RAIFFEISEN ZENTRALBANK ÖSTERREICH AKTIEN-GESELLSCHAFT ANNUAL FINANCIAL STATEMENTS 2014

Content

The original Annual Financial Report was prepared in German. Only the German language version is the authentic one. The English language version is a non-binding translation of the original German text. Please be aware that due to the rounding off of amounts and percentages there may be minor differences.

Annual financial statements

Statement of financial position

Assets

		31/12/2014 in €	31/12/2013 in € thousand
1.	Cash in hand and balances with central banks	2,393,490,940.48	1,517,828
2.	Treasury bills and other bills eligible for refinancing with central banks	3,080,760,698.09	134,151
3.	Loans and advances to credit institutions	5,252,823,710.72	14,903,486
	a) due at call	142,480.47	76,447
	b) Other loans and advances	5,252,681,230.25	14,827,039
4.	Loans and advances to customers	1,286,194,851.50	561,465
5.	Debt securities and other fixed-income securities	106,139,729.26	100,913
	a) issued by public bodies	0.00	0
	b) issued by other borrowers	106,139,729.26	100,913
6.	Shares and other variable-yield securities	25,011,772.84	0
7.	Financial investments	50,445,381.78	112,831
	hereof: in credit institutions	27,815,879.86	27,816
8.	Interest in affiliated companies	5,328,681,151.18	5,464,021
	hereof: in credit institutions	0.00	250,000
9.	Intangible fixed assets	511,769.31	53
10.	Tangible fixed assets	4,515,905.36	4,593
11.	Other assets	331,097,955.41	396,414
12.	Accruals and deferred income	1,125,453.21	2,071
Total assets		**17,860,799,319.14**	**23,197,826**

Liabilities

		31/12/2014 in €	31/12/2013 in € thousand
1.	Deposits from banks	13,170,606,126.35	18,269,022
	a) due at call	71,202,024.24	683
	b) With agreed maturity dates or periods of notice	13,099,404,102.12	18,268,339
2.	Liabilities to customers (non-banks)	186,907,738.85	204,199
	a) Savings deposits	0.00	0
	b) Other liabilities	186,907,738.85	204,199
	aa) due at call	127,163.90	115
	bb) With agreed maturity dates or periods of notice	186,780,574.95	204,084
3.	Debt securities issued	0.00	0
4.	Other liabilities	87,678,613.70	80,168
5.	Accruals and deferred income	13,961.68	1,091
6.	Provisions	80,290,882.85	62,182
	a) Provisions for severance payments	3,858,428.98	3,097
	b) Provisions for pensions	57,057,699.05	48,370
	c) Provisions for taxation	4,392,369.56	4,392
	d) other	14,982,385.26	6,323
7.	Supplementary capital	52,000,000.00	0
8.	Subscribed capital	492,466,422.50	492,466
9.	Capital reserves	1,862,142,993.12	1,862,143
	a) Committed	1,861,974,553.59	1,861,975
	b) Uncommitted	168,439.53	168
10.	Retained earnings	1,477,134,883.64	1,452,135
	a) Legal reserve	38,612,000.00	38,612
	b) Other reserves	1,438,522,883.64	1,413,523
11.	Liability reserve pursuant to Article 57 (5) BWG	524,366,174.72	524,366
12.	Profit/loss	(76,581,890.23)	246,281
	a)/ Profit/loss	(78,900,022.21)	235,631
	b) profit brought forward from previous years	2,318,131.98	10,650
13.	Untaxed reserves	3,773,411.96	3,773
	Valuation reserve due to extraordinary depreciation	3,773,411.96	3,773
Total liabilities		**17,860,799,319.14**	**23,197,826**

Items off the statement of financial position

	ASSETS	31/12/2014 in €	31/12/2013 in € thousand
1.	Foreign assets	2,277,145,302.47	220,705

	EQUITY AND LIABILITIES	31/12/2014 in €	31/12/2013 in € thousand
1.	Contingent liabilities	10,513,354,110.20	12,686,181
	Guarantees and assets pledged as collateral security	10,513,354,110.20	12,686,181
2.	Commitments	3,418,524,166.34	578,540
3.	Commitments arising from agency services	24,009,548.05	24,010
4.	Eligible capital pursuant to Part 2 of Regulation (EU) No 575/2013 [1]	3,621,833,800.54	–
	hereof: supplementary capital pursuant to Chapter 4 of Title I of Part 2 of Regulation (EU) No 575/2013	0.00	–
5.	Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013 [1]	9,020,434,941.79	–
	hereof: capital requirement pursuant to Article 92 (1) (a) to (c)		
	a) hereof: capital requirements pursuant to Article 92 (1) (a)	40.15%	–
	b) hereof: capital requirements pursuant to Article 92 (1) (b)	40.15%	–
	c) hereof: capital requirements pursuant to Article 92 (1) (c)	40.15%	–

1 Details including previous year figures based on the prevailing version of BWG at that time can be found in the notes under the chapter own funds.

Income statement

		2014 in €	2013 in € thousand
1.	Interest receivable and similar income	86,971,795.67	120,256
	hereof: from fixed-income securities	11,976,461.58	5,630
2.	Interest payable and similar expenses	(111,351,902.56)	(133,286)
I.	**NET INTEREST INCOME**	**(24,380,106.89)**	**(13,030)**
3.	Income from securities and participating interests	219,535,215.49	333,721
	a) Income from shares and other variable-yield securities	0.00	0
	b) Income from participating interests	8,568,965.49	9,370
	c) Income from shares in affiliated undertakings	210,966,250.00	324,351
4.	Commissions receivable	11,492,894.40	8,004
5.	Commissions payable	(1,022,804.95)	(151)
6.	Net profit or net loss on financial operations	(5,971,619.52)	0
7.	Other operating income	20,353,960.71	10,245
II.	**OPERATING INCOME**	**220,007,539.24**	**338,789**
8.	General administrative expenses		
	a) Staff costs	(33,889,844.03)	(20,818)
	aa) Wages and salaries	(16,147,989.98)	(14,601)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(3,241,114.43)	(2,897)
	cc) Other social expenses	(734,609.06)	(741)
	dd) Expenses for pensions and assistance	(4,638,622.54)	(6,848)
	ee) Allocation to provision for pensions	(8,124,121.69)	4,767
	ff) Expenses for severance payments and contributions to severance funds	(1,003,386.33)	(498)
	b) Other administrative expenses	(43,884,825.04)	(33,199)
9.	Value adjustments in respect of asset items 9 and 10	(130,581.33)	(117)
10.	Other operating expenses	(676,335.98)	(1,738)
III.	**OPERATING EXPENSES**	**(78,581,586.38)**	**(55,872)**
IV.	**OPERATING RESULT**	**141,425,952.86**	**282,917**
11./ 12.	Net income/expenses from the disposal and valuation of loans and advances and specific securities	3,541,578.31	4,837
13./ 14.	Net income/expenses from the disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests	(178,521,384.60)	1,727
V.	**PROFIT ON ORDINARY ACTIVITIES**	**(33,553,853.43)**	**289,481**
15.	Tax on profit or loss	1,630,439.81	(44,697)
16.	Other taxes not reported under Item 15	(21,976,608.59)	(9,171)
VI.	**PROFIT/LOSS**	**(53,900,022.21)**	**235,613**
17.	Changes in reserves	(25,000,000.00)	18
	hereof: allocation to liability reserve	0.00	0
VII.	**PROFIT/LOSS**	**(78,900,022.21)**	**235,631**
18.	Profit brought forward	2,318,131.98	10,650
VIII.	**PROFIT/LOSS**	**(76,581,890.23)**	**246,281**

Notes

Company

Raiffeisen Zentralbank Österreich AG (Raiffeisen Zentralbank) is the lead and central institution of the Raiffeisen Banking Group in Austria (RBG). It was founded in 1927 - at the time as "Girozentrale der österreichischen Genossenschaften" - as a central liquidity balancing provider for the Austrian agricultural cooperatives. The RZB Group is the third-largest banking group in Austria and the RBG as a whole is the largest and strongest domestic banking group. Raiffeisen Zentralbank is primarily owned by the Regional Raiffeisen Banks and is their central institution pursuant to the Austrian Banking Law applicable until 31 December 2014.

The core business area of Raiffeisen Zentralbank is its function as the lead institution of the RBG and its role as the head of the RZB Group. RZB also performs central services for the RBG. Raiffeisen Zentralbank owns one of the largest banking networks in Central and Eastern Europe through its stock-exchange listed subsidiary, Raiffeisen Bank International AG (RBI). In the region, 15 markets are covered by subsidiary banks, leasing companies and a number of other financial service providers. Around 55,000 employees look after approximately 14.8 million customers worldwide through a distribution network of around 2,900 outlets.

Business areas in Raiffeisen Zentralbank

Raiffeisen Zentralbank and its Group consists of the following business areas:

- Raiffeisen Bank International AG (RBI): The listed RBI together with its Group companies constitutes the most significant holding of Raiffeisen Zentralbank. RBI is a universal bank which focuses on corporate and retail customers in Central and Eastern Europe (CEE) and Austria. In the world's financial centers and in Asia it undertakes selective business with corporate customers and financial institutions through branches, subsidiaries and representative offices.

- Sector business: Business that Raiffeisen Zentralbank, as the central institution of the Austrian Raiffeisen bank sector, undertakes with affiliated banks from the Raiffeisen bank sector within the framework of minimum reserve and liquidity management. This includes in particular short-term money market transactions between banks from the Austrian Raiffeisen bank sector and Raiffeisen Zentralbank and between Raiffeisen Zentralbank and RBI, as well as investment of the required liquidity at the National Bank of Austria (Österreichische Nationalbank). Furthermore, Raiffeisen Zentralbank carries out advisory and service activities for the entire Austrian Raiffeisen bank sector, such as the organization and centralized management of Raiffeisen marketing.

- Participation Management: Raiffeisen Zentralbank holds a number of equity participations, which do not have a primary connection to the operational commercial customer business or to those companies which have an operational connection to the finance business, that are not categorized as sector business.

A further activity of Raiffeisen Zentralbank is risk management. Raiffeisen Zentralbank utilizes a system of risk principles and risk measurement and monitoring processes, which serve the purpose of control and management of the risks arising from all bank business and special business of the Group.

Service relationships between Raiffeisen Zentralbank and RBI

There are mutual service relationships between Raiffeisen Zentralbank and RBI that are covered by Service Level Agreements (SLAs). On the basis of a framework agreement and a SLA template, which regulate the rights and obligations of the contracting parties and the settlement modalities between them, there are a variety of SLAs on departmental level covering dealings between Raiffeisen Zentralbank and RBI. These are subject to an annual review process based on the services actually provided.

On the reporting date there were 24 SLAs regulating services provided by RBI. The most significant of these are:

- Group Communications
- Information Technology
- Accounting & Reporting
- Legal & Compliance

In turn, Raiffeisen Zentralbank provides services - Group management instruments - that represent Group guidelines. These are also regulated by 6 SLAs: RZB Group Corporate Responsibility, Executive Secretariat, Group Organizations & Internal Control System, Risk Controlling and Raiffeisen sector customers.

Service relationships between Raiffeisen Zentralbank and other companies

There are service relationships between RZB as service recipient and other companies (Raiffeisen Informatik GmbH, card complete Service Bank AG).

Raiffeisen Zentralbank in turn provides services to various companies in the Raiffeisen sector in the areas of marketing, risk controlling, legal and internal control system (IKS).

Shareholders of Raiffeisen Zentralbank

Raiffeisen Zentralbank is, as part of the Raiffeisen Banking Group, indirectly majority owned by the Regional Raiffeisen Banks (Raiffeisen-Landeszentralen). The Regional Raiffeisen Banks have pooled the majority of their shares in Raiffeisen Zentralbank in a separate company, Raiffeisen-Landesbanken-Holding GmbH. This company currently holds 78.52 per cent of the subscribed capital in Raiffeisen Zentralbank through a subsidiary company, R-Landesbanken-Beteiligung GmbH, and is consequently the ultimate parent company of the Group. Additionally, Raiffeisen-Landesbanken-Holding GmbH has directly held 3.87 per cent of the subscribed capital in RZB since 2013. The consolidated financial statements of Raiffeisen-Landesbanken-Holding GmbH are filed with the commercial register and published in the Wiener Zeitung, in accordance with Austrian disclosure regulations. The Austrian Regional Raiffeisen Banks hold in total approximately 90 per cent of the subscribed capital in Raiffeisen Zentralbank.

Recognition and measurement principles

General principles

The annual financial statements for the year ending 31 December 2014 were prepared in accordance with the Austrian Commercial Code (UGB), taking into account the special provisions of the Austrian Banking Act (BWG). The amendments to the Austrian Banking Act to comply with the EU's CRR/CRD IV regulations resulted in some changes in the statement of financial position presentation. The Bank implemented these alterations in the present annual financial statements. In accordance with the principles of proper accounting, and taking into account standard practice as described in Section 222 (2) of the Austrian Commercial Code (UGB), to the best of our knowledge the annual financial statements give a true and fair view of the company's net assets, financial position and earnings.

The consolidated financial statements were prepared in compliance with the consistency principle.

Assets and liabilities are valued on the principle of individual valuation and on the assumption that the company will continue to exist. The principle of prudence is applied, taking into account the special characteristics of the banking business.

Assets and liabilities in foreign currencies are converted at the ECB's reference exchange rates as at 31 December 2014 pursuant to Section 58 (1) of the Austrian Banking Act (BWG).

Raiffeisen Zentralbank chose the internet as the medium for the disclosure under Section 431 ff Regulation (EU) No. 575/2013. The disclosure is reported on Raiffeisen Zentralbank's homepage (www.rzb.at).

Financial instruments

At the reporting date, Raiffeisen Zentralbank held securities classified as fixed assets in the amount of € 1,686.9 million (31/12/2013: € 235.1 million).

Stock market prices were used to determine the fair value of listed products. Where stock market prices were not available, prices for original financial instruments and forward transactions were determined based on the calculated present value. The prices for options were determined based on suitable options pricing models. The present value calculation is based on the zero coupon yield curve. Option pricing formulas as described by Black & Scholes 1972, Black 1976 and Garman-Kohlhagen were used together with other conventional market models for the valuation of structured options.

Financial instruments in the banking book

Securities intended to serve business purposes on a permanent basis (investment portfolio) are valued as fixed assets. The difference between the purchase cost and repayment amount is written off or recognized pro rata over the residual term.

Securities held as current assets admitted to trading on a stock exchange are recognized at the lower of amortized cost or stock market price or market price (strict lower of cost or market value principle).

RZB AG uses interest rate swaps to hedge the interest rate risk from assets (bonds) on the statement of financial position. Fixed cash flows are exchanged for variable cash flows to minimize interest rate risk.

These derivatives form parts of valuation units. Their market value is therefore not reported in the annual financial statements, as they are offset by cash flows from the underlying transactions recognized through profit and loss.

The hedging relationships are determined on the basis of micro fair value hedges in accordance with IAS 39 and documented according to applicable regulations. The dollar offset method is employed to review the effectiveness of the hedge relationship. This method compares the changes in the market value of the hedging instrument and the underlying transaction over a prior period.

Derivatives held in the bank book which do not form part of a hedging relationship are valued according to the imparity principle. In the case of negative market values a provision for impending loss is allocated.

Loans and advances

Loans and advances are generally recognized at cost according to the strict lower of cost or market value principle.

Risks in the lending business

In accordance with the principle of prudence, when the loan portfolio is valued appropriate value adjustments or provisions are booked for all identifiable risks. In the financial year 2014 no significant impairment charges were necessary.

Investments and shares in affiliated companies

Investments and shares in affiliated companies are measured at cost, provided sustained losses or reduced equity do not necessitate depreciation to the proportionate equity, income value or market price. Write-ups to a maximum of acquisition cost are booked if the reasons for the permanent impairment no longer apply. The valuation reserve due to extraordinary depreciation in the amount of € 3.8 million (31/12/2013: € 3.8 million) results entirely from the transfer of hidden reserves pursuant to section 12 of the Income Tax Act (EStG) to equity participations.

Tangible and intangible fixed assets

Intangible fixed assets and tangible fixed assets are valued at acquisition or production cost less scheduled depreciation. Scheduled depreciation is on a straight-line basis. An impairment loss is recognized if an asset becomes permanently impaired.

Scheduled depreciation is based on the following periods of use as defined by commercial law (in years):

Useful life	Years	Useful life	Years
Buildings	50	Software	4 to 10
Office equipment	5 to 8	Hardware	3 to 4
Office fixtures and fittings	5 to 10	Business equipment	5 to 10
Vehicles	5	Tenancy rights	10

Low-value fixed assets are written off in full in the year of acquisition.

Capital expenses

Issuance and management fees and premiums or discounts for bonds issued are distributed over the given term. Other issuance costs are directly expensed.

Pension and severance payment obligations

The provisions for pension and severance payment obligations are determined in accordance with IAS 19 – Employee Benefits – based on the projected unit credit method.

The actuarial calculation of pension obligations for active employees is based on an interest rate of 2.0 per cent (31/12/2013: 3.5 per cent) per annum and an effective salary increase of 3.0 per cent (31/12/2013: 3.0 per cent) per annum. The parameters for retired employees are a capitalization rate of 2.0 per cent (31/12/2013: 3.5 per cent) per annum and an expected increase in retirement benefits of 2.0 per cent (31/12/2013: 2.0 per cent) per annum. The calculations are based on an assumed retirement age of 60 for women and 65 for men, subject to transitional statutory requirements and special arrangements contained in individual contracts.

The actuarial calculation of severance payment and long-service bonus obligations is also based on an interest rate of 2.0 per cent (31/12/2013: 3.5 per cent) per annum and an average salary increase of 3.0 per cent (31/12/2013: 3.0 per cent) per annum.

The basis for the calculation of provisions for pensions, severance payments and long-service bonuses is provided by AVÖ 2008-P Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance) by Pagler & Pagler, using the variant for salaried employees.

Other provisions

Other provisions are recorded at the level at which they are likely to be required. They take into account all identifiable risks and liabilities, the level of which is not yet known.

Other provisions include provisions for bonuses for identified staff (pursuant to European Banking Authority CP 42, 46). RZB AG fulfills the obligations set forth in the Annex to Section 39b of the Austrian Banking Act (BWG) as follows:

- 60 per cent, or 40 per cent for particularly high amounts, of the annual bonus is paid out as an upfront cash payment;

- 40 per cent, or 60 per cent for particularly high amounts, of the annual bonus is deferred for a period of five years (deferral period) and is paid out in cash.

Liabilities

These are recognized at the higher of the nominal value or the repayment amount.

Notes on individual items of the statement of financial position

Breakdown of maturities

Loans and advances to credit institutions and *Loans and advances to customers* that are not due on a daily basis break down by their residual terms as follows:

in € million	31/12/2014	31/12/2013
Loans and advances to credit institutions		
Up to 3 months	4,278.2	11,981.6
More than 3 months, up to 1 year	442.7	1,536.9
More than 1 year, up to 5 years	372.9	1,072.0
More than 5 years	158.9	236.5
Loans and advances to customers		
Up to 3 months	167.5	167.1
More than 3 months, up to 1 year	117.5	71.7
More than 1 year, up to 5 years	210.3	293.1
More than 5 years	748.1	29.7

Deposits from banks and *Liabilities to customers (non-banks)* that are not due on a daily basis break down by their residual terms as follows:

in € million	31/12/2014	31/12/2013
Deposits from banks		
Up to 3 months	9,039.4	13,555.9
More than 3 months, up to 1 year	417.0	1,669.7
More than 1 year, up to 5 years	2,664.0	2,164.4
More than 5 years	979.0	878.3
Liabilities to customers (non-banks)		
Up to 3 months	0.0	1.1
More than 3 months, up to 1 year	175.6	203.0
More than 1 year, up to 5 years	11.2	0.0
More than 5 years	0.0	0.0

The item *Loans and advances to customers* contains an amount of € 37.1 million (31/12/2013: € 37.1 million) which is held in trust for Raiffeisen Bank International AG.

Securities

Raiffeisen Zentralbank has no trading book pursuant to Chapter 3 of Title I of Part 3 of Regulation (EU) No. 575/2013.

The table below lists securities admitted to stock exchange trading (asset side), broken down into listed and unlisted securities (amount incl. interest accrued):

in € million	31/12/2014		31/12/2013	
	Listed	not listed	Listed	not listed
Treasury bills and other bills eligible for refinancing with central banks	3,080.8	0.0	134.2	0.0
Debt securities and other fixed-income securities	106.1	0.0	100.9	0.0

The table below lists securities admitted to stock exchange trading (asset side) measured as fixed assets or current assets (amount incl. interest accrued):

in € million	31/12/2014		31/12/2013	
	Fixed assets	Current assets	Fixed assets	Current assets
Debt securities and other fixed-income securities	1,580.8	1,500.0	100.9	0.0
Treasury bills and other bills eligible for refinancing with central banks	106.1	0.0	134.2	0.0

The above items include accrued interest income of € 10.5 million (31/12/2013: € 2.5 million) that is due in the following financial year.

RZB AG sold a fixed asset security in the nominal amount of € 50.0 million in the reporting year, realizing a net gain of € 6.3 million.

As in the previous year, as of 31 December 2014 the item *Debt securities and other fixed-income securities* includes a bond issued by Hypo Tirol Bank AG along with one issued by Raiffeisenlandesbank Vorarlberg and two securities issued by OeBB Infrastuktur AG which were subscribed for in the past fiscal year. The bond issued by Raiffeisen Bank International AG was sold in the 2014 financial year.

In addition, in the financial year 2014 European government bonds were subscribed for with a total nominal value of € 3,470.0 million, issued by the Republic of Austria, the Italian Republic, the French Republic, the Federal Republic of Germany, Spain and the Republic of Ireland. These are reported under the item *Treasury bills and other bills eligible for refinancing with central banks*. Furthermore, in the past fiscal year securities issued by the European Investment Bank as well as by the European Financial Stability Facility with a total nominal value of € 51.6 million were acquired.

In the 2014 financial year, the special fund "K 777" was set up for liquidity management purposes of Raiffeisen Zentralbank. The shares held in the investment fund are reported under the item *Shares and other variable-yield securities* on the statement of financial position in the amount of € 25 million.

In relation to the difference between the acquisition cost and the repayment amount for securities (excluding zero coupon bonds) held in the investment portfolio (banking book): the difference between the amortized costs and the repayment amounts of € 73.4 million as of 31/12/2014 is made up of € 74.5 million (31/12/2103: € 1.7 million) to be recognized as expenditure in the future and € 1.1 million (31/12/ 2013: € 0.7 million) to be recognized as income.

The item *Loans and advances to credit institutions* contains no bonds that are not admitted to trading on an exchange as of the reporting date.

In the next fiscal year, debt securities and other fixed-income securities with a total nominal value of € 49 million (31/12/2013: € 100 million) will become due.

Investments and shares in affiliated companies

The list of investments is shown separately in the notes, annex 2. There are cross-shareholdings in respect to Raiffeisenlandesbank Kärnten - Rechenzentrum und Revisionsverband, registrierte Genossenschaft mbH, UNIQA Insurance Group AG and Österreichische Volksbanken-Aktiengesellschaft.

During the fiscal year - as in the previous year - the carrying amount of the holding in R.B.T Beteiligungsgesellschaft m.b.H. was written down by € 5.2 million (2013: € 9.5 million). A € 33.0 million impairment charge was recognized against the carrying amount of the holding in Salvelinus Handels- und Beteiligungsges.m.b.H. and the holding in Raiffeisen International Beteiligungs GmbH was written down by € 147.0 million.

Furthermore, the participation capital held in Raiffeisen Bank International AG in the amount of € 250 million was repaid and the holding in Raiffeisen Informatik Zentrum GmbH was brought into RZB Invest Holding GmbH.

RZB holds its interest in RBI indirectly through Raiffeisen International Beteiligungs GmbH. At the beginning of 2014, RBI AG carried out a capital increase in which Raiffeisen International Beteiligungs GmbH participated, under partial utilization of its subscription rights. At the end of 2014 it held 60.7% in RBI AG.

As of the 2014 and 2013 reporting dates there were no profit and loss transfer agreements.

Loans and advances and liabilities to affiliated companies and companies linked by virtue of a participating interest break down as follows:

in € million	31/12/2014	31/12/2013
Loans and advances to credit institutions		
to affiliated companies	1,539.4	9,688.2
to companies linked by virtue of a participating interest	24.0	95.7
Loans and advances to customers		
to affiliated companies	1,155.7	424.9
to companies linked by virtue of a participating interest	4.5	7.0
Debt securities and other fixed-income securities		
to affiliated companies	0.0	51.8
to companies linked by virtue of a participating interest	0.0	0.0
Deposits from banks		
from affiliated companies	3,908.3	6,389.3
from companies linked by virtue of a participating interest	468.0	819.6
Liabilities to customers (non-banks)		
from affiliated companies	186.1	203.1
from companies linked by virtue of a participating interest	0.0	0.0

Fair value of financial instruments

For the following financial instruments within financial assets, in 2014 the fair value was lower than the book value:

Financial investments in € million	Carrying amount 31/12/2014	Fair value 31/12/2014	Carrying amount 31/12/2013	Fair value 31/12/2013
1. Treasury bills and other bills eligible for refinancing with central banks				
a) Treasury bills and other bills eligible for refinancing with central banks	71.1	71.0	0.0	0.0
b) Bills eligible for refinancing with central banks	0.0	0.0	0.0	0.0
2. Loans and advances to credit institutions	0.0	0.0	0.0	0.0
3. Loans and advances to customers	0.0	0.0	0.0	0.0
4. Debt securities and other fixed-income securities				
a) issued by public bodies	0.0	0.0	0.0	0.0
b) issued by other borrowers	0.0	0.0	49.1	43.5
Total	**71.1**	**71.0**	**49.1**	**43.5**

Fixed assets

The statement of fixed assets is shown separately in the notes, Annex 1.

The land value of developed land was € 0.2 million (31/12/2013: € 0.2 million).

Raiffeisen Zentralbank was not engaged in the leasing business as a lessor in the financial years 2014 and 2013.

Obligations from the use of tangible fixed assets not reported on the statement of financial position amount to € 2.4 million for the following financial year (31/12/2013: € 2.2 million), of which € 2.2 million are to affiliated companies. The total amount of obligations for the following five years is € 13.4 million (31/12/2013: € 12.5 million), of which € 12.8 million is to affiliated companies.

The *Intangible fixed assets* item does not contain - as in the previous year - any intangible fixed assets acquired from affiliated companies.

Other assets

As at 31 December 2014, *Other assets* totaled € 331.1 million (31/12/ 2013: € 396.4 million). At the reporting date there were receivables due from the tax authorities, as well as from Group members resulting from tax transfers, in an aggregate amount of € 97.4 million (31/12 2013: € 83.3 million). Receivables from the capitalization of income from equity participations in the same period amount to € 190.4 million (31/12 2013: € 304.0 million).

Income effectively due after the reporting date:

in € million	31/12/2014	31/12/2013
Participation income	191.1	304.9

Other liabilities

The item *Other liabilities* totaling € 87.7 million as at 31/12/2014 (31/12/2013: € 80.2 million) contains liabilities from tax transfers (corporate income tax) and chargeable capital gains as well as withholding tax due to Group members of € 77.4 million in total (31/12/2013 € 68.6 million) payable after the reporting date.

As at 31/12/2013, a € 52.0 million liability to Raiffeisen Leasing GmbH was reported under Other liabilities. This liability no longer existed as at 31/12/2014.

Provisions

Provisions recognized by RZB are valued at € 80.3 million (31/12/2013: € 62.2 million), of which € 60.9 million (31/12/2013: € 51.5 million) are for pensions and severance payment obligations, € 5.9 million for impending losses from currency derivatives (31/12/2013: € 0.0 million), € 4.4 million (31/12/2013: € 4.4 million) are taxation provisions and € 1.5 million (31/12/2013: € 2.5 million) are provisions for performance related bonuses. In addition, a provision in the amount of € 0.5 million (2013: € 0.0 million) was recognized for an interest payment on the Jersey III additional capital of RBI, which Raiffeisen Zentralbank will undertake instead of RBI AG in May 2015.

Debt Issuance Program

In 2014, RZB AG utilized medium- to long-term funding instruments such as the EUR 5,000,000,000 Debt Issuance program, which facilitates bond issuance in different currencies and with various structures. The aggregate volume of bonds outstanding under the program may not exceed € 5,000 million.

At the end of 2014, no bonds had been placed.

Equity

Subscribed capital

Capital Stock

The subscribed capital of Raiffeisen Zentralbank consisted of the following instruments as at the reporting date:

	Nominal value €/piece	Units	Nominal value (€)
Ordinary shares, registered shares	72.67	6,776,750	492,466,422.50
Total			492,466,422.50

Development of the valuation reserve

in € million	31/12/2014	Allocation	Release	Reclassification	31/12/2013
Valuation reserve					
Reserve according to § 12 EStG					
Financial investments	3.8	0.0	0.0	0.0	3.8

Supplementary capital pursuant to Chapter 4 of Title I of Part 2 of Regulation (EU) No 575/2013

Own issues

In December 2014, a € 52.0 million, 10 year subordinated bond was issued by way of long-term refinancing. This is shown in the statement of financial position pursuant to Regulation (EU) No. 575/2013 under *Supplementary capital in accordance with Chapter 4 of Title I of Part 2 of Regulation (EU) No. 575/2013.*

Total capital according to CCR

in € million	31/12/2014
Paid-in capital	492
Capital reserves and premium to CET1 instruments	1,862
Retained earnings and other reserves	1,980
Common equity tier 1 (before deductions)	**4,334**
Net loss for the year	(76)
Intangible fixed assets	(1)
Provision shortage for IRB positions	(8)
Deduction insurance and other investments	(627)
Common equity tier 1 (after deductions)	**3,622**
Additional tier 1	0
Tier 1	**3,622**
Supplementary capital	52
Deduction insurance and other investments	**(52)**
Tier 2 (after deductions)	**0**
Total capital	**3,622**
Total risk exposure amount (assessment basis)	**9,020**
Common equity tier 1 capital ratio	40.15%
Tier 1 capital ratio	40.15%
Total capital ratio (transitional)	40.15%
Total capital ratio (fully loaded)	40.15%
Common equity tier 1 capital ratio (fully loaded)	40.15%

in € million	31/12/2014
Total risk exposure amount (assessment basis)	**9,020**
Total capital requirement for credit risk	678
Internal rating approach	116
Standardized approach	416
CVA risk	0
Basel I - Floor	146
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	0
Total capital requirement for operational risk	44
Total capital requirement	**722**

in € million	31/12/2014
Risk-weighted assets according to standardized approach	**416**
Equity exposures	412
Covered bonds	0
Other positions	4
Risk-weighted assets according to internal rating approach	**116**
Banks	7
Corporate customers	90
Equity exposures	19
Basel I - Floor	**146**
Total capital requirement for credit risk	**678**

in per cent	31/12/2014
Leverage ratio (fully loaded)	11.26%
Risk weighted assets in per cent of total assets	50.50%

Eligible total capital under Section 23 (14) BWG (old version) amounted to € 3,422.9 million in 2013. This included total capital under Section 23 (14) Z 7 BWG (old version) of € 0.0 million.

Required total capital under Section 22 (1) BWG (old version) amounted to € 522.2 million in 2013. This included required total capital of € 522.2 million under Section 22 (1) Z 1 and 4 BWG (old version).

Retained earnings

Other reserves

Due to the agreement on the establishment of an Institutional Protection Scheme (IPS) and a corresponding resolution passed by the Federal IPS Risk Council, a reserve in the amount of € 25.0 million for the Federal IPS was added to Other reserves in the financial year 2014.

Additional notes

Institutional Protection Scheme

The regulatory changes arising from Basel III also resulted in some material adjustments with respect to the regulations for a decentralized banking group, organized according to cooperative principles, which to date have been covered by the Austrian Banking Act (BWG). Pursuant to the EU Regulation, when calculating total capital, credit institutions outside of their credit institution group must principally deduct positions held in capital instruments issued by other credit institutions, provided that no exemption exists due to an Institutional Protection Scheme (IPS). An IPS was therefore established in the RBG and contractual or statutory liability arrangements were concluded which protect the participating institutions and in particular ensure their liquidity and solvency when required, in the event that it is necessary to avoid a failure of a bank. Based on the organizational structure of the RBG, the IPS was designed with two levels and the corresponding applications were filed with the competent supervisory authorities. The financial market supervisory authority approved the applications in October and November 2014.

As the central institution of the RBG, Raiffeisen Zentralbank is a member of the Federal IPS, in which - as well as the Raiffeisen regional banks - Raiffeisen-Holding Niederosterreich-Wien, ZVEZA Bank, Raiffeisen Wohnbaubank AG and Raiffeisen Bausparkasse Gesellschaft m. b. H. also participate. In addition, a provincial IPS was formed in most of the provinces.

The respective Raiffeisen regional banks and the locally active Raiffeisen banks are members of the provincial IPS.

The Federal IPS is based on uniform, joint risk monitoring in the framework of the early identification system of the ORE. The IPS therefore adds a further element to the reciprocal support within the RBG, in case a member institution experiences economic difficulties.

Notes to the contingent liabilities

Raiffeisen Zentralbank is a member of the *Deposit Guarantee Association of Austria (Raiffeisen-Kundengarantiegemeinschaft Österreich)*. Members of the Association assume contractual liability under which they jointly guarantee the timely honoring of all customer deposits and securities issues of an insolvent member of the Association up to an amount equaling the sum of the individual financial strength of the other member institutions. The individual financial strength of a member institution is determined based on its available reserves, taking into account the relevant provisions of the Austrian Banking Act (BWG). The liability was met by inserting a noted item of one euro off the statement of financial position, as it is not possible to determine the exact amount of Raiffeisen Zentralbank's potential liability in connection with the cross-guarantee system.

As at the 31/12/2014 reporting date, there are contingent liabilities of € 10.5 billion (31/12/2013: € 12.7 billion). Within this amount, € 0.6 billion of the liabilities arising from guarantees (31/12/2013: € 1.7 billion) relate to the "RZB Euro Medium Term Note Programm" (EMTN program). In the course of the demerger, all economic rights and obligations from or in connection with the EMTN bonds were transferred to RBI. Accordingly, the bonds issued out of the EMTN program are booked by RBI under securitized liabilities. However, under civil law the position of Raiffeisen Zentralbank remains unchanged, i.e. it continues to act as the issuer in relation to the bondholders and bondholder claims can only be addressed to Raiffeisen Zentralbank. There is an agreement in place whereby RBI has instructed Raiffeisen Zentralbank, and Raiffeisen Zentralbank has undertaken, to meet all economic and other obligations from or in connection with the EMTN bonds in its own name, but for the account of RBI. This risk is reflected in the financial statements of Raiffeisen Zentralbank through the recognition of a contingent liability.

The remaining guarantees predominantly relate to guarantees for other liabilities of companies within the Group; these are mostly commitments in respect to other liabilities of RBI to third parties arising from the securities, derivatives and cash management businesses, as well as commitments for liabilities of RBI resulting from the Public Finance Program in favor of the EIB. RZB issued these guarantees in its function as head of the Group, whereby the beneficiaries are the banks in the Raiffeisen sector.

Furthermore, Raiffeisen Zentralbank has issued an "over-guarantee" in favor of Raiffeisen-Leasing Bank AG in the amount of € 308.8 million.

Soft letters of comfort in the amount of € 33.1 million (31/12/2013: € 45.7 million) are shown under the item *Contingent liabilities*, off the statement of financial position; this amount includes € 30.8 million in favor of Raiffeisen-Leasing Gesellschaft m. b. H, € 0.9 million in favor of RBI Leasing GmbH and € 1.3 million in favor of Raiffeisen Leasing Österreich GmbH.

In addition, Raiffeisen Zentralbank has provided a € 31.7 million guarantee in favor of RBI on the basis of a support agreement. This relates to interest payments for the Jersey IV additional capital of RBI.

Undrawn credit lines of € 3,418.5 million (31/12/ 2013: € 578.5 million) are shown under the liabilities item *Commitments*, off the statement of financial position; this amount includes € 2,892.7 million in credit lines to Raiffeisen Bank International AG and € 180.0 million in credit lines to Notartreuhandbank AG.

There are no further transactions with material risks or benefits that are not reported in or off the statement of financial position.

Total assets and liabilities in foreign currency:

in € Millionen	31/12/2014	31/12/2013
Assets in foreign currency	337,2	350,0
Liabilities in foreign currency	337,0	349,2

Commitments arising from agency services

In addition to its own holding, Raiffeisen Zentralbank holds € 24.0 million in shares in UNIQA Insurance Group AG in trust (31/12/213: € 24.0 million).

Notes to the income statement

As Raiffeisen Zentralbank only had a place of business in Austria in 2014, there is no regional allocation by segment according to the respective registered office; a breakdown of income by geographic market is not applicable.

The net profit or loss on financial operations includes a valuation from forward foreign exchange business in the amount of € 5.9 million. In the 2013 financial year there were no forward foreign exchange transactions.

Other operating income includes staff and administrative expenses passed on for other non-banking services and service fees of € 16.9 million (2013: € 8.5 million); within this amount is € 6.9 million (2013: € 6.9 million) in payment from RBI for marketing, advertising and license fees (the latter in connection with the Raiffeisen brand) and € 7.5 million from Asset Quality Review costs passed on to RBI. In addition, Raiffeisen Zentralbank in its function as lead institution received income in relation to Service Level Agreements from RBI in the amount of € 0.8 million (2013: € 0.3 million) and from companies in the Raiffeisen sector in the amount of € 1.3 million (2013: € 0.0 million).

Expenses for severance payments and benefits for occupational employee pension funds include € 143.2 thousand (2013: € 59.0 thousand) of paid out severance payments, € 678.0 thousand (2013: € 291.8 thousand) in allocations to the provision for severance payments and € 182.2 thousand (2013: € 147.9 thousand) in payments according to the Retirement Plan Act (Mitarbeitervorsorgegesetz).

The substantial increase of € 12.9 million in the provision for pensions, with an € 8.1 million allocation in the 2014 financial year compared to a € 4.8 million release in the 2013 financial year, is due to the change in the capitalization rate to 2 per cent (2013: 3.5 per cent).

Other administrative expenses include legal, advisory and audit costs of € 20.5 million (2013: € 14.3 million). This amount contains € 0.3 million (2013: € 0.3 million) in expenses for the audit of the annual financial statements and € 0.1 million (2013: € 0.2 million) in taxation advisory fees. The increase in legal, advisory and audit costs resulted primarily from the Asset Quality Review conducted by Ernst & Young in the 2014 financial year.

Non-personal advertising and rental expenses amounted to € 5.3 million in total (2013: € 4.8 million). Expenses for Service Level Agreements totaled € 10.9 million (2013: € 7.5 million).

Net income/expenses from the disposal and valuation of shares in affiliated companies and participating interests includes a partial write-down of the value of holdings in Raiffeisen International Beteiligungs GmbH, R. B. T. Beteiligungsgesellschaft m.b.H. and SALVELINUS Handels- und Beteiligungsgesellschaft m. b. H., as well as proceeds from the disposal of Raiffeisen Informatik

GmbH and the RBI bond and proceeds from the sale of shares in Raiffeisen e-force GmbH and RSC Raiffeisen Service Center GmbH.

Net income/expenses from the disposal and valuation of loans and advances and specific securities contains income from the write-up of a previously purchased already impaired credit extended to A-Real Estate S.p.A. in the amount of € 4.7 million (2013: € 5.9 million) and individual loan loss provisions of € 1.2 million (2013: € 1.1 million).

Changes in reserves includes an allocation to reserves in the amount of € 25.0 million for the formation of a Federal IPS separate fund.

Since the financial year 2005, Raiffeisen Zentralbank is the parent company of a group of companies according to Section 9 of the Corporation Tax Act (KStG). The group of companies pursuant to Section 9 KStG has 37 (31/12/2013: 25) companies as group members.

The item Tax on profit or loss includes corporate income tax expense of € 0.1 million (2013: € 0.2 million) and tax assets from the existing tax group allocation correspondent to Group taxation in the amount of € 1.7 million (2013: tax liability of € 44.5 million).

The overall return on assets (net profit or loss after tax divided by total assets as at the reporting date) is negative in 2014 (2013: 0.95 per cent).

Other

The company did not conclude any significant transactions with related companies or persons at unfair market conditions.

In the financial year the company had an average of 156 (2013: 118) employees.

Expenses for severance payments and pensions for members of the Management Board and senior staff amounted to € 11.5 million in the financial year (2013: € 1.6 million) and € 2.3 million for other employees (2013: € 1.0 million).

Members of the Supervisory Board received remuneration of € 0.4 million (2013: € 0.4 million).

Remuneration of the Management Board

The following remuneration was paid to the Management Board of Raiffeisen Zentralbank:

in € thousand	2014	2013
Fixed remunerations	2,072	2,019
Bonus (performance-based)	188	634
Payments to pension funds and reinsurance policies	1,813	964
Other remunerations	905	1,104
Total	**4,977**	**4,722**

The table lists the fixed, performance-related and other remuneration and also includes remuneration for functions on boards of affiliated companies and benefits in kind. The total remuneration of Management Board members includes € 1.5 million (2013: € 2.1 million) in remuneration from affiliated companies for functions performed there. Total remuneration paid to former members of the Management Board and their surviving dependents was € 0.6 million (2013: € 0.6 million).

One Management Board member received their total remuneration exclusively from an affiliated company; no additional remuneration was granted for functions performed for RZB. For this activity the bonus calculation is linked to the achievement of company objectives regarding profit after tax, return on risk-adjusted capital (RORAC) and the cost/income ratio, as well as the achievement of personal objectives that are agreed upon annually. The payment was made according to the current provisions of the Austrian Banking Act (BWG).

The Management Board of the Company is as follows:

Management Board

- Walter Rothensteiner, since 1 January 1995, Chairman and CEO; Chairman of the Austrian Raiffeisen Association
- Johannes Schuster, since 10 October 2010
- Johann Strobl, since 1 October 2007

The elected Supervisory Board is as follows:

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 Aktiengesellschaft
- Hannes Schmid, since 1 August 2013, third Vice President, PersA, PrüfA, AA, VergA, NA, RA, Spokesman of the Management Board of Raiffeisen-Landesbank Tirol AG

Members

- Klaus Buchleitner, since 25 June 2003, General Director of Raiffeisenlandesbank Niederösterreich-Wien AG
- Andreas Brandstetter, since 25 June 2013, Director of the Management Board of UNIQA Versicherungen AG
- Peter Gauper, since 24 June 2008, Spokesman of the Management Board of Raiffeisenlandesbank Kärnten – Rechenzentrum und Revisionsverband, reg. Gen.m.b.H.
- Wilfried Hopfner, since 18 June 2009, Chairman of the Management Board of Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband reg. Gen.m.b.H.
- Günther Reibersdorfer, since 23 June 2005, General Director of Raiffeisenverband Salzburg reg. Gen.m.b.H.
- Rudolf Könighofer, since 1 August 2013, General Director of Raiffeisenlandesbank Burgenland und Revisionsverband reg. Gen.m.b.H.
- Reinhard Wolf, since 23 May 2012, Director of the Management Board of RWA Raiffeisen Ware Austria AG

All of the above members of the Supervisory Board have been appointed until the Annual General Meeting relating to 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

State Commissioner

- Alfred Lejsek, since 1 September 1996, State Commissioner
- Gerhard Popp, since 1 December 2009, Deputy State Commissioner

Members of the Federal Advisory Board (Länderkuratorium) were:

- Wilfried Thoma, since 25 June 2003, since 3 June 2014[1] Chairman, President of the Supervisory Board of Raiffeisen-Landesbank Steiermark AG
- Walter Hörburger, since 22 June 2010, since 3 June 2014[1] Deputy Chairman, Chairman of the Supervisory Board of Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband reg. Gen.m.b.H.
- Jakob Auer, since 13 June 2000, President of the Supervisory Board of Raiffeisenlandesbank Oberösterreich Aktiengesellschaft
- Karl Donabauer, until 3 June 2014, Chairman of the Supervisory Board of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.
- Josef Graber, until 3 June 2014, Chairman of the Supervisory Board of Raiffeisen-Landesbank Tirol AG

- Robert Lutschounig, since 12 June 2009, Chairman until 23 May 2012, 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
- Sebastian Schönbuchner, since 20 June 2002, Chairman of Raiffeisenverband Salzburg reg. Gen.m.b.H.
- Helmut Tacho, since 3 June 2014, Chairman of the Supervisory Board of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.
- 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.

Vienna, 11 March 2015

The Management Board

Walter Rothensteiner

Johannes Schuster

Johann Strobl

Annex 1: Statement of fixed assets

Item	Description of fixed assets in € thousand	Cost of acquisition or conversion As at 1/1/2014 1	Exchange differences 2	Additions 3	Disposals 4	Reclassification 5	As at 31/12/2014 6
1.	Treasury bills and other bills eligible for refinancing with central banks	134,886	0	1,539,615	(99,557)	9,556	1,584,500
2.	Loans and advances to credit institutions	0	0	0	0	0	0
3.	Loans and advances to customers	0	0	0	0	0	0
4.	Debt securities and other fixed-income securities	100,837	0	56,645	(51,840)	457	106,099
a)	issued by public bodies	0	0	0	0	0	0
b)	own debt securities	0	0	0	0	0	0
c)	issued by other borrowers	100,837	0	56,645	(51,840)	457	106,099
5.	Shares and other variable-yield securities	0	0	25,000	0	12	25,012
6.	Financial investments	169,338	0	400	(663)	(62,123)	106,952
7.	Interest in affiliated companies	5,533,269	0	237,680	(250,007)	62,123	5,583,065
8.	Intangible fixed assets	101	0	484	0	0	585
9.	Tangible fixed assets	7,116	0	50	(36)	0	7,130
10.	Other assets	262	0	0	0	0	262
	Total	**5,945,809**	**0**	**1,859,874**	**(402,103)**	**10,025**	**7,413,605**

Item	Writing up/depreciation Cumulative depreciation 1/1/2014 7	Exchange differences 8	Cumulative depreciation 9	Write-ups 10	Depreciation 11	Reclassification 12	Cumulative depreciation 31/12/2014 13	Carrying amount As at 31/12/2014 14	As at 31/12/2013 15
1.	(735)	0	0	254	(3,284)	0	(3,765)	1,580,735	134,151
2.	0	0	0	0	0	0	0	0	0
3.	0	0	0	0	0	0	0	0	0
4.	77	0	0	5	(41)	0	41	106,140	100,914
a)	0	0	0	0	0	0	0	0	0
b)	0	0	0	0	0	0	0	0	0
c)	77	0	0	5	(41)	0	41	106,140	100,914
5.	0	0	0	0	0	0	0	25,012	0
6.	(56,507)	0	0	0	0	0	(56,507)	50,445	112,831
7.	(69,249)	0	0	0	(185,135)	0	(254,384)	5,328,681	5,464,020
8.	(48)	0	0	0	(25)	0	(73)	512	53
9.	(2,524)	0	15	0	(105)	0	(2,614)	4,516	4,592
10.	0	0	0	0	0	0	0	262	262
	(128,986)	**0**	**15**	**259**	**(188,590)**	**0**	**(317,302)**	**7,096,303**	**5,816,823**

Annex 2: List of investments

Affiliated companies

Company, registered office (country)	Total nominal value in currency		RZB direct holding	Equity in € thousand	Result[1] in € thousand	From annual financial statements	
Angaga Handels- und Beteiligungs GmbH, A-1030 Vienna	35,000	EUR	100.00%	32	(5)	31/12/2013	
CLUPEA Handels- und Beteiligungsgesellschaft m.b.H., A-1030 Vienna	35,000	EUR	100.00%	268	(4)	31/12/2013	
Faru Handels- und Beteiligungs GmbH, A-1030 Vienna	80,000	EUR	100.00%	85	(9)	31/12/2013	
KAURI Handels und Beteiligungs GmbH, A-1030 Vienna	50,000	EUR	88.00%	7,390	455	30/9/2014	2
Raiffeisen International Beteiligungs GmbH, A-1030 Vienna	1,000,000	EUR	100.00%	3,155,346	(197,474)	31/12/2014	3
Raiffeisen Ost Invest Managementgesellschaft m.b.H., A-1030 Vienna	40,000	EUR	100.00%	81	(4)	31/12/2013	
RALT Raiffeisen-Leasing Gesellschaft m.b.H. & Co. KG, A-1030 Vienna	20,348,394	EUR	97.21%	45,341	544	31/12/2013	
RALT Raiffeisen-Leasing Gesellschaft m.b.H., A-1030 Vienna	218,500	EUR	100.00%	30,695	4,424	31/12/2013	
R.B.T. Beteiligungsgesellschaft m.b.H, A-1030 Vienna	36,336	EUR	100.00%	71,517	35	31/10/2014	2
R.P.I. Handels- und Beteiligungsgesellschaft m.b.H., A-1030 Vienna	36,336	EUR	100.00%	283	(7)	31/10/2014	2
RSC Raiffeisen Service Center GmbH, A-1190 Vienna	2,000,000	EUR	19.70%	2,307	12	31/12/2013	
RZB - BLS Holding GmbH, A-1030 Vienna	500,000	EUR	100.00%	945,779	42,993	31/12/2014	3
RZB Invest Holding GmbH, A-1030 Vienna	500,000	EUR	100.00%	592,094	9,992	31/12/2014	2
SALVELINUS Handels- und Beteiligungsgesellschaft m.b.H, A-1030 Vienna	40,000	EUR	100.00%	336,566	(24,862)	31/12/2014	2
Raiffeisen Verbundunternehmen-IT GmbH, A-1030 Vienna [3]	100,000	EUR	99.70%	-	-	-	4

1 The result (in part from the consolidated financial statements) in € thousand corresponds to the annual profit/loss; equity is reported in accordance with section 224 (3) lit a HGB including untaxed reserves (lit b).
2 The equity and annual result figures shown are taken from the preliminary annual financial statements for the financial year ending 31 October and 31 December 2014, respectively.
3 The equity and annual result figures shown are taken from the preliminary annual financial statements for the financial year ending 31 December 2014, taking distributions into account.
4 Founded in 2014, therefore equity and annual result not yet available.

Other equity participations

Company, registered office (country)	Total nominal value in currency		RZB direct holding	Equity in € thousand	Result in € thousand	From annual financial statements
EMCOM Beteiligungs GmbH, A-1030 Vienna	37,000	EUR	33.60%	21,044	996	31/10/2014
NOTARTREUHANDBANK AG, A-1030 Vienna	8,030,000	EUR	26.00%	26,864	7,059	31/12/2013
Österreichische Wertpapierdaten Service GmbH, A-1030 Vienna	36,336	EUR	25.30%	61	8	31/12/2013
Valida Holding AG, A-1020 Vienna	5,000,000	EUR	24.70%	16,435	(1,480)	31/12/2013

Annex 3: Open forward transactions as at 31/12/2014

	Nominal amount by maturity in € thousand					Market value	
Name	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	positive	negative
Total	**50,000,000**	**70,000,000**	**831,635,000**	**951,635,000**	**0**	**0**	**(68,875,279)**
a) Interest rate contracts	**0**	**70,000,000**	**831,635,000**	**901,635,000**	**0**	**0**	**(62,955,346)**
OTC products							
Interest rate swaps	0	70,000,000	831,635,000	0	0	0	(62,955,346)
Floating Interest rate swaps	0	0	0	0	0	0	0
Interest rate futures	0	0	0	0	0	0	0
Interest rate options - buy	0	0	0	0	0	0	0
Interest rate options - sell	0	0	0	0	0	0	0
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Interest rate futures	0	0	0	0	0	0	0
Interest rate options	0	0	0	0	0	0	0
b) Foreign exchange rate contracts	**50,000,000**	**0**	**0**	**50,000,000**	**0**	**0**	**(5,919,933)**
OTC products							
Cross-currency interest rate swaps	0	0	0	0	0	0	0
Forward foreign exchange contracts	50,000,000	0	0	0	0	0	(5,919,933)
Currency options – purchased	0	0	0	0	0	0	0
Currency options – sold	0	0	0	0	0	0	0
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Currency contracts (futures)	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0
c) Securities-related transactions	**0**	**0**	**0**	**0**	**0**	**0**	**0**
OTC products							
Securities-related forward transactions	0	0	0	0	0	0	0
Equity/Index options -buy	0	0	0	0	0	0	0
Equity/Index options -sell	0	0	0	0	0	0	0
Exchange-traded products							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0
d) Commodity contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**
OTC products							
Commodity forward transactions	0	0	0	0	0	0	0
Exchange-traded products							
Commodity futures	0	0	0	0	0	0	0
e) Credit derivative contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**
OTC products							
Credit default swaps	0	0	0	0	0	0	0

1 At the financial year-end 2013 there were no open forward transactions.

Management report

Market development

Weak economic growth in Europe – recovery in the US

The euro area economy developed weaker than expected in 2014, and the outlook for 2015 is also subdued. It posted a modest 0.9 per cent year-on-year GDP growth in 2014, following minus 0.4 per cent in the prior year. On the one hand, this was driven by solid growth figures in Germany and by a recovery in a number of countries (Spain, Ireland and Portugal) that had previously posted weaker growth. On the other hand, economic growth in major countries such as Italy and France disappointed. The weak economic trend contributed to a significant decline in inflation. As falling commodity prices further exacerbated this trend, inflation averaged only 0.4 per cent in 2014, after 1.4 per cent in 2013. A decline in consumer goods prices can be expected for at least the beginning of 2015. In a bid to bolster economic growth and prevent deflationary risks, the ECB took additional expansionary and unconventional measures in 2014 as well as in early 2015. The weaker external value of the euro is expected to be supportive for an economic recovery for the euro area in 2015. The major risk factors to economic growth and the financial markets in Europe remain to be the tense geopolitical situation in addition to deflationary tendencies and delayed reforms in a number of euro area countries.

Overall, current signs indicate a strong decoupling of economic cycles between Europe and the US. Last year, the US economy, mirroring its trend from the two previous years, grew 2.4 per cent, driven by private consumption and corporate investment. Private consumption benefitted from positive labor market conditions, moderately increasing wages and a sharp drop in energy prices in the second half of the year. Unlike in the previous three years, fiscal consolidation has had hardly any dampening effect on economic activity in the US. Even though the increase in economic output lagged the momentum of past upswings, the labor market continued its robust recovery. Over the course of the year, unemployment fell from 6.7 per cent to 5.6 per cent, just slightly above the level deemed consistent with full employment.

CEE marked by divergent trends

The formative economic recovery in CEE in 2012 and 2013 weakened in 2014. The CEE region as a whole posted 1.0 per cent economic growth in 2014, only marginally outpacing the euro area. This trend was primarily driven by the situation in Russia and Ukraine, where geopolitical risks coupled with structural weaknesses resulted in stagnation (Russia) or a deep adjustment recession (Ukraine). In 2014, Ukraine received extensive financial help from the International Monetary Fund (IMF) and the EU in order to facilitate necessary structural and institutional restructuring measures and to protect against financial market risks. This financial aid was increased in 2015.

In contrast to the trend – superimposed by Russia – in the region as a whole, the economies in Central Europe (CE) and Southeastern Europe (SEE) noticeably grew in 2014. CE recorded average GDP growth of 2.9 per cent, compared to 1.4 per cent in SEE. In addition to exports, domestic demand also recovered significantly, predominantly in CE countries. The solid economic performance in CE is broad-based. Moreover, all CE countries experienced significantly positive GDP growth rates in 2014, with the Czech Republic, Hungary and Slovenia reversing their stagnation and recession trends of previous years. In the CE region, economic growth particularly stood out in Poland and Hungary in 2014; these countries achieved GDP growth of more than 3.0 per cent. During the same period, economic output in Slovakia and Slovenia expanded roughly 2.5 per cent, and by 2.0 percent in the Czech Republic. The positive trend is expected to continue in 2015, with solid GDP growth of 3.0 per cent expected in CE, mainly driven by continued notable growth in Germany and increasingly strong domestic demand and investment.

In a number of SEE countries, the restructuring efforts of recent years are already showing first results. In 2013 and 2014, GDP growth in SEE was primarily driven by Romania, while other economies remained in stagnation or recession. In light of the natural disasters that heavily impacted a number of SEE countries, economic growth in the region weakened to 1.4 per cent in 2014, following 2.1 per cent in 2013. The weaker-than-expected recovery in the euro area is also dampening growth in SEE – first and foremost in Italy and France, countries of greater importance to SEE. The strongest growth – at 2.9 per cent – was recorded in Romania, which is benefitting from successful structural reforms, but still suffering from weak domestic demand; Albania followed with 2.0 per cent. Economic growth in Bulgaria reached 1.1 per cent despite a short-term bank run in the summer of 2014. Croatia, suffering from deep structural problems, remained in the grip of recession in 2014, marking its sixth consecutive year without growth. While Bosnia-Herzegovina got off lightly with a stagnating economy, Serbia suffered another sharp decline in 2014. In particular, Serbia had to contend with the consequences of the flood disaster, as well as from delays to policy reforms, and suffered a drop in economic output of 1.8 per cent in 2014. In an effort to stabilize its macroeconomic and budgetary situation, Serbia signed a precautionary arrangement with the IMF in the fourth quarter. The agreement set out targets for fiscal consolidation and privatization. Romania has shown by example that cooperation with the IMF can result in sustained structural reform. In this respect, the step can be seen as positive. A moderate, accelerated growth trend is expected in the SEE region in 2015, with GDP set to increase 1.9 per cent and to be led once again by Romania.

The economic momentum in Russia, Ukraine and Belarus, which already showed signs of slowing in 2014, is expected to continue in 2015. Following a de facto stagnation in 2014, Russia looks set to experience a recession in 2015, with GDP projected to decline 4.0 per cent. A similar trend is emerging in Belarus, where at least a slight GDP decline is expected. Barring a further escalation of the geopolitical situation, the Russian economy could return to moderate growth in 2016. In Ukraine, the adjustment recession that began in 2014 is set to continue in 2015, with GDP expected to decline at least 5.5 per cent. If comprehensive reforms are unsuccessful, economic and financial restructuring in Ukraine may prove to be much more difficult to implement. The country is likely to remain dependent on substantial financial support from the international community in both 2015 and 2016.

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

Region/country	2013	2014e	2015f	2016f
Czech Republic	(0.7)	2.0	2.4	3.0
Hungary	1.5	3.5	2.5	2.5
Poland	1.7	3.3	3.5	3.4
Slovakia	1.4	2.4	2.5	3.0
Slovenia	(1.0)	2.6	2.0	2.0
CE	**1.0**	**2.9**	**3.0**	**3.1**
Albania	0.4	2.0	3.0	4.0
Bosnia and Herzegovina	2.5	0.5	2.5	3.0
Bulgaria	0.9	1.1	1.2	2.1
Croatia	(0.9)	(0.4)	0.0	1.0
Kosovo	3.4	0.5	2.0	3.0
Romania	3.4	2.9	3.0	3.0
Serbia	2.5	(1.8)	0.0	2.5
SEE	**2.1**	**1.4**	**1.9**	**2.6**
Russia	**1.3**	**0.6**	**(4.0)**	**0.5**
Belarus	0.9	1.6	(2.0)	1.0
Ukraine	0.0	(6.9)	(5.5)	0.5
CEE Other	**0.3**	**(4.5)**	**(3.9)**	**0.6**
Austria	**0.2**	**0.3**	**0.7**	**1.8**
Germany	**0.2**	**1.6**	**1.6**	**2.2**
Eurozone	**(0.4)**	**0.9**	**1.2**	**1.9**

Economic growth in Austria remains behind expectations

Following a promising second half of 2013, a period of stagnation then took hold that lasted the whole year, implying real gross domestic product growth of 0.3 per cent for 2014 as a whole (2013: 0.2 per cent). Despite stable employment growth, private consumption failed to show signs beyond a tentative recovery. Government spending was only somewhat more dynamic. Corporate investment activity also disappointed, particularly in the second half of the year, while the positive trend at the beginning of the year was attributable to pull-forward effects. In the second half of the year, weak growth in domestic demand was partly offset by foreign trade. Economic growth momentum was also weak at the beginning of 2015.

Global currencies

In the first half of 2014, the euro/US dollar exchange rate fluctuated within a very narrow range of between EUR/USD 1.35 and EUR/USD 1.39. In the second half of the year, the euro went into freefall, pushing the single currency down to EUR/USD 1.21 by the end of the year. At the beginning of the year, the euro's downward trend accelerated again. In early March 2015, the euro was 1.12 against the dollar. The exchange rate was mainly driven by the monetary policies of the ECB and US Federal Reserve. Since the middle of 2014, there have been indications that the US Federal Reserve would begin normalizing its monetary policy, a first step being the end of its bond purchases in November. At the same time, there were indications that the ECB would embark on a similar bond purchasing program in the foreseeable future.

Over the whole of 2014, the Swiss franc fluctuated between nearly 1.20 and 1.24 against the euro, with the average exchange rate at 1.22. At the beginning of the year, the Swiss franc was more or less on the back foot but in the wake of geopolitical uncertainties, returned to its safe haven status in the spring and has been steadily appreciating since. The ECB's expansionary monetary policy and the shrinking interest rate differential between the euro area and Switzerland have also contributed to the Swiss franc's appreciation. Towards the end of the year, appreciation pressure on the Swiss franc against the euro increased to such an extent that the SNB (Swiss National Bank) introduced negative key interest rates. On 15 January 2015, the SNB surprisingly withdrew its minimum exchange rate peg for the EUR/CHF at 1.20; however, it stressed that it would take due account of the exchange rate situation in formulating its monetary policy in future and thus remain active in the foreign exchange market if necessary.

CEE currencies

CEE currencies trended weaker against the euro over the course of 2014. While the other currencies in the CE and SEE region declined within a range of between roughly 0.5 per cent and 3 per cent, the Hungarian forint (down 6.0 per cent) and Serbian dinar (down 5.3 per cent) weakened most significantly against the euro. The strongest devaluations were experienced in the CIS region, where the crisis in eastern Ukraine, the sliding oil price and sanctions against Russia led to hefty devaluations. For example, the Russian rouble fell nearly 36 per cent against the euro in the second half of 2014 (38 per cent for the year) and the Ukrainian hryvnia lost 41 per cent against the euro over the course of 2014. In 2014, the Belarusian rouble remained stable with just 1.4 per cent devaluation against the euro; however, lost almost 20 per cent against the euro up till the end of February in 2015. In the first two months of 2015, the Russian rouble recovered again somewhat against the euro, up by almost 4 per cent; while the Ukrainian hryvnia fell by around 37 per cent against the euro.

Development of the banking sector

Moderate growth and increasing divergence in CEE

Supported by slightly better economic indicators in the second half of 2014, as well as expansionary monetary policy measures and improved growth expectations in CE and SEE, credit growth in both of these regions moderately increased in 2014. This trend should continue in 2015. As a result, non-performing loans (NPLs) also stabilized – or in some cases already peaked – in many CE and SEE countries in 2014. Romania held its first notable NPL portfolio auctions in 2014. However, NPLs remained at high levels, notably in banking markets in SEE, which will weigh on the performance of banking sectors for a continued period. The banking environment in Russia and Ukraine sharply deteriorated in 2014, and the outlook for 2015 remains difficult. Credit growth weakened significantly in both markets, due in part to increasingly difficult local refinancing conditions (lower deposit growth, higher refinancing costs). Nevertheless, credit growth in the Russian banking sector remained in the upper double-digit range in 2014, the liquidity situation continues to be solid, and profitability (return on equity) was also still in the solid double-digit percentage range in 2014. As a result, barring a material deterioration of the geopolitical situation and financing conditions, the Russian banking sector should also remain profitable in 2015. In contrast, the Ukrainian banking sector posted a loss in 2014, and 2015 could also turn out to be another loss-producing year. The earnings situation of Western European banks operating in the region is also negatively impacted by ongoing currency weaknesses in Russia, Ukraine and Belarus.

The highly different regional trends in CEE with respect to asset quality and credit growth are also clearly reflected in divergent profitability ratios of the regional banking sectors. For example, profitability indicators of the CE banking sector remained at encouragingly robust levels, i.e. the average return on equity was in the lower double-digit percentage range in 2014. One exception was Hungary, where the earnings power of the banking sector was negative once again as a result of regulatory measures, however conditions should improve here. Although the Russian banking market suffered somewhat of a decline in profitability in 2014 compared to the previous year, it still boasted one of the highest returns on equity in the CEE region at roughly 13 per cent in 2014. In SEE, profitability was low again in 2014, partly attributable to weak credit demand in new business and, in some cases, still slightly increasing NPLs. The average return on equity in this region was in the low single-digit percentage range, roughly on a par with the euro area level. Despite the positive trends in a number of CEE markets, overall, the average return on equity in the banking sector for the region remains below past levels. This trend is primarily driven by rising regulatory costs, increased equity ratios and costs, a higher degree of local refinancing, and limited opportunities to transform the risk and yield curve owing to the low interest rate environment. The outlook for a prolonged continuation of the current low interest rate environment in major CE and SEE markets, as well as the deterioration of earnings prospects in the Russian banking sector, suggests that the return on equity for the CEE banking sector will not significantly improve in 2015.

Development of the banking sector in Austria

In 2014, European banks were affected by the weak economic growth, low profitability, higher net provisioning for impairment losses and low interest rates. Austrian banks were not immune from these developments, either. In the first half of 2014, consolidated net income for the period after taxes and minority interests was negative at minus € 0.59 billion. This represents a decline of € 1.7 billion on the first half of 2013. Strong pressures were notably felt due to the effects of the continuing low interest rates and in connection with the planned sale of international subsidiaries of Hypo Alpe-Adria and high impairments of another major bank.

CEE business remains an important success factor for Austrian banks. The increased profits of recent years, especially in the Czech Republic, Slovakia and Russia underscore the relevance of a sustainable growth strategy in the region. In the first half of 2014, the CEE subsidiaries of Austrian banks generated an overall net profit of € 1 billion.

Although the capitalization of Austrian banks has improved continuously since 2008, it is still below the average for comparable European banks. Austrian banks will need to continue to build up capital, especially as regards their risk profile (e.g. exposure in CEE, portfolio of foreign currency loans), the challenging economic situation and the low interest rates. Added to this are higher market expectations with regard to capitalization and more stringent regulatory requirements. The liquidity situation of the Austrian banks has shown further improvement, with the increase in the volume of deposits in CEE helping strengthen the refinancing basis of the Austrian subsidiaries. This development is in line with the Supervisory Guidance on Strengthening the Sustainability of the Business Models of Large Internationally Active Austrian Banks issued by the National Bank of Austria (OeNB) and the Austrian Financial Market Authority (FMA).

Regulatory environment

Changes in the regulatory environment

RZB concerned itself intensively with the current and upcoming regulatory developments in the reporting year. One of the main subjects, for which preparations have been made in the past, involved the legislative amendments that are associated with the EU directives under Basel III (CRD IV/CRR) and that came into effect at the beginning of the financial year. With the conversion to the new Basel III rules, in 2014 risk management continued to focus on the ongoing implementation of advanced calculation approaches. These activities comprised the implementation of the internal ratings-based (IRB) approach in the retail and nonretail business division of CEE subsidiaries, as well as further development of the internal market risk model and Group-wide further development of the standard approach for operational risk.

Start of the ECB Supervision

In 2014, the ECB took over direct supervision of 123 key banks in the Eurozone. The Single Supervisory Mechanism (SSM) is a new system of banking supervision which comprises the ECB and the respective national competent authorities of participating countries. Its main aims are to contribute to the safety and soundness of the banks and to the stability of the European financial system while ensuring uniform supervision. As one of these 123 banks, that represents 82 per cent of the banking sector (measured by assets) in the euro area – RZB is subject to direct supervision by the ECB. RZB expects – in addition to significantly raised reporting requirements – an increased presence of regulatory topics with strategic relevance.

One of the key focal points in the reporting year was the changes pertaining to the SSM, notably the associated Comprehensive Assessment by the ECB, which included an Asset Quality Review and a Europe-wide stress test. The tests conducted by the ECB had a massive impact on the Group's financial resources due to the scope and duration, and the intensive exchange with authorities and external auditors.

Banking Union

As early as July 2013, the European Commission presented its ideas for a Single Resolution Mechanism for the euro area. This is intended to supplement the Single Supervisory Mechanism (SSM). As a second pillar of the Banking Union, the Single Resolution Mechanism (SRM) is intended to ensure that banks which face difficulties can be resolved with lower costs and that a Single Resolution Fund is available for such cases.

The Austrian Federal Act on the Recovery and Resolution of Banks (BaSAG) came into force on 1 January 2015. Payments under this legislation are based on European rules for carrying out the EU Bank Recovery and Resolution Directive (BRRD), but not yet adopted (expected for 2015), and providing for a mechanism of banks' contributions to resolution funds starting as, or in the course, of 2015.

As of 2016, the Austrian resolution financing mechanism will, along with all other resolution financing mechanisms in the euro area, be transferred to a Single Resolution Fund, which is currently being established for all EU-euro area member states (and for other EU member states on a voluntary basis). It is not yet possible at this stage to quantify the related expense for RZB.

The Deposit Guarantee Directive was published in the Official Journal of the EU in 2014 and is to be implemented in Austrian law by July 2015. The directive concerns the establishment of a Deposit Protection Fund, which is fed by contributions from credit institutions. The targeted volume amounts to 0.8 per cent of covered deposits.

The implementation act was not available at the reporting date. Neither the structure, nor the timing, of the first contribution payments by credit institutions are known, therefore, the exact expense in Austria for RZB cannot be quantified.

Business performance

In the course of the demerger of principal business areas - in particular the corporate customer business, the products areas, investment banking and the branches and representative offices in international financial centers - from Raiffeisen Zentralbank into Raiffeisen International Bank-Holding AG (RI) and the subsequent change in name to Raiffeisen Bank International AG (RBI), in 2010 a reorganization of the business processes between Raiffeisen Zentralbank, RBI, the Regional Raiffeisen Banks and associated Austrian Raiffeisen Sector institutions took place. As at 31 December 2014, Raiffeisen Zentralbank holds approximately 60.7 per cent in RBI; following the capital increase in the first quarter of 2014, the holding was reduced from 78.5 to 60.7 per cent. The performance of the business at RBI is a significant contributing factor to Raiffeisen Zentralbank's results.

In December 2013, Raiffeisen Zentralbank increased its holdings in a number of affiliated companies as part of the reorganization at national level. The holding in Raiffeisen Bausparkasse Gesellschaft mbH, Vienna, was raised from 37.0 per cent to 51.0 per cent and the following companies were taken over in their entirety: Raiffeisen Kapitalanlage-Gesellschaft m.b.H, Vienna, previously 50.0 per cent; Raiffeisen Wohnbaubank AG, Vienna, previously 25.0 per cent; Raiffeisen Factor Bank AG, Vienna, previously 40.0 per cent.

In September 2014 the RBI participation capital in the amount of € 250.0 million was repaid.

Business areas

Participation management

The portfolio of participating interests held by Raiffeisen Zentralbank derives from its role as the lead institution of the Raiffeisen Banking Group in Austria (RBG), as parent credit institution according to the Austrian Banking Act (BWG) and as head of RZB. The focus of the participating interests is on strategic core holdings, which provide products and services to the RBG or which provide support in core business areas.

The objective of Raiffeisen Zentralbank's participations strategy is the exercise and expansion of the strategic interests of RZB and the RBG, as well as a steady increase in the value of the portfolio.

The participating interests portfolio is characterized by long-term strategic holdings in core business areas (credit institutions, financial institutions, insurance companies, banking support services) and other strategic interests (e.g. IT, real estate). In addition, Raiffeisen Zentralbank enters into financial investments, with the primary objective of income optimization.

The active management of participations also takes into account the interests of the owners of Raiffeisen Zentralbank in terms of value appreciation and increasing dividend payments.

In the 2014 financial year, the book values of the direct holdings of RZB changed as follows:

in € million	31/12/2014
Additions	**238.1**
RZB - BLS Holding GmbH	130.0
RZB Invest Holding GmbH	105.2
SALVELINUS Handels- und Beteiligungsgesellschaft m.b.H.	2.4
Other	0.5
Disposals	**(250.7)**
Raiffeisen Bank International AG (repayment of participation capital)	(250.0)
Raiffeisen Informatik GmbH	**(0.7)**
Write-downs	**(185.2)**
Raiffeisen International Beteiligungs GmbH	(147.0)
SALVELINUS Handels- und Beteiligungsgesellschaft m.b.H.	(33.0
R.B.T. Beteiligungsgesellschaft m.b.H.	(5.2
Corporate restructuring	**0.0**
RZB Invest Holding GmbH	62.1
Raiffeisen Informatik GmbH	(62.1)
Total	**(197.8)**

The principal holdings of Raiffeisen Zentralbank listed in order of book value are as follows:

Direct investments in € million	31/12/2014	31/12/2013
Raiffeisen International Beteiligungs GmbH, Wien (Raiffeisen Bank International AG)	3,155.3	3,302.3
RZB – BLS Holding GmbH, Vienna (UNIQA Insurance Group AG)	1,043.8	913.8
RZB Invest Holding GmbH	581.9	414.7
SALVELINUS Handels- und Beteiligungsgesellschaft mbH, Vienna	336.6	367.1
R.B.T. Beteiligungsgesellschaft m.b.H.	71.5	76.7
Raiffeisen Informatik GmbH	0.0	62.8
Other	190.0	189.5
Total	**5,379.1**	**5,326.8**
Raiffeisen Bank International AG, Vienna (Participation capital)	0.0	250.0
Total	**5,379.1**	**5,576.9**

Branches

Raiffeisen Zentralbank has no branches. It does however have a representative office in Brussels.

Sector business

Raiffeisen Zentralbank undertakes significant services to facilitate efficient cooperation in the RBG. The Marketing area at Raiffeisen Zentralbank provides essential marketing services and is responsible for strategic brand management based on coordination and advisory services for the RBG as well as support for the committee work of the Group. Client Relationship Management at Raiffeisen Zentralbank is responsible for inquiries, projects, etc. in relation to commercial banking issues in the Group. In addition, all aspects concerning sustainability management topics and associated activities of RZB come together in Raiffeisen Zentralbank.

The responsibility for strategic brand management for the RBG and RZB lies with Raiffeisen Zentralbank. Raiffeisen has developed into an internationally successful banking group with Raiffeisen Zentralbank as its lead institution. A uniform brand identity signals strength, conveys expertise and generates confidence.

Raiffeisen is the clear number one in terms of customer share, both in the area of private individuals as well as corporate customers. Regionalism, security and sustainability have constituted the guiding principles of the RBG since the days of its foundation. These take on particular significance in economically challenging times, when security and confidence are the most important criteria in choosing a bank.

The consistently integrated communication strategy executed by Central Raiffeisenwerbung (ZRW) - present in the media on TV, on billboards, in print and online - is evidently highly successful in all of its key areas and generates advertising value far exceeding that of competitors. According to the Financial Market Data Service (FMDS - half-year evaluation 2014), in terms of advertising recall Raiffeisen remains uncontested in first place with 54 per cent, 19 percentage points ahead of the next competitor, Sparkassengruppe. This lead was extended compared to the previous year. In terms of image perception among its own major customers, Raiffeisen scores above average for nine out of 13 "Image Dimensions" and ranks top among the banks for "high security".

Communication campaigns

In 2014 ZRW launched national campaigns focusing on the topics of House/Home incl. "aspiration fulfillment" (first quarter), Youth (April/May), Retirement Account (May-July) and Pension Security (September - November). For the corporate customers target group, business support resources were developed primarily in the areas of overseas and export business, as well as receivables, and an image campaign was launched.

The consistently integrated communication strategy followed by ZRW - present in the media on TV, on billboards, in print and online - is evidently highly successful in all of its key aspects and generates advertising value far exceeding that of competitors.

Sport sponsoring

As "the Austrian Bank", Raiffeisen considers itself to be the optimal sponsorship partner for home-grown ski stars and the national soccer team. The partnership with top Austrian sportsmen and women brings Raiffeisen the highest level of sport advertisement recall among all banks, along with an extremely high degree of attention and emotional identification.

The gable cross is displayed on the helmets of Austrian ski stars, such as that of two times world champion and three times overall and slalom world cup winner Marcel Hirscher, the Olympic and overall world cup winner Anna Fenninger, Kathrin Zettel and Max Franz, as well as on the strips of the Austrian national soccer team.

Hermann Maier, a Raiffeisen ski and advertising star for more than 16 years, was an important testimonial in the communication campaign focusing on House/Home as well as that for Pensions.

Raiffeisen brand

The Raiffeisen brand, according to the Austrian Brand Value study 2014 undertaken by the European Brand Institute, has a value of approximately € 2.1 billion, ranking number six of all the brands evaluated. In the financial services sector Raiffeisen is the undisputed number one in Austria. In 2014 Raiffeisen again achieved top positions at the prestigious "Recommender-Award", with Raiffeisen Bausparkasse and Raiffeisen Versicherung winning their categories.

Liquidity management

Raiffeisen Zentralbank is the central institution of the RBG. Along with the circa 500 banks in the Group, it forms the largest liquidity network in Austria. Within this liquidity network, pursuant to the Austrian Banking Act (section 27a) members are obliged to hold a liquidity reserve at the central institution.

As the RBG has a three-tier structure, liquidity balancing takes place on two levels: between the Raiffeisen Banks and the Regional Raiffeisen Banks as central institutions of the Raiffeisen Banks, as well as between the Regional Raiffeisen Banks and Raiffeisen Zentralbank as central institution of the Regional Raiffeisen Banks.

In addition to its role as central institution, Raiffeisen Zentralbank provides numerous other services to the RBG. Amongst other functions, Raiffeisen Zentralbank coordinates the holding of the RBG minimum reserve at the National Bank of Austria (OeNB), through determining and pooling cash flows and passing them on to the OeNB.

Furthermore, Raiffeisen Zentralbank undertakes the central liquidity balancing function for the RBG. Alongside the minimum reserve, Raiffeisen Zentralbank also holds the statutory liquidity reserve for the associated institutions, whereby the minimum reserve is counted as part of the liquidity reserve.

Financial performance indicators

Statement of financial position

RZB's *Total assets* as at the 31/12/2014 reporting date amounted to € 17,860.8 million (31/12/2013: € 23,197.8 million).

Cash in hand and balances with central banks totaled € 2,393.5 million at year-end (31/12/2013: € 1,517.8 million) and consisted entirely of balances at the National Bank of Austria (OeNB).

Sovereign bond holdings of € 3,080.8 million were shown at the reporting date under the item *Treasury bills and other bills eligible for refinancing with central banks* (31/12/2013: € 134.2 million). *Loans and advances to credit institutions* amounted to € 5,252.8 million (31/12/2013: € 14,903.5 million). These were broken down into 18.1 per cent (31/12/2013: 61.8 per cent) in loans and advances to RBI and 81.9 per cent (31/12/2013: 38.2 per cent) to other banks, predominantly banks in the Austrian Raiffeisen Sector.

Loans and advances to customers stood at € 1,286.2 million at the reporting date (31/12/2013: € 561.5 million), of which € 1,258.9 million (31/12/2013: € 456.2 million) were to domestic customers and € 27.3 million (31/12/2013: € 105.3 million) were to foreign customers. As of 31/12/2014, foreign currency denominated loans and advances to customers amounted to € 7.5 million (31/12/2013: € 6.0 million).

At the reporting date, an amount of € 106.1 million (31/12/2013: € 51.8 million), comprising a bond issued by Hypo Tirol Bank AG, one issued by Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband registrierte Genossenschaft mit beschränkter Haftung and two bonds issued by OeBB Infrastruktur AG, was reported under the item *Debt securities and other fixed-income securities*. The debt security issued by Raiffeisen Bank International AG (31/12/2013: € 51.8 million) was sold in the 2014 financial year.

The items *Interest in affiliated companies* and *Financial investments* of € 5,379.1 million in aggregate (31/12/2013: € 5,576.9 million) included material holdings in Raiffeisen International Beteiligungs GmbH, RZB-BLS Holding GmbH, SALVELINUS Handels- und Beteiligungsgesellschaft mbH, RZB Invest Holding GmbH, RALT Raiffeisen-Leasing Gesellschaft m.b.H & Co KG and R. B. T. Beteiligungsgesellschaft m.b.H.

As at 31 December 2014, *Other assets* totaled € 331.1 million (31/12/2013: € 396.4 million), of which € 191.1 million (31/12/2013: € 304.9 million) was income from equity participations to be paid out after 31/12/2014.

On the liabilities side, *Deposits from banks* were reported in an amount of € 13,170.6 million (31/12/2013: € 18,269.0 million). At 73 per cent of total assets (31/12/2013: 79 per cent), these represented the largest source of refinancing for Raiffeisen Zentralbank. Deposits from banks were split between 13 per cent (31/12/2013: 33 per cent) in liabilities to RBI and 87 per cent (31/12/2013: 67 per cent) to other banks, predominantly banks in the Austrian Raiffeisen Sector.

As at the reporting date, *Liabilities to customers (non-banks)* amounted to € 186.9 million (31/12/2013: € 204.2 million).

The item *Other liabilities* totaling € 87.7 million (31/12/2013: € 80.2 million) included liabilities from tax transfers (corporate income tax) and chargeable capital gains as well as withholding tax due to Group members of € 77.4 million in aggregate (31/12/2013: € 68.6 million).

Provisions of € 80.3 million in total (31/12/2013: € 62.2 million) contained provisions for severance payments in the amount of € 3.9 million (31/12/2013: € 3.1 million) and provisions for pensions of € 57.1 million (31/12/2013: € 48.4 million) alongside other provisions of € 15.0 million (31/12/2013: € 6.3 million) as well as a provision for taxation in the amount of € 4.4 million (31/12/2013: € 4.4 million).

The entry into force of Basel III significantly changed the regulations regarding total capital and total capital requirements. Therefore, the figures provided in this report cannot be fully compared to those of previous years.

The total amount at risk as at 31/12/2014 was € 9.0 billion. Of this amount, credit risk accounted for € 6.6 billion, the Basel I floor for € 1.8 billion and operational risk for € 0.6 billion. The total amount at risk rose by approximately € 2.6 billion compared to the previous year.

Common equity tier 1 (CET1 capital) stood at € 3.6 billion (31/12/2013: € 3.4 billion), while additional capital - as in the previous year - was zero. All in all total capital amounted to € 3.6 billion, a year-on-year increase of € 0.2 billion.

This resulted in a CET1 ratio, core capital ratio and total capital ratio of 40.2% (31/12/2013: 52.4%). The total capital surplus was approximately € 2.9 billion, in line with the previous year.

Earnings performance

In the 2014 financial year Raiffeisen Zentralbank posted negative *Net interest income* of € 24.4 million (2013: € 13.0 million). This was primarily due to the funding of the portion of participating interests which is in excess of shareholders' equity.

Income from securities and participating interests of € 219.5 million (2013: € 333.7 million) mainly consisted of income from shares in affiliated companies of € 211.0 million (2013: € 324.4 million).

Commissions receivable rose to € 11.5 million (2013: € 8.0 million), mostly due to higher guarantee fees from the card complete Service Bank AG, an increased joint and several liability fee from Notartreuhandbank AG, the provision of guarantees for RBI bonds and structured deposits, as well as the assumption of risks resulting from RBI business with Raiffeisen-Leasing Bank AG, Raiffeisen-Leasing GmbH and A-Leasing SpA.

The income statement item *Other operating income* was € 20.4 million (2013: € 10.2 million), with the major part made up of costs passed on and service fees in the amount of € 16.7 million (2013: € 8.4 million) and SLA income of € 2.1 million (2013: € 0.3 million). Costs passed on include charges in the amount of € 7.5 million to RBI for the Asset Quality Review conducted by Ernst & Young.

Raiffeisen Zentralbank generated total *Operating income* of € 220.0 million (2013: € 338.8 million).

Total *Operating expenses* were € 78.6 million (2013: € 55.9 million).

Staff costs totaled € 33.9 million (2013: € 20.8 million) and contained € 13.8 million (2013: € 2.6 million) in expenses for pensions as well as allocations to provisions for severance payments and for pensions.

Other administrative expenses rose to € 43.9 million (2013: € 33.2 million) and mainly comprised expenses for legal, advisory and audit costs of € 11.3 million (2013: € 14.3 million), FMA expenses for the Asset Quality Review conducted by Ernst & Young amounting to € 9.0 million and expenses for Service Level Agreements of € 10.9 million (2013: € 7.5 million) as well as advertising and rental expenses.

Raiffeisen Zentralbank's *Operating result* for the 2014 financial year was € 141.4 million (2013: € 282.9 million).

Net income/expenses from the disposal and valuation of loans and advances and specific securities contains income from the write-up of a previously purchased already impaired credit extended to A-Real Estate S.p.A. in the amount of € 4.7 million and individual loan loss provisions of € 1.2 million (2013: € 1.1 million).

Net income/expenses from the disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests showed a negative result of € 178.5 million in the 2014 financial year (2013: € 1.7 million) resulting from partial write-downs of holdings in Raiffeisen International Beteiligungs GmbH, R.B.T. Beteiligungsgesellschaft m.b.H and SALVELINUS Handels- und Beteiligungsgesellschaft m.b.H on the one hand, as well as proceeds from the disposal of Raiffeisen Informatik GmbH and the Raiffeisen Bank International AG bond and proceeds from the sale of shares in Raiffeisen e-force GmbH and RSC Raiffeisen Service Center GmbH on the other.

Consequently, *Profit on ordinary activities* was negative € 33.6 million for the financial year (2013: € 289.5 million).

Expenses for corporate income tax and tax transfers in the amount of € 1.6 million (2013: € 44.7 million) are shown under the item *Tax on profit or loss*. *Other taxes* contains the "stability contribution" special tax for banks in the amount of € 22.0 million (2013: € 9.2 million).

The profit/loss after tax as of 31/12/2014 was negative and amounted to € 53.9 million (2013: € 235.6 million). A sum of € 25.0 million was transferred to reserves.

This resulted in a loss for the year of € 78.9 million (2013: € 235.6 million). After adding € 2.3 million in profit brought forward (2013: € 10.6 million), a net loss for the year of € 76.6 million (2013: € 246.3 million) was reported.

Recommendation for the appropriation of profits

Due to the net loss for the year, RZB AG will not pay a dividend on shares for the 2014 financial year.

The net loss for the year in the amount of € 76.6 million will be carried forward to the next accounting period.

Non-financial Performance Indicators

Human Resources

As of 31 December 2014, RZB AG had 165 employees (full-time equivalents, excluding employees assigned to other group companies), an increase of 33 per cent on 2013 (124 employees). This was driven by the assumption of functions from companies in the Raiffeisen Group during the course of the year. The traditionally very high proportion of women among the total workforce continued at 53 per cent. To help achieve the best possible balance between work and family life, RZB AG offers home office and a number of part-time models alongside flexible working time without core working hours. "Daddy's month" has also been introduced within RZB AG, giving fathers the opportunity to spend time with their family following the birth of a child. An increasing number of fathers are also taking several months' paternity leave.

New hiring and the filling of vacancies were undertaken in consideration of the taking on of new functions in the Group (including as a consequence of the "FuturePLUS" (ZukunftPLUS) project) and, as lead institution of the Raiffeisen sector, in consideration of regulatory requirements as well as to replace losses in critical functions due to staff turnover. The staff turnover rate during the reporting period was 9.1 per cent (2013: 3.2 per cent).

Management development

In the area of management development a new process was drawn up for the selection of new senior executives, utilizing hearings and potential analyses to ensure the highest possible quality in the recruitment of new managerial staff. In addition, a standard process for the further development of these new managers has been implemented.

The focus of the development initiatives was on a broadly based program for change management, within the framework of FuturePLUS, for executives in RZB AG and affiliated companies.

Professional Development

In 2014, in professional development special emphasis was placed on using budgetary and time resources as precisely as possible for strategic objectives and initiatives. Although there was a slight reduction in the portfolio and in participant numbers for standard training courses, investment in business-critical areas such as process optimization was increased. Additional areas of emphasis included "fit & proper" qualification of our top executives and key personnel and also mandatory training courses on compliance issues. Alternative forms of learning such as e-learning as well as cross-functional and international rotation/exchange programs were also further expanded.

Developments in compensation

In 2014, a significant portion of the Human Resources capacity was again channeled toward implementing special regulations for compensation systems in the banking sector following the entry into force of new provisions ("technical standards" of the EBA). This made it necessary to adjust internal rules concerning the identification of those positions which are subject to the restrictive remuneration provisions of the Austrian Banking Act (BWG).

RZB AG's result had a marked impact on variable compensation for the 2014 financial year. In accordance with the regulatory framework, bonus commitments in RZB AG were reduced, on a differentiated basis for "identified staff" and other employees (subject to a contrary decision by the supervisory authorities before the payment date in 2015). The associated provisions were therefore correspondingly lower than in previous years.

Staff expenses rose 62 per cent year-on-year, driven by a higher headcount due to changes connected to FuturePLUS and by salary increases related to the Collective Agreement and to performance.

Focus on the employee survey

In order to make data comparable within the Group and reduce costs, a Group-wide survey project was introduced for the first time in 2014. This was conducted in conjunction with the HAY Group, a global consulting company specializing in HR matters. RZB also participated in the survey in the second quarter.

Alongside the two key factors of employee engagement (commitment to the company and voluntary willingness to make additional effort) and employee enablement (existence of an environment which nurtures success), twelve additional dimensions such as quality and customer orientation, cooperation, strategic direction, focus on performance and training were also surveyed.

The participation rate increased to 75% from 60 per cent in 2011. The evaluation of the results took place for the most part on team or departmental level.

Organizational structure development / FuturePLUS

In 2014, some adjustments were also made to the organizational structure (new allocation of functions within the Group as well as the assumption of new responsibilities as lead institution of the Raiffeisen sector).

HR undertook comprehensive work in relation to the FuturePLUS program. In addition to overseeing the whole project from an employee law perspective, HR is also responsible for supporting Change Management as well as the sub-project HR Shared Services Center, which has the objective of consolidating the HR departments of associated companies in RBI. The sub-project HR Optimization ultimately aims to optimize and standardize the HR processes of the companies in the Raiffeisen sector as well as consolidate the HR IT applications, taking into account process requirements.

In the course of the general pooling of service functions in the Raiffeisen sector in Shared Service Centers, the first employee transfers - including into RZB AG - took place on 1/7 and 1/10/2014. On a more detailed level, this related to marketing functions at Raiffeisen Bausparkasse, Raiffeisen Capital Management, Raiffeisen Leasing and Valida (all as of 1/7/2014) and Finance/Control/Accounting at Raiffeisen Capital Management (as of 1/10/2014).

Corporate responsibility

Sustainability management at Raiffeisen Zentralbank

Responsible business practices at RZB serve the purpose of comprehensive value creation, incorporating economic, ecological and social responsibility. For over 125 years, Raiffeisen has combined economic success with socially responsible conduct. The Raiffeisen values of solidarity, regionalism and subsidiarity form the foundation of all Raiffeisen organizations.

For Raiffeisen Zentralbank, as the lead institution of the Raiffeisen Banking Group, they are important pillars in the exercise of corporate responsibility. Since being founded by Friedrich Wilhelm Raiffeisen, sustainable practices have been on the agenda as a matter of course. Accordingly, corporate responsibility and sustainability form integral elements of business activity.

Raiffeisen Zentralbank was one of the signatory companies to the United Nations Global Compact (UNGC) and has thereby committed itself to strict compliance with the ten UNGC principles of responsible business (also available in detail at www.unglobalcompact.at).

The 10 principles of the UN Global Compact	
Human Rights	
1.	RZB supports and respects the protection of international human rights within its sphere of influence.
2.	RZB makes sure that it is not complicit in human rights abuses.
Work standards	
3.	RZB upholds the freedom of association and the effective recognition of the right to collective bargaining.
4.	RZB advocates the elimination of all forms of forced and compulsory labor.
5.	RZB advocates the abolition of child labor.
6.	RZB advocates the elimination of discrimination in respect of employment and occupation.
Environment	
7.	RZB supports a precautionary approach to environmental challenges.
8.	RZB undertakes initiatives to promote greater environmental responsibility.
9.	RZB encourages the development and diffusion of environmentally friendly technologies.
Anti-corruption	
10.	RZB works against corruption in all its forms, in particular against oppression and bribery.

Raiffeisen Zentralbank also expects corresponding globally responsible conduct from its employees and management as well as from partners and suppliers.

Implemented sustainability measures 2014

One of the cornerstones of the sustainability strategy is the role of **responsible banking**. This is of particular significance for the core business, which through the provision of credit and the investment of funds constitutes the most effective means of sustainable development.

In order to also undertake business responsibly in the future, a focus group comprising internal and external experts was engaged with the topic "RZB Group 2025: sustainable future scenarios and strategies" in preparation for the 2014 Stakeholder Council. Central to the three discussion rounds were the individual and his changed needs, market trends, new business models and technologies as well as changes in general conditions, policy and governance.

As a fair partner, Raiffeisen Zentralbank maintains an active, transparent and open dialog with all stakeholders. In this regard, the Sustainability Report, an annual publication on sustainability performance, plays an important role. The gold award at the Econ Awards 2014 for outstanding performance in corporate communications in German-speaking countries was particularly welcome in this respect. The RZB sustainability report 2011/2012 "We create sustainable value" was distinguished for the first time in the category "Sustainability and CSR Report".

At around the same time, RZB Group's sustainability reporting received an award in Austria. The electronic update for the 2013 financial year was again counted among the best sustainability reports of large corporations at ASRA 2014.

The emphasis of the ecologically-oriented business measures was on the area of mobility, which is one of the largest producers of CO2 in the RZB Group. In 2009, at the request of the Environmental Committee, the first survey of employees' commutes to their place of employment was conducted. In fall 2014, a mobility survey was once again started in the Group, to investigate travel patterns of employees during business trips and in commuting. The analysis will take place on country level in the first quarter of 2015.

As an engaged citizen, Raiffeisen Zentralbank assumes responsibility for society and the environment. Accordingly, it was engaged in the establishment of the Raiffeisen Climate Protection Initiative (Raiffeisen Klimaschutz-Initiative - RKI) in 2007. RKI is a platform and a driving force for measures in the areas of sustainability, climate protection, energy efficiency, renewable resources and corporate responsibility.

In order to identify innovative new ideas and projects in the field of sustainability and to get employees more involved in this subject, RKI initiated the "Raiffeisen Sustainability Challenge" in fall 2014. Three category choices were available: sustainable financial products and services, sustainable construction, renovation and mobility as well as internal measures. In total 174 ideas were submitted by employees of the participating RKI organizations. An internal jury evaluated the best three respective projects in the member companies. In the Vienna head office of Raiffeisen Zentralbank and RBI, the project ideas of "the green belt" and "electronic payslips" were the winners. The European Green Belt is a conservation initiative to preserve largely natural land in border areas. The proposal was to safeguard this ecological reserve through the purchase of protected areas. Two employees submitted the idea of electronic payslips, not only to save costs but also to reduce resource utilization and CO2 emissions.

The corporate volunteer project "Surprise in a Box" was supported for the seventh time by RZB employees. The project involves the collection of presents for children, which are then packed together in shoe boxes. The parcels are given to vulnerable children in the Vienna Caritas asylum center.

Risk management

Taking and transforming risks form integral components of the banking business. This makes active risk management as much a core competence of overall bank governance as capital planning and management of the bank's profitability. In order to effectively identify, classify and contain risks, the Group utilizes comprehensive risk management and controlling.

This function spans the entire organizational structure, including all levels of management, and is also implemented in each of the subsidiaries by local risk management units. Risk management is structured to ensure the careful handling and professional management of credit risk, country risk, market risk, liquidity risk, investment risk and operational risk in order to ensure an appropriate risk/reward ratio. More detailed information on the structure of the risk organization and key figures are available in the risk report.

Changes in the regulatory environment

In the 2014 financial year RZB also continued to focus intensively on both existing and forthcoming regulatory requirements. One of the major developments was the new statutory regulations, which came into force at the start of 2014 with the EU Directive for Basel III (CRD IV/CRR).

In preparation for the Single Supervisory Mechanism (SSM), the European Central Bank (ECB) subjected the major European banks, including RZB, to a Comprehensive Assessment comprising an Asset Quality Review along with a Europe-wide stress test. In order to be optimally prepared for the assessment conducted by the ECB and to ensure good data quality, an internal project was established which remained in ongoing contact with the supervisory authorities.

The ECB subjected all banks that in future are to be directly supervised to the Comprehensive Assessment, which mainly consisted of an extensive Asset Quality Review (AQR) and a Europe-wide stress test. The RZB Group significantly surpassed the required capital ratios in both the baseline and adverse scenarios of the stress test. The AQR, which preceded the stress test, was based on the 2013 statement of financial position and brought adjustments to the common equity tier 1 ratio (CET1 ratio) used by the ECB in its stress test for RZB, in the amount of 0.65 percentage points. These adaptations are mainly due to the fact that the ECB employs a different approach to RZB for portfolio-based loan loss provisions. Moreover, the AQR did not account for provisions that RZB established in the 2014 financial year. However, most of these were allocated in the financial year 2014. The recommendations of the ECB were implemented to the extent that they correspond with IFRS accounting policies and increase the qualitative accuracy of the models used.

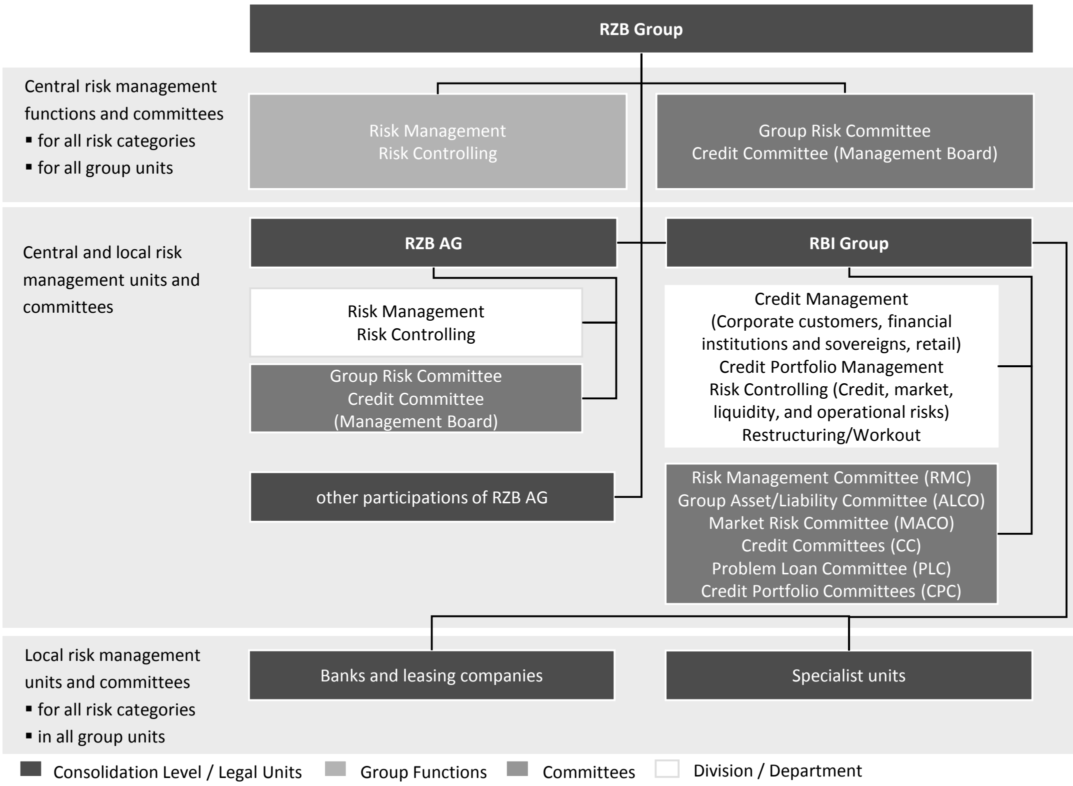
Risk report

Risks arising from financial instruments

Active risk management constitutes a fundamental responsibility of Raiffeisen Zentralbank, as parent credit institution of the RZB Group, in respect to the governance of the Group. In order to effectively identify, classify and contain risks, the bank works closely with Raiffeisen Bank International AG (RBI) to develop and implement relevant concepts.

Organization

Raiffeisen Zentralbank, as parent credit institution, maintains a number of Service Level Agreements with risk management units within RBI, which carries out the operational implementation of risk management processes in the Group in conjunction with the individual Group subsidiaries. In addition, Raiffeisen Zentralbank determines risk management policies and defines business-specific guidelines, tools and procedures for all companies in the Group.



The two risk management units of Raiffeisen Zentralbank have defined authority for credit decisions relating to business undertaken by Raiffeisen Zentralbank and for large Group credit exposures (risk management) as well as for risk monitoring in the Group (risk controlling). These risk management units also ensure compliance with all regulatory requirements in the RZB credit institution group pursuant to Section 30 of the BWG (Banking Act).

Risk position

Risks arising from participating interests form the most important risk category for RZB. The holding in RBI constitutes the largest participating interest, which - in addition to its own bank business - holds interests in banks and leasing companies in Central and Eastern Europe. The majority of the direct and indirect participating interests held by RZB (e.g. network banks, leasing companies) are fully consolidated in the consolidated financial statements and their risks are therefore closely monitored from an integrated perspective not only by the RBI subsidiary, but also by the risk controlling area of Raiffeisen Zentralbank. The other participating interests are focused on the insurance industry, the food sector and the area of banking support services.

The credit risk exposure of Raiffeisen Zentralbank primarily relates to default risk resulting from business undertaken with the Raiffeisen Banking Group in Austria. This risk is monitored on an individual entity and on a customer (group) basis. As most of the customers have a relationship based on ownership with Raiffeisen Zentralbank - either as a subsidiary company or as a shareholder - protecting against default risk generally takes the form of the posting of collateral and netting agreements. Moreover, in the course of managing the Group, large credit exposures of subsidiary companies are also approved by Raiffeisen Zentralbank when an application for a credit limit for a Group customer exceeds the defined authority of that subsidiary.

Market and liquidity risks at Raiffeisen Zentralbank are by comparison very minor. Raiffeisen Zentralbank closes the risks arising from business policy primarily with RBI, so that for the most part only residual positions remain.

Participation risk

The risks from listed and unlisted participations are also considered to be part of the banking book. They are reported separately under this risk category. Most of RZB AG's direct or indirect participations are fully consolidated in the consolidated financial statements (e.g. network banks, leasing companies) and their risks are therefore captured in detail. Accordingly, the management, measurement and monitoring methods described in the other types of risk are used for the risks arising out of such participations.

The roots of participation risk and default risk are similar: A deterioration in the financial situation of a participation is normally followed by a rating downgrade (or default) of that unit. The calculation of the value-at-risk and the economic capital for participations is based on an extension of the credit risk approach pursuant to Basel III.

RZB AG's participations are managed by the Participations division. It monitors the risks that arise from long-term participations in equity and is also responsible for the ensuing results. New investments are made only by RZB AG's Management Board on the basis of a separate due diligence.

Internal control and risk management system with regard to the accounting process

Introduction

The establishment and definition of a suitable internal control and risk management system with regard to the accounting process is extremely significant for Raiffeisen Zentralbank and the Group. The annual financial statements of Raiffeisen Zentralbank are prepared in the AG Accounting department of Raiffeisen Bank International, which falls within the CFO's area of responsibility. The scope of its activities is defined in a service level agreement between the companies.

The annual financial statements are prepared on the basis of the relevant Austrian laws, above all the Austrian Banking Act (BWG) and the Austrian Commercial Code (UGB), which deal with the preparation of annual financial statements.

At Raiffeisen Zentralbank, the general ledger is maintained through the core banking system GEBOS, which also includes the credit and deposit processing sub-ledger function (GIRO). The primary system used for interbank business with institutions from the sector is Wall Street Systems, whereby the required accounting data is transferred via an interface to the general ledger (GEBOS). Accounts receivable, accounts payable and fixed asset accounting are processed through a SAP system. Based on the trial statement of financial position from GEBOS, a large number of supplementary closing entries are made. The statement of financial position and the income statement are prepared on this basis in accordance with the Austrian Commercial Code (UGB) and the Austrian Banking Act (BWG).

Control environment

In general, all internal Group directives can be retrieved from the RZB Group Directive Database. With regard to accounting, mention should be made above all of the Group Accounts Manual, which contains a description of the following points in particular:

- General accounting rules
- Measurement methods
- Required (quantitative) information in the notes
- Accounting rules for special transactions

Additionally, there are guidelines that relate solely to Raiffeisen Zentralbank. For the accounting system there is for example an "Accounting Guidelines" directive, which defines the instruction process for the settlement of purchase invoices or the management of clearing accounts.

Risk assessment

The assessment of the risk of incorrect financial reporting is based on various criteria. Valuations of complex financial instruments may lead to an increased risk of error. In addition, asset and liability items have to be valued for the preparation of the annual financial statements; in particular the assessment of the impairment of receivables, securities and participations, which are based on estimates of future developments, gives rise to a risk. The main focus of risk assessment is on Raiffeisen Zentralbank's listed and unlisted participating interests, with the sustainability of balance sheet valuations having a significant influence on the annual financial statements.

Control measures

The main control measures encompass a wide range of reconciliation processes. Besides the four eyes principle, automation-aided controls and monitoring instruments dependent on risk levels are used, for example the comparison of the main ledger with the sub-ledgers or the continuous reconciliation of clearing accounts. The duties assigned to individual positions are documented and updated on an ongoing basis. Particular emphasis is placed on effective deputizing arrangements to ensure that deadlines are not missed due to the absence of one person.

The Audit Committee of the Supervisory Board considers and approves the annual financial statements and the management report. They are published in the Wiener Zeitung and finally filed with the commercial register.

Information and communication

Information on the accounting treatment of their respective products is regularly exchanged with the specialist departments. Regular departmental meetings ensure that employees receive ongoing training on changes to accounting rules under the Austrian Commercial Code (UGB).

As part of the reporting process, the Management Board receives monthly and quarterly reports analyzing the results of Raiffeisen Zentralbank and the Group. The Supervisory Board is also regularly informed about the results at its meetings. This ensures that the internal control system is monitored.

External reports are for the most part prepared only for the consolidated results of RZB. This information is published on a semi-annual basis, comprising consolidated financial statements and an interim financial report. In addition, there are regular regulatory reporting requirements with respect to the banking supervisory authority.

Monitoring

The Management Board and the mid-office departments are responsible for ongoing company-wide monitoring. The quality of ongoing monitoring is secured by the work of the internal audit department. It reports regularly to the Management Board and the Audit Committee in the Supervisory Board.

Financial statements that are to be published are subjected to a final assessment by senior staff at the RBI main Accounting & Reporting department and the RZB Participation Management & Controlling department before being passed on to the Audit Committee.

Outlook

Economic prospects

Central Europa

Positive growth trends from the second half of 2014 should continue in the CE region in 2015 and 2016. The economic turnaround seems to have taken hold, and the 2015 increase in growth in the Euro area should support exports. Domestic demand is also expected to continue developing, which would further underpin the sustainability of the economic recovery. Following GDP growth of 2.9 per cent in 2014, the CE forecast for the years to come is currently at 3.0 per cent. Poland is likely to remain the top performing country in 2015, followed by other CE countries such as Hungary, Slovakia and the Czech Republic. In terms of monetary policy, the reins will likely continue to be kept loose in CE due to record-low inflation rates. Restrictive monetary policy measures are not expected before 2016.

Southeastern Europe

The SEE region's GDP growth in 2015 and 2016 should be less strongly affected by one-off effects (such as the natural disasters in Serbia and Bosnia-Herzegovina in 2014) and unmet consolidation requirements (such as in Croatia). After GDP growth of 1.4 per cent in 2014, and 1.9 per cent in 2015, SEE will likely again near its current potential growth rate in 2016. Romania, in particular, should remain on a solid growth trajectory with GDP rising at around 3.0 per cent per year. Economic growth in Romania should be supported by rather lax monetary policies in 2015 and subsequent years. Other SEE countries, whose development in the past years was stagnant, are expected to slowly join the positive progress of Romania in 2015 and 2016.

Russia

The growth outlook is subdued – partly because exports and investments are unlikely to generate much momentum, and partly because the consequences of the Ukraine conflict still pose significant downside risks. After experiencing a deep recession in 2015 and a tentative recovery in 2016, the Russian economy is expected to weakly expand at 0.5 per cent. Its potential growth will likely stay below 2.0 per cent if the government does not enact reforms and diversify the economy as it planned, but failed to do in the previous cycle. Should economic sanctions against Russia continue, macrofinancial risks will rise sharply despite ample fiscal and foreign currency reserves.

CEE Other

Faced with high economic and political uncertainty, Ukraine will have to carry out difficult structural reforms in 2015 and 2016, supervised by the IMF, in order to adjust current economic imbalances and obtain urgently needed financing. Economic performance should therefore continue to decline, at least in 2015, while prospects of an economic recovery remain unclear. Belarus, also facing a stagnation or recession in 2015, will remain dependent on financial support from Russia making its macrofinancial situation likely to remain strained for the years to come.

Eurozone

The euro area should see accelerated economic growth in the course of 2015 and continue this course in 2016. Exports are poised to benefit from the weak euro and robust economic momentum of important trading partners (USA, UK). Headwinds from fiscal policy will die down, while low oil prices should bolster consumer purchasing power and reduce companies' costs. Monetary policy, likely to stay very loose for a long time, will produce highly favorable financing terms that should clear the investment backlog. Private-sector investment will probably recover slowly, and so growth is expected to remain modest at 1.2 per cent in 2015. The 2016 estimate is at 1.9 per cent, which is even above the euro area's potential growth. Despite the increase in economic momentum, weak wage pressures should keep inflation below the ECB target rate of slightly less than 2.0 per cent until 2016.

Austria

Economic momentum in Austria will probably only increase by a modest amount in 2015 and 2016, and lag behind previous upturns. Domestic demand should drive much of the growth, with private consumption benefitting from the stable employment situation. Furthermore, employment is expected to increase in the second half of 2015, while low energy prices support an increase in purchasing power. However, investment will only gain slight momentum. Due to an improvement in foreign trade conditions, exports are likely to increase; however, imports should rise about as quickly given the assumed increase in domestic demand. Therefore, GDP is expected to grow 0.7 per cent in 2015 and 1.8 per cent in 2016.

Business outlook

RBI has the greatest influence on business development within the RZB Group. RBI is planning an aggregate gross risk-weighted asset (total RWA) reduction of € 16 billion in selected markets by the end of 2017 (total RWA as at 31 December 2014: € 68.7 billion). RBI intends to partly offset the reduction with growth in other business areas.

After the implementation of the new strategic measures, the cost base should be 20 per cent below the level of 2014 (at constant prices and foreign exchange rates; general administrative expenses 2014: € 3,024 million). RBI targets a cost/income ratio of between 50 and 55 per cent in the medium term.

RBI aims for a return on equity before tax of approximately 14 per cent and a consolidated return on equity of approximately 11 per cent in the medium term. The full year 2015 result may be negative as the majority of the restructuring costs (around€ 550 million in total) are expected to be booked in 2015.

RBI expects net provisioning for impairment losses to remain elevated in 2015; however, RBI anticipates that the requirement will be below the level of the previous year (2014: € 1,716 million).

RBI targets a CET1 ratio (fully loaded) of 12 per cent and a total capital ratio (fully loaded) of 16 per cent by the end of 2017.

To ensure RZB can, among other things, achieve its targets for cost savings and creating added value for the sector, it will continue to focus on strengthening the core competencies of the affiliated companies. The synergies and potential efficiencies which have already been achieved must also be ensured in future.

Against the backdrop of a permanently changing regulatory environment and further strengthening of our balance sheet structure, RZB continuously evaluates the level and structure of its regulatory capital to enable it to act promptly and flexibly.

Subsequent events

Strategic measures to strengthen capital ratios

In February 2015, RBI resolved to take a number of steps to increase capital buffers. The measures are intended to facilitate an improvement in the CET1 ratio (fully loaded) to 12 per cent by the end of 2017, compared to 10 per cent at the end of 2014. The planned steps will affect a number of operations across RBI, in particular those areas which generate low returns, have high capital consumption or are of limited strategic fit.

The measures to be implemented include sale of the operations in Poland and Slovenia, as well as the direct banking unit ZUNO. Exposure to the Russian market is to be reduced, with a risk-weighted asset (total RWA) reduction of approximately 20 per cent planned by the end of 2017 (total RWA as at 31 December 2014: € 8.4 billion). A reduction in exposure is also foreseen in Ukraine, where total RWA will be decreased by approximately 30 per cent by the end of 2017 (total RWA as at 31 December 2014: € 3.0 billion). In Hungary further optimization of the operation will be undertaken. As part of the drive to increase Group focus on the CEE region, operations are to be significantly scaled back or exited in Asia by the end of 2017 and in the US by the end of 2016.

The implementation of these measures will result in an aggregate gross RWA reduction in the selected markets of approximately € 16 billion by the end of 2017 (total RWA as at 31 December 2014: € 68.7 billion). The total gross reduction from the end of the third quarter 2014 to the end of 2017 will amount to approximately € 26 billion.

The reduction is expected to be partially offset by growth in other business areas.

Currency devaluations at the beginning of 2015

At the beginning of 2015, changes to the Ukrainian National Bank's monetary policy led to a slump. By the end of February, the Ukrainian hryvnia (UAH) had lost 37 per cent. This will have an effect on RZB's loan portfolio in 2015; however, this has only little impact on RZB's capital position.

At the beginning of 2015, Belarus devalued the Belarusian rouble (BYR) by around 20 per cent. This was a result of the currency turbulence in Russia at the end of 2014. The Belarusian economy is strongly linked to the Russian's. As Priorbank's capital is partly secured through an economic hedge this has little impact on the capital position.

The appreciation of the Swiss franc (CHF) against the Euro, following the withdrawal of the Swiss National Bank's exchange rate peg, can have a negative impact on CHF-denominated foreign currency loans. RZB's portfolio of these loans is approximately € 4 billion, € 2.8 billion of which are in Poland. Overall, the short-term impact on RZB is deemed low.

Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of

**Raiffeisen Zentralbank Österreich Aktiengesellschaft,
Vienna,**

for the year from 1 January 2014 to 31 December 2014. These financial statements comprise the balance sheet as of 31 December 2014, the income statement for the year ended 31 December 2014 and the notes.

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

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 December 2014 and of its financial performance for the year from 1 January 2014 to 31 December 2014 in accordance with Austrian Generally Accepted Accounting Principles.

Report on Other Legal Requirements (Management Report)

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

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

Vienna, 11 March 2015

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca

Wirtschaftsprüfer

Michael Schlenk

Wirtschaftsprüfer

(Austrian Chartered Accountants)