RAIFFEISEN ZENTRALBANK ÖSTERREICH AKTIENGESELLSCHAFT

ANNUAL FINANCIAL STATEMENTS 2015

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.

In this report, RZB refers to the RZB Group and RZB AG is used where statements refer solely to Raiffeisen Zentralbank Österreich AG. RBI refers to the RBI Group and RBI AG is used where statements refer solely to Raiffeisen Bank International AG.

Annual financial statements

Statement of financial position

Assets

		31/12/2015 in €	31/12/2014 in € thousand
1.	Cash in hand and balances with central banks	4,051,914,493.41	2,393,491
2.	Treasury bills and other bills eligible for refinancing with central banks	4,293,044,796.21	3,080,761
3.	Loans and advances to credit institutions	2,523,150,287.48	5,252,824
	a) due at call	28,629,682.82	142
	b) Other loans and advances	2,494,520,604.66	5,252,681
4.	Loans and advances to customers	1,083,154,411.57	1,286,195
5.	Debt securities and other fixed-income securities	645,386,814.63	106,140
	a) issued by public bodies	0.00	0
	b) issued by other borrowers	645,386,814.63	106,140
6.	Shares and other variable-yield securities	45,063,999.83	25,012
7.	Financial investments	41,497,912.88	50,445
	hereof: in credit institutions	27,815,879.86	27,816
8.	Interest in affiliated companies	5,411,788,005.68	5,328,681
	hereof: in credit institutions	0.00	0
9.	Intangible fixed assets	1,962,598.60	512
10.	Tangible fixed assets	4,551,577.85	4,516
11.	Other assets	261,318,069.72	331,098
12.	Accruals and deferred income	846,410.70	1,125
Total assets		**18,363,679,378.56**	**17,860,799**

Liabilities

		31/12/2015 in €	31/12/2014 in € thousand
1.	Deposits from banks	13,739,487,268.05	13,170,607
	a) due at call	218,352.81	71,202
	b) With agreed maturity dates or periods of notice	13,739,268,915.24	13,099,405
2.	Liabilities to customers (non-banks)	271,999,452.31	186,908
	a) Savings deposits	0.00	0
	b) Other liabilities	271,999,452.31	186,908
	aa) due at call	16,999,530.95	127
	bb) With agreed maturity dates or periods of notice	254,999,921.36	186,781
3.	Debt securities issued	35,003,703.00	0
4.	Other liabilities	70,357,557.79	87,679
5.	Accruals and deferred income	4,950,123.23	14
6.	Provisions	76,298,999.43	80,291
	a) Provisions for severance payments	4,937,539.88	3,858
	b) Provisions for pensions	53,021,634.72	57,058
	c) Provisions for taxation	4,392,369.56	4,392
	d) other	13,947,455.27	14,982
7.	Supplementary capital	66,099,100.77	52,000
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	1,215,659,469.27	1,477,135
	a) Legal reserve	38,612,000.00	38,612
	b) Other reserves	1,177,047,469.27	1,438,523
11.	Liability reserve pursuant to Article 57 (5) BWG	524,366,174.72	524,366
12.	Profit/loss	1,074,702.41	(76,582)
	a) Profit/loss	77,656,592.63	(78,900)
	b) loss/profit brought forward from previous years	(76,581,890.22)	2,318
13.	Untaxed reserves	3,773,411.96	3,773
	Valuation reserve due to extraordinary depreciation	3,773,411.96	3,773
Liabilites total		**18,363,679,378.56**	**17,860,799**

Items off the statement of financial position

	ASSETS	31/12/2015 in €	31/12/2014 in € thousand
1.	Foreign assets	3,411,203,583.64	2,277,145

	EQUITY AND LIABILITES	31/12/2015 in €	31/12/2014 in € thousand
1.	Contingent liabilities	8,744,921,094.87	10,513,354
	Guarantees and assets pledged as collateral security	8,744,921,094.87	10,513,354
2.	Commitments	2,168,017,000.00	3,418,524
3.	Commitments arising from agengy services	24,009,548.05	24,010
4.	Eligible capital pursuant to Part 2 of Regulation (EU) No 575/2013	3,393,821,912.41	3,621,834
	hereof: supplementary capital pursuant to Chapter 4 of Title I of Part 2 of Regulation (EU) No 575/2013	0.00	0
5.	Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013	8,103,177,955.64	9,020,435
	hereof: capital requirement pursuant to Article 92 (1) (a) to (c)		
	a) hereof: capital requirements pursuant to Article 92 (1) (a)	41.88%	40.15%
	b) hereof: capital requirements pursuant to Article 92 (1) (b)	41.88%	40.15%
	c) hereof: capital requirement pursuant to Article 92 (1) (c)	41.88%	40.15%
6.	Foreign liabilities	140,008,570.14	0

Income statement

		2015 in €	2014 in € thousand
1.	Interest receivable and similar income	47,365,740.52	86,972
	hereof: from fixed-income securities	24,853,445.65	11,976
2.	Interest payable and similar expenses	(68,690,306.19)	(111,352)
I.	**NET INTEREST INCOME**	**(21,324,565.67)**	**(24,380)**
3.	Income from securities and participating interests	82,255,132.81	219,535
	a) Income from shares and other variable-yield securities	52,227.16	0
	b) Income from participating interests	6,306,905.65	8,569
	c) Income from shares in affiliated undertakings	75,896,000.00	210,966
4.	Commissions receivable	11,149,315.95	11,493
5.	Commissions payable	(575,349.53)	(1,023)
6.	Net profit or net loss on financial operations	(9,039,349.32)	(5,972)
7.	Other operating income	28,023,100.41	20,354
II.	**OPERATING INCOME**	**90,488,284.65**	**220,008**
8.	General administrative expenses		
	a) Staff costs	(30,219,309.80)	(33,890)
	aa) Wages and salaries	(22,687,037.91)	(16,148)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(4,574,318.44)	(3,241)
	cc) Other social expenses	(947,298.05)	(735)
	dd) Expenses für pensions and assistance	(4,617,211.82)	(4,639)
	ee) Release/Allocation to provision for pensions	3,677,518.84	(8,124)
	ff) Expenses for severance payments and contributions to severance funds	(1,070,962.42)	(1,003)
	b) Other administrative expenses	(48,383,160.69)	(43,885)
9.	Value adjustments in respect of asset items 9 and 10	(162,954.54)	(131)
10.	Other operating expenses	(8,290,935.11)	(676)
III.	**OPERATING EXPENSES**	**(87,056,360.14)**	**(78,582)**
IV.	**OPERATING RESULT**	**3,431,924.51**	**141,426**
11./ 12.	Net income/expenses from the disposal and valuation of loans and advances and specific securities	12,933,288.90	3,542
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	(192,678,185.17)	(178,521)
V.	**PROFIT ON ORDINARY ACTIVITIES**	**(176,312,971.76)**	**(33,554)**
15.	Tax on profit or loss	10,578,505.29	1,630
16.	Other taxes not reported under Item 15	(18,084,355.27)	(21,977)
VI.	**PROFIT/LOSS**	**(183,818,821.74)**	**(53,900)**
17.	Changes in reserves	261,475,414.37	(25,000)
	hereof: allocation to liability reserve	0.00	0
VII.	**PROFIT/LOSS**	**77,656,592.63**	**(78,900)**
18.	Loss/Profit brought forward	(76,581,890.22)	2,318
VIII.	**PROFIT/LOSS**	**1,074,702.41**	**(76,582)**

Notes

Company

Raiffeisen Zentralbank Österreich AG is the lead and central institution of the Raiffeisen Banking Group (RBG) in Austria. 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 is the third-largest banking group in Austria and the RBG as a whole is the largest and strongest domestic banking group. RZB AG is primarily owned by the Regional Raiffeisen Banks and is their central institution pursuant to the Austrian Banking Law applicable until 31 December 2015.

The core business area of RZB AG is its function as the lead institution of the RBG and its role as the head of the RZB. RZB AG also performs central services for the RBG. RZB AG owns one of the largest banking networks in Central and Eastern Europe through its stock-exchange listed subsidiary, Raiffeisen Bank International AG (RBI AG). In the region, 15 markets are covered by subsidiary banks, leasing companies and a number of other financial service providers. Around 51,000 employees look after approximately 14.9 million customers worldwide through a distribution network of around 2,700 outlets.

Business areas

Alongside the management of its principal equity participation, RBI AG, RZB AG's business predominantly relates to its role as lead institution of the RBG and management of the broader portfolio of equity participations.

The main business areas of RZB AG encompass equity participation management, Raiffeisen sector business and liquidity management.

- Participation Management: RZB AG holds alongside RBI AG 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.

- Sector business: Business that RZB AG, 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 RZB AG and between RZB AG and RBI AG, as well as investment of the required liquidity at the National Bank of Austria (Österreichische Nationalbank). Furthermore, RZB AG carries out advisory and service activities for the entire Austrian Raiffeisen bank sector, such as the organization and centralized management of Raiffeisen marketing.

- Liquidity Management: RZB AG is the central institution of the RBG. Together with the approximately 500 banks in the RBG, it forms the largest liquidity network in Austria. In this liquidity network, pursuant to the Austrian Banking Act (BWG; Section 27a) members are required to hold a liquidity reserve at the central parent company institution. RZB AG invests the liquidity reserve in highly liquid assets according to the CRR/CRD IV.

A further activity of RZB AG is risk management. RZB AG 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 RZB AG and RBI AG

There are mutual service relationships between RZB AG and RBI AG 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 RZB AG and RBI AG. These are subject to an annual review process based on the services actually provided.

On the reporting date there were 27 SLAs regulating services provided by RBI AG. The most significant of these are:

- Accounting & Reporting
- Group Communications
- Human Resources
- Information Technology (IT)
- Risk Controlling

In turn, RZB AG provides services - Group management instruments - that represent Group guidelines. These are also regulated by 7 SLAs: Compliance, Corporate Responsibility, Executive Secretariat, Group Organizations & Internal Control System, Risk Controlling and Raiffeisen sector customers.

Service relationships between RZB AG and other companies

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

RZB AG in turn provides services to various companies in the Raiffeisen sector in the areas of marketing, risk controlling, compliance, accounting & repoting and internal control system (IKS).

Shareholders

RZB AG 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 RZB AG in a separate company, Raiffeisen-Landesbanken-Holding GmbH. This company currently holds 78.5 per cent of the subscribed capital in RZB AG 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 3.9 per cent of the subscribed capital in RZB AG.

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 RZB AG.

Recognition and measurement principles

General principles

The annual financial statements for the year ending 31 December 2015 were prepared in accordance with the Austrian Commercial Code (UGB), taking into account the special provisions of the Austrian Banking Act (BWG) as well as Regulation (EU) No 575/2013 (CRR). 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.

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

Foreign currencies

Assets and liabilities in foreign currencies are converted at the ECB's reference exchange rates as at 31 December 2015 pursuant to Section 58 (1) of the Austrian Banking Act (BWG).

Financial instruments

At the reporting date, RZB AG held securities classified as fixed assets in the amount of € 3,586.5 million (31/12/2014: € 1,686.9 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 are valued strictly according to the lower of cost or market value principle, with any reversals of impairment losses up to amortized cost.

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. On designation, the effectiveness of the hedging relationship is reviewed in a prospective effectiveness test using a 100 basis point shift in the yield curve.

The effectiveness is measured retrospectively on a monthly basis using a regression analysis. For this purpose a set of 20 data points is used to determine the required calculation parameters employed for the retrospective effectiveness test. A hedge is classified as effective if changes in the fair value of the underlying and hedging transaction are in a range of 80-125 per cent.

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

When the loan portfolio is assessed, appropriate value adjustments or provisions respectively for guarantee loans are made for all identifiable risks, and the principle of prudence is observed. In addition, a general loan loss provision (portfolio-based provision) is recorded on the basis of the respective averages of the historical default rates in the last five years in each rating category. The single years are weighted on a linear basis.

In the financial year 2015 RZB AG allocated portfolio loan loss provisions which amounted to € 0.3 million for the first time.

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 (31/12/2014: € 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	3	Tenancy rights	10
Office fixtures and fittings	5 to 10	Business equipment	5 to10
Vehicles	5		

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 (31/12/2014: 2.0 per cent) per annum and an effective salary increase of 3.0 per cent (31/12/2014: 3.0 per cent) per annum. The parameters for retired employees are a capitalization rate of 2.0 per cent (31/12/2014: 2.0 per cent) per annum and an expected increase in retirement benefits of 2.0 per cent (31/12/2014: 2.0 per cent); in the case of retirement benefit commitments with existing reinsurance policies 1.0 per cent (31/12/2014: 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 (31/12/2014: 2.0 per cent) per annum and an average salary increase of 3.0 per cent (31/12/2014: 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	31/12/2015	31/12/2014
Loans and advances to credit institutions		
Up to 3 months	1,860.6	4,278.2
More than 3 months, up to 1 year	163.6	442.7
More than 1 year, up to 5 years	270.2	372.9
More than 5 years	200.2	158.9
Loans and advances to customers		
Up to 3 months	43.3	167.5
More than 3 months, up to 1 year	191.8	117.5
More than 1 year, up to 5 years	114.6	210.3
More than 5 years	733.5	748.1

The item *Loans and advances to customers* contains an amount of € 32.2 million (31/12/2014: € 37.1 million) which constitutes a cover pool for covered bonds of RBI AG.

In the next fiscal year no debt securities and other fixed-income securities will become due (31/12/2014: € 49.0 million).

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	31/12/2015	31/12/2014
Deposits from banks		
Up to 3 months	8,819.4	9,039.4
More than 3 months, up to 1 year	1,655.2	417.0
More than 1 year, up to 5 years	2,398.9	2,664.0
More than 5 years	865.7	979.0
Liabilities to customers (non-banks)		
Up to 3 months	95.4	0.0
More than 3 months, up to 1 year	159.6	175.6
More than 1 year, up to 5 years	0.0	11.2
More than 5 years	0.0	0.0

In the next fiscal year no own issuances will become due (31/12/2014: € 0.0 million).

Securities

RZB AG 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	31/12/2015 Listed	31/12/2015 not listed	31.12.2014 Listed	31.12.2014 not listed
Debt securities and other fixed-income securities	645.4	0.0	106.1	0.0
Shares and other variable-yield securities	0.0	45.1	0.0	25.0

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	31/12/2015 Fixed assets	31/12/2015 Current assets	31/12/2014 Fixed assets	31/12/2014 Current assets
Debt securities and other fixed-income securities	645.4	0.0	106.1	0.0
Shares and other variable-yield securities	25.1	20.0	25.0	0.0

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 € 178.0 million as of 31/12/2015 is made up of € 180.7 million (31/12/2014: € 74.5 million) to be recognized as expenditure in the future and € 2.7 million (31/12/ 2014: € 1.1 million) to be recognized as income.

In the case of securities admitted to stock exchange trading that do not have the characteristics of financial investments, the difference between the acquisition cost and the higher fair value is € 0.6 million (31/12/2014: € 0.2 million), € 0.6 million (31/12/2014: € 0.2 million) of which is in the form of hidden reserves and € 0.0 million (31/12/2014: € 0.2 million) is apportioned to valuation gains.

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.

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 ZVEZA Bank, registrirana zadruga z omejenim jamstvom, Bank und Revisionsveband, regisitrierte Genossenschaft mbH (ZVEZA Bank).

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. Furthermore impairment charges were recognized against the carrying amounts of the holdings in Raiffeisen International Beteiligungs GmbH and RZB-BLS Holding GmbH. The carrying amount of the holding in SALVELINUS Handels- und Beteiligungsges.m.b.H. was written up. A distribution restriction applies to the amount of the write-up pursuant to Article 235 (1) Austrian Commercial Code (UGB).

RZB acquired the remaining shares in Raiffeisen Bausparkasse GmbH through RZB Invest Holding GmbH in the past financial year and now holds a 100% stake. RZB sold its shares in Valida Holding AG to RZB Invest Holding GmbH and acquired a majority stake in Valida Holding AG through this company. Furthermore, RZB acquired a 15% interest in Austrian Reporting Services GmbH. The shares in the Austrian Volksbanken-AG were sold and consequently there is no longer a cross-shareholding.

As a member of the Federal IPS, RZB subscribed for shares in ZVEZA Bank by way of direct assistance and wrote down the value of this holding in full at year-end. In 2016 further shares were subscribed for, the value of which is not covered by the company valuation and therefore a provision in the amount of € 6.9 million was formed. These two measures have a neutral impact on net income, due to a release in the same amount of a reserve allocated for the Federal IPS separate fund.

As of the 2015 and 2014 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	31/12/2015	31/12/2014
Loans and advances to credit institutions		
to affiliated companies	771.4	1,539.4
to companies linked by virtue of a participating interest	35.3	24.0
Loans and advances to customers		
to affiliated companies	915.7	1,155.7
to companies linked by virtue of a participating interest	175.7	4.5
Debt securities and other fixed-income securities		
to affiliated companies	0.0	0.0
to companies linked by virtue of a participating interest	0.0	0.0
Deposits from banks		
from affiliated companies	2,375.8	3,908.3
from companies linked by virtue of a participating interest	945.7	468.0
Liabilities to customers (non-banks)		
from affiliated companies	65.4	186.1
from companies linked by virtue of a participating interest	2.9	0.0

Fixed assets

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

The land value of developed land was € 0.1 million (31/12/2014: € 0.1 million).

RZB AG was not engaged in the leasing business as a lessor in the financial years 2015 and 2014.

Obligations from the use of tangible fixed assets not reported on the statement of financial position amount to € 3.6 million for the following financial year (31/12/2014: € 2.4 million), of which € 3.3 million are to affiliated companies. The total amount of obligations for the following five years is € 18.3 million (31/12/2014: € 13.4 million), of which € 17.1 million is to affiliated companies.

The *Intangible fixed assets* item contains intangible fixed assets acquired from affiliated companies, which amount to € 2.0 million.

Other assets

As at 31 December 2015, *Other assets* totaled € 261.3 million (31/12/2014: € 331.1 million). At the reporting date there were receivables due from the tax authorities in an amount of € 72.6 million (31/12/2014: 67.6 million), receivables from Group members resulting from tax transfers in an amount of € 34.3 million (31/12/2014: € 29.8 million) as well as receivables in relation to the Federal IPS contribution due from Österreichische Raiffeisen-Einlagensicherung eGen (ÖRE) in the amount of € 66.8 million (31/12/2014: € 25.0 million). Receivables from the capitalization of income from equity participations in the same period amount to € 75.5 million (31/12/2014: € 190.4 million).

Income effectively due after the reporting date:

in € million	31/12/2015	31/12/2014
Participation income	76.2	191.1

Other liabilities

The item *Other liabilities* totaling € 70.4 million as at 31/12/2015 (31/12/2014: € 87.7 million) contains liabilities from tax transfers (corporate income tax) and chargeable capital gains as well as withholding tax due to Group members of € 37.6 million in total (31/12/2014: € 77.4 million) payable after the reporting date. Furthermore this item contains accrued interest on interest rate swaps used for hedging in the amount of € 21.0 million (31/12/2014: € 4.8 million).

Provisions

Provisions recognized by RZB AG are valued at € 76.3 million (31/12/2014: € 80.3 million), of which € 58.0 million (31/12/2014: € 60.9 million) are for pensions and severance payment obligations, € 4.4 million (31/12/2014: € 4.4 million) are taxation provisions and € 1.6 million (31/12/2014: € 1.5 million) are provisions for performance related bonuses. In addition, a provision in the amount of € 6.9 million (31/12/2014: € 0.0 million) was recognized in the 2015 financial year for the planned acquisition of shares in ZVEZA Bank within the framework of the Federal IPS. Provisions for impending losses from currency derivatives were not necessary in 2015 (31/12/2014: € 5.9 million).

Debt Issuance Program

In 2015, 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.

As at the reporting date, Czech Koruna denominated 10 year bonds amounting to € 14.1 million (31/12/2014: € 0.0 million) had been placed within the Debt Issuance Programme.

Equity

Subscribed capital

As at 31 December 2015, the subscribed capital of RZB AG as defined by the articles of incorporation amounted to € 492.5 million. The subscribed capital consists of 6,776,750 ordinary registered shares.

Development of the valuation reserve

in € million	31/12/2015	Allocation	Release	Reclassification	31/12/2014
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

Supplementary capital pursuant to CRR

As at 31 December 2015, the *Supplementary capital* amounted to € 66.1 million (31/12/2014: € 52.0 million).

In May and July 2015 two Czech Koruna denominated 10 year subordinated bonds in the amount of € 14.1 million were issued by way of long-term refinancing. These are 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.

Expenses for supplementary capital

Expenses for supplementary capital for the financial year 2015 amounted to € 3.0 million (2014: € 0.0 million).

Total capital according to CCR

in € million	31/12/2015	31/12/2014
Paid-in capital	492	492
Capital reserves and premium to CET1 instruments	1,862	1,862
Retained earnings and other reserves[1]	1,680	1,980
Common equity tier 1 (before deductions)	**4,034**	**4,334**
Net loss for the year	0	(76)
Intangible fixed assets	(2)	(1)
Provision shortage for IRB positions	(11)	(14)
Deductions exceeding common equity tier 1	(288)	(296)
Deduction insurance and other investments	(694)	(674)
Transitional adaptions for common equity tier 1	355	349
Common equity tier 1 (after deductions)	**3,394**	**3,622**
Additional tier 1	0	0
Tier 1	**3,394**	**3,622**
Supplementary capital	66	52
Transitional adaptions for Supplementary Capital	(66)	(52)
Tier 2 (after deductions)	**0**	**0**
Total capital	**3,394**	**3,622**
Total risk exposure amount (assessment basis)	**8,103**	**9,020**
Common equity tier 1 capital ratio	41.88%	40.15%
Tier 1 capital ratio	41.88%	40.15%
Total capital ratio (transitional)	41.88%	40.15%
Total capital ratio (fully loaded)	41.88%	40.15%
Common equity tier 1 capital ratio (fully loaded)	41.88%	40.15%

1 Less reserves relating to the Federal IPS of € 63.6 million (31/12/2014: € 25.0 million).

in € million	31/12/2015	31/12/2014
Total risk exposure amount (assessment basis)	**8,103**	**9,020**
Total capital requirement for credit risk	616	678
Internal rating approach	123	116
Standardized approach	400	416
CVA risk	0	0
Basel I - Floor	93	146
Total capital requirement for operational risk	32	44
Total capital requirement	**648**	**722**

in € million	31/12/2015	31/12/2014
Risk-weighted assets according to standardized approach	**400**	**416**
Equity exposures	394	412
Other positions	6	4
Risk-weighted assets according to internal rating approach	**123**	**116**
Banks	4	7
Corporate customers	81	90
Equity exposures	38	19
Basel I - Floor	**93**	**146**
Total capital requirement for credit risk	**616**	**678**

Per cent	31/12/2015	31/12/2014
Leverage ratio (fully loaded)	12.16%	11.26%
Risk weighted assets in per cent of total assets	44.13%	50.50%

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 € 60.5 million (2014: € 25.0 million) for the Federal IPS was added to Other reserves in the financial year 2015.

Furthermore an amount of € 21.9 million (2014: € 0.0 million) was released from other reserves in relation to the valuation of holdings in ZVEZA Bank within the framework of the Federal IPS. The reserve for the Federal IPS as of 31/12/2015 amounted to € 63.6 million (31/12/2014: € 25.0 million). This amount is not eligible for the calculation of capital pursuant to CRR.

For the coverage of the annual losses for the financial years 2014 und 2015, other reserves in the amount of € 300.1 million (31/12/2014: € 0.0 Millionen) were dissolved.

Additional notes

Institutional Protection Scheme

The regulatory changes arising from Basel IIIas per 1/1/2014 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, RZB AG 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. In 2015, one case arose (ZVEZA Bank) and capital from the special reserve previously formed was made available to the institution concerned by way of subscribed shares and subordinated credit.

Notes to the contingent liabilities

RZB AG 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 RZB AG potential liability in connection with the cross-guarantee system.

As at the 31/12/2015 reporting date, there are contingent liabilities of € 8.7 billion (31/12/2014: € 10.5 billion). Within this amount, € 0.4 billion of the liabilities arising from guarantees (31/12/2014: € 0.6 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 RZB AG remains unchanged, i.e. it continues to act as the issuer in relation to the bondholders and bondholder claims can only be addressed to RZB AG. There is an agreement in place whereby RBI has instructed RZB AG, and RZB AG 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, RZB AG has issued an "over-guarantee" in favor of Raiffeisen-Leasing Bank AG in the amount of € 211.8 million.

Soft letters of comfort in the amount of € 33.2 million (31/12/2014: € 33.1 million) are shown under the item *Contingent liabilities*, off the statement of financial position; this amount includes € 30.0 million in favor of Raiffeisen-Leasing Gesellschaft m. b. H, € 1.4 million in favor of RBI Leasing GmbH and € 1.8 million in favor of Raiffeisen Leasing Österreich GmbH.

In addition, RZB AG has provided a € 16.8 million guarantee in favor of RBI AG on the basis of a support agreement. This relates to interest payments for the Jersey IV additional capital of RBI AG.

Undrawn credit lines of € 2,168.0 million (31/12/ 2014: € 3,418.5 million) are shown under the liabilities item *Commitments*, off the statement of financial position; this amount includes € 1.625,0 million in credit lines to RBI 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 € million	31/12/2015	31/12/2014
Assets in foreign currency	158,4	337,2
Liabilities in foreign currency	158,2	337,0

Subordinated assets included under assets

in € million	31/12/2015	31/12/2014
Loans and advances to credit institutions	**69.9**	**0.0**
hereof to affiliated companies	66.1	0.0
hereof to companies linked by virtue of a participating interest	3.8	0.0
Loans and advances to customers	**0.2**	**0.0**
hereof to affiliated companies	0.2	0.0
hereof to companies linked by virtue of a participating interest	0.0	0.0

Open forward transactions as per 31/12/2015 are separately shown in the notes, annex 3.

For the following financial instruments within financial assets, in 2015 the fair value was lower than the book value:

Financial investments in € million		Carrying amount 31/12/2015	Fair value 31/12/2015	Carrying amount 31/12/2014	Fair value 31/12/2014
1.	Treasury bills and other bills eligible for refinancing with central banks	262.8	261.7	71.1	71.0
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	119.5	119.0	0.0	0.0
	a) issued by public bodies	0.0	0.0	0.0	0.0
	b) issued by other borrowers	119.5	119.0	0.0	0.0
5.	Shares and other variable-yield securities	0.0	0.0	0.0	0.0
Total		**382.3**	**238.0**	**71.1**	**71.0**

Commitments arising from agency services

In addition to its own holding, RZB AG holds € 24.0 million in shares in UNIQA Insurance Group AG in trust (31/12/2014: € 24.0 million).

Notes to the income statement

As RZB AG only had a place of business in Austria in 2015, there is no regional allocation by segment according to the respective registered office; a breakdown of income by geographic market is not applicable.

Net interest income in the 2015 financial year was negative and amounted to minus € 21.3 million (2014: minus € 24.4 million). This was primarily due to the funding of the participating interests. Interest income includes negative interest of € 3.0 million (2014: € 0.0 million) as an expense. Interest expenses include negative interest of € 0.9 million (2014: € 0.0 million) as income.

The net profit or loss on financial operations includes a result from forward foreign exchange business in the amount of € 9.1 million (2014: € 5.9 million).

Other operating income includes staff and administrative expenses passed on for other non-banking services and service fees of € 16.7 million (2014: € 16.9 million); within this amount is € 6.6 million (2014: € 6.9 million) in payment from RBI AG for marketing, advertising and license fees (the latter in connection with the Raiffeisen brand). Starting with the financial year 2015, the marketing expenses of € 6.1 million (2014: € 0.0 million) were also passed on to the affiliated companies. In addition, RZB AG in its function as lead institution received income in relation to Service Level Agreements from RBI AG in the amount of € 5.3 million (2014: € 0.8 million) and from companies in the Raiffeisen sector in the amount of € 3.0 million (2014: € 1.3 million).

Expenses for severance payments and benefits for occupational employee pension funds include € 54.1 thousand (2014: € 143.2 thousand) of paid out severance payments, € 763.0 thousand (2014: € 678.0 thousand) in allocations to the provision for severance payments and € 253.9 thousand (2014: € 182.2 thousand) in payments according to the Retirement Plan Act (Mitarbeitervorsorgegesetz).

The substantial change in the item release/allocation to provision for pensions of € 11.8 million is primarily due to the change in the discount rate for the financial year 2014 from 3.5 per cent to 2.0 per cent as well as the reduction in expected pension increases in the 2015 financial year for retirement benefits with reinsurance policies to 1.0 per cent (2014: 2.0 per cent). In 2015 releases of provisions for pensions amounted to € 3.7 million, compared to an € 8.1 million allocation in the 2014 financial year.

Other administrative expenses include legal, advisory and audit costs of € 15.5 million (2014: € 20.5 million). The decrease of legal, advisory and audit costs is primarily caused from the Asset Quality Review of ECB, which was a uniqe expenses of € 7.5 million in 2014.

Advertising and rental expenses amounted to € 13.7 million in total (2014: € 7.2 million). Expenses for Service Level Agreements totaled € 9.7 million (2014: € 10.9 million).

Net income/expenses from the disposal and valuation of loans and advances and specific securities contains income from the repayment of an already impaired credit extended to an affiliated company of € 16.5 million (2014: € 4.7 million), individual loan loss provisions of € 1.0 million (2014: € 1.2 million) as well as portfolio loan loss provisions for on-balance and off-balance sheet transactions of € 0.4 million (2014: € 0.0 million). Furthermore the item contains the valuation result of securities treated as current assets, which amounted to minus € 1.4 million (2014: € 0.0 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 of € 125.5 million (2014: 147.0 million), in R. B. T. Beteiligungsgesellschaft m.b.H. of € 22.2 million (2014: € 5.2 million) as well as for the holdings in RZB-BLS Holding GmbH of € 46.8 million (2014: € 0.0 million). The value of the holdings in SALVELINUS Handels- und Beteiligungsgesellschaft m. b. H. was revaluated by € 21.2 million (2014: partial write-down of € 33.0 million).

Changes in reserves include an allocation to reserves in the amount of € 60.6 million (2014: € 25.0 million) for the formation of a Federal IPS separate fund. In the financial year 2015, € 21.9 million (2014: € 0.0 million) of other reserves were released in connection with the valuation of holdings in ZVEZA Bank in relation to the Federal IPS. For the coverage of the net loss for the year an additional amount of € 300.1 million (2014: € 0.0 million) was dissolved from other reserves.

Since the financial year 2005, RZB AG, 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 49 (31/12/2014: 37) companies as group members. In the reporting year, the existing tax compensation agreement was extended by way of a supplementary agreement with RBI AG. If RBI AG records a negative result for tax purposes and if these tax losses cannot be utilized within the group, the group parent does not have to pay any negative tax compensation to RBI AG immediately. A final settlement takes place only/at the latest when the company leaves the tax group. The group parent must still pay a negative tax contribution to RBI AG for usable shares in losses of RBI AG.

The item Tax on profit or loss includes corporate income tax expense of € 0.1 million (2014: € 0.1 million) and tax assets from the existing tax group allocation correspondent to Group taxation in the amount of € 10.7 million (2014: tax income of € 1.7 million).

The overall return on assets (net profit or loss after tax divided by average assets as for the last financial year) is negative in 2015 and 2014.

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 232 (2014: 156) employees.

Expenses for severance payments and pensions for members of the Management Board and senior staff amounted to € 1.1 million in the financial year (2014: € 11.5 million) and € 0.9 million for other employees (2014: € 2.3 million).

Members of the Supervisory Board received remuneration of € 0.4 million (2014: € 0.4 million).

Remuneration of the Management Board

The following remuneration was paid to the Management Board of RZB AG:

in € thousand	2015	2014
Fixed remunerations	1,772	2,072
Bonus (performance-based)	344	188
Zahlungen an Pensionskassen und Rückdeckungsversicherungen	977	1,813
Sonstige Bezüge	1,514	905
Gesamt	**4,607**	**4,977**

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 € 1.3 million (2014: € 1.5 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 (2014: € 0.6 million).

One Management Board member, who was active until 30 June 2015, received his total remuneration exclusively from an affiliated company; no additional remuneration was granted for functions performed for RZB.

Management Board

- Dr. Walter Rothensteiner, since 1 January 1995, Chairman and CEO; Chairman of the Austrian Raiffeisen Association
- Mag. Michael Höllerer, since 1 July 2015
- Dr. Johannes Schuster, since 10 October 2010
- Dr. Johann Strobl, until 30 June 2015

Supervisory Board

Executive Committee

- Mag. Erwin Hameseder, since 23 May 2012, President, PersA, PrüfA, AA, VergA, NA, RA, Chairman of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.
- MMag. Martin Schaller, since 10 October 2013, first Vice President, PersA, PrüfA, AA, VergA, NA, RA, General Director of Raiffeisen-Landesbank Steiermark AG
- Dr. Heinrich Schaller, since 23 May 2012, second Vice President, PersA, PrüfA, AA, VergA, NA, RA, General Director of Raiffeisenlandesbank Oberösterreich Aktiengesellschaft
- Dr. 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
- Betriebsökonom Wilfried Hopfner, since 18 June 2009 member, since 22 January 2016 third Vice President, PersA, PrüfA, AA, VergA, NA, RA, Spokesman of the Management Board of Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband reg. Gen.m.b.H.

Members

- Mag. Klaus Buchleitner MBA, since 25 June 2003, General Director of Raiffeisenlandesbank Niederösterreich-Wien AG
- Dr. Andreas Brandstetter, until 27 June 2015, Director of the Management Board of UNIQA Insurance Group AG
- Mag. Peter Gauper, since 24 June 2008, Spokesman of the Management Board of Raiffeisenlandesbank Kärnten – Rechenzentrum und Revisionsverband, reg. Gen.m.b.H.
- Komm.-Rat Mag. Dr. Günther Reibersdorfer, since 23 June 2005, General Director of Raiffeisenverband Salzburg reg. Gen.m.b.H.
- Dr. Rudolf Könighofer, since 1 August 2013, General Director of Raiffeisenlandesbank Burgenland und Revisionsverband reg. Gen.m.b.H.
- DI 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:

- Mag. [FH] Gebhard Muster, since 20 November 2008, since 14 June 2011 Chairman of the Works Council, PrüfA, AA, VergA, NA, RA
- Mag.Désirée Preining, since 14 June 2011 Deputy Chairwoman of the Works Council, PrüfA, AA, VergA, NA, RA
- Mag. Walter Demel, since 28 November 2013
- Mag. Doris Reinsperger, since 14 June 2011
- Dr. Tanja Daumann, since 27 March 2015

State Commissioner

- Ministerialrat Mag. Alfred Lejsek, since 1 September 1996, State Commissioner
- Sektionschef Mag. Dr. Gerhard Popp, since 1 December 2009, Deputy State Commissioner

Federal Advisory Board

- Dr. Walter Hörburger, since 22 June 2010, since 8 June 2015[1] Chairman, up until 8 June 2015 Deputy Chairman, Chairman of the Supervisory Board of Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband reg. Gen.m.b.H.
- Ök.-Rat Sebastian Schönbuchner, since 20 June 2002, since 8 June 2015[1] Deputy Chairman, Chairman of Raiffeisenverband Salzburg reg. Gen.m.b.H.
- Abg. Z. NR Ok.-Rat Jakob Auer, since 13 June 2000, President of the Supervisory Board of Raiffeisenlandesbank Oberösterreich Aktiengesellschaft
- LAbg. Ök.-Rat 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.
- Dir. Dr. Michael Misslinger, since 3 June 2014, Chairman of the Supervisory Board of Raiffeisen-Landesbank Tirol AG
- Dr. Helmut Tacho, since 3 June 2014, Chairman of the Supervisory Board of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.
- Ök.-Rat Ing. Wilfried Thoma, since 25 June 2003 until 8 June 2015[1] Chairman, President of the Supervisory Board of Raiffeisen Landesbank Steiermark AG
- Dipl.-Ing. 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, 7 March 2016

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 1/1/2015 (1)	Exchange differences (2)	Additions (3)	Disposals (4)	Reclass-ification (5)	As at 31/12/2015 (6)
1.	Treasury bills and other bills eligible for refinancing with central banks	1,584,500	0	1,769,025	(249,691)	(189,375)	2,914,459
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	106,099	0	398,837	(49,000)	189,375	645,311
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	106,099	0	398,837	(49,000)	189,375	645,311
5.	Shares and other variable-yield securities	25,012	0	0	(12)	0	25,000
6.	Financial investments	106,952	0	15,207	(62,377)	145	59,927
7.	Interest in affiliated companies	5,583,065	0	257,025	(6,280)	0	5,833,810
8.	Intangible fixed assets	585	0	1,477	0	0	2,062
9.	Tangible fixed assets	7,130	0	255	(105)	0	7,280
10.	Other assets	262	0	0	0	(145)	117
	Total	**7,413,605**	**0**	**2,441,826**	**(367,465)**	**0**	**9,487,966**

Item	Writing up/depreciation: Cumulative depreciation and amortization 1/1/2015 (7)	Exchange differences (8)	Cumulative depreciation and amortization (9)	Write-ups (10)	Depre-ciation (11)	Reclassi fication (12)	Cumulative depreciation and amortization (13)	Carrying amount: As at 31/12/2015 (14)	As at 31/12/2014 (15)
1.	(3,765)	0	(847)	475	(23,715)	497	(27,355)	2,887,104	1,580,735
2.	0	0	0	0	0	0	0	0	0
3.	0	0	0	0	0	0	0	0	0
4.	41	0	0	99	(890)	(497)	(1,247)	644,064	106,140
a)	0	0	0	0	0	0	0	0	0
b)	0	0	0	0	0	0	0	0	0
c)	41	0	0	99	(890)	(497)	(1,247)	644,064	106,140
5.	0	0	0	0	0	0	0	25,000	25,012
6.	(56,507)	0	53,249	0	(15,172)	0	(18,430)	41,497	50,445
7.	(254,384)	0	5,682	21,200	(194,520)	0	(422,022)	5,411,788	5,328,681
8.	(73)	0	0	0	(26)	0	(99)	1,963	512
9.	(2,614)	0	23	0	(137)	0	(2,728)	4,552	4,516
10.	0	0	0	0	0	0	0	117	262
	(317,302)	**0**	**58,107**	**21,774**	**(234,460)**	**0**	**(471,881)**	**9,016,085**	**7,096,303**

Annex 2: List of investments

Affiliated companies

Company, registered office (country)	Total nominal value in currency		RZB-Directshare	Equity in € thousand	Result[1] in € thousand	From annual financial statements	
Angaga Handels- und Beteiligungs GmbH, A(1030) Vienna	35,000.00	EUR	100%	28.00	(4.00)	31/12/2014	
KAURI Handels und Beteiligungs GmbH, A(1030) Vienna	50,000.00	EUR	88%	7,395.00	455.00	30/9/2015	
Raiffeisen International Beteiligungs GmbH, A(1030) Vienna	1,000,000.00	EUR	100%	3,029,857.00	(125,488.00)	31/12/2015	2
RALT Raiffeisen-Leasing Gesellschaft m.b.H. & Co. KG, A(1030) Vienna	20,348,393.57	EUR	97%	47,202.00	2,360.00	31/12/2014	
RALT Raiffeisen-Leasing Gesellschaft m.b.H., A(1030) Vienna	218,500.00	EUR	100%	29,331.00	(1,364.00)	31/12/2014	
R.B.T. Beteiligungsgesellschaft m.b.H, A(1030) Vienna	36,336.42	EUR	100%	49,302.00	(22,215.00)	31/10/2015	2
R.P.I. Handels- und Beteiligungsgesellschaft m.b.H., A(1030) Vienna	36,336.42	EUR	100%	274.00	(8.00)	31/10/2015	2
RSC Raiffeisen Service Center GmbH, A(1190) Vienna	2,000,000.00	EUR	17%	2,346.00	39.00	31/12/2014	
RZB - BLS Holding GmbH, A(1030) Vienna	500,000.00	EUR	100%	971,771.00	25,992.00	31/12/2015	2
RZB Invest Holding GmbH, A(1030) Vienna	500,000.00	EUR	100%	845,487.00	(2,799.00)	31/12/2015	2
SALVELINUS Handels- und Beteiligungsgesellschaft m.b.H, A(1030) Vienna	40,000.00	EUR	100%	380,947.00	43,963.00	31/12/2015	2
Raiffeisen Verbundunternehmen-IT GmbH, A(1030) Vienna	100,000.00	EUR	100%	101.00	1.00	31/12/2014	

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 UGB 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 2015, respectively.

Other equity participations

Company, registered office (country)	Total nominal value in currency		RZB-Directshare	Equity in € thousand	Result in € thousand	From annual financial statements	
EMCOM Beteiligungs GmbH, A(1030) Vienna	37,000.00	EUR	34%	21,042.00	993.00	31/10/2015	2
NOTARTREUHANDBANK AG, A(1010) Vienna	8,030,000.00	EUR	26%	27,232.00	7,209.00	31/12/2014	
Österreichische Wertpapierdaten Service GmbH, A(1030) Vienna	36,336.41	EUR	25%	65.00	5.00	31/12/2014	
Raiffeisen e-force Gesellschaft m.b.H, A(1030) Vienna	145,346.00	EUR	19%	1,374.00	6.00	31/12/2014	
Raiffeisen Software Solution und Service GmbH, A(1190) Vienna	150,000.00	EUR	1%	–	–	–	3

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 2015, respectively.
3 Due to the merger of RACON Software Gesellschaft m.b.H. and Raiffeisen Software Solution and Service GmbH, equity and annual profit/loss is not available.

Annex 3: Open forward transactions

31/12/2015	Nominal amount by maturity in € thousand					Market value in € thousand	
Name	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	positive	negative
Total	**0**	**680,000**	**1,622,635**	**2,302,635**	**0**	**362**	**(80,441)**
a) Interest rate contracts	**0**	**680,000**	**1,622,635**	**2,302,635**	**0**	**362**	**(80,441)**
OTC products							
Interest rate swaps	0	680,000	1,622,635	2,302,635	0	362	(80,441)
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	**0**	**0**	**0**	**0**	**0**	**0**	**0**
OTC products							
Cross-currency interest rate swaps	0	0	0	0	0	0	0
Forward foreign exchange contracts	0	0	0	0	0	0	0
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

31/12/2014	Nominal amount by maturity in € thousand					Market value in € thousand	
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**	**70,000**	**831,635**	**951,635**	**0**	**0**	**(68,875)**
a) Interest rate contracts	**0**	**70,000**	**831,635**	**901,635**	**0**	**0**	**(62,955)**
OTC products							
Interest rate swaps	0	70,000	831,635	901,635	0	0	(62,955)
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**	**0**	**0**	**50,000**	**0**	**0**	**(5,920)**
OTC products							
Cross-currency interest rate swaps	0	0	0	0	0	0	0
Forward foreign exchange contracts	50,000	0	0	50,000	0	0	(5,920)
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

Management report

Market development

Markets swayed by monetary policy

Developments in the money and capital markets were once again dominated by international central banks' policies last year. The European Central Bank (ECB) decided in early 2015 on an asset purchase program of € 60 billion per month, largely for government bonds, in addition to setting a negative interest rate for the first time on bank deposits at the ECB. The central bank followed this up in December with a deposit facility rate cut to minus 0.3 per cent and an expansion of its bond purchase program to include regional and local issuers, as well as a half-year extension of the program to March 2017. The expanded monetary policy measures resulted in a further decline in money market rates over the course of 2015. Euribor interest rates (money market deposits) out to six months were in negative territory by the end of the year. Even the two-year German government bond carried a negative yield for the entire year and ten-year German government bonds were yielding consistently well below 1 per cent over the course of the year. In the US, after seven years of pursuing a zero interest rate policy, the US Federal Reserve (Fed) hiked its key rate for the first time since 2007. The key rate range was raised 25 basis points to 0.25 to 0.50 per cent in December. In 2015, the euro versus US dollar exchange rate was driven by divergent Fed and ECB monetary policies. In light of the US rate hike expected by market participants, the euro lost considerable value over the course of the year, approached parity with the US dollar on an intermittent basis and ultimately closed at the end of December somewhat higher at 1.09 EUR/USD.

In the euro area, real GDP increased 1.5 per cent in 2015, with economic growth primarily driven by private consumption. Consumer and business sentiment significantly improved, with some values reaching their highest level in many years. The inflation rate hovered around the zero per cent mark for most of the year due to declining energy prices. On an individual country level, economic growth came in very mixed. Reforms in former crisis countries such as Ireland and Spain bore fruit in terms of strong economic growth. The economic recovery in France, Italy and Austria was comparatively modest due to structural deficits. Although the Austrian economy overcame its stagnation phase in 2015, it experienced only subdued average real GDP growth of 0.3 per cent per quarter. Thus, the real GDP rose 0.9 per cent in 2015; however, it was not enough to generate a sufficient revival in the job market. Employment increased in 2015, but the potential labor force fell more strongly, so that the unemployment rate in Austria in fact rose, contrary to the trend in the euro area. Disappointingly, private consumption in Austria stalled – as opposed to government consumption, which was more dynamic. In contrast, investment activity picked up during 2015, mainly due to investment in equipment while construction investment remained persistently weak. Export growth was also able to improve (as a result of higher demand for goods and services). Exports increased to the US, Switzerland, UK, Poland, and Czech Republic, while there was a reduction in export trade with Russia. Import volumes also increased due to domestic economic momentum, with foreign trade only slightly contributing to GDP growth as a result.

The US economy grew 2.4 per cent in 2015, on a par with the previous year's rate, with the low oil price boosting private consumer spending to 3.1 per cent – a stronger increase than at any time since 2006. Residential construction investment also showed strong growth. Conversely, the oil price decline severely dampened investment in the energy sector while the notable appreciation of the dollar curbed export growth. The labor market recovery continued thanks to solid growth in economic output. Nearly 3 million new jobs were created versus 2014, with the unemployment rate dropping 0.6 of a percentage point to 5.0 per cent.

In line with expectations, China's economic growth weakened to just below 7 per cent in 2015. Excess capacity needs to be absorbed in heavy industry, as well as in the real estate market. At the same time, external demand remains weak.

Divergent economic trends in CEE

Most central banks in CEE further cut their key and money market rates in 2015. This monetary policy stance was supported by low domestic inflation rates, as well as by the monetary policies of leading western central banks. The latter increased the scope of CE and SEE central banks, which also expanded monetary policy by using unconventional monetary and liquidity policy measures (e.g. in Hungary and Romania).

The CE region enjoyed very solid economic performance in 2015, with GDP growth of 3.5 per cent. CE generally benefits from solid economic growth in Germany and from the recovery in the euro area, as well as from expansionary monetary policies in some CE countries. In a number of countries, such as the Czech Republic and Hungary, the current cyclical recovery likely peaked over the course of the year. At the same time, key domestic economic activity indicators remain at solid, high levels or point to increasingly balanced growth with sound export performance and momentum in the domestic economy.

SEE recovered in 2015, with year-on-year economic growth of 2.8 per cent. Serbia overcame the 2014 downturn and Croatia posted 1.6 per cent GDP growth in 2015, ending a five-year recessionary period. With 2.7 per cent GDP growth, Bulgaria caught up slightly with Romania, where economic growth increased to 3.7 per cent due to structural reforms. Overall, however, economic growth in SEE remains moderate, mainly due to outstanding structural adjustments and to the high level of private sector debt that is only slowly coming down.

All three countries in the Eastern European (EE) region remained mired in recession in 2015. GDP fell in Russia and Belarus by 3.7 and 4 per cent respectively, while it slumped 10 per cent in Ukraine. The severe adjustment recessions following the huge currency devaluations and necessary structural adjustments in 2015, were mainly driven by sharp declines in private consumption and investment spending. Although there was a massive reduction in imports, the foreign trade positions of EE countries stabilized thanks to improved exports.

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

Region/country	2014	2015e	2016f	2017f
Czech Republic	3.3	3.5	2.4	2.4
Hungary	3.7	2.8	2.2	2.9
Poland	3.3	3.5	3.6	3.4
Slovakia	2.5	3.6	3.5	3.5
Slovenia	3.0	2.7	2.2	2.1
Central Europe	**3.0**	**3.5**	**3.1**	**3.1**
Albania	2.0	2.7	3.5	4.0
Bosnia and Herzegovina	1.1	2.0	3.0	3.5
Bulgaria	1.5	2.7	2.1	3.0
Croatia	(0.4)	1.6	1.5	1.5
Kosovo	0.9	3.0	3.0	3.5
Romania	2.8	3.7	4.0	3.6
Serbia	(1.8)	0.5	2.5	3.0
Southeastern Europe	**1.5**	**2.8**	**3.1**	**3.2**
Russia	0.7	(3.7)	(2.0)	1.5
Belarus	1.6	(4.0)	(2.0)	1.5
Ukraine	(6.8)	(10.0)	1.5	3.0
Eastern Europe	**0.3**	**(4.1)**	**(1.8)**	**1.6**
Austria	**0.4**	**0.9**	**1.4**	**1.4**
Germany	**1.6**	**1.4**	**1.8**	**1.8**
Euro area	**0.9**	**1.5**	**1.4**	**1.7**

Economic recovery remains modest in Austria

The Austrian economy overcame its stagnation in 2015, but real gross domestic product (GDP) growth was subdued and only averaged 0.3 per cent per quarter. Real GDP grew 0.9 per cent p.a. in 2015 after 0.4 per cent in the previous year (2014). Private consumption increased very little relative to faster-growing government consumption. Investment picked up in the course of 2015, but the recovery remained modest. The improvement was largely driven by investments in machinery and equipment, while construction remained weak. Export growth went up again. However, since imports also increased on the back of strong domestic demand, foreign trade ended up contributing very little to GDP growth.

The modest recovery appears poised to continue in 2016 despite global uncertainty. It will likely be supported by the further recovery of investment activity, additional government spending due to the influx of refugees and the tax reform that took effect at the start of 2016. Domestic demand, in other words, will continue to drive the economic cycle.

Currencies

CE and SEE currencies remained largely stable against the euro during 2015. The Czech koruna gained against the euro and neared the upper limit to the euro, as defined by the foreign exchange regime. As a result of oil market weakness, the Russian rouble – despite a temporary recovery – came under more overall downward pressure against the US dollar over the course of 2015. Towards the end of 2015, the renewed downward movement of the Russian rouble against the US dollar resulted from the falling oil price. In turn, this reduced the Russian central bank’s potential to carry out further cuts to key rates. Compared to the euro, the loss in value was significantly lower. Although there were no notable year-on-year losses in value compared to the euro, the depreciation of the rouble against the US dollar was however consistent with other currencies of commodity-exporting nations and emerging markets. For instance, currencies of other countries in the Eastern European region, such as the Ukrainian hryvnia and the Belarus rouble, weakened against the euro and US dollar in 2015. In Ukraine, the hryvnia's weakness was cushioned by restrictive foreign exchange measures. With the exception of the EE region, major currency market turbulence was avoided in CEE in 2015.

Development of the banking sector

Moderate growth in CEE

The CEE banking sector saw a subdued performance in 2015. As in previous years, positive trends in new lending or in asset growth were moderate and limited to a few countries (e.g. Czech Republic, Poland, Romania, Russia and Slovakia). Nevertheless, a number of previously challenging banking markets managed to post sector level profits in 2015 (e.g. Hungary and Romania). At the same time, however, restructuring costs in Croatia, continued high levels of non-performing loans in SEE, restructuring and recapitalization requirements in Ukraine, and a further increase in non-performing loans, as well as a decline in profitability in Russia, dampened the general performance. Mainly driven by Russia, return on equity in the CEE banking sector fell in 2015 below the comparable level for the euro area. In Austria, the banking sector also had a sub-par performance in 2015, as measured against the trends in the euro area, with credit growth and profitability both coming in below the comparable levels. This trend was caused by several complex challenges, including restructuring needs in the, not very profitable, domestic business, weak real economic growth and the low capitalization levels of major banks in the European context, as well as high tax and regulatory burdens.

Banking sector in Austria

In Austria as well, the banking sector put in a sub-par performance in 2015 as measured against the trends in the euro area, with credit growth and profitability both coming in below the comparable levels. This was caused by several complex challenges, including restructuring needs in the not particularly profitable domestic business, weak real economic growth and low capitalization of major banks in the European context, as well as high tax and regulatory burdens.

In the first half of 2015, consolidated net income of Austrian banks was € 2.6 billion, € 3.2 billion higher year-on-year. The key drivers for this improvement included, among others, the rise in net interest income, the increase in commission earnings, the marked reduction in depreciation and impairments and the decline in net provisioning for impairment losses. The fact that the losses of Hypo Alpe-Adria-Bank International, which has since been restructured, are no longer included, was another positive factor.

The activities of the Austrian subsidiaries in Central and Eastern Europe (CEE) remain an important area of business activity. In recent years, profits have increasingly been focused on the Czech Republic, Slovakia and on the comparatively more volatile markets of Russia and Turkey. In the economically more stable countries such as the Czech Republic or Slovakia, Austrian banks recorded relatively high profit contributions. Business in Russia, which was originally fast-growing and highly profitable, slowed down and profits declined, due among other factors to a higher provisioning requirement, increased refinancing costs and exchange rate fluctuations. Losses increased in Ukraine, whereas in contrast, an improvement in net income in Hungary and Romania had a positive impact on CEE's total earnings. In the first half of 2015, the aggregated net income of the Austrian subsidiaries in CEE was € 1.5 billion, 47 per cent higher year-on-year.

In recent years, the capitalization of Austrian banks has improved due to supervisory measures and efforts on the part of the banks. Although the capitalization of Austrian banks is still below the average for comparable European banks, they have a better leverage ratio than comparable European groups. Austrian banks still need to strengthen their risk-bearing capacity. In Austria, national transposition of the Deposit Guarantee Directive was approved in the National Council and the Federal Council in the form of the Federal Act on Deposit Guarantee Schemes for Banks (Bundesgesetz über die Einlagensicherung bei Kreditinstituten), which entered into force on 15 August 2015. In addition to Austria, the Deposit Guarantee Directive was implemented in ten other member states.

Regulatory environment

Changes in the regulatory environment

In the year under review, RZB again focused intensively on current and forthcoming regulatory developments.

Deposit Guarantee Directive

The Directive has been in force since June 2014 and concerns the establishment of national funds which are fed ex-ante by contributions from credit institutions amounting to 0.8 per cent of covered deposits in ten years. For RBG, this amounts to around € 500 million. Although Austrian banks previously had a liability system, it did not have a deposit guarantee fund which was financed on an ex-ante basis. At the beginning of July, the plenary sitting of the National Council in Austria approved the reform of the deposit guarantee system. The sectoral structure (one deposit scheme for each trade association) will be retained until 31 December 2018.

From 1 January 2019, a single deposit guarantee scheme will be established, with the exception of IPS (institution protection schemes), which represent at least 15 per cent of covered deposits in Austria and can be recognized as a separate deposit guarantee scheme starting on 1 January 2019.

Legislative proposal on the European Deposit Insurance Scheme

On 24 November 2015, the European Commission proposed a European Deposit Insurance Scheme (EDIS) to support the banking union, strengthen the protection of depositors, increase financial stability and further weaken the link between banks and sovereigns. The EDIS is part of the European Single Resolution Board (SRB) and covers all national deposit guarantee systems (including IPS). The EDIS would be developed in three stages by 2024. To start with it would involve a reinsurance scheme for the national deposit guarantee systems. After three years, this would then become a co-insurance scheme under which the contribution by the European Deposit Insurance Scheme would grow progressively over time. The final stage planned for 2024 involves a fully comprehensive European Deposit Insurance Scheme.

In addition, a Deposit Insurance Fund (DIF) will be established with a target volume of 0.8 per cent of covered deposits by 2024. From 2024, national deposit guarantee schemes will only exist as administrative units (without funds). Contributions to the DIF will be deducted from the target volumes specified for the national deposit guarantee systems, i.e. as the DIF grows, the target volume which the national deposit guarantee scheme must achieve in the respective year will reduce. Ex-ante contributions to the DIF will be calculated based on risk profile; ex-post contributions may be collected. The member states may choose whether contributions to the DIF can be offset against the contributions to the national deposit guarantee system, i.e. they may decide that the national deposit guarantee scheme must be "over-endowed" by the banks. The Fund will finance payouts and contributions to resolution by providing liquidity assistance and covering losses: During the reinsurance stage, this will be limited to a maximum of 20 per cent of the shortfall after funds after been exhausted in the national deposit guarantee scheme based on the “hypothetical” allocation; for the coinsurance stage it will gradually be increased to between 20 and 80 per cent (no advance exhaustion of funds under the national deposit guarantee scheme required), and it will amount to 100 per cent from the date when full insurance becomes effective. The final adoption and publication of the law is scheduled for no earlier than the fourth quarter of 2016 or the first quarter of 2017; application of the EDIS would then be planned from 2017.

Action plan on building a capital markets union

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

European resolution mechanism (BRRD and SRM)

The European resolution mechanism is based on two regulations: The Banking Recovery and Resolution Directive (BRRD), which is valid for all EU member states, and the Single Resolution Mechanism (SRM) which applies to all countries within the euro area. The aim is to largely communitarize the risk of bank resolutions within the euro area. The BRRD is a directive which regulates the resolution of banks in individual EU member states. From 1 January 2015, all 28 EU states must establish a national resolution fund (BRRD); on 1 January 2016, the national resolution funds of the 18 euro area countries will be transferred to a single EU resolution fund (SRM). The ten remaining member states will retain their national funds after 1 January 2016. In Austria, the BRRD was transposed through the Federal Act on the Recovery and Resolution of Banks (BaSAG). The national resolution authority in Austria is the Financial Market Authority (FMA). The SRM for the euro area builds on the BRRD. It aims to foster confidence in the banking sector within the euro area. Much has already happened in this respect (e.g. equity requirements, central supervision by the ECB, deposit guarantee, consumer protection provisions). The ability to offset membership of an IPS system for RBG’s cooperative banks when calculating the contributions to the resolution fund is positive. Transposition of the BRRD into national law brought an end to the previous Bank Intervention and Restructuring Act (BIRG) from 1 January 2015. This was replaced by the entry into force of the Federal Act on the Recovery and Resolution of Banks (BASG) on 1 January 2015.

Additional buffer requirements for equity

The Regulation of the Financial Market Authority (FMA) on the setting and recognition of the countercyclical capital buffer rate, on the setting of the systemic risk buffer as well as on the specific description of the calculation basis pursuant to Art. 23a para. 3 no. 1 BWG and Art. 24 para. 2 BWG (Capital Buffer Regulation – KP-V; Kapitalpuffer-Verordnung) entered into force in December 2015. In addition to the systemic risk buffer, the Regulation also sets the countercyclical capital buffer. The FMA aims to ensure banks have more equity available and so improve their ability to cope with sudden losses. Part of this strategy is already contained in the SREP ratio, which banks are required to comply with under the Supervisory Review and Evaluation Process (SREP). Now, Austrian banks must increase their capital ratio by up to two per cent by 2018. However, the SREP ratio alone does not include a systemic risk. The Capital Buffer Regulation now requires twelve Austrian banks to build up additional capital. The systemic risk buffer will be individually set for each individual credit institute and will increase continuously between 2016 and 2019.

Implementation of MiFID II

Under the MiFID II (Markets in Financial Instruments Directive), the EU Commission aims to regulate the market through an increasingly complex and extensive range of financial services and financial instruments on offer. On the one hand it aims to protect investors such as private clients or institutional investors. On the other hand, it tightens the existing transparency requirements for derivatives trading and the use of trading platforms. In Austria, the Directive is expected to be transposed into national law in the middle of 2016 through an amendment of the Securities Supervision Act (WAG). The MiFID should be implemented throughout the EU by 1 January 2017. The MiFID II involves two types of key substantive changes: changes relating to investor protection and market/exchange-related changes. The aspects relating to investor protection have the biggest impact for the Raiffeisen banks (independent/dependent investment advice; documentation and record-keeping requirements/product governance).

Consequently, a nationwide project involving experts from the Raiffeisen regional banks was launched as early as the beginning of 2014 with a view to ensuring efficient implementation of the requirements under the MiFID II. This means that the necessary requirements in terms of changes/adaptation are being identified and solutions are being developed which at the same time also provide strategies for strengthening the securities business within the Raiffeisen sector.

Business performance

RZB AG is the lead institution of the Austrian Raiffeisen Banking Group (RBG). It also acts as the central holding company of the RZB Group of domestic and foreign subsidiaries. Its largest equity participation is Raiffeisen Bank International AG (RBI AG), which is stock-exchange listed and has an international banking network focused on Central and Eastern Europe (CEE). As of 31 December 2015, RZB AG held approximately 60.7 per cent in RBI. The business performance of RBI contributes significantly to the result of RZB AG. In addition, alongside UNIQA, dividend income from affiliated companies also contributes to the profit of RZB.

Further pooling of affiliated company operations in the RBG

Combining the operations of affiliated companies within RZB facilitates consistent business management practices, along with improved financial and earnings performance and the application of uniform risk management standards. The objective is to increase the value of the RBG on federal level.

The acquisition of a majority stake in Valida Vorsorge Management in September 2015 was a further step in accordance with the strategy of pooling specific RBG functions in RZB. Shareholdings of 32.7 per cent in aggregate were acquired from various Raiffeisen Regional Banks and RZB AG now indirectly owns 57.4 per cent through a holding company. Valida Vorsorge Management is the central authority for employee retirement benefits in the Raiffeisen Banking Group and UNIQA insurance.

The purchase of the remaining 49 per cent in Raiffeisen Bausparkasse GmbH, Vienna, in December 2015 also took place within this context; this company is now indirectly wholly-owned by RZB AG. As part of the acquisition of the majority holding at the end of 2013, it was agreed that also these shares would be acquired from the Raiffeisen Regional banks.

Regulatory changes
RZB was again confronted with regulatory changes in the past financial year. Since November 2014, the European Central Bank (ECB) has been responsible for the supervision of banks in the euro area under the Single Supervisory Mechanism (SSM). RZB has therefore been under the direct supervision of the ECB since the fourth quarter of 2014. The Single Resolution Mechanism (SRM) was also implemented in the euro area in 2015, which is designed to enable an orderly winding down of failing banks. In addition to drawing up resolution plans, banks must also pay contributions to finance a Single Resolution Fund (SRF), which resulted in additional expenses of € 1 million for RZB AG in 2015. The amount banks are required to contribute to the resolution fund is determined on the basis of business volumes and a bank-specific risk assessment. The target size of the SRF (at least 1 per cent of covered customer deposits of eligible banks in participating member states) is to be reached by 2024.

In the area of deposit guarantees, the goal is also to establish a harmonized guarantee system in Europe. The target size of the deposit guarantee fund is based on 0.8 per cent of the deposits covered, and is also expected to be reached by 2024.

Business areas

Alongside the management of its principal equity participation, RBI AG, RZB AG's business predominantly relates to its role as lead institution of the RBG and management of the broader portfolio of equity participations.

The main areas of RZB AG's activity therefore encompass equity participation management, Raiffeisen sector business and liquidity management.

Participation management

The portfolio of participating interests held by RZB AG 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. 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 RZB AG'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). In addition, ZRB AG enters into financial investments, with the primary objective of income optimization.

In the 2015 financial year, the book values of the direct holdings of RZB changed as follows:

in € million	31/12/2015
Additions	**272.4**
RZB Invest Holding GmbH	256.2
ZVEZA Bank	15.2
Other	1.0
Disposals	**(9.7)**
Valida Holding AG	(8.9)
Other	(0.8)
Write-ups	**21.2**
SALVELINUS Handels- und Beteiligungsgesellschaft m.b.H	21.2
Write-downs	**(209.7)**
Raiffeisen International Beteiligungs GmbH	(125.5)
RZB-BLS Holding GmbH	(46.8)
R.B.T. Beteiligungsgesellschaft m.b.H.	(22.2)
ZVEZA Bank	(15.2)
Total	**74.2**

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

Direct investments in € million	31/12/2015	31/12/2014
Raiffeisen International Beteiligungs GmbH, Wien (Raiffeisen Bank International AG)	3,029.9	3,155.3
RZB-BLS Holding GmbH, Vienna (UNIQA Insurance Group AG)	997.0	1,043.8
RZB Invest Holding GmbH	838.1	581.9
SALVELINUS Handels- und Beteiligungsgesellschaft mbH, Vienna	358.3	336.6
R.B.T. Beteiligungsgesellschaft m.b.H.	49.3	71.5
Other	180.7	190.0
Total	**5,453.3**	**5,379.1**

Branches

RZB AG has no branches. It does however have a representative office in Brussels.

Sector business

RZB AG undertakes significant services to facilitate efficient cooperation in the RBG. The Marketing area at RZB AG 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 RZB AG 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 RZB AG.

The responsibility for strategic brand management for the RBG and RZB lies with RZB AG. Raiffeisen has developed into an internationally successful banking group with RZB AG 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 2015), in terms of advertising recall Raiffeisen remains uncontested in first place with 55 per cent, 20 percentage points ahead of the next competitor. This lead was extended compared to the previous year. In terms of image perception among its own major customers, Raiffeisen scores above average for 14 out of 16 "Image Dimensions" and ranks top among the banks for "high security".

Communication campaigns

In 2015 ZRW launched national campaigns focused on specific topics and target groups, based on House/Home incl. "aspiration fulfillment" (first quarter), Youth (April/May), Account/Convenience (May-July) and Savings (September-November), and developed sales support resources for the corporate customers target group.

Sport sponsorship

Sport sponsorship has been an important factor driving the success of Raiffeisen marketing for many years. 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 personal identification. The Raiffeisen brand is consequently perceived as particularly familiar and approachable, and as representing partnership.

Sport sponsorship has a number of advantages: it generates attention, increases or more firmly establishes market recognition, positively affects brand image, brings about personal identification and differentiates the brand from competitors, which is particularly important in the financial services sector where products are largely commoditized.

The gable cross was displayed on the helmets of Austrian ski stars in the 2015/2016 world cup season, such as those of four times world champion and four times overall and slalom world cup winner, Marcel Hirscher and the speed specialist, Max Franz. Since 2003, Raiffeisen has been the main sponsor of the Austrian national soccer team, which comfortably qualified for the Euro 2016 championship in France.

Hermann Maier, a Raiffeisen brand ambassador and advertising star for more than 17 years, was an important testimonial provider in the communication campaigns focusing on House/Home and Account/Convenience as well as that for Savings. Marcel Hirscher was engaged as a testimonial provider in the Youth and the Savings (together with Hermann Maier) focus areas.

Raiffeisen brand

The Raiffeisen brand, according to the Austrian Brand Value study 2015 undertaken by the European Brand Institute, has a value of approximately € 2.0 billion, ranking number five of all the brands evaluated. In the financial services sector Raiffeisen is the undisputed number one in Austria. In an international consumer study conducted by Reader's Digest, Raiffeisen was once again the most trusted banking brand in Austria.

Liquidity management

RZB AG 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 (BWG, Section 27a) members are required to hold a liquidity reserve at the parent central institution. RZB AG invests the liquidity reserve in highly liquid assets according to CRR/CRD IV.

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 RZB AG as central institution of the Regional Raiffeisen Banks. Within the RBG, the highest level of liquidity balancing is undertaken by RZB AG.

In addition to its role as central institution, RZB AG provides numerous other services to the RBG. Amongst other functions, RZB AG 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.

Financial performance indicators

Statement of financial position

RZB AG's *Total assets* as at the 31/12/2015 reporting date amounted to € 18,363.7 million (31/12/2014: € 17,860.8 million).

Cash in hand and balances with central banks totaled € 4.051,9 million at year-end (31/12/2014: € 2,393.5 million) and consisted entirely of balances at the National Bank of Austria (OeNB).

European sovereign bond holdings of € 4,293.0 million were shown at the reporting date under the item *Treasury bills and other bills eligible for refinancing with central banks* (31/12/2014: € 3,080.8 million). *Loans and advances to credit institutions* amounted to € 2,523.2 million (31/12/2014: € 5,252.8 million). These were broken down into 16.2 per cent (31/12/2014: 18.1 per cent) in loans and advances to RBI and 83.8 per cent (31/12/2014: 81.9 per cent) to other banks, predominantly banks in the Austrian Raiffeisen Sector.

Loans and advances to customers stood at € 1,083.2 million at the reporting date (31/12/2014: € 1,286.2 million), of which € 1,070.8 million (31/12/2014: € 1,258.9 million) were to domestic customers and € 12.4 million (31/12/2014: € 27.3 million) were to foreign customers. As of 31/12/2015, foreign currency denominated loans and advances to customers amounted to € 9.0 million (31/12/2014: € 7.5 million).

At the reporting date, an amount of € 645.4 million (31/12/2014: € 106.1 million) was reported under the item *Debt securities and other fixed-income securities*. The strong increase of € 539.3 million in comparison with the previous financial year is caused on the one hand by reclassification of securities from the item *Treasury bills and other bills eligible for refinancing with central banks* in the amount of € 306.0 million and on the other hand by the purchase of bonds and notes issued by credit institutions.

The items *Interest in affiliated companies* and *Financial investments* of € 5,453.3 million in aggregate (31/12/2014: € 5.379,1 million) included material holdings in Raiffeisen International Beteiligungs GmbH, in RZB-BLS Holding GmbH, in RZB Invest Holding GmbH, in SALVELINUS Handels- und Beteiligungsgesellschaft mbH and in R. B. T. Beteiligungsgesellschaft m.b.H.

As at 31 December 2015, *Other assets* totaled € 261.3 million (31/12/2014: € 331.1 million), of which € 76.2 million (31/12/2014: € 191.1 million) was income from equity participations to be paid out after 31/12/2015. Furthermore the item contains receivables due from tax group members in relation to tax transfers of € 34.3 million (31/12/2014: € 29.9 million), receivables due from the tax authority of € 72.6 million (31/12/2014: € 67.6 million) as well as € 66.8 million (31/12/2014: € 25.0 million) receivables due from ÖRE in connection with the trust account for the Federal IPS.

On the liabilities side, *Deposits from banks* were reported in an amount of € 13,739.5 million (31/12/2014: € 13,170.6 million). At 74.6 per cent of total assets (31/12/2014: 73.7 per cent), these represented the largest source of refinancing for RZB AG. Deposits from banks were split between 14.6 per cent (31/12/2014: 13.0 per cent) in liabilities to RBI AG and 85.4 per cent (31/12/2014: 87.0 per cent) to other banks, predominantly banks in the Austrian Raiffeisen Sector.

As at the reporting date, *Liabilities to customers (non-banks)* amounted to € 272.0 million (31/12/2014: € 186.9 million). Thereof € 140.0 million (31/12/2014: € 0.0 million) are liabilities to foreign customers.

The item *Other liabilities* totaling € 70.4 million (31/12/2014: € 87.7 million) included liabilities from tax transfers (corporate income tax) and chargeable capital gains as well as withholding tax due to Group members of € 37.6 million in aggregate (31/12/2014: € 77.4 million). Furthermore this item contains accrued interest for interest rate swaps used for hedging purposes of € 21.0 million (31/12/2014: € 4.8 million).

The items *Debt securities issued* and *Supplementary capital pursuant to CRR* increased in comparison with the previous financial year by 94.4 per cent, from € 52.0 million to € 101.1 million.

The total amount at risk as at 31/12/2015 was € 8.1 billion (31/12/2014: € 9.0 million). Of this amount, credit risk accounted for € 6.5 billion (31/12/2014: € 6.6 billion), the Basel I floor for € 1.2 billion (31/12/2014: € 1.8 billion) and operational risk for € 0.4 billion (31/12/2014: € 0.6 billion). The total amount at risk fell by approximately € 0.9 billion compared to the previous year.

Common equity tier 1 (CET1 capital) stood at € 3.4 billion as of 31/12/2015 (31/12/2014: € 3.6 billion). The decrease was primarily caused by the release of other reserves. Tier 2 capital - as in the previous year - was zero, as the tier 2 capital issued in the amount of € 0.1 billion was entirely absorbed by deductions. All in all total capital amounted to € 3.4 billion (31/12/2015: € 3.6 billion), a year-on-year decrease of € 0.2 billion.

This resulted in a CET1 ratio, core capital ratio and total capital ratio of 41.9 % (31/12/2014: 40.2 %). The total capital surplus was approximately € 2.7 billion (31/12/2014: € 2.9 billion), with € 0.2 million below the previous year.

Earnings performance

In the 2015 financial year RZB AG posted negative *Net interest income* of € 21.3 million (2014: € 24.4 million). This was primarily due to the funding of participating interests.

Income from securities and participating interests of € 82.3 million (2014: € 219.5 million) mainly consisted of income from shares in affiliated companies of € 75.9 million (2014: € 211.0 million). This decrease was primarily caused by the absence of dividend payments from Raiffeisen International Beteiligungs GmbH (RIBET).

Commissions receivable amounted similarly to the previous year to € 11.1 million (2014: € 11.5 million), mostly due to guarantee fees from affiliated companies.

The income statement item *Other operating income* was € 28.0 million (2014: € 20.4 million), with the major part made up of costs passed on and service fees in the amount of € 16.7 million (2014: € 16.9 million) and SLA income of € 8.3 million (2014: € 2.1 million).

RZB AG generated total *Operating income* of € 90.5 million (2014: € 220.0 million).

Total *Operating expenses* were € 87.1 million (2014: € 78.6 million).

In the 2015 financial year *Staff costs* totaled € 30.2 million (2014: € 33.9 million). This change was due to higher salary expenses caused by increased headcount as a result of the transfer of staff from affiliated companies and by income from the release of provisions for pensions.

Other administrative expenses rose to € 48.4 million (2014: € 43.9 million) and mainly comprised expenses for legal, advisory and audit costs of € 15.5 million (2014: € 20.5 million), expenses for Service Level Agreements of € 9.7 million (2014: € 10.9 million) as well as advertising and rental expenses of € 13.7 million (2014: € 7.2 million).

The income state item *other operating expenses* totaled € 8.3 million in 2015 (2014: € 0.7 million). This increase was caused by the write-off of a receivable.

RZB AG's *Operating result* for the 2015 financial year was € 3.4 million (2014: € 141.4 million).

Net income/expenses from the disposal and valuation of loans and advances and specific securities contains primarily income from the repayment of a previously impaired credit, individual loan loss provisions and the valuation result of securities treated as current assets.

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 € 192.7 million in the 2014 financial year resulting from partial write-downs of holdings in Raiffeisen International Beteiligungs GmbH of € 125.5 million (2014: € 147.0 million), in RZB-BLS Holding GmbH of € 46.8 million (2014: € 0.0 million) and holdings in R.B.T. Beteiligungsgesellschaft m.b.H of € 22.2 million (2014: € 5.2 million). The value of the holding in SALVELINUS Handels- und Beteiligungsgesellschaft m.b.H was written up by € 21.2 million in the financial year 2015, whereas there was a partial write-down of the holding in 2014 of € 33.0 million.

Consequently, *Profit on ordinary activities* was negative € 176.3 million for the financial year (2014: negative € 33.6 million).

Expenses for corporate income tax and tax transfers in the amount of € 10.6 million (2014: € 1.6 million) are shown under the item *Tax on profit or loss*. *Other taxes* contain the "stability contribution" special tax for banks in the amount of € 20.3 million (2014: € 22.0 million).

The profit/loss after tax for 2015 was negative and amounted to € 183.8 million (2014: minus € 53.9 million). A sum of € 60.6 million (31/12/2014: € 25.0 million) was transferred to reserves in connection with the Federal IPS contribution. Furthermore € 21.9 million of other reserves were released caused by the valuation of the holdings in ZVEZA Bank in the framework of the Federal IPS. For the coverage of the annual losses for the financial years 2014 und 2015 other reserves of € 300.1 million (31/12/2014: € 0.0 Millionen) were dissolved.

This resulted in an annual profit for the year of € 77.7 million (2014: € 78.9 million). After adding € 76.6 million in loss brought forward (2014: profit brought forward € 2.3 million), a net profit for the year of € 1.1 million (2014: loss € 76.6 million) was reported.

Recommendation for the appropriation of profits

The net profit will not be paid as a dividend on shares for the 2015 financial year.

The net profit for the year in the amount of € 1.1 million will be carried forward to the next accounting period.

Non-financial Performance Indicators

Human Resources

As of 31 December 2015, RZB AG had 235 employees (full-time equivalents, excluding employees assigned to other group companies), an increase of 42 per cent on 2014 (165 employees). This increase was driven by new hiring and the filling of vacancies, 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 traditionally very high proportion of women among the total workforce continued at 50 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" is also offered 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.

The staff turnover rate during the reporting period was 8.3 per cent (2014: 9.1 per cent).

New compensation structure

In accordance with the strategic realignment, the Management Board initiated the introduction of a new compensation structure in 2015. In putting this into effect, it was important to maintain RZB AG's good market position as an attractive employer.

In line with the clear trend within the European banking industry, the weighting of the variable compensation components was reduced. For roles which have very little or only an indirect influence on financial results, the variable component falls away entirely. In addition, position-related fixed allowances were introduced. When determining bonuses for certain business and management roles, greater weight is placed on the financial results of RZB AG and the respective organizational unit and less on functional components in order to encourage teamwork. Overall, the changes make it easier for employees to estimate their income and provide a higher level of income security. For the company, it creates greater transparency and improves compensation planning.

Organizational structure development

In 2015, 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). These changes included the transfer of the Compliance area on 1 January 2015 from RBI AG. On 1 July 2015, the new Group Transformation Office and Group Regulatory Affairs areas were established.

In the course of the general pooling of service functions in the Raiffeisen sector in Shared Service Centers, in 2015 further employee transfers - including into RZB AG - took place. By way of example, the Raiffeisen Bausparkasse Accounting & Tax and Cost Accounting departments were transferred on 1 November 2015.

Professional and management development

Despite higher pressure on costs, RZB AG again placed great value on ensuring and continually improving the professional skills of its employees during the year under review. In addition, training measures were intensified in order to meet regulatory and compliance requirements and to continue to develop the qualifications of key personnel. The induction process for new employees of RZB AG was also restructured and combined with other affiliated companies in Vienna. Cross-departmental and international exchange programs for experts, talented individuals and "High Potentials" were increasingly offered.

In 2015, a newly structured process for executive recruitment was introduced, in which the standard application process was augmented with "hearings" and potential analyses. This led to enhanced quality in the predominantly internal filling of executive posts and also ensured that new executives were able to complete targeted development measures at the beginning of their management careers.

Professional support for the restructuring measures referred to in the "Organizational structure development" section above was provided, among other factors, by Change Management and Team workshops.

A new targeted training format was introduced in order to further develop existing executives at RZB AG. Under the "Leaders' Breakfast" program, executives became further acquainted with current management issues by means of brief theory inputs combined with an extensive exchange of practical experience as well as discussions and mutual learning. Alongside the professional development aspect, the opportunity to network with colleagues from RBI AG and the affiliated companies was also of value. In 2015, 16 events of this type were organized on various topics.

Corporate responsibility

Sustainability management at RZB AG

Responsible business practices at RZB serve the purpose of comprehensive value creation, incorporating economic, ecological and social responsibility. For almost 130 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 RZB AG, 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.

RZB AG 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.

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

Implemented sustainability measures 2015

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.

At the sixth RZB Stakeholder Council, based on the theme of "Fit for the future through sustainability", the focus was on "Sustainability in the core business of the banking sector". Different workshop groups discussed a diverse range of issues related to this topic. For example, the demands of society in relation to sustainability in the banking sector and the potential approach to be taken by RZB were discussed. The influence on the sustainable value creation process of a bank was also addressed, along with concrete actions for RZB. Due to their current relevance, incorporation of the global sustainability development objectives (based on the UN Sustainable Development Goals) into the core business was also examined. Furthermore, in an open discussion forum the question of RZB's engagement in national and European (political) governance issues was addressed.

As a fair partner, RZB AG maintains an active, transparent and open dialog with all stakeholders. In this regard, the Sustainability Report, a publication on annual sustainability performance, plays an important role. The RZB Sustainability Report 2015 was distinguished at the Austrian Sustainability Reporting Award (ASRA) for the third time in succession as one of the best large company sustainability reports - a particularly welcome development. The RZB Group benefited here especially from its sound sustainability strategy and the exemplary presentation of the value creation analysis in the report.

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

As part of a corporate volunteer program established at the end of 2015, all RZB AG and RBI AG employees have the opportunity to take two days' special leave per annum in order to undertake charitable activities and to participate actively in the community. In this respect, as a first step the area of migration/integration in Austria was selected. Projects relating to financial education are to follow. Currently, options for employees in the following selected projects are available:

"Haus Roshan", a place of humanity

The municipality of Breitenfurt in Lower Austria together with the charitable organization "Haus Roshan" constructed a container village at the end of 2015 for 48 refugees (unaccompanied minors and adult refugees as well as refugee families). Alongside the financing of the containers, a corporate volunteer project was initiated in conjunction with Caritas Vienna to support the long-term integration of the 24 unaccompanied refugee minors from Syria and Afghanistan. Employees of RZB AG and RBI AG have the opportunity to participate in a diverse range of activities. Following construction of the accommodation, which demonstrated a wide range of practical skills on the part of employees, the emphasis is now on communal cooking, sport/games, art workshops and German language sessions.

"Surprise in a Box"

The goal of this now-traditional charitable initiative is to bring some small pleasure to children in need at Christmas. In 2015, RZB AG and RBI AG employees once again donated toys, books and cinema vouchers, and took part in filling shoe boxes and wrapping them in festive packaging. This initiative, which gathered more than 370 Christmas parcels along with 100 cinema vouchers, supports Caritas projects which provide assistance to asylum seekers, those recognized as having the right to asylum and their families in Vienna and Lower Austria. In addition, a portion of the donations was given to mothers who are minors, as part of the H. Stepic CEE Charity "Sure Beginning" project in Hungary.

H. Stepic CEE Charity

The voluntary participation of RBI employees in the H. Stepic CEE Charity – supported by Raiffeisen Bank International – makes it possible for all donations to be used directly for the benefit of those intended, without deductions to cover administrative costs. Since its establishment in 2006, this charitable organization has undertaken numerous projects in the Central and Eastern European countries in which RBI has a presence. In these projects, some of which were implemented in 2015, head office employees were able to contribute their expertise in the form of hourly engagement, for example in the area of translation work.

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.

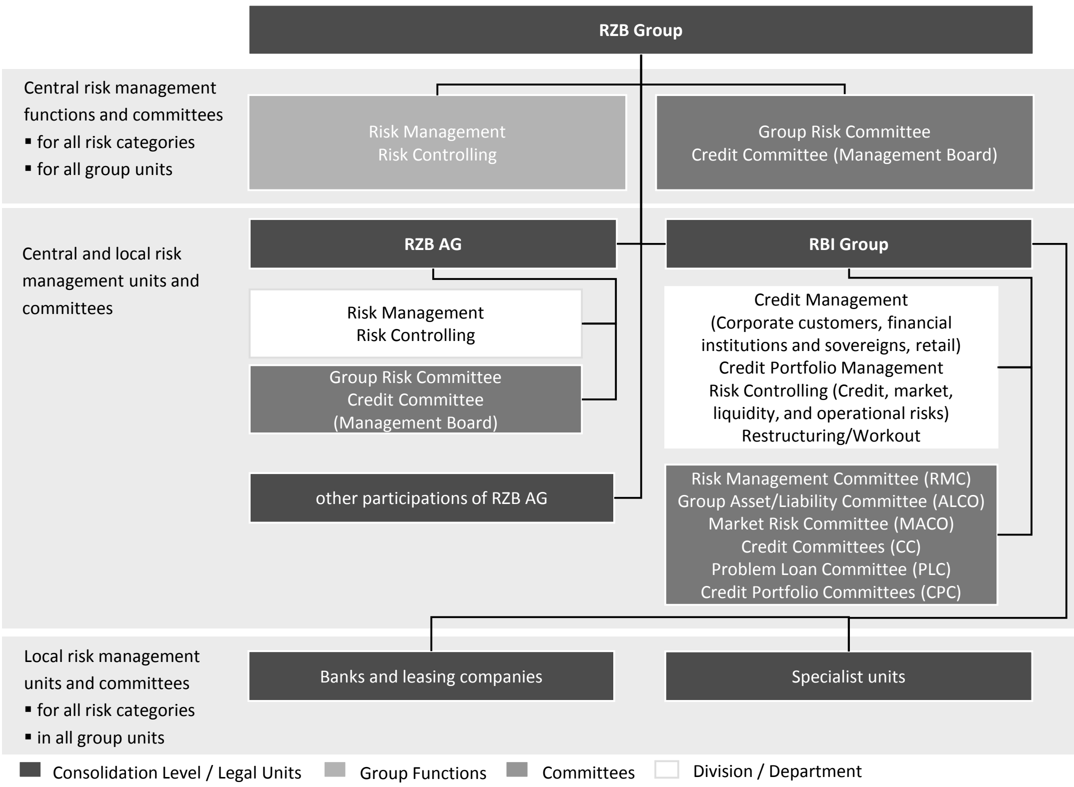
This function spans the entire organizational structure, including all levels of management, and is also implemented in each of the subsidiaries by local risk management units. Risk management is structured to ensure the careful handling and professional management of credit risk, country risk, market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

Risk report

Active risk management constitutes a fundamental responsibility of RZB AG, 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 RBI AG to develop and implement relevant concepts.

Organization

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



The two risk management units of RZB AG have defined authority for credit decisions relating to business undertaken by RZB AG 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).

The Group Risk Committee is under the chairmanship of the RZB AG Board member responsible for risk management and is the ultimate decision-making body for all risk-related issues in the Group. It decides upon the risk management and control policies to be employed for the overall Group and in principal areas of the Group. This also includes determination of risk appetite, different risk budgets and limits on overall bank level, monitoring of the current risk position and corresponding management measures. Additionally, personnel from risk management areas in RZB AG are represented in all risk-related committees within the Group.

Quality assurance and internal audit

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

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

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

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

Moreover, an independent and objective audit, free of potential conflicts of interest, is carried out during the audit of the annual financial statements by the auditing companies. Finally, the Group is continuously supervised by the Austrian Financial Markets Authority.

Overall bank risk management

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

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

Target rating perspective

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

in € thousand	2015	Share	2014	Share
Participation risk	1,077,421	81.9%	1,109,466	84.6%
Market risk	48,340	3.7%	91,900	7.0%
Credit risk sovereigns	43,160	3.3%	8,455	0.6%
Macroeconomic risk	39,750	3.0%	3,000	0.2%
Liquidity risk	15,030	1.1%	0	0.0%
Credit risk financial institutions	8,840	0.7%	11,325	0.9%
Credit risk corporate customers	8,109	0.6%	7,681	0.6%
Other tangible assets	7,478	0.6%	6,863	0.5%
CVA risk	0	0.0%	0	0.0%
Operational risk	5,060	0.4%	10,010	0.8%
Risk buffer	62,659	4.8%	62,435	4.8%
Total	**1,315,848**	**100.0%**	**1,311,135**	**100.0%**

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

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

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

Changes in the regulatory environment

RZB AG again concerned itself intensively with current and upcoming regulatory developments in 2015. A key change resulted from the implementation of the Federal Act on the Recovery and Resolution of Banks (BaSAG), which entered into force at the beginning of 2015 and which represents the national transposition of the European Union's 2014 Banking Recovery and Resolution Directive (BRRD) into Austrian law. The first year under the direct supervision of the ECB under the Single Supervisory Mechanism (SSM) was characterized by effective cooperation at all levels.

Risk Position

Risks relating to equity participations form the most important risk category for RZB. The holding in RBI - which in addition to its own banking business also holds interests in banks and leasing companies in Central and Eastern Europe - constitutes the largest equity participation. The majority of the direct and indirect equity participations 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 RBI, but also by the risk controlling area of RZB AG. The other equity participations include affiliated companies and are additionally focused on the insurance industry, the food sector and the area of banking support services.

Market and liquidity risks in RZB AG are relatively minor in comparison and primarily relate to the sovereign bond portfolio.

Equity participation risk

The risks from listed and unlisted equity 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 equity participations are fully consolidated in the consolidated financial statements (e.g. network banks, affiliated companies, leasing companies) and their risks are therefore captured in detail. Consequently, the management, measurement and monitoring methods described in relation to other types of risk are employed for the risks arising from these equity participations.

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

RZB AG's equity participations are managed by the Participations Management and Controlling division. This area 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.

Credit risk

Credit risk in RZB AG principally relates to default risk resulting from business with public sector borrowers or from business with members of the Austrian Raiffeisen Banking Group. As the latter group predominantly have a relationship based on ownership with RZB AG - either as a subsidiary or a parent company - default risk protection generally takes the form of posting of collateral and netting agreements. Moreover, in the context of managing the Group, large credit exposures of subsidiary companies are also approved by RZB AG whenever a credit limit application for a customer group exceeds the defined approval authority of that subsidiary.

Credit decisions are made within a hierarchical competence authority scheme depending on the type and size of a loan. The approval of the business and the credit risk management divisions is always required for individual limit decisions and the regular rating renewals. If the individual decision-making parties disagree, the potential transaction is decided upon by the next higher-ranking credit authority.

RZB AG risk policies and credit assessments also take the industry sector of the borrower into account. Financial Intermediation represents the largest industry sector, which is to a large extent attributable to the Austrian Raiffeisen sector. The public sector predominantly derives from the portfolio of securities issued by the Republic of Austria. Credit exposure by customer industry classification is shown in the following table:

in € thousand	2015	Share	2014	Share
Financial Intermediation	17,283,026	72.0%	20,425,871	78.9%
Public administration and defence, social security	3,964,356	16.5%	2,512,469	9.7%
Real estate activities	1,160,294	4.8%	1,580,574	6.1%
Business management, -consultancy	966,764	4.0%	833,729	3.2%
Extraterritorial organizations	261,827	1.1%	211,801	0.8%
Other personal services	213,785	0.9%	4,781	0.0%
Others	143,507	0.6%	329,154	1.3%
Total	**23,993,559**	**100.0%**	**25,898,378**	**100.0%**

A detailed credit portfolio analysis is undertaken based on individual ratings. Customer ratings are tailor-made and are therefore carried out separately for different asset classes. Internal risk classification models (rating and scoring models), which are validated by a central organization unit, are used. The rating models in the main non-retail segments – corporates, financial institutions and sovereigns – provide for ten main grades. Rating and validation software tools are available (e.g. business valuation, rating and default database).

Collateralization is one of the main strategies and an actively pursued measure for reducing potential credit risks. The value of collateral and the effects of other risk mitigation techniques are determined during the limit application process. The risk mitigation effect taken into account is the value that RZB AG expects to realize within a reasonable period. Types of eligible collateral are defined in the Group's collateral list and corresponding valuation guidelines for collateral. The collateral value is calculated according to uniform methods, including standardized calculation formulas based on market values, predefined discounts, and expert assessments.

Credit default and workout process

The credit portfolio and individual borrowers are subject to constant monitoring. The main objectives of monitoring are to ensure that the borrower meets the terms and conditions of the contract and to keep track of the borrower's financial position. Such a review is conducted at least once annually in the non-retail asset classes (corporates, financial institutions, and sovereigns). This includes a rating review and the revaluation of financial and tangible collateral.

Problem loans (where debtors might run into material financial difficulties or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees make decisions on problematic exposures. If restructuring is necessary, problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Involving employees of the workout departments at an early stage can help reduce losses from problem loans.

A default and thus non-performing loan (NPL) is internally defined as a case in which a specific debtor is unlikely to pay its credit obligations to the bank in full, or a case in which the debtor is overdue 90 days or more on any material credit obligation. RZB AG has defined twelve indicators to identify a default event in the non-retail segment. These include the following cases, among others: a customer is involved in insolvency or similar proceedings; an impairment provision has been allocated or a direct write-off has been taken; credit risk management has judged that a customer account receivable is not wholly recoverable; the work-out unit is considering stepping in to help a customer regain its financial soundness.

As part of the Basel II project, a Group-wide default database was created to record and document customer defaults. Defaults and default reasons are also recorded in the database, which enables probabilities of default to be calculated and validated. Provisions for impairment losses are formed in accordance with defined guidelines based on IFRS accounting principles and cover all identifiable credit risks. In the non-retail segment, problem loan committees decide on individual loan loss provisions.

Country risk

Country risk includes transfer and convertibility risks as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. RZB AG's business activities in the converging Central, Eastern European and Asia markets expose it to this risk. In those markets, political and economic risks to some extent are still considered to be significant.

RZB AG's active country risk management is based on the country risk policy, which is set by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries. In day-to-day work, business units therefore have to submit limit applications for the respective countries for all cross-border transactions in addition to the limit applications for specific customers. A model which takes into account the internal rating for the sovereign, the size of the country, and RZB AG's own capitalization is applied to determine the absolute limit for individual countries.

Country risk is also reflected via the internal funds transfer pricing system in product pricing and in risk-adjusted performance measurement. In this way, the bank offers the business units an incentive to hedge country risks by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries. The insights gained from the country risk analysis are not only used to limit total cross-border exposure, but also to cap total exposure in each individual country (i.e. including the exposure that is funded by local deposits). RZB AG thus realigns its business activities to the expected economic development in different markets and enhances the broad diversification of its credit portfolio.

Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities lending or borrowing transaction can lead to losses from reestablishing an equivalent contract. At RZB AG, this risk is measured by the mark-to-market approach where a predefined add-on is added to the current fair value of the contract in order to account for potential future changes. The total amount of the potential expected credit exposures from derivatives transactions determined in this way is set out in the tables for the individual customer segments. For internal management purposes, potential price changes, which affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts, the standard limit approval process applies; the same risk classification, limitation, and monitoring procedures as in traditional lending are used. Credit risk mitigation techniques such as netting agreements and collateralization represent an important strategy for reducing counterparty credit risk. In general, RZB AG strives to conclude standardized ISDA master agreements with all major counterparties for derivative transactions to perform close-out netting and to agree on credit support annexes (CSA) for full risk coverage of positive fair values on a daily basis.

Market risk

RZB AG defines market risk as the risk of possible losses arising from changes in market prices of trading and investment positions. Market risk is determined by fluctuations in exchange rates, interest rates, credit spreads, equity and commodity prices, and other relevant market parameters (e.g. implied volatilities).

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

Organization of market risk management

The measurement, monitoring and management of all market risks is undertaken on the RZB AG overall bank level.

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

The *Market Risk Management* department (RBI) ensures that the business volume and product range comply with the defined and agreed strategy and risk appetite. It is responsible for developing and enhancing risk management processes, manuals, measurement techniques, risk management infrastructure and systems for all market risk categories and credit risks arising from market price changes in relation to derivative transactions. In addition, the department independently measures and reports all market risks on a daily basis.

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

Limit system

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

- Value-at-risk (VAR) confidence level 99 per cent, horizon one day
  The VaR limit caps the maximum loss which is not exceeded with a confidence level of 99 per cent within one day. It is the main steering instrument in liquid markets and normal market situations.

- Sensitivities (to changes in exchange rates, interest rates, gamma, vega, equity and commodity prices)
  Sensitivity limits are designed to avoid concentrations in normal market situations and represent the main steering instrument in stress situations or in illiquid markets or those that are structurally difficult to measure.

- Stop loss
  This limit strengthens traders' management of their proprietary positions to ensure that they do not allow losses to accumulate, but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential valuation changes in the total portfolio under various scenarios. Risk concentrations evidenced by these stress tests are reported to the Market Risk Committee and taken into account when setting limits. Stress test reports for each portfolio are included in daily market risk reports.

Value-at-risk (VAR)

VaR is measured based on a hybrid approach in which 5,000 scenarios are simulated. The approach combines the advantages of a historical simulation and a Monte Carlo simulation. The market parameters used are based on a 500-day historical time series. Distribution assumptions include modern features such as volatility declustering, random time change, and extreme event containers in order to accurately reproduce fat-tailed and asymmetrical distributions. The Austrian Financial Market Authority has approved this model as an internal model for calculating total capital requirements for market risks.

Structural interest rate risks and spread risks from bond books maintained as a liquidity buffer dominate the VaR. RZB AG does not have a qualifying trading book. The complete overview therefore represents the results from the banking book.

Total VaR 99% 1d in € thousand	VaR as of 31/12/2015	Average VaR	Maximum VaR	Minimum VaR
Currency risk	5	782	6,809	2
Interest rate risk	607	1,480	11,970	256
Credit spread risik	5,544	7,711	33,246	2,006
Total	5,162	8,871	32,284	4,279

1 As at 31 December 2015, an enhanced credit spread modeling methodology was implemented to take account of negative interest.

Total VaR 99% 1d in € thousand	VaR as of 31/12/2014	Average VaR	Maximum VaR	Minimum VaR
Currency risk	6,976	184	7,398	0
Interest rate risk	1,924	3,196	5,746	1,360
Credit spread risik	2,584	559	2,634	0
Total	7,850	3,801	8,557	2,148

Interest rate risk in the banking book

As a result of different maturities and repricing schedules of assets and liabilities (customer deposits and financing from money and capital markets), RZB AG is subject to interest rate risk. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book exists in the euro and US dollar as major currencies.

This risk is mainly hedged by a combination of transactions on and off the statement of financial position, in particular interest rate swaps and – to a lesser extent – interest rate forwards and interest rate options are also used. Management of the structure of the statement of financial position is a core task of the Treasury division, which is supported by the Group Asset/Liability Committee. The latter uses scenarios and interest income simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the banking book is measured not only in a value-at-risk framework, but is also managed by the traditional tools of nominal and interest rate gap analyses. The following table shows the change in the present value of RZB AG's banking book given a one-basis-point parallel interest rate increase. The main currencies are shown separately.

2015 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	0	0	0	0	0	0	0	0	0	0	0	0
CZK	8	0	0	0	0	0	1	1	6	0	0	0
EUR	146	(23)	(17)	(45)	51	141	126	42	(130)	0	0	0
PLN	0	0	0	0	0	0	0	0	0	0	0	0
SEK	0	0	0	0	0	0	0	0	0	0	0	0
USD	0	0	0	0	0	0	0	0	0	0	0	0

2014 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	0	0	0	0	0	0	0	0	0	0	0	0
CZK	0	0	0	0	0	0	0	0	0	0	0	0
EUR	335	(14)	(39)	(71)	2	69	149	144	99	(4)	0	0
PLN	0	0	0	0	0	0	0	0	0	0	0	0
RUB	1	1	0	0	0	0	0	0	0	0	0	0
SEK	0	0	0	0	0	0	0	0	0	0	0	0
USD	0	0	0	0	0	0	0	0	0	0	0	0

Credit spread risk

The market risk management framework uses time-dependent bond and CDS-spread curves as risk factors to measure credit spread risks. It covers all capital market instruments.

Liquidity risk

An important role of banks is conducting maturity transformation in the international financial markets. The need for maturity transformation arises from the needs of depositors to access their funds at short notice and the divergent need of borrowers for long-term loans. This function constantly results in positive or negative liquidity gaps for different maturities that are managed by banks through transactions with other market participants under normal market conditions.

The Treasury division is responsible for liquidity management, i.e. ensuring that the bank maintains its ability to pay at all times. Cash flows are calculated and analyzed by currency on a daily basis in an internal monitoring system. Based on this information, the bank creates liquidity balances and conducts analyses to determine whether the legal regulations on sufficient liquidity and defined internal liquidity limits are complied with. Further analyses include in particular simulations of defined market or name specific liquidity crises using scenario-based cash flow forecasts, which are also matters covered by the Group Asset/Liability committee. RZB AG possesses all liquidity risk management instruments required by the credit institution risk management directive, such as a sufficiently large liquidity buffer, stress tests based on different scenarios, and liquidity contingency plans.

Short-term liquidity risk

The following table shows excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for selected maturities on a cumulative basis, taking into account items on and transactions off the statement of financial position. Based on expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates on the prolongation of defined assets, the so-called sediment of customer deposits, and the liquidity counterbalancing capacity (in particular, assets that are eligible for refinancing at central banks and that can be used as collateral in repo transactions).

in € thousand	2015			2014		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	300,127	441,437	458,511	250,689	364,965	727,101
Liquidity ratio	104%	106%	105%	103%	104%	108%

Internal limits are used to limit liquidity risk. They require a positive short-term liquidity gap based on the internal liquidity model. The bank holds sizeable amounts of liquid securities and favors assets eligible in tender transactions in the lending business in order to ensure liquidity in various currencies. In the event of a liquidity shortage, contingency plans would come into force.

Liquidity coverage ratio

The LCR (liquidity coverage ratio) promotes the short-term resilience of the liquidity risk profile of banks by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash to meet their liquidity needs for at least a 30 calendar day liquidity stress scenario.

in € thousand	31/12/2015
Average liquid assets	7,661,682
Inflows	1,936,875
Outflows	8,944,027
Net outflows	7,007,152
LCR	109%

Funding liquidity risk

Funding liquidity risk is driven mainly by changes in the risk appetite of lenders or by a deterioration in the creditworthiness of a bank that needs external funding. Funding costs and supply rise and fall with risk premiums, which are subject to market- and bank-specific fluctuations.

As a consequence, long-term funding depends on the general restoration of confidence in banks and greater efforts to collect customer deposits. RZB AG obtains funding through money and capital market transactions. It also acts as the central liquidity balancing agent for the local Group companies in Central and Eastern Europe.

The funding plan focuses on achieving a balanced funding structure to manage funding liquidity risk. Funds are raised not only by RZB AG as the Group's parent institution, but also by many banking subsidiaries. These efforts are coordinated and optimized through a joint plan. Moreover, RZB AG arranges medium-term and long-term funding for its subsidiaries through syndicated loans, bilateral funding agreements with banks, and financing facilities from supranational institutions. These funding sources are based on long-term business relationships.

Operational risk

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

These risks are analyzed and managed on the basis of in-house historical loss data and the results of self-assessments. Another management tool is an incentive system in internal capital allocation, under which poor data quality results in capital charges.

As with other risk types, the principle of firewalling between risk management and risk controlling also applies to operational risk at RZB AG. The operational risk controlling unit is responsible for the implementation and refinement of the operational risk management system (e.g. risk assessments, definition and monitoring of key risk indicators). Business line managers are responsible for controlling and mitigating operational risks. They decide on the use of control instruments such as insurance and further risk mitigation procedures.

Risk identification

Identifying and evaluating risks that could endanger the bank as a going concern (but risks that occur with a very low degree of probability) and other areas in which losses occur more frequently (but on a small scale) represent key tasks in the management of operational risk.

Operational risk is evaluated in a structured form according to categories such as business processes and event types by risk assessments. Moreover, all new products are subject to a risk assessment. The impact of high probability/low impact events and low probability/high impact events is measured over a one- and ten-year horizon. Low probability/high impact events are quantified on the basis of standardized scenarios. In addition, further scenarios tailored to the risk profile and specific local conditions are run.

Monitoring

In order to monitor operational risks, early warning indicators are used for prompt identification and mitigation of losses. Operational losses are recorded in a central database named ORCA (Operational Risk Controlling Application) broken down by business line and type of event. Such a collection of loss data makes it possible to implement statistical loss distribution models and is considered a minimum requirement for applying the regulatory Standardized Approach. Furthermore, the loss data (as well as documentation of the losses that are ultimately not incurred) serves as a basis for identifying risk and exchanging information with international databases to develop advanced measurement methods and track measures and control efficiency. Since 2010, the RZB Group has participated in the ORX data consortium, whose data is currently used for internal benchmark purposes and analyses.

The Risk Management Committee receives regular and comprehensive results of the analyses as well as events arising from operational risks.

Risk measurement and mitigation

RZB AG currently calculates regulatory capital requirements for operational risks according to Basel II using the Standardized Approach (STA). To mitigate operational risk, the business division heads take preventive action to reduce and transfer risk. The progress and success of these actions is monitored by risk controlling. The business division heads also draw up contingency plans and nominate persons or departments to take the required measures if losses do in fact occur. In addition, several dedicated organizational units provide support to business divisions to reduce operational risks. An important role is taken on by Financial Crime Management which reduces potential financial crime-related losses through proactive monitoring and preventive action. RZB AG also organizes regular extensive staff training programs and has a range of contingency plans and back-up systems in place.

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 RZB AG and the Group. The annual financial statements of RZB AG are prepared in the Financial Accounting department of Raiffeisen Bank International, which falls within the Chief Financial Officer's (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.

On 1 January 2015 RZB AG replaced the general ledger functionality based on the GEBOS core banking application with SAP. GEBOS is still used for the sub-ledger function credit and deposit processing (GIRO) and a partial coexistence function for the SAP general ledger. Further sub-ledgers exist in addition to GEBOS, including in particular:

- Wall Street Systems and Murex (Treasury transactions)
- GEOS und GEOS Nostro (securities settlement and nostro securities management)
- Payments

- Banktrade (guarantees and letters of credit)
- SAP sub-ledgers (accounts receivable/accounts payable/fixed asset accounting)

The accounting process can be described as follows:

- Day-to-day accounting
  Day-to-day accounting records are mainly posted to the respective sub-ledgers (sub-systems). This posting data is transferred to the general ledger (SAP) in aggregated form on a daily basis, using automated interfaces. In addition, individual postings are recorded directly in the SAP general ledger. The general ledger in SAP has multi-GAAP functionality, which means two equivalent parallel general ledgers – one in accordance with UGB/BWG reporting standards and also a parallel ledger in accordance with IFRS. An operational chart of accounts exists for the two general ledgers; depending on the respective content, all postings are effected either simultaneously in both general ledgers or in only one of the two ledgers. The parallelism of the entries and the parallel existence of the two general ledgers remove the need for reconciliations from UGB/BWG to IFRS.
- Individual financial statements for RZB AG in accordance with UGB/BWG and IFRS
  The SAP trial balance in accordance with UGB/BWG and/or IFRS results from the posting data of the respective sub-systems which is delivered via automated interfaces. In addition, a number of supplementary ledger-specific closing entries are made directly in SAP. These are independent of the respective sub-systems. The sum of all these entries gives the statement of financial position and the income statement pursuant to UGB/BWG or IFRS.

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 specific transactions

Additionally, there are guidelines that relate solely to RZB AG. 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 equity participations, which are based on estimates of future developments, gives rise to a risk. The main focus of risk assessment is on RZB AG'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 examines the annual financial statements and the management report and they are adopted by the Supervisory Board. 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 RZB AG 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, the RZB Participation Management & Finance department and the responsible RZB board member before being passed on to the Audit Committee.

Outlook

Economic prospects

Austria

In Austria, the moderate economic rebound – that began in 2015 – will probably gain some momentum in 2016, but will remain weaker overall than in previous upturns. The income tax relief, which entered into force in January 2016, is expected to pull private consumption out of a long-running period of stagnation. The ongoing pick-up in investment should also help to stimulate the economy.

CEE banking sector

Solid economic growth in CE and SEE, and the levelling-out in Eastern Europe, should have a positive impact on the CEE banking sector in 2016. Favorable developments in (new) operating business in 2016, however, could be overshadowed by the negative consequences of previous foreign-currency lending expansion in CE and SEE, as well as by the resolution of non-performing loan portfolios in CEE (particularly in SEE, Russia and Ukraine). As such, profitability in the CEE banking sector may not recover quite as fast as regional lending and asset growth, which is already increasing.

Business outlook

Under the current and medium-term outlook for the economic and regulatory environment, RZB AG expects the following developments for its principal equity participations.

RBI targets a CET1 ratio (fully loaded) of at least 12 per cent and a total capital ratio (fully loaded) of at least 16 per cent by the end of 2017. After the implementation of the strategic measures defined at the beginning 2015, the cost base should be approximately 20 per cent below the level of 2014 (general administrative expenses 2014: € 3,024 million). 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. RBI further aims to achieve a cost/income ratio of between 50 and 55 per cent in the medium term. RBI expects net provisioning for impairment losses for 2016 to be below the level of 2015 (€ 1,264 million). General administrative expenses for 2016 should be slightly below the level of the previous year (2015: € 2,914 million).

For its specialised subsidiaries, RZB AG expects higher operating results for the business year 2016 as well as a stable contribution.

Due to a planned investment programme, UNIQA will generate a substantially lower result in the 2016 financial year, since a significant part of the program's expenses will be effective in 2016. The contribution to RZB AG's result is however expected to remain unchanged, as this is based on the record result from 2015.

The contribution of other participations (at-equity) to the consolidated result is expected to remain largely stable, but should increase significantly in the following years.

On the one hand, additional expenses for the Group result from essential investment in the future, in particular in the area of digitalisation; on the other hand, expenses will result from regulatory burdens such as notably for bank levies and contributions to national and European insurance and resolution funds.

In order to be well-prepared for future challenges and against the backdrop an ever changing economic and regulatory environment, RZB AG will continue to evaluate the structures of the Group. The reduction of complexity and the establishment of efficient structures should optimize the cost base and sustainably strengthen Group capital and profitability. Ultimately, in its role as central institution, RZB AG will contribute to enhanced cooperation within the Raiffeisen Banking Group.

Events after the reporting date

There were no events after the reporting date that require disclosure.

Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of

Raiffeisen Zentralbank Österreich Aktiengesellschaft,
Vienna,

for the fiscal year from 1 January 2015 to 31 December 2015. These financial statements comprise the balance sheet as of 31 December 2015, the income statement for the fiscal year 2015, and the notes.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal requirements of the banking law and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing – ISA. In accordance with International Standards on Auditing, we are required to comply with ethical requirements and 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 our 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, we consider internal control relevant to the entity'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 entity'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, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2015, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

Report on the 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, 7 March 2016

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca

Wirtschaftsprüfer

(Austrian Chartered Accountants)