major singular risks, in such a way as to ensure compliance with regulatory minimum ratios. The RAF is therefore based on the ICAAP's three pillars (target rating, going concern, sustainability perspective) and sets concentration risk limits for the risk types identified as significant in the risk assessment. In addition, the risk appetite decided by the Management Board and the group's risk strategy and its implementation are reported regularly to the Supervisory Board's Risk Committee.

Objective	Description of risk	Measurement technique	Confidence level
Target rating perspective	Risk of not being able to satisfy claims of the Group´s senior lenders	Unexpected losses on an annual basis ("economic capital") must not exceed the present value of equity and subordinated liabilities	99.92 per cent as derived from the default probability implied by the target rating
Going concern perspective	Risk of not meeting the capital requirement as defined in the CRR regulations	Risk-taking capacity (projected earnings plus capital exceeding regulatory requirements) must not fall below the annualized value-at-risk of the Group	95 per cent presuming the owners´ willingness to inject additional capital
Sustainability perspective	Risk of falling short of a sustainable tier 1 ratio over a full business cycle	Capital and net income projection for a three-year planning period based on a severe macroeconomic downturn scenario	70–90 per cent based on the management decision that the Group might be required to temporarily reduce risks or raise additional capital

Target rating perspective

Risks in the target rating perspective are measured based on economic capital which represents a comparable measure across all types of risks. It is calculated as the sum of unexpected losses stemming from different Group units and different risk categories (credit, participation, market, liquidity, macroeconomic and operational risk as well as risk resulting from other tangible fixed assets). In addition, a general buffer for other risk types not explicitly quantified is held.

The objective of calculating economic capital is to determine the amount of capital that would be required for servicing all of the claims of customers and creditors even in the case of such an extremely rare loss event. The Group uses a confidence level of 99.92 per cent for calculating economic capital. This confidence level is derived from the probability of default implied by the target rating. Based on the empirical analysis of rating agencies, the selected confidence level corresponds to a rating of "Single A".

During the year, the economic capital of the Group decreased 6 per cent, or € 389,036 thousand, to € 6,197,708 thousand. As at end of reporting date, credit risk accounted for around 58 per cent (2015: 56 per cent) of economic capital. Additionally, a general buffer for other risks, unchanged at 5 per cent of calculated economic capital, is added. In the breakdown of economic capital as at 31 December 2016, the largest share of economic capital, at around 33 per cent (2015: 32 per cent), is allocated to Group units located in Austria, followed by Central Europe at around 29 per cent (2015: 33 per cent).

The economic capital is compared to internal capital, which mainly comprises equity and subordinated capital of the Group. This capital form serves as a primary provision for risk coverage for servicing claims of senior lenders if the bank should incur losses. As at year-end 2016, total utilization of available risk capital (the ratio of economic capital to internal capital) amounted to 52.4 per cent (2015: 56.8 per cent).

Economic capital is an important instrument in overall bank risk management. Economic capital limits are allocated to individual business areas during the annual budgeting process and are supplemented for day-to-day management by volume, sensitivity, or value-at-risk limits. This planning is undertaken on a revolving basis for the upcoming three years and incorporates the future development of economic capital as well as available internal capital. Economic capital thus substantially influences the plans for future lending activities and the overall limit for taking market risks.

Risk-adjusted performance measurement also is based on this risk measure. The profitability of business units is examined in relation to the amount of economic capital attributed to these units (risk-adjusted profit on risk-adjusted capital, RORAC), which yields a comparable performance measure for all business units of the Group. This measure is used in turn as a key figure for overall bank management, for future capital allocations to business units, and influences the remuneration of the Group's executive management.

Risk distribution of individual risk types to economic capital:

in € thousand	2016	Share	2015[1]	Share
Credit risk corporate customers	1,591,783	25.7%	1,757,551	26.7%
Credit risk retail customers	1,236,674	20.0%	1,279,394	19.4%
Operational risk	624,815	10.1%	671,084	10.2%
Credit risk sovereigns	519,082	8.4%	445,733	6.8%
Macroeconomic risk	418,805	6.8%	737,885	11.2%
Participation risk	402,658	6.5%	384,696	5.8%
Market risk	320,369	5.2%	241,599	3.7%
FX risk capital position	275,745	4.4%	246,621	3.7%
Credit risk banks	242,917	3.9%	200,529	3.0%
Other tangible fixed assets	222,314	3.6%	237,269	3.6%
CVA risk	31,108	0.5%	32,483	0.5%
Liquidity risk	16,308	0.3%	38,245	0.6%
Risk buffer	295,129	4.8%	313,654	4.8%
Total	**6,197,708**	**100.0%**	**6,586,744**	**100.0%**

1 Adaptation of previous year figures

The risk position "FX risk capital position" was shown separately for the first time as at 30 June 2016. It represents the risk from the foreign currency capital positions. A longer holding period (one year) is assumed for non-hedgeable currencies. The breakdown also eliminates diversification effects between the two risk types shown. The comparative values for 31 December 2015 for market risk and FX risk capital position were adapted based on the methodology used as at 30 June 2016.

Going concern perspective

Parallel to the target rating perspective, internal capital adequacy is assessed with focus on the uninterrupted operation of the Group on a going concern basis. In this perspective, risks again are compared to risk taking capacity –with a focus on regulatory capital and total capital requirements.

In line with this target, risk taking capacity is calculated as the amount of expected profits, expected impairment losses, and the excess of total capital (taking into account various limits on eligible capital). This capital amount is compared to the overall value-at-risk (including expected losses). Quantitative models used in the calculation thereof are mostly comparable to the target rating perspective, (albeit on a lower 95 per cent confidence level). Using this perspective the Group ensures adequate regulatory capitalization (going concern) with the given probability.

Sustainability perspective

The main goal of the sustainability perspective is to ensure that the Group can maintain a sufficiently high tier 1 ratio at the end of the multi-year planning period, also in a severe macroeconomic downturn scenario. This analysis is based on a multi-year macroeconomic stress test where hypothetical market developments in a severe but realistic economic downturn scenario are simulated. The risk parameters considered include: interest rates, foreign exchange rates and securities prices, as well as changes in default probabilities and rating migrations in the credit portfolio.

The main focus of this integrated stress test is the resulting tier 1 ratio at the end of the multi-year period. It should not fall below a sustainable level and thus neither requires the bank to substantially increase capital nor to significantly reduce business activities. The current minimum amount of tier 1 capital is therefore determined by the size of the potential economic downturn. In this downturn scenario the need for allocating loan loss provisions, potential pro-cyclical effects that increase minimum regulatory capital requirements, the impact of foreign exchange rate fluctuations as well as other valuation and earnings effects are incorporated.

This perspective thus also complements traditional risk measurement based on the value-at-risk concept, which is in general based on historical data. Therefore, it can incorporate exceptional market situations that have not been observed in the past and it is possible to estimate the potential impact of such developments. The stress test also allows for analyzing risk concentrations (e.g., individual positions, industries, or geographical regions) and gives insight into the profitability, liquidity situation, and solvency under extreme situations. Based on these analyses, risk management in the Group enhances portfolio diversification, for example via limits for the total exposure of individual industry segments and countries and through ongoing updates to its lending standards.

Credit risk

In the Group, credit risk stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. It is by far the most important risk category in the Group, as also indicated by internal and regulatory capital requirements. Thus, credit risk is analyzed and monitored both on an individual loan and customer basis as well as on a portfolio basis in the Group. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and the corresponding tools and processes which have been developed for this purpose.

The internal control system for credit risks includes different types of monitoring measures, which are tightly integrated into the workflows to be monitored – from the customer's initial credit application, to the bank's credit approval, and finally to the repayment of the loan.

Limit application process

In the non-retail division, each lending transaction runs through the limit application process beforehand. This process covers – besides new lending – increases in existing limits, rollovers, overdrafts, and changes in the risk profile of a borrower (e.g. with respect to the financial situation of the borrower, the terms and conditions, or collateral) compared to the time of the original lending decision. It is also used when setting counterparty limits in trading and new issuance operations, other credit limits, and for equity participations.

Credit decisions are made within the context of a competence authority hierarchy based on the size and type of a loan. It always requires the approval of the business and the credit risk management divisions for individual limit decisions or when performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction is decided upon by the next higher-ranking credit authority.

The whole limit application process is based on defined uniform principles and rules. Account management for multinational customers doing business simultaneously with more than one member of the Group, is supported by the Global Account Management System (GAMS), for example. This is made possible by Group-wide unique customer identification in non-retail asset classes.

The limit application process in the retail division is to a larger extent automated due to the high number of applications and lower exposure amounts. Limit applications often are assessed and approved in central processing centers based on credit score cards. This process is facilitated by the respective IT systems.

Credit portfolio management

Credit portfolio management in the Group is, among other aspects, based on the credit portfolio strategy which is in turn based on the business and risk strategy. By means of the selected strategy, the exposure amount in different countries, industries or product types is limited and thus prevents undesired risk concentrations. Additionally, the long-term potentials of different markets are continuously analyzed. This allows for an early strategic repositioning of future lending activities.

Reconciliation of figures from the IFRS consolidated financial statements to total credit exposure (according to CRR)

The following table translates items of the statement of financial position (bank and trading book positions) into the total credit exposure, which is used in portfolio management. It includes exposures on and off the statement of financial position before the application of credit-conversion factors and thus represents the total credit exposure. It is not reduced by the effects of credit risk mitigation such as guarantees and physical collateral, effects that are, however, considered in the total assessment of credit risks. The total credit exposure is used – if not explicitly stated otherwise – for showing exposures in all subsequent tables in the risk report. The reasons for different values used for internal portfolio management and external financial accounting are the different scope of consolidation (regulatory vs. accounting rules according to IFRS, i.e. corporate legal basis), different classifications and presentation of exposure volumes.

In 2016, the presentation of the total credit exposure was extended to include the loans and advances contained in synthetic securitizations. The values of the comparative period were adapted accordingly.

in € thousand	2016	2015[2]
Cash reserve	13,863,081	14,906,206
Loans and advances to banks	11,023,532	12,113,132
Loans and advances to customers	79,769,079	79,457,653
Trading assets	4,944,112	5,774,573
Derivatives	1,261,015	1,480,256
Financial investments	20,846,909	21,667,044
Other assets	1,022,403	1,761,724
Contingent liabilities	9,780,465	10,030,100
Commitments	10,732,550	10,481,542
Revocable credit lines	16,110,254	16,186,591
Disclosure differences	(1,282,156)	(961,003)
Total[1]	**168,071,244**	**172,897,819**

1 Items on the statement of financial position contain only credit risk amounts
2 Adaptation of previous year figures

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings are performed separately for different asset classes using internal risk classification models (rating and scoring models), which are validated by a central organization unit. Default probabilities assigned to individual rating grades are estimated for each asset class separately. As a consequence, the default probability of the same ordinal rating grade (e.g. corporates good credit standing 4, banks A3, and sovereigns A3) is not directly comparable between these asset classes.

Rating models in the main non-retail asset classes – corporates, banks, and sovereigns – are uniform in all Group units and rank creditworthiness in 27 grades for corporate customers and banks and ten grades for sovereigns. For retail asset classes, country specific scorecards are developed based on uniform Group standards. Customer rating, as well as validation is supported by specific software tools (e.g. business valuation, rating and default database).

Credit portfolio – Corporates

The internal rating models for corporate customers take into account qualitative parameters and several ratios of the statement of financial position and profit ratios covering different aspects of customer credit-worthiness for various industries and countries. In addition, the model for smaller corporates also includes an account behavior component.

The following table shows the total credit exposure according to internal corporate ratings (large corporates and SMEs). For presentation purposes, the individual grades of the rating scale are summarized to the nine main rating grades.

in € thousand		2016	Share	2015[1]	Share
1	Minimal risk	6,053,900	8.7%	3,855,198	5.3%
2	Excellent credit standing	7,116,932	10.3%	8,968,139	12.4%
3	Very good credit standing	8,082,536	11.7%	8,735,531	12.1%
4	Good credit standing	10,855,403	15.7%	11,566,620	16.0%
5	Sound credit standing	13,842,375	20.0%	12,304,371	17.0%
6	Acceptable credit standing	11,682,388	16.9%	11,371,346	15.7%
7	Marginal credit standing	4,620,857	6.7%	5,926,695	8.2%
8	Weak credit standing/sub-standard	1,544,525	2.2%	2,320,798	3.2%
9	Very weak credit standing/doubtful	695,727	1.0%	1,010,910	1.4%
10	Default	4,377,323	6.3%	6,036,839	8.3%
NR	Not rated	441,911	0.6%	359,009	0.5%
Total		**69,313,877**	**100.0%**	**72,455,456**	**100.0%**

1 Adaptation of previous year figures

The total credit exposure to corporates decreased € 3,141,579 thousand to € 69,313,877 thousand at year-end 2016 (2015: € 72,455,456 thousand). At 94.9 per cent or € 65,759,242 thousand (2015: € 68,749,895 thousand) the subgroup Raiffeisen Bank International was the largest segment.

The increase in rating grade 1 resulted from a rating upgrade of individual financial service providers and customers in rating grade 2. The decline of € 711,217 thousand in rating grade 4 good credit standing was largely due to a reduction in credit financing. The increase of € 1,538,004 thousand in rating grade 5 sound credit standing was due to growth in credit and facility financing in Austria, Switzerland, Croatia, Romania and Russia. The € 1,305,838 thousand decline in rating grade 7 marginal credit standing mainly resulted from credit and facility financing in China, Austria, Poland and Ukraine, and from guarantees issued in Albania, Romania and the Czech Republic and from deposits in Albania. Rating grade 8 weak credit standing/sub-standard recorded a fall of € 776,273 thousand, largely due to a reduction in repo transactions in Cyprus and credit financing in Austria, Croatia, Hungary, Poland, Slovakia and Ukraine. Rating grade 10 recorded a € 1,659,516 thousand decline to € 4,377,323 thousand. The decline was attributable to the reduction in exposure and the sales of non-performing loans in several countries, notably in Group Corporates, Asia, Russia and Hungary, and to the sales of Raiffeisen Banka d.d., Maribor, and Raiffeisen-Leasing Polska S.A., Warsaw.

The rating model for project finance has five different grades which take both individual default probabilities and collateral into consideration. The project finance volume is composed as shown in the table below:

in € thousand		2016	Share	2015[1]	Share
6.1	Excellent project risk profile – very low risk	4,613,570	55.8%	4,024,647	48.0%
6.2	Good project risk profile – low risk	1,862,137	22.5%	2,226,255	26.6%
6.3	Acceptable project risk profile – average risk	868,490	10.5%	733,737	8.8%
6.4	Poor project risk profile – high risk	285,740	3.5%	475,503	5.7%
6.5	Default	615,071	7.4%	911,151	10.9%
NR	Not rated	20,760	0.3%	12,055	0.1%
Total		**8,265,770**	**100.0%**	**8,383,348**	**100.0%**

1 Adaptation of previous year figures

The credit exposure in project finance amounted to € 8,265,770 thousand (2015: € 8,383,348 thousand) at year-end 2016. At 78.3 per cent (2015: 74.6 per cent), projects rated in the two best rating grades excellent project risk profile – very low risk (rating 6.1) or good project risk profile – low risk (rating 6.2) accounted for the highest share of the portfolio. This was mainly attributable to the high collateralization of these special finance transactions. The increase in rating grade 6.1 mainly resulted from an increase in project financing in Slovakia, Austria, the Czech Republic and Hungary. Rating grade 6.2 recorded the largest decline, due to a reduction in project financing in Russia.

The following table provides a breakdown by country of risk of the total credit exposure for corporate customers and project finance structured by regions:

in € thousand	2016	Share	2015[1]	Share
Central Europe	21,201,888	27.3%	23,198,438	28.7%
Austria	15,424,291	19.9%	17,124,512	21.2%
Eastern Europe	12,321,429	15.9%	11,874,760	14.7%
Southeastern Europe	11,143,086	14.4%	10,357,736	12.8%
Western Europe	11,716,005	15.1%	10,143,349	12.5%
Asia	1,944,042	2.5%	3,551,114	4.4%
Other	3,828,906	4.9%	4,588,895	5.7%
Total	**77,579,647**	**100.0%**	**80,838,804**	**100.0%**

1 Adaptation of previous year figures

The credit exposure for corporate customers and project financing declined € 3,259,157 thousand to € 77,579,647 thousand. Central Europe recorded a € 1,996,550 thousand decline, which was attributable to facility financing and to a reduction in the bond portfolio. The decrease of € 1,700,221 thousand in the Austrian region resulted mainly from facility financing. Western Europe recorded an increase of € 1,572,656 thousand due to an increase in repo and swap transactions and to money market business. As a result of the decision to discontinue business operations as part of the transformation program, Asia recorded a decline of € 1,607,072 thousand.

The table below provides a breakdown of the total credit exposure for corporates and project finance by industries:

in € thousand	2016	Share	2015[1]	Share
Manufacturing	17,107,032	22.1%	17,294,187	21.4%
Wholesale and retail trade	16,022,420	20.7%	17,221,444	21.3%
Real estate	10,002,407	12.9%	10,328,610	12.8%
Financial intermediation	7,980,721	10.3%	7,853,226	9.7%
Construction	5,759,879	7.4%	5,954,974	7.4%
Freelance/technical services	4,364,144	5.6%	4,345,235	5.4%
Transport, storage and communication	3,517,668	4.5%	3,737,534	4.6%
Electricity, gas, steam and hot water supply	3,103,706	4.0%	3,799,951	4.7%
Other industries	9,721,669	12.5%	10,303,641	12.7%
Total	**77,579,647**	**100.0%**	**80,838,804**	**100.0%**

1 Adaptation of previous year figures

Credit portfolio – Retail customers

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

in € thousand	2016	Share	2015	Share
Retail customers – private individuals	33,049,526	92.3%	31,085,492	90.3%
Retail customers – small and medium-sized entities	2,766,139	7.7%	3,325,216	9.7%
Total	**35,815,665**	**100.0%**	**34,410,708**	**100.0%**
hereof non-performing loans	2,211,745	6.2%	2,375,292	6.9%
hereof individual loan loss provision	1,566,737	4.4%	1,720,489	5.0%
hereof portfolio-based loan loss provision	254,812	0.7%	210,180	0.6%

Compared to year-end 2015, the retail credit portfolio increased € 1,404,957 thousand to € 35,815,665 thousand (2015: € 34,410,708 thousand). This increase was mainly due to the Czech Republic, Russia and Slovakia. The increase in the Czech Republic resulted from organic growth and from the purchase of a credit portfolio. Russia recorded an increase due to the appreciation of the Russian rouble, while the credit volume rose in Slovakia.

The highest volume of € 18,022,070 thousand (2015: € 17,506,416 thousand) was shown in the CE region, thus representing an increase of € 515,654 thousand compared to the previous year. This was mainly due to an increase in credit portfolio of private individuals in the Czech Republic. The increase was offset by a decline in Poland due to the sale of Raiffeisen-Leasing Polska S.A., Warsaw. SEE ranks second at € 8,100,934 thousand (2015: € 7,819,979 thousand). The increase was due to an increase in the credit portfolio of private individuals in Romania and Bulgaria.

In the table below the total retail exposure by products is shown:

in € thousand	2016	Share	2015	Share
Mortgage loans	21,214,062	59.2%	20,543,031	59.7%
Personal loans	7,219,830	20.2%	6,901,299	20.1%
Credit cards	3,196,821	8.9%	2,441,433	7.1%
SME financing	2,040,757	5.7%	1,573,858	4.6%
Overdraft	1,647,468	4.6%	1,699,054	4.9%
Car loans	496,727	1.4%	1,252,033	3.6%
Total	**35,815,665**	**100.0%**	**34,410,708**	**100.0%**

The increase in mortgage loans and credit cards was mainly attributable to the Czech Republic and Russia. SME financing recorded an increase of € 466,899 thousand, due to the Czech Republic and Poland. Car loans declined € 755,306 thousand, on the one hand due to the decision, taken in 2015, to withdraw from this product category in Russia and on the other due to the sale of Raiffeisen-Leasing Polska S.A., Warsaw.

The share of foreign currency loans in retail portfolio provides an indication for the potential change in default rates if the exchange rate of the domestic currency changes. The internal risk assessment thus takes into account the share of foreign currency loans, but also the usually stricter lending criteria at loan distribution and – in some countries – the customers' matching foreign currency income.

in € thousand	2016	Share	2015	Share
Swiss franc	3,099,078	43.7%	3,584,587	44.7%
Euro	3,402,789	48.0%	3,616,814	45.1%
US-Dollar	580,088	8.2%	816,245	10.2%
Other foreign currencies	1,987	0.0%	3,290	0.0%
Loans in foreign currencies	**7,083,943**	**100.0%**	**8,020,937**	**100.0%**
Share of total loans	**19.8%**		**23.3%**	

Compared to year-end 2015, loans denominated in Swiss francs, Euros and US-Dollars decreased. The decrease in foreign currency loans denominated in Swiss francs was mainly due to the statutory provisions concerning the mandatory conversion at historical rates for loans granted in Croatia.

Credit portfolio – Banks

The banks asset class mainly contains banks and securities firms. The internal rating model for banks was revised in 2015. Both internal and external data were used and the same statistical methods that were applied to develop the successful rating models for corporate customers were used. The revised internal rating model for banks was approved by the ECB in October 2016 and has been used in all risk management processes since November 2016.

The structure of the revised rating model for banks is based on the procedure used by external rating agencies. The rating is arrived at in three steps:

1. Viability rating

Quantitative factors (statement of financial position ratios), qualitative factors and the financial sector risk are combined to create a viability rating using a statistically developed risk function. The viability rating represents the risk assessment without considering support from an owner and/or a government.

Quantitative factors	Qualitative factors	Risk in the financial sector
▪ Profitability ▪ Quality of assets ▪ Liquidity ▪ Development of the statement of financial position ▪ Income structure	▪ Market position ▪ Quality of assets ▪ Funding & liquidity ▪ Capitalization ▪ Profitability ▪ Outlook	Risk in the financial sector is assessed in a separate module based on macroeconomic indicators. The main focus is on the assessment of risk liability and the stability of the economic environment in which the bank operates.

2. Final rating

The final rating includes the potential support from an owner and/or by a government. An assessment is made as to whether the owner or government would support the bank in question in the event of difficulties and whether it would be able to support it. Based on this assessment and a strict algorithm, the viability rating is improved and a final rating is determined.

3. Country ceiling

A country ceiling is used in order to consider the transfer risk for cross-border transactions. The default probability applied for the bank must be at least as high as the default probability of the relevant country.

The revised rating model for banks permits better differentiation of risk and offers improved forecasting quality.

At the end of 2013, a 25-step master scale was introduced in conjunction with the rating models for corporate customers. This master scale comprises nine principal grades with up to three sub-grades A, B or C, i.e. 1C, 2A, 2B, 2C, 3A,..., 9A, 9B, 9C. Each grade is linked to a fixed PD band which represents the risk associated with the respective grade. The same 25-step master scale (i.e. both the same designations for the rating grades and also the same PD bands) is also used for the revised rating model for banks. This offers the advantage that, in future, risk ratings of corporate customers can be directly compared with ratings for banks. This will make it possible to improve the management of the portfolio and significantly simplify reporting.The following table shows the credit exposure for banks in the nine principal grades of the new master scale:

in € thousand		2016	Share
1	Minimal risk	3,417,964	17.1%
2	Excellent credit standing	3,361,272	16.8%
3	Very good credit standing	9,747,853	48.7%
4	Good credit standing	1,517,858	7.6%
5	Sound credit standing	1,162,768	5.8%
6	Acceptable credit standing	218,373	1.1%
7	Marginal credit standing	186,097	0.9%
8	Weak credit standing / sub-standard	245,432	1.2%
9	Very weak credit standing / doubtful	77,456	0.4%
10	Default	83,767	0.4%
NR	Not rated	9,141	0.0%
Total		**20,027,982**	**100.0%**

The following table shows the credit exposure for banks based on the previously used rating scale:

in € thousand		2015	Share
A1	Excellent credit standing	0	0.0%
A2	Very good credit standing	2,441,364	13.0%
A3	Good credit standing	2,545,996	13.5%
B1	Sound credit standing	9,603,114	51.0%
B2	Average credit standing	1,305,967	6.9%
B3	Mediocre credit standing	1,034,455	5.5%
B4	Weak credit standing	1,320,821	7.0%
B5	Very weak credit standing	289,400	1.5%
C	Doubtful/high default risk	158,099	0.8%
D	Default	137,493	0.7%
NR	Not rated	6,081	0.0%
Total		**18,842,790**	**100.0%**

Due to the switch to the internal rating model for banks, it is not possible to make a direct comparison with the previous year 2015.

The following table provides a breakdown of the total credit exposure by country of risk grouped into regions:

in € thousand	2016	Share	2015	Share
Western Europe	9,277,377	46.3%	8,154,948	43.3%
Austria	5,079,072	25.4%	6,518,062	34.6%
Asia	1,128,700	5.6%	1,232,447	6.5%
Eastern Europe	1,793,563	9.0%	1,003,535	5.3%
Central Europe	897,428	4.5%	674,585	3.6%
Southeastern Europe	147,063	0.7%	108,093	0.6%
Other	1,704,778	8.5%	1,151,119	6.1%
Total	**20,027,982**	**100.0%**	**18,842,790**	**100.0%**

The total credit exposure to banks amounted to € 20,027,982 thousand (2015: € 18,842,790 thousand) at year-end 2016. Compared to year-end 2015, this represented an increase of € 1,185,192 thousand. The largest increase of € 1,122,429 thousand was recorded in Western Europe due to an increase in repo business with French and British banks. However, this was partly offset by a decline in deposits at banks in Italy, France and Great Britain. The largest decline of € 1,438,990 thousand was recorded in the Austrian region, due to a reduction in short-term money market business. The EE region recorded an increase of € 790,028 thousand, due to an increase in repo transactions in Russia. The increase in Other mainly resulted from deposits at banks, facility financing and repo transactions.

Time deposits, securities lending business, potential future exposures from derivatives, sight deposits, and bonds are the main product categories in this asset class. These exposures therefore have high collateralization grades (e.g. in securities lending business or through netting agreements) depending on the type of product.

The table below shows the total credit exposure to banks (excluding central banks) by products:

in € thousand	2016	Share	2015	Share
Loans	3,968,992	19.8%	3,719,462	19.7%
Bonds	3,842,426	19.2%	4,002,594	21.2%
Repo	3,754,785	18.7%	1,157,084	6.1%
Derivatives	3,566,412	17.8%	3,732,340	19.8%
Money market	2,449,153	12.2%	3,601,648	19.1%
Other	2,446,213	12.2%	2,629,662	14.0%
Total	**20,027,982**	**100.0%**	**18,842,790**	**100.0%**

Credit exposure – Sovereigns

Another asset class is formed by central governments, central banks, and regional municipalities as well as other public sector entities. The table below provides a breakdown of the credit exposure to sovereigns (including central banks) by internal rating. Since defaults in this asset class are historically very rare, default probabilities are estimated using full data sets provided by external rating agencies.

in € thousand		2016	Share	2015	Share
A1	Excellent credit standing	2,064,944	6.0%	13,833,598	35.6%
A2	Very good credit standing	9,036,539	26.1%	983,802	2.5%
A3	Good credit standing	7,098,097	20.5%	5,829,338	15.0%
B1	Sound credit standing	4,594,354	13.3%	4,922,665	12.7%
B2	Average credit standing	3,893,873	11.2%	4,815,592	12.4%
B3	Mediocre credit standing	4,842,387	14.0%	2,850,059	7.3%
B4	Weak credit standing	1,565,070	4.5%	4,178,438	10.8%
B5	Very weak credit standing	837,488	2.4%	735,627	1.9%
C	Doubtful/high default risk	711,850	2.1%	618,117	1.6%
D	Default	1,669	0.0%	3,305	0.0%
NR	Not rated	1,679	0.0%	34,975	0.1%
Total		**34,647,950**	**100.0%**	**38,805,517**	**100.0%**

The credit exposure to sovereigns amounted to € 34,647,950 thousand (2015: € 38,805,517 thousand) at year-end 2016. It represented 20.6 per cent (2015: 22.4 per cent) of the total credit exposure.

The rating grade excellent credit standing (rating A1) showed a decrease of € 11,768,654 thousand, while the rating grade very good credit standing (rating A2) increased € 8,052,737 thousand. This shift was mainly due to the internal rating downgrade of the Republic of Austria.

The medium rating grades good credit standing (rating A3) to mediocre credit standing (rating B3) represented a share at 59.0 per cent (2015: 47.5 per cent). The high exposure in the medium rating grades resulted amongst other factors from bonds of central banks and central governments. The medium rating grades were also characterized by minimum reserves and money market transactions. The increase in rating grade A3 was mainly based on an increase in money market transactions in the Czech Republic, which was, however, partly offset by a decline in bond portfolios in the Czech Republic. The rating shift in the rating grades B3 and B4 was due, on the one hand, to a rating upgrade of Hungary and, on the other, to the decline in deposits at the Hungarian National Bank.

The table below shows the total credit exposure to sovereigns (including central banks) by products:

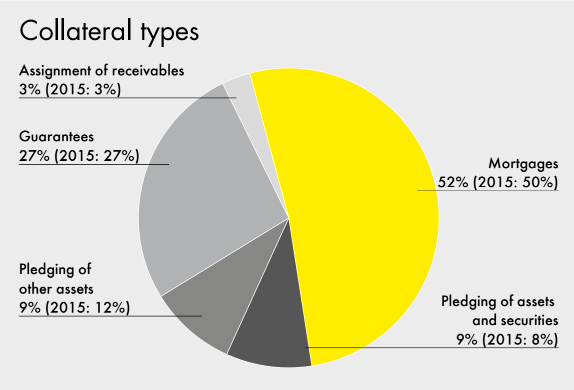
in € thousand	2016	Share	2015	Share
Bonds	18,139,345	52.4%	19,775,193	51.0%
Loans	15,983,656	46.1%	18,273,408	47.1%
Derivatives	487,999	1.4%	718,848	1.9%
Other	36,950	0.1%	38,068	0.1%
Total	**34,647,950**	**100.0%**	**38,805,517**	**100.0%**

The table below shows the credit exposure to sovereigns in non-investment grade (rating B3 and below):

in € thousand	2016	Share	2015	Share
Hungary	2,120,403	26.6%	2,624,900	31.2%
Croatia	1,047,445	13.2%	994,753	11.8%
Bulgaria	864,326	10.9%	953,359	11.3%
Albania	792,225	10.0%	856,583	10.2%
Russia	555,157	7.0%	604,315	7.2%
Serbia	500,992	6.3%	503,747	6.0%
Bosnia and Herzegovina	491,937	6.2%	477,723	5.7%
Ukraine	494,194	6.2%	396,901	4.7%
Belarus	188,830	2.4%	210,800	2.5%
Vietnam	163,728	2.1%	160,226	1.9%
Other	740,907	9.3%	637,216	7.6%
Total	**7,960,143**	**100.0%**	**8,420,521**	**100.0%**

Compared to year-end 2015, the credit exposure to sovereigns in non-investment grade decreased € 460,378 thousand to € 7,960,143 thousand. This decrease resulted primarily from a reduction in short-term money market business.

The credit exposure mainly resulted from deposits of Group units with the local central banks in Central and Southeastern Europe. They are used for meeting the respective minimum reserve requirements and for managing the short-term investment of excess liquidity, and are therefore inextricably linked to the business activities in these countries.



Credit risk mitigation

Collateralization is one of the main strategies and an actively pursued measure for reducing potential credit risks. The value of collateral and the effect of other risk mitigation techniques are determined within each limit application. The risk mitigation effect taken into account is the value that the Group expects to receive when selling the collateral within a reasonable liquidation period. Eligible collaterals are defined in the Group's collateral catalog and corresponding evaluation guidelines for collateral. The collateral value is calculated according to specified methods which include standardized calculation formulas based on market values, predefined discounts, and expert assessments.

Collateral is divided into pledges (e. g. guarantees) and physical collateral. In the Group, liens on residential or commercial properties are the main types of collateral used.

Loans and advances to banks and customers net of allocated loan loss provisions (net exposure), the additional exposure off the statement of financial position (contingent liabilities, commitments, and revocable credit lines), and the market prices (fair value) of collateral pledged in favor of the Group are shown in the following table:

2016	Maximum credit exposure		Fair value of collateral
in € thousand	Net exposure	Commitments/guarantees issued	
Banks	10,973,166	2,889,643	2,937,606
Sovereigns	768,245	765,329	485,542
Corporate customers – large corporates	40,857,317	27,772,426	25,069,194
Corporate customers – mid market	2,736,117	1,086,902	2,123,459
Retail customers – private individuals	28,242,943	3,873,877	18,408,914
Retail customers – small and medium-sized entities	1,969,744	718,747	1,335,742
Total	**85,547,532**	**37,106,924**	**50,360,457**

2015	Maximum credit exposure		Fair value of collateral
in € thousand	Net exposure	Commitments/guarantees issued	
Banks	11,993,151	2,588,957	1,989,231
Sovereigns	933,942	438,732	499,671
Corporate customers – large corporates	40,153,646	29,035,389	27,572,621
Corporate customers – mid market	2,841,978	1,041,942	2,424,180
Retail customers – private individuals	26,674,238	3,162,935	17,773,004
Retail customers – small and medium-sized entities	2,574,105	495,495	1,939,840
Total	**85,171,060**	**36,763,451**	**52,198,546**

Problem loan management

The credit portfolio and individual borrowers are subject to constant monitoring. The main purpose of monitoring is to ensure that the borrower meets the terms and conditions of the contract, as well as following the obligor's economic development. Such a review is conducted at least once annually in the non-retail asset classes corporates, banks, and sovereigns. This includes a rating review and the re-evaluation of financial and tangible collateral.

Problem loans (where debtors might run into material financial difficulties or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees in individual Group units make decisions on problematic exposures. If the need for intensified treatment and workout is identified, then problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Employees of the workout units are specially trained and have extensive experience. They typically handle medium-sized to large cases and are assisted by in-house legal departments or by external specialists as well. Workout units play a decisive role in accounting and analyzing as well as booking provisions for impairment losses (write-offs, value adjustments or provisioning). Their early involvement can help reduce losses resulting from problem loans.

Problem loan management standards in the retail area comprise the whole restructuring and collection process for private individuals and small and medium-sized entities. A restructuring guideline defines the Group's restructuring framework including uniform strategy, organization, methods, monitoring and controlling. In the workout process customers are classified into three categories "early," "late," and "recovery," for which a standardized customer handling process is defined.

The assessment of the expected recovery value is heavily influenced by the number of days payments are late. The following table shows the amount of overdue – not impaired – loans and advances to banks and customers for different time bands.

2016 in € thousand	Current	Overdue Up to 30 days	31 days, up to 90 days	91 days, up to 180 days	181 days, up to 1 year	More than 1 year	Collateral received for assets which are past due
Banks	10,972,281	638	2	0	0	4	0
Sovereigns	764,884	750	371	1,401	1	2	0
Corporate customers – large corporates	38,709,473	674,307	126,623	5,540	9,643	12,126	444,442
Corporate customers – mid market	2,586,944	31,016	8,847	2,395	2,882	10,110	34,070
Retail customers – private individuals	26,427,034	1,294,973	265,644	25,683	15,637	31,050	618,068
Retail customers – small and medium-sized entities	1,770,988	76,353	28,096	3,811	1,427	5,176	61,032
Total	**81,231,605**	**2,078,037**	**429,582**	**38,830**	**29,590**	**58,468**	**1,157,613**

2015 in € thousand	Current	Overdue Up to 30 days	31 days, up to 90 days	91 days, up to 180 days	181 days, up to 1 year	More than 1 year	Collateral received for assets which are past due
Banks	11,992,471	0	1	0	0	3	0
Sovereigns	892,413	39,048	62	0	1	17	1,682
Corporate customers – large corporates	37,379,416	752,241	60,768	14,275	43,685	29,199	588,491
Corporate customers – mid market	2,622,016	64,631	13,710	3,590	2,754	7,878	70,091
Retail customers – private individuals	24,479,432	1,448,509	321,039	113,757	27,964	39,240	772,017
Retail customers – small and medium-sized entities	2,197,653	217,675	44,923	8,948	2,830	4,112	213,588
Total	**79,563,402**	**2,522,104**	**440,502**	**140,570**	**77,233**	**80,449**	**1,645,870**

Non-performing exposure not failed (NPE)

This section refers exclusively to exposure without grounds for default according to Article 178 CRR. In the corporate division, when loan terms or conditions are altered in favor of the customer, the Group distinguishes between modified and forborne loans according to the applicable definition of the EBA document "Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures)".

The crucial aspect deciding a loan is forborne in the non-retail segment is the financial situation of a customer at the time the terms and conditions are altered. Loans are defined as foreborne loans if at the time of altering the terms and conditions of a loan the customer, due to its creditworthiness (considering the internal rating and other information available at this point of date), is assessed to be in financial difficulties and the modification is assessed as concession. If such a modification for a loan previously considered as non-performing is carried out, then the loan is assessed as non-performing exposure independent of whether a reason for default according to Article 178 CRR exists. The classification as forborne/NPE does not lead to an individual loan loss provision; this is based on the default definition of CRD IV/CRR.

In the retail customers business, restructured loans are subject to an observation period of at least three months in order to be sure that the customer meets the newly agreed terms.

For retail portfolios which are subject to PD/LGD calculation (Probability of Default/Loss Given Default) of portfolio-based loan loss provisions, it is necessary to avoid artificial improvement of the PD estimates for the restructured non-performing exposure. This is achieved either by, despite the restructuring, continuing to use those variables based on the days past due (DPD) before restructuring which were foreseen for overdue payments prior to restructuring or by using a separate calibration for the partial volume of restructured loans. In exceptional cases, if neither of the aforementioned methods is technically possible, the PD of the next worse rating grade is used for the duration of the observation period. For retail portfolios where the amount of the portfolio-based loan loss provision is determined based on product portfolios and/or delinquencies, whether or not the loan was more than 180 days overdue prior to the renegotiation is taken into account. In those cases where the customer concerned meets the newly agreed terms and credit exposure was not overdue for 180 days before the new agreement, it is transferred from the portfolio under observation to the living portfolio. Those credit exposures already overdue for 180 days before the new agreements or those customers who did not meet the newly agreed terms remain in the portfolio which is fully impaired.

The following table shows the non-performing exposure according to asset classes:

in € thousand	Refinancing 2016	Refinancing 2015	Instruments with modified time and modified conditions 2016	Instruments with modified time and modified conditions 2015	NPE total 2016	NPE total 2015
Corporate customers	11,897	15,357	72,698	159,467	84,595	174,824
Retail customers	23,565	29,547	187,851	188,188	211,416	217,735
Banks	0	0	0	0	0	0
Sovereigns	0	0	0	0	0	0
Total	**35,462**	**44,904**	**260,549**	**347,654**	**296,011**	**392,559**

Non-performing loans (NPL) and provisioning

A default and thus non-performing loan (NPL) is according to Article 178 CRR defined as the event where a specific debtor becomes unlikely to pay its credit obligations to the bank in full, or the debtor is overdue at least 90 days on any material credit obligation. For non-retail customers, twelve indicators are used to identify a default event. These include the insolvency or similar proceedings of a customer, if an impairment provision has been allocated or a direct write-off has been carried out, if credit risk management has judged a customer account receivable to be not wholly recoverable, or the workout unit is considering stepping in to help a company restore its financial soundness.

Within the Group, a Group-wide default database is used for collecting and documenting customer defaults. The database tracks defaults and the reasons for defaults, which enables default probabilities to be calculated and validated.

Provisions for impairment losses are formed on the basis of Group-wide standards according to IFRS accounting principles and cover all identifiable credit risks. In the non-retail segments, problem loan committees from each Group unit decide on allocating individual loan loss provisions. In the retail area, provisioning is determined by retail risk departments in individual Group units. They compute loan loss provisions according to defined calculation methods on a monthly basis. The provisioning amount is then approved by local accounting departments.

The following tables show the development of NPLs in the defined asset classes loans and advances to banks and loans and advances to customers as reported in the statement of financial position (excluding items off the statement of financial position):

in € thousand	As at 1/1/2016	Change in consolidated group/ Exchange differences	Additions	Disposals	As at 31/12/2016
Corporate customers	6,459,896	14,768	1,222,560	(3,003,030)	4,694,194
Retail customers	2,354,024	42,868	545,613	(727,514)	2,214,991
Sovereigns	3,305	(1,395)	271	(513)	1,669
Total non-banks	**8,817,225**	**56,241**	**1,768,445**	**(3,731,057)**	**6,910,854**
Banks	127,496	1,337	2,268	(53,824)	77,277
Total	**8,944,721**	**57,577**	**1,770,713**	**(3,784,881)**	**6,988,131**

in € thousand	As at 1/1/2015	Change in consolidated group/ Exchange differences	Additions	Disposals	As at 31/12/2015
Corporate customers	6,802,120	112,492	1,528,494	(1,983,210)	6,459,896
Retail customers	2,687,943	90,334	551,299	(975,553)	2,354,024
Sovereigns	229	22	3,305	(251)	3,305
Total non-banks	**9,490,293**	**202,848**	**2,083,098**	**(2,959,013)**	**8,817,225**
Banks	129,909	4,837	0	(7,250)	127,496
Total	**9,620,202**	**207,685**	**2,083,098**	**(2,966,264)**	**8,944,721**

The following table shows the share of NPL in the defined asset classes loans and advances to customers and loans and advances to banks as reported in the statement of financial position (excluding items off the statement of financial position):

in € thousand	NPL 2016	NPL 2015[1]	NPL ratio 2016	NPL ratio 2015[1]	NPL coverage ratio 2016	NPL coverage ratio 2015[1]
Corporate customers	4,694,194	6,459,896	9.3%	12.2%	71.5%	69.1%
Retail customers	2,214,991	2,354,024	6.9%	7.6%	81.2%	79.8%
Sovereigns	1,669	3,305	0.4%	0.6%	284.9%	130.3%
Total non-banks	**6,910,854**	**8,817,225**	**8.7%**	**11.1%**	**75.2%**	**71.2%**
Banks	77,277	127,496	0.5%	0.7%	65.4%	94.1%
Total	**6,988,131**	**8,944,721**	**7.7%**	**8.8%**	**75.8%**	**75.1%**

1 Adaptation of previous year figures

The volume of NPLs to non-banks fell € 1,956,590 thousand, in particular due to the sale of NPLs with a nominal value of € 1,186,945 thousand and the derecognition of economically uncollectible claims. The NPL ratio based on loans to non-banks declined 2.4 percentage points to 8.7 per cent.

In 2016, in the asset class corporate customers, NPLs decreased 27.3 per cent, or € 1,765,702 thousand, to € 4,694,194 thousand (2015: € 6,459,896 thousand), notably due to the derecognition of uncollectible claims in the amount of € 938,618 thousand.

The ratio of NPLs to credit exposure fell 2.9 percentage points to 9.3 per cent; the NPL coverage ratio went up 2.4 percentage points to 71.5 per cent.

In the retail portfolio, NPLs sank 5.9 per cent, or € 139,033 thousand, to € 2,214,991 thousand (2015: € 2,354,024 thousand). The ratio of NPLs to credit exposure fell to 6.9 per cent, however the NPL coverage ratio increased 1.4 percentage points to 81.2 per cent.

The portfolio of NPLs to banks amounted to € 77,277 thousand (2015: € 127,496 thousand) at year-end, the NPL coverage ratio fell 28.7 percentage points to 65.4 per cent.

The following table shows the development of impairment losses on loans and provisions for liabilities off the statement of financial position and the corresponding items of the statement of financial position:

in € thousand	As at 1/1/2016	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 31/12/2016
Individual loan loss provisions	**6,107,132**	**(55,027)**	**1,637,839**	**(866,343)**	**(1,931,058)**	**91,555**	**4,984,097**
Banks	117,672	0	6,533	(8,489)	(42,254)	(25,162)	48,300
Corporate customers	4,185,762	(33,863)	974,681	(434,915)	(1,512,336)	77,097	3,256,427
Retail customers	1,711,510	(21,963)	566,622	(358,753)	(376,003)	40,286	1,561,699
Sovereigns	5,028	0	954	(477)	(112)	(1,044)	4,347
Off-balance sheet obligations	87,160	798	89,049	(63,708)	(353)	378	113,324
Portfolio-based loan loss provisions	**406,410**	**(5,665)**	**182,946**	**(186,678)**	**(55)**	**8,170**	**405,128**
Banks	2,310	0	1,216	(1,533)	0	72	2,065
Corporate customers	171,031	(2,587)	40,902	(80,478)	(18)	894	129,744
Retail customers	206,044	(3,128)	128,365	(95,253)	(37)	6,083	242,073
Sovereigns	380	0	153	(355)	0	244	422
Off-balance sheet obligations	26,644	51	12,310	(9,059)	0	877	30,823
Total	**6,513,541**	**(60,692)**	**1,820,785**	**(1,053,021)**	**(1,931,114)**	**99,725**	**5,389,225**

1 Allocation including direct write-downs and income on written down claims
2 Usage including direct write-downs and income on written down claims

Usage was mainly based on the sale and derecognition of uncollectible claims.

in € thousand	As at 1/1/2015	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 31/12/2015
Individual loan loss provisions	**6,125,022**	**438**	**2,001,637**	**(674,827)**	**(1,394,056)**	**48,919**	**6,107,132**
Banks	111,768	0	(6,462)	(224)	8,151	4,439	117,672
Corporate customers	4,020,224	(15,236)	1,304,706	(361,545)	(768,870)	6,484	4,185,762
Retail customers	1,909,798	6,646	683,816	(281,049)	(642,211)	34,510	1,711,510
Sovereigns	35	2,528	(20,703)	(90)	22,412	845	5,028
Off-balance sheet obligations	83,197	6,500	40,279	(31,918)	(13,539)	2,642	87,160
Portfolio-based loan loss provisions	**468,227**	**648**	**196,676**	**(253,588)**	**(1,021)**	**(4,532)**	**406,410**
Banks	2,869	(16)	1,551	(2,071)	0	(23)	2,310
Corporate customers	232,288	413	53,407	(114,567)	(126)	(383)	171,031
Retail customers	203,147	156	131,952	(124,024)	(895)	(4,293)	206,044
Sovereigns	972	(67)	117	(659)	0	18	380
Off-balance sheet obligations	28,952	161	9,649	(12,267)	0	149	26,644
Total	**6,593,249**	**1,085**	**2,198,313**	**(928,415)**	**(1,395,078)**	**44,387**	**6,513,541**

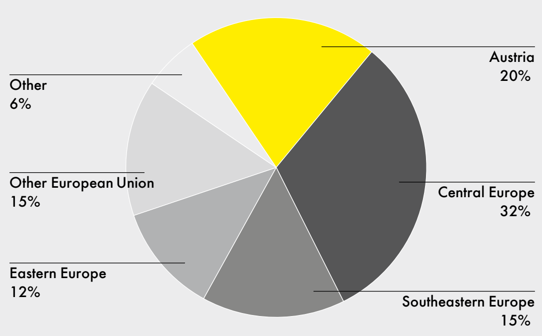
1 Allocation including direct write-downs and income on written down claims
2 Usage including direct write-downs and income on written down claims

Country risk

Country risk includes transfer and convertibility risks as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. The Group is exposed to this risk due to its business activities in the CEE markets. In these markets political and economic risks to some extent are still seen as comparatively significant.

Active country risk management in the Group is based on the country risk policy which is set by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries. Consequently, in day-to-day work, business units have to submit limit applications for the respective countries for all cross-border transactions in addition to complying with customer limits. The limit size for individual countries is set by using a model which takes into account the internal rating for the sovereign, the size of the country, and the Group's own capitalization.

Credit exposure to customers by region



Country risk also is reflected via the internal funds transfer pricing system in product pricing and in risk-adjusted performance measurement. Business units therefore can benefit from country risk mitigation by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries. The insights gained from the country risk analysis are not only used for limiting the total cross-border exposure, but also for limiting the total credit exposure in each individual country (i.e. including the exposure that is funded by local deposits). The Group thereby realigns its business activities according to the expected macro economic development within different markets and enhances the broad diversification of its credit portfolio.

Concentration risk

The credit portfolio of the Group is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence, portfolio granularity is high.

As part of the strategic realignment the limit structures related to concentration risk for each customer segment were reviewed.

The regional breakdown of the loans reflects the broad diversification of credit business in the Group's markets. The following table shows the distribution of the credit exposure of all asset classes by the borrower's home country grouped by regions.

in € thousand	2016	Share	2015[1]	Share
Austria	**34,290,467**	**20.4%**	**41,076,763**	**23.8%**
Central Europe	**53,208,175**	**31.7%**	**54,452,322**	**31.5%**
Poland	14,476,079	8.6%	16,775,231	9.7%
Czech Republic	17,592,241	10.5%	15,127,048	8.7%
Slovakia	14,194,861	8.4%	13,924,098	8.1%
Hungary	6,496,944	3.9%	7,584,673	4.4%
Other	448,050	0.3%	1,041,273	0.6%
Other European Union	**24,677,322**	**14.7%**	**22,935,519**	**13.3%**
Germany	7,655,817	4.6%	6,868,125	4.0%
Great Britain	5,279,122	3.1%	4,554,303	2.6%
France	3,208,041	1.9%	2,321,097	1.3%
Netherlands	1,853,212	1.1%	1,789,595	1.0%
Italy	1,376,239	0.8%	1,993,545	1.2%
Spain	1,107,283	0.7%	2,311,797	1.3%
Other	4,197,608	2.5%	3,097,056	1.8%
Southeastern Europe	**25,894,677**	**15.4%**	**24,737,630**	**14.3%**
Romania	9,658,708	5.7%	9,110,070	5.3%
Croatia	5,109,278	3.0%	5,031,868	2.9%
Bulgaria	4,008,782	2.4%	3,917,155	2.3%
Serbia	2,467,399	1.5%	1,953,501	1.1%
Bosnia and Herzegovina	2,076,931	1.2%	2,123,749	1.2%
Albania	1,830,351	1.1%	1,912,134	1.1%
Other	743,226	0.4%	689,152	0.4%
Asia	**3,510,726**	**2.1%**	**5,293,804**	**3.1%**
China	935,942	0.6%	1,779,777	1.0%
Singapore	494,529	0.3%	685,576	0.4%
Other	2,080,255	1.2%	2,828,451	1.6%
Eastern Europe	**19,813,775**	**11.8%**	**18,017,025**	**10.4%**
Russia	14,262,299	8.5%	12,522,077	7.2%
Ukraine	3,379,948	2.0%	3,546,669	2.1%
Belarus	1,635,031	1.0%	1,470,571	0.9%
Other	536,498	0.3%	477,707	0.3%
North America	**3,059,174**	**1.8%**	**3,065,770**	**1.8%**
Switzerland	**2,328,959**	**1.4%**	**2,068,035**	**1.2%**
Rest of World	**1,287,969**	**0.8%**	**1,250,950**	**0.7%**
Total	**168,071,244**	**100.0%**	**172,897,819**	**100.0%**

1 Adaptation of previous year figures

At € 6,786,296 thousand, the largest decline, in Austria, was attributable to the reduction in deposits at the Austrian National Bank and in Austrian government bonds. Overall, CE showed a fall of € 1,244,147 thousand, with the decline in Poland due to the sale of Raiffeisen-Leasing-Polska S.A., Warsaw, offset by new business in Slovakia and in the Czech Republic and by the purchase of a loan portfolio in the Czech Republic. As a result of the decision, taken within the framework of the transformation program, to downscale operations, Asia showed a fall of € 1,783,078 thousand.

Risk policies and credit assessments in the Group take into account the industry class of customers as well. Banking represents the largest industry class. The second largest class is private households, primarily consisting of loans and advances to retail customers in CE and SEE.

The following table shows the total credit exposure of the Group by the customers' industry classification:

in € thousand	2016	Share	2015	Share
Banking and insurance	45,085,859	26.8%	48,683,740	28.2%
Private households	33,111,330	19.7%	30,038,292	17.4%
Public administration and defence and social insurance institutions	16,929,183	10.1%	17,118,562	9.9%
Wholesale trade and commission trade (except car trading)	12,034,746	7.2%	13,094,264	7.6%
Other manufacturing	11,645,894	6.9%	11,761,062	6.8%
Real estate activities	10,161,173	6.0%	10,542,168	6.1%
Construction	5,933,708	3.5%	6,147,200	3.6%
Other business activities	4,592,824	2.7%	4,610,444	2.7%
Retail trade except repair of motor vehicles	3,699,957	2.2%	3,712,606	2.1%
Electricity, gas, steam and hot water supply	3,113,312	1.9%	3,805,575	2.2%
Land transport, transport via pipelines	1,923,472	1.1%	1,959,135	1.1%
Manufacture of basic metals	2,194,937	1.3%	2,249,922	1.3%
Other transport	2,048,650	1.2%	2,294,464	1.3%
Manufacture of food products and beverages	1,860,743	1.1%	1,997,008	1.2%
Manufacture of machinery and equipment	1,704,977	1.0%	1,675,580	1.0%
Sale of motor vehicles	966,056	0.6%	1,156,452	0.7%
Extraction of crude petroleum and natural gas	776,215	0.5%	686,746	0.4%
Other industries	10,288,207	6.1%	11,364,599	6.6%
Total	**168,071,244**	**100.0%**	**172,897,819**	**100.0%**

Structured credit portfolio

The Group invests in structured products. The total exposure to structured products is shown under (36) Securitization. Around 55 per cent of this portfolio (2015: 67 per cent) is rated A or better by external rating agencies. The pools mainly contain loans and advances to European customers.

Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities lending or borrowing transaction can lead to losses from re-establishing an equivalent contract. In the Group, this risk is measured by the mark-to-market approach where a predefined add-on is added to the current positive fair value of the contract in order to account for potential future changes. For internal management purposes, potential price changes, which affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts, the standard limit approval process applies, where the same risk classification, limitation, and monitoring process is used as for traditional lending. In doing so, the weighted nominal exposure of derivative contracts is added to the customers' total exposure in the limit application and monitoring process as well as in the calculation and allocation of internal capital.

An important strategy for reducing counterparty credit risk is utilization of credit risk mitigation techniques such as netting agreements and collateralization. In general, the Group strives to establish standardized ISDA master agreements with all major counterparties for derivative transactions in order to be able to perform close-out netting and credit support annexes (CSA) for full risk coverage for positive fair values on a daily basis.

Market risk

The Group defines market risk as the risk of possible losses arising from changes in market prices of trading and investment positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters (e.g. implied volatilities).

Market risks are transferred to the Treasury division by using the transfer price method. Treasury is responsible for managing structural market risks and for complying with the Group's overall limit. The Capital Markets division is responsible for proprietary trading, market making, and customer business with money market and capital market products.

Organization of market risk management

All market risks are measured, monitored, and managed on Group level.

The Market Risk Committee is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks in the Group. The Group's overall limit is set by the Management Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to the strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined strategy of the Group. It is responsible for implementing and enhancing risk management processes, risk management infrastructure and systems, manuals and measurement techniques for all market risk categories and credit risks arising from market price changes in derivative transactions. Furthermore, this department independently measures and reports market risks on a daily basis.

All products in which open positions can be held are listed in the product catalog. New products are added to this list only after completing the product approval process successfully. Product applications are investigated thoroughly for any risks. They are approved only if the new products can be implemented in the bank's front- and back-office and risk management systems respectively.

Limit system

The Group uses a comprehensive risk management approach for both the trading and banking book (total-return approach). Market risks are managed therefore consistently in all trading and banking books. The following values are measured and limited on a daily basis in the market risk management system:

- Value-At-Risk (VaR) confidence level 99 per cent, risk horizon 1 day
  VaR is the main steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach, where 5,000 scenarios are calculated. The approach combines the advantages of a historical simulation and a Monte Carlo simulation and derives market parameters from 500 days historical data. Distribution assumptions include modern features like volatility declustering and random time. This helps in reproducing fat-tailed and asymmetric distributions accurately. The Austrian Financial Market Authority approved this model so that it can be used for calculating total capital requirements for market risks. Value-at-risk results are not only used for limiting risk, but also in the internal capital allocation.
- Sensitivities (to changes in exchange rates, interest rates, gamma, vega, equity and commodity prices)
  Sensitivity limits shall ensure that concentrations are avoided in normal market situations and are the main steering instrument under extreme market situations and in illiquid markets or in markets that are structurally difficult to measure.
- Stop Loss
  This limit strengthens the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions, but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The results on market risk concentrations shown by these stress tests are reported to the Market Risk Committee and taken into account when setting limits. Stress test reports for individual portfolios are included in daily market risk reporting.

Value-at-Risk (VaR)

The following tables show the VaR (99 per cent, 1 day) for individual market risk categories of the trading and banking book. The Group's VaR mainly results from structural capital positions, structural interest rate risks, and credit spread risks of bonds, which are held as liquidity buffer.

Trading book VaR 99% 1d in € thousand	VaR as at 31/12/2016	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2015
Currency risk	3,503	2,986	1,770	5,983	2,381
Interest rate risk	3,522	2,423	1,275	4,461	1,534
Credit spread risk	692	2,133	496	6,375	3,869
Share price risk	909	724	474	951	676
Vega risk	255	482	121	1,333	779
Total	5,014	5,578	3,367	9,726	9,168

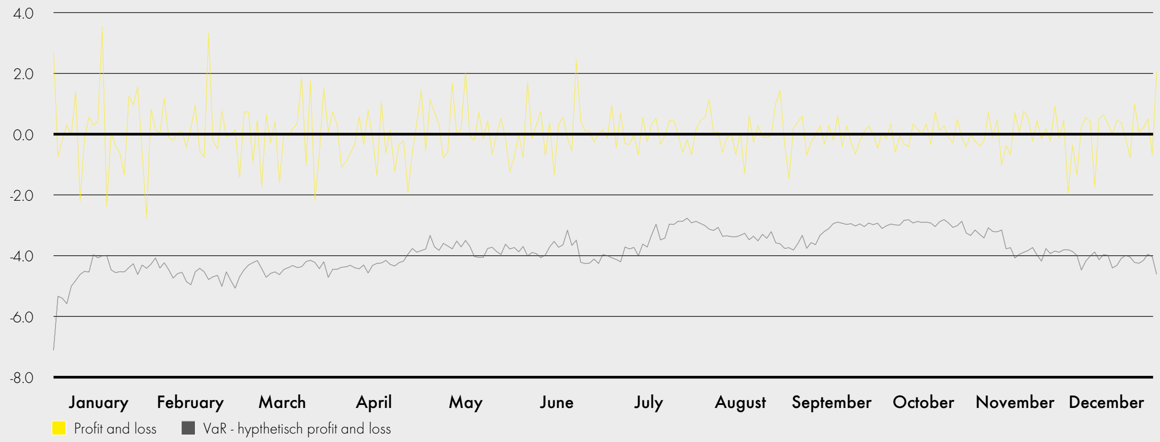
Banking book VaR 99% 1d in € thousand	VaR as at 31/12/2016	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2015
Currency risk	22,878	25,643	16,828	41,850	27,593
Interest rate risk	21,635	12,540	7,846	21,635	10,556
Credit spread risk	12,177	13,394	8,959	20,974	17,699
Share price risk	187	132	85	190	180
Vega risk	3,447	5,360	1,319	20,189	6,194
Total	41,039	40,671	27,415	60,109	38,579

Total VaR 99% 1d in € thousand	VaR as at 31/12/2016	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2015
Currency risk	23,679	25,184	16,613	38,976	28,919
Interest rate risk	22,684	14,004	9,165	24,627	33,930
Credit spread risk	12,553	14,555	9,199	23,181	20,525
Share price risk	1,095	855	601	1,095	1,037
Vega risk	3,413	5,258	1,357	19,513	6,490
Total	41,636	42,704	29,325	63,255	41,808

The risk measurement approaches employed are verified – besides analyzing returns qualitatively – on an ongoing basis through backtesting and statistical validation techniques. If model weaknesses are identified, then they are improved accordingly. The following chart compares VaR and theoretical profits and losses on a daily basis. VaR denotes the maximum loss that will not be exceeded with a 99 per cent confidence level on the next day. It is compared to the respective theoretical profits and losses, which would arise on the following day due to actual market conditions at the time. In the reporting year, no backtesting exceedings arose.

Value-at-Risk and theoretical market price changes of the trading book

in € million



Exchange rate risk and capital (ratio) hedge

Market risk in the Group results primarily from exchange rate risk, which stems from foreign-currency denominated equity investments made in foreign Group units and the corresponding hedging positions entered into by the Group Asset/Liability Committee.

In a narrow sense, exchange rate risk denotes the risk that losses are incurred due to open foreign exchange positions. However, exchange rate fluctuations also influence current revenues and expenses. They also affect capital requirements of assets denominated in foreign currencies, even if they are financed in the same currency and thus do not create an open foreign exchange position.

The Group holds several material equity participations located outside the euro area with equity denominated in the corresponding local currency. Also, a significant share of risk-weighted assets in the Group is denominated in foreign currencies. Changes in foreign exchange rates thus lead to changes in the consolidated capital in the Group and to changes in the total capital requirement for credit risks as well.

Basically, there are two different approaches for managing exchange rate risks:

- Preserve equity: With this hedging strategy an offsetting capital position is held on Group level for local currency denominated equity positions. However, the necessary hedging positions cannot be established in all currencies in the required size. Moreover, these hedges might be inefficient for some currencies if they carry a high interest rate differential.

- Stable capital ratio: The goal of this hedging strategy is to balance tier 1 capital and risk-weighted assets in all currencies according to the targeted tier 1 ratio (i.e. reduce excess capital or deficits in relation to risk-weighted assets for each currency) such that the tier ratio remains stable even if foreign exchange rates change.

The Group aims at stabilizing its capital ratio when managing exchange rate risks. Changes in foreign exchange rates thus lead to changes in the consolidated equity amount; however, the regulatory capital requirement for credit risks stemming from assets denominated in foreign currencies also changes correspondingly. This risk is managed on a monthly basis in the Group Asset/Liability Committee based on historical foreign exchange volatilities, exchange rate forecasts, and the sensitivity of the tier 1 ratio to changes in individual foreign exchange rates.

The following table shows all material open foreign exchange rate positions as at 31 December 2016 and the corresponding values for the previous year. Those numbers include both trading positions as well as capital positions of the subsidiaries with foreign currency denominated statements of financial position.

in € thousand	2016	2015
ALL	9,238	77,775
BAM	147,906	118,140
BGN	305,709	285,101
BYR	253,524	118,937
CHF	(240,017)	(13,911)
CNY	11,637	49,720
CZK	392,783	231,894
HRK	557,109	398,544
HUF	364,272	169,923
PLN	747,372	734,121
RON	505,480	478,732
RSD	378,831	384,463
RUB	566,157	368,721
UAH	11,036	(184,372)
USD	(417,415)	501,983

The changes in the UAH and USD positions were attributable to the change in the capital position and hedging strategy.

Interest rate risk in the trading book

The following tables show the largest present value changes for the trading book of the Group given a one-basis-point interest rate increase for the whole yield curve in € thousand for the reporting dates 31 December 2016 and 31 December 2015. Currencies where the total interest rate sensitivity exceeds € 1 thousand are shown separately. There are only minor changes in the risk factors within the reporting period.

2016 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
ALL	(14)	0	(1)	(1)	(2)	(5)	(5)	0	0	0	0	0
CHF	(9)	0	1	(6)	(9)	1	9	(5)	(1)	(1)	1	0
CNY	5	4	1	0	0	0	0	0	0	0	0	0
CZK	26	2	1	7	(4)	0	22	(4)	3	(2)	0	0
EUR	(162)	18	8	(6)	5	(8)	(37)	(87)	37	(89)	10	(12)
HRK	(14)	0	0	(1)	(4)	(4)	(2)	(3)	0	0	0	0
HUF	36	0	(8)	4	14	9	19	0	0	(2)	0	0
NOK	1	0	1	0	0	0	0	1	0	0	0	0
PLN	(10)	(3)	4	(13)	(1)	3	5	(3)	(3)	0	0	0
RON	(24)	1	(3)	1	0	(8)	(5)	(4)	(6)	0	0	0
RUB	(5)	(6)	(7)	(12)	16	1	19	3	1	(20)	0	0
UAH	(5)	0	0	0	(3)	(1)	(1)	0	0	0	0	0
USD	(62)	(16)	12	(19)	(15)	(13)	(3)	(17)	(24)	6	15	12
Other	0	(1)	(1)	0	1	0	0	0	1	0	0	0

The presentation of currencies changed year-on-year depending on the absolute amount of interest rate sensitivity.

2015 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
ALL	(21)	0	(2)	(1)	(4)	(2)	(11)	0	0	0	0	0
BGN	(4)	0	0	0	(1)	(1)	(2)	0	0	0	0	0
CHF	2	6	(2)	3	(3)	(3)	1	(4)	3	(1)	1	0
CNY	12	2	0	10	0	0	0	0	0	0	0	0
CZK	18	(1)	9	4	(9)	(3)	2	5	14	(2)	0	0
EUR	(173)	(6)	(15)	(10)	(85)	(8)	56	(40)	(88)	11	27	(15)
GBP	6	0	0	0	1	0	0	0	5	0	0	0
HRK	(12)	(1)	0	(2)	(5)	0	(3)	0	0	0	0	0
HUF	(8)	(2)	0	2	0	(2)	4	(1)	(8)	1	0	0
PLN	(4)	(4)	7	6	(4)	(1)	2	(10)	0	0	0	0
RON	(26)	1	(1)	0	0	(2)	(14)	(4)	(5)	0	0	0
RUB	(9)	(2)	(2)	0	(18)	2	(3)	1	6	6	0	0
USD	57	0	6	(49)	33	(6)	(4)	38	33	(23)	4	25
Other	1	0	0	(1)	(2)	0	1	0	1	0	1	0

Interest rate risk in the banking book

Different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and financing on debt and capital markets) cause interest rate risk in the Group. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book is material for the Euro and US-Dollar as major currencies as well as for local currencies of Group units located in Austria and CEE.

This risk is mainly hedged by a combination of transactions on and off the statement of financial position where in particular interest rate swaps and – to a smaller extent – also interest rate forwards and interest rate options are used. Management of the statement of financial position is a core task of the central Global Treasury division and of individual network banks, which are supported by asset/liability management committees. They base their decisions on various interest income analyses and simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the banking book is not only measured in a value-at-risk framework, but also managed by the traditional tools of nominal and interest rate gap analyses. Since 2002, interest rate risk is subject to quarterly reporting in the context of the interest rate risk statistic submitted to the banking supervisor. This report shows the change in the present value of the banking book as a percentage of total capital in line with the CRR requirements. Maturity assumptions needed in this analysis are defined as specified by regulatory authorities or based on internal statistics and empirical values.

The following tables show the change in the present value of the Group's banking book given a one-basis-point interest rate increase for the whole yield curve in € thousand for reporting dates 31 December 2016 and 31 December 2015. The table contains currencies where the total interest rate sensitivity exceeds € 1 thousand.

2016 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
ALL	(38)	3	(6)	(5)	(21)	(7)	(4)	0	1	1	0	1
BGN	(11)	(2)	2	(3)	(9)	11	42	(22)	(14)	(11)	(4)	(1)
BYN	(34)	(1)	(2)	(6)	(12)	(6)	(5)	(1)	(1)	0	0	0
CHF	(242)	13	4	(1)	(4)	(4)	(5)	(22)	(60)	(109)	(48)	(7)
CNY	(4)	(2)	(2)	0	0	0	0	0	0	0	0	0
CZK	(49)	17	(11)	(5)	18	42	138	(82)	(54)	(72)	(32)	(7)
EUR	448	(45)	(17)	75	135	37	379	370	(141)	(201)	(64)	(79)
GBP	(4)	(1)	0	1	0	0	(1)	(1)	(2)	0	0	0
HRK	(29)	2	(1)	(5)	(22)	3	14	(9)	(12)	3	(1)	0
HUF	(107)	1	(13)	7	1	6	(41)	(39)	(8)	(15)	(6)	(1)
PLN	(51)	(6)	(25)	29	(1)	(4)	(7)	(6)	(11)	(12)	(6)	(1)
RON	52	(3)	0	6	33	31	(6)	(4)	(2)	(1)	0	0
RSD	(45)	(1)	(2)	3	(20)	(6)	(13)	(5)	0	0	0	0
RUB	(670)	12	(16)	(25)	(193)	(121)	(90)	(80)	(85)	(62)	(8)	(2)
SGD	1	1	0	1	0	0	0	0	0	0	0	0
UAH	(10)	1	(1)	0	(6)	10	(1)	(5)	(5)	(2)	0	0
USD	108	28	17	46	23	(1)	26	(29)	2	29	(5)	(28)
Other	1	5	(2)	(4)	(1)	(1)	0	1	3	0	0	0

The increase in the RUB interest rate sensitivities was based on two factors:

- The strategic investment position in the Russian subsidiary bank was expanded.
- The measurement method was adapted to the Group standard under which all interest rate cash flows are considered in the measurement.

The representation of currencies changed year-on-year depending on the absolute amount of interest rate sensitivity:

2015 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
ALL	(31)	2	(4)	(3)	(14)	(5)	(4)	(4)	0	0	0	0
AUD	1	0	0	1	0	0	0	0	0	0	0	0
BAM	2	2	(1)	(5)	0	0	(1)	2	3	1	0	0
BGN	26	(1)	0	(7)	(2)	8	56	(9)	(8)	(7)	(2)	0
BYR	(28)	0	(1)	(8)	(10)	(5)	(2)	(1)	(1)	0	0	0
CHF	(351)	15	(3)	(20)	(9)	(6)	(18)	(15)	(71)	(138)	(71)	(13)
CNY	2	(4)	1	5	0	0	0	0	0	0	0	0
CZK	179	(3)	(15)	38	35	(7)	(132)	120	141	(1)	3	2
EUR	(862)	(91)	(181)	(653)	217	376	151	229	219	(634)	(346)	(150)
GBP	(2)	1	0	2	0	0	(1)	(1)	(2)	0	0	0
HRK	(21)	0	0	0	(11)	0	13	(12)	(8)	(3)	0	0
HUF	16	1	(5)	12	(5)	(13)	2	(11)	4	22	8	1
PLN	(29)	7	24	14	(29)	0	(1)	(9)	(13)	(15)	(7)	(1)
RON	39	4	(8)	(2)	(39)	7	95	(11)	(5)	(2)	0	0
RSD	(26)	(1)	(2)	(2)	(7)	(3)	(5)	(5)	0	0	0	0
RUB	(82)	(3)	(16)	(9)	(35)	(1)	32	(12)	(25)	(12)	(1)	0
SGD	(7)	1	0	(8)	0	0	0	0	0	0	0	0
UAH	(1)	(1)	0	(1)	(3)	3	9	(4)	(4)	(1)	0	0
USD	84	17	19	43	(30)	33	(7)	6	9	8	(3)	(10)
Other	1	0	0	1	0	0	0	0	0	0	0	0

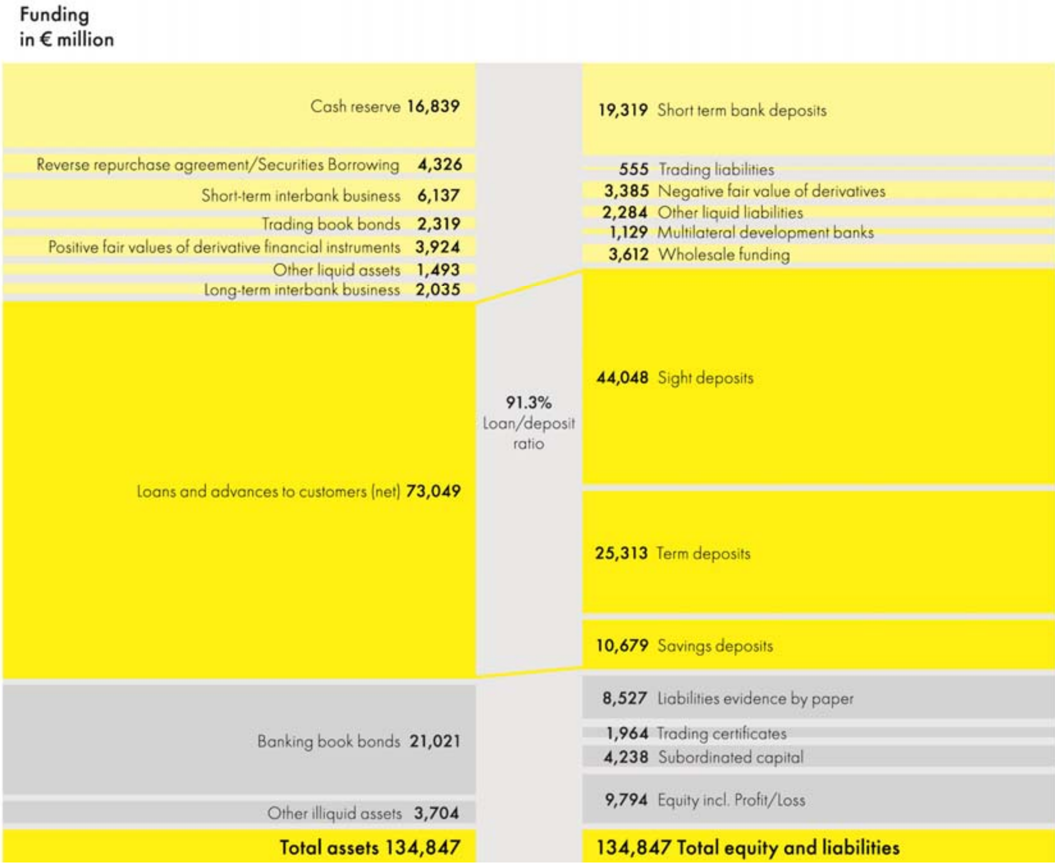
Credit spread risk

The market risk management framework uses time-dependent bond and CDS-spread curves as risk factors in order to measure credit spread risks. It captures the specific all capital market instruments in the trading and banking book.

Liquidity management

Funding structure

The Group's funding structure is highly focused on retail business in CEE. In addition, as a result of the Austrian RBG's strong local market presence, the Group also benefits from funding through the regional Raiffeisen banks. Different funding sources are secured in accordance with the principle of diversification. These include the issue of international bonds by RBI AG, the issue of local bonds by the Group units and the use of third-party financing loans (including supranationals). The Group units also use interbank loans with third-party banks, partly due to tight country limits and partly due to beneficial pricing.



Principles

Internal liquidity management is an important business process within general bank management because it ensures the continuous availability of funds required to cover day-to-day debt obligations.

Liquidity adequacy is guaranteed from both an economic and also a regulatory perspective. In economic terms, the Group has established a governance framework comprising internal limits and control measures which complies with the Principles for Sound Liquidity Risk Management and Supervision established by the Basel Committee on Banking Supervision and the credit institutions risk management directive (KI-RMV) issued by the Austrian regulatory authority.

The regulatory component is addressed by compliance with the reporting requirements under Basel III (Liquidity Coverage Ratio and Net Stable Funding Ratio and additional liquidity monitoring metrics) and also by compliance with the regulatory limits. In addition, additional liquidity and reporting requirements established by local regulatory authorities apply to some Group units.

Organization and responsibility

Responsibility for ensuring adequate levels of liquidity lies with the overall Management Board. In terms of functions, the responsible Management Board members are the Chief Financial Officer (Treasury) and the Chief Risk Officer (Risk Controlling). Consequently, the processes relating to liquidity risk are mainly carried out by two divisions within the bank. Firstly, Treasury units control the liquidity risk positions within the strategy, guidelines and parameters set by decision-making bodies. Secondly, these are monitored and supported by independent Risk Controlling units. The risk units measure and model liquidity risk positions, set limits and monitor their compliance. In addition to the aforementioned line functions, all Group units have Asset/Liability Committees (ALCOs). These committees act as decision-making bodies for all matters affecting management of a unit’s liquidity position and the structure of its statement of financial position, including determining strategies and guidelines for handling liquidity risks. The ALCOs make decisions and report to the respective management boards on at least a monthly basis using standardized liquidity risk reports. At Group level, this function is assumed by the Group ALCO and the Group Risk Committee. The work performed by Treasury and the corresponding ALCO and Group Risk Committee decisions are mainly based on Group-wide, standardized Group rules and their local supplements, which take special regional factors into account.

Liquidity strategy

Treasury is obliged to comply with certain performance ratios and risk-based principles. The current performance ratios include general targets (e.g. for return on risk adjusted capital (RORAC) or coverage ratios), as well as specific Treasury targets for liquidity (such as a minimum survival horizon in defined stress scenarios or diversification of the financing structure). Besides achieving a structural contribution by means of maturity transformation which reflects the liquidity and market risk assumed by the bank, Treasury must pursue a prudent and sustainable risk policy in its management of the statement of financial position. Strategic objectives include reducing the parent company's funding to the Group subsidiaries, further stabilization of the investor base and ongoing compliance with regulatory requirements and with internal rules and limits.

Liquidity risk framework

Regulatory and internal liquidity reports and ratios are generated and determined based on certain modeling approaches. Whereas the regulatory reports are generated in accordance with the requirements of the authorities, the internal reports are based on assumptions from empirical observations.

The Group has a substantial database along with expertise for forecasting capital flows arising from all material items on and off the statement of financial position. Cash inflows and outflows are modelled in a sufficiently detailed manner which, as a minimum, distinguishes between products, customer segments and, where applicable, currencies. Modeling of retail and corporate customer deposits includes assumptions concerning the retention times for deposits after maturity. The modeling approaches are prudent, in that they do not, for example, assume "rollover" of deposits from financial institutions and all financing channels and liquidity buffers are subject to simultaneous stress testing, without considering the mitigating effects of diversification.

The mainstays of the economic liquidity risk framework are the going concern (GC) and the time to wall scenario (TTW). The going concern report shows the structural liquidity position and covers all main risk drivers which could detrimentally affect the Group in a normal business environment ("business as usual"). The going concern models are also the main input factors for the cost contribution for the funds transfer pricing model. The time to wall report, on the other hand, shows the survival horizon for defined adverse scenarios and stress models (market, reputational and combined crisis) and determines the minimum level of the liquidity buffer (and/or the balancing capacity) of the Group and its individual units.

The liquidity scenarios are modelled using a Group-wide approach which considers local specifics where these are justified by influencing factors such as the market or the legal environment or certain business characteristics; calculation is performed at Group head office. When modeling cash inflows and outflows a minimum distinction is made between products, customer segments and individual currencies (where applicable). For products without a contractual maturity, cash inflows and outflows are allocated using a geometric Brownian motion which derives statistical forecasts for future daily balances from the observed, exponentially weighted historical volatility of the corresponding products.

The liquidity risk framework is continuously developed at both Group level and also at the level of the individual Group units. The technical infrastructure is enhanced in numerous Group-wide projects and data availability is improved in order to meet the new reporting and management requirements for this area of risk.

Risk appetite and liquidity limits

The liquidity position is monitored at Group level and at the level of the individual units and is restricted by means of a comprehensive limit system. The limits are determined both for a normal business environment and also for stress scenarios. In accordance with the defined risk appetite, each Group unit must demonstrate a survival horizon of up to 90 days (TTW) in a difficult, combined stress scenario (reputational and market stress). This can be ensured either by a structurally positive liquidity profile or by a sufficiently high liquidity buffer. In a normal going concern environment, maturity transformation must be fully covered by the available liquidity buffer in the medium term. This means that the cumulative liquidity position over a period of up to one year must be positive. In the long term (one year or more), maturity transformation is permitted up to a certain level. For internal models, these limits are supplemented by limits on compliance with regulatory liquidity ratios, such as the liquidity coverage ratio (LCR). All limits must be complied with on a daily basis.

Liquidity monitoring

The bank uses a series of customized measuring instruments and early warning indicators which provide the Management Board and corporate management with timely and forward-looking information. Compliance with the liquidity risk framework ensures that the bank can continue its business activities even under high degree of stress.

Monitoring and reporting on compliance with the limits is conducted regularly and effectively, and the corresponding escalation channels function and are used as intended. The defined limits are generally complied with in a very disciplined manner throughout the Group, and any breach by Group units is reported to the Group ALCO and the Group Risk Committee and escalated. In such cases, appropriate steps are undertaken in consultation with the relevant unit or contentious matters are escalated on to the next highest responsible body.

Liquidity stress test

Stress tests are conducted on a daily basis for the individual Group units and for the Liquidity Union Vienna (comprising Raiffeisen Bank International AG, Vienna, Raiffeisen Zentralbank Österreich AG, Vienna, ZUNO BANK AG, Vienna, Kathrein Privatbank AG, Vienna, RB International Finance (USA) LLC, New York, Raiffeisen Centrobank AG, Vienna) and on a weekly basis at Group level. The tests cover three scenarios (market, reputational and combined crisis), consider the effects of the scenarios for a period of up to three months and demonstrate that stress events can simultaneously result in a time-critical liquidity requirement in several currencies. The stress scenarios include the principal funding and market liquidity risks, without considering beneficial diversification effects (i.e. that in the stress tests of the Group, all network units are simultaneously subject to a pronounced combined crisis for all their major products). The results of the stress tests are reported to the CROs, CFOs and other members of the corporate management on a weekly basis; they also form a key component of the monthly ALCO and Group Risk Committee meetings and are included in the bank's strategic planning and contingency planning.

A conservative approach is adopted when establishing outflow ratios based on historical data and expert opinions. The simulation assumes a lack of access to the money or capital market and also simultaneous significant outflows of customer deposits. In this respect, the deposit concentration risk is considered by assigning even higher outflow ratios to large customers. Furthermore, stress assumptions are formulated for the drawdown of guarantees and credit obligations. In addition, the liquidity buffer positions are adapted by haircuts in order to cover the risk of disadvantageous market movements, and the potential outflows resulting from collateralized derivative transactions are estimated. The bank continuously monitors whether the formulated stress assumptions are still appropriate or whether new risks need to be considered.

The time to wall concept has established itself as the main controlling instrument for day-to-day liquidity management and is therefore a central component of funding planning and budgeting. It is also fundamental to determining performance ratios relating to liquidity.

Liquidity buffer

As shown by the daily liquidity risk reports, each Group unit actively maintains and manages liquidity buffers, including high quality liquid assets (HQLA) which are always sufficient to cover the net outflows expected in crisis scenarios. The Group has sizeable, unencumbered and liquid securities portfolios and favors securities eligible for Central Bank tender transactions in order to ensure sufficient liquidity in various currencies. Each Group unit ensures the availability of liquidity buffers, tests its ability to utilize central bank funds, constantly evaluates its collateral positions as regards their market value and encumbrance and examines their counter-balancing capacity, including the secured and unsecured funding potential and the liquidity of the assets.

Generally, a haircut is applied to all liquidity buffer positions. These haircuts include a market-risk-specific haircut and a central bank haircut. While the market risk haircut represents the potential price volatility of the assets-side securities as part of the liquidity buffer, the central bank haircut represents an additional haircut by the central bank for each individual relevant security offered as collateral.

Contingency funding plan

Under difficult liquidity conditions, the units switch to a contingency process in which they follow predefined contingency funding plans. These contingency plans also constitute an element of the liquidity management framework and are mandatory for all significant Group units. The contingency management process is designed so that the Group can retain a strong liquidity position even in serious crisis situations.

Liability structure and liquidity position

Group funding is founded on a strong customer deposit base supplemented by wholesale funding (mainly via Group head office and the Group units). The funding instruments are appropriately diversified and are used regularly. The ability to procure funds is precisely monitored and evaluated by the Treasury ALM units and the ALCOS.

In the past year and to date, the Group's excess liquidity was significantly above all regulatory and internal limits. The result of the internal time to wall stress test demonstrates that the Group would continuously survive the modelled stress phase of 90 days even without applying contingency measures.

The results of the going concern scenario are shown in the following table. It illustrates excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for selected maturities on a cumulative basis. Based on assumptions employing expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates on the sediment of customer deposits, outflows from items off the statement of financial position and downward market movements in relation to positions which influence the liquidity counterbalancing capacity.

in € thousand	2016		2015	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	23,551,501	26,300,319	21,762,918	25,838,768
Liquidity ratio	154%	130%	143%	127%

Liquidity coverage ratio (LCR)

The liquidity coverage ratio (LCR) supports the short-term resilience of banks by ensuring that they have an adequate stock of unencumbered high-quality liquid assets (HQLA) to meet potential liability run offs that might occur in a crisis, which can be converted into cash to meet liquidity needs for a minimum of 30 calendar days in a liquidity stress scenario.

The calculation of expected cash inflows and outflows as well as HQLAs is based on regulatory guidelines.

In 2016, the regulatory minimum ratio for the LCR was 70 per cent, which will be raised to 100 per cent by 2018.

in € thousand	2016	2015
Average liquid assets	**22,024,950**	**24,673,520**
Net outflows	**14,827,173**	**17,343,569**
Inflows	11,820,526	11,447,251
Outflows	26,647,699	28,790,820
Liquidity Coverage Ratio	**149%**	**142%**

In 2016, the LCR rose slightly year-on-year, firstly as a result of the implementation of objectives under the transformation program and secondly as a result of the strategy of maintaining a higher liquidity position during the Group's planned restructuring. The HQLA portfolio was reduced by replacing ECB facilities with repos. Net outflows fell due to lower deposits from banks, unscheduled higher customer deposits and unscheduled reduced granting of loans.

Net Stable Funding Ratio, NSFR

The NSFR is defined as the ratio between available stable funding and required stable funding. This ratio should continuously be at least 100 per cent, although no regulatory limit has been set. Available stable funding is defined as the part of equity and debt which is expected to be a reliable source of funds over the time horizon of one year covered by the NSFR. A bank's required stable funding depends on the liquidity characteristics and residual maturities of the various assets held and of commitments off the statement of financial position.

RZB targets a balanced funding position. The regulatory provisions are currently being revised by the regulatory authorities.

in € thousand	2016
Required stable funding	106,619,268
Available stable funding	119,777,243
Net Stable Funding Ratio	**112%**

The NSFR is not shown for year-end 2015 due to limited comparability.

Funding liquidity risk

Funding liquidity risk is mainly driven by changes in the risk strategy of lenders or by deterioration in the creditworthiness of a bank that needs external funding. Funding rates and supply rise and fall with credit spreads, which change due to the market- or bank-specific situation.

As a consequence, long-term funding depends on restoring confidence in banks and increased efforts in collecting customer deposits. The Group's banking activities are financed by combining wholesale funding and the retail franchise of deposit-taking subsidiary banks. It is the central liquidity balancing agent for the local Group units in CEE.

In the Group's funding plans, special attention is paid to a diversified structure of funding to mitigate funding liquidity risk. In the Group, funds are not only raised by RBI AG as the Group's largest single institution, but also individually by different banking subsidiaries. Those efforts are coordinated and optimized through a joint funding plan. Moreover, the Group arranges medium-term and long-term funding for its subsidiaries through syndicated loans, bilateral funding agreements with banks, and financing facilities provided by supranational institutions. These funding sources are based on long-term business relationships.

For managing and limiting liquidity risks, the targets for loan/deposit ratios (the ratio of customer loans to customer deposits) in the individual subsidiary banks take into account the planned future business volumes as well as the feasibility of increasing customer deposits in different countries. On the one hand, this initiative reduces external funding requirements. On the other hand, it also reduces the need for internal funding operations and the risk associated with such liquidity transfers.

The following table shows a breakdown of cash flows according to the contractual maturity of financial liabilities:

2016 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**120,689,556**	**128,240,627**	**80,010,549**	**14,312,073**	**25,745,704**	**8,172,300**
Deposits from banks	24,059,774	27,877,118	15,225,328	3,188,934	6,729,659	2,733,197
Deposits from customers	80,324,996	82,138,203	61,804,915	8,070,955	10,866,484	1,395,850
Debt securities issued	8,527,381	9,236,876	1,024,148	2,589,226	4,022,315	1,601,186
Other liabilities	3,539,902	4,001,091	1,921,573	315,787	1,311,122	452,608
Subordinated capital	4,237,503	4,987,339	34,585	147,171	2,816,124	1,989,459
Derivatives	**3,327,630**	**8,050,121**	**4,124,225**	**1,691,843**	**1,685,326**	**548,727**
Derivatives in the trading book	2,548,174	6,240,973	3,153,299	1,523,451	1,110,747	453,477
Hedging derivatives	425,415	272,198	15,711	29,287	222,309	4,891
Other derivatives	354,041	1,536,950	955,215	139,105	352,270	90,359
Credit derivatives	0	0	0	0	0	0
Contingent liabilities	**9,780,464**	**1,602,037**	**900,309**	**424,683**	**239,507**	**37,538**
Credit guarantees	5,624,327	288,391	82,608	65,511	103,361	36,911
Other guarantees	2,626,927	242,648	129,400	68,599	44,022	627
Letters of credit (documentary business)	993,936	1,033,747	651,050	290,573	92,124	0
Other contingent liabilities	535,274	37,251	37,251	0	0	0
Commitments	**10,732,550**	**11,148,754**	**4,699,956**	**1,072,591**	**4,963,501**	**412,706**
Irrevocable credit lines	10,732,550	11,148,754	4,699,956	1,072,591	4,963,501	412,706

2015 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**123,182,451**	**129,879,676**	**80,032,761**	**17,188,701**	**24,980,368**	**7,677,847**
Deposits from banks	28,113,082	31,807,393	17,025,923	4,467,967	8,060,527	2,252,976
Deposits from customers	78,078,973	79,758,948	60,417,473	10,914,498	7,509,142	917,835
Debt securities issued	9,353,330	10,588,917	913,498	1,479,390	6,527,438	1,668,592
Other liabilities	3,433,285	2,561,034	1,646,154	172,699	493,576	248,605
Subordinated capital	4,203,781	5,163,384	29,713	154,147	2,389,685	2,589,839
Derivatives	**4,861,978**	**10,639,092**	**3,664,022**	**2,088,620**	**3,246,526**	**1,639,924**
Derivatives in the trading book	3,883,631	8,647,584	3,015,915	1,793,715	2,282,827	1,555,127
Hedging derivatives	434,791	261,907	30,076	13,782	243,506	(25,457)
Other derivatives	543,402	1,729,395	617,963	280,985	720,193	110,254
Credit derivatives	154	206	68	138	0	0
Contingent liabilities	**10,030,099**	**1,176,796**	**667,453**	**306,735**	**163,070**	**39,538**
Credit guarantees	4,965,347	164,257	70,380	70,545	21,413	1,919
Other guarantees	3,079,943	297,240	193,652	68,501	34,466	621
Letters of credit (documentary business)	1,237,908	676,857	401,977	167,689	107,191	0
Other contingent liabilities	746,901	38,442	1,444	0	0	36,998
Commitments	**10,481,542**	**10,637,565**	**4,888,866**	**1,765,380**	**3,724,109**	**259,211**
Irrevocable credit lines	10,481,542	10,637,565	4,888,866	1,765,380	3,724,109	259,211

Operational risk

Operational risk is defined as the risk of unexpected losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers such as unauthorized activities, fraud or theft, conduct-related losses, modeling errors, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or consciously conducted human fraud are managed and controlled as well.

This risk category is analyzed and managed based on own historical loss data and the results of risk assessments.

As with other risk types, the principle of firewalling of risk management and risk controlling is also applied to operational risk in the Group. To this end, individuals are designated and trained as Operational Risk Managers for each division. Operational Risk Managers provide central Operational Risk Controlling with reports on risk assessments, loss events, indicators and measures. They are supported in their work by Dedicated Operational Risk Specialists (DORS).

Operational risk controlling units are responsible for reporting, implementing the framework, developing control measures and monitoring compliance with requirements. Within the framework of the annual risk management cycle, they also coordinate the participation of the relevant second line of defense departments (Financial Crime Management, Compliance, Vendor Management, Outsourcing Management, Insurance Management, Information Security, Physical Security, BCM, Internal Control System) and all first line of defense contacts (Operational Risk Managers).

Risk identification

Identifying and evaluating risks that might endanger the Group's existence (but the occurrence of which is highly improbable) and areas where losses are more likely to arise more frequently (but have only limited impact) are important aspects of operational risk management.

Operational risk assessment is executed in a structured and Group-wide uniform manner according to risk categories such as business processes and event types. Moreover, risk assessment applies to new products as well. All Group units grade the impact of high probability/low impact events and low probability/high impact incidents according to their estimation of the loss potential for the next year and in the next ten years. Low probability/high impact events are quantified by a Group-wide analytical tool using scenarios. The internal risk profile, losses arising and external changes determine which cases are dealt with in detail.

Monitoring

In order to monitor operational risks, early warning indicators are used that allow prompt identification and mitigation of operational risks.

Loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner and on a Group-wide basis according to the event type and the business line. In addition to the requirements for internal and external reporting, information on loss events is exchanged with international data pools to further develop advanced operational risk management tools as well as to track measures and control effectiveness of. Since 2010, the Group has been a participant in the ORX data pool (Operational Risk Data Exchange Association), whose data are currently used for internal benchmark purposes and analyses and as part of the operational risk model. The ORX data consortium is an association of banks and insurance groups for statistical purposes. The results of the analyses as well as events resulting from operational risks are reported in a comprehensive manner to the relevant Operational Risk Management Committee on a regular basis.

Quantification and mitigation

Since October 2016, the Group has calculated the capital requirement for a significant part of the Group using the Advanced Measurement Approach (AMA). This includes units in Bulgaria, Romania, Russia, Slovakia and major banks in Austria (Raiffeisen Bank International AG, Vienna, Raiffeisen Zentralbank Österreich AG, Vienna, Kathrein Privatbank AG, Vienna, Raiffeisen Centrobank AG, Vienna, Raiffeisen Bausparkasse GmbH, Vienna, Raiffeisen Kapitalanlage-GmbH, Vienna).

The Standardized Approach (STA) is still used to calculate the operational risk of the remaining units in the CRR scope of consolidation.

Operational risk reduction is initiated by business managers who decide on preventive actions like risk mitigation or risk transfer. Progress and success of these actions is monitored by risk controlling. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if losses in fact occur. In addition, several dedicated organizational units provide support to business units for reducing operational risks. An important role in connection with operational risk activities is taken on by financial crime management. Financial crime management provides support for the prevention and identification of fraud. The Group also conducts an extensive staff training program and has different contingency plans and back-up systems in place.

Other disclosures

(44) Fiduciary business

Fiduciary business not recognized in the statement of financial position was concluded with the following volumes on the reporting date:

in € thousand	2016	2015
Loans and advances to banks	0	11,168
Loans and advances to customers	249,078	274,912
Financial investments	9,480	9,480
Other fiduciary assets	68,651	76,869
Fiduciary assets	**327,210**	**372,429**
Deposits from banks	136,611	148,028
Deposits from customers	112,467	143,252
Other fiduciary liabilities	78,131	81,149
Fiduciary liabilities	**327,210**	**372,429**

Fiduciary income and expenses break down as follows:

in € thousand	2016	2015
Fiduciary income	15,083	14,191
Fiduciary expenses	(2,140)	(352)

The following table contains the funds managed by the Group:

in € thousand	2016	2015
Retail investment funds	**23,844,217**	**22,866,753**
Equity-based and balanced funds	12,759,729	11,468,451
Bond-based funds	10,809,360	11,094,921
Other	275,129	303,382
Special funds	**9,309,015**	**9,093,808**
Property-based funds	**244,036**	**242,143**
Total	**33,397,267**	**32,202,704**

(45) Finance leases

in € thousand	2016	2015
Gross investment value	**3,376,335**	**5,072,885**
Minimum lease payments	2,960,254	4,614,687
Up to 3 months	273,884	435,560
More than 3 months, up to 1 year	542,719	1,002,114
More than 1 year, up to 5 years	1,591,074	2,461,895
More than 5 years	552,578	715,117
Non-guaranteed residual value	416,081	458,198
Unearned finance income	**397,318**	**611,934**
Up to 3 months	37,050	58,622
More than 3 months, up to 1 year	78,966	126,542
More than 1 year, up to 5 years	205,004	308,699
More than 5 years	76,298	118,069
Net investment value	**2,979,016**	**4,460,952**

The reduction in the net investment value in finance leases is mainly attributable to the sale of the leasing company in Poland.

As at 31 December 2016, write-offs on unrecoverable minimum lease payments totaled € 9,633 thousand (2015: € 65,618 thousand).

Assets under finance leases break down as follows:

in € thousand	2016	2015
Vehicles leasing	1,052,080	1,976,266
Real estate leasing	1,316,896	1,777,128
Equipment leasing	610,041	707,558
Total	**2,979,016**	**4,460,952**

(46) Operating leases

Operating leases from view of lessor

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

in € thousand	2016	2015
Up to 1 year	39,873	44,722
More than 1 year, up to 5 years	76,936	93,742
More than 5 years	18,495	24,446
Total	**135,304**	**162,910**

Operating leases from view of lessee

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

in € thousand	2016	2015
Up to 1 year	62,776	77,781
More than 1 year, up to 5 years	124,659	148,687
More than 5 years	30,962	36,687
Total	**218,397**	**263,154**

(47) Other disclosures according to BWG

Geographical markets

2016 Monetary values in € thousand	Operating income	hereof net interest income	Profit/loss before tax	Current income taxes	Employees as at reporting date
Central Europe	**1,016,411**	**629,441**	**354,356**	**(63,524)**	**9,051**
Czech Republic	380,460	247,177	136,234	(26,920)	3,158
Hungary	209,896	106,635	52,453	139	1,983
Slovakia	426,552	274,774	165,670	(36,743)	3,910
Southeastern Europe	**1,202,953**	**738,218**	**362,627**	**(61,919)**	**14,831**
Albania	77,872	55,632	(32,250)	(289)	1,291
Bosnia and Herzegovina	106,407	67,007	34,777	(5,640)	1,268
Bulgaria	156,359	111,909	77,896	(7,390)	2,569
Croatia	224,427	126,379	77,910	(18,711)	2,128
Kosovo	48,786	37,577	19,826	(2,371)	731
Romania	462,719	259,239	125,492	(21,036)	5,322
Serbia	126,434	80,434	58,976	(6,483)	1,522
Eastern Europe	**1,314,919**	**866,320**	**649,271**	**(125,685)**	**17,827**
Belarus	184,894	127,918	95,135	(22,837)	2,005
Kazakhstan	396	468	113	(65)	7
Russia	869,097	566,773	404,235	(87,795)	7,742
Ukraine	260,532	171,071	149,788	(14,989)	8,073
Non-Core	**479,564**	**330,777**	**(203,041)**	**(40,609)**	**4,573**
Asia	28,256	37,484	(198,027)	(1,040)	108
Poland	413,509	262,473	46,710	(40,794)	4,242
Slovenia	9,069	3,495	1,114	(475)	16
USA	17,597	14,071	(36,671)	1,708	32
ZUNO	11,134	13,253	(16,168)	(8)	175
Austria	**3,370,904**	**2,812,679**	**1,522,841**	**(12,424)**	**3,539**
Rest of World	**147,654**	**81,015**	**52,418**	**(8,557)**	**382**
Reconciliation	**(2,400,226)**	**(2,240,890)**	**(1,895,852)**	**3,036**	**0**
Total	**5,132,178**	**3,217,559**	**842,620**	**(309,683)**	**50,203**

2015 Monetary values in € thousand	Operating income	hereof net interest income	Profit/loss before tax	Current income taxes	Employees as at reporting date
Central Europe	**1,048,134**	**654,409**	**309,943**	**(65,813)**	**8,623**
Czech Republic	362,680	234,950	127,100	(25,251)	2,753
Hungary	220,112	120,892	18,765	(539)	2,016
Slowakei	465,516	298,189	164,078	(40,023)	3,854
Southeastern Europe	**1,213,972**	**780,220**	**260,174**	**(32,686)**	**15,041**
Albania	90,430	69,880	14,872	(2,428)	1,349
Bosnia and Herzegovina	103,914	66,066	36,346	(4,169)	1,311
Bulgaria	158,217	116,144	34,275	(3,410)	2,546
Croatia	232,475	135,882	(14,028)	2,746	2,133
Kosovo	49,434	39,675	21,703	(2,278)	715
Romania	446,533	263,938	118,935	(18,933)	5,437
Serbia	133,352	88,637	48,072	(4,214)	1,550
Eastern Europe	**1,360,673**	**948,557**	**549,515**	**(127,589)**	**19,369**
Belarus	256,348	124,975	156,759	(38,185)	2,086
Kazakhstan	2,985	863	406	185	9
Russia	923,451	646,666	483,751	(96,331)	7,635
Ukraine	177,889	175,810	(91,401)	6,742	9,639
Non-Core	**576,677**	**384,908**	**(262,817)**	**(23,541)**	**5,797**
Asia	82,227	84,425	(269,316)	(6,669)	197
Poland	428,604	253,299	41,632	(16,209)	5,128
Slovenia	22,401	10,601	(14,722)	(15)	218
USA	31,915	25,476	(3,163)	(639)	56
ZUNO	11,605	11,107	(17,248)	(8)	198
Austria	**3,140,157**	**2,524,656**	**915,860**	**(39,390)**	**3,857**
Rest of World	**165,929**	**89,101**	**25,922**	**(9,646)**	**409**
Reconciliation	**(2,172,639)**	**(1,758,430)**	**(1,061,728)**	**27,151**	**0**
Total	**5,332,903**	**3,623,422**	**736,869**	**(271,515)**	**53,096**

Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria are as follows:

in € thousand	2016	2015
Assets	93,534,758	88,115,058
Liabilities	74,028,877	74,897,921

Securities admitted for trading on a stock exchange

in € thousand	2016 listed	2016 unlisted	2015 listed	2015 unlisted
Bonds, notes and other fixed-interest securities	15,141,888	276,540	16,417,261	452,546
Shares and other variable-yield securities	158,495	106,115	243,330	127,212
Equity participations	7,485	247,682	1,544	297,436

Volume of the securities trading book

in € thousand	2016	2015
Securities, equity investments	4,757,352	5,792,650
Other financial instruments	144,980,986	152,544,462
Total	**149,738,337**	**158,337,113**

Subordinated assets

in € thousand	2016	2015
Loans and advances to banks	10,645	8,064
Loans and advances to customers	178,873	252,219
Trading assets	15,133	13,687
Financial investments	59,429	102,919
Total	**264,080**	**376,889**

(48) Capital management and regulatory total capital according to CRR/CRD IV and BWG respectively

Capital management

Capital continues to be an integral part of the control procedures throughout the Group. RZB as an international Group takes various control parameters into consideration.

Regulatory values for RZB are defined on a consolidated and an individual basis by the BWG based on the corresponding EU directives and on the applicable regulations of the European Parliament. Moreover, RBI as subgroup of RZB is supervised according to Article 11 paragraph 5 CRR (Capital Requirements Regulation) based on the FMA (Finanzmarktaufsicht Austria) decision of 24 October 2014. There are also – often deviating with regard to content – guidelines in the individual countries in which the Group operates. Such guidelines have to be adhered to by the local units separately.

For internal regulation, the Group uses target values, which comprise all relevant risk types, for the capital requirements. Control on a Group level is undertaken by the Group Regulatory & Transformation Office in coordination with the financial division. The individual Group units are responsible for the observation of the capital targets in coordination with central departments responsible for the participation management of the respective unit.

The main focus in the control is on the regulatory (minimum) capital ratios and the economic capital within the framework of ICAAP (Internal Capital Adequacy Assessment Process, a quantitative method used to assess the adequacy of internal capital). Moreover, the optimal mixture of capital instruments (e. g. additional tier 1 capital and tier 2 capital) plays an important role and is continuously analyzed and optimized.

In addition, risk taking capacity is calculated in the framework of regulatory limits. It is defined as the maximum loss which the bank or the banking group may incur during the next twelve months without falling short of the regulatory minimum capital ratios and is the responsibility of Risk Controlling.

The determination of the target values in relation to the compulsory minimum requirements necessitates additional internal control calculations. The Risk Controlling department calculates the value-at-risk in relation to the above defined risk taking capacity. Moreover, a comparison between economic capital and internal capital is drawn. Further details regarding this calculation are contained in the risk report.

Capital management in 2016 was marked by several measures to strengthen the capital position. The main measures were the mergers of the financial holding company Raiffeisen-Landesbanken-Holding at the top of the Group, the partial sale of the stake in UNIQA Insurance Group AG, Vienna, and the sale of the Polish leasing company (Raiffeisen Leasing Polska S.A.). In addition, further steps were taken to reduce total RWAs in selected Group units. Overall, these measures significantly improved the capital ratios.

Regulatory capital

RZB calculates the regulatory total capital and total capital requirement according to Basel III. The implementation of these requirements in the EU was carried out via a regulation (CRR, Capital Requirements Regulation) and a directive (CRD IV, Capital Requirements Directive IV).

Moreover, based on the SSM (Single Supervisory Mechanism) regulation, the European Central Bank (ECB) took over supervision of large banks in the euro area in November 2014, whose total assets exceed € 30 billion or 20 per cent of a country's economic output. Both RZB and RBI are defined as large banks. Based on an annually undertaken Supervisory Review and Evaluation Process (SREP), the ECB instructs RZB and also RBI by way of an official notification to hold additional capital to cover risks which are not or not adequately considered under pillar I. A draft proposal from the Basel Committee to tighten up the definition of the basis for the calculation of risk-weighted assets is currently in preparation.

The so-called SREP requirement represents an add-on to the minimum requirements of the CRR, CRD IV and the BWG. In addition, the capital conservation buffer and other implemented buffers (see below) must be adhered to. A breach of the combined buffer requirement would result in constraints, for example in relation to dividend distributions and coupon payments on certain capital instruments. The capital requirements applicable in the course of the year were met on a subgroup and consolidated level.

National supervisors can determine a systemic risk buffer (up to 5 per cent) as well as an additional capital add-on for systemic banks (up to 3.5 per cent). In the event that a systemic risk buffer as well as an add-on for systemic banks are determined for a banking institution, only the higher of the two values is applicable. In September 2015, the responsible financial market stability committee of the FMA recommended the requirement of a systemic risk buffer for twelve large banks located in Austria, including RZB and RBI. This recommendation was put into effect as of the beginning of 2016 by the FMA. The systemic risk buffer was set at 0.25 per cent for RZB and RBI as of 1 January 2016 and progressively increases to 2 per cent by 2019. A countercyclical buffer can be implemented by member states in order to curb excessive lending growth. The current countercyclical buffer was set at 0 per cent for Austria due to restrained lending growth and the stable macroeconomic environment.

Further expected regulatory changes or developments are continuously monitored and displayed and analyzed in scenario calculations by the Group Regulatory & Transformation Office in coordination with the financial division. Possible effects are included in planning and steering, insofar as the extent and implementation are foreseeable.

Calculation of total capital

The determination of eligible total capital, taking in account the profit of 2016, is in accordance with the applicable regulations based on international accounting standards. Further details can be found in the regulatory disclosure report pursuant to Article 431 ff CRR which can be found on RZB's website. The consolidated total capital of RZB is shown as follows.

The total capital breaks down as follows:

in € thousand	2016	2015[1]
Paid-in capital	2,327,263	2,327,241
Earned capital	3,099,275	2,760,808
Non-controlling interests	3,382,428	3,389,150
Common equity tier 1 (before deductions)	**8,808,966**	**8,477,199**
Deduction intangible fixed assets/goodwill	(639,226)	(628,903)
Deduction provision shortage for IRB positions	(33,761)	(55,272)
Deduction securitizations	(20,693)	(14,184)
Deduction deferred taxes	0	0
Deduction loss carry-forwards	(2,961)	(3,311)
Deduction insurance and other investments	0	(295,835)
Common equity tier 1 (after deductions)	**8,112,325**	**7,479,694**
Additional tier 1	90,475	308,876
Non-controlling interests	(8,853)	(14,008)
Deduction intangible fixed assets/goodwill	(70,368)	(253,414)
Deduction provision shortage for IRB positions	(11,254)	(41,454)
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 1	**8,112,325**	**7,479,694**
Long-term subordinated capital	3,048,144	3,167,941
Non-controlling interests	(1,233,483)	(864,698)
Provision excess of internal rating approach positions	161,082	135,781
Provision excess of standardized approach positions	0	0
Deduction securitizations	0	0
Deduction insurance and other investments	0	(98,612)
Tier 2 (after deductions)	**1,975,743**	**2,340,412**
Total capital	**10,088,068**	**9,820,106**
Total capital requirement	**5,444,422**	**5,763,006**
Common equity tier 1 ratio (transitional)	11.9%	10.4%
Common equity tier 1 ratio (fully loaded)	11.9%	9.9%
Tier 1 ratio (transitional)	11.9%	10.4%
Tier 1 ratio (fully loaded)	11.9%	10.0%
Total capital ratio (transitional)	14.8%	13.6%
Total capital ratio (fully loaded)	14.0%	13.2%

1 The regulatory treatment of the shareholding in UNIQA Insurance Group AG, Vienna, and the provision shortage for internal ratings-based approach positions were adjusted in the course of the regular consultation process with the supervisory authority resulting in a change in the regulatory ratios as at 31 December 2015.

The transitional ratios are the currently applicable ratios according to the requirements of the CRR having regard to the transitional rules for the current calendar year under Part Ten of the CRR. The fully loaded ratios are for information purposes only and calculated on the hypothetical assumption of full implementation without the transitional rules. In addition, the systemic risk buffer of 2 per cent is applied in full. As a result, the minority deduction is considerably decreased and the ratios are improved.

The basis for the assessment of credit risk by asset class was as follows:

in € thousand	2016	2015
Risk-weighted assets according to standardized approach	**27,154,707**	**29,549,609**
Central governments and central banks	1,924,568	2,208,828
Regional governments	61,842	50,618
Public administration and non-profit organizations	67,086	24,157
Multilateral development banks	0	0
Banks	359,470	437,995
Corporate customers	9,823,080	11,236,790
Retail customers	9,808,257	10,014,310
Equity exposures	2,376,977	2,620,668
Covered bonds	23,994	24,778
Mutual funds	41,754	123,423
Securitization position	0	0
Other positions	2,667,679	2,808,043
Risk-weighted assets according to internal rating approach	**28,722,603**	**29,539,181**
Central governments and central banks	243,971	311,112
Banks	2,071,355	2,141,725
Corporate customers	21,642,453	22,531,724
Retail customers	4,389,683	4,140,911
Equity exposures	146,018	154,913
Securitization position	229,122	258,795
CVA risk	388,852	406,044
Risk-weighted assets (credit risk)	**56,266,161**	**59,494,834**
Total capital requirement (credit risk)	**4,501,293**	**4,759,587**

The total capital requirement composition is as follows:

in € thousand	2016	2015
Total capital requirement for credit risk	4,501,293	4,759,587
Internal rating approach	2,297,808	2,363,134
Standardized approach	2,172,377	2,363,969
CVA risk	31,108	32,483
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	215,913	241,297
Total capital requirement for operational risk	727,216	762,123
Risk-weighted assets (total RWA)	**68,055,278**	**72,037,580**
Total capital requirement	**5,444,422**	**5,763,006**

Leverage ratio

Within the framework of CRR and in addition to the total capital requirements the leverage ratio was implemented as a new instrument to limit the risk of excessive indebtedness. According to Article 429 CRR, the leverage ratio is the ratio of capital to the leverage exposure. This means tier 1 capital in relation to unweighted exposure on and off the statement of financial position. The Basel Committee set a minimum ratio of 3 per cent. After a test period in which the credit institutions are required to publish the figures and possible modification of the minimum ratio, the leverage ratio is set to become effective as of 1 January 2018.

in € thousand	2016	2015
Leverage exposure	147,882,132	163,149,520
Tier 1	8,112,325	7,479,694
Leverage ratio (transitional)	5.5%	4.6%
Leverage ratio (fully loaded)	5.5%	4.5%

The increase in the leverage ratio of 0.9 percentage points (transitional) and 1.0 percentage points (fully loaded) compared to the previous year is attributable to the increase in tier 1 capital and a reduced leverage exposure – largely due to the changed classification of transactions off the statement of financial position under Annex I of the CRR and the lower credit conversion factors (CCF) that were applied as a result.

The following table provides an overview on the calculation methods that are applied to determine total capital requirements in the subsidiaries:

Unit	Non-Retail	Credit risk Retail	Market risk	Operational risk
Raiffeisen Zentralbank Österreich AG, Vienna (AT)	IRB	n.a.	STA	AMA
Raiffeisen Bank International AG, Vienna (AT)	IRB	n.a.	Internal Model	AMA
RBI Finance (USA) LLC, New York (USA)	IRB	n.a.	STA	STA
Raiffeisenbank a.s., Prague (CZ)	IRB	IRB	STA	STA
Raiffeisen Bank Zrt., Budapest (HU)	IRB	IRB	STA	STA
Tatra banka a.s., Bratislava (SK)	IRB	IRB	STA	AMA
Raiffeisen Bank S.A., Bucharest (RO)	IRB	IRB	STA	AMA
Raiffeisenbank Austria d.d., Zagreb (HR)	IRB	STA	STA	STA
Raiffeisenbank Russia d.d., Moscow (RU)	IRB	STA	STA	AMA
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	IRB	IRB	STA	AMA
Raiffeisen Centrobank AG, Vienna (AT)	STA	n/a	STA	AMA
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	STA	STA	n/a	AMA
Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (AT)	STA	STA	n/a	AMA
Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung, Vienna (AT)	STA	n/a	n/a	AMA
All other units	STA	STA	STA	STA

IRB: internal ratings-based approach
Internal model for open currency positions and general interest rate risk in the trading book
STA: standardized approach
AMA: advanced measurement approach

(49) Average number of staff

Full-time equivalents	2016	2015
Salaried employees	51,067	54,749
Wage earners	743	946
Total	**51,810**	**55,695**

Full-time equivalents	2016	2015
Austria	3,139	3,716
Foreign	48,671	51,979
Total	**51,810**	**55,695**

(50) Related parties

Companies can carry out business with related parties that may affect the entity's asset, financial and earnings position.

The following tables show the relations to related parties. At the end of September 2016, the previous parent company, Raiffeisen-Landesbanken-Holding GmbH, Vienna, and its wholly owned subsidiary R-Landesbanken-Beteiligung GmbH, Vienna, merged into Raiffeisen Zentralbank Österreich AG, Vienna. As of that date, there has been no parent company.

Companies with significant influence are primarily Raiffeisenlandesbank Niederösterreich-Wien AG, Vienna, as the largest indirect shareholder, and its parent company Raiffeisen-Holding Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna. Affiliated companies are the 306 subsidiaries not included in the consolidated financial statements for reasons of materiality. Disclosures on RZB relations to key management are reported under (51) Relations to key management.

2016 in € thousand	Parent companies	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	0	393,966	0	381,620	46,764
Loans and advances to customers	0	0	234,554	36,990	171,777
Trading assets	0	10,091	58	14	1,908
Financial investments	0	500	216,149	0	197,799
Investments in associates	0	0	0	775,035	0
Other assets (incl. derivatives)	0	1,108	13,375	1,778	123,720
Total receivables	**0**	**405,665**	**464,136**	**1,195,437**	**541,968**
Deposits from banks	0	3,131,460	(18,045)	3,174,742	401,177
Deposits from customers	0	0	158,827	401,928	89,725
Debt securities issued	0	0	1,355	0	0
Provisions for liabilities and charges	0	0	0	3,313	0
Trading liabilities	0	0	13,333	5,920	0
Other liabilities including derivatives	0	925	1,812	1,777	1,152
Subordinated capital	0	0	390	3,611	364
Total liabilities	**0**	**3,132,385**	**157,672**	**3,591,291**	**492,418**
Guarantees given	0	26,090	112,014	274,730	22,653
Guarantees received	0	22,481	0	46,809	37,828

2015 in € thousand	Parent companies	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	10	2,106,167	0	159,706	57,281
Loans and advances to customers	0	941	377,866	163,805	178,094
Trading assets	0	12,737	46	190	1,337
Financial investments	0	5,053	222,019	0	252,012
Investments in associates	0	0	0	1,590,384	0
Other assets (incl. derivatives)	0	805	15,099	1,880	66,992
Total receivables	**10**	**2,125,703**	**615,030**	**1,915,965**	**555,716**
Deposits from banks	0	3,632,683	0	3,094,500	421,967
Deposits from customers	23	0	157,293	719,037	52,069
Debt securities issued	0	0	1,980	0	0
Provisions for liabilities and charges	0	0	625	9,778	12
Trading liabilities	0	0	12,057	8,329	0
Other liabilities including derivatives	0	10,305	944	214	573
Subordinated capital	0	0	387	3,611	360
Total liabilities	**23**	**3,642,988**	**173,286**	**3,835,469**	**474,981**
Guarantees given	0	48,930	149,129	362,061	0
Guarantees received	0	22,168	0	164,083	36,277

2016 in € thousand	Parent companies	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Interest income	0	10,220	5,739	8,982	8,844
Interest expenses	0	(27,717)	(1,087)	(31,824)	(1,440)
Dividends income	0	0	84,509	74,375	14,197
Fee and commission income	0	2,148	24,160	9,995	5,580
Fee and commission expense	0	(1,527)	(719)	(9,504)	(3,649)

2015 in € thousand	Parent companies	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Interest income	0	8,174	15,199	10,787	12,749
Interest expenses	0	(35,373)	(3,310)	(61,275)	(2,213)
Dividends income	0	0	86,334	132,837	11,279
Fee and commission income	0	20,571	27,024	7,129	5,515
Fee and commission expense	0	(1,288)	(769)	(5,960)	(3,291)

(51) Relations to key management

Group relations of key management

Key management refers to the members of the Management Board and Supervisory Board of the Group parent Raiffeisen Zentralbank Österreich AG and the managers of the holding company Raiffeisen-Landesbanken-Holding GmbH. Relations of key management to RZB are as follows (at fair values):

in € thousand	2016	2015
Sight deposits	43	13
Bonds	1,219	1,236
Shares	447	318
Savings deposits	178	75
Other loans	18	114
Loans liabilities	5	389
Leasing liabilities	957	578
Other liabilities	19	0

The following table shows relations of close family members of key management to RZB:

in € thousand	2016	2015
Sight deposits	11	8
Bonds	0	0
Shares	48	0
Time deposits	8	57
Savings deposits	83	67
Other loans	13	0
Leasing liabilities	0	0

The Group has no further relations with key management.

Remuneration of members of the Management Board

The following table shows total remuneration of the members of the Management Board according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards (IAS 19 and IFRS 2).

in € thousand	2016	2015
Short-term employee benefits	2,813	3,286
Post-employment benefits	(340)	411
Other long-term benefits	8	(57)
Termination benefits	0	0
Share based payments	0	75
Total	**2,482**	**3,715**

Short-term employee benefits shown in the above table contain salaries, functional allowances, benefits in kind and other benefits, remunerations for membership of board in affiliated companies and those parts of the bonuses which become due for the short-term. Furthermore, changes possibly arising from the difference between the bonus provision and the later awarded bonus are also contained.

Post-employment benefits comprise payments to pension funds, business insurances and payments according to Retirement Plan Act (Mitarbeitervorsorgegesetz) as well as net allocations to provisions for retirement benefits and severance payments.

Other long-term benefits contain portions of the provision for bonus payments regarding deferred bonus portions in cash and retained portion payable in instruments. For the latter, valuation changes due to currency fluctuations are taken into account. It also contains allocations to provisions for anniversary bonuses.

All figures posted relating to bonus and share-based payments concern one member of the Management Board who was a member of the RZB Management Board until 30 June 2015 and is now a member of the RBI Management Board, € 631 thousand (2015: € 628 thousand) was paid to former members of the Management Board and to their surviving dependants in the financial year.

Remuneration of other boards

The members of the Supervisory Board and other boards are remunerated as follows:

in € thousand	2016	2015
Supervisory board	415	430
Federal Advisory Board (Länderkuratorium)	146	146

Moreover, no contracts subject to approval within the meaning of Section 95 (5) Z 12 of the Austrian Stock Corporation Act (AktG) were concluded with the members of the Supervisory Board in the financial year 2016.

(52) Boards

In accordance with Section 70 (1) of the Austrian Joint Stock Company Act (AktG), the members of the Management Board are personally responsible for leading the company to the best benefit of RZB AG and its Group, taking into account shareholders' and employees' interests as well as public interests.

According to Austrian Joint Stock Company Act, the Supervisory Board is responsible for monitoring and supporting the Management Board in fundamental strategic company decisions. The Supervisory Board established the Personnel Committee, Audit Committee, Working Committee, Remuneration Committee, Nomination Committee and Risk Committee as sub-committees and staffed these from its own ranks.

- The authorizations of the Supervisory Board's Personnel Committee stretch to the legal relationships between the company and the active as well as the retired members of the Management Board, but exclude their appointment or their termination of contract.

- The Supervisory Board's Audit Committee supervises the accounting process, the effectiveness of the internal audit system and risk management system as well as the annual statutory audit and the consolidated financial statements audit. It prepares the recommendation of the Supervisory Board for the selection of the external auditor and bank auditor. The Audit Committee checks and supervises the independence of the Group's auditor and bank auditor, particularly with respect to the additional work performed for the audited company. The Audit Committee is also responsible for auditing the annual financial statements and preparing its findings, assessing the profit appropriation proposal, management report and, if required, corporate governance report as well as reporting on the audit results to the Supervisory Board and auditing the consolidated financial statements and management report, including reporting on the audit results to the Supervisory Board of the parent company.

- The Supervisory Board's Working Committee holds a monitoring and authorization function. This particularly applies when taking on risks arising from banking transactions (including the acquisition and sale of securities). It also authorizes risk limits for customers or a group of related customers as from a limit specified by the articles of association. This also applies when establishing, discontinuing or closing subsidiaries and when acquiring investments, directly or indirectly, if the limits set in the articles of association are exceeded.

- The Supervisory Board's Remuneration Committee monitors the remuneration policy, remuneration practices and remuneration-related incentive structures, each in connection with steering, monitoring and limitation of risks pursuant to Section 39 (2b) 1 to 10 Austrian Banking Act (BWG), with the capital adequacy and liquidity. Also the long-term interests of shareholders, investors and employees of the company had to be taken into account. The Supervisory Board's Remuneration Committee approves the general regulations of the remuneration policy, reviews them on a regular basis and is responsible for the implementation of the remuneration policy and practices approved as well as the direct review of the remuneration of higher management in the risk management and in compliance functions.

- The Supervisory Board's Nomination Committee is responsible for the evaluation of the structure, size, composition and performance of the Management Board and the Supervisory Board and for preparing suggestions for modifications if necessary. At least annually, the Nomination Committee evaluates the knowledge, abilities and experience for both individual members of the Management Board and Supervisory Board as well as the boards as a whole and reports then to the Supervisory Board. Moreover, it is responsible for monitoring the procedure of the Management Board regarding the selection of the higher management and the determination of target rates as well as the strategy for female rate. Furthermore, the Nomination Committee has to pay attention to the decision finding process of the Mangement Board and the Supervisory Board that this is not dominated by only one person or a smaller group of persons in the matter of running contrary to the company's interests.

- The Supervisory Board's **Risk Committee** advises the Management Board concerning the current and future risk disposition and strategy and monitors the implementation. In addition it reviews the pricing of offered services and products insofar as they adequately take into account the business model. Furthermore, the Risk Committee judges if the internal remuneration system adequately considers risk. The head of risk management department participates in the meetings of the Risk Committee and he reports the current risk situation and material developments.

Finally, the Supervisory Board authorizes the appointments of members of the Management Board and employees of the Bank to the bodies of associated companies and in the case of the Management Board, it also issues authorizations to suspend the non-competition clause regarding the acceptance of Supervisory Board memberships within the company, which are unconnected to the Group or in whose operations the company does not participate within the meaning of Section 228 (1) of the Austrian Commercial Code (UGB). The conclusion of special employment contracts with pension commitments – with exception of the legal relationship stated for the Supervisory Board in Section 7 para 4 lid d of the rules of procedure – also requires the approval of the Supervisory Board.

The Federal Advisory Board (Länderkuratorium) of the Supervisory Board has been set up as an additional body in accordance with the articles of association. It has an advisory function and is authorized to submit proposals to the Supervisory Board at any time.

Management Board

- Walter Rothensteiner, since1 January 1995, Chairman and CEO; Chairman of the Austrian Raiffeisen Association
- Michael Höllerer, since 1 July 2015
- Johannes Schuster, since 10 October 2010

Supervisory Board

Executive Committee

- Erwin Hameseder, since 23 May 2012, President, PersA, PrüfA, AA, VergA, NA, RA, Chairman of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.
- Martin Schaller, since 10 October 2013, first Vice President, PersA, PrüfA, AA, VergA, NA, RA, General Director of Raiffeisen-Landesbank Steiermark AG
- Heinrich Schaller, since 23 May 2012, second Vice President, PersA, PrüfA, AA, VergA, NA, RA, General Director of Raiffeisenlandesbank Oberösterreich AG
- Wilfried Hopfner, since 18 June 2009 member, since 22 January 2016 third Vice President, PersA, PrüfA, AA, VergA, NA, RA, CEO of Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband Gen.m.b.H.

Members

- Klaus Buchleitner, since 25 June 2003, CEO of Raiffeisenlandesbank Niederösterreich-Wien AG and Raiffeisen-Holding NÖ Wien
- Peter Gauper, since 24 June 2008, Spokesman of the Management Board of Raiffeisenlandesbank Kärnten – Rechenzentrum und Revisionsverband, reg. Gen.m.b.H.
- Johannes Ortner, since 15 June 2016, Chairman of the Board of Raiffeisen-Landesbank Tirol AG
- Günther Reibersdorfer, since 23 June 2005, CEO of Raiffeisenverband Salzburg reg. Gen.m.b.H.
- Rudolf Könighofer, since 1 August 2013, CEO of Raiffeisenlandesbank Burgenland und Revisionsverband reg. Gen.m.b.H.
- Reinhard Wolf, since 23 May 2012, CEO of RWA Raiffeisen Ware Austria AG

All of the above members of the Supervisory Board have been appointed until the Annual General Meeting regarding the 2018 financial year.

Delegated by the Works Council

- Gebhard Muster, since 20 November 2008, since 14 June 2011 Chairman of the Works Council, PrüfA, AA, VergA, NA, RA
- Désirée Preining, since 14 June 2011 Deputy Chairwoman of the Works Council, PrüfA, AA, VergA, NA, RA
- Walter Demel, since 28 November 2013
- Doris Reinsperger, since 14 June 2011
- Tanja Daumann, since 27 March 2015

State Commissioner

- Alfred Lejsek, since 1 September 1996, State Commissioner
- Gerhard Popp, since 1 Dezember 2009, Deputy State Commissioner

Federal Advisory Board (Länderkuratorium)

- Walter Hörburger, since 22 June 2010, until 8 June 2016[1] Chairman, Chairman of the Supervisory Board of Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband reg. Gen.m.b.H.
- Sebastian Schönbuchner, since 20 June 2002, since 8 June 2016 Chairman, until 8 June 2016[1] Deputy Chairman, Chairman of Raiffeisenverband Salzburg reg. Gen.m.b.H.
- Jakob Auer, since 13 June 2000, President of the Supervisory Board of Raiffeisenlandesbank Oberösterreich AG
- Robert Lutschounig, since 12 June 2009, Chairman of the Supervisory Board of Raiffeisenlandesbank Kärnten- Rechenzentrum und Revisionsverband, reg. Gen.m.b.H.
- Michael Misslinger, since 3 June 2014, Chairman of the Supervisory Board of Raiffeisen Landesbank Tirol AG
- Helmut Tacho, since 3 June 2014, since 8 June 2016[1] Deputy Chairman, Chairman of the Supervisory Board of Raiffeisen Holding Niederösterreich-Wien reg. Gen.m.b.H.
- Wilfried Thoma, since 25. June 2003, President of the Supervisory Board of Raiffeisen-Landesbank Steiermark AG
- Erwin Tinhof, since 20 June 2007, President of the Supervisory Board of Raiffeisenlandesbank Burgenland und Revisionsverband reg. Gen.m.b.H.

PersA Member of the Personnel Committee

PrüfA Member of the Audit Committee
AA Member of the Working Committee
VergA Member of the Remuneration Committee
NA Member of the Nomination Committee
RA Member of the Risk Committee
1 A new Chairman and his/her Deputy are appointed each year.

Events after the reporting date

Extraordinary General Meeting approves merger with RBI

On 23 January, and respectively on 24 January 2017, Extraordinary General Meetings of RZB AG as well as RBI AG took place passing a resolution on the merger of the two institutes. For passing the resolution a three-fourths majority of the capital represented was required and was approved by a clear majority in both cases. The shareholders also approved the capital increase related to the merger. RBI's share capital will be increased by € 109,679,778.15, from € 893,586,065.90 to € 1,003,265,844.05, through the issuance of 35,960,583 new no par value common bearer shares. The regional Raiffeisen banks, who are the core shareholders of RZB, hold around 58,8 per cent of the combined institute.

The merged company will operate under the name of Raiffeisen Bank International AG, as previously the case for RBI, and RBI shares will continue to be listed on the Vienna Stock Exchange. The number of shares issued will increase to 328,939,621.

(53) Group composition

Consolidated group

Number of units	Fully consolidated 2016	2015	Equity method 2016	2015
As at beginning of period	**305**	**337**	**10**	**10**
Included for the first time in the financial period	5	19	0	0
Merged in the financial period	(2)	(4)	0	0
Excluded in the financial period	(25)	(47)	(1)	0
As at end of period	**283**	**305**	**9**	**10**

Of the 283 entities in the Group, 150 are domiciled in Austria (2015: 155) and 133 abroad (2015: 150). They comprise 27 banks (2015: 28), 168 financial institutions (2015: 185), 20 companies rendering bank-related ancillary services (2015: 24), 18 financial holding companies (2015: 14) and 50 other companies (2015: 54).

Included units

Name	Share	Included as of	Reason
Financial institutions			
Ados Immobilienleasing GmbH, Eschborn (DE)	45.6%	1/1	Materiality
Raiffeisen Immobilienfonds, Vienna (AT)	88.2%	31/3	Purchase
RBI eins Leasing Holding GmbH, Vienna (AT)	45.6%	1/6	Materiality
RBI ITS Leasing-Immobilien GmbH, Vienna (AT)	45.6%	1/6	Materiality
Other companies			
RL Wohnbau-Projektentwicklungs GmbH, Vienna (AT)	100.0%	1/12	Materiality

Business combinations

By gradually buying shares, Raiffeisen Zentralbank AG acquired a majority of the shares in Raiffeisen Immobilienfonds, Vienna, in the first quarter of 2016 and now holds 88.2 per cent of the shares. As a result of the control in accordance with IFRS 10, Raiffeisen Immobilienfonds was fully consolidated for the first time as of 31 March 2016.

The total cash price for the 88.2 per cent holding amounted to € 125,065 thousand; of that amount, € 105,000 thousand related to the current financial year.

The following table shows the total consideration paid for the purchase of the shares and the acquired assets and liabilities recognized at the date of first-time consolidation:

in € thousand	Raiffeisen Immobilienfonds
Cash reserve	0
Loans and advances to banks	19,847
Loans and advances to customers (less impairment losses)	0
Financial investments	0
Intangible fixed assets	0
Tangible fixed assets	218,910
Other assets	16,393
Assets	**255,149**
Deposits from banks	92,641
Deposits from customers	0
Debt securities issued	0
Provisions for liabilities and charges	17,586
Trading liabilities	0
Other liabilities	10,452
Subordinated capital	0
Total identifiable net assets	**134,470**
Non-controlling interests	15,847
Net assets after non-controlling interests	**118,623**
Total consideration transferred	125,065
Previously acquired other investments	0
Goodwill/Badwill	**6,442**

Excluded units

Name	Share	Included as of	Reason
Financial institutions			
Raiffeisen Banka d.d., Maribor (SI)	60.7%	30/6	Sale
Financial institutions			
Golden Rainbow International Limited, Tortola (VG)	60.8%	1/1	Immaterial
Roof Russia DPR Finance Company S.A., Luxembourg (LU)	<0.1%	1/1	Immaterial
SCTF Szentendre Ingatlanforgalmazó és Ingatlanfejlesztő Kft., Budapest (HU)	60.8%	1/1	Immaterial
BRL Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Eisenstadt (AT)	100.0%	1/1	Immaterial
Queens Garden Sp z.o.o., Warsaw (PL)	100.0%	1/1	Immaterial
Eastern European Invest GmbH, Vienna (AT)	60.8%	1/1	Immaterial
Eastern European Invest Holding GmbH, Vienna (AT)	60.8%	1/1	Immaterial
RAIFFEISEN-LEASING REAL ESTATE Sp. z o.o., Warsaw (PL)	60.8%	1/1	Immaterial
RI Eastern European Finance B.V., Amsterdam (NL)	100.0%	1/1	Immaterial
Adessentia Immobilienleasing GmbH, Eschborn (DE)	100.0%	1/4	End of operations
Kepler Fonds 777, Vienna (AT)	<0.1%	1/5	End of operations
THETIS Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	100.0%	1/7	End of operations
COL Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/7	Sale
PALADIOS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/7	End of operations
Raiffeisen Lízing Zrt., Budapest (HU)	60.8%	2/8	Sale
BL Syndikat Beteiligungs Gesellschaft m.b.H., Vienna (AT)	77.5%	1/12	Merger
Raiffeisen-Leasing Polska S.A., Warsaw (PL)	60.8%	1/12	Sale
ROOF Poland Leasing 2014 Ltd, Dublin (IE)	<0.1%	1/12	Sale
Laomedon Immobilienleasing GmbH, Eschborn (DE)	100.0%	1/12	Sale
Companies rendering bank-related ancillary services			
Raiffeisen Ingatlan Vagyonkezelő Kft., Budapest (HU)	60.8%	1/4	Immaterial
Tatra Residence, s. r. o., Bratislava (SK)	78.8%	31/10	Merger
Raiffeisen Insurance Agency Sp.z.o.o, Warsaw (PL)	60.8%	1/12	Sale
RSC Raiffeisen Service Center GmbH, Vienna (AT)	47.3%	1/12	Change in control
Other companies			
Raiffeisen Energiaszolgáltató Kft., Budapest (HU)	60.8%	1/1	Immaterial
ÖKO-Drive Fuhrparkmanagement GmbH, Vienna (AT)	100.0%	1/1	Immaterial
Bondy Centrum, s.r.o., Prague (CZ)	79.1%	1/2	Sale

Consolidated subsidiaries where RZB holds, indirectly, less than 50 per cent of the ordinary voting shares

The Group controls the following types of entities, even though it holds less than half of the voting rights.

Structured entities

Name	Share of voting rights	Reason
Raiffeisen Real Estate Fund, Budapest (HU)	<0.1%	Funds
CJSC Mortgage Agent Raiffeisen 01, Moscow (RU)	<0.1%	SPV
Raiffeisen Immobilienfonds, Vienna (AT)	<0.1%	Funds
FWR Russia Funding B.V., Amsterdam (NL)	<0.1%	SPV

The above entities are consolidated as they are either special purpose vehicles (SPV) or funds set up by the Group. The Group is exposed to variability in returns from the vehicles from activities such as holding securities in the vehicles or issuing financial guarantees and the Group has the power to influence the relevant activities of these entities. These entities primarily run on 'auto-pilot' with the day to day business activities being performed by the Group by way of a Service Agreement.

Subsidiaries not consolidated where RZB holds, indirectly, more than 50 per cent of the ordinary voting shares

Because of their minor importance in giving a view of the Group's assets, financial and earnings position 301 subsidiaries were not included in the consolidated financial statements (2015: 329). They are recognized at cost under financial investments and are assigned to measurement category available-for-sale. Total assets of the companies not included came to less than 1 per cent of RZB's aggregated total assets.

List of fully consolidated companies

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
"Raiffeisen-Rent" Vermögensberatung und Treuhand Gesellschaft m.b.H., Vienna (AT)	364,000	EUR	100.0%	FI
Abade Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Abade Immobilienleasing GmbH & Co Projekt Lauterbach KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Abakus Immobilienleasing GmbH & Co Projekt Leese KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Abrawiza Immobilienleasing GmbH & Co. Projekt Fernwald KG, Eschborn (DE)	5,000	EUR	6.0%	OT
Abura Immobilienleasing GmbH & Co. Projekt Seniorenhaus Boppard KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Abutilon Immobilienleasing GmbH & Co. Projekt Autohof Ibbenbüren KG, Eschborn (DE)	5,000	EUR	6.0%	FI
ACB Ponava, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Achat Immobilienleasing GmbH & Co. Projekt Hochtaunus-Stift KG, Eschborn (DE)	10,000	EUR	1.0%	FI
Acridin Immobilienleasing GmbH & Co. Projekt Marienfeld KG, Eschborn (DE)	5,000	EUR	100.0%	FI
Adagium Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Adamas Immobilienleasing GmbH & Co. Projekt Pflegeheim Werdau KG, Eschborn (DE)	5,000	EUR	100.0%	FI
Adiantum Immobilienleasing GmbH & Co. Projekt Schillerhöhe Weimar KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Adipes Immobilienleasing GmbH & Co. Projekt Bremervörde KG, Frankfurt am Main (DE)	5,000	EUR	100.0%	FI
Adorant Immobilienleasing GmbH & Co. Projekt Heilsbronn und Neuendettelsau KG, Eschborn (DE)	5,000	EUR	6.0%	OT
Ados Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	45.6%	FI
Adrittura Immobilienleasing GmbH & Co. Projekt Eiching KG, Eschborn (DE)	5,000	EUR	70.0%	FI
Adular Immobilienleasing GmbH & Co. Projekt Rödermark KG, Eschborn (DE)	5,000	EUR	100.0%	FI
Agamemnon Immobilienleasing GmbH & Co. Projekt Pflegeheim Freiberg KG, Eschborn (DE)	5,000	EUR	100.0%	FI
AGITO Immobilien-Leasing GesmbH, Vienna (AT)	36,400	EUR	100.0%	FI
AKRISIOS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
AL Taunussteiner Grundstücks-GmbH & Co KG, Eschborn (DE)	10,000	EUR	88.0%	FI
A-Leasing SpA, Treviso (IT)	68,410,000	EUR	100.0%	FI
Am Hafen" Sutterlüty GmbH & Co KG, Vienna (AT)	100,000	EUR	50.0%	FI
AMYKOS RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	45.6%	FI
AO Raiffeisenbank, Moscow (RU)	36,711,260,000	RUB	60.8%	BA
APUS Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
ARCANA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
A-Real Estate S.p.A., Bozen (IT)	600,000	EUR	100.0%	FI
AURIGA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Austria Leasing Beteiligungsgesellschaft mbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Austria Leasing GmbH, Eschborn (DE)	1,000,000	EUR	100.0%	FI
Austria Leasing GmbH & Co. Immobilienverwaltung Projekt Hannover KG, Eschborn (DE)	10,000	EUR	100.0%	FI
Austria Leasing GmbH & Co. KG Immobilienverwaltung CURA, Eschborn (DE)	10,000	EUR	100.0%	FI
Austria Leasing Immobilienverwaltungsgesellschaft mbH, Eschborn (DE)	25,000	EUR	100.0%	OT
B52 RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	45.6%	OT
BAILE Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	60.8%	FI
Baumgartner Höhe RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	45.6%	FI
BUILDING BUSINESS CENTER DOO NOVI SAD, Novi Sad (RS)	559,220,792	RSD	60.8%	FI
Bukovina Residential SRL, Timisoara (RO)	1,901,600	RON	100.0%	OT
Bulevard Centar BBC Holding d.o.o., Belgrade (RS)	63,708	RSD	60.8%	BR
Burgenländische Kommunalgebäudeleasing Gesellschaft m.b.H., Eisenstadt (AT)	35,000	EUR	100.0%	FI
CADO Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Canopa Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
CARNUNTUM Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
CERES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
CINOVA RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	45.6%	FI
CJSC Mortgage Agent Raiffeisen 01, Moscow (RU)	10,000	RUB	<0.1%	BR
CP Inlandsimmobilien-Holding GmbH, Vienna (AT)	364,000	EUR	61.2%	OT
CUPIDO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancilliary services, FH Financial holding, FI Financial institutions, OT Other companies, SC Securities firms, VV Insurance

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
CURO Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
CZ Invest GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
DAV Holding Ltd., Budapest (HU)	3,030,000	HUF	60.8%	FI
DAV-PROPERTY Kft., Budapest (HU)	3,010,000	HUF	60.8%	OT
DOROS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
EPPA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
ETEOKLES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Expo 2000 Real Estate EOOD, Sofia (BG)	10,000	BGN	60.8%	OT
FCC Office Building SRL, Bucharest (RO)	30,298,500	RON	60.8%	BR
FEBRIS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
First Leasing Service Center GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Floreasca City Center Verwaltung Kft., Budapest (HU)	41,000	HUF	60.8%	FI
FMK Fachmarktcenter Kohlbruck Betriebs GmbH, Eschborn (DE)	30,678	EUR	94.4%	FI
FMZ PRIMUS Ingatlanfejlesztö Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
FWR Russia Funding B.V., Amsterdam (NL)	1	EUR	<0.1%	FI
GENO Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
HABITO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Harmadik Vagyonkezelő Kft., Budapest (HU)	3,100,000	HUF	60.8%	BR
Hietzinger-Spitz Projektentwicklung GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
HSL INVEST S.R.L., Ploiesti (RO)	27,207,600	RON	100.0%	FI
IGNIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Immoservice Polska Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
Infrastruktur Heilbad Sauerbrunn GmbH, Vienna (AT)	35,000	EUR	45.6%	FI
Infrastruktur Heilbad Sauerbrunn RBI-Leasing GmbH & Co.KG., Bad Sauerbrunn (AT)	0	EUR	45.6%	FI
INPROX Split d.o.o., Zagreb (HR)	100,000	HRK	100.0%	OT
Inprox Zagreb Sesvete d.o.o., Zagreb (HR)	10,236,400	HRK	100.0%	OT
Invest Vermögensverwaltungs-GmbH, Vienna (AT)	73,000	EUR	61.6%	OT
JLLC "Raiffeisen-leasing", Minsk (BY)	430,025	BYN	55.6%	FI
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	20,000,000	EUR	60.8%	BA
KAURI Handels und Beteiligungs GmbH, Vienna (AT)	50,000	EUR	88.0%	FI
KHD a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
Kiinteistö Oy Automaatiotie 1, Helsinki (FI)	360,000	EUR	100.0%	OT
Kiinteistö Oy Rovaniemen tietotekniikkakeskus, Helsinki (FI)	100,000	EUR	100.0%	FI
Kiinteistö Oy Seinäjoen Joupinkatu 1, Helsinki (FI)	100,000	EUR	100.0%	FI
Konevova s.r.o., Prague (CZ)	50,000,000	CZK	94.6%	BR
Körlog Logistika Építő és Kivitelezö Korlátolt Feleösségü Társaság, Budapest (HU)	3,000,000	HUF	100.0%	OT
KOTTO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
LARENTIA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Lentia Immobilienleasing GmbH & Co. Albert-Osswald-Haus KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Lexxus Services Holding GmbH, Vienna (AT)	35,000	EUR	60.8%	FH
LIBRA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	36,400	EUR	100.0%	FI
Limited Liability Company Raiffeisen Leasing Aval, Kiev (UA)	180,208,527	UAH	44.0%	FI
LLC "ARES Nedvizhimost", Moscow (RU)	10,000	RUB	30.4%	BR
Lucius Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
LYRA Raiffeisen Immobilien Leasing GmbH, Vienna (AT)	36,400	EUR	100.0%	FI
MIRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
MOBIX Raiffeisen-Mobilien-Leasing AG, Vienna (AT)	125,000	EUR	95.5%	FI
MOBIX Vermögensverwaltungsges.m.b.H., Vienna (AT)	36,400	EUR	95.5%	FI
MP Real Invest a.s., Bratislava (SK)	140,000,000	EUR	60.8%	OT
Niederösterreichische Landes-Landwirtschaftskammer Errichtungs- und Betriebsgesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI

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Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
Objekt Linser Areal Immobilienerrichtungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Objekt Linser Areal Immoblilienerrichtungs GmbH & Co. KG, Vienna (AT)	1,000	EUR	100.0%	OT
OOO Raiffeisen-Leasing, Moscow (RU)	1,071,000,000	RUB	60.8%	FI
OPORA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Orestes Immobilienleasing GmbH & Co. Projekt Wiesbaden KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Ostarrichi Immobilienleasing GmbH & Co. Projekt Langenbach KG, Eschborn (DE)	5,000	EUR	100.0%	FI
Park City real estate Holding d.o.o., Novi Sad (RS)	63,708	RSD	60.8%	BR
PARO Raiffeisen Immobilien Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
PELIAS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	36,400	EUR	100.0%	FI
PERSES RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	45.6%	FI
PLANA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Pointon Investment Limited, Limassol (CY)	77,446	RUB	60.8%	BR
Priamos Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Priorbank JSC, Minsk (BY)	86,147,909	BYN	53.4%	BA
Propria Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	90.0%	FI
R Karpo Immobilien Linie S.R.L., Bucharest (RO)	200	RON	100.0%	OT
R.B.T. Beteiligungsgesellschaft m.b.H, Vienna (AT)	36,336	EUR	100.0%	OT
R.P.I. Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	OT
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	131,074,560	RON	53.6%	BA
Raiffeisen Bank Aval JSC, Kiev (UA)	6,154,516,258	UAH	41.4%	BA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	247,167,000	BAM	60.8%	BA
Raiffeisen Bank International AG, Vienna (AT)	893,586,066	EUR	60.8%	BA
Raiffeisen Bank Kosovo J.S.C., Pristina (KO)	63,000,000	EUR	60.8%	BA
Raiffeisen Bank Polska S.A., Warsaw (PL)	2,256,683,400	PLN	60.8%	BA
Raiffeisen Bank S.A., Bucharest (RO)	1,200,000,000	RON	60.8%	BA
Raiffeisen Bank Sh.a., Tirana (AL)	14,178,593,030	ALL	60.8%	BA
Raiffeisen Bank Zrt., Budapest (HU)	50,000,090,000	HUF	60.8%	BA
Raiffeisen banka a.d., Belgrade (RS)	27,466,157,580	RSD	60.8%	BA
Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (AT)	35,000,000	EUR	100.0%	BA
Raiffeisen Bausparkassen Holding GmbH, Vienna (AT)	10,000,000	EUR	100.0%	FH
Raiffeisen Burgenland Leasing GmbH, Vienna (AT)	38,000	EUR	100.0%	FI
Raiffeisen CEE Region Holding GmbH, Vienna (AT)	35,000	EUR	60.8%	FH
Raiffeisen Centrobank AG, Vienna (AT)	47,598,850	EUR	60.8%	BA
Raiffeisen CIS Region Holding GmbH, Vienna (AT)	35,000	EUR	60.8%	FH
Raiffeisen consulting d.o.o., Zagreb (HR)	105,347,000	HRK	60.8%	FI
Raiffeisen Corporate Lízing Zrt., Budapest (HU)	50,100,000	HUF	60.8%	BR
Raiffeisen Factor Bank AG, Vienna (AT)	10,000,000	EUR	100.0%	FI
Raiffeisen Factoring Ltd., Zagreb (HR)	15,000,000	HRK	60.8%	FI
Raiffeisen FinCorp, s.r.o., Prague (CZ)	200,000	CZK	53.2%	FI
Raiffeisen Immobilienfonds, Vienna (AT)	0	EUR	<0.1%	FI
Raiffeisen International Beteiligungs GmbH, Vienna (AT)	1,000,000	EUR	100.0%	FH
Raiffeisen International Invest Holding GmbH, Vienna (AT)	35,000	EUR	60.8%	FH
Raiffeisen International Liegenschaftsbesitz GmbH, Vienna (AT)	35,000	EUR	60.8%	BR
Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung, Vienna (AT)	15,000,000	EUR	100.0%	BA
Raiffeisen Leasing Bulgaria OOD, Sofia (BG)	5,900,000	BGN	60.8%	FI
Raiffeisen Leasing d.o.o., Belgrade (RS)	226,389,900	RSD	60.8%	FI
Raiffeisen Leasing d.o.o., Ljubljana (SI)	3,738,107	EUR	60.8%	FI
Raiffeisen Leasing d.o.o. Sarajevo, Sarajevo (BA)	15,405,899	BAM	60.8%	FI
Raiffeisen Leasing IFN S.A., Bucharest (RO)	14,935,400	RON	60.8%	FI
Raiffeisen Leasing Kosovo LLC, Pristina (KO)	642,857	EUR	60.8%	FI

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Raiffeisen Leasing sh.a., Tirana (AL)	263,520,134	ALL	60.8%	FI
Raiffeisen Leasing-Projektfinanzierung Gesellschaft m.b.H., Vienna (AT)	72,673	EUR	100.0%	FI
Raiffeisen Mandatory and Voluntary Pension Funds Management Company Plc., Zagreb (HR)	143,445,300	HRK	60.8%	FI
Raiffeisen ÖHT Beteiligungs GmbH, Vienna (AT)	35,000	EUR	88.0%	FI
Raiffeisen Pension Insurance d.d., Zagreb (HR)	23,100,000	HRK	60.8%	VV
Raiffeisen Property Holding International GmbH, Vienna (AT)	35,000	EUR	60.8%	FI
Raiffeisen Property International GmbH, Vienna (AT)	40,000	EUR	60.8%	OT
Raiffeisen Property Management GmbH, Vienna (AT)	40,000	EUR	60.8%	OT
Raiffeisen Real Estate Fund, Budapest (HU)	0	HUF	<0.1%	FI
Raiffeisen Rent DOO, Belgrade (RS)	243,099,913	RSD	60.8%	FI
Raiffeisen RS Beteiligungs GmbH, Vienna (AT)	35,000	EUR	60.8%	FH
Raiffeisen SEE Region Holding GmbH, Vienna (AT)	35,000	EUR	60.8%	FH
Raiffeisen stambena stedionica d.d., Zagreb (HR)	180,000,000	HRK	60.8%	BA
Raiffeisen stavebni sporitelna, a.s., Prague (CZ)	650,000,000	CZK	94.6%	BA
Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (AT)	5,100,000	EUR	100.0%	BA
Raiffeisen-Anlagenvermietung Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	603,447,952	BGN	60.8%	BA
Raiffeisenbank a.s., Prague (CZ)	11,060,800,000	CZK	45.6%	BA
Raiffeisenbank Austria d.d., Zagreb (HR)	3,621,432,000	HRK	60.8%	BA
Raiffeisen-Gemeindegebäudeleasing Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisen-Invest-Gesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	FI
Raiffeisen-Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen-Leasing Aircraft Finance GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen-Leasing Bank Aktiengesellschaft, Vienna (AT)	5,000,000	EUR	100.0%	BA
Raiffeisen-Leasing Beteiligung GesmbH, Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisen-Leasing d.o.o., Zagreb (HR)	30,000,000	HRK	60.8%	FI
Raiffeisen-Leasing Fuhrparkmanagement Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	OT
Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	363,364	EUR	100.0%	FI
Raiffeisen-Leasing Immobilienmanagement Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FH
Raiffeisen-Leasing Immobilienverwaltung Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	OT
Raiffeisen-Leasing International Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	60.8%	FI
Raiffeisen-Leasing Liegenschaftsverwaltung Kraußstraße Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	70.0%	FI
Raiffeisen-Leasing Lithuania UAB, Vilnius (LT)	100,000	EUR	56.1%	FI
Raiffeisen-Leasing, s.r.o., Prague (CZ)	450,000,000	CZK	53.2%	FI
Raiffeisen-RBHU Holding GmbH, Vienna (AT)	236,640	EUR	60.8%	FH
Raiffeisen-Rent Immobilienprojektentwicklung Gesellschaft m.b.H. Objekt Wallgasse 12 KG, Vienna (AT)	4,886,449	EUR	30.0%	OT
Raiffeisen-Rent-ImmobilienprojektentwicklungsgmbH.,Objekt Lenaugasse 11 KG, Vienna (AT)	6,169,924	EUR	30.0%	OT
Raiffeisen-Wagramer Straße 120 Projektentwicklungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RALT Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	218,500	EUR	100.0%	FI
RALT Raiffeisen-Leasing Gesellschaft m.b.H. & Co. KG, Vienna (AT)	20,348,394	EUR	100.0%	BR
RAN elf Raiffeisen-Anlagenvermietung Ges.m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
RAN vierzehn Raiffeisen-Anlagevermietung GmbH, Vienna (AT)	36,336	EUR	100.0%	FI
RAN zehn Raiffeisen-Anlagenvermietung Ges.m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
RB International Finance (Hong Kong) Ltd., Hong Kong (HK)	10,000,000	HKD	60.8%	FI
RB International Finance (USA) LLC, New York (US)	1,510,000	USD	60.8%	FI
RB International Investment Asia Limited, Labuan (MY)	1	USD	60.8%	FI
RB International Markets (USA) LLC, New York (US)	8,000,000	USD	60.8%	FI
RBI KI Beteiligungs GmbH, Vienna (AT)	48,000	EUR	60.8%	FH
RBI eins Leasing Holding GmbH, Vienna (AT)	35,000	EUR	45.6%	FI

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RBI IB Beteiligungs GmbH, Vienna (AT)	35,000	EUR	60.8%	FH
RBI ITS Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	45.6%	FI
RBI LEA Beteiligungs GmbH, Vienna (AT)	70,000	EUR	60.8%	FI
RBI Leasing GmbH, Vienna (AT)	100,000	EUR	45.6%	FI
RBI LGG Holding GmbH, Vienna (AT)	35,000	EUR	60.8%	FI
RBI PE Handels- und Beteiligungs GmbH, Vienna (AT)	150,000	EUR	60.8%	FI
REC Alpha LLC, Kiev (UA)	267,643,204	UAH	60.8%	BR
Regional Card Processing Center s.r.o., Bratislava (SK)	539,465	EUR	60.8%	BR
REMUS Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Rent Impex, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
RIL IV Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RIL VII Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RIL XIII Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RIL XIV Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RIRE Holding GmbH, Vienna (AT)	35,000	EUR	60.8%	BR
RL Anlagenvermietung Gesellschaft m.b.H., Eschborn (DE)	50,000	DEM	100.0%	FI
RL Flussschifffahrts GmbH & Co KG, Vienna (AT)	5,000	EUR	<0.1%	FI
RL Gamma d.o.o., Zagreb (HR)	20,000	HRK	100.0%	FI
RL Grundstückverwaltung Klagenfurt-Süd GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL Hotel Palace Wien Besitz GmbH, Vienna (AT)	36,336	EUR	99.0%	FI
RL LUX Holding S.a.r.l., Luxembourg (LU)	12,500	EUR	100.0%	OT
RL Retail Holding GmbH, Vienna (AT)	36,000	EUR	100.0%	FI
RL Thermal Beteiligungen GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL Thermal GmbH, Vienna (AT)	36,336	EUR	100.0%	FI
RL Thermal GmbH & Co Liegenschaftsverwaltung KG, Vienna (AT)	1,453,457	EUR	100.0%	FI
RL Wohnbau-Projektentwicklungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-ALPHA Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-BETA Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-Epsilon Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL-Epsilon Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	FI
RL-Gamma Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RLI Holding Gesellschaft m.b.H., Vienna (AT)	40,000	EUR	60.8%	FI
RL-Jota Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL-Jota Sp.z o.o., Warsaw (PL)	50,000	PLN	100.0%	FI
RL-Mörby AB, Stockholm (SE)	100,000	SEK	100.0%	FI
RL-Nordic AB, Stockholm (SE)	50,000,000	SEK	100.0%	FI
RL-Nordic Finans AB, Stockholm (SE)	100,000	SEK	100.0%	FI
RL-Nordic OY, Helsinki (FI)	100,000	EUR	100.0%	FI
RL-Pro Auxo Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	FI
RL-PROMITOR Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-PROMITOR Spolka z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
RL-Prom-Wald Sp. Z.o.o, Warsaw (PL)	50,000	PLN	100.0%	OT
RLX Dvorak S.A., Luxembourg (LU)	31,000	EUR	100.0%	OT
RUBRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RZB - BLS Holding GmbH, Vienna (AT)	500,000	EUR	100.0%	FI
RZB Finance (Jersey) III Ltd, St Helier (JE)	1,000	EUR	60.8%	FI
RZB Finance (Jersey) IV Limited, St Helier (JE)	2,000	EUR	60.8%	FI
RZB Invest Holding GmbH, Vienna (AT)	500,000	EUR	100.0%	FH
RZB Sektorbeteiligung GmbH, Vienna (AT)	100,000	EUR	100.0%	FH
RZB Versicherungsbeteiligung GmbH, Vienna (AT)	500,000	EUR	100.0%	FI

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Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
S.C. PLUSFINANCE ESTATE 1 S.R.L., Bucharest (RO)	13,743,340	RON	60.8%	BR
SALVELINUS Handels- und Beteiligungsgesellschaft m.b.H, Vienna (AT)	40,000	EUR	100.0%	FI
SAMARA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
SCTE Első Ingatlanfejlesztö és Ingatlanhasznosító Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
SF Hotelerrichtungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
SINIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	FI
Sky Tower Immobilien- und Verwaltung Kft, Budapest (HU)	41,000	HUF	60.8%	OT
Skytower Building SRL, Bucharest (RO)	126,661,500	RON	60.8%	OT
SOLAR II Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
SOLIDA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.5%	FI
SPICA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
'S-SPV'' d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	60.8%	FI
Styria Immobilienleasing GmbH & Co. Projekt Ahlen KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Tatra Asset Management, správ. spol., a.s., Bratislava (SK)	1,659,700	EUR	47.9%	FI
Tatra banka, a.s., Bratislava (SK)	64,326,228	EUR	47.9%	BA
Tatra Residence, a.s., Bratislava (SK)	21,420,423	EUR	47.9%	BR
Tatra-Leasing, s.r.o., Bratislava (SK)	6,638,785	EUR	47.9%	FI
THYMO Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
TOO Raiffeisen Leasing Kazakhstan, Almaty (KZ)	85,800,000	KZT	60.8%	FI
Ukrainian Processing Center PJSC, Kiev (UA)	180,000	UAH	60.8%	BR
Unterinntaler Raiffeisen-Leasing GmbH & Co KG, Vienna (AT)	36,336	EUR	100.0%	FI
URSA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Valida Holding AG, Vienna (AT)	5,000,000	EUR	57.4%	FI
Valida Industrie Pensionskasse AG, Vienna (AT)	5,000,062	EUR	57.4%	OT
Valida Pension AG, Vienna (AT)	10,200,000	EUR	57.4%	OT
Valida Plus AG, Vienna (AT)	5,500,000	EUR	57.4%	BA
Viktor Property, s.r.o., Prague (CZ)	200,000	CZK	53.2%	OT
Vindalo Properties Limited, Limassol (CY)	67,998	RUB	60.8%	BR
Vindobona Immobilienleasing GmbH & Co. Projekt Autohaus KG, Eschborn (DE)	5,000	EUR	6.0%	FI
WEGA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
ZHS Office- & Facilitymanagement GmbH, Vienna (AT)	36,336	EUR	98.1%	BR
ZUNO BANK AG, Vienna (AT)	5,000,000	EUR	60.8%	BA

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Structured units

The following tables show, by type of structured entity, the carrying amounts of the Group's interests recognized in the consolidated statement of financial position as well as the maximum exposure to loss resulting from these interests. The carrying amounts presented below do not reflect the true variability of returns faced by the Group because they do not take into account the effects of collateral or hedges.

Assets

2016 in € thousand	Loans and advances	Equity instuments	Debt Instruments	Derivatives
Securitization vehicles	315,147	0	389,813	0
Third party funding entities	225,368	2,689	0	0
Funds	0	48,004	0	0
Total	**540,514**	**50,693**	**389,813**	**0**

2015 in € thousand	Loans and advances	Equity instuments	Debt Instruments	Derivatives
Securitization vehicles	225,179	0	451,637	0
Third party funding entities	183,032	18,274	0	0
Funds	0	29,922	0	0
Total	**408,211**	**48,195**	**451,637**	**0**

Liabilities

2016 in € thousand	Deposits	Equity instuments	Debt securities issued	Derivatives
Securitization vehicles	330	0	0	0
Third party funding entities	22,219	0	0	1,051
Funds	0	0	0	956
Total	**22,550**	**0**	**0**	**2,007**

2015 in € thousand	Deposits	Equity instuments	Debt securities issued	Derivatives
Securitization vehicles	1,062	0	22,628	0
Third party funding entities	31,925	0	0	1,118
Total	**32,987**	**0**	**22,628**	**1,118**

Nature, purpose and extent of the Group's interests in non-consolidated structured entities

RZB engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- Restricted activities;
- A narrow and well defined objective;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The principal uses of structured entities are to provide clients with access to specific portfolios of assets and to provide market liquidity for clients through securitizing financial assets. Structured entities may be established as corporations, trusts or partnerships. Structured entities generally finance the purchase of assets by issuing debt and equity securities that are collateralized by and/or indexed to the assets held by the structured entities.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicate that the structured entities are controlled by the Group.

Below is a description of the Group's involvements in unconsolidated structured entities by type.

Third party funding entities

The Group provides funding to structured entities that hold a variety of assets. These entities may take the form of funding entities, trusts and private investment companies. The funding is collateralized by the asset in the structured entities. The group's involvement involves predominantly lending.

Securitization vehicles

The Group establishes securitization vehicles which purchase diversified pools of assets, including fixed income securities, corporate loans, and asset backed securities (predominantly commercial and residential mortgage-backed securities and credit card receivables). The vehicles fund these purchases by issuing multiple tranches of debt and equity securities, the repayment of which is linked to the performance of the assets in the vehicles.

The Group often transfers assets to these securitization vehicles and provide financial support to these entities in the form of liquidity facilities.

Funds

The Group establishes structured entities to accommodate client requirements to hold investments in specific assets. The Group also invests in funds that are sponsored by third parties. A group entity may act as fund manager, custodian or some other capacity and provide funding and liquidity facilities to both group sponsored and third party funds. The funding provided is collateralized by the underlying assets held by the fund.

Maximum exposure to and size of non-consolidated structured entities

The maximum exposure to loss is determined by considering the nature of the interest in the unconsolidated structured entity. The maximum exposure for loans and trading instruments is reflected by their carrying amounts in the consolidated balance sheet. The maximum exposure for derivatives and off balance sheet instruments such as guarantees, liquidity facilities and loan commitments under IFRS 12, as interpreted by the Group, is reflected by the notional amounts. Such amounts do not reflect the economic risks faced by the Group because they take into account neither the effects of collateral or hedges nor the probability of such losses being incurred. At 31 December 2016, the notional related replacement values of derivatives and off balance sheet instruments were € 27,822 thousand (2015: € 29,064 thousand) and € 95,292 thousand (2015: € 104,682 thousand) respectively. Size information of Structured Entities is not always publically available therefore the Group has determined that its exposure is an appropriate guide to size.

Financial support

The Group provided contractual support during the year to unconsolidated structured entities which has a carrying value of € 3,420 thousand as at 31 December 2016.

Sponsored structured entities

As a sponsor, the Group is often involved in the legal set up and marketing of the entity and supports the entity in different ways such as providing operational support to ensure the entity's continued operation.

The Group is also deemed a sponsor for a structured entity if market participants would reasonably associate the entity with the Group. Additionally, the use of the "Raiffeisen" name for the structured entity often indicates that the Group has acted as a sponsor.

The gross revenues from sponsored entities for the year ending 31 December 2016 was € 185,587 thousand (2015: € 215,882 thousand) consisting primarily of management fees earned as Investment Manager of a number of funds.

No assets were transferred to sponsored unconsolidated structured entities in 2016 or 2015.

(54) List of equity participations

Companies valued at equity

Company, domicile (country)	Subscribed capital	in local currency	Share	Type[1]
card complete Service Bank AG, Vienna (AT)	6,000,000	EUR	25.0%	BA
LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (AT)	32,624,283	EUR	33.1%	OT
NOTARTREUHANDBANK AG, Vienna (AT)	8,030,000	EUR	26.0%	BA
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (AT)	130,000,000	EUR	8.1%	BA
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna (AT)	11,627,653	EUR	31.3%	BA
Posojilnica Bank eGen, Klagenfurt (AT)	39,129,606	EUR	58.0%	BA
Prva stavebna sporitelna a.s., Bratislava (SK)	66,500,000	EUR	32.5%	BA
Raiffeisen Informatik GmbH, Vienna (AT)	1,460,000	EUR	47.6%	BR
UNIQA Insurance Group AG, Vienna (AT)	309,000,000	EUR	10.9%	VV

1 Company type: BA Bank, BR Company rendering banking-related ancilliary services, FH Financial holding, FI Financial institutions, OT Other companies, SC Securities firms, VV Insurance

Other affiliated companies

Company, domicile (country)	Subscribed capital	in local currency	Share	Type[1]
"A-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	FI
"Immobilien Invest" Limited Liability Company, Moscow (RU)	10,000	RUB	100.0%	BR
"K-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	FI
Abakus Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Abrawiza Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Abri Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Abri Immobilienleasing GmbH & Co. Projekt Hotel Heidelberg KG, Eschborn (DE)	10,000	EUR	50.0%	OT
Abura Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Abutilon Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Achat Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Acridin Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adamas Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adessentia Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Adiantum Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adipes Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Adorant Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adrett Immobilienleasing GmbH, Eschborn (DE)	125,000	EUR	100.0%	OT
Adrittura Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adufe Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adular Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
AELLO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Afrodite Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Agamemnon Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
ALT POHLEDY s.r.o., Prague (CZ)	84,657,000	CZK	100.0%	OT
Amfion Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Angaga Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Appolon Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
ARTEMIA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Aspius Immobilien Holding International GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Astra Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Athena Property, s.r.o. v likvidaci, Prague (CZ)	200,000	CZK	100.0%	OT
Austria Leasing GmbH & Co KG Immobilienverwaltung Projekt EKZ Meitingen, Eschborn (DE)	10,000	EUR	100.0%	OT
Austria Leasing GmbH & Co. KG Immobilienverwaltung Projekt Eberdingen, Eschborn (DE)	10,000	EUR	100.0%	FI
BA Development II., s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
BA Development, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
Bandos Handels- und Beteiligungs GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Boreas Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
BRL Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Eisenstadt (AT)	73,000	EUR	100.0%	FI
BUXUS Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	2,820,000	RON	100.0%	BR
Centrotrade Chemicals AG - in liquidation, Zug (CH)	5,000,000	CHF	100.0%	OT
Centrotrade Holding GmbH, Vienna (AT)	3,000,000	EUR	100.0%	OT
Chronos Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
CP Linzerstraße 221-227 Projektentwicklungs GmbH, Vienna (AT)	37,000	EUR	100.0%	OT
CP Logistikcenter Errichtungs- und Verwaltungs GmbH, Vienna (AT)	37,000	EUR	100.0%	OT
CP Projekte Muthgasse Entwicklungs GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Credibilis a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
CRISTAL PALACE Property s.r.o., Prague (CZ)	400,000	CZK	100.0%	FI
Dafne Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
DAV Depo Projekt Korlátolt Felelősségű Társaság, Budapest (HU)	3,000,000	HUF	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancilliary services, FH Financial holding, FI Financial institutions, OT Other companies, SC Securities firms, VV Insurance

Company, domicile (country)	Subscribed capital	in local currency	Share	Type[1]
DAV Management Kft., Budapest (HU)	3,010,000	HUF	100.0%	BR
DAV-ESTATE Kft., Budapest (HU)	3,030,000	HUF	100.0%	BR
DAV-LAND Kft., Budapest (HU)	3,020,000	HUF	100.0%	BR
DAV-OUTLET Kft., Budapest (HU)	3,020,000	HUF	100.0%	OT
Dike Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Dobré Bývanie s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
Dom-office 2000, Minsk (BY)	283,478	BYN	100.0%	OT
Don Giovanni Properties, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Doplnková dôchodková spoločnosť Tatra banky, a.s., Bratislava (SK)	1,659,700	EUR	100.0%	FI
DORISCUS ENTERPRISES LTD., Limassol (CY)	18,643,400	EUR	86.6%	OT
Dúbravčice, s.r.o., Bratislava (SK)	5,000	EUR	100.0%	FI
Eastern European Invest GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Eastern European Invest Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Easy Develop s.r.o., Prague (CZ)	200,000	CZK	100.0%	SC
Eos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Erato Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Eris Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Euro Green Energy Fejlesztő és Szolgáltató Kft., Budapest (HU)	14,490,000	HUF	100.0%	OT
Eurolease RE Leasing, s. r. o., Bratislava (SK)	6,125,256	EUR	100.0%	OT
Euros Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Euterpe Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Exit 90 SPV s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Extra Year Investments Limited, Tortola (VG)	50,000	USD	100.0%	FH
FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	OT
Faru Handels- und Beteiligungs GmbH, Vienna (AT)	80,000	EUR	100.0%	OT
Forkys Property, s.r.o., Prague (CZ)	0	CZK	<0.1%	OT
FORZA SOLE s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
FURIAE Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
FVE Cihelna s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Gaia Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Gala Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Gergely u. Ingatlanfejlesztő Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
Golden Rainbow International Limited, Tortola (VG)	1	SGD	100.0%	FI
Grainulos s.r.o., Prague (CZ)	1	CZK	100.0%	FI
GS55 Sazovice s.r.o., Prague (CZ)	15,558,000	CZK	90.0%	OT
Harmonia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Hebe Property, s.r.o., Prague (CZ)	200,000	CZK	95.0%	OT
HERA Raiffeisen Immobilien Leasing GmbH, Vienna (AT)	36,400	EUR	49.0%	FI
Hermes Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Hestia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
HESTIA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	36,400	EUR	50.5%	FI
Holeckova Property s.r.o., Prague (CZ)	210,000	CZK	100.0%	FI
Humanitarian Fund "Budimir Bosko Kostic", Belgrade (RS)	30,000	RSD	100.0%	OT
Hyperion Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Hypnos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
ICS Raiffeisen Leasing s.r.l, Chisinau (MD)	8,307,535	MDL	100.0%	FI
ICTALURUS Handels- und Beteiligungs GmbH, Vienna (AT)	36,336	EUR	100.0%	FI
IDUS Handels- und Beteiligungs GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
INFRA MI 1 Immobilien Gesellschaft mbH, Vienna (AT)	1,000,000	EUR	100.0%	OT
Ino Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancilliary services, FH Financial holding, FI Financial institutions, OT Other companies, SC Securities firms, VV Insurance

Company, domicile (country)	Subscribed capital	in local currency	Share	Type[1]
Iris Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
ISIS Raiffeisen Immobilien Leasing GmbH, Vienna (AT)	36,400	EUR	100.0%	FI
Janus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Kalypso Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
KAPMC s.r.o., Prague (CZ)	100,000	CZK	100.0%	OT
Kappa Estates s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Kathrein & Co Life Settlement Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	OT
Kathrein & Co. Private Equity I AG, Vienna (AT)	190,000	EUR	100.0%	OT
Kathrein & Co. Trust Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Kathrein Capital Management GmbH, Vienna (AT)	1,000,000	EUR	100.0%	FI
KIWANDA Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Kleio Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Laomedon Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Leasing Poland Sp.z.o.o., Warsaw (PL)	19,769,500	PLN	100.0%	FI
LENTIA Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Leto Property, s.r.o., Prague (CZ)	200,000	CZK	77.0%	OT
Limited Liability Company European Insurance Agency, Moscow (RU)	120,000	RUB	100.0%	OT
Limited Liability Company REC GAMMA, Kiev (UA)	49,015,000	UAH	100.0%	BR
LOTA Handels- und Beteiligungs-GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Luna Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Lysithea a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
Mall Varna EAD, Sofia (BG)	146,700,000	BGN	100.0%	OT
MAMONT GmbH, Kiev (UA)	44,000	UAH	100.0%	OT
Medea Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Melete Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
MELIKERTES Raiffeisen-Mobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	80.0%	FI
Melpomene Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
MENARAI Holding GmbH, Vienna (AT)	35,000	EUR	<0.1%	OT
Michalka - Sun s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Morfeus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
MORHUA Handels- und Beteiligungs GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
MOVEO Raiffeisen-Leasing GmbH, Vienna (AT)	35,000	EUR	51.0%	FI
Na Starce, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
NAURU Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
NC Ivancice, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Neptun Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Nike Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Niobe Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Nußdorf Immobilienverwaltung GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
OCTANOS Raiffeisen Immobilien Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Ofion Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
ÖKO-Drive Fuhrparkmanagement GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Onyx Energy Projekt II s.r.o., Prague (CZ)	210,000	CZK	100.0%	OT
Onyx Energy s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
OOO "Vneshleasing", Moscow (RU)	131,770	RUB	100.0%	FI
OOO Raiffeisen Capital Asset Management Company, Moscow (RU)	225,000,000	RUB	100.0%	FI
OOO SB "Studia Strahovania", Minsk (BY)	34,924	BYN	100.0%	OT
Orchideus Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Orestes Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
ORION Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI

1 Company type: BA Bank, BR Company rendering banking-related ancilliary services, FH Financial holding, FI Financial institutions, OT Other companies, SC Securities firms, VV Insurance

Company, domicile (country)	Subscribed capital	in local currency	Share	Type[1]
OSTARRICHI Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Ötödik Vagyonkezelő Kft., Budapest (HU)	9,510,000	HUF	100.0%	FI
P & C Beteiligungs Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	OT
Palace Holding s.r.o., Prague (CZ)	2,700,000	CZK	90.0%	FI
PEGA Raiffeisen-Immobilien Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Peito Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Photon Energie s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 10 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 11 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 3 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 4 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 6 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 8 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
PHOXIUS Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	OT
PILSENINEST SICAV, a.s., Prague (CZ)	212,000,000	CZK	100.0%	OT
PLUSFINANCE LAND S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
PLUSFINANCE OFFICE S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
PLUSFINANCE RESIDENTIAL S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
Pontos Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Priapos Property, s.r.o., Prague (CZ)	0	CZK	<0.1%	OT
Pro Invest da Vinci e.o.o.d., Sofia (BG)	5,000	BGN	100.0%	OT
PRODEAL, a.s., Bratislava (SK)	796,654	EUR	100.0%	FI
Production unitary enterprise "PriortransAgro", Minsk (BY)	50,000	BYN	100.0%	OT
PROKNE Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
PZ PROJEKT a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
Queens Garden Sp z.o.o., Warsaw (PL)	100,000	PLN	100.0%	FI
R LUX IMMOBILIEN LINIE S.R.L., Timisoara (RO)	50,000	RON	100.0%	OT
R MORMO IMMOBILIEN LINIE S.R.L., Bucharest (RO)	50,000	RON	100.0%	OT
R.L.H. Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen (Beijing) Investment Management Co., Ltd., Beijing (CN)	2,000,000	CNH	100.0%	FI
Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG)	250,000	BGN	100.0%	FI
Raiffeisen Assistance D.O.O., Beograd, Belgrade (RS)	4,307,115	RSD	100.0%	OT
Raiffeisen Assistance doo Sarajevo, Sarajevo (BA)	4,000	BAM	100.0%	BR
Raiffeisen Autó Lízing Kft., Budapest (HU)	3,000,000	HUF	100.0%	FI
Raiffeisen Befektetési Alapkezelõ Zrt., Budapest (HU)	100,000,000	HUF	100.0%	FI
Raiffeisen Biztosításközvetítö Kft., Budapest (HU)	5,000,000	HUF	100.0%	BR
Raiffeisen Bonus Ltd., Zagreb (HR)	200,000	HRK	100.0%	BR
Raiffeisen Capital a.d. Banja Luka, Banja Luka (BA)	355,000	BAM	100.0%	BR
Raiffeisen Direct Investments CZ s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Raiffeisen Energiaszolgáltató Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Raiffeisen Financial Services Polska Sp. z o.o., Warsaw (PL)	4,657,500	PLN	100.0%	FI
Raiffeisen Future AD Beograd drustvo za upravljanje dobrovoljnim penzijskim fondom, Belgrade (RS)	143,204,921	RSD	100.0%	FI
Raiffeisen Gazdasági Szolgáltató Zrt., Budapest (HU)	20,099,879	HUF	100.0%	FI
Raiffeisen Immobilien Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)	5,000,000	EUR	100.0%	BA
Raiffeisen Ingatlan Üzemeltető Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Raiffeisen Ingatlan Vagyonkezelő Kft., Budapest (HU)	3,110,000	HUF	100.0%	BR
Raiffeisen Insurance and Reinsurance Broker S.R.L, Bucharest (RO)	180,000	RON	100.0%	BR
RAIFFEISEN INSURANCE BROKER EOOD, Sofia (BG)	5,000	BGN	100.0%	BR
Raiffeisen Insurance Broker Kosovo L.L.C., Pristina (KO)	10,000	EUR	100.0%	BR
RAIFFEISEN INVEST AD DRUSTVO ZA UPRAVLJANJE INVESTICIONIM FONDOVIMA BEOGRAD, Belgrade (RS)	47,662,692	RSD	100.0%	FI

1 Company type: BA Bank, BR Company rendering banking-related ancilliary services, FH Financial holding, FI Financial institutions, OT Other companies, SC Securities firms, VV Insurance

Company, domicile (country)	Subscribed capital	in local currency	Share	Type[1]
Raiffeisen Invest d.o.o., Zagreb (HR)	8,000,000	HRK	100.0%	FI
Raiffeisen Invest Drustvo za upravljanje fondovima d.o.o Sarajevo, Sarajevo (BA)	945,424	BAM	100.0%	BR
Raiffeisen INVEST Sh.a., Tirana (AL)	90,000,000	ALL	100.0%	FI
Raiffeisen investicni spolecnost a.s., Prague (CZ)	40,000,000	CZK	100.0%	SC
Raiffeisen Investment Advisory GmbH, Vienna (AT)	730,000	EUR	100.0%	FI
Raiffeisen Investment Financial Advisory Services Ltd. Co., Istanbul (TR)	2,930,000	TRY	99.0%	FI
Raiffeisen Investment Polska sp.z.o.o., Warsaw (PL)	3,024,000	PLN	100.0%	FI
Raiffeisen Investment Ukraine TOV - in liquidation, Kiev (UA)	3,733,213	UAH	100.0%	FI
Raiffeisen KOIOS Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Raiffeisen Property Management Bulgaria EOOD, Sofia (BG)	80,000	BGN	100.0%	OT
Raiffeisen Property Management spol.s.r.o., Prague (CZ)	100,000	CZK	100.0%	OT
Raiffeisen Quality Living WEST GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Raiffeisen Salzburg Invest Kapitalanlage GmbH, Salzburg (AT)	2,600,000	EUR	75.0%	BA
RAIFFEISEN SERVICE EOOD, Sofia (BG)	4,220,000	BGL	100.0%	OT
Raiffeisen Services SRL, Bucharest (RO)	30,000	RON	100.0%	OT
Raiffeisen Solutions Spółka z ograniczoną odpowiedzialnością, Warsaw (PL)	550,000	PLN	100.0%	FI
RAIFFEISEN SPECIAL ASSETS COMPANY d.o.o. Sarajevo (in liquidation), Sarajevo (BA)	1,982,591	BAM	100.0%	FI
Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A., Warsaw (PL)	4,000,000	PLN	100.0%	OT
Raiffeisen Verbundunternehmen-IT GmbH, Vienna (AT)	100,000	EUR	100.0%	BR
Raiffeisen Windpark Zistersdorf GmbH, Vienna (AT)	37,000	EUR	100.0%	OT
Raiffeisen Wohnbauleasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisen-Leasing Gesellschaft m.b.H. & Co KG, Vienna (AT)	581,383	EUR	100.0%	OT
Raiffeisen-Leasing Wärmeversorgungsanlagenbetriebs GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen-Wohnbauleasing Österreich GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Rail-Rent-Holding GmbH in Liqu., Vienna (AT)	40,000	EUR	100.0%	OT
Ratio Holding Gesellschaft mit beschränkter Haftung, Vienna (AT)	40,000	EUR	100.0%	OT
RB Kereskedhőáz Kft., Budapest (HU)	4,000,000	HUF	100.0%	BR
RB Szolgáltató Központ Kft. - RBSC Kft., Nyíregyháza (HU)	3,000,000	HUF	100.0%	BR
RBI Vajnoria spol.s.r.o., Bratislava (SK)	5,000	EUR	100.0%	OT
RBM Wohnbau Ges.m.b.H., Vienna (AT)	37,000	EUR	100.0%	OT
RCR Ukraine LLC, Kiev (UA)	282,699	UAH	100.0%	BR
RDI Czech 1 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 3 s.r.o, Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 4 s.r.o, Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 5 s.r.o, Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 6 s.r.o, Prague (CZ)	3,700,000	CZK	100.0%	OT
RDI Management s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Real Estate Rent 4 DOO, Belgrade (RS)	40,310	RSD	100.0%	FI
Realplan Alpha Liegenschaftsverwaltung Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	OT
Rent CC, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
Rent GRJ, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
Rent PO, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
Residence Park Trebes, s.r.o., Prague (CZ)	20,000,000	CZK	100.0%	OT
Rheia Property, s.r.o., Prague (CZ)	200,000	CZK	95.0%	OT
RIL VI Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
RILREU Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RIRBRO ESTATE MANAGEMENT S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
RL Jankomir d.o.o., Zagreb (HR)	20,000	HRK	100.0%	OT
RL Leasing Gesellschaft m.b.H., Eschborn (DE)	25,565	EUR	85.0%	FI
RL Schiffvermietungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT

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Company, domicile (country)	Subscribed capital	in local currency	Share	Type[1]
RL-Assets Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
RL-ATTIS Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-Attis Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
RL-Delta Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-ETA d.o.o., Zagreb (HR)	20,000	HRK	100.0%	OT
RL-ETA Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-FONTUS Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-Fontus Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
RL-Lamda s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
RL-Lux Ingatlan Kft., Budapest (HU)	3,100,000	HUF	100.0%	OT
RL-Opis Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-OPIS SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA, Warsaw (PL)	50,000	PLN	100.0%	OT
RLRE Beta Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
RLRE Carina Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RLRE Dorado Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RLRE Eta Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
RLRE Hotel Ellen, s.r.o., Prague (CZ)	100,000	CZK	100.0%	FI
RLRE Jota Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
RLRE Orion Property s.r.o., Prague (CZ)	465,000	CZK	<0.1%	FI
RLRE Ypsilon Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Robert Károly Körút Irodaház Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Rogofield Property Limited, Nicosia (CY)	2,174	USD	100.0%	OT
ROOF Poland Leasing 2014 Ltd, Dublin (IE)	1	EUR	<0.1%	FI
Roof Russia DPR Finance Company S.A., Luxembourg (LU)	50,000	EUR	<0.1%	FI
RPM Budapest KFT, Budapest (HU)	3,000,000	HUF	100.0%	OT
RPN Verwaltungs GmbH, Vienna (AT)	37,464	EUR	100.0%	OT
S.A.I. Raiffeisen Asset Management S.A., Bucharest (RO)	10,656,000	RON	100.0%	FI
SAM-House Kft, Budapest (HU)	3,000,000	HUF	100.0%	BR
SASSK Ltd., Kiev (UA)	152,322,000	UAH	88.7%	OT
SCT Kárász utca Ingatlankezelő Kft., Budapest (HU)	3,000,000	HUF	100.0%	FI
SCTB Ingatlanfejlesztés Ingatlanhasznosító Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
SCTF Szentendre Ingatlanforgalmazó és Ingatlanfejlesztő Kft., Budapest (HU)	3,000,000	HUF	100.0%	FI
SCTP Biatorbágy Ingatlanfejlesztő és Ingatlanhasznosító Kft., Budapest (HU)	3,000,000	HUF	75.3%	OT
SCTS Kft., Budapest (HU)	3,100,000	HUF	100.0%	OT
Selene Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Sirius Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Sky Solar Distribuce s.r.o., Prague (CZ)	200,000	CZK	77.0%	OT
SORANIS Raiffeisen Portfolio Management GmbH, Vienna (AT)	35,000	EUR	<0.1%	OT
St. Marx-Immobilien Verwertungs- und Verwaltungs GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
Stadtpark Hotelreal GmbH, Vienna (AT)	6,543,000	EUR	100.0%	OT
Stadtpark Liegenschaftsbeteiligung GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
STYRIA Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Szentkiraly utca 18 Kft., Budapest (HU)	5,000,000	HUF	100.0%	OT
Tatra Office, s.r.o., Bratislava (SK)	185,886	EUR	100.0%	BR
TAURUS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H. in Liqu., Vienna (AT)	36,336	EUR	100.0%	FI
TB Invest Ingatlanforgalmazó Zrt., Budapest (HU)	20,000,000	HUF	50.0%	OT
Theia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Triton Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
UMBRA Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	OT
UNIQA Immobilien-Projekterrichtungs GmbH, Vienna (AT)	35,000	EUR	<0.1%	FI

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Company, domicile (country)	Subscribed capital	in local currency	Share	Type[1]
Unitary insurance enterprise "Priorlife", Minsk (BY)	4,689,500	BYN	100.0%	VV
UPC Real, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Urania Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Valida Consulting GmbH, Vienna (AT)	500,000	ATS	100.0%	OT
VALOG Vorsorge Systementwicklung GmbH, Vienna (AT)	35,000	EUR	76.0%	OT
VANELLA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Villa Atrium Bubenec, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
VINAGRIUM Borászati és Kereskedelmi Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
VINDOBONA Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
VN-Industrie Immobilien GmbH, Vienna (AT)	35,000	EUR	74.0%	OT
VN-Wohn Immobilien GmbH, Vienna (AT)	35,000	EUR	74.0%	OT
VUWG Verwaltung und Verwertung von Gewerbeimmobilien GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Zefyros Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Zeleny Zlonin s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
ZRB 17 Errichtungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT

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Other non-consolidated subsidiaries and equity participations

Company, domicile (country)	Subscribed capital	in local currency	Share	Type[1]
Accession Mezzanine Capital II L.P., Bermuda (BM)	2,613	EUR	5.7%	OT
Accession Mezzanine Capital III L.P., Hamilton (BM)	134,125,000	EUR	3.7%	OT
Accession Mezzanine Capital L.P. in Liquidation, Bermuda (BM)	1,147	EUR	2.6%	OT
ACG Bor Glasworks, Bor (RU)	418,956,270	RUB	0.0%	OT
Adoria Grundstückvermietungs Gesellschaft m.b.H., Vienna (AT)	36,360	EUR	24.5%	FI
AGIOS Raiffeisen-Immobilien Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	49.0%	FI
Agricultural Open Joint Stock Company Illintsi Livestock Breeding Enterprise, Illinci (UA)	703,100	UAH	4.7%	OT
AIL Swiss-Austria Leasing AG, Glattbrug (CH)	5,000,000	CHF	50.0%	FI
ALCS Association of Leasing Companies in Serbia, Belgrade (RS)	853,710	RSD	12.5%	OT
Alpenbank Aktiengesellschaft, Innsbruck (AT)	10,220,000	EUR	<0.1%	FI
Am Hafen" Garagenerrichtungs- und Betriebs GmbH & Co KG, Bregenz (AT)	3,660,000	EUR	0.3%	FI
A-Trust Gesellschaft für Sicherheitssysteme im elektronischen Datenverkehr GmbH, Vienna (AT)	5,290,013	EUR	12.1%	OT
Austrian Reporting Services GmbH, Vienna (AT)	41,176	EUR	15.0%	BR
Aventin Grundstücksverwaltungs Gesellschaft m.b.H., Horn (AT)	36,400	EUR	24.5%	FI
AVION-Grundverwertungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	49.0%	FI
bat-groupware GmbH, Vienna (AT)	50,000	EUR	<0.1%	BR
Belarussian currency and stock exchange JSC, Minsk (BY)	9,006,584	BYN	<0.1%	SC
Biroul de Credit S.A., Bucharest (RO)	4,114,615	RON	13.2%	FI
BRD-Groupe Société Générale S.A., Bucharest (RO)	696,901,518	RON	<0.1%	BA
BTS Holding a.s. "v likvidácii", Bratislava (SK)	35,700	EUR	19.0%	OT
Bucharest Stock Exchange, Bucharest (RO)	76,741,980	RON	1.0%	OT
Budapest Stock Exchange, Budapest (HU)	541,348,100	HUF	<0.1%	SC
Burza cennych papierov v. Bratislave, a.s., Bratislava (SK)	11,404,927,296	EUR	0.1%	SC
Cards & Systems EDV-Dienstleistungs GmbH, Vienna (AT)	75,000	EUR	42.0%	OT
CASA DE COMPENSARE S.A., Bucharest (RO)	239,255	RON	0.1%	OT
Cash Service Company AD, Sofia (BG)	12,500,000	BGN	20.0%	BR
CEESEG Aktiengesellschaft, Vienna (AT)	18,620,720	EUR	7.0%	SC
CELL MED Research GmbH, Vienna (AT)	1,898,418	EUR	4.5%	OT
Central Depository and Clearing Company, Inc., Zagreb (HR)	86,925,000	HRK	0.1%	FI
Closed Joint Stock Company Truskavets Valeological Innovative Centre, Truskavets (UA)	100,000	UAH	5.0%	OT
Closed Joint Stock Company Vinegar-yeast Factory, Uzyn (UA)	9,450,000	UAH	33.8%	OT
Commodity Exchange Crimean Interbank Currency Exchange, Simferopol (UA)	440,000	UAH	4.5%	SC
Commodity Exchange of the Agroindustrial Complex of Central Regions of Ukraine, Cherkassy (UA)	90,000	UAH	11.1%	OT
CONATUS Grundstückvermietungs Ges.m.b.H., St Pölten (AT)	36,360	EUR	24.5%	FI
CULINA Grundstückvermietungs Gesellschaft m.b.H., St Pölten (AT)	36,360	EUR	25.0%	FI
Czech Real Estate Fund (CREF) B.V., Amsterdam (NL)	18,000	EUR	20.0%	FI
D. Trust Certifikacná Autorita, a.s., Bratislava (SK)	331,939	EUR	10.0%	OT
Die Niederösterreichische Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	35.0%	OT
Die Niederösterreichische Leasing GmbH & Co KG, Vienna (AT)	72,673	EUR	40.0%	FI
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (DE)	3,646,266,910	EUR	0.1%	BA
Easdaq NV, Leuven (BE)	128,526,849	EUR	<0.1%	OT
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna (AT)	70,000	EUR	0.1%	FI
EMCOM Beteiligungs GmbH, Vienna (AT)	37,000	EUR	33.6%	FI
EMERGING EUROPE GROWTH FUND II, L.P., Delaware (US)	370,000,000	USD	1.9%	OT
Epsilon - Grundverwertungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	24.0%	FI
ESQUILIN Grundstücksverwaltungs GmbH, Vienna (AT)	36,336	EUR	24.5%	FI
Euro Banking Association (ABE Clearing S.A.S.), Paris (FR)	53,000	EUR	1.9%	FI
European Investment Fund S.A., Luxembourg (LU)	3,000,000,000	EUR	0.2%	FI
Export and Industry Bank Inc., Makati City (PH)	4,734,452,540	PHP	9.5%	BA
FACILITAS Grundstücksvermietungs GmbH, St. Pölten (AT)	36,360	EUR	50.0%	FI

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Company, domicile (country)	Subscribed capital	in local currency	Share	Type[1]
Flex-space Plzen I, s.r.o., Prague (CZ)	200,000	CZK	<0.1%	OT
Fondul de Garantare a Creditului Rural S.A., Bucharest (RO)	15,940,890	RON	33.3%	FI
FORIS Grundstückvermietungs Ges.m.b.H., Vienna (AT)	36,360	EUR	24.5%	FI
G + R Leasing Gesellschaft m.b.H., Graz (AT)	36,400	EUR	1.8%	OT
G + R Leasing Gesellschaft m.b.H. & Co. KG., Graz (AT)	72,673	EUR	50.0%	FI
Garantiqa Hitelgarancia ZRt., Budapest (HU)	7,839,600,000	HUF	0.2%	FI
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H., Vienna (AT)	3,336,336	EUR	0.2%	OT
Gersthoferstraße 100 Bauprojektentwicklungs GmbH in Liqu., Vienna (AT)	35,000	EUR	50.0%	OT
Greenix Limited, Tortola (VG)	100,000	USD	25.0%	OT
HOBEX AG, Salzburg (AT)	1,000,000	EUR	8.5%	FI
Hrvatski registar obveza po kreditima d.o.o., Zagreb (HR)	13,500,000	HRK	10.5%	BR
immigon portfolioabbau ag, Vienna (AT)	577,328,623	EUR	<0.1%	BA
International Factors Group S.C. in liquidation, Brussels (BE)	53,650	EUR	<0.1%	FI
INVESTOR COMPENSATION FUND, Bucharest (RO)	344,350	RON	0.4%	SC
K & D Progetto s.r.l., Bozen (IT)	50,000	EUR	25.0%	FI
Kommunal-Infrastruktur & Immobilien Zeltweg GmbH, Zeltweg (AT)	35,000	EUR	20.0%	FI
Limited Liability Company Scientific-Production Enterprise Assembling and Implementation of Telecommunication Sytems, Dnepropetrovsk (UA)	500,000	UAH	10.0%	OT
LITUS Grundstückvermietungs Gesellschaft m.b.H., St Pölten (AT)	36,360	EUR	24.5%	FI
LLC "Insurance Company 'Raiffeisen Life", Moscow (RU)	240,000,000	RUB	25.0%	VV
LUXTEN LIGHTING COMPANY S.A., Bucharest (RO)	42,126,043	RON	<0.1%	OT
MasterCard Inc, New York (US)	13,518	USD	<0.1%	BA
Medicur - Holding Gesellschaft m.b.H., Vienna (AT)	4,360,500	EUR	25.0%	OT
N.Ö. Kommunalgebäudeleasing GmbH, Vienna (AT)	37,400	EUR	33.3%	FI
N.Ö. Gemeindegebäudeleasing GmbH, Vienna (AT)	37,400	EUR	33.3%	FI
National Settlement Depositary, Moscow (RU)	1,180,675,000	RUB	<0.1%	FI
NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H., Vienna (AT)	50,000	EUR	26.0%	FI
NÖ Raiffeisen-Leasing Gemeindeprojekte Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	1.0%	FI
NÖ. HYPO Leasing und Raiffeisen-Immobilien-Leasing Traisenhaus GesmbH & Co OG, St Pölten (AT)	100,000	EUR	50.0%	FI
NÖ-KL Kommunalgebäudeleasing GmbH, Vienna (AT)	37,400	EUR	33.3%	FI
O.Ö. Leasing für Gebietskörperschaften Ges.m.b.H., Linz (AT)	510,000	ATS	16.7%	FI
O.Ö. Leasing für öffentliche Bauten Ges.m.b.H., Linz (AT)	510,000	ATS	16.7%	FI
ÖAMTC-Leasing GmbH, Vienna (AT)	36,400	EUR	49.0%	OT
ÖAMTC-Leasing GmbH & Co KG, Vienna (AT)	14,535	EUR	49.0%	FI
Oberpinzg. Fremdenverkehrförderungs- und Bergbahnen AG, Vienna (AT)	3,297,530	EUR	<0.1%	OT
Open Joint Stock Company Kiev Special Project and Design Bureau Menas, Kiev (UA)	3,383,218	UAH	4.7%	OT
Open Joint Stock Company Volodymyr-Volynskyi Sugar Refinery, Volodymyr-Volynskyi (UA)	13,068,010	UAH	2.6%	OT
Österreichische Raiffeisen-Einlagensicherung eGen, Vienna (AT)	3,100	EUR	35.5%	OT
Österreichische Wertpapierdaten Service GmbH, Vienna (AT)	36,336	EUR	25.3%	OT
OT-Optima Telekom d.d., Zagreb (HR)	635,568,080	HRK	3.3%	OT
OVIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	1.0%	FI
Pannon Lúd Kft, Mezokovácsháza (HU)	852,750,000	HUF	0.6%	OT
Petrom S.A., Bucharest (RO)	5,664,410,834	RON	<0.1%	OT
Polish Real Estate Investment Limited, Limassol (CY)	911,926	EUR	11.2%	OT
Private Joint Stock Company First All-Ukrainian Credit Bureau, Kiev (UA)	11,750,000	UAH	5.1%	OT
Private Joint Stock Company Sumy Enterprise Agrotechservice, Sumy (UA)	1,545,000	UAH	0.6%	OT
Private Joint Stock Company Ukrainian Interbank Currency Exchange, Kiev (UA)	36,000,000	UAH	3.1%	SC
PSA Payment Services Austria GmbH, Vienna (AT)	285,000	EUR	11.2%	FI
Public Joint Stock Company Bird Farm Bershadskyi, Viytivka (UA)	6,691,141	UAH	0.5%	OT
Public Joint Stock Company National Depositary of Ukraine, Kiev (UA)	103,200,000	UAH	0.1%	BR
Public Joint Stock Company Settlement Center for Servicing of Contracts in Financial Markets, Kiev (UA)	153,100,000	UAH	<0.1%	FI

1 Company type: BA Bank, BR Company rendering banking-related ancilliary services, FH Financial holding, FI Financial institutions, OT Other companies, SC Securities firms, VV Insurance

Company, domicile (country)	Subscribed capital	in local currency	Share	Type[1]
Public Joint Stock Company Stock Exchange PFTS, Kiev (UA)	32,010,000	UAH	0.2%	SC
QUIRINAL Grundstücksverwaltungs GmbH, Vienna (AT)	37,063	EUR	33.3%	FI
Raiffeisen e-force GmbH, Vienna (AT)	145,346	EUR	28.2%	OT
Raiffeisen Rehazentrum Schruns Immobilienleasing GmbH, Vienna (AT)	36,400	EUR	50.0%	FI
Raiffeisen Salzburg Leasing GmbH, Salzburg (AT)	35,000	EUR	19.0%	FI
Raiffeisen Software GmbH, Linz (AT)	150,000	EUR	1.2%	OT
Raiffeisen-Bezirksbank - Jennersdorf registrierte Genossenschaft mit beschränkter Haftung, Jennersdorf (AT)	716,757	EUR	34.6%	BA
Raiffeisenbezirksbank Mattersburg reg.Gen.m.b.H., Mattersburg (AT)	836,523	EUR	23.7%	BA
Raiffeisenbezirksbank Oberpullendorf eGen, Oberpullendorf (AT)	693,922	EUR	8.9%	BA
Raiffeisen-IMPULS-Immobilien Leasing Ges.m.b.H., Linz (AT)	500,000	ATS	25.0%	FI
Raiffeisen-IMPULS-Liegenschaftsverwaltung Ges.m.b.H., Linz (AT)	500,000	ATS	25.0%	FI
Raiffeisen-Impuls-Zeta Immobilien GmbH, Linz (AT)	58,333	EUR	40.0%	FI
Raiffeisenlandesbank Kärnten - Rechenzentrum und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung, Klagenfurt (AT)	6,930,600	EUR	5.9%	BA
Raiffeisen-Leasing Anlagen und KFZ Vermietungs GmbH, Vienna (AT)	35,000	EUR	53.1%	FI
Raiffeisen-Leasing BOT s.r.o., Prague (CZ)	100,000	CZK	20.0%	OT
Raiffeisen-Leasing Management GmbH, Vienna (AT)	300,000	EUR	50.0%	OT
Raiffeisen-Leasing Mobilien und KFZ GmbH, Vienna (AT)	35,000	EUR	15.0%	FI
RC Gazdasági és Adótanácsadó Zrt., Budapest (HU)	20,000,000	HUF	22.2%	FI
Realplan Beta Liegenschaftsverwaltung GmbH, Vienna (AT)	36,400	EUR	50.0%	FI
Registry of Securities in FBH, Sarajevo (BA)	2,052,300	BAM	1.4%	OT
Rehazentrum Kitzbühel Immobilien-Leasing GmbH, Innsbruck (AT)	35,000	EUR	19.0%	OT
REPEF Holding GmbH in Liquidation, Vienna (AT)	400,000	EUR	3.5%	OT
RL Skand AB, Stockholm (SE)	100,000	SEK	50.0%	FI
RLKG Raiffeisen-Leasing GmbH, Vienna (AT)	40,000	EUR	12.5%	FI
RSAL Raiffeisen Steiermark Anlagenleasing GmbH, Graz (AT)	38,000	EUR	19.0%	OT
RSC Raiffeisen Service Center GmbH, Vienna (AT)	2,000,000	EUR	66.9%	BR
RSIL Immobilienleasing Raiffeisen Steiermark GmbH, Graz (AT)	38,000	EUR	19.0%	OT
RVS, a. s., Bratislava (SK)	6,852,480	EUR	0.7%	OT
S.C. DEPOZITARUL CENTRAL S.A., Budapest (RO)	25,291,953	RON	2.6%	OT
Sarajevska berza-burza vrijednosnih papira dd Sarajevo, Sarajevo (BA)	1,975,680	BAM	5.2%	OT
Scanviwood Co. Ltd., Ho Chi Minh City (VN)	2,500,000	USD	6.0%	OT
Seilbahnleasing GmbH, Innsbruck (AT)	36,000	EUR	33.3%	FI
SELENE Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	1.0%	FI
Slovak Banking Credit Bureau, s.r.o., Bratislava (SK)	9,958	EUR	33.3%	BR
Societatea de Transfer de Fonduri si Decontari-TRANSFOND S.A, Bucharest (RO)	6,720,000	RON	3.4%	BR
Society for Worldwide Interbank Financial Telekommunication scrl, La Hulpe (BE)	13,781,250	EUR	0.5%	FI
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H., Graz (AT)	36,336	EUR	50.0%	FI
Steirische Kommunalgebäudeleasing GmbH, Graz (AT)	36,336	EUR	50.0%	FI
Steirische Leasing für Gebietskörperschaften Ges.m.b.H., Graz (AT)	36,336	EUR	3.6%	FI
Steirische Leasing für öffentliche Bauten Ges.m.b.H., Graz (AT)	36,336	EUR	50.0%	FI
Stemcor Global Holdings Limited, St Helier (JE)	100,000	USD	3.2%	OT
Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) GmbH, Vienna (AT)	100,000	EUR	10.7%	OT
SUPRIA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
SWO Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	50.0%	FI
Syrena Immobilien Holding AG, Spittal an der Drau (AT)	22,600,370	EUR	21.0%	OT
The Zagreb Stock Exchange joint stock company, Zagreb (HR)	46,357,000	HRK	2.9%	SC
Therme Amade Badbetriebsführungsgesellschaft mbH, Altenmarkt (AT)	35,000	EUR	<0.1%	OT
Therme Amade Errichtungs- und Betriebsgesellschaft m.b.H., Altenmarkt (AT)	36,000	EUR	1.0%	OT
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck (AT)	42,000	EUR	8.3%	FI
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck (AT)	39,000	EUR	33.3%	FI

1 Company type: BA Bank, BR Company rendering banking-related ancilliary services, FH Financial holding, FI Financial institutions, OT Other companies, SC Securities firms, VV Insurance

Company, domicile (country)	Subscribed capital	in local currency	Share	Type[1]
TKL II. Grundverwertungsgesellschaft m.b.H., Innsbruck (AT)	39,000	EUR	8.3%	FI
TKL V Grundverwertungs GmbH, Innsbruck (AT)	39,000	EUR	33.3%	FI
TKL VI Grundverwertungs GmbH, Innsbruck (AT)	39,000	EUR	33.3%	FI
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck (AT)	39,000	EUR	33.3%	FI
TKL VIII Grundverwertungs GmbH, Innsbruck (AT)	39,000	EUR	33.3%	FI
Top Vorsorge-Management GmbH, Vienna (AT)	35,000	EUR	25.0%	OT
TRABITUS Grundstücksvermietungs Ges.m.b.H., Vienna (AT)	36,360	EUR	25.0%	FI
Transilvania LEASING SI CREDIT IFN S.A., Brasov (RO)	51,569,000	RON	0.6%	FI
UNDA Grundstücksvermietungs Gesellschaft m.b.H., St Pölten (AT)	36,360	EUR	25.0%	FI
UNIQA Raiffeisen Software Service Kft., Budapest (HU)	19,900,000	HUF	1.0%	OT
VALET Grundstücksverwaltungsges.m.b.H., St Pölten (AT)	36,360	EUR	24.5%	FI
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH, Vienna (AT)	36,336	EUR	17.0%	OT
Viminal Grundstückverwaltungs Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	25.0%	FI
Visa Inc., San Francisco (US)	192,964	USD	<0.1%	BR
VKL II Grundverwertungs GesmbH, Dornbirn (AT)	42,000	EUR	33.3%	FI
VKL III Gebäudeleasing-Gesellschaft m.b.H., Dornbirn (AT)	42,000	EUR	<0.1%	FI
VKL IV Leasinggesellschaft mbH, Dornbirn (AT)	42,000	EUR	<0.1%	FI
VKL V Immobilien Leasinggesellschaft m.b.H., Dornbirn (AT)	42,000	EUR	<0.1%	FI
Vorarlberger Kommunalgebäudeleasing Ges.m.b.H., Dornbirn (AT)	42,000	EUR	33.3%	FI
W 3 Errichtungs- und Betriebs-Aktiengesellschaft, Vienna (AT)	800,000	EUR	20.0%	OT
Zentrum Puntigam" Errichtungs- und Betriebsgesellschaft m.b.H., Vienna (AT)	35,000	EUR	50.0%	OT
Zhytomyr Commodity Agroindustrial Exchange, Zhitomir (UA)	476,615	UAH	3.1%	OT
Ziloti Holding S.A., Luxembourg (LU)	48,963	EUR	0.9%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancilliary services, FH Financial holding, FI Financial institutions, OT Other companies, SC Securities firms, VV Insurance

Recognition and measurement principles

Financial instruments: Recognition and measurement (IAS 39)

According to IAS 39, all financial assets, financial liabilities and derivative financial instruments are to be recognized in the statement of financial position. A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. On initial recognition, financial instruments are to be measured at fair value, which generally corresponds to the transaction price at the time of acquisition or issue. According to IFRS 13, the fair value is defined as the exit price. This is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For subsequent measurement, financial instruments are recognized in the statement of financial position according to the respective measurement category pursuant to IAS 39, either at (amortized) cost or at fair value.

Categorization of financial assets and financial liabilities and their measurement

The measurement categories for financial instruments pursuant to IAS 39 do not equate to the principal line items in the statement of financial position. Relationships between the principal line items in the statement of financial position and the measurement standard applied are described in the table "Categories of financial instruments according to IFRS 7" and in the notes under (1) Income statement according to measurement categories and (12) Statement of financial position according to measurement categories.

1. Financial assets or liabilities at fair value through profit and loss

On initial recognition, the Group categorizes certain financial assets and liabilities as held-for-trading or measured at fair value. These financial assets and liabilities are recognized at fair value and shown as financial assets and liabilities at fair value.

a. Trading assets/liabilities

Trading assets/liabilities are acquired or incurred principally for the purpose of generating profit from short-term fluctuations in market prices. Securities (including short selling of securities) and derivative financial instruments held-for-trading are recognized at their fair values. If securities are listed, the fair value is based on stock exchange prices. Where such prices are not available, internal prices based on present value calculations for originated financial instruments and futures or option pricing models for options are applied. Present value calculations are based on an interest rate curve which consists of money market rates, future rates and swap rates. Option price formulas Black-Scholes 1972, Black 1976 or Garman-Kohlhagen are applied depending on the kind of option. The measurement for complex options is based on a binominal tree model and Monte Carlo simulations. Derivative financial instruments held-for-trading are shown under the item "trading assets" or "trading liabilities". Positive fair values including accrued interest (dirty price) are shown under trading assets. Negative fair values are recorded under trading liabilities. Positive and negative fair values are not netted. Changes in dirty prices are recognized in net trading income. Derivatives that are used neither for trading purposes nor for hedging purposes are recorded under the item "derivatives". Any liabilities from the short-selling of securities are shown in "trading liabilities".

Capital-guaranteed products (guarantee funds and pension plans) are shown as sold put options on the respective funds to be guaranteed, in accordance with statutory requirements. The valuation is based on a Monte-Carlo simulation. The Group has provided capital guarantee obligations as part of the government-funded state-sponsored pension plans according to Section 108h (1) item 3 EStG (Austrian Income Tax Act). The bank guarantees that the retirement annuity, available for the payment amount, is not less than the sum of the amounts paid by the taxpayer plus credits for such taxable premiums within the meaning of Section 108g EStG.

b. Designated financial instruments at fair value

This category comprises mainly all those financial assets that are irrevocably designated as financial instruments at fair value (so-called fair value option) upon initial recognition in the statement of financial position independent of any intention to trade. An entity may use this designation only when doing so results in more relevant information for the user of the financial statements. This is the case for those financial assets, which belong to a portfolio, which is managed and its performance evaluated on a fair value basis.

These instruments are bonds, notes and other fixed-interest securities as well as shares and other variable-yield securities. These financial instruments are valued at fair value under IAS 39. In the statement of financial position, they are shown under the item "financial investments". Current income is shown under net interest income, valuation results and proceeds from disposals are shown in net income from financial investments.

Financial liabilities are also designated as financial instruments at fair value, to avoid valuation discrepancies with related derivatives. The fair value of financial obligations under the fair value option in this category reflects all market risk factors, including those related to the credit risk of the issuer.

In 2016, as in 2015, observable market prices were used for the valuation of liabilities of subordinated issues measured at fair value. The financial liabilities are mostly structured bonds. The fair value of these financial liabilities is calculated by discounting the contractual cash flows with a credit-risk-adjusted yield curve, which reflects the level at which the Group could issue similar financial instruments at the reporting date. The market risk parameters are evaluated according to similar financial instruments that are held as financial assets. Valuation results for liabilities that are designated as a financial instrument at fair value are recognized in income from derivatives and liabilities.

2. Financial assets held-to-maturity

Non-derivative financial assets (securities with fixed or determinable payments and a fixed maturity) purchased with the intention and ability to hold them to maturity are reported under the item "financial investments". They are recognized at amortized cost and differences are amortized over the term to maturity and recognized in the income statement under net interest income. If impairment occurs, it is taken into account when determining the amortized cost and shown in net income from financial investments. Coupon payments are recognized under net interest income. A sale of these financial instruments is only allowed in certain cases explicitly stated in IAS 39.

3. Loans and advances

Non-derivative financial assets with fixed or determinable payment entitlements for which there is no active market are allocated to this category. These financial instruments are mainly recorded in the items "loans and advances to banks" and "loans and advances to customers". Moreover, loans and advances relating to finance lease business, which are recognized in accordance with IAS 17, are stated in the items "loans and advances to banks" and "loans and advances to customers".

They are measured at amortized cost. If there is a difference between the amount paid and face value – and this has an interest character – the effective interest method is used and the amount is stated under net interest income. If impairment occurs it is taken account of when determining the amortized cost. Impairment provisions and provisions for losses that have occurred but have not yet been recognized are reported in the statement of financial position under the item "impairment losses on loans and advances". Profits from the sale of impaired loans are recognized in the income statement in the item "net provisioning for impairment losses".

Moreover, debt instruments are also allocated to this category if there is no active market for them. Derecognition of financial assets within the framework of securitizations is – after checking if the securitized special purpose vehicle has to be integrated into the consolidated accounts – undertaken on the basis of a risk and rewards or control test according to IAS 39 after identifying loss of control over the contractual rights relating to the asset.

4. Financial assets available-for-sale

The category of financial assets available-for-sale contains financial instruments including non-consolidated equity participations that were not allocated to any of the other three categories. They are stated at fair value, if a fair value is reliably measurable. Valuation differences are shown directly in equity in other comprehensive income and only recognized in the income statement under net income from financial investments if there is an objective indication of impairment or if the financial asset available-for-sale is sold.

For equity instruments impairment exists, among other indicators, if the fair value is either significantly or permanently below cost. In the Group, equity instruments classified as available-for-sale are impaired when the fair value over the last six months before the reporting date was consistently more than 20 per cent below carrying value, or in the last twelve months, on average, more than 10 per cent below carrying value. In addition to these quantitative indications (trigger events), qualitative indications from IAS 39.59 are considered. It is not permitted to include any appreciation in value in the income statement for equity instruments classified as available-for-sale, but rather this should be recognized in other comprehensive income under the item fair value reserve (available-for-sale financial assets). This means that only impairments or disposals are to be shown in the income statement.

Unquoted equity instruments which, due to a lack of materiality, are not fully consolidated are measured at cost of acquisition because the fair values do not represent a better approximation of the fully consolidated values. Other unquoted equity instruments for which reliable fair values cannot be assessed regularly are valued at cost of acquisition less impairment losses. It is not permitted to show an appreciation in the value. Reliable fair values cannot be regularly assessed in emerging countries due to the absence of comparative yardsticks for the "market approach" and due to the inherent difficulties when using the "income approach". This kind of financial instrument is reported under the item "financial investments".

Interest and dividend income from financial assets available-for-sale are recorded in net interest income.

5. Financial liabilities

Liabilities are predominantly recognized at amortized cost. Discounted debt securities issued and similar obligations are measured at their present value. Financial liabilities are reported in the statement of financial position under the items "deposits from banks", "deposits from customers", "debt securities issued" or "subordinated capital". Financial liabilities measured at fair value are shown in the category "liabilities at fair value through profit and loss". Interest expenses are stated under net interest income.

Derecognition of financial assets and liabilities

Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows arising from a financial asset have expired, when the Group has transferred the rights to the cash flows, or if the Group has the obligation, in case that certain criteria occur, to transfer the cash flows to one or more receivers. A transferred asset is also derecognized if all material risks and rewards of ownership of the assets are transferred.

Securitization transactions

The Group securitizes various financial assets from transactions with retail and commercial customers by selling them to a special purpose vehicle (SPV) that issues securities to investors. The assets transferred may be derecognized fully or partly. Rights to securitized financial assets can be retained in the form of senior or subordinated tranches, interest claims or other residual claims (retained rights).

Derecognition of financial liabilities

The Group derecognizes a financial liability if the obligations of the Group have been paid, expired or revoked. The income or expense from the repurchase of own liabilities is shown in the notes under (6) Net income from derivatives and liabilities. The repurchase of own bonds also falls under derecognition of financial liabilities. Differences on repurchase between the carrying value of the liability (including premiums and discounts) and the purchase price are reported in the income statement in net income from derivatives and liabilities.

Reclassification

In accordance with IAS 39.50, non-derivative financial instruments classified as trading assets and available-for-sale financial instruments can be reclassified as financial assets held-to-maturity and loans and advances in exceptional circumstances. The effects resulting from such reclassifications are shown in the notes under (19) Financial investments.

Offsetting of financial instruments

Where the borrower and lender are the same, offsetting of loans and liabilities with matching maturities and currencies occurs only if a legal right, by contract or otherwise, exists and offsetting is in line with the actually expected course of the business. Information on offsetting of financial instruments is provided in the notes under (39) Offsetting financial assets and liabilities.

Derivatives

Within the operating activity, the Group carries out different transactions with derivative financial instruments for trading and hedging purposes. The Group uses derivatives including swaps, standardized forward contracts, futures, credit derivatives, options and similar contracts. The Group uses derivatives in order to meet client requirements concerning their risk management, to manage and hedge risks and to generate profit in proprietary trading. Derivatives are initially recognized at the time of the transaction at fair value and subsequently revalued to fair value. The resulting valuation gain or loss is recognized immediately in net income from derivatives and liabilities, unless the derivative is designated as a hedging instrument for hedge accounting purposes and the hedge is effective. Here the timing of the recognition of the gain or loss on the hedging instrument depends on the type of hedging relationship.

Derivatives which are used for hedging against market risk (excluding trading assets/liabilities) for a non-homogeneous portfolio do not meet the conditions for IAS 39 hedge accounting. These are recognized as follows: the dirty price is booked under the item "derivatives" in the statement of financial position (positive fair values under assets and negative fair values under liabilities). The change in value of these derivatives, on the basis of the clean price, is shown in net income from derivatives and liabilities (net income from other derivatives) and interest is shown in net interest income.

Credit derivatives, the value of which is dependent on future specified credit (non-)events are shown at fair value under the item "derivatives" (positive fair values under assets and negative fair values under liabilities). Changes in valuation are recognized under net income from derivatives and liabilities.

Additional information on derivatives is provided in the notes under (40) Derivative financial instruments.

Hedge Accounting

If derivatives are held for the purpose of risk management and if the respective transactions meet specific criteria, the Group uses hedge accounting. The Group designates certain hedging instruments as fair value hedges, cash flow hedges or capital hedges. Most of these are derivatives. At the beginning of the hedging relationship, the relationship between underlying and hedging instrument, including the risk management objectives, is documented. Furthermore, it is necessary to regularly document from the beginning and during the lifetime of the hedging relationship that the fair value or cash flow hedge is highly effective.

a. Fair value hedge

Hedge accounting according to IAS 39 applies to those derivatives that are used to hedge the fair values of financial assets and liabilities. The credit business is especially subject to such fair value risks if it deals with fixed-interest loans. Interest rate swaps that satisfy the prerequisites for hedge accounting are contracted to hedge against the interest-rate risks arising from individual loans or refinancing. Thus, hedges are formally documented, continuously assessed, and tested to be highly effective. Throughout the term of a hedge it can therefore be assumed that changes in the fair value of a hedged item will be nearly completely offset by a change in the fair value of the hedging instrument and that the actual effectiveness outcome will lie within a band of 80 to 125 per cent.

Derivative instruments held to hedge the fair values of individual items in the statement of financial position (except trading assets/liabilities) are recognized at their fair values (dirty prices) under the item "derivatives" (for assets: positive dirty prices; for liabilities: negative dirty prices). Changes in the carrying amounts of hedged items (assets or liabilities) are allocated directly to the corresponding items of the statement of financial position and reported separately in the notes.

Both the effect of changes in the carrying values of positions requiring hedging and the effects of changes in the clean prices of the derivative instruments are recorded under "net income from derivatives and liabilities" (net income from hedge accounting).

Within the management of interest rate risks, the hedging of interest rate risk is also undertaken on the portfolio level. Individual transactions or groups of transactions with similar risk structures, divided into maturities according to the expected repayment and interest rate adjustment date in a portfolio, are hedged. Portfolios can contain assets only, liabilities only, or both. For hedge accounting, the change in the value of the hedged asset or liability is shown as a separate item in other assets/liabilities. The hedged amount of the hedged items is determined in the consolidated financial statements including sight deposits (the rules of the EU carve-out are therefore applied).

b. Cash flow hedge

Cash flow hedge accounting according to IAS 39 applies for those derivatives that are used to hedge against the risk of fluctuating future cash flows. Variable-interest loans and liabilities, as well as expected transactions such as expected borrowing or investment, are especially subject to such cash flow risks. Interest rate swaps used to hedge against the risk of fluctuating cash flows arising from specific variable interest-rate items are recognized as follows: The hedging instrument is recognized at fair value, changes in its clean price are recorded in other comprehensive income. Any ineffective portion is recognized in the income statement in net income from derivatives and liabilities.

c. Hedge of a net investment in an economically independent operation (capital hedge)

In the Group, foreign exchange hedges of investments in economically independent sub-units (IAS 39.102) are executed in order to reduce differences arising from the foreign currency translation of equity components. Currency swaps are mainly used as hedging instruments. Where the hedge is effective the resulting gains or losses from foreign currency translation are recognized in other comprehensive income and shown separately in the statement of comprehensive income. Any ineffective part of the hedge is recognized in net trading income. The related interest components are shown in net interest income.

Fair value

The fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability, in an orderly business transaction between market participants on the measurement reference date. This applies irrespective of whether the price is directly observable or has been estimated using a valuation method. In accordance with IFRS 13, the Group uses the following hierarchy to determine and report the fair value for financial instruments.

Quotation on an active market (Level I)

If market prices are available, the fair value is reflected best by the market price. This category contains equity instruments traded on the stock exchange, debt instruments traded on the interbank market, and derivatives traded on the stock exchange. The valuation is mainly based on external data sources (stock exchange prices or broker quotes in liquid market segments). In an active market, transactions involving financial assets and liabilities are traded in sufficient frequency and volumes, so that price information is continuously available. Indicators for active markets are the number, the frequency of update or the quality of quotations (e.g. banks or stock exchanges). Moreover, narrow bid/ask spreads and quotations from market participants within a certain corridor are also indicators of an active liquid market.

Measurement techniques based on observable market data (Level II)

When quoted prices for financial instruments are unavailable, the prices of similar financial instruments are used to determine the current fair value or accepted measurement methods utilizing observable prices or parameters (in particular present value calculations or option price models) are employed. These methods concern the majority of the OTC-derivatives and non-quoted debt instruments.

Measurement techniques not based on observable market data (Level III)

If no sufficient current verifiable market data is available for the measurement with measurement models, parameters which are not observable in the market are also used. These input parameters may include data which is calculated in terms of approximated values from historical data among other factors (fair value hierarchy level III). The utilization of these models requires assumptions and estimates of the Management. The scope of the assumptions and estimates depends on the price transparency of the financial instrument, its market and the complexity of the instrument.

For financial instruments valued at amortized cost (this comprises loans and advances, deposits, other short-term borrowings and long-term liabilities), the Group publishes the fair value. In principle, there is low or no trading activity for these instruments, therefore a significant degree of assessment by the Management is necessary for determining the fair value.

Further information on measurement methods and quantitative information for determination of fair value is shown in the notes under (41) Fair value of financial instruments.

Amortized cost

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating interest expenses and interest income to the relevant periods. The effective interest rate is the interest rate used to discount the forecast future cash inflows and outflows (including all fees which form part of the effective interest rate, transaction costs and other premiums and discounts) over the expected term of the financial instrument or a shorter period, where applicable, to arrive at the net carrying amount from initial recognition.

Categories of financial instruments according to IFRS 7

As the nature of the financial instruments is already shown by the classification of the items of the statement of financial position, the formation of categories was built in line with these items, which include financial instruments. Categories of financial instruments on the asset side of the statement of financial position are primarily cash reserve, loans and advances to banks, loans and advances to customers, trading assets, derivative financial instruments, derivatives for hedging, and financial investments (within this category are separately financial assets not traded on an active market and which are shown at cost of acquisition). Categories of financial instruments on the liability side are most notably trading liabilities, derivative financial instruments, derivatives for hedge accounting, deposits from banks, deposits from customers, debt securities issued and subordinated capital.

	Measurement			Category according
Assets/liabilities	**Fair Value**	**Amortized Cost**	**Others**	**IAS 39**[1]
Asset classes				
Cash reserve			Nominal value	n/a
Trading assets	X			TA
Derivatives	X			TA
Loans and advances to banks		X		LAR
Loans and advances to customers		X		LAR
of which finance lease business			to IAS 17	n/a
Financial investments	X			AFVTPL
Financial investments	X			AfS
Financial investments		X		HTM
of which not traded on an active market			At Cost	AfS
Positive fair values of derivatives for hedge accounting (IAS 39)	X			n/a
Liability classes				
Trading liabilities	X			TL
Derivatives	X			TL
Deposits from banks		X		FL
Deposits from customers		X		FL
Subordinated capital		X		FL
Debt securities issued		X		FL
Debt securities issued	X			AFVTPL
Negative fair values of derivatives for hedge accounting (IAS 39)	X			n/a

1 AfS Available-for-sale
AFVTPL At fair value through profit and loss
FL Financial liabilities
HTM Held to maturity
LAR Loans and advances
TA Trading assets
TL Trading liabilities

Impairment losses on loans and advances

At each reporting date an assessment is made as to whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, when:

- there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the financial asset up until the reporting date (a "loss event");
- that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets, and
- the amount can be reliably estimated.

Objective evidence for an impairment may exist when the issuer or the counterparty faces considerable financial difficulties, a breach of contract occurs (for example, default or delay in interest or principal payments) or it can be assumed with high probability that insolvency or other restructuring proceedings will be instituted against the borrower.

Credit risk is accounted for by forming individual loan loss provisions and portfolio-based loan loss provisions. The latter comprise impairment provisions for portfolios of loans with the same risk profiles that are formed under certain conditions for IBNR losses (incurred but not reported). This involves cases where there is not yet any objective evidence of an individual impairment of a financial asset and for this reason groups of financial assets with a similar default risk profile are collectively examined for impairment. The underlying rating models for corporate customers are distinguished between "corporate large" and "corporate regular" as well as "SME large" and "SME regular". Moreover, portfolios for which the "financial institutions" or "project finance" rating models are applied are separately evaluated. A Group-wide uniform approach is in place for calculation of portfolio-based provisions in that centrally calculated historical Group default rates ("Group HDRs") for each rating class are evaluated and applied. These Group HDRs show the average actually observed probability of default over the last five years. In the retail segment, with the exception of one Group unit where the amount of the portfolio impairment is calculated according to product portfolio and past due days, provisions are formed using a PD/LGD-based calculation (probability of default/loss given default). Individual and portfolio-based impairment provisions are not netted against corresponding receivables but are stated separately in the statement of financial position.

For credit risks related to loans and advances to customers and banks, provisions are formed in the amount of expected loss according to homogeneous Group-wide standards. Risk of loss is deemed to exist if the discounted projected repayment amounts and interest payments are below the carrying value of the loan – taking collateral into account. Portfolio-based impairments are calculated using valuation models that estimate expected future cash flows for the loans in the respective loan portfolio based on loss experience history.

The total provision for impairment losses arising from loans reported in the statement of financial position comprising individual loan loss provisions and portfolio-based loan loss provisions is shown as a separate item "Impairment losses on loans and advances" under assets, below loans and advances to banks and customers.

Genuine sale and repurchase agreements

In a genuine sale and repurchase transaction, the Group sells assets to a third party and agrees at the same time to repurchase these assets at an agreed price and time. The assets remain on the statement of financial position of the Group and are measured according to the standards applied to the item in the statement of financial position under which they are shown. The securities are not derecognized since all the risks and rewards associated with the ownership of the repurchased securities are retained. Cash inflows arising from a sale and repurchase transaction are recognized in the statement of financial position as "deposits from banks" or "deposits from customers" depending on the counterparty.

Under reverse repurchase agreements, assets are acquired with the obligation to sell them in the future. The purchased securities on which the financial transaction is based are not reported in the statement of financial position and accordingly not measured. Cash outflows arising from reverse repurchase agreements are recorded in the statement of financial position under the item "loans and advances to banks" or "loans and advances to customers".

Interest expense from sale and repurchase agreements and interest income from reverse sale and repurchase agreements is accrued in a straight line over their term to maturity and shown under net interest income.

Securities lending

The Group concludes securities lending transactions with banks or customers in order to meet delivery obligations or to conduct security sale and repurchase agreements. Securities lending transactions are shown in the same way as genuine sale and repurchase agreements. This means loaned securities continue to remain in the securities portfolio and are valued according to IAS 39. Borrowed securities are not recognized and not valued. Cash collateral provided by the Group for securities lending transactions is shown as a claim under the item "loans and advances to banks" or "loans and advances to customers" while collateral received is shown as deposits from banks or deposits from customers in the statement of financial position.

Leasing

Leases are classified according to their contractual structure as follows:

Finance leases

When nearly all the risks and rewards of a leased asset are transferred to the lessee, the Group as lessor recognizes a loan to banks or a loan to customers. The loan amount is the amount of the net investment. The income from the finance lease is spread over periods in such a way as to represent a constant periodic rate of interest on the outstanding net investment in the leases. Interest income is reported under net interest income.

If the Group holds assets under a finance lease as lessee, these are shown under the relevant tangible fixed asset item, which corresponds to a lease liability. Interest expenditure is reported under net interest income.

Operating leases

An operating lease exists when the risks and rewards of ownership remain with the lessor. The leased assets are allocated to the Group under the item "tangible fixed assets" and depreciated in accordance with the principles applicable to the type of fixed assets. Rental income from the corresponding lease object is spread on a straight-line basis over the term of the leasing contract and reported in other net operating income. Expenses for operating leases are generally amortized on a straight-line basis over the term of the leasing contract and reported as administrative expenses.

Consolidation principles

Subsidiaries

All material subsidiaries over which RZB AG directly or indirectly has control are fully consolidated. The Group has control over an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Structured entities are entities in which the voting or similar rights are not the dominant factor for determining control, e.g. if the voting rights are solely related to administration activities and the relevant activities are governed by contractual agreements.

Similar to subsidiaries, consolidation of structured entities is necessary, if the Group has control over the entity. In the Group, the need to consolidate structured entities is reviewed as part of the securitization transaction process, where the structured entity is either formed by the Group with or without participation of third parties, or, in which the Group with or without participation of third parties enters into contractual relationships with already existing structured entities. Whether an entity should be consolidated or not is reviewed at least quarterly. All fully consolidated structured entities and interests in non-consolidated structured entities are to be found in the notes under (53) Group composition.

In order to determine when an entity has to be consolidated, a series of control factors have to be checked. These include an examination of

- the purpose and the constitution of the entity,
- the relevant activities and how they are determined,
- if the Group has the ability to determine the relevant activity through its rights,
- if the Group is exposed to risks of or has rights to variable returns, and
- if the Group has the ability to use its power over the investee in order to affect the amount of variable returns.

If voting rights are relevant, the Group has control over an entity in which it directly or indirectly holds more than 50 per cent of the voting rights; except when there are indicators that another investee has the ability to determine unilaterally the relevant activities of the entity. One or more of the following points may be such an indicator:

- Another investor has control over more than half of the voting rights due to an agreement with the Group,
- Another investor has the ability to control financial policy and operational activities of the equity participation due to legal provisions or an agreement,
- Another investor has control over the equity participation due to its possibility to appoint and withdraw the majority of members of the Board or members of an equivalent governing body,
- Another investor has control over the entity due to its possibility to possess the majority of the delivered voting rights in a meeting of members of the Board or of members an equivalent governing body.

When judging control, also potential voting rights are considered as far as they are material.

The Group assesses evidence of control in cases in which it does not hold the majority of voting rights but has the ability to unilaterally govern the relevant activities of the entity. This ability may occur in cases in which the Group has the ability to control the relevant activities due to the extent and distribution of voting rights of the investees.

In principle, subsidiaries are initially integrated into the consolidated group on the date when the Group obtains control of the company and are excluded from the date on when it no longer has control of the company. The results from subsidiaries acquired or disposed of during the year are recorded in the consolidated income statement, either from the actual date of acquisition or up to the actual date of disposal. The Group reviews the adequacy of previous decisions on which companies to consolidate at least every quarter. Accordingly, any organizational changes are immediately taken into account. Apart from changes in ownership, these also include any changes to the Group's existing contractual arrangements or new contractual arrangements with a unit.

Non-controlling interests are shown in the consolidated statement of financial position as part of equity, but separately from RZB AG's equity. The profit attributable to non-controlling interests is shown separately in the consolidated income statement.

In debt consolidation, intra-group loans and liabilities are eliminated. Remaining temporary differences are recognized under the items "other assets/other liabilities" in the consolidated statement of financial position.

Intra-group income and expenses are also eliminated and temporary differences resulting from bank business transactions are included partly in net interest income and partly in net trading income. Other differences are shown in the item "other net operating income".

Intra-group results are eliminated insofar as they have a material effect on the income statement items. Transactions between Group members are executed on an arm's length basis.

Changes in the Group's ownership interests of existing subsidiaries

If, in the case of existing control, further shares are acquired or sold without loss of control, in subsequent consolidation such transactions are recognized directly in equity. The carrying amount of the shares held by the Group and the non-controlling interests are adjusted in such a way as to reflect changes in existing shareholdings in subsidiaries. Any difference between the amount which is adjusted for the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and is assigned to the shareholders of the parent company.

If the company loses control over a subsidiary, the income/loss from disposal of group assets is shown in the income statement. This is calculated as the difference between

- the total amount of fair value of the received consideration and fair value of the shares retained and
- the carrying amount of assets (including goodwill), liabilities of the subsidiary and all non-controlling interests

All amounts related to these subsidiaries and shown in other comprehensive income are recognized in the same way as would be the case for the sale of assets. This means the amounts are reclassified to the income statement or directly transferred to retained earnings.

Associated companies

An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity in which shares are held. No control or joint management of decision making processes exists. As a rule, significant influence is assumed if the Group holds 20 to 50 per cent of the voting rights. When judging whether the Group has the ability to exert a significant influence on another entity, the existence and the effect of potential voting rights which are actually usable or convertible are taken into account. Further parameters for judging significant influence are, for example, the representation in executive committees and supervisory boards (Supervisory Board in Austrian Joint Stock companies) of the entity and material business transactions with the entity. Shares in associated companies are valued at equity and shown in the statement of financial position under the item "investments in associates".

The acquisition cost of these investments including goodwill is determined at the time of their initial consolidation, applying by analogy the same rules as for subsidiaries (offsetting acquisition costs against proportional fair net asset value). If associated companies are material, appropriate adjustments are made to the carrying value in the accounts, in accordance with developments in the company's equity. Profit or losses of companies valued at equity are netted and recognized in the item "current income from associates". Losses attributable to companies accounted for using the equity method are only recognised up to the level of the carrying value. Losses in excess of this amount are not recognised, since there is no obligation to offset excess losses. Further, any amounts recognised by the associate through other comprehensive income will be recognised in the other comprehensive Income statement of RZB. This is especially relevant for valuation effects seen from financial assets available-for-sale.

At each reporting date, the Group reviews to what extent there is objective evidence for impairment of an equity participation in an associated company. If there is objective evidence of impairment, an impairment test is carried out, in which the recoverable value of the participation – this is higher of the usable value and the fair value less selling costs – is compared to the carrying amount. An impairment made in previous periods is reversed only if the assumptions underlying the determination of the recoverable value have been changed since recognition of the last impairment. In this case the carrying amount is written up to the higher recoverable value.

Shares in subsidiaries not included in the consolidated financial statements because of their minor significance and shares in associated companies that have not been valued at equity are included under the item "financial investments" and assigned to the measurement category "financial assets available-for-sale". They are measured at acquisition cost.

Business combinations

The acquisition of business operations is recognized according to the acquisition method. The consideration transferred in a business combination is measured at fair value. This is calculated as the aggregate of the acquisition-date fair value of all assets transferred, liabilities assumed from former owners of the acquired business combination and equity instruments issued by the Group in exchange for control of the business combination. Transaction costs related to business combinations are recognized in the income statement when incurred.

Goodwill is measured as the excess of the aggregate of the value of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree (if any), and the net of the acquisition-date amounts of the fair values of identifiable assets acquired and the liabilities assumed. In the event that the difference is negative after further review, the resulting gain is recognized immediately in the income statement.

Non-controlling interests which confer ownership rights and grant the right to the owner to receive a proportionate share of the net assets of the entity in the event of liquidation, are measured either at fair value or at the non-controlling interest's proportionate share of net assets of the acquiree at the acquisition date. This accounting policy choice can be newly made for every business combination. Other components of non-controlling interests are measured at fair value or with measurement values derived from other standards.

If the consideration transferred includes a contingent consideration, this is measured at the acquisition-date fair value. Changes in the fair value of the contingent consideration within the measurement period are adjusted retroactively and are booked against goodwill. Adjustments within the measurement period are corrections to reflect additional information about facts and circumstances already existing at the acquisition date. The measurement period may not exceed one year from the acquisition date.

Recognition of changes in the fair value of the contingent consideration which do not represent corrections within the measurement period is dependent on how the contingent consideration is to be classified. If the contingent consideration is classified as equity, it is not re-measured on the following reporting date. Its settlement is recognized within equity. A contingent consideration classified as assets or liabilities is measured on the following reporting dates according to IAS 39 or IAS 37 Provisions for liabilities and charges, contingent liabilities or contingent receivables if applicable and a resulting profit or loss is recognized in the income statement.

Cash reserve

The cash reserve includes cash in hand and balances at central banks that are due on call. They are shown with their nominal value.

Equity participations

Shareholdings in subsidiaries not included in the consolidated financial statements because of their minor significance, shareholdings in associated companies that are not valued at equity and other equity participations are shown under financial investments.

These are categorized as "financial assets available-for-sale" upon initial recognition and – if no share prices are available – are measured at cost. Changes in value are recognized in other comprehensive income. Impairment is shown in net income from financial investments.

Intangible fixed assets

Separately acquired intangible fixed assets

Separately acquired intangible fixed assets, i.e. those with a definite useful life not acquired in a business combination, are capitalized at acquisition cost less accumulated amortization and impairment. Amortization is accrued in a straight line over the expected useful life and reported as an expense in the income statement. The expected useful life and the depreciation method are reviewed at each reporting date and any possible changes in measurement taken into account prospectively. Separately acquired intangible fixed assets with an indefinite useful life are capitalized at acquisition cost less accumulated impairment. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

Internally developed intangible fixed assets – research and development costs

Internally developed intangible assets comprise exclusively software and are capitalized if it is probable that the future economic benefits attributable to the asset will accrue to the Group and the cost of the asset can be measured reliably. Expenses for research are recognized as an expense when they are incurred.

An internally developed intangible fixed asset resulting from development activities or from the development stage of an internal project is capitalized when the following evidence is provided:

- The final completion of the intangible fixed asset is technically feasible so that it will be available for use or sale.
- It is intended to finally complete the intangible fixed asset and to use or to sell it.
- The ability exists to use or to sell the intangible fixed asset. The intangible fixed asset is likely to generate future economic benefit.
- The availability of adequate technical, financial and other resources required in order to complete development and to use or sell the intangible fixed asset is assured.
- The ability exists to reliably determine the expenditure incurred during the development of the intangible fixed asset.

The amount at which an internally developed intangible fixed asset is initially capitalized is the sum of all expenses incurred beginning from the day on which the aforementioned conditions are initially met. If an internally developed intangible fixed asset cannot be capitalized, or if there is as yet no intangible fixed asset, the development costs are reported in the income statement for the reporting period in which they are incurred.

Capitalized development costs are generally amortized in the Group in a straight line over a useful life of five years. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

Intangible fixed assets acquired in a business combination

Intangible fixed assets acquired in a business combination are reported separately from goodwill and measured at fair value. Goodwill and other intangible fixed assets without definite useful lives are tested for impairment at each reporting date. Impairment tests are performed whenever certain events (trigger events) occur during the year. Whenever circumstances indicate that the expected benefit no longer exists, impairment must be recognized pursuant to IAS 36.

Intangible fixed assets with a definite useful life are amortized over the period during which the intangible fixed asset can be used. The useful life of the acquired customer base was set at 20 years in the retail business of Raiffeisen Bank Aval JSC. For the customer base of Polbank EFG S.A. a useful life of ten years was set for the purchase price allocation.

Group companies use brands to differentiate their services from the competition. According to IFRS 3, brands of acquired companies are recognized separately under the item "intangible fixed assets." Brands have an indeterminable useful life and are therefore not subject to scheduled amortization. Brands have to be tested annually for impairment and additionally whenever indications of impairment arise. Details on impairment testing can be found in the notes under (21) Intangible fixed assets.

Tangible fixed assets

The land and buildings as well as office furniture and equipment reported under tangible fixed assets are measured at cost of acquisition or conversion less depreciation. Depreciation is recorded under the item "general administrative expenses". The straight-line method is used for depreciation and is based on the following useful life figures:

Useful life	Years
Buildings	25-50
Office furniture and equipment	5-10
Hardware	3-5

Land is not subject to depreciation.

Expected useful lives, residual values and depreciation methods are reviewed annually. Any necessary future change of estimates is taken into account. Any anticipated permanent impairment is reported in the income statement and shown under the item "general administrative expenses". In the event that the reason for the write-down no longer applies, a write-up will take place up to a maximum of the amount of the amortized cost of the asset.

A tangible fixed asset is derecognized on disposal or when no future economic benefit can be expected from the continued use of the asset. The resulting gain or loss from the sale or retirement of any asset is determined as the difference between the proceeds and the carrying value of the asset and is recognized in other net operating income.

Investment property

This is property that is held to earn rental income and/or for capital appreciation. Investment property is reported at amortized cost using the cost model permitted by IAS 40 and is shown under tangible fixed assets because of minor importance. Straight line depreciation is applied on the basis of useful life. The normal useful life of investment property is identical to that of buildings recognized under tangible fixed assets. Depreciation is recorded under the item "general administrative expenses".

Investment property is derecognized on disposal or when it is no longer to be used and no future economic benefit can be expected from disposal. The resulting gain or loss from the disposal is determined as the difference between the net proceeds from the disposal and the carrying value of the asset and is recognized in other net operating income in the reporting period in which the asset was sold.

Impairment of non-financial assets (tangible fixed assets, investment property and intangible fixed assets)

Impairment test for goodwill

On each reporting date, goodwill is examined with a view to its future economic utility on the basis of cash generating units (CGUs). A cash generating unit is defined by the management and represents the smallest identifiable group of assets of a company that generates cash inflows from operations. Within RZB, all segments according to segment reporting are determined as cash generating units. Legal entities within the segments form their own CGU for the purpose of impairment testing of goodwill. The carrying value of the relevant entity (including any assigned goodwill) is compared with its recoverable amount. This is, as a general principle, defined as the amount resulting from its value in use and based on expected potential dividends discounted using a rate of interest reflecting the risk involved. The estimation of the future results requires an assessment of previous as well as future performance. The latter must take into account the likely development of the relevant markets and the overall macroeconomic environment.

Impairment tests for goodwill based on cash-generating units use a multi-year plan drawn up by the relevant management team and approved by the bodies responsible. This covers the CGU's medium-term prospects for success taking into account its business strategy, overall macroeconomic conditions (gross domestic product, inflation expectations, etc.) and the specific market circumstances. The data is then used to capture the terminal value based on a going concern concept. Discounting of the earnings relevant for the measurement, i.e. potential dividends, is undertaken using risk-adapted and country-specific equity capital cost rates determined by means of the capital asset pricing model. The individual interest rate parameters (risk-free interest rate, inflation difference, market risk premium, country-specific risks and beta factors) were defined by using external information sources. The entire planning horizon is divided into three phases with phase I covering the management planning period of three years. Detailed planning, including macroeconomic planning data, is extrapolated in phase II, which lasts another two years. The terminal value is then calculated in phase III based on the assumption of a going concern. Details on impairment testing can be found in the notes under (21) Intangible fixed assets.

Inventory

Inventories are measured at the lower of cost or net realizable value. Write-downs are made if the acquisition cost is above the net realizable value as of the reporting date or if limited usage or longer storage periods have impaired the value of the inventory.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale when the related carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is only considered met if the sale is highly probable and the asset (or disposal groups) is immediately available for sale and furthermore that the Management Board has committed itself to a sale. Moreover, the sale transaction must be due to be completed within twelve months.

Non-current assets and disposal groups classified as held for sale are valued at the lower amount of their original carrying value or fair value less costs to sell and are reported under other assets. Income from non-current assets held for sale and discontinued operations is reported under other net operating income. If the impairment expense of the discontinued operations exceeds the carrying value of the assets which fall under the scope of IFRS 5 (Measurement), there is no special provision in the IFRS on how to deal with this difference. This difference is recognized as other provisions in the item "provisions for liabilities and charges" in the statement of financial position.

In the event that the Group has committed to a sale involving the loss of control over a subsidiary, all assets and liabilities of the subsidiary concerned are classified as held for sale provided the aforementioned conditions for this are met. This applies irrespective of whether the Group retains a non-controlling interest in the former subsidiary after the sale or not. Results from discontinued business operations are reported separately in the income statement as result from discontinued business operations.

Details on assets held for sale pursuant to IFRS 5 are included in the notes under (24) Other assets.

Provisions for liabilities and charges

Provisions are recognized when the Group has a present obligation from a past event, where it is likely that it will be obliged to settle, and a reliable estimate of the amount is possible. The level of provisions is the best possible estimate of expected outflow of economic benefits at the reporting date while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. Risks and uncertainties are taken into account in the estimate. If a provision is formed based on cash flows estimated to fulfill an obligation, the cash flows must be discounted if the interest effect is material.

These types of provision are reported in the statement of financial position under the item "provisions for liabilities and charges". Allocation to the various types of provision is booked through different line items in the income statement depending on the nature of the provision. Allocation of loan loss provisions for contingent liabilities are recorded under net provisioning for impairment losses, restructuring provisioning, provisioning for legal risks and other employee benefits are recorded in general administrative expenses. Provision allocations that are not assigned to a corresponding general administrative expense are as a matter of principle booked against other net operating income.

Provisions for pensions and similar obligations

All defined benefit plans relating to so-called social capital (provisions for pensions, provisions for severance payments and provisions for service anniversary bonuses) are measured using the Projected Unit Credit Method in accordance with IAS 19 – Employee Benefits. The biometrical basis for the calculation of provisions for pensions, severance payments and service anniversary bonuses for Austrian companies is provided by AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance) – Pagler & Pagler, using the relevant parameters for salaried employees. In other countries, comparable actuarial parameters are used for calculation.

Please refer to Provisions for pensions and similar obligations in the notes under (28) Provisions for liabilities and charges.

Defined contribution plans

Under defined contribution plans, the company pays fixed contributions into a separate entity (a fund). These payments are recognized as staff expenses in the income statement.

Employee compensation plans

Variable remuneration – special remuneration policies

In the Group variable compensation is based on bonus pools on the bank or profit center level. Every variable remuneration system has fixed minimum and maximum levels and thus defines maximum payout values.

As of the financial year 2011, the following general and specific principles for the allocation, the claim and the payment of variable remuneration (including the payment of the deferred portion of the bonus) for board members of RBI AG and certain Group units and identified staff ("risk personnel") are applied:

- 60 per cent and for especially high amounts 40 per cent of the annual bonus respectively will be paid out on a proportional basis as 50 per cent cash immediately (up-front), and 50 per cent through a phantom share plan (see details below), which will pay out after a holding period (retention period) of one year. An exception to this are the Group units in Bulgaria, with 40 per cent up-front portion and a retention period of two years, and in the Czech Republic with a holding period of 1.5 years.

- 40 per cent and 60 per cent of the annual bonus respectively will be deferred according to local law over a period of three (in Austria, five) years (deferral period). Payment will be made on a proportional basis, 50 per cent cash and 50 per cent based on the phantom share plan.

Variable remuneration including a deferred portion is only allocated, paid or transferred if the following criteria are met:

- This is not prohibited at the level of RZB/RBI and/or RBI AG on the basis of a decision by the competent supervisory authority (e.g. by the European Central Bank for RZB/RBI).
- This is tenable overall based on the financial position of RZB/RBI and the financial position of RBI AG and is justified based on the performance of the Group, RBI AG, the business unit and the individual concerned.
- The minimum requirements applicable to RBI AG under local legislation for the allocation or payment of variable remuneration are fulfilled.
- The legally required CET 1 ratio of RZB/RBI is achieved, the capital and buffer requirements of the CRR and CRD IV for RZB/RBI are complied with in full and additionally neither the allocation, payment or transfer of the variable remuneration is detrimental to the maintenance of a sound capital base for RZB/RBI.
- RBI has met the minimum requirements under applicable law for economic and regulatory capital and additionally neither the allocation, payment nor transfer of the variable remuneration is detrimental to the maintenance of a sound capital base for RZB/RBI.
- All additional criteria and prerequisites for the allocation and/or payment of variable remuneration, as defined from time to time by the Management Board or the Supervisory Board (REMCO) of RZB/RBI, are met.

The Group fulfills the obligation arising from Clause 11 of the Annex to Section 39b of the Austrian Banking Act (BWG) which stipulates that at least 50 per cent of the variable remuneration of risk personnel must be paid out in the form of shares or similar non-cash instruments by means of a phantom share plan as follows: 50 per cent of the "up front" and 50 per cent of the "deferred" portion of the bonus are divided by the average closing price of the RBI share on trading days of the Vienna Stock Exchange in the payment year serving as the basis for calculating the bonus. Thereby, a certain amount of phantom shares is determined. This amount is fixed for the entire duration of the deferral period. After the expiration of the respective retention period, the amount of specified phantom shares is multiplied by RBI's share price for the previous financial year, calculated as described above. The resulting cash amount is paid on the next available monthly salary payment date.

These rules are valid unless any applicable local laws prescribe a different procedure (e.g. Poland).

Further details of the employee compensation plans are described in the management report.

Share-based compensation

The Management Board, with approval of the Supervisory Board, of RBI AG has approved a share incentive program (SIP) for the years 2011, 2012 and 2013 which provides performance based allotments of shares to eligible employees domestically and abroad for a given period. Eligible employees are current board members and selected executives of RBI AG, as well as executives of its affiliated bank subsidiaries and other affiliated companies. In 2014, it was already decided not to continue the program due to the complexity of the regulatory rules regarding variable compensation.

The number of ordinary shares of RBI AG which will ultimately be transferred depends on the achievement of two performance criteria: the targeted return on equity (ROE) and the performance of the shares of RBI AG compared to the total shareholder return of the shares of companies in the DJ EURO STOXX Banks index after a five-year holding period.

All expenses related to the share incentive program are recognized in staff expenses in accordance with IFRS 2 (share-based payment) and charged to equity. They are described in greater detail in the notes under (33) Equity.

Subordinated capital

This item comprises subordinated capital and supplementary capital. Liabilities documented or undocumented are subordinated if, in the event of liquidation or bankruptcy, they can only be met after the claims of the other – not subordinated – creditors have been satisfied. Supplementary capital contains all paid-in own funds which are provided by a third-party and are available for the company for at least eight years, for which interest is paid only from the profit and which can be repaid in the case of solvency only after all other debtors are satisfied.

Net interest income

Interest and interest-like income mainly includes interest income on loans and advances to banks and customers and from fixed-interest securities. In addition, current income from shares and other variable-yield securities (especially dividends), income from equity participations and from investments accounted for at equity, and interest-like income are also reported under net interest income. Dividend income is recognized if the entitlement of the owner for payment exists. Interest expenses and interest-like expenses mainly include interest paid on deposits from banks and customers and on debt securities issued and subordinated capital. Interest income and interest expenses are accrued in the reporting period. Negative interest from asset items is shown in interest income; negative interest from liability items is shown in interest expenses.

Net fee and commission income

Net fee and commission income mainly includes income and expenses arising from payment transfer business, foreign exchange business and credit business. Fee and commission income and expenses are accrued in the reporting period.

Net trading income

Net trading income comprises the trading margins resulting from the foreign exchange business, results due to foreign exchange revaluations and all realized and unrealized gains and losses from financial assets and liabilities at fair value. In addition, it includes all interest and dividend income attributable to trading activities and related refinancing costs.

General administrative expenses

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

Income taxes

RZB AG is the hub of a tax group whose members are 37subsidiaries and 15 other affiliated companies. Current taxes are calculated on the basis of taxable income for the current year taking into account the tax group (in terms of a tax group allocation). In the reporting year, a supplementary agreement with RBI AG was added to the current tax group allocation agreement. If RBI AG generates a negative taxable net income and these taxable losses are not usable in the Group, then the Group parent does not immediately pay a negative tax group allocation. Only and after withdrawal from the tax group at the latest, a final settlement is carried out. The Group parent still pays a negative tax group allocation to RBI AG if the tax losses of RBI AG are usable. The taxable income deviates from the profit of the statement of comprehensive income due to expenses and income which are taxable or tax-deductible in the following years or which are never taxable or tax-deductible. The liability of the Group for current taxes is recognized on the basis of the actual tax rate or the future tax rate which is enacted by the end of the reporting period.

Deferred taxes are calculated and recognized in accordance with IAS 12 applying the liability method. Deferred taxes are based on all temporary differences that result from comparing the carrying amounts of assets and liabilities in the IFRS accounts with the tax bases of assets and liabilities, and which will reverse in the future. Deferred taxes are calculated by using tax rates applicable in the countries concerned. A deferred tax asset should also be recognized on tax loss carry-forwards if it is probable that sufficient taxable profit will be generated against which the tax loss carry-forwards can be utilized within the same entity. On each reporting date, the carrying amount of the deferred tax assets is reviewed and impaired if it is no longer probable that sufficient taxable income will become available in order to partly or fully realize the tax assets. Deferred tax assets and deferred tax liabilities within the same entity are netted. Income tax credits and income tax obligations are recorded separately under the item "other assets" and "tax provisions" respectively.

Current taxes and movements of deferred taxes are recognized in the income statement. In case that they are linked to items which are recognized in other comprehensive income, in which case current and deferred taxes are also directly recognized in other comprehensive income.

Other comprehensive income

Other comprehensive income comprises all income and expenses directly recognized in equity according to IFRS standards. Income and expenses recognized directly in equity that are reclassified in the income statement are reported separately from income and expenses recognized directly in equity that are not reclassified in the income statement. This applies to currency differences resulting from the translation of equity held in foreign currency, changes resulting from the hedging of net investments in a foreign entity (capital hedge), the effective part of a cash flow hedge, changes resulting from valuation of available-for-sale financial assets as well as deferred taxes on the mentioned items. Revaluations of defined benefit plans are reported in other comprehensive income and are not reclassified to the income statement.

Fiduciary business

Transactions arising from the holding and placing of assets on behalf of third parties are not shown in the statement of financial position. Fees arising from these transactions are shown under net fee and commission income.

Financial guarantees

According to IAS 39, a financial guarantee is a contract under which the guarantor is obliged to make certain payments. These payments compensate the party to whom the guarantee is issued for losses arising in the event that a particular debtor does not fulfill payment obligations on time as stipulated in the original terms of a debt instrument. At the date of recognition of a financial guarantee, the initial fair value corresponds under market conditions to the premium at the date of signature of the contract. For subsequent measurement the credit commitment has to be presented as a provision according to IAS 37.

Insurance contracts

Liabilities arising from insurance contracts change depending on changes in interest rates, income from investments and expenses for pension agreements for which future mortality rates cannot be reliably predicted. IFRS 4 must be applied to the reporting of liabilities resulting from the existence of mortality rate risks and discretionary participation features. All assets associated with pension products are reported in accordance with IAS 39. Liabilities are recorded under other liabilities. Please refer to the notes under (31) Other liabilities for more information on insurance contracts.

Contingent liabilities and commitments

This item mainly includes contingent liabilities from guarantees, credit guarantees, letters of credit and loan commitments recognized at face value. Guarantees are used in situations in which the Group guarantees payment to the creditor of a third party to fulfill the obligation of the third party. Irrevocable credit lines must be reported when a credit risk may occur. These include commitments to provide loans, to purchase securities or to provide guarantees and acceptances. Loan loss provisions for contingent liabilities and irrevocable loan commitments are reported under provisions for liabilities and charges.

Statement of cash flows

The cash flow statement reports the change in the cash and cash equivalents of the Group through the net cash from operating activities, investing and financing activities. Cash flows for investing activities mainly include proceeds from the sale, or payments for the acquisition of, financial investments and tangible fixed assets. The net cash from financing activities shows all cash flows from equity capital, subordinated capital, and participation capital. All other cash flows are – according to international practices for financial institutions – assigned to operating activities.

Segment reporting

Notes on segment reporting are to be found in the section segment reporting.

Notes to the nature and extent of risks

Information about risks arising from financial instruments is disclosed in the explanatory notes. The risk report in particular contains detailed information on credit risk, country risk, concentration risk, market risk and liquidity risk.

Capital management

Information on capital management, regulatory own funds and risk-weighted assets are disclosed in the notes under (48) Capital management and regulatory total capital according to the Austrian Banking Act.

Application of new and revised standards

IAS 19 (Employee contributions; entry into force February 1, 2015)

The amendments clarify the provisions that relate to the allocation of employee or third-party contributions linked to periods of service. In addition, a solution that simplifies accounting practice is permitted if the amount of the contributions is independent of the number of years of service performed. These amendments have no material impact on the consolidated financial statements of RZB.

Annual Improvements to IFRS – 2010–2012 cycle (entry into force February 1, 2015)

The Annual Improvements to IFRS – 2010–2012 cycle include numerous amendments to various IFRS. These amendments have no material impact on the consolidated financial statements of RZB.

Amendments to IAS 1 (Presentation of financial statements; entry into force January 1, 2016)

The amendments aim to remove obstacles encountered by those responsible for preparing the financial statements relating to the exercise of discretion in the presentation of financial statements. These amendments have no material impact on the consolidated financial statements of RZB.

Amendments to IAS 16/IAS 38 (Clarification of acceptable methods of depreciation and amortization; entry into force January 1, 2016)

These amendments provide guidelines for methods of depreciation on tangible and intangible fixed assets to be used; especially related to revenue-based methods of depreciation. These amendments have no material impact on the consolidated financial statements of RZB.

Amendments to IAS 16/IAS 41 (Agriculture: bearer plants; entry into force January 1, 2016)

According to these amendments, IAS 16 is applicable for bearer plants which are no longer subject to obvious biological changes; therefore they can be recognized as tangible fixed assets. These amendments have no impact on the consolidated financial statements of RZB.

Amendments to IAS 27 (Equity method in separate financial statements; entry into force January 1, 2016)

Under these amendments, the option to use the equity method to measure investments in subsidiaries, joint ventures and associated companies in separate financial statements of investors is reinstated. These amendments have no impact on the consolidated financial statements of RZB.

Amendment to IFRS 10, IFRS 12 and IAS 28 (Investment entities: Applying the consolidation exception; entry into force January 1, 2016)

These amendments clarify that an entity may also apply the consolidation exception if its parent entity is an investment entity which measures its subsidiaries at fair value pursuant to IFRS 10. The amendments also clarify that an investment entity only has to consolidate a subsidiary that provides services related to the parent's investment activities if the subsidiary itself is not an investment entity. These amendments have no material impact on the consolidated financial statements of RZB because the Group is not an investment entity pursuant to IFRS 10.

Amendments to IFRS 11 (Joint arrangements; entry into force January 1, 2016)

The amendments to IFRS 11 modify accounting for acquisitions of interests in joint operations in such a way that the acquirer of shares in a joint operation in which the activity constitutes a business operation as defined in IFRS 3 is required to apply all of the principles regarding the recognition of business combinations pursuant to IFRS 3 and other IFRS, provided they do not contradict the principles contained in IFRS 11. These amendments have no material impact on the consolidated financial statements of RZB.

Annual Improvements to IFRS – 2012–2014 cycle (entry into force January 1, 2016)

Numerous amendments and clarifications to various IFRS. These amendments have no material impact on the consolidated financial statements of RZB.

Standards and interpretations that are not yet applicable (already endorsed by the EU)

The following new or amended standards and interpretations, which have been adopted, but are not yet mandatory, have not been applied early.

IFRS 15 (Revenue from contracts with customers; entry into force January 1, 2018)

The standard regulates when revenue is recognized and how much revenue is recognized. IFRS 15 replaces IAS 18 (Revenue), IAS 11 (Construction contracts) and a series of revenue-related interpretations. The application of IFRS 15 is obligatory for all IFRS users and is applicable to almost all contracts with customers – the material exemptions are leasing contracts, financial instruments and insurance contracts.

IFRS 9 (Financial instruments; entry into force January 1, 2018)

IFRS 9 (financial instruments) contains requirements for the classification, measurement, derecognition of and accounting for hedging relationships. The IASB published the final version of the standard within the context of completion of the various phases on July 24, 2014 and it was definitively incorporated into EU law through the EU Commission's adoption of Regulation (EU) No. 2016/2067 of November 22, 2016. Key requirements of IFRS 9 are:

According to IFRS 9, all financial assets must be measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are measured at amortized cost at the end of subsequent accounting periods. All other instruments must be measured at fair value.

IFRS 9 also includes an irrevocable option to recognize subsequent changes in the fair value of an equity instrument (not held for trading purposes) in other comprehensive income and to recognize only dividend income in the profit and loss statement.

With regard to the measurement of financial liabilities (designated as measured at fair value through profit or loss), IFRS 9 requires that changes in fair value arising out of changes in the default risk of the reporting entity are to be recognized in other comprehensive income. Changes in fair value attributable to a reporting entity's own credit risk may not be subsequently reclassified to profit or loss.

For subsequent measurement of financial assets measured at amortized cost, IFRS 9 provides for three stages which determine the future amount of losses to be recognized and the recognition of interest. The first stage requires that at the time of initial recognition, expected losses must be shown in the amount of the present value of an expected twelve-month loss. If there is a significant increase in the default risk, the risk provision must be increased up to the amount of the expected full lifetime loss (stage 2). When there is an objective indication of impairment, the interest in step 3 must be recognized on the basis of the net carrying amount. In addition to transitional provisions, IFRS 9 also includes extensive provisions on disclosure both during transition and during ongoing application. New provisions relate in particular to impairment. The mandatory date of the initial application of IFRS 9 will be January 1, 2018.

RZB is implementing a centrally managed IFRS 9 program ("IFRS 9 Implementation") which is sponsored by the RBI Group's Chief Financial Officer and Chief Risk Officer and for which experts provide support in matters relating to methodology, data acquisition and modelling, IT processes and accounting. Overall steering is the responsibility of an IFRS 9 steering committee ("Steering Committee IFRS9 Business Policy & Group Implementation"), whose members include Finance and Risk employees together with the board members with relevant responsibility. Policies and training on IFRS 9 are being provided across all Group units and Group functions as part of the IFRS 9 program in order to prepare for IFRS 9's entry into force for the Group as of January 1, 2018. During the 2016 financial year, RBI also further developed the relevant technical concepts and associated implementation guidelines. As part of the project, steps were commenced to conduct Group-wide iterative impact analyses with regard to classification and measurement ("SPPI test" and "benchmark test") and impairment of financial instruments. RBI will complete the analyses in stages in 2017 and move the project into its implementation phase.

RZB also anticipates that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. It is expected that overall, IFRS 9 will increase the level of risk provision. This estimate is based on the requirement to recognize a risk provision in the amount of the expected loan defaults for the first twelve months even for those instruments where the credit risk has not increased significantly since initial recognition. Moreover, it is based on the estimate that the volume of assets for which the "lifetime expected loss" is applied is probably larger than the volume of assets where loss events pursuant to IAS 39 have already occurred.

RZB also assumes that IFRS 9 will have consequences for the classification and measurement of financial instruments. Following a detailed analysis, it was established with regard to classification and measurement that for certain contractual cash flows of financial assets there is a risk that parts of the portfolio will have to be re-measured "at fair value through profit or loss".

IFRS 9 grants accounting options for hedge accounting. RZB plans to continue to apply the provisions on hedge accounting pursuant to IAS 39 while, however, taking into account the changes in the information in the notes pursuant to IFRS 7. In addition, RZB will adapt the structure of the consolidated financial statements due to the first-time application of IFRS 9 and resulting changes to IFRS 7 and regulatory requirements (especially FINREP).

Standards and interpretations not yet applicable (not yet endorsed by the EU)

Amendments to IAS 7 (Disclosure initiative; entry into force January 1, 2017)

The amendments aim to ensure that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to IAS 12 (Deferred taxes; entry into force January 1, 2017)

The amendments clarify that unrealized losses related to debt instruments measured at fair value but at cost for tax purposes can give rise to deductible temporary differences. This applies irrespective of whether the holder expects to recover the carrying amount by holding the debt instrument until maturity and collecting all contractual payments or by selling the debt instrument. In addition, the carrying amount of an asset does not represent the upper limit for the estimation of probable future taxable profits. When estimating future taxable profits tax deductions resulting from the reversal of deductible temporary differences must be excluded and a company must assess a deferred tax asset in combination with other deferred tax assets. If tax law restricts the realization of tax losses, a company must assess a deferred tax asset in combination with other deferred tax assets of the same (admissible) type.

Amendments to IFRS 2 (Share-based payment; entry into force January 1, 2018)

The amendments concern individual matters relating to the accounting of cash-settled share-based payments. The principal amendment/addition relates to the fact that IFRS 2 now contains provisions which relate to the calculation of the fair value of liabilities resulting from share-based payments. The consequences for the consolidated financial statements are still being analyzed.

Amendments to IFRS 4 (Insurance contracts; entry into force January 1, 2018)

The amendments aim to mitigate the consequences resulting from different first-time effective dates for the application of IFRS 9 and the successor standard to IFRS 4, especially for companies whose activities are predominantly connected with insurance. Two optional approaches are being introduced which can be used by insurers if certain requirements are met: the overlay approach and the deferral approach. The consequences for the consolidated financial statements are still being analyzed.

Amendments to IFRS 15 (Revenue from contracts with customers; entry into force January 1, 2018)

The IASB published clarifications to IFRS 15 in 2016. The amendments to clarify IFRS 15 'Revenue from contracts with customers' address three of the five topics identified (identifying performance obligations, principal versus agent considerations and licensing) and aim to provide transition relief for modified contracts and completed contracts. The consequences for the consolidated financial statements are still being analyzed.

IFRS 16 (Leases; entry into force January 1, 2019)

For lessees, the new standard provides an accounting model which does not distinguish between finance and operating leases. In future, it will be necessary to report the majority of lease agreements in the balance sheet. For lessors, the rules of IAS 17 remain largely applicable, with the result that in future, they will still have to distinguish between finance and operating lease agreements – with corresponding implications for accounting. The consequences for the consolidated financial statements are still being analyzed.

Annual improvements to IFRS – 2014–2016 cycle (entry into force January 1, 2017/2018)

The amendments include in particular:

- IFRS 1 First-time adoption of International Financial Reporting Standards: Deletion of the remaining short-term exemptions in IFRS 1 for first-time users.
- IFRS 12 Disclosure of interests in other entities: Clarification that with the exception of IFRS 12.B10-B16, the standard’s disclosure requirements also apply to interests which fall under the scope of IFRS 5.
- IAS 28 Investments in associates and joint ventures: Clarification that the election to measure an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment on an investment-by-investment basis.

The amendments to IFRS 12 are applicable from January 1, 2017, the amendments to IFRS 1 and IAS 28 from January 1, 2018. Earlier application is permitted.

IFRIC 22 (Foreign currency transactions and advance consideration; entry into force January 1, 2018)

This interpretation clarifies the accounting for transactions that include the receipt or payment of considerations in a foreign currency.

Amendments to IAS 40 for the classification of property under construction or development published (entry into force January 1, 2018)

The amendments serve to clarify the provisions in relation to transfers to or from investment properties. In particular, the amendments clarify whether property which is under construction or development which was previously classified under inventories can be transferred to investment properties when there is an evident change of use.

Amendments to IFRS 10/IAS 28 (Sale or contribution of assets between an investor and its associate or joint venture; entry into force January 1, 2016)

The amendments clarify that for transactions with an associate or joint venture, the extent of recognition of gains or losses depends on whether the sold or contributed assets constitute a business. The effective date has been deferred indefinitely.

IFRS 14 (Regulatory deferral accounts; entry into force January 1, 2016)

Only entities applying IFRS for the first time and who recognize regulatory deferrals according to their previous accounting standards are allowed to continue with regulatory deferrals after transition to IFRS. The standard is intended to be a short-term interim solution till the IASB concludes the long-term project relating to price-regulated business transactions. The European Commission has decided not to commence the adoption process for this temporary standard yet and to await the final IFRS 14.

Vienna, 1 March 2017

The Management Board

Walter Rothensteiner

Michael Höllerer

Johannes Schuster

Auditor's report

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of

Raiffeisen Zentralbank Österreich Aktiengesellschaft,
Vienna, Austria,

and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG (Austrian Banking Act).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation (EU) 537/2014 ("EU Regulation") and with Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the audited entity within the meaning of Austrian commercial law and professional regulations, and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. Key audit matters are selected from the matters communicated with the audit committee, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole. Our opinion on the consolidated financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

In the following we present the key audit matters from our point of view:

- Recoverability of loans and advances to customers
- Valuation of derivative financial instruments
- Valuation of liabilites issued at fair value through profit and loss
- Valuation of Associates and the accounting of significant purchases and sales

Recoverability of loans and advances to customer

The Financial Statement Risk

Loans and advances to customers as at the Balance Sheet date amout to EUR 79.8 billion. This is made up of EUR 47.0 billion in loans to corporates, EUR 32.0 billion in loans to retail customers and EUR 0.8 billion in loans to the public sector. For these assets individual as well as portfolio loan loss provisions amounting to a total of EUR 5.2 billion have been recognized, comprising EUR 3.4 billion for loans to corporates and EUR 1.8 billion loans to retail customers.

The Board describes the process of monitoring the credit risk and the procedures for determining the loan loss provisions within the "Risk Report" and "Recognition and Measurement Principles" chapters within the notes of the Financial Statements.

As part of the credit risk monitoring process the bank checks if there is any indication of impairment and therefore whether an individual loan loss provision is needed. This includes assessing whether the customer can fully fulfill the contractually agreed repayments without the need of realizing collaterals.

Where there is an indication of impairment on loans to corporates, provisions are formed in the amount of the expected loss according to homogeneous Group-wide standards. This occurs when the discounted projected future repayment amounts, including interest and any amounts realisable from collateral, is below the carrying value of the loan. This assessment is significantly influenced by the estimate of the clients economic situation and development, the estimate of collateral values and the amount and timing of future cash flows.

For retail clients individual loan loss provisions are calculated using the Internal Rating Based Approach using the default definitions of the internal rating systems. One entity uses the Delinquency Bucket based Approach whereby all amounts overdue by more than 180 days are fully provisioned.

Portfolio loan loss provisions are calculated for all corporate customers that are not impaired based on their individual risk profile (individul rating classes). Portfolio loan loss provisions are determined using centrally calculated historical default rates for each rating class, collateral values and other statistical and historical data.

For retail clients the portfolio loan loss provision is calculated automatically using general probability of default rates and loss given default rates. These parameters are based on historical statistic data.

The calculation of loan loss provisions is significantly influenced by management's assumptions and estimates. These assumption and estimate uncertainties lead to a risk of mistatement in the Financial Statements.

Our Audit Approach

We have obtained the documentation that describes the process of loan issuance, loan monitoring and determination of loan loss provisions and analysed these documents to determine whether the processes adequately identify impairment indicators and ensure amounts are recorded at their appropriate carrying value in the Financial Statements. In addition we tested the entire process as well as the essential key controls within these processes. As part of this work we checked the design, implementation and effectiveness of these key controls.

For individual loan loss provision we used a sampling based approach to determine whether impairment indicators were indentified and whether appropriate loan loss provisions were calculated. We critically assessed the banks estimates regarding the amount and timing of future cash flows, including those resulting from realisation of collaterals, and whether the banks assessment was in line with the internal and external information available. The sample selection was made using both a risk based approach dependant on the clients rating class, and random selection approach for clients with a lower probability of default. With regards to the internal collateral valuation we analysed whether the assumptions used in the model were adequate and in line with available market data. We involved our internal valuation specialists in this process.

For portfolio loan loss provision we reviewed whether the models and relevant parameters used were adequate for calculating loan loss provisions. For corporate clients we used sampling to test whether the applied probability of default rates per rating class had been correctly determined. Our internal valuation specialists assessed the appropriateness of the models and parameters used in the calculation. We further analysed whether the models and parameters used, taking into account backtesting results, are appropriate for calculating loan loss provisions.

Finally we asssessed whether the disclosures in the notes to the Financial Statements regardings loan loss provisions were appropriate.

Valuation of Derivatives

The Financial Statement Risk

The Group has entered into derivatives for trading and hedging purposes as part of its business activities. The allocation of a derivative to the trading/banking book or hedge accounting is significant for it's presentation and subsequent valuation.

The Board describes its derivative financial instruments, the designation of derivatives to a hedging relationship as well as the calculation of fair value of financial instruments within the "Recognition and Measurement Principles" chapter in the notes of the Financial Statements.

For fair value instruments for which no quoted prices or only insufficient observable market data is available fair value is determined using internal models based on the assumptions and parameters within these models. Due to the leverage inherent in derivatives, market values of derivatives can be subject to significant fluctuation.

In order to apply hedge accounting, the bank is required to document the hedging relationship as well as the hedge effectiveness testing. In the case of a suitably documented strategy, bank book derivatives can be designated as hedging instruments for both micro hedges and portfolio hedges.

Our Audit Approach

We have analysed the allocation of derivatives and their presentation in the Statement of Financial Position using a sampling approach. We have analysed the process documentation regarding derivate closing, settlement, valuation, risk and limit monitoring, clearing and internal data management. The design and implementation of essential controls in the processes were critically assessed and the effectiveness of these controls was tested.

We involved valuation specialists to evaluate the fair values determined by the Group. We have examined the appropriateness of the valuation models used and the underlying valuation parameters by comparing the parameters used with available market data. Additionally we have sample tested the calculation and the assumptions used.

We have examined the existence of hedging relationships by reviewing the hedge accounting documentation using a sampling approach and in particular whether the hedging intention and documentation were in place at inception of the hedging relationship. We also reviewed the effectiveness tests provided by the Group to ensure they have been calculated appropriately. In addition, we have reconciled on a sample basis the hedge accounting adjustments to the Statement of Financial Position and Statement of Comprehensive Income.

Finally, we assessed whether the disclosures in the notes regarding the valuation methods, fair value hierarchy and hedging relationships were complete and appropriate.

Valuation of Liabilities that are measured at Fair Value

The Financial Statement Risk

Liabilities that are measured at fair value amounted to EUR 2.8 billion, of which EUR 0.7 subordinated, as at the Balance Sheet date. In addition to the general market risk factors, their fair value is significantly influenced by the credit risk of the issuing entity (credit spread).

The Board describes the process of calculating the fair value of these liabilities that are measured at fair value within Note 41 and the "Recognition and Measurement Principles" chapter in the notes of the Financial Statements.

The fair value calculation of own debt security issues for which there is no market price is available is done using a Internal valuation model. The fair value is determined using a Discounted Cash Flow model using estimated credit spreads. The credit spreads used in the model are derived from available market data.

The credit spread curve is a significant input to the fair value calculation and due to the indicative nature of the price quotations leads to a risk of mistatement in the Financial Statements.

Our Audit Approach

We have obtained the documentation that describes the process of issuance, valuation and risk and limit monitoring of liabilites measured at fair value. The design and implementation of essential controls in the processes were critically assessed and the effectiveness of these controls was tested.

We involved valuation specialists to evaluate the fair value model used by the Bank. Further we compared the data inputs to this model to the available market data to determine whether it they were reasonable. With involvement of relevant staff members and utilising documents made available by the Treasury department we assessed whether the derived credit spread curve was suitable in dertermining the fair value of the liabilities. Using a samplling approach we tested whether the fair values had been calculated properly.

Finally, we assessed whether the disclosures in the notes regarding the fair valued liabilities was appropriate and complete.

Valuation of Associates and accounting for the initial recognition of additions as well as disposals of investments in associated companies

Financial Statement Risk

The Board describes the classification and impairment testing process for associated companies in the "Recognition and Measurement Principles" chapter within the notes of the Financial Statements.

The „Participation and Finance" department reviews whether there is any objective evidence for impairment. If there is objective evidence of impairment, an impairment test is carried out by using internal or external company valuations. If the recoverable amount of the associated company is lower than it's carrying value this difference is recognized as an impairment charge. Vice versa, if in subsequent periods the reasons for impairment no longer exist, the impairment is reversed.

The valuations of the associated companies in the course of the impairment test are based to a large extent on assumptions and estimates of future cash flows. These future cash flows are based on the budget approved by the associate company's management bodies. The discount rate used can be impacted by future market, economic and legal conditions. The company valuations are therefore significantly influenced by assumptions and estimates which in consequence leads to a risk of mistatement in the Financial Statements.

The Group was engaged in the following transactions with UNIQA Insurance Group AG, Vienna, shares in the business year 2016: Sale of a UNIQA share package of 17.6 % and the simultaneously sale of a 5.2% package of UNIQA shares belonging to Non-controlling interests as well as the purchase of a 2.2% package of UNIQA shares. These transactions are described in Note 7 and Note 20. Due to the complexity of those transactions there is a risk of mistatement in the Financial Statements.

Our Audit Approach

We have reviewed the processes of the "Participation and Finance" department for associated companies and tested the respective internal controls to assess whether they are appropriate to identify impairment indicators and potential reversals of impairments for the reporting period.

In order to examine the appropriateness of valuation models used, the valuation parameters included therin, as well as the assumptions in the budget plans we involved our valuation specialists. They reviewed the valution model and parameters used to ensure they were appropriate for determining the company value. We hereby assessed the appropriateness of the assumptions used in determing the discount rate by comparison of the data with market and industry specific benchmarks. The bank tests the accuracy of the assumptions in the budget plans by doing back-testing. The company values were compared with publicly available information and market data including market multiples.

In relation to the sale of UNIQA shares we have assessed whether the requirements of IFRS 5 have been complied with. In particular we have analysed whether the impairment adjustment required to reduce the carrying amount of the associate to the "fair value less costs of sales" value, was carried out in accordance with IFRS 5 and whether immediately before the initial classification of the shares as held for sale, the carring amounts of the assets have been measured in accordance with applicable IFRSs.

Additionally we have assessed whether prior period valuation adjustments within other comprehensive income connected to the UNIQA shares sold have been correctly recycled to the Statement of Comprehensive Income.

The presentation and valuation of the remaining and newly acquired UNIQA shares was reviewed to ensure that the relevant IFRS rules have been complied with.

Finally, we assessed whether the disclosures in the notes regarding the valuation of associates and initial recognition of additions as well as disposals of investments in associates described were complete and appropriate.

Management's Responsibility and Responsibility of the Audit Committee for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, and, where appropriate, to disclose matters that are relevant to the Group's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Group or closure of operations is planned or cases in which such measures appear unavoidable.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they could, individually or in the aggregate, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit as well as significant findings including any significant deficiencies in internal control that we identify in the course of our audit.
- We report to the audit committee that we have complied with the relevant professional requirements in respect of our independence and that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, related measures taken to ensure our independence.
- From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian Generally Accepted Accounting Principles the group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it has been prepared in accordance with legal requirements.

The legal representatives of the Company are responsible for the preparation of the group management report in accordance with Austrian Generally Accepted Accounting Principles.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report has been prepared in accordance with legal requirements and is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and the understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Other Information

The legal representatives of the Company are responsible for the other information. Other information comprises all information provided in the annual report, with the exception of the consolidated financial statements, the group management report, and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover other information, and we will not provide any assurance on it.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether it contains any material inconsistencies with the consolidated financial statements and our knowledge gained during our audit, or any apparent material misstatement of fact. If on the basis of our work performed, we conclude that there is a material misstatement of fact in the other information, we must report that fact. We have nothing to report with this regard

Auditor in Charge

The auditor in charge is Mr. Wilhelm Kovsca.

Vienna, 1 March 2017

KPMG Austria AG

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca

Wirtschaftsprüfer

(Austrian Chartered Accountants)

Statement of all legal representatives

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

Vienna, 1 March 2017

The Management Board

Walter Rothensteiner
Chairman of the Management Board responsible for
Participation Management & Finance, Sustainability Management, Compliance, Audit of RZB Group
and Management Secretariat

Michael Höllerer
Member of the Management Board responsible for
Sector Marketing, Sector Customers, Sector Treasury,
Sector Services, Group Regulatory Affairs, Group Transformation Office and Digital Banking & Innovation Management

Johannes Schuster
Member of the Management Board
responsible for Risk Management, Risk Controlling
and Organization & Processes

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Notes: In this extract of RZB's Annual Report, "RZB" refers to the RZB Group and "RZB AG" is used wherever statements refer solely to Raiffeisen Zentralbank Österreich AG.

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 forwardlooking statements.

We prepared this Annual 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.

The Annual Report was prepared in German. The extract of the Annual Report in English is a translation of the original German report. The only authentic version is the German version.