Raiffeisen Bank International

Semi-Annual Financial Report as of 30 June 2016

Survey of key data

Raiffeisen Bank International (RBI)

Monetary values in € million	2016	Change	2015
Income statement	**1/1-30/6**		**1/1-30/6**
Net interest income	1,455	(13.4)%	1,681
Net provisioning for impairment losses	(403)	(33.3)%	(604)
Net fee and commission income	719	(3.4)%	745
Net trading income	84	>500.0%	2
General administrative expenses	(1,412)	1.8%	(1,388)
Profit/loss before tax	450	(1.1)%	455
Profit/loss after tax	268	(14.8)%	314
Consolidated profit/loss	210	(23.8)%	276
Statement of financial position	**30/6**		**31/12**
Loans and advances to banks	13,747	26.9%	10,837
Loans and advances to customers	70,825	1.3%	69,921
Deposits from banks	16,655	1.7%	16,369
Deposits from customers	68,941	(0.1)%	68,991
Equity	8,725	2.6%	8,501
Assets	113,969	(0.4)%	114,427
Key ratios	**1/1-30/6**		**1/1-30/6**
Return on equity before tax	10.6%	(0.3) PP	10.9%
Consolidated return on equity	5.3%	(1.7) PP	7.0%
Cost/income ratio	61.8%	5.0 PP	56.8%
Return on assets before tax	0.82%	0.05 PP	0.77%
Net interest margin (average interest-bearing assets)	2.76%	(0.24) PP	3.00%
Provisioning ratio (average loans and advances to customers)	1.11%	(0.40) PP	1.52%
Bank-specific information	**30/6**		**31/12**
NPL ratio	10.4%	(1.5) PP	11.9%
Risk-weighted assets (total RWA)	61,722	(2.5)%	63,272
Total capital requirement	4,938	(2.5)%	5,062
Total capital	10,972	(0.1)%	10,987
Common equity tier 1 ratio (transitional)	12.5%	0.4 PP	12.1%
Common equity tier 1 ratio (fully loaded)	12.2%	0.7 PP	11.5%
Total capital ratio (transitional)	17.8%	0.4 PP	17.4%
Total capital ratio (fully loaded)	17.6%	0.8 PP	16.8%
Stock data	**1/1-30/6**		**1/1-30/6**
Earnings per share in €	0.72	(23.8)%	0.94
Closing price in € (30/6)	11.28	(13.6)%	13.05
High (closing prices) in €	14.17	(9.1)%	15.59
Low (closing prices) in €	10.21	13.3%	9.01
Number of shares in million (30/6)	292.98	0.0%	292.98
Market capitalization in € million (30/6)	3,303	(13.6)%	3,823
Resources	**30/6**		**31/12**
Employees as at reporting date (full-time equivalents)	50,922	(1.1)%	51,492
Business outlets	2,641	(2.4)%	2,705
Customers in million	14.2	(4.5)%	14.9

Content

In this report RBI denotes the RBI Group. If RBI AG is used it denotes Raiffeisen Bank International AG.

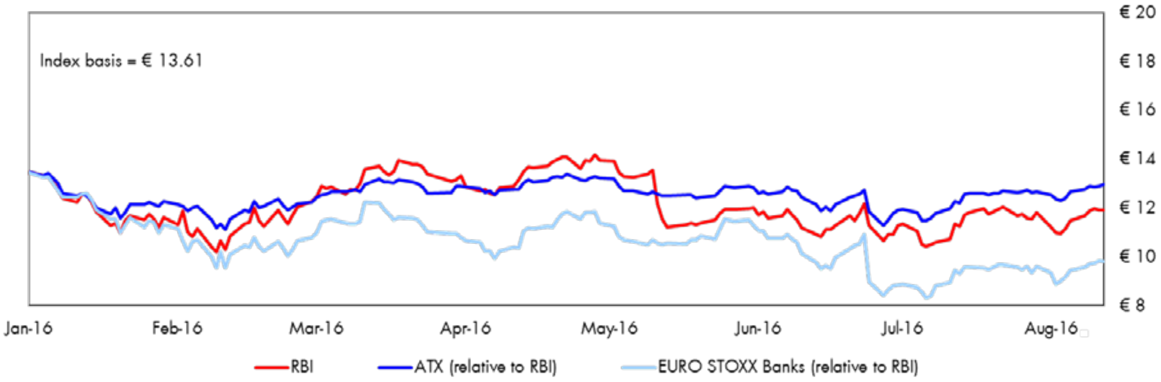
Adding and subtracting rounded amounts in tables and charts may lead to minor discrepancies. Changes in tables are not based on rounded amounts.

RBI in the capital markets

Performance of RBI stock

RBI's stock started the second quarter at a price of € 13.32 and closed the quarter on 30 June 2016 at € 11.28, down 15.3 per cent, amid a generally difficult stock market environment. Following the announcement of the evaluation of a potential merger of RZB and RBI on 10 May 2016, the stock fell by around 10 per cent. In late June, the outcome of the referendum vote on the UK's exit from the European Union took global financial markets by surprise. Stock indices initially fell sharply but recouped some of their losses in the subsequent week. The EURO STOXX Banks and ATX lost 17.9 per cent and 7.7 per cent, respectively, during the period from April to end-June 2016. RBI's stock was trading at € 11.92 on 12 August (the editorial deadline for this report).

Price performance since 1 January 2016 compared to ATX and EURO STOXX Banks



Annual General Meeting

RBI's Annual General Meeting on 16 June 2016 approved all of the proposed resolutions relating to the individual agenda items. The Chairman of the Supervisory Board, Walter Rothensteiner, was reelected to the Supervisory Board of RBI until the close of the Annual General Meeting which will resolve on granting discharge for the 2020 financial year.

Active capital market communication

In the second quarter, RBI once again offered interested investors an opportunity to obtain first-hand information at road shows in Frankfurt, London, New York and Paris, as well as in Zürs, Austria. In addition to 28 equity analysts, 21 debt analysts also regularly provide investment recommendations on RBI, making RBI the company in Austria with the largest number of analysts reporting on it on a regular basis.

RBI published its results for the first quarter on 10 May 2016 (two days earlier than originally scheduled), at the same time as its announcement of the evaluation of a merger of RZB and RBI. A conference call was held the next day – also available as a webcast on the Internet – in which more than 300 international analysts and investors took part.

On 26 July 2016, the results of the EBA stress test for Raiffeisen-Landesbanken-Holding GmbH were published. RZB and thus RBI were also examined – as part of Raiffeisen-Landesbanken-Holding GmbH – in the ECB stress test. Members of the Management Board of both RZB and RBI answered the questions of international analysts and investors during a conference call on the results of the stress test. A webcast is also available for this conference call, for which more than 260 participants dialed in.

Stock data and details

RBI's shares have been listed on the Vienna Stock Exchange since 25 April 2005. RZB held approximately 60.7 per cent of RBI's stock as at the end of the second quarter of 2016, with the remaining shares in free float.

Share price as at 30 June 2016	€ 11.28
High/Low (closing prices) in the scond quarter of 2016	€ 14.17/€ 10.68
Earnings per share from 1 January to 30 June 2016	€ 0.72
Bookvalue per share as at 30 June 2016	€ 27.93
Market capitalization as at 30 June 2016	€ 3.3 billion
Average daily trading volume in the second quarter of 2016 (single count)	732,753 shares
Stock exchange turnover in the second quarter of 2016 (single count)	€ 550 million
Free float as at 30 June 2016	approximately 39.3%
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	Prime Market
Number of shares issued as at 30 June 2016	292,979,038

Rating details

Rating agency	Long-term rating	Outlook	Short-term rating
Moody's Investors Service	Baa2	positive	P-2
Standard & Poor's	BBB	developing	A-2

Financial Calendar 2016 / 2017

2 November 2016	Start of Quiet Period
16 November 2016	Third Quarter Report, Conference Call
15 February 2017	Start of Quiet Period
15 March 2017	Annual Report 2016, Conference Call
16 March 2017	RBI Investor Presentation, London
3 May 2017	Start of Quiet Period
17 May 2017	First Quarter Report, Conference Call
12 June 2017	Record Date Annual General Meeting
22 June 2017	Annual General Meeting
28 June 2017	Ex-Dividend Date
29 June 2017	Record Date Dividends
30 June 2017	Dividend Payment Date
27 July 2017	Start of Quiet Period
10 August 2017	Semi-Annual Report, Conference Call
31 October 2017	Start of Quiet Period
14 November 2017	Third Quarter Report, Conference Call

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Group management report

Market development

In late June, the outcome of the referendum vote on the UK's exit from the European Union (Brexit) took global financial markets by surprise. Investors initially reacted with a flight to safer asset classes. Thus yields on 10-year German government bonds fell into negative territory for the first time and stock indices such as Germany's leading index, the DAX, initially fell sharply, but were able to recoup the bulk of their losses in subsequent weeks. Losses suffered by Central and Eastern European currencies and bonds were likewise moderate and for the most part temporary.

The medium-term economic fallout from Brexit will depend on the nature of the cooperative legal relationship between the UK and the EU following the end of its membership. Raiffeisen assumes in its financial market and economic scenario that a solution will emerge that will cause only minor disruptions to existing trading conditions. In that case, the ramifications for the economic outlook for the euro area and Central and Eastern Europe will be relatively limited. While economic growth in the UK should halve to 1.0 per cent in 2017, the euro area's GDP growth is expected to fall 0.2 percentage points to 1.5 per cent in 2017 due to lower export volumes to the UK and uncertainty in relation to investments. In Central and Eastern Europe, the central countries in particular have stronger economic ties to the UK. Accordingly, as a result of the Brexit fallout, economic growth in Poland, Hungary, the Czech Republic and Slovakia will likely slow by an estimated 0.2 percentage points of GDP in 2017.

The low interest rate environment in the US and in Western Europe will continue to persist, driven by uncertainties surrounding Brexit, and is spreading to countries in Central Europe (CE) and Southeastern Europe (SEE) where key rates and bond yields are already at historical lows. This expansionary ECB monetary policy should continue to indirectly support financial markets in CE and SEE. Most CE and SEE currencies are now stable against the euro, though devaluation risks remain for the Ukrainian hryvnia and Belarusian rouble. In Russia, the stabilization of the rouble, as well as sharply lower inflation, opened up room for a first interest rate cut in June of 2016. The key interest rate in Russia should fall from 10.50 per cent at the end of the second quarter to 9.5 per cent in the second half of 2016.

The economic consequences of the failed military coup in Turkey on the rest of the region should remain limited, even with possible negative economic implications for Turkey itself. Turkey only plays a very minor role as trading partner and investor for the countries of CE and SEE. Albania, Bulgaria and Ukraine, however, could be impacted by a downturn in the Turkish economy. In contrast, the Russian economy could profit from an improved relationship with Turkey.

The Austrian economy grew 0.9 per cent in 2015. Real GDP is expected to increase 1.4 per cent in 2016, reflecting a moderate pickup in economic growth momentum. At the same time, economic growth should continue to be driven by domestic demand.

Economic indicators in the first half of 2016 suggest that the CE region should have robust economic growth for the full year, with growth in several countries weakening somewhat following a very strong 2015. The outlook for the SEE region is likewise positive with the economic upturn continuing across SEE countries. In the Eastern Europe (EE) region, both Russia and Belarus will be further affected by recession in 2016, though the recession in Russia should clearly bottom out. The Ukrainian economy will likely start seeing renewed modest growth. Western sanctions against Russia and restrictions on food imports from the EU to Russia will, however, have no material impact on economic growth in either the euro area or in CE and SEE owing to the marginal level of direct interdependence. The economic sanctions imposed by the EU have been extended to the second half of 2016, and a rapid or complete lifting of sanctions can also not be expected for 2017.

Central Europe (CE) – the Czech Republic, Hungary, Poland, Slovakia and Slovenia – is the most economically developed CEE region. With the exception of Poland, CE economies are small, open and highly dependent on exports, primarily to Germany. Following a 3.6 per cent increase in 2015, economic growth in CE is expected to reach 3.0 per cent in 2016. Poland and Slovakia should post the strongest GDP growth at 3.5 per cent, followed by Slovenia, Hungary and the Czech Republic at just over 2 per cent each. In general, the CE region benefits from solid economic growth in Germany and in the euro area, as well as from expansionary monetary policies in a number of CE countries. Nevertheless, GDP growth rates in 2016 will probably be slightly below 2015 levels. This is attributable, among other things, to a temporary reduction in public investments going forward. On the other hand, expansionary fiscal policies, notably in Poland, should stimulate growth both in 2016 and in 2017. The growth rates for 2017 are expected to reflect a moderate negative effect resulting from Brexit. Inflation rates are expected to increase slightly in the second half of 2016, but still remain very moderate by historical standards.

In Southeastern Europe (SEE) – Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia – economic output is expected to grow 3.2 per cent in 2016, up from 2.9 per cent in 2015. In Romania, which benefits from tax breaks and strong wage growth, GDP growth of approximately 4.0 per cent is expected for 2016. In Albania, an increase of around 3.5 per cent is anticipated in 2016. Croatia and Serbia should record positive growth rates in 2016 for the second consecutive year. More moderate economic growth in parts of the SEE region is attributable to structural adjustments that are still outstanding, as well as to the high level of private sector debt, which is only slowly coming down. For 2017, positive growth rates are expected for all SEE countries, with the debt reduction of recent years likely to support economic growth.

Economic conditions remain difficult in Eastern Europe (EE) – Belarus, Russia and Ukraine – though the picture is improving significantly in comparison to 2015. The region's GDP should decline only 0.4 per cent in 2016, following minus 4.1 per cent in 2015. Following the sharp recession, with a GDP decline of 3.7 per cent in 2015, a decline of only 0.5 per cent is forecast for Russia in 2016. Domestic demand – both through household consumption and investments – is expected to also further contract by 3 to 4 per cent in 2016. In contrast, a number of export-oriented industrial sectors are benefitting from the weak rouble, so that modest growth of 1 per cent is forecast for Russian industrial production. In Ukraine – with a GDP decline of 9.9 per cent in 2015 following an adjustment recession – subdued growth of 1.5 per cent is expected for 2016. On the other hand, Belarus is heavily hit by the recession in Russia and a GDP decline of 2.0 per cent is expected for 2016. Depending on the development in Russia, 2017 could also turn out to be a challenging year for Belarus. In Russia, a gradual improvement of the economic situation is currently anticipated for 2017, but only if the oil price continues to stabilize.

Annual real GDP growth in per cent

Region/country	2014	2015	2016e	2017f
Czech Republic	1.9	4.6	2.3	2.7
Hungary	3.7	2.9	2.2	2.7
Poland	3.3	3.6	3.5	3.8
Slovakia	2.5	3.6	3.5	3.3
Slovenia	3.0	2.9	2.2	2.1
Central Europe	**3.0**	**3.6**	**3.0**	**3.3**
Albania	2.0	2.6	3.5	4.0
Bosnia and Herzegovina	1.1	2.8	3.0	3.5
Bulgaria	1.5	3.0	2.5	3.0
Croatia	(0.4)	1.6	2.3	2.5
Kosovo	1.2	4.0	3.5	3.5
Romania	3.0	3.8	4.0	3.6
Serbia	(1.8)	0.5	2.5	3.0
Southeastern Europe	**1.6**	**2.9**	**3.2**	**3.2**
Russia	0.7	(3.7)	(0.5)	1.0
Belarus	1.7	(3.9)	(2.0)	1.0
Ukraine	(6.6)	(9.9)	1.5	2.0
Eastern Europe	**0.3**	**(4.1)**	**(0.4)**	**1.1**
Austria	**0.4**	**0.9**	**1.4**	**1.3**
Germany	**1.6**	**1.4**	**1.8**	**1.7**
Euro area	**0.9**	**1.7**	**1.6**	**1.5**

Source: Raiffeisen Research

Significant events

Progress of the transformation program

The sale of the Slovenian subsidiary bank, Raiffeisen Banka d.d., was successfully completed with the closing at the end of June 2016. The deconsolidation effect on RBI's consolidated result amounted to minus € 53 million, the majority of which was recognized in the fourth quarter of 2015. As a result of the sale of the Slovenian subsidiary, RBI's risk-weighted assets (RWA) reduced by approximately € 212 million. The Slovenian Raiffeisen Leasing d.o.o. was not included in the sale. The transaction had a slightly positive effect on the CET1 ratio (fully loaded), as the resulting loss had already been recognized in 2015.

A sale is still planned in Poland. In the course of the acquisition of Polbank in 2012, RBI made a commitment to the Polish regulatory authority to list the shares of Raiffeisen Bank Polska S.A. on the Warsaw Stock Exchange with a free float of at least 15 per cent by 30 June 2016. In May 2016, the Polish regulatory authority agreed that the commitment with respect to an initial public offering would be fulfilled, if the sale of Raiffeisen Bank Polska S.A. to a listed Polish bank takes place before the end of 2016. A spin-off of the banking operations without the Swiss franc portfolio is intended within the scope of the sale. The Swiss franc portfolio would subsequently be transferred to a Polish branch of RBI AG.

Following the inconclusive sales process relating to ZUNO BANK AG, a sale is no longer being pursued at present. Currently, various alternative options are being evaluated, one of which is the integration into existing Group units.

As part of the planned reduction of RWA, significant progress has been made in Asia since the end of 2014, with RWA down by approximately 62 per cent. The winding down of the US operations is also making good headway, with a decrease in RWA of around 46 per cent since the end of 2014.

Within the context of the planned reduction of business volumes and risk in the profitable Russian subsidiary, RWA declined 8 per cent since the end of 2014. In Ukraine, with a RWA decrease of 23 per cent since the end of 2014 and substantially lower risk costs, a positive turning point was arrived at, which was also reflected in net income. Similarly positive developments were reported by Hungary, where the repositioning with a significantly lower cost base was completed.

Possible consolidation of RZB and RBI

On 10 May 2016, an evaluation of a consolidation of RZB and RBI was announced. The objectives of the consolidation would be to simplify the Group structure and to adapt the Group to increased regulatory requirements. A possible consolidation of RZB and RBI would not affect the stock exchange listing of RBI. The decision on whether or not to pursue the consolidation is expected in September of 2016. An Extraordinary General Meeting to decide on the consolidation would take place at the start of 2017. The fusion could be completed by the end of the first quarter of 2017.

Revision of bank levy regulation in Austria

In July 2016 the Austrian government reached an agreement to amend the bank levy regulation from 2017 onwards. The law still has to be passed by the Austrian parliament. Pursuant to this, the annual bank levy is to be reduced, while at the same time Austrian banks are to make a one-off payment which will amount to around € 115 million for RBI. The period over which this is to be paid is still uncertain. In 2015 the Austrian bank levy amounted to € 84 million for RBI. After the law becomes effective, RBI expects annual payments of approximately € 15 million, starting in 2017.

Publication of EBA stress test results for Raiffeisen-Landesbanken-Holding GmbH

The results of the European Central Bank (ECB) stress test for Raiffeisen-Landesbanken-Holding GmbH, the majority shareholder of Raiffeisen Zentralbank Österreich AG (RZB), have been published. RZB and consequently Raiffeisen Bank International AG (RBI) were – as part of Raiffeisen-Landesbanken-Holding GmbH – also examined in the ECB stress test. The data published relates to Raiffeisen-Landesbanken-Holding GmbH. This year, the ECB did not set a minimum capital ratio requirement (CET1 ratio) for passing the stress test. The results of the scenarios were calculated based on the balance sheet structure as at 31 December 2015.

As at 31 December 2015, the CET1 ratio (transitional) of Raiffeisen-Landesbanken-Holding GmbH stood at 10.5 per cent and the CET1 ratio (fully loaded) was 10.2 per cent. In the baseline scenario, the CET1 ratio (transitional) increased to 12.4 per cent at the end of 2018, and the CET1 ratio (fully loaded) stood at 12.3 per cent as at the same date. In the adverse scenario, the CET1 ratio (transitional) and CET1 ratio (fully loaded) are both 6.1 per cent as at 31 December 2018.

Strengthening the capital position is a principal objective of the RBI/RZB Group. For this reason, RBI launched a transformation program at the beginning of 2015, with the aim of reaching a CET1 ratio (fully loaded) of at least 12 per cent by the end of 2017. As the stress test is based on the balance sheet as at 31 December 2015, key aspects of the transformation program are not reflected in the scenarios. These include the planned sale of the Polish operations, the sale of the Slovenian bank (now concluded), the winding down of the US operations, downscaling in Asia and further reduction of risk-weighted assets in Russia.

Furthermore, RZB has initiated additional measures with a positive impact on the capital structure, including the announced reduction of its UNIQA shareholding and streamlining of the Group structure.

Brexit

Despite opinion polls forecasting a tight result, it was clear that financial market participants initially expected the UK to remain in the EU. However, the supporters of an exit from the EU (Brexit) achieved a small majority in the referendum on 23 June 2016. The next day, stock markets responded to the outcome with sharp falls in share prices, the value of bonds rose significantly and pound sterling dropped to its lowest value against the US dollar for around 30 years.

With its main business focus on CEE, the direct effects on RBI have so far been minor. Total UK credit exposure at the end of June was € 5,425 million, including € 3,117 million in corporate financing and € 2,308 million in relation to banks. Even in the past, investments in UK government bonds have only played a minor role and no such investments existed at the end of June. Counterparty limits and limits for UK banks are currently subject to close monitoring and will be maintained at very tight levels for the time being.

Earnings and financial performance

The ongoing low interest rate environment – both in the euro area and in other RBI markets – again weighed on the Group's interest income in the first half of 2016. The measures taken within the scope of the Group's possibilities are expected to begin to bear fruit over the course of the financial year. At the same time, loan volumes declined as a result of the implementation of the transformation program, as well as due to subdued credit demand. There was however a significant improvement in the Group's credit risk situation, with impairment losses down in nearly all markets and well below the previous year's level at mid-year.

Consolidated profit in the first six months fell 24 per cent year-on-year, or € 66 million, to € 210 million. The decline was mainly attributable to a 13 per cent reduction in net interest income, while the 33 per cent, or € 201 million, lower net provisioning for impairment losses of € 403 million had a positive impact. In addition, both the current financial year and the previous year were influenced by a number of non-recurring effects: Releases of provisions for the Settlement Act in Hungary in the prior year were set against new provisioning in 2016. The sale of Visa Europe shares to Visa Inc. resulted in proceeds of € 132 million. New legislation in Romania concerning private mortgage loans ("Walkaway Law") gave rise to a charge of € 43 million as a result of the expected take-up rate. Higher valuation losses on derivatives and own liabilities (up € 52 million) and higher income taxes (up € 41 million) had a negative impact.

Operating income was down 7 per cent year-on-year, or €160 million, to € 2,284 million. Net interest income further declined, down 13 per cent to €1,455 million, due to the aforementioned low interest rate level. This was primarily attributable to the continuing low market interest rates in many of the Group's countries, existing excess liquidity, as well as a reduction of € 104 million, particularly in Russia, in interest income from derivatives entered into for hedging purposes, which were impacted by market fluctuations in the first half of 2015. In contrast, net trading income improved € 83 million to € 84 million. In the previous year, net trading income had been heavily impacted by currency devaluations in Ukraine. The decline in net fee and commission income remained moderate, down 3 per cent to € 719 million, and was primarily currency related.

General administrative expenses rose 2 per cent year-on-year to € 1,412 million. The average number of employees dropped 2,846 year-on-year to 51,665. Despite the reduction in employees, staff expenses were up 7 per cent to € 701 million due to the release of bonus provisions in the amount of € 76 million in the previous year. Other administrative expenses were down 1 per cent to € 569 million. This was primarily due to lower office space expenses as a result of branch closures. The number of business outlets decreased 140 year-on-year to 2,641. Expenses were higher due to contributions to the bank resolution fund (up € 10 million), which already had to be booked for full-year 2016 due to IFRS provisions. Regulatory expenses for deposit insurance fees and the bank resolution fund amounted to € 103 million, up from € 99 million in the previous year.

Total assets fell marginally to € 114.0 billion since the start of the year. Lending to customers increased 1 per cent in the current financial year, mainly due to currency effects and repo transactions with large corporate customers. The retail business grew € 0.6 billion, predominantly in Central Europe. In contrast, the volume of securities contracted € 1.2 billion, mostly resulting from a decline in the portfolio of bonds at Group head office, as well as in Romania and Poland. On the liabilities side, customer deposits were nearly unchanged at € 68.9 billion, with decreasing deposits from corporate customers (down € 1.9 billion) and sovereigns (down € 0.5 billion) offset by growth in retail deposits.

Equity including capital attributable to non-controlling interests grew € 224 million to € 8,725 million. Alongside profit after tax of € 268 million, other comprehensive income was minus € 14 million, with positive currency effects of € 59 million set against the realization of net valuations of financial assets available-for-sale.

In terms of regulatory capital, the key figures changed as follows: Common equity tier 1 (after deductions) totaled € 7,706 million at the end of the period and was € 35 million higher than at year-end 2015. This was due, on the one hand, to the recognition of the half-year results, and on the other, to higher deductions due to the application of transitional provisions for 2016. Total capital pursuant to the CRR amounted to € 10,972 million, which represents a decline of €15 million compared to the 2015 year-end figure. Risk-weighted assets (total) reduced € 1,550 million to € 61,722 million. Based on total risk, the common equity tier 1 ratio (transitional) was 12.5 per cent while the total capital ratio (transitional) was 17.8 per cent. Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 12.2 per cent and the total capital ratio (fully loaded) at 17.6 per cent.

Comparison of results year-on-year

in € million	1/1-30/6/2016	1/1-30/6/2015[1]	Change absolute	Change in %
Net interest income[2]	1,455	1,681	(226)	(13.4)%
Net fee and commission income	719	745	(25)	(3.4)%
Net trading income	84	2	83	>500.0%
Recurring other net operating income[2]	25	16	9	53.0%
Operating income	**2,284**	**2,444**	**(160)**	**(6.5)%**
Staff expenses	(701)	(656)	(45)	6.8%
Other administrative expenses	(569)	(578)	8	(1.4)%
hereof regulatory other administrative expenses	(103)	(99)	(3)	3.4%
Depreciation	(142)	(154)	12	(7.7)%
General administrative expenses	**(1,412)**	**(1,388)**	**(25)**	**1.8%**
Operating result	**871**	**1,056**	**(184)**	**(17.5)%**
Net provisioning for impairment losses	(403)	(604)	201	(33.3)%
Other results	(18)	3	(22)	–
Profit/loss before tax	**450**	**455**	**(5)**	**(1.1)%**
Income taxes	(182)	(141)	(41)	29.4%
Profit/loss after tax	**268**	**314**	**(46)**	**(14.8)%**
Profit attributable to non-controlling interests	(58)	(38)	(19)	50.2%
Consolidated profit/loss	**210**	**276**	**(66)**	**(23.8)%**

1 Restated in accordance with IAS 8.41. Please see the 2015 Annual Report for details.
2 Adaptation of previous year figures due to different allocation.

Operating income

Net interest income

In the first six months of 2016, net interest income fell 13 per cent, or € 226 million, to € 1,455 million. This was primarily attributable to the continuing low market interest rates in many of the Group's countries, existing excess liquidity, as well as a reduction of € 104 million, particularly in Russia, in interest income from derivatives entered into for hedging purposes, which were impacted by market fluctuations in the first half of 2015. A decline in the loan portfolios at Group head office and in Asia also contributed to the reduction in net interest income.

The Group's net interest margin declined 24 basis points year-on-year to 2.76 per cent. This development was attributable to the aforementioned low market interest rates, especially in the Central Europe and Southeastern Europe segments.

In the Central Europe segment, net interest income fell 2 per cent, or € 7 million, to € 323 million. In Hungary, net interest income declined € 3 million as a result of the low market interest rate level. In Slovakia, lower interest rates also reduced net interest income by € 7 million. In contrast, the Czech Republic reported a volume-related rise of € 3 million in net interest income. In the Southeastern Europe segment, net interest income fell 6 per cent, or € 26 million, to € 372 million. All countries in this segment – with the exception of Bosnia and Herzegovina – reported declines in net interest income; these declines were also mainly attributable to the continuing low interest rate level. The Eastern Europe segment reported a 17 per cent, or € 86 million, decrease in net interest income to € 418 million. This primarily resulted from a 23 per cent, or € 82 million, drop in net interest income to € 271 million in Russia, due to a € 105 million reduction in interest income from financial derivatives as well as lower interest income from loans and advances to customers – driven by volume and currency developments – which was offset by similarly reduced interest expenses. In Ukraine, the 7 per cent, or € 6 million, decline in net interest income to € 82 million was currency related; in local currency terms, net interest income rose 12 per cent. In Belarus, net interest income increased € 2 million to € 65 million. In the Non-Core segment, however, net interest income fell 21 per cent, or € 44 million, to € 163 million, with Asia reporting the largest decline of 65 per cent, or € 34 million, to € 19 million due to reduced volumes. In Poland, the continuing low market interest rate level reduced net interest income by 2 per cent, or € 2 million, to € 127 million.

Net fee and commission income

Net fee and commission income fell 3 per cent year-on-year, or € 25 million, to € 719 million due to currency devaluations in Eastern Europe as well as lower sales in Central Europe. Net income from the loan and guarantee business fell € 18 million to € 86 million; aside from currency effects, this was also due to lower guarantee income at Group head office, the withdrawal from the automobile financing business in Russia, the legal restriction on fees for early loan repayments in Slovakia, lower fee and commission income in Hungary, as well as volume reductions in Asia. Net income from the securities business also fell € 5 million to € 65 million, most notably in Romania, Russia, Hungary, and at Group head office. In contrast, net income from the sale of own and third party products grew 32 per cent, or € 7 million, to € 31 million, predominantly due to higher income in Poland and Romania. Net income from the management of investment and pension funds fell, mainly in Slovakia, by 16 per cent, or € 4 million, to € 19 million.

Net trading income

Net trading income increased € 83 million year-on-year to € 84 million. Currency-based transactions rose € 122 million to € 49 million, primarily as a result of a more limited Ukrainian hryvnia devaluation than in the prior year and an improved open currency position in Ukraine (€ 74 million increase). Another positive effect was attributable to the discontinuation of a hedging transaction for Russian rouble denominated dividend income, which had resulted in a € 70 million reduction in the previous year. Net trading income also increased due to valuation gains on foreign currency positions in Hungary and Croatia, while Group head office and Belarus (resulting from closure of a strategic currency position) reported declines. Interest-based business rose € 16 million to € 66 million, primarily due to valuation gains and higher interest income from financial derivatives and securities positions at Group head office. In contrast, net income from equity and index-based transactions fell € 43 million to minus € 25 million, as a result of an adjustment of the yield curve due to changed market conditions.

Recurring other net operating income

Recurring other net operating income rose € 9 million year-on-year to € 25 million. Other operating income increased € 5 million, due to the sale of the card acquiring business (POS terminals) in the Czech Republic (proceeds of € 8 million). Net income from non-banking activities also improved € 3 million, primarily from a Group unit in Serbia. This contrasted with higher other tax expense, resulting from the allocation to a provision for other taxes relating to previous periods at Group head office.

General administrative expenses

Compared to the same period in the previous year, general administrative expenses climbed € 25 million to € 1,412 million. The cost/income ratio increased 5.0 percentage points to 61.8 per cent, which was also due to the lower net interest income.

Staff expenses

At 50 per cent, the largest component in general administrative expenses was staff expenses, which increased 7 per cent, or € 45 million, to € 701 million. In the same period in 2015, bonus provisions in the amount of € 76 million were released; this leads to distortions in the year-on-year comparison. Alongside the effect of the bonus provisions, the rise of € 18 million at Group head office was also due to a change in the salary scheme. The Czech Republic also reported a total increase of € 12 million owing to increased staffing levels following the purchase of Citibank's retail business and salary adjustments. In Slovakia, staff expenses rose € 12 million due to the expansion of the branch network and the one-off effect in the comparable period in the previous year. In Poland, staff expenses rose € 9 million as a result of the effect of the bonus provisions and an increase in provisions for unused vacations. In Romania, an increase of € 2 million was attributable to salary increases and the inclusion of former contract workers. Decreases in staff expenses were reported in Asia (down € 4 million) due to staff reductions and in Russia (down € 4 million) mainly due to currency effects.

The average number of staff (full-time equivalents) fell 2,846 year-on-year to 51,665. The largest declines occurred in Ukraine (down 1,706), Russia (down 662), Poland (down 414), Hungary (down 235), and Bulgaria (down 147). The largest increases occurred in the Czech Republic (up 264) and in Slovakia (up 141).

Other administrative expenses

Other administrative expenses were down 1 per cent, or € 8 million, to € 569 million. This was mainly due to reduced office space expenses following branch closures (down € 11 million). The number of business outlets fell 140 year-on-year to 2,641, most notably in Ukraine (down 48), Poland (down 31), Hungary (down 29), and Russia (down 26). Deposit insurance fees decreased € 7 million. This contrasted with contributions to the bank resolution fund of € 51 million (up € 10 million) and higher IT expenses.

Depreciation of tangible and intangible fixed assets

Depreciation of tangible and intangible fixed assets fell 8 per cent year-on-year, or € 12 million, to € 142 million. This was primarily the result of reduced depreciation of tangible fixed assets. In the previous year, Hungary reported impairment charges as a result of branch closures, while Ukraine reported impairment charges in relation to buildings. An impairment of the Polbank brand increased expenses by € 3 million.

Net provisioning for impairment losses

Compared to the same period of the previous year, net provisioning for impairment losses fell by a total of 33 per cent, or € 201 million, to € 403 million. This was due to a € 162 million reduction in individual loan loss provisioning to € 432 million. There was a net release of € 27 million of portfolio-based loan loss provisions in the reporting period, an improvement of € 39 million. The releases were primarily attributable to Group head office (€ 12 million) and Russia (€ 11 million), and resulted from reallocations into individual loan loss provisioning due to defaults of individual customers and from rating improvements.

The majority of net provisioning for impairment losses in the reporting period was attributable to corporate customers, for which provisions of € 291 million were required, while for retail customers this amounted to € 102 million.

The largest decline in net provisioning for impairment losses was recorded in Ukraine, where the provisioning requirement fell € 107 million year-on-year to € 6 million. This was as higher allocations for retail and corporate customers were necessary in the same period of the previous year, due to the economic situation in the Donbass region. In addition, currency effects had a reduced influence in the reporting period. In the Group Corporates segment, net provisioning for impairment losses for large corporate customers fell € 60 million to € 62 million. Russia also reported a € 50 million decline to € 63 million due to an improved situation in the corporate and retail customer businesses. Most countries in Central and Southeastern Europe also had a reduced net provisioning requirement for loans. Net provisioning for impairment losses in Central Europe declined € 32 million year-on-year to € 33 million, primarily due to a reduced provisioning requirement in Hungary for corporate customers. In Southeastern Europe, net provisioning for impairment losses fell € 11 million to € 72 million. Significant declines occurred in almost all markets in the segment in the corporate customer business, especially in Bulgaria (down € 19 million) and Romania (down € 11 million), as well as in Croatia (down € 8 million). In contrast, net provisioning for impairment losses for corporate customers in Asia was € 51 million higher at € 106 million. The default of several large corporate customers in Albania also resulted in a € 25 million increase.

The portfolio of non-performing loans fell € 964 million since the start of the year to € 7,364 million. Currency effects accounted for € 83 million of the decrease. The actual reduction in non-performing loans on a currency-adjusted basis was therefore € 882 million. In addition to the improved risk situation, the write-off of bad debts also resulted in a decline. The largest falls were reported in the Group Corporates segment (down € 372 million), Group Markets (down € 231 million), Ukraine (down € 148 million) and Slovenia (down € 110 million). As a result, the NPL ratio improved 1.5 percentage points compared to year-end 2015 to 10.4 per cent. Non-performing loans compared to loan loss provisions of € 5,308 million, resulting in a NPL coverage ratio of 72.1 per cent, up from 71.3 per cent at the year-end.

The provisioning ratio, based on the average volume of loans and advances to customers, fell 0.4 percentage points year-on-year to 1.11 per cent.

Other results

Other results – consisting of net income from derivatives and liabilities, net income from financial investments, bank levies reported in other operating income/expenses, non-recurring effects, goodwill impairments and income from the release of negative goodwill, as well as net income from the disposal of Group assets – fell € 22 million year-on-year to minus € 18 million.

Net income from derivatives and liabilities

Net income from derivatives and liabilities fell from minus € 10 million in the previous year's period to minus € 62 million in the reporting period. The decline was attributable to a € 26 million change in credit spreads on own liabilities and a reduction of € 26 million in net income from the valuation of banking book derivatives used for hedging purposes, primarily at Group head office.

Net income from financial investments

Net income from financial investments rose € 110 million year-on-year to € 171 million. This was primarily attributable to net proceeds from the sale of equity participations, which rose € 140 million year-on-year. The sale of Visa Europe shares to Visa Inc. in June 2016 resulted in proceeds of € 132 million. The valuation of securities in the fair value portfolio declined € 50 million year-on-year, mainly due to lower valuation results on fixed-income government bonds linked to the US dollar in Ukraine. The sale of securities held-to-maturity at Group head office contributed € 13 million (up € 11 million).

Bank levies and non-recurring effects

The expense for bank levies rose € 14 million year-on-year to € 82 million. This increase was primarily due to expenses of € 16 million for the newly-introduced bank levy in Poland. In accordance with IFRS provisions (IFRIC 21), the total annual amount of the bank levy in Hungary was booked at the start of the year. At Group head office expenses declined € 4 million.

The "Walkaway Law" came into force in Romania in the second quarter of 2016. The expected take-up rate resulted in a charge of € 43 million in the same period. The new mortgage loan law stipulates that borrowers can sign their properties over to banks and thereby settle their debts, even if the loan exceeds the value of the property. The law relates to certain mortgage loans taken out by private individuals in any currency and applies retroactively. Since RBI is of the opinion that this contravenes the Romanian constitution, relevant proceedings have been initiated.

Net income from the disposal of Group assets

In the reporting period, net income from the disposal of group assets amounted to minus € 2 million. This included effects from the disposal of Group assets derived from various Group units and mainly related to deconsolidation on the grounds of immateriality and from the sale of a Group unit in the Czech Republic. A provision of € 3 million was formed for the expected loss from the sale of a Hungarian leasing company. The sale of the Slovenian bank was completed at the end of June 2016. The negative deconsolidation effect was € 53 million, of which € 52 million was booked in 2015 and an additional expense of € 1 million was booked in the reporting period. A further € 3 million was reclassified to reserves in the income statement.

Income taxes

Income tax expense increased 29 per cent year-on-year, or € 41 million, to € 182 million. Current tax expense increased € 32 million to € 117 million, due to tax expenses for prior periods at Group head office and a tax transfer within the context of tax allocation at Group level which was recognized in the same period of the previous year (€ 18 million). Deferred taxes rose € 9 million year-on-year to € 66 million, most notably in Poland due to the use of tax loss carryforwards. The tax rate increased 10 percentage points to 41 per cent. In addition, this increase was the result of losses in Asia and a structural tax loss at Group head office. The latter occurred due to tax-free foreign dividend income from Group units. As these tax losses cannot be used in the medium term, they may not be capitalized.

Comparison of results with the previous quarter

in € million	Q2/2016	Q1/2016	Change absolute	Change in %
Net interest income	738	718	20	2.8%
Net fee and commission income	372	347	26	7.4%
Net trading income	56	28	28	98.5%
Recurring other net operating income	13	11	2	16.1%
Operating income	**1,180**	**1,104**	**75**	**6.8%**
Staff expenses	(353)	(347)	(6)	1.7%
Other administrative expenses	(267)	(302)	35	(11.6)%
Depreciation	(74)	(68)	(5)	7.8%
General administrative expenses	**(694)**	**(718)**	**24**	**(3.3)%**
Operating result	**485**	**386**	**99**	**25.6%**
Net provisioning for impairment losses	(297)	(106)	(192)	181.5%
Other results	33	(52)	85	–
Profit/loss before tax	**221**	**229**	**(8)**	**(3.5)%**
Income taxes	(91)	(91)	0	0.1%
Profit/loss after tax	**130**	**138**	**(8)**	**(5.8)%**
Profit attributable to non-controlling interests	(34)	(24)	(10)	44.4%
Consolidated profit/loss	**96**	**114**	**(18)**	**(16.1)%**

Operating income

Net interest income

Compared to the first quarter of 2016, net interest income rose 3 per cent, or € 20 million, to € 738 million in the second quarter of 2016. The net interest margin (calculated based on interest-bearing assets) increased 7 basis points from the previous quarter to 2.80 per cent. The primary causes of this increase were the € 13 million rise in current income from shares in affiliated companies and other equity participations, and a currency-related increase in net interest income in Russia (up € 11 million). In Romania, higher dividend income and lower interest expenses for deposits from customers increased net interest income by € 5 million. In contrast, declining volumes reduced net interest income in Asia and at Group head office.

Net fee and commission income

Net fee and commission income rose 7 per cent compared to the first quarter of 2016, or € 26 million, to € 372 million. This rise was due to exchange rate movements and to seasonal effects. Net income from the payment transfer business posted the largest increase – up 11 per cent, or € 16 million, to € 161 million – due to higher fee and commission income driven by volumes and margins in Ukraine, Bosnia and Herzegovina, Romania, and Hungary. Net income from the foreign currency, notes/coins and precious metals business improved € 11 million to € 99 million due to higher margins and seasonal factors, mainly in the Czech Republic, Hungary, Romania, Russia, at Group head office, and in Poland.

Net trading income

Compared to the previous quarter, net trading income improved € 28 million to € 56 million. Net income from currency-based transactions rose € 17 million to € 33 million, primarily due to increases at Group head office after losses from financial derivatives and exchange-rate related valuation losses on foreign currency positions had been posted in the first quarter. This contrasted with valuation losses on foreign currency positions and from financial derivatives especially in Asia, Russia and Romania. In Belarus, the valuation gain was lower owing to the more limited currency devaluation in the second quarter. Net income from interest-based transactions rose € 14 million to € 40 million, due to valuation gains on financial derivatives at Group head office and in the Czech Republic, while Albania and Croatia posted valuation losses and lower income from securities positions.

Recurring other net operating income

In the second quarter of 2016, recurring other net operating income increased € 2 million compared to the previous quarter to € 13 million. Income increased due to lower expenses for other taxes (provision in the first quarter for other taxes from earlier periods at Group head office). The decline in other operating expenses was largely offset by higher allocations for other provisions.

General administrative expenses

At € 694 million in the second quarter of 2016, general administrative expenses were down 3 per cent, or € 24 million, on the previous quarter.

Staff expenses rose 2 per cent, or € 6 million, to € 353 million in the second quarter of 2016. Other administrative expenses fell 12 per cent, or € 35 million, to € 267 million. This was due to the contributions to the bank resolution fund, the majority of which were booked for the entire year in the first quarter. This expense item therefore fell € 41 million. Deposit insurance fees and communication expenses also decreased. Advertising, PR and promotional expenses, legal, advisory and consulting expenses and security expenses all increased.

Depreciation of tangible and intangible fixed assets rose 8 per cent, or € 5 million, from the previous quarter, to € 74 million, mainly due to an impairment charge of € 3 million for the Polbank brand.

Net provisioning for impairment losses

Compared to the previous quarter, net provisioning for impairment losses increased € 192 million to € 297 million. The rise was mainly attributable to further allocations for existing non-performing loans in the corporate customer business in Asia (up € 108 million) and in the Group Corporates segment (up € 57 million). Net provisioning for impairment losses also increased in Central Europe (€ 26 million) and in Southeastern Europe (€ 25 million). Overall, individual loan loss provisioning rose € 197 million to € 315 million, while net releases of portfolio-based loan loss provisions increased € 5 million to € 16 million.

The portfolio of non-performing loans fell € 964 million to € 7,364 million since the start of the year. Of this decline, € 742 million was attributable to the second quarter. Currency movements resulted in a € 37 million rise in the second quarter; the organic reduction was therefore € 779 million. Among other things, the write-off of bad debts resulted in a decline. The largest falls were reported in the Group Corporates segment (down € 232 million), Group Markets (down € 156 million), Russia (down € 107 million), Slovenia (down € 99 million), Ukraine (down € 59 million) and Hungary (down € 53 million). The NPL ratio declined compared to the previous quarter, from 11.4 per cent to 10.4 per cent. The NPL coverage ratio increased from 70.2 per cent at the end of the first quarter of 2016 to 72.1 per cent.

Other results

Other results rose € 85 million from minus € 52 million in the first quarter of 2016, to plus € 33 million in the second quarter of 2016.

Net income from derivatives and liabilities

Net income from derivatives and liabilities declined € 7 million compared to the previous quarter to minus € 34 million. Net income from the change in the credit spread of own issues was minus € 12 million (down € 11 million), whereas positive valuation results were posted on banking book derivatives.

Net income from financial investments

Net income from financial investments rose € 119 million on the previous quarter to € 145 million. The sale of Visa Europe shares to Visa Inc. in June 2016 resulted in proceeds of € 132 million. In the first quarter, an amount of € 13 million was posted for net proceeds from the sale of securities held-to-maturity at Group head office.

Bank levies and non-recurring effects

Bank levies amounted to € 33 million in the second quarter of 2016 (first quarter of 2016: € 49 million). In Hungary, an expense for the entire year of € 19 million was posted upfront in the first quarter of 2016. The expense for bank levies in the second quarter of 2016 was € 9 million in Poland, € 18 million at Group head office and € 5 million in Slovakia.

The "Walkaway Law" came into force in Romania in the second quarter of 2016. The expected take-up rate resulted in a charge of € 43 million.

Net income from the disposal of Group assets

In the second quarter, net income from the disposal of Group assets amounted to minus € 3 million, following a positive net income of € 2 million in the first quarter. In the second quarter, a provision of € 3 million was formed for the expected loss from the sale of a Hungarian leasing company. The sale of the Slovenian bank was completed at the end of June 2016, for which an expense of € 1 million was posted in the first quarter. A further € 3 million was reclassified to reserves in the income statement.

Statement of financial position

Total assets fell € 458 million since the start of the year to € 113,969 million. On balance, effects from currency movements and from changes in the scope of consolidation were negligible.

Assets

in € million	30/6/2016	Share	31/12/2015	Share
Loans and advances to banks (less impairment losses)	13,675	12.0%	10,717	9.4%
Loans and advances to customers (less impairment losses)	65,517	57.5%	63,986	55.9%
Financial investments	17,007	14.9%	18,225	15.9%
Other assets	17,769	15.6%	21,498	18.8%
Total assets	**113,969**	**100.0%**	**114,427**	**100.0%**

Loans and advances to banks before deduction of loan loss provisions increased 27 per cent since the start of the year, or € 2,910 million, to € 13,747 million. This was mainly due to the rise in short-term receivables from money market business, as well as from the giro and clearing business at Group head office, which was set against a reduced cash reserve. At the same time, receivables from repurchase agreements were up € 3,907 million to € 5,086 million, while receivables from securities lending transactions increased € 785 million to € 787 million.

Loans and advances to customers before deduction of loan loss provisions were up 1 per cent, or € 904 million, to € 70,825 million, with loans to large corporate customers – predominantly repo transactions at Group head office – recording an increase of 1 per cent, or € 393 million, to € 42,079 million. Loans and advances to retail customers (private individuals, as well as small and medium-sized entities) rose € 630 million to € 25,265 million, mainly resulting from the acquisition of Citibank's Czech retail customer and credit card business and from an increase in credit volumes in Slovakia and Russia (the latter exclusively currency-related).

The item financial investments registered a total decrease of € 1,218 million to €17,007 million, primarily due to the reduction in the securities portfolios (predominantly fixed-interest securities) at Group head office and in Romania.

The € 3,729 million decline in other assets to € 17,769 million resulted from a reduction in the cash reserve.

Equity and liabilities

in € million	30/6/2016	Share	31/12/2015	Share
Deposits from banks	16,655	14.6%	16,369	14.3%
Deposits from customers	68,941	60.5%	68,991	60.3%
Equity and subordinated capital	12,865	11.3%	12,665	11.1%
Other liabilities	15,508	13.6%	16,401	14.3%
Total equity and liabilities	**113,969**	**100.0%**	**114,427**	**100.0%**

Deposits from customers were virtually stable at € 68,941 million. Deposits from large corporate customers decreased € 1,741 million to € 28,903 million, with the largest declines occurring at Group head office, in Poland (deposit reductions to optimize the balance sheet structure) and in Slovakia. Similarly, public sector deposits – predominantly at Group head office – were down € 455 million to € 1,259 million. In contrast, deposits from retail customers grew € 2,304 million to € 35,949 million, driven by an increase in the Czech Republic following the acquisition of a business unit, as well as by higher deposits in Russia (currency-related) and in Slovakia.

Other liabilities fell € 893 million to € 15,508 million. This was mainly due to the suspension of the application of the IFRS 5 presentation as a result of the inconclusive sale negotiations relating to ZUNO BANK AG, and to the closing of the sale of the Slovenian Group unit.

The funding structure was as follows:

in € million	30/6/2016	Share	31/12/2015	Share
Customer deposits	68,941	70.6%	68,991	71.1%
Medium- and long-term refinancing	12,227	12.8%	12,945	13.3%
Short-term refinancing	11,824	12.2%	10,926	11.3%
Subordinated liabilities	4,141	4.4%	4,164	4.3%
Total	**97,133**	**100.0%**	**97,026**	**100.0%**

The ratio of customer loans to customer deposits rose 1 percentage point to 93 per cent since the start of the year. Without the Non-Core segment, it would have been at 91 per cent.

Equity on the statement of financial position

Equity on the statement of financial position, consisting of consolidated equity, consolidated profit and non-controlling interests, increased 3 per cent versus the end of 2015, or € 224 million, to € 8,725 million. The increase was mainly due to total comprehensive income whereas dividend payments to non-controlling interests resulted in a € 40 million reduction in capital.

Total comprehensive income of € 254 million comprised profit after tax of € 268 million and other comprehensive income of minus € 14 million. Exchange rate differences of € 59 million constituted the largest item in other comprehensive income. The key drivers here were the 13 per cent appreciation of the Russian rouble (€ 166 million) and the 1 per cent appreciation of the Croatian kuna (€ 10 million); whereas the Polish zloty depreciated 4 per cent (minus € 63 million), the Belarusian rouble depreciated 10 per cent (minus € 31 million) and the Ukrainian hryvnia depreciated 5 per cent (minus € 9 million). The completion of the sale of Visa Europe shares to Visa Inc. resulted in a transfer of the valuation result of approximately € 80 million to the income statement. The capital hedge had a negative result of € 16 million, particularly due to the appreciation of the Russian rouble. The cash flow hedge increased other comprehensive income by € 9 million.

Total capital pursuant to the CRR/BWG

The consolidated figures shown below have been calculated in accordance with the provisions of the Capital Requirements Regulation (CRR) and Austrian Banking Act (BWG).

Total capital amounted to € 10,972 million as at 30 June 2016. This represents a decline of € 15 million compared to the 2015 year-end figure, largely due to the application of the transitional provisions for 2016, as well as the non-recognition of the RZB Finance Jersey IV hybrid capital. The negative effects resulting from the changed transitional and recognition provisions are offset by the inclusion of the half-year results for 2016 as well as positive exchange rate differences. Common equity tier 1 (after deductions) was up € 35 million. Alongside the inclusion of the half-year results for 2016, exchange rate differences had a positive impact on total capital, first and foremost the appreciation of the Russian rouble at € 166 million, however this was set against devaluations of the Polish zloty and Belarusian rouble. Tier 2 capital was down € 50 million to € 3,266 million, due to exchange rate movements and matured capital instruments.

Total capital compared to a total capital requirement of € 4,938 million. The total capital requirement for credit risk came to € 4,025 million, corresponding to a decline of € 92 million. The decline is mainly attributable to the reduction of exposures, as well as to an improved Belarus rating and currency devaluations, which were partially offset by the appreciation of the Russian rouble. The total capital requirement for position risk in bonds, equities, commodities and currencies showed a decline of € 44 million, largely attributable to reduction of the open foreign-exchange position. Updated operating income data, as well as changes in the scope of consolidation, resulted in an increase in the total capital requirement for operational risk of € 11 million to € 715 million.

Based on total risk, the common equity tier 1 ratio (transitional) was 12.5 per cent while the total capital ratio (transitional) was 17.8 per cent.

Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 12.2 per cent and the total capital ratio (fully loaded) was 17.6 per cent.

Risk management

For further information on risk management, please refer to note (38) Risks arising from financial instruments, in the risk report section of the interim consolidated financial statements.

Outlook

We target 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 of 2015, the cost base should be approximately 20 per cent below the level of 2014 (general administrative expenses 2014: € 3,024 million).

We aim 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.

We further aim to achieve a cost/income ratio of between 50 and 55 per cent in the medium term.

We expect 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).

Events after the reporting date

There were no material events after the reporting date.

Segment report

Segmentation principles

Segment reporting at RBI is based on the current organizational structure pursuant to IFRS 8. A cash generating unit within the Group is either a country or a business activity. Markets in Central and Eastern Europe are thereby grouped together into regional segments comprising countries with comparable economic profiles and similar long-term economic growth expectations. Business activities outside the CEE region are divided according to business area.

This results in the following segments:

- Central Europe (Czech Republic, Hungary and Slovakia)
- Southeastern Europe (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, and Serbia)
- Eastern Europe (Belarus, Russia and Ukraine)
- Group Corporates (business with large Austrian and multinational corporate customers managed from Vienna)
- Group Markets (customer and proprietary capital markets related business managed from Vienna)
- Corporate Center (central management functions at Group head office and other Group units)
- Non-Core (business areas that are being discontinued or reduced: Asia, Poland, Slovenia, USA, and direct bank Zuno)

Central Europe

in € million	1/1-30/6 2016	1/1-30/6 2015	Change	Q2/2016	Q1/2016	Change
Net interest income	323	329	(2.0)%	161	161	0.1%
Net fee and commission income	188	197	(4.6)%	99	89	12.1%
Net trading income	13	26	(48.8)%	8	5	42.4%
Recurring other net operating income	2	(20)	–	(2)	4	–
Operating income	**525**	**532**	**(1.3)%**	**266**	**259**	**2.9%**
General administrative expenses	(314)	(294)	6.6%	(148)	(165)	(10.4)%
Operating result	**211**	**238**	**(11.0)%**	**118**	**93**	**26.3%**
Net provisioning for impairment losses	(33)	(64)	(49.1)%	(29)	(3)	>500.0%
Other results	34	(9)	–	49	(15)	–
Profit/loss before tax	**212**	**165**	**29.0%**	**137**	**75**	**83.5%**
Income taxes	(40)	(38)	5.4%	(27)	(13)	101.7%
Profit/loss after tax	**172**	**126**	**36.2%**	**110**	**61**	**79.6%**
Risk-weighted assets (total RWA)	13,241	13,649	(3.0)%	13,241	13,688	(3.3)%
Assets	28,055	25,079	11.9%	28,055	27,644	1.5%
Net interest margin (average interest-bearing assets)	2.43%	2.75%	(0.31) PP	2.40%	2.46%	(0.06) PP
Return on equity before tax	**24.0%**	**19.3%**	**4.7 PP**	**31.5%**	**17.4%**	**14.1 PP**

In Central Europe, RBI increased total assets through higher new business generation, especially in the Czech Republic and Slovakia. An additional increase resulted from the acquisition of Citibank's retail and credit card business in the Czech Republic (€ 669 million), which included a retail loan portfolio of € 201 million. The low level of interest rates, however, continues to negatively impact operating income. Lower net provisioning for impairment losses in Hungary and Slovakia as well as income from the sale of Visa Europe shares to Visa Inc. led to a significant improvement in profit before tax, which rose € 48 million year-on-year to € 212 million.

Operating income

Net interest income decreased 2 per cent year-on-year, or € 7 million, to € 323 million due to persistently low market interest rates. In Slovakia, the net interest income declined by € 7 million and in Hungary by € 3 million. In the Czech Republic, in contrast, net interest income increased € 3 million. The net interest margin fell 31 basis points year-on-year to 2.43 per cent due to interest rate adjustments relating to assets.

Net fee and commission income declined 5 per cent year-on-year, or € 9 million, to € 188 million. Net income from the management of investment and pension funds fell € 5 million to € 7 million, largely as a result of a market-induced decline in Slovakia. Net income from the loan and guarantee business also decreased – down 20 per cent, or € 4 million, to € 18 million – due to legal restrictions on fees for early loan repayments in Slovakia and lower income in Hungary. Net income from the payment transfer business declined € 4 million as a result of lower volumes and margins, particularly in the Czech Republic and Hungary. Net income from the foreign currency, notes/coins, and precious metals business, in contrast, increased € 5 million as a result of improved margins primarily in the Czech Republic.

Net trading income fell 49 per cent, or € 12 million, to € 13 million. Net income from interest-based transactions decreased € 10 million year-on-year to minus € 2 million as a result of losses from the valuation of interest-based derivatives in the Czech Republic and Hungary. Net income from currency-based transactions declined year-on-year, from € 18 million to € 15 million, primarily as a result of lower volumes and valuation losses on foreign currency positions in the Czech Republic. Hungary, on the other hand, reported valuation gains.

Recurring other net operating income improved from minus € 20 million to € 2 million. This improvement was driven by a € 6 million increase in sundry operating income (the sale of the card acquiring business in the Czech Republic generated € 8 million in proceeds), a € 6 million increase in net proceeds from disposal of tangible and intangible fixed assets due to the sale of real estate in Hungary, as well as a € 5 million decrease in sundry operating expenses, primarily in Slovakia.

General administrative expenses

The segment's general administrative expenses rose 7 per cent year-on-year, or € 19 million, to € 314 million. Staff expenses increased 17 per cent, or € 22 million, to € 151 million, due to the purchase of Citibank's retail and credit card business in the Czech Republic as well as the expansion of the branch network in Slovakia and associated staff increases. The increase in the average number of staff (up 170) was attributable to the abovementioned increases in the Czech Republic and Slovakia, whereas decreases were reported in Hungary. Other administrative expenses increased 3 per cent, or € 3 million, to € 130 million. The increase was largely driven by contributions to bank resolution funds in the Czech Republic (€ 7 million), Slovakia (€ 6 million) and Hungary (€ 3 million), while deposit insurance fees and office space expenses declined. Depreciation of tangible and intangible fixed assets decreased 17 per cent, or € 6 million, to € 32 million, due to impairment charges in the previous year's period in connection with branch closures in Hungary. The number of business outlets in the segment remained unchanged year-on-year at 407. This included the closure of 29 business outlets in Hungary, as part of the realignment of the business model, and the addition of 19 business outlets in Slovakia, where the Raiffeisen brand continued to be rolled out as planned. The cost/income ratio increased 4.4 percentage points to 59.7 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses in the Central Europe segment declined 49 per cent year-on-year, or € 32 million, to € 33 million in the reporting period. The largest decrease, of € 35 million, was posted in Hungary as a result of improvements in the ratings of corporate customers. In Slovakia, net provisioning for impairment losses halved to € 4 million, primarily due to the sale of corporate customer loans. In the Czech Republic, net provisioning rose € 8 million due to a large isolated case in the corporate customer business.

The proportion of non-bank non-performing loans in the Central Europe segment's loan portfolio remained unchanged compared to year-end at 7.1 per cent.

Other results and taxes

The Central Europe segment's other results increased € 42 million year-on-year to € 34 million.

The increase was mainly driven by net income from financial investments, which was € 59 million higher than in the same period in the previous year. The sale of Visa Europe shares to Visa Inc., which closed in June, generated proceeds of € 56 million; of which, € 31 million was attributable to Slovakia, € 19 million to the Czech Republic and € 6 million to Hungary.

Net income from derivatives and liabilities improved € 8 million, primarily due to net income from hedging to adjust the currency and interest rate structure in the Czech Republic.

In the reporting period, net income from the disposal of Group assets amounted to € 7 million, following a loss of € 1 million in the same period in the previous year. Most of the net income posted in 2016 stemmed from the sale of a property leasing project in the Czech Republic (€ 6 million). Net income was negatively affected by a provision (€ 3 million) recognized to account for the expected loss on a Hungarian leasing company that had been put up for sale.

The bank levies contained in the other results increased € 2 million to € 28 million. The increase was evenly distributed between Hungary and Slovakia.

In Hungary, in connection with the implementation of the Settlement Act (unilateral interest rate changes on consumer loans), in the previous year's period, a provision of € 33 million formed for this purpose was released.

The segment's income taxes increased € 2 million to € 40 million. The tax rate declined 4 percentage points year-on-year to 19 per cent due to the utilization of loss carryforwards in Hungary.

Detailed results of individual countries in the segment:

1/1-30/6/2016 in € million	Czech Republic	Hungary	Slovakia
Net interest income	122	60	140
Net fee and commission income	56	58	74
Net trading income	2	9	3
Recurring other net operating income	11	(11)	2
Operating income	**190**	**115**	**220**
General administrative expenses	(114)	(72)	(127)
Operating result	**76**	**43**	**93**
Net provisioning for impairment losses	(27)	(2)	(4)
Other results	26	(13)	21
Profit/loss before tax	**75**	**28**	**109**
Income taxes	(14)	0	(26)
Profit/loss after tax	**61**	**28**	**83**
Risk-weighted assets (total RWA)	4,716	3,006	5,519
Assets	10,652	6,406	11,053
Loans and advances to customers	7,602	3,349	8,326
hereof corporate %	43.3%	70.1%	45.2%
hereof retail %	56.1%	28.3%	54.7%
hereof foreign currency %	13.5%	42.4%	0.8%
Deposits from customers	7,750	4,299	8,586
Loan/deposit ratio (net)	94.9%	66.0%	94.5%
Equity	933	525	952
Return on equity before tax	16.2%	11.4%	22.5%
Return on equity after tax	13.1%	11.4%	17.1%
Cost/income ratio	60.1%	62.8%	57.8%
Net interest margin (average interest-bearing assets)	2.50%	2.04%	2.57%
Employees as at reporting date	3,172	2,012	3,929
Business outlets	135	72	200
Customers	601,281	548,348	835,559

Southeastern Europe

in € million	1/1-30/6 2016	1/1-30/6 2015	Change	Q2/2016	Q1/2016	Change
Net interest income	372	398	(6.6)%	192	180	6.5%
Net fee and commission income	189	178	5.8%	98	91	7.6%
Net trading income	30	25	21.4%	12	19	(35.6)%
Recurring other net operating income	3	8	(64.1)%	(1)	4	–
Operating income	**594**	**610**	**(2.6)%**	**300**	**294**	**2.2%**
General administrative expenses	(334)	(321)	4.0%	(165)	(169)	(2.2)%
Operating result	**260**	**289**	**(9.9)%**	**135**	**125**	**8.2%**
Net provisioning for impairment losses	(72)	(83)	(13.6)%	(48)	(23)	106.4%
Other results	(3)	(10)	(71.5)%	(1)	(2)	(47.5)%
Profit/loss before tax	**186**	**196**	**(5.3)%**	**86**	**100**	**(13.9)%**
Income taxes	(28)	(26)	7.1%	(12)	(16)	(27.7)%
Profit/loss after tax	**157**	**170**	**(7.3)%**	**74**	**83**	**(11.1)%**
Risk-weighted assets (total RWA)	14,210	14,316	(0.7)%	14,210	14,210	0.0%
Assets	21,777	21,299	2.2%	21,777	21,664	0.5%
Net interest margin (average interest-bearing assets)	3.61%	3.97%	(0.36) PP	3.74%	3.49%	0.26 PP
Return on equity before tax	**19.9%**	**23.1%**	**(3.1) PP**	**18.8%**	**22.2%**	**(3.4) PP**

In the Southeastern Europe segment, profit before tax decreased due to a weaker operating result – driven by declining interest margins – and higher general administrative expenses, mainly in connection with bank resolution funds and deposit insurance fees. A new mortgage loan law in Romania had a negative effect, but was offset by income from the sale of Visa Europe shares to Visa Inc.

Operating income

Net interest income decreased 6 per cent year-on-year, or € 26 million, to € 372 million. All countries in the segment – with the exception of Bosnia and Herzegovina – reported a decline in net interest income, mainly as a result of the persistently low interest rate level. The steepest declines were in Albania and Croatia, which both reported drops of € 6 million. Lower loan volumes also reduced net interest income in those two countries. In Romania, the deconsolidation of a Group unit also led to a € 6 million reduction in net interest income. The net interest margin declined 36 basis points to 3.61 per cent as a result of the low market interest rate level.

In contrast, net fee and commission income increased 6 per cent year-on-year, or € 10 million, to € 189 million. Net income from the payment transfer business was up € 5 million to € 100 million due to increased income from the credit card business, mainly in Bosnia and Herzegovina as well as Romania. Net income from the sale of own and third party products rose € 3 million to € 13 million, primarily in Romania. Net income from the foreign currency, notes/coins and precious metals business also increased € 2 million to € 39 million, largely as a result of higher volumes in Romania as well as seasonal effects in Croatia.

Net trading income was up 21 per cent year-on-year, or € 5 million, to € 30 million in Southeastern Europe. Higher interest income and valuation gains on securities positions and interest-based derivatives in Albania, Croatia and Romania were mainly responsible for the € 4 million increase posted in interest-based business to € 13 million. Net income from currency-based business improved € 1 million to € 18 million.

Recurring other net operating income decreased € 5 million to € 3 million, primarily as a result of higher allocations to other provisions (up € 6 million in Romania). The provisions related to class actions in connection with the setting of interest rate conditions for retail loans. In July, however, such class actions were rejected by a ruling of the Romanian constitutional court.

General administrative expenses

General administrative expenses increased 4 per cent year-on-year, or € 13 million, to € 334 million. Staff expenses were up 3 per cent, or € 5 million, to € 146 million. This was mainly the result of higher salaries and the hiring of former contract staff in Romania on a permanent basis, as well as the release of provisions for bonuses in Croatia in the comparable period of 2015. The average number of staff was 15,083 – a decline of 118 from the previous year. The segment's other administrative expenses rose 6 per cent, or € 9 million, to € 152 million. The rise was largely attributable to contributions to the bank resolution funds in Bulgaria (€ 3 million), Croatia (€3 million) and Romania (€ 2 million). Depreciation of tangible and intangible fixed assets remained almost unchanged at € 36 million. The number of business outlets fell year-on-year by 18 to 1,054, mainly due to a reduction of business outlets in Romania. The cost/income ratio increased 3.6 percentage points to 56.1 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses declined € 11 million, or 14 per cent, year-on-year to € 72 million. In Bulgaria, the repayment of a non-performing loan by a large corporate customer led to a net release of loan loss provisions of € 2 million in the reporting period, whereas a provisioning requirement of € 17 million was booked in the same period of the previous year. In Romania, the improvement in the risk profiles of retail and corporate customers led to a decline of € 11 million in net provisioning for impairment losses to € 26 million. In Croatia, net provisioning for impairment losses of € 9 million was € 8 million lower year-on-year. This reflected the release of loan loss provisions for a large corporate customer as well as of provisions for retail customers in connection with the Swiss franc conversion. In contrast, net provisioning in Albania increased sharply by € 25 million to € 35 million, which was due to defaults of three large corporate customers.

The proportion of non-performing loans to non-banks in the segment's loan portfolio fell 0.9 percentage points to 11.3 per cent from the end of 2015.

Other results and taxes

Other results were up 71 per cent, or € 7 million, to minus € 3 million. Net income from financial investments increased € 47 million year-on-year to € 47 million. This mainly reflected income of € 38 million in the reporting period from the sale of Visa Europe shares to Visa Inc. (€ 21 million in Romania, € 10 million in Croatia, and € 7 million in Bulgaria), as well as valuation gains of € 3 million on securities in the fair value portfolio, primarily in Romania and Albania, after valuation losses of € 4 million in the comparable period of the previous year.

In the second quarter of 2016, the "Walkaway Law" entered into force in Romania. This resulted in a charge of € 43 million. The new mortgage loan law stipulates that borrowers may transfer ownership of their properties to the banks and thereby settle their debt, even if the loan exceeds the value of the property. The law relates to certain mortgage loans taken out by private persons in any currency and applies retroactively. As RBI believes that this violates the Romanian constitution, legal action has been initiated.

The tax expense increased 7 per cent year-on-year, or € 2 million, to € 28 million, while the tax rate was up 2 percentage points to 15 per cent. An increase in deferred taxes reflected the utilization of loss carryforwards in Croatia. The loss in Albania was not offset by any deferred tax income.

Detailed results of individual countries:

1/1-30/6/2016 in € million	Albania	Bosnia and Herzegovina	Bulgaria
Net interest income	30	34	57
Net fee and commission income	5	19	20
Net trading income	8	1	1
Recurring other net operating income	(1)	0	0
Operating income	**43**	**54**	**79**
General administrative expenses	(23)	(26)	(44)
Operating result	**21**	**28**	**35**
Net provisioning for impairment losses	(35)	(4)	2
Other results	2	0	7
Profit/loss before tax	**(12)**	**24**	**45**
Income taxes	0	(3)	(4)
Profit/loss after tax	**(12)**	**21**	**40**
Risk-weighted assets (total RWA)	1,618	1,588	1,684
Assets	2,007	1,990	3,321
Loans and advances to customers	849	1,178	2,062
hereof corporate %	65.4%	31.7%	39.8%
hereof retail %	34.6%	67.7%	59.7%
hereof foreign currency %	58.3%	67.6%	51.9%
Deposits from customers	1,676	1,560	2,347
Loan/deposit ratio (net)	43.4%	70.6%	82.0%
Equity	210	259	498
Return on equity before tax	–	18.3%	18.8%
Return on equity after tax	–	16.3%	17.0%
Cost/income ratio	52.2%	48.2%	55.8%
Net interest margin (average interest-bearing assets)	3.24%	3.66%	3.48%
Employees as at reporting date	1,342	1,298	2,569
Business outlets	89	97	148
Customers	751,790	445,292	641,214

1/1-30/6/2016 in € million	Croatia	Kosovo	Romania	Serbia
Net interest income	64	19	127	41
Net fee and commission income	32	3	90	19
Net trading income	9	0	10	1
Recurring other net operating income	9	0	(9)	3
Operating income	**114**	**22**	**218**	**63**
General administrative expenses	(64)	(13)	(129)	(35)
Operating result	**50**	**10**	**90**	**28**
Net provisioning for impairment losses	(9)	(2)	(26)	0
Other results	7	0	(19)	0
Profit/loss before tax	**48**	**8**	**45**	**28**
Income taxes	(10)	(1)	(7)	(3)
Profit/loss after tax	**38**	**7**	**38**	**25**
Risk-weighted assets (total RWA)	2,973	531	4,192	1,623
Assets	4,493	873	7,122	1,986
Loans and advances to customers	2,917	522	4,627	1,126
hereof corporate %	42.1%	37.2%	33.8%	51.9%
hereof retail %	55.6%	62.8%	64.3%	47.8%
hereof foreign currency %	56.6%	0.0%	41.8%	61.9%
Deposits from customers	3,078	694	5,189	1,462
Loan/deposit ratio (net)	83.2%	72.7%	83.7%	69.6%
Equity	657	115	781	483
Return on equity before tax	15.4%	14.2%	12.1%	12.4%
Return on equity after tax	12.1%	12.7%	10.2%	11.1%
Cost/income ratio	56.3%	56.8%	59.0%	56.0%
Net interest margin (average interest-bearing assets)	3.19%	4.45%	3.68%	4.35%
Employees as at reporting date	2,125	729	5,397	1,536
Business outlets	78	52	505	85
Customers	449,654	300,536	2,109,326	681,032

Eastern Europe

in € million	1/1-30/6 2016	1/1-30/6 2015[1]	Change	Q2/2016	Q1/2016	Change
Net interest income	418	505	(17.1)%	216	203	6.6%
Net fee and commission income	179	194	(7.7)%	93	86	8.1%
Net trading income	34	(10)	–	13	20	(35.3)%
Recurring other net operating income	(4)	(9)	(59.7)%	(2)	(1)	61.0%
Operating income	**627**	**680**	**(7.7)%**	**320**	**308**	**4.0%**
General administrative expenses	(235)	(269)	(12.6)%	(117)	(118)	(1.1)%
Operating result	**392**	**410**	**(4.5)%**	**203**	**189**	**7.2%**
Net provisioning for impairment losses	(79)	(238)	(66.7)%	(13)	(67)	(80.9)%
Other results	12	73	(84.1)%	2	9	(75.6)%
Profit/loss before tax	**324**	**245**	**32.1%**	**192**	**132**	**45.8%**
Income taxes	(67)	(61)	11.0%	(43)	(25)	72.7%
Profit/loss after tax	**257**	**185**	**39.0%**	**150**	**107**	**39.7%**
Risk-weighted assets (total RWA)	11,315	14,631	(22.7)%	11,315	10,964	3.2%
Assets	14,397	17,498	(17.7)%	14,397	13,598	5.9%
Net interest margin (average interest-bearing assets)	6.57%	6.20%	0.37 PP	6.74%	6.45%	0.28 PP
Return on equity before tax	**40.1%**	**29.0%**	**11.1 PP**	**47.3%**	**32.2%**	**15.1 PP**

1 Restated in accordance with IAS 8.41. Please see the 2015 Annual Report for details.

As in the previous year, the Eastern Europe segment was again affected by a high level of currency volatility in the first half of 2016. The average exchange rate of the Russian rouble was 15 per cent lower year-on-year, while the Ukrainian hryvnia and the Belarus rouble were down 17 per cent and 27 per cent year-on-year, respectively. In Ukraine, net trading income increased due to the more limited depreciation of the Ukrainian hryvnia and improved foreign currency positioning. Provisions for impairment losses were also considerably lower, as a result of the improvement in the risk situation, after very high provisioning was still required in the previous year due to the political situation in the Donbass region. Therefore, profit before tax in Ukraine increased € 120 million to € 64 million. Russia reported a 7 per cent drop in profit before tax, with a volume- and currency-related decline in net interest income being partly offset by lower net provisioning for impairment losses. In Belarus, profit fell year-on-year due to a valuation result from a foreign currency position recognized in the previous year.

Operating income

Net interest income was down 17 per cent year-on-year, or € 86 million, to € 418 million. This was mainly due to a decrease in net interest income in Russia (down 23 per cent, or € 82 million, to € 271 million), aside from foreign exchange effects. This was primarily the result of lower interest income from derivatives entered into for hedging purposes, reflecting the lower interest rate level in the first half of 2016 (whereas the interbank rate was exceptionally high in the first half of 2015) as well as lower volumes of US dollar swaps and resulted in a decline of € 105 million. In addition, interest income from loans and advances to customers fell as a result of volume effects. In Ukraine, the 7 per cent, or € 6 million, decline in net interest income to € 82 million was currency related; in local currency, net interest income increased 12 per cent. In Belarus, net interest income rose just € 2 million to € 65 million, despite improved margins, as a result of currency devaluations. The segment's net interest margin improved by 37 basis points year-on-year to 6.57 per cent.

Net fee and commission income fell 8 per cent year-on-year, or € 15 million, to € 179 million. Net income from foreign currency, notes/coins and precious metals business dropped 13 per cent, or € 8 million, to € 52 million – mainly as a result of currency movements and lower volumes in Russia and Ukraine. The € 4 million fall in net income from the loan and guarantee business to € 26 million was driven primarily by the exit from the automobile financing business in Russia and exchange rate effects in Belarus.

Net trading income reversed from minus € 10 million in the previous year to plus € 34 million. Net income from currency-based business improved € 42 million to € 25 million; Ukraine reported a significant increase of € 74 million due to the more limited depreciation of the Ukrainian hryvnia and an improved open foreign currency position. In contrast, net trading income in Belarus declined due to the closure of a strategic currency position that had led to a valuation gain of € 20 million in the previous year, and in Russia, due to valuation losses from derivative financial instruments. Net income from interest-based transactions increased € 1 million to € 9 million due to valuation gains on securities positions in Ukraine.

Recurring other net operating income was up € 5 million year-on-year to minus € 4 million, mainly as a result of restructuring provisions of € 4 million in Russia formed in the previous year.

General administrative expenses

General administrative expenses fell 13 per cent year-on-year, or € 34 million, to € 235 million. Russia and Ukraine accounted for most of the reduction, which largely reflected the depreciation of the currencies in Eastern Europe. Staff expenses in the segment decreased € 3 million. The fall was due to currency effects and an 11 per cent, or 2,469, reduction in the number of employees to 19,122, which more than offset salary increases in Russia and Ukraine. Other administrative expenses declined € 23 million. This included declines in legal, advisory and consulting expenses, as well as in office space expenses due to branch closures. Depreciation decreased € 9 million, after a € 3 million impairment charge on buildings in Ukraine was included in the comparable period in 2015. The number of business outlets in the segment fell 77 to 847. Of these, 48 were in Ukraine, and 26 were in Russia, where the number of branches was reduced due to the change of strategy in the eastern part of the country. The cost/income ratio improved 2.1 percentage points to 37.5 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses fell € 159 million year-on-year to € 79 million. In Ukraine, net provisioning for impairment losses was down € 107 million to € 6 million. This was attributable mainly to the high provisioning requirements for loans to retail and corporate customers in the comparable period of the previous year, due to the economic situation in the Donbass region and currency movements. In Russia, net provisioning for impairment losses of € 63 million was € 50 million lower year-on-year. In Belarus, the provisioning requirement amounted to € 10 million. The € 2 million decline in Belarus was due to lower lending volumes and lower NPL growth.

Compared to year-end 2015, the proportion of non-performing loans to non-banks in the segment's loan portfolio declined 1.5 percentage points to 17.4 per cent.

Other results and taxes

Other results fell € 62 million year-on-year to € 12 million. Net income from financial investments declined € 70 million to € 9 million. Valuation gains on securities in the fair value portfolio decreased € 73 million to € 9 million after positive income of € 82 million – primarily from the valuation of fixed-income, US dollar-indexed government bonds in Ukraine – in the comparable period in 2015. Net income from derivative financial instruments improved € 9 million to € 3 million. This resulted from the valuation of interest rate swaps used to mitigate interest rate structure risk and changes in the market values of banking book derivatives, above all in Russia.

The tax expense increased 11 per cent, or € 7 million, to € 67 million mainly as a result of the improved result in Ukraine. The segment's tax rate was 21 per cent.

Detailed results of individual countries:

1/1-30/6/2016 in € million	Belarus	Russia	Ukraine
Net interest income	65	271	82
Net fee and commission income	26	117	36
Net trading income	7	21	6
Recurring other net operating income	(1)	(2)	(1)
Operating income	**98**	**407**	**123**
General administrative expenses	(34)	(143)	(58)
Operating result	**63**	**264**	**65**
Net provisioning for impairment losses	(10)	(63)	(6)
Other results	0	6	6
Profit/loss before tax	**54**	**206**	**64**
Income taxes	(12)	(44)	(11)
Profit/loss after tax	**41**	**162**	**53**
Risk-weighted assets (total RWA)	1,267	7,699	2,341
Assets	1,384	11,016	1,992
Loans and advances to customers	877	7,248	1,915
hereof corporate %	73.6%	62.9%	54.8%
hereof retail %	26.4%	37.1%	45.2%
hereof foreign currency %	69.0%	39.6%	55.5%
Deposits from customers	817	8,019	1,531
Loan/deposit ratio (net)	100.8%	84.7%	60.0%
Equity	310	1,498	242
Return on equity before tax	40.6%	34.4%	65.3%
Return on equity after tax	31.4%	27.0%	54.0%
Cost/income ratio	35.0%	35.2%	47.3%
Net interest margin (average interest-bearing assets)	10.00%	5.60%	9.51%
Employees as at reporting date	2,039	7,554	9,122
Business outlets	94	181	571
Customers	760,534	2,387,757	2,654,145

Group Corporates

in € million	1/1-30/6 2016	1/1-30/6 2015	Change	Q2/2016	Q1/2016	Change
Net interest income	150	172	(12.6)%	64	86	(25.4)%
Net fee and commission income	29	37	(22.3)%	13	16	(20.6)%
Net trading income	4	0	–	1	3	(68.8)%
Recurring other net operating income	1	1	(0.3)%	1	0	373.3%
Operating income	**184**	**210**	**(12.1)%**	**79**	**106**	**(25.4)%**
General administrative expenses	(75)	(59)	27.3%	(40)	(35)	12.7%
Operating result	**109**	**151**	**(27.6)%**	**39**	**70**	**(44.6)%**
Net provisioning for impairment losses	(62)	(122)	(49.0)%	(59)	(3)	>500.0%
Other results	0	(7)	–	5	(5)	–
Profit/loss before tax	**47**	**22**	**115.8%**	**(16)**	**63**	**–**
Income taxes	(11)	(5)	103.5%	5	(16)	–
Profit/loss after tax	**36**	**16**	**119.9%**	**(11)**	**47**	**–**
Risk-weighted assets (total RWA)	8,352	9,267	(9.9)%	8,352	8,210	1.7%
Assets	14,602	15,726	(7.1)%	14,602	14,358	1.7%
Net interest margin (average interest-bearing assets)	2.13%	2.05%	0.08 PP	1.79%	2.46%	(0.67) PP
Return on equity before tax	**8.4%**	**3.9%**	**4.5 PP**	**–**	**22.6%**	**–**

The improvement in net income in the Group Corporates segment was mainly due to lower net provisioning for impairment losses, after impairment losses on loans and advances to large corporate customers – above all from the Donbass region – burdened profit before tax in the comparable period of the previous year. This was set against a declining operating income and higher general administrative expenses.

Operating income

Net interest income declined 13 per cent, or € 22 million, to € 150 million. This was mainly due to lower lending volumes and declining margins in the corporate customer business (Austrian and multinational corporate customers serviced from Vienna). In contrast, higher interest-like extraordinary income, especially from real estate financing, had a positive effect. The net interest margin in the segment increased 8 basis points to 2.13 per cent due to lower average interest-bearing assets.

Net fee and commission income declined 22 per cent, or € 8 million, to € 29 million. Lower fee and commission income from export and investment financing, liquidity management services and bond trading, as well as a reclassification of net fee and commission income items as net trading income, was partly offset by higher net fee and commission income from bond issues.

The increase of € 5 million in net trading income was the result of the above-mentioned reclassification.

General administrative expenses

General administrative expenses increased 27 per cent, or € 16 million, to € 75 million. Due to the pro rata cost allocation to the segment, the main increase was in staff expenses and other administrative expenses. The increase in staff expenses at Group head office resulted from the release of bonus provisions in the previous year and the modification of the salary scheme. The cost/income ratio increased 12.6 percentage points to 40.8 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses declined 49 per cent year-on-year, or € 60 million, to € 62 million. In the comparable period in the previous year, individual provisions for losses on loans to large corporate customers, especially from the Donbass region, were significantly higher. The share of non-bank non-performing loans in the segment's loan portfolio declined 3.1 percentage points since the beginning of the year to 6.3 per cent.

Other results and taxes

Other results improved €7 million to almost zero. This was mainly the result of a € 10 million rise in income from financial investments, which came from real estate financing. This was offset by a € 3 million increase in expenses for bank levies (€ 10 million).

Income tax expense increased €6 million to € 11 million as a result of higher income. The tax rate was 24 per cent.

Group Markets

in € million	1/1-30/6 2016	1/1-30/6 2015	Change	Q2/2016	Q1/2016	Change
Net interest income	29	45	(35.2)%	13	16	(14.5)%
Net fee and commission income	57	67	(15.4)%	30	26	16.1%
Net trading income	55	36	53.5%	28	27	4.3%
Recurring other net operating income	5	6	(21.2)%	2	2	(0.3)%
Operating income	**145**	**153**	**(5.4)%**	**74**	**71**	**4.4%**
General administrative expenses	(104)	(108)	(3.5)%	(53)	(51)	2.8%
Operating result	**41**	**45**	**(10.0)%**	**21**	**20**	**8.6%**
Net provisioning for impairment losses	5	(1)	–	2	4	(53.6)%
Other results	15	(8)	–	5	10	(46.5)%
Profit/loss before tax	**61**	**36**	**67.7%**	**28**	**33**	**(14.4)%**
Income taxes	(15)	(8)	74.2%	(7)	(8)	(12.5)%
Profit/loss after tax	**46**	**28**	**65.7%**	**21**	**25**	**(15.0)%**
Risk-weighted assets (total RWA)	3,490	5,283	(33.9)%	3,490	4,243	(17.8)%
Assets	15,185	14,651	3.6%	15,185	15,797	(3.9)%
Net interest margin (average interest-bearing assets)	0.54%	0.86%	(0.32) PP	0.45%	0.62%	(0.17) PP
Return on equity before tax	**21.9%**	**12.7%**	**9.2 PP**	**19.9%**	**22.9%**	**(3.0) PP**

Profit before tax in the Group Markets segment increased 68 per cent, or €25 million, to €61 million. This was mainly due to improved net income from financial investments and net trading income. In contrast, net interest income declined steeply due to lower business volumes.

Operating income

Net interest income decreased 35 per cent, or € 16 million, to € 29 million. This was mainly the result of a decline in the repo business – due to the excess liquidity in the market – and a decline in the corporate finance business because of lower volumes. Interest income from loans and securities also decreased as a result of lower volumes resulting from the reduction of a securities portfolio in the bank book. The contribution to net interest income from Kathrein Privatbank AG fell € 1 million due to lower current income from shares in affiliated companies. The net interest margin declined 32 basis points to 0.54 per cent.

Net fee and commission income declined € 10 million year-on-year to € 57 million. Higher income from investment banking and cash management was offset by reduced income from the securities business due to lower volumes and the reclassification of income items (from the securities business with institutional customers) as net trading income. In addition, income generated by Kathrein Privatbank AG in the securities business decreased € 1 million.

Net trading income rose 54 per cent, or € 19 million, to € 55 million. Increased volumes in the business with institutional investors had a positive impact, while losses resulted from the suspension of the minimum exchange rate for the Swiss franc in the previous year. Despite the withdrawal from individual markets and the discontinuation of business with specific customer groups, a slight increase was also reported in banknote trading due to improved margins. Raiffeisen Centrobank AG's contribution to income declined € 3 million as higher income from trading book was reported in the previous year.

Recurring other net operating income declined € 1 million to € 5 million.

General administrative expenses

General administrative expenses declined 4 per cent, or € 4 million, to € 104 million due to a lower cost allocation with respect to other administrative expenses. The cost/income ratio increased 1.4 percentage points year-on-year to 71.9 per cent.

Net provisioning for impairment losses

Net releases of individual loan loss provisions for financial institutions amounted to € 5 million in the reporting period. The share of non-performing loans in relation to the segment's total credit exposure was 1.4 per cent.

Other results and taxes

Other results increased € 22 million year-on-year to € 15 million. This increase was the result of an € 18 million improvement in net income from financial investments based on the sale of bonds and on valuation gains.

Due to higher income, the income tax expense increased € 6 million to € 15 million. The tax rate was 24 per cent.

Corporate Center

in € million	1/1-30/6 2016	1/1-30/6 2015	Change	Q2/2016	Q1/2016	Change
Net interest income	251	749	(66.6)%	233	17	>500.0%
Net fee and commission income	9	(1)	–	4	5	(29.4)%
Net trading income	(19)	(80)	(76.1)%	16	(36)	–
Recurring other net operating income	55	62	(10.1)%	39	16	141.7%
Operating income	**296**	**730**	**(59.5)%**	**293**	**3**	**>500.0%**
General administrative expenses	(178)	(174)	2.5%	(78)	(101)	(22.7)%
Operating result	**117**	**556**	**(78.9)%**	**215**	**(98)**	**–**
Net provisioning for impairment losses	(10)	(2)	>500.0%	(23)	13	–
Other results	(86)	(19)	359.9%	(42)	(45)	(6.0)%
Profit/loss before tax	**21**	**535**	**(96.1)%**	**150**	**(129)**	**–**
Income taxes	7	13	(48.0)%	0	6	(94.8)%
Profit/loss after tax	**28**	**548**	**(95.0)%**	**150**	**(122)**	**–**
Risk-weighted assets (total RWA)	14,397	15,756	(8.6)%	14,397	15,288	(5.8)%
Assets	22,797	30,373	(24.9)%	22,797	24,374	(6.5)%

This segment essentially comprises net income from Group head office's governance functions and from other Group units. As a result, its net income is generally more volatile. Profit before tax declined € 515 million year-on-year to € 21 million due to lower dividend income from central and eastern European Group units, as well as a decline in net income from derivatives.

Operating income

Net interest income fell 67 per cent year-on-year, or € 499 million, to € 251 million. This was mainly due to a decline of € 465 million in dividend income from central and eastern European Group units, after extra dividend income was incurred in the year prior, particularly in Russia and Belarus. Interest income from intra-Group refinancing also declined due to decreasing financing volumes.

Net fee and commission income increased € 9 million year-on-year. This increase resulted mainly from higher income from cash management, while net fee and commission income from the loan and guarantee business declined due to lower volumes.

Net trading income improved 76 per cent year-on-year, or € 61 million, to minus € 19 million. This was mainly due to a loss of € 70 million booked in the previous year from a hedging transaction for dividend income in Russian roubles as well as currency-based valuation gains from a property company.

Recurring other net operating income fell 10 per cent, or € 6 million, to € 55 million. This decline primarily resulted from lower income from intra-Group service charges.

General administrative expenses

General administrative expenses rose 3 per cent, or € 4 million, to € 178 million due to increased staff expenses resulting from a higher cost allocation.

Net provisioning for impairment losses

Net provisioning for impairment losses mainly for corporate customers of Group head office amounted to € 10 million in the reporting period, after a provisioning requirement of € 2 million in the comparable period in the previous year.

Other results and taxes

Other results decreased € 68 million to minus € 86 million.

The development of net income from derivatives and liabilities was negative, declining € 90 million to minus € 68 million, as a result of the valuation of bank book derivatives and own issues. In contrast, net income from financial investments improved € 24 million to € 7 million, due primarily to income of € 16 million from the sale of Visa Europe shares to Visa Inc. at Group head office and valuation gains from the bond portfolio.

The segment reported expenses for bank levies of € 18 million, which was € 6 million lower than in the comparable period in the previous year.

Net income from the disposal of Group assets amounted to minus € 8 million, after a profit of € 3 million in the comparable period in the previous year. This effect mainly resulted from the deconsolidation of several Group units on grounds of immateriality.

Tax income of € 7 million was posted in the reporting period after € 13 million in the comparable period in the previous year.

Non-Core

in € million	1/1-30/6 2016	1/1-30/6 2015[1]	Change	Q2/2016	Q1/2016	Change
Net interest income	163	208	(21.3)%	77	86	(10.1)%
Net fee and commission income	81	83	(2.3)%	42	39	9.5%
Net trading income	2	7	(78.0)%	(4)	6	–
Recurring other net operating income	0	10	(97.2)%	(1)	1	–
Operating income	**247**	**308**	**(19.9)%**	**115**	**132**	**(13.1)%**
General administrative expenses	(209)	(206)	1.6%	(108)	(102)	6.0%
Operating result	**37**	**102**	**(63.4)%**	**7**	**30**	**(77.2)%**
Net provisioning for impairment losses	(149)	(96)	55.0%	(138)	(11)	>500.0%
Other results	9	(1)	–	16	(6)	–
Profit/loss before tax	**(103)**	**4**	**–**	**(116)**	**13**	**–**
Income taxes	(29)	(14)	104.8%	(10)	(19)	(49.4)%
Profit/loss after tax	**(131)**	**(10)**	**>500.0%**	**(125)**	**(6)**	**>500.0%**
Risk-weighted assets (total RWA)	9,672	12,510	(22.7)%	9,672	10,638	(9.1)%
Assets	16,484	19,969	(17.5)%	16,484	17,825	(7.5)%
Net interest margin (average interest-bearing assets)	2.00%	2.07%	(0.07) PP	1.93%	2.08%	(0.15) PP
Return on equity before tax	**–**	**0.6%**	**–**	**–**	**3.6%**	**–**

1 Restated in accordance with IAS 8.41. Please see the 2015 Annual Report for details.

The Non-Core segment encompasses those business areas which are to be sold or reduced in line with RBI's strategic review, as laid out in 2015. The sale of the Raiffeisen bank in Slovenia closed in June 2016. In the other Group units in the segment – except for Poland – business volumes are undergoing planned reductions. A sale is still planned in Poland, but will take more time on account of the complex structure of the transaction.

In the course of the acquisition of Polbank in 2012, RBI made a commitment to the Polish regulatory authority to list the shares of Raiffeisen Bank Polska S.A. on the Warsaw Stock Exchange with a free float of at least 15 per cent by 30 June 2016. In May 2016, the Polish regulatory authority agreed that the commitment with respect to an initial public offering would be fulfilled, if the sale of Raiffeisen Bank Polska S.A. to a listed Polish bank takes place before the end of 2016. A spin-off of the banking operations without the Swiss franc portfolio is intended within the scope of the sale. The Swiss franc portfolio would subsequently be transferred to a Polish branch of RBI AG.

The segment's profit before tax declined € 107 million to minus € 103 million, mainly as a result of higher net provisioning for impairment losses, particularly in Asia, and lower operating income due to the planned reduction in volumes. General administrative expenses increased, largely due to higher staff expenses in Poland.

Operating income

Net interest income was down 21 per cent year-on-year, or € 44 million, to € 163 million. Asia reported the largest decline, with a volume-related reduction of 65 per cent, or € 34 million, to € 19 million. In Poland, the continuing low market interest rate level reduced net interest income by 2 per cent, or € 2 million, to € 127 million. The € 2 million decrease in Slovenia is attributable to lower lending volumes. The net interest margin fell 7 basis points to 2.00 per cent.

Net fee and commission income declined 2 per cent year-on-year, or € 2 million, to € 81 million. Net income from the loan and guarantee business decreased € 4 million to € 13 million due to lower volumes, particularly in Asia and Poland. In contrast, net income from the sale of own and third party products increased € 3 million to € 14 million, especially in Poland.

Net trading income decreased € 6 million to € 2 million. Net income from currency-based transactions decreased € 5 million due to valuation losses on foreign currency positions in Asia. Net income from interest-based transactions remained virtually unchanged.

Recurring other net operating income declined € 9 million to almost zero due to losses from the disposal of tangible and intangible fixed assets in Poland (down € 5 million), lower income from the allocation and release of other provisions and lower income from non-banking activities.

General administrative expenses

General administrative expenses increased 2 per cent year-on-year, or € 3 million, to € 209 million. Staff expenses increased € 4 million to € 102 million. Staff expenses in Asia declined 30 per cent, or € 4 million, reflecting the workforce reduction. In Poland, staff expenses rose € 9 million to € 78 million due to an increase in provisions for unused vacations and the release of bonus provisions in the same period of the previous year. The average number of staff during the reporting period fell 8 per cent year-on-year to 5,801. Other administrative expenses declined € 2 million, particularly due to lower IT and advertising expenses in Poland. An impairment of the Polbank brand increased expenses by € 3 million. The number of business outlets was reduced by 46 to 327. The reduction included 31 branches in Poland due to the branch optimization, 13 branches in Slovenia due to the sale of the Group unit there, and the closure of 1 branch each in China and Malaysia. The cost/income ratio rose 17.9 percentage points to 84.9 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses rose 55 per cent year-on-year, or € 53 million, to € 149 million. The main driver of this increase was Asia, where an additional € 51 million in net provisioning for impairment losses was required to cover existing non-performing loans to corporate customers. In the US, net provisioning for impairment losses was € 27 million in connection with corporate customers which in most cases had already defaulted on their loans. This increased net provisioning by € 23 million. In Poland, net provisioning for impairment losses related mainly to corporate customers and amounted to € 16 million, € 13 million less than the previous year's comparable period.

The proportion of non-bank non-performing loans in the segment's loan portfolio remained almost unchanged compared to the year-end at 15.3 per cent.

Other results and taxes

The segment's other results rose € 11 million year-on-year to € 9 million. Net income from financial investments increased € 27 million primarily due to € 22 million in income from the sale of Visa Europe shares to Visa Inc. (in Poland: € 18 million, ZUNO BANK AG: € 4 million). This fully offset the € 16 million in expenses for the newly-introduced bank levy in Poland.

Tax expense increased € 15 million year-on-year to € 29 million. The increase was mainly the result of the higher tax expenses in Poland. The tax rate was 28 per cent.

Detailed results of individual countries and sub-segments:

1/1-30/6/2016 in € million	Asia	Poland	Slovenia	USA
Net interest income	19	127	4	8
Net fee and commission income	3	73	3	2
Net trading income	(5)	6	0	0
Recurring other net operating income	0	(1)	1	0
Operating income	**17**	**205**	**8**	**10**
General administrative expenses	(23)	(154)	(11)	(8)
Operating result	**(6)**	**51**	**(3)**	**3**
Net provisioning for impairment losses	(106)	(16)	1	(27)
Other results	(1)	2	1	3
Profit/loss before tax	**(113)**	**38**	**0**	**(22)**
Income taxes	(3)	(26)	0	0
Profit/loss after tax	**(116)**	**12**	**0**	**(22)**
Risk-weighted assets (total RWA)	957	7,908	98	551
Assets	1,521	13,574	124	426
Loans and advances to customers	1,026	9,501	69	331
hereof corporate %	100.0%	31.9%	84.0%	100.0%
hereof retail %	0.0%	68.0%	11.6%	0.0%
hereof foreign currency %	61.2%	54.1%	0.0%	7.3%
Deposits from customers	59	8,235	0	0
Loan/deposit ratio (net)	–	109.5%	–	–
Equity	–	1,586	0	15
Return on equity before tax	–	4.9%	–	–
Return on equity after tax	–	1.6%	–	–
Cost/income ratio	137.0%	75.2%	132.8%	75.7%
Net interest margin (average interest-bearing assets)	2.15%	1.91%	1.79%	3.11%
Employees as at reporting date	175	4,841	16	44
Business outlets	4	320	1	1
Customers	47	781,197	150	118

Asia: Some Asian entities are operated as branches; therefore no equity available.

Interim consolidated financial statements

(Interim report as at 30 June 2016)

Statement of comprehensive income

Income statement

in € million	Notes	1/1-30/6/2016	1/1-30/6/2015[1]	Change
Interest income		2,051	2,532	(19.0)%
Interest expenses		(595)	(851)	(30.1)%
Net interest income[2]	**[2]**	**1,455**	**1,681**	**(13.4)%**
Net provisioning for impairment losses	[3]	(403)	(604)	(33.3)%
Net interest income after provisioning		**1,052**	**1,077**	**(2.3)%**
Fee and commission income		937	960	(2.4)%
Fee and commission expense		(217)	(215)	0.9%
Net fee and commission income	**[4]**	**719**	**745**	**(3.4)%**
Net trading income	[5]	84	2	>500.0%
Net income from derivatives and liabilities	[6]	(62)	(10)	>500.0%
Net income from financial investments	[7]	171	61	180.4%
General administrative expenses	[8]	(1,412)	(1,388)	1.8%
Other net operating income[2]	[9]	(101)	(30)	242.0%
Net income from disposal of group assets	[10]	(2)	(2)	(31.6)%
Profit/loss before tax		**450**	**455**	**(1.1)%**
Income taxes	[11]	(182)	(141)	29.4%
Profit/loss after tax		**268**	**314**	**(14.8)%**
Profit attributable to non-controlling interests		(58)	(38)	50.2%
Consolidated profit/loss		**210**	**276**	**(23.8)%**

1 Restated in accordance with IAS 8.41. Please see the 2015 annual report for details.
2 Adaptation of previous year figures due to different allocation of negative interest.

Earnings per share

in €	1/1-30/6/2016	1/1-30/6/2015[1]	Change
Earnings per share	0.72	0.94	(0.22)

1 Restated in accordance with IAS 8.41. Please see the 2015 annual report for details.

Earnings per share are obtained by dividing consolidated profit by the average number of ordinary shares outstanding. As at 30 June 2016, the number of average ordinary shares outstanding was 292.4 million (30 June 2015: 292.4 million). As there were no conversion rights or options outstanding, a dilution of earnings per share did not occur.

Other comprehensive income and total comprehensive income

	Total		Group equity		Non-controlling interests	
in € million	1/1-30/6 2016	1/1-30/6 2015[1]	1/1-30/6 2016	1/1-30/6 2015[1]	1/1-30/6 2016	1/1-30/6 2015[1]
Profit/loss after tax	**268**	**314**	**210**	**276**	**58**	**38**
Items which are not reclassified to profit and loss	**(3)**	**(2)**	**(3)**	**(2)**	**0**	**0**
Remeasurements of defined benefit plans	(4)	(2)	(4)	(2)	0	0
Deferred taxes on items which are not reclassified to profit and loss	1	1	1	1	0	0
Items that may be reclassified subsequently to profit or loss	**(11)**	**255**	**2**	**258**	**(13)**	**(3)**
Exchange differences	59	239	68	243	(9)	(3)
Capital hedge	(16)	15	(16)	15	0	0
Net gains (losses) on derivatives hedging fluctuating cash flows	9	3	8	3	1	0
Net gains (losses) on financial assets available-for-sale	(73)	2	(67)	2	(6)	0
Deferred taxes on income and expenses directly recognized in equity	10	(5)	8	(5)	1	0
Other comprehensive income	**(14)**	**253**	**(1)**	**256**	**(13)**	**(3)**
Total comprehensive income	**254**	**567**	**209**	**532**	**45**	**35**

1 Restated in accordance with IAS 8.41. Please see the 2015 annual report for details.

The development of exchange differences is driven particularly by the appreciation of the Russian rouble by 13 per cent with a positive effect of € 166 million and the appreciation of the Croatian kuna by 1 per cent with a positive effect of € 10 million whereas the devaluation of the Polish zloty by 4 per cent caused a reduction of € 63 million, the devaluation of the Belarusian rouble by 10 per cent caused a reduction of € 31 million and the devaluation of the Ukrainian hryvnia by 5 per cent caused a reduction of € 9 million. In the comparable period of the previous year a total positive effect of € 239 million was primarily caused by the appreciation of the Russian rouble and the Polish zloty.

There was a negative result from a capital hedge of € 16 million, in particular caused by the appreciation of the Russian rouble.

Net gains and losses on financial assets available-for-sale were influenced by the sale of Visa Europe Ltd. shares to Visa Inc. and led to a transfer of the valuation result in the amount of € 80 million to the income statement with a corresponding effect on deferred taxes directly booked in equity.

Quarterly results

in € million	Q3/2015[1]	Q4/2015	Q1/2016	Q2/2016
Net interest income	814	832	718	738
Net provisioning for impairment losses	(191)	(469)	(106)	(297)
Net interest income after provisioning	**623**	**363**	**612**	**440**
Net fee and commission income	384	390	347	372
Net trading income	(14)	29	28	56
Net income from derivatives and liabilities	20	(15)	(27)	(34)
Net income from financial investments	7	0	26	145
General administrative expenses	(713)	(813)	(718)	(694)
Other net operating income	(64)	15	(41)	(61)
Net income from disposal of group assets	10	34	2	(3)
Profit/loss before tax	**253**	**3**	**229**	**221**
Income taxes	(52)	(83)	(91)	(91)
Profit/loss after tax	**201**	**(81)**	**138**	**130**
Profit attributable to non-controlling interests	(16)	(2)	(24)	(34)
Consolidated profit/loss	**186**	**(83)**	**114**	**96**

1 Restated in accordance with IAS 8.41. Please see the 2015 annual report for details.

in € million	Q3/2014	Q4/2014	Q1/2015	Q2/2015[1]
Net interest income	940	895	820	861
Net provisioning for impairment losses	(515)	(667)	(260)	(343)
Net interest income after provisioning	**425**	**228**	**560**	**518**
Net fee and commission income	404	417	360	385
Net trading income	30	(68)	(62)	64
Net income from derivatives and liabilities	103	28	20	(29)
Net income from financial investments	23	(39)	64	(3)
General administrative expenses	(776)	(728)	(691)	(697)
Other net operating income	(225)	(445)	(63)	33
Net income from disposal of group assets	1	0	1	(3)
Profit/loss before tax	**(16)**	**(607)**	**188**	**267**
Income taxes	(96)	(239)	(88)	(53)
Profit/loss after tax	**(112)**	**(846)**	**100**	**214**
Profit attributable to non-controlling interests	(7)	4	(17)	(22)
Consolidated profit/loss	**(119)**	**(842)**	**83**	**192**

1 Restated in accordance with IAS 8.41. Please see the 2015 annual report for details.

Statement of financial position

Assets in € million	Notes	30/6/2016	31/12/2015	Change
Cash reserve	[13]	9,424	13,212	(28.7)%
Loans and advances to banks	[14, 41]	13,747	10,837	26.9%
Loans and advances to customers	[15, 41]	70,825	69,921	1.3%
Impairment losses on loans and advances	[16]	(5,380)	(6,055)	(11.2)%
Trading assets	[17, 41]	5,414	5,814	(6.9)%
Derivatives	[18, 41]	1,600	1,574	1.7%
Financial investments	[19, 41]	14,812	15,244	(2.8)%
Intangible fixed assets	[20]	606	621	(2.4)%
Tangible fixed assets	[21]	1,438	1,473	(2.4)%
Other assets	[22, 41]	1,482	1,786	(17.0)%
Total assets		**113,969**	**114,427**	**(0.4)%**

Equity and liabilities in € million	Notes	30/6/2016	31/12/2015	Change
Deposits from banks	[23, 41]	16,655	16,369	1.7%
Deposits from customers	[24, 41]	68,941	68,991	(0.1)%
Debt securities issued	[25, 41]	7,397	7,502	(1.4)%
Provisions for liabilities and charges	[26, 41]	760	814	(6.6)%
Trading liabilities	[27, 41]	5,455	5,092	7.1%
Derivatives	[28, 41]	845	984	(14.1)%
Other liabilities	[29, 41]	1,051	2,010	(47.7)%
Subordinated capital	[30, 41]	4,141	4,164	(0.6)%
Equity	[31]	8,725	8,501	2.6%
Consolidated equity		7,973	7,588	5.1%
Consolidated profit/loss		210	379	(44.5)%
Non-controlling interests		541	535	1.3%
Total equity and liabilities		**113,969**	**114,427**	**(0.4)%**

Statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Total
Equity as at 1/1/2016	**892**	**4,994**	**1,702**	**379**	**535**	**8,501**
Capital increases/decreases	0	0	0	0	0	0
Transferred to retained earnings	0	0	379	(379)	0	0
Dividend payments	0	0	0	0	(40)	(40)
Total comprehensive income	0	0	(1)	210	45	254
Own shares/share incentive program	0	0	0	0	0	0
Other changes	0	0	8	0	2	10
Equity as at 30/6/2016	**892**	**4,994**	**2,088**	**210**	**541**	**8,725**

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Total
Equity 1/1/2015[1]	**892**	**4,991**	**2,417**	**(617)**	**495**	**8,178**
Capital increases/decreases	0	0	0	0	0	0
Transferred to retained earnings	0	0	(617)	617	0	0
Dividend payments	0	0	0	0	(51)	(51)
Total comprehensive income	0	0	256	276	35	567
Own shares/share incentive program	0	0	0	0	0	0
Other changes	0	0	(43)	0	0	(43)
Equity as at 30/6/2015	**892**	**4,992**	**2,013**	**276**	**478**	**8,651**

1 Restated in accordance with IAS 8.41. Please see the 2015 annual report for details.

Statement of cash flows

in € million	1/1-30/6/2016	1/1-30/6/2015[1]
Cash and cash equivalents at the end of previous period[2]	**13,483**	**6,769**
Cash from disposal of subsidiaries	(152)	0
Net cash from operating activities	(3,614)	810
Net cash from investing activities	(280)	1,603
Net cash from financing activities	(122)	23
Effect of exchange rate changes	109	254
Cash and cash equivalents at the end of period	**9,424**	**9,459**

1 Restated in accordance with IAS 8.41. Please see the 2015 annual report for details.
2 Cash and cash equivalents at the end of the previous period differ from the item cash reserve on statement of financial position due to IFRS 5 presentation of Raiffeisen Banka d.d., Maribor and ZUNO BANK AG, Vienna

Segment reporting

As a rule, internal management reporting at RBI is based on the current organizational structure. This matrix structure means that each member of the Management Board is responsible both for individual countries and for specific business activities (country and functional responsibility model). A cash generating unit within the Group is either a country or a business activity. Accordingly, the RBI management bodies – Management Board and Supervisory Board – make key decisions that determine the resources allocated to any given segment based on its financial strength and profitability, which is why these reporting criteria are an essential component in the decision-making process. Thus, the division into segments was also undertaken in accordance with IFRS 8. The reconciliation contains mainly the amounts resulting from the elimination of intra-group results and consolidation between the segments.

This results in the following segments:

- Central Europe (Czech Republic, Hungary and Slovakia)
- Southeastern Europe (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia)
- Eastern Europe (Belarus, Russia and Ukraine)
- Group Corporates (large corporate business activities with Austrian and multinational customers operated from Vienna)
- Group Markets (capital market-based customer and proprietary business operated from Vienna)
- Corporate Center (central control functions at Group head office and other Group units)
- Non-Core (Asia, Poland, Slovenia, USA and direct bank Zuno)

1/1-30/6/2016 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates	Group Markets
Net interest income	323	372	418	150	29
Net fee and commission income	188	189	179	29	57
Net trading income	13	30	34	4	55
Recurring other net operating income	2	3	(4)	1	5
Operating income	**525**	**594**	**627**	**184**	**145**
General administrative expenses	(314)	(334)	(235)	(75)	(104)
Operating result	**211**	**260**	**392**	**109**	**41**
Net provisioning for impairment losses	(33)	(72)	(79)	(62)	5
Other results	34	(3)	12	0	15
Profit/loss before tax	**212**	**186**	**324**	**47**	**61**
Income taxes	(40)	(28)	(67)	(11)	(15)
Profit/loss after tax	**172**	**157**	**257**	**36**	**46**
Profit attributable to non-controlling interests	(36)	0	(22)	(1)	0
Profit/loss after deduction of non-controlling interests	**136**	**157**	**234**	**35**	**46**
Risk-weighted assets (credit risk)	11,049	11,797	9,132	7,745	1,650
Risk-weighted assets (total RWA)	13,241	14,210	11,315	8,352	3,490
Total capital requirement	1,059	1,137	905	668	279
Assets	28,055	21,777	14,397	14,602	15,185
Liabilities	25,645	18,774	12,344	11,170	17,085
Net interest margin (average interest-bearing assets)	2.43%	3.61%	6.57%	2.13%	0.54%
NPL ratio	7.1%	11.3%	17.4%	6.3%	1.4%
NPL coverage ratio	69.2%	72.9%	84.0%	47.2%	62.8%
Cost/income ratio	59.7%	56.1%	37.5%	40.8%	71.9%
Provisioning ratio (average loans and advances to customers)	0.34%	1.09%	1.59%	0.89%	(0.40)%
Average equity	1,765	1,865	1,616	1,122	554
Return on equity before tax	**24.0%**	**19.9%**	**40.1%**	**8.4%**	**21.9%**
Business outlets	407	1,054	847	1	5

1/1-30/6/2016 in € million	Corporate Center	Non-Core	Reconciliation	Total
Net interest income	251	163	(251)	1,455
Net fee and commission income	9	81	(11)	719
Net trading income	(19)	2	(34)	84
Recurring other net operating income	55	0	(37)	25
Operating income	**296**	**247**	**(334)**	**2,284**
General administrative expenses	(178)	(209)	37	(1,412)
Operating result	**117**	**37**	**(297)**	**871**
Net provisioning for impairment losses	(10)	(149)	(3)	(403)
Other results	(86)	9	1	(18)
Profit/loss before tax	**21**	**(103)**	**(298)**	**450**
Income taxes	7	(29)	2	(182)
Profit/loss after tax	**28**	**(131)**	**(297)**	**268**
Profit attributable to non-controlling interests	(2)	0	4	(58)
Profit/loss after deduction of non-controlling interests	**26**	**(131)**	**(293)**	**210**
Risk-weighted assets (credit risk)	12,788	8,260	(12,109)	50,312
Risk-weighted assets (total RWA)	14,397	9,672	(12,954)	61,722
Total capital requirement	1,152	774	(1,036)	4,938
Assets	22,797	16,484	(19,328)	113,969
Liabilities	18,402	14,595	(12,770)	105,244
Net interest margin (average interest-bearing assets)	–	2.00%	–	2.76%
NPL ratio	–	15.3%	–	10.4%
NPL coverage ratio	–	71.3%	–	72.1%
Cost/income ratio	60.4%	84.9%	–	61.8%
Provisioning ratio (average loans and advances to customers)	–	2.59%	–	1.11%
Average equity	2,005	1,450	(1,863)	8,514
Return on equity before tax	**3.4%**	**–**	**–**	**10.6%**
Business outlets	0	327	–	2,641

1/1-30/6/2015 in € million	Central Europe	Southeastern Europe	Eastern Europe[1]	Group Corporates	Group Markets
Net interest income	329	398	505	172	45
Net fee and commission income	197	178	194	37	67
Net trading income	26	25	(10)	0	36
Recurring other net operating income	(20)	8	(9)	1	6
Operating income	**532**	**610**	**680**	**210**	**153**
General administrative expenses	(294)	(321)	(269)	(59)	(108)
Operating result	**238**	**289**	**410**	**151**	**45**
Net provisioning for impairment losses	(64)	(83)	(238)	(122)	(1)
Other results	(9)	(10)	73	(7)	(8)
Profit/loss before tax	**165**	**196**	**245**	**22**	**36**
Income taxes	(38)	(26)	(61)	(5)	(8)
Profit/loss after tax	**126**	**170**	**185**	**16**	**28**
Profit attributable to non-controlling interests	(35)	(1)	(5)	0	0
Profit/loss after deduction of non-controlling interests	**91**	**169**	**179**	**16**	**28**
Risk-weighted assets (credit risk)	11,481	11,872	12,389	8,493	2,639
Risk-weighted assets (total RWA)	13,649	14,316	14,631	9,267	5,283
Total capital requirement	1,092	1,145	1,170	741	423
Assets	25,079	21,299	17,498	15,726	14,651
Liabilities	22,790	18,367	15,494	10,682	21,159
Net interest margin (average interest-bearing assets)	2.75%	3.97%	6.20%	2.05%	0.86%
NPL ratio	8.4%	12.8%	16.7%	8.3%	13.5%
NPL coverage ratio	71.4%	68.5%	84.3%	60.2%	67.6%
Cost/income ratio	55.3%	52.6%	39.6%	28.2%	70.5%
Provisioning ratio (average loans and advances to customers)	0.69%	1.25%	3.78%	1.54%	0.08%
Average equity	1,703	1,703	1,691	1,116	571
Return on equity before tax	**19.3%**	**23.1%**	**29.0%**	**3.9%**	**12.7%**
Business outlets	407	1,072	924	1	4

1 Restated in accordance with IAS 8.41. Please see the 2015 annual report for details.

1/1-30/6/2015 in € million	Corporate Center	Non-Core[1]	Reconciliation	Total[1]
Net interest income	749	208	(726)	1,681
Net fee and commission income	(1)	83	(10)	745
Net trading income	(80)	7	(1)	2
Recurring other net operating income	62	10	(41)	16
Operating income	**730**	**308**	**(778)**	**2,444**
General administrative expenses	(174)	(206)	44	(1,388)
Operating result	**556**	**102**	**(735)**	**1,056**
Net provisioning for impairment losses	(2)	(96)	3	(604)
Other results	(19)	(1)	(17)	3
Profit/loss before tax	**535**	**4**	**(749)**	**455**
Income taxes	13	(14)	0	(141)
Profit/loss after tax	**548**	**(10)**	**(749)**	**314**
Profit attributable to non-controlling interests	(12)	0	15	(38)
Profit/loss after deduction of non-controlling interests	**536**	**(10)**	**(734)**	**276**
Risk-weighted assets (credit risk)	14,697	10,803	(14,901)	57,472
Risk-weighted assets (total RWA)	15,756	12,510	(15,462)	69,950
Total capital requirement	1,261	1,001	(1,237)	5,596
Assets	30,373	19,969	(24,993)	119,602
Liabilities	23,126	17,658	(18,325)	110,951
Net interest margin (average interest-bearing assets)	–	2.07%	–	3.00%
NPL ratio	–	14.9%	–	12.0%
NPL coverage ratio	–	55.5%	–	66.8%
Cost/income ratio	23.9%	67.0%	–	56.8%
Provisioning ratio (average loans and advances to customers)	–	1.31%	–	1.52%
Average equity	2,091	1,486	(1,988)	8,372
Return on equity before tax	**51.2%**	**0.6%**	**–**	**10.9%**
Business outlets	0	373	–	2,781

1 Restated in accordance with IAS 8.41. Please see the 2015 annual report for details.

Notes

Principles underlying the consolidated financial statements

Principles of preparation

The condensed interim consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the international accounting standards adopted by the EU on the basis of IAS Regulation (EC) 1606/2002 including the applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC). The condensed consolidated interim financial statements as at 30 June 2016 are prepared in accordance with IAS 34.

Some IFRS explanatory notes which are included outside the interim consolidated financial statements are an integral part of the interim consolidated financial statements. These are mainly explanations on net income from segments, which are included in the notes on segment reporting. In addition to the disclosures pursuant to IFRS 7 which are included in the notes, the risk report section in particular contains detailed information on credit risk, concentration risk, market risk and liquidity risk. This information is presented in accordance with IAS 34, IFRS 8 "Operating Segments" and IFRS 7 "Financial Instruments Disclosures".

The same recognition and measurement principles and consolidation methods were fundamentally applied in the interim reporting, as those used in preparing the consolidated financial statements 2015 (see Annual Report 2015, page 203 ff). Standards and interpretations to be applied in the EU from 1 January 2016 onward were accounted for in this interim report.

The interim report as at 30 June 2016 underwent a review carried out by the certified auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna.

Critical accounting judgements and key sources of estimation uncertainty

If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, they are made in accordance with the respective standards. They are based on past experience and other factors, such as planning and expectations or forecasts of future events that appear likely from the current perspective. This primarily affects impairment losses in the credit business, the fair value and the impairment of financial instruments, deferred taxes, provisions for pensions and pension-related liabilities, and calculations used to determine the recoverability of goodwill and the intangible asset values capitalized in the course of the initial consolidation. The actual values may deviate from the estimated figures.

Application of new and revised standards

A number of new or amended standards became applicable for the first time for the period under review. The first-time application of the new and revised IFRS standards had no material impact on the interim consolidated financial statements as the amendments were only applicable to a limited extent.

Standards and interpretations not yet applicable

IFRS 9 (Financial Instruments; entry into force 1 January 2018)

The published IFRS 9 (financial instruments) contains requirements for the classification, measurement, derecognition of and accounting for hedging relationships. The IASB published the final version of the standard within the context of completion of the various phases on 24 July 2014. Key requirements of IFRS 9 are:

According to IFRS 9, all financial assets must be measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are measured at amortized cost at the end of subsequent accounting periods. All other instruments must be measured at fair value.

IFRS 9 also includes an irrevocable option to recognize subsequent changes in the fair value of an equity instrument (not held for trading purposes) in other comprehensive income and to recognize only dividend income in the profit and loss statement.

With regard to the measurement of financial liabilities (designated as measured at fair value through profit or loss), IFRS 9 requires that changes in fair value arising out of changes in the default risk of the reporting entity are to be recognized in other comprehensive income. Changes in fair value attributable to a reporting entity's own credit risk may not be subsequently reclassified to profit or loss.

For subsequent measurement of financial assets measured at amortized cost, IFRS 9 provides for three stages which determine the future amount of losses to be recognized and the recognition of interest. The first stage requires that at the time of initial recognition, expected losses must be shown in the amount of the present value of an expected twelve-month loss. If there is a significant increase in the default risk, the risk provision must be increased up to the amount of the expected full lifetime loss (stage 2). When there is an objective indication of an impairment, the interest in stage 3 must be recognized on the basis of the net carrying amount.

In addition to transitional provisions, IFRS 9 also includes extensive provisions on disclosure both during transition and during ongoing application. New provisions relate in particular to impairment.

The Group anticipates that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. It is expected that overall, IFRS 9 will increase the level of risk provisions. This estimate is based on the requirement to recognize a risk provision in the amount of the expected loan defaults for the first twelve months even for those instruments where the credit risk has not increased significantly since initial recognition. Moreover, it is based on the estimate that the volume of assets for which the "lifetime expected loss" is applied is probably larger than the volume of assets where loss events pursuant to IAS 39 have already occurred. The mandatory date of the initial application of IFRS 9 will be 1 January 2018.

IFRS 15 (Revenue from contracts with customers; entry into force 1 January 2018)

The standard regulates when revenue is recognized and how much revenue is recognized. IFRS 15 replaces IAS 18 (Revenue), IAS 11 (Construction contracts) and a series of revenue-related interpretations. The application of IFRS 15 is obligatory for all IFRS users and is applicable to almost all contracts with customers – the material exemptions are leasing contracts, financial instruments and insurance contracts. The consequences for the Group are still being analyzed.

IFRS 16 (Leases; entry into force 1 January 2019)

For lessees, the new standard establishes an accounting model which does not distinguish between financial leasing and operating leasing. In future, most lease agreements will have to be recognized in the statement of financial position. For lessors, the rules under IAS 17 (Leases) remain largely valid, meaning that in future it will still also be necessary to distinguish between financial and operating leasing with corresponding different accounting consequences. The consequences for the Group are still being analyzed.

Currencies

Rates in units per €	2016 As at 30/6	2016 Average 1/1-30/6	2015 As at 31/12	2015 Average 1/1-30/6
Albanian lek (ALL)	137.200	138.097	137.280	140.337
Belarusian rouble (BYR)	22,505.000	22,326.000	20,300.000	16,216.286
Bosnian marka (BAM)	1.955	1.955	1.956	1.956
Bulgarian lev (BGN)	1.956	1.956	1.956	1.956
Croatian kuna (HRK)	7.528	7.568	7.638	7.632
Czech koruna (CZK)	27.131	27.050	27.023	27.512
Hungarian forint (HUF)	317.060	313.827	315.980	308.096
Kazakh tenge (KZT)	376.406	381.334	371.310	207.959
Malaysian Ringgit (MYR)	4.430	4.528	4.696	4.090
Polish zloty (PLN)	4.436	4.362	4.264	4.152
Romanian leu (RON)	4.523	4.503	4.524	4.444
Russian rouble (RUB)	71.520	77.250	80.674	65.910
Serbian dinar (RSD)	123.130	122.839	121.626	120.889
Singapore dollar (SGD)	1.496	1.532	1.542	1.516
Swiss franc (CHF)	1.087	1.087	1.087	1.087
Ukrainian hryvnia (UAH)	27.639	28.204	26.223	23.431
US-Dollar (USD)	1.110	1.111	1.089	1.126

Consolidated group

Number of units	Fully consolidated 30/6/2016	Fully consolidated 31/12/2015	Equity method 30/6/2016	Equity method 31/12/2015
As at beginning of period	**120**	**135**	**0**	**0**
Included for the first time in the financial period	3	15	0	0
Merged in the financial period	0	(2)	0	0
Excluded in the financial period	(11)	(28)	0	0
As at end of period	**112**	**120**	**0**	**0**

The companies consolidated for the first time are active in the leasing business. Nine entities were excluded due to immateriality and two companies were sold.

In the reporting period, Raiffeisenbank a.s., Prague, acquired Citibank's retail and credit card business in the Czech Republic. This business unit includes loans and advances to customers of € 201 million and customer deposits of € 669 million. With this acquisition, intangible assets of € 12 million were recognized, of which € 10 million related to the customer base and € 2 million to acquired goodwill.

Notes to the income statement

(1) Income statement according to measurement categories

in € million	1/1-30/6/2016	1/1-30/6/2015[1]
Net income from financial assets and liabilities held-for-trading	195	121
Net income from financial assets and liabilities at fair value through profit or loss	44	277
Net income from financial assets available-for-sale	165	13
Net income from loans and advances	1,343	1,502
Net income from financial assets held-to-maturity	77	77
Net income from financial liabilities measured at acquisition cost	(595)	(855)
Net income from derivatives (hedging)	77	105
Net revaluations from exchange differences	(59)	(110)
Sundry operating income and expenses	(796)	(676)
Profit/loss before tax	**450**	**455**

1 Restated in accordance with IAS 8.41. Please see the 2015 annual report for details.

(2) Net interest income

in € million	1/1-30/6/2016	1/1-30/6/2015[1]
Interest and interest-like income, total	**2,051**	**2,532**
Interest income	2,024	2,504
from balances at central banks	12	19
from loans and advances to banks	74	87
from loans and advances to customers	1,578	1,902
from financial investments	137	160
from leasing claims	79	88
from derivative financial instruments - economic hedge	66	135
from derivative financial instruments - hedge accounting	78	112
Current income	24	20
from shares and other variable-yield securities	0	1
from shares in affiliated companies	20	8
from other interests	3	11
Interest-like income	8	9
Negative interest from financial assets	(5)	(1)
Interest expenses and interest-like expenses, total	**(595)**	**(851)**
Interest expenses	(583)	(822)
on deposits from central banks	(10)	(35)
on deposits from banks	(93)	(101)
on deposits from customers	(321)	(498)
on debt securities issued	(76)	(96)
on subordinated capital	(83)	(92)
Interest-like expenses	(19)	(29)
Negative interest from financial liabilities	6	0
Total	**1,455**	**1,681**

1 Adaptation of previous year figures due to different allocation.

(3) Net provisioning for impairment losses

in € million	1/1-30/6/2016	1/1-30/6/2015[1]
Individual loan loss provisions	**(432)**	**(595)**
Allocation to provisions for impairment losses	(877)	(1,011)
Release of provisions for impairment losses	434	437
Direct write-downs	(37)	(71)
Income received on written-down claims	49	50
Portfolio-based loan loss provisions	**27**	**(12)**
Allocation to provisions for impairment losses	(116)	(198)
Release of provisions for impairment losses	143	186
Gains from loan termination or sale	**2**	**3**
Total	**(403)**	**(604)**

1 Restated in accordance with IAS 8.41. Please see the 2015 annual report for details.

(4) Net fee and commission income

in € million	1/1-30/6/2016	1/1-30/6/2015
Payment transfer business	307	306
Loan and guarantee business	86	104
Securities business	65	70
Foreign currency, notes/coins, and precious metals business	187	187
Management of investment and pension funds	19	22
Sale of own and third party products	31	23
Other banking services	26	32
Total	**719**	**745**

(5) Net trading income

in € million	1/1-30/6/2016	1/1-30/6/2015[1]
Interest-based transactions	66	50
Currency-based transactions	49	(73)
Equity-/index-based transactions	(25)	18
Other transactions	(4)	6
Total	**84**	**2**

1 Adaptation of previous year figures due to different allocation.

In the previous year's period the item currency-based transactions included a valuation loss from a hedging transaction related to Russian rouble-denominated dividend income amounting to € 70 million. The refinancing expenses for trading assets that are included in net trading income amounted to € 14 million (comparable period: € 13 million).

(6) Income from derivatives and liabilities

in € million	1/1-30/6/2016	1/1-30/6/2015
Net income from hedge accounting	(2)	(7)
Net income from other derivatives	(14)	(126)
Net income from liabilities designated at fair value	(46)	127
Income from repurchase of liabilities	0	(3)
Total	**(62)**	**(10)**

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

Net income from liabilities designated at fair value comprises a loss from changes in own credit risk amounting to € 14 million (comparable period: profit of € 12 million) and a loss from changes in market interest rates totaling € 32 million (comparable period: profit of € 115 million).

(7) Net income from financial investments

in € million	1/1-30/6/2016	1/1-30/6/2015
Net income from securities held-to-maturity	**13**	**1**
Net proceeds from sales of securities	13	1
Net income from equity participations	**140**	**(7)**
Net valuations of equity participations	(3)	(10)
Net proceeds from sales of equity participations	143	3
Net income from securities at fair value through profit and loss	**18**	**66**
Net valuations of securities	14	65
Net proceeds from sales of securities	4	1
Net income from available-for-sale securities	**1**	**1**
Total	**171**	**61**

Net proceeds from sales of equity participations increased by € 140 million compared to the same period of the previous year. This was due to the sale of Visa Europe Ltd. shares to Visa Inc. in June 2016, which resulted in income of € 132 million. The € 80 million valuation result that had been recognized in other comprehensive income at year-end 2015 was transferred to the income statement in the reporting period.

(8) General administrative expenses

in € million	1/1-30/6/2016	1/1-30/6/2015
Staff expenses	(701)	(656)
Other administrative expenses	(569)	(578)
hereof operating other administrative expenses	(467)	(478)
hereof regulatory other administrative expenses	(103)	(99)
Depreciation of tangible and intangible fixed assets	(142)	(154)
Total	**(1,412)**	**(1,388)**

Staff expenses

in € million	1/1-30/6/2016	1/1-30/6/2015
Wages and salaries	(540)	(500)
Social security costs and staff-related taxes	(127)	(128)
Other voluntary social expenses	(19)	(19)
Sundry staff expenses	(15)	(9)
Total	**(701)**	**(656)**

Other administrative expenses

in € million	1/1-30/6/2016	1/1-30/6/2015
Office space expenses	(127)	(138)
IT expenses	(134)	(127)
Communication expenses	(34)	(35)
Legal, advisory and consulting expenses	(41)	(41)
Advertising, PR and promotional expenses	(41)	(44)
Office supplies	(11)	(12)
Car expenses	(8)	(9)
Security expenses	(17)	(16)
Traveling expenses	(7)	(7)
Training expenses for staff	(6)	(6)
Sundry administrative expenses	(41)	(43)
Operating other administrative expenses	**(467)**	**(478)**
Deposit insurance fees	(52)	(58)
Resolution fund	(51)	(41)
Regulatory other administrative expenses	**(103)**	**(99)**
Total	**(569)**	**(578)**

Depreciation of tangible and intangible fixed assets

in € million	1/1-30/6/2016	1/1-30/6/2015
Tangible fixed assets	(55)	(72)
Intangible fixed assets	(71)	(68)
Leased assets (operating lease)	(16)	(14)
Total	**(142)**	**(154)**

(9) Other net operating income

in € million	1/1-30/6/2016	1/1-30/6/2015[1]
Net income arising from non-banking activities	16	13
Rental income from operating lease (vehicles and equipment)	15	15
Rental income from investment property incl. operating lease (real estate)	21	23
Net proceeds from disposal of tangible and intangible fixed assets	2	0
Other taxes	(38)	(36)
Net expense from allocation and release of other provisions	(12)	(13)
Sundry operating income and expenses	20	14
Recurring other net operating income	**25**	**16**
Impairment of goodwill	0	(3)
Bank levies	(82)	(68)
Profit/loss from banking business due to governmental measures	(44)	25
Total	**(101)**	**(30)**

1 Adaptation of previous year figures due to different allocation.

The "Walkaway Law" came into force in Romania in the second quarter of 2016. The expected take-up rate resulted in a charge to profit/loss from banking business due to governmental measures of € 43 million. In the previous year's period a provision in connection with the implementation of the "Settlement Act" in Hungary of € 33 million was released.

(10) Net income from disposal of group assets

In the reporting period, nine subsidiaries were excluded from the consolidated group due to immateriality. Moreover, two subsidiaries were excluded due to sale. Net income from disposal of group assets amounted to € 2 million. Moreover, a provision of € 3 million for the expected loss from the sale of Raiffeisen Lízing Zrt., Budapest, was recognized.

in € million	1/1-30/6/2016	1/1-30/6/2015
Net income from disposal of group assets	2	(2)
Impairment of assets held for sale	(3)	0
Total	**(2)**	**(2)**

Income from disposal of group assets breaks down as follows:

in € million	RBSI	Others	Total
Assets	545	127	672
Liabilities	492	101	593
Total identifiable net assets	**53**	**26**	**79**
Non-controlling interests	0	4	5
Net assets after non-controlling interests	**53**	**21**	**75**
Selling price/carrying amount	1	27	27
Effect from deconsolidation	**(53)**	**5**	**(48)**
Usage of provision for assets held for sale	(52)	0	(52)
Fair value reserve reclassified to income statement	1	0	1
FX reserve reclassified to income statement	(4)	0	(4)
Net income from disposal of group assets	**(3)**	**5**	**2**

RBSI: Raiffeisen Banka d.d., Maribor

(11) Income taxes

in € million	1/1-30/6/2016	1/1-30/6/2015[1]
Current income taxes	(117)	(85)
Austria	(19)	1
Foreign	(98)	(85)
Deferred taxes	(66)	(56)
Total	**(182)**	**(141)**

1 Restated in accordance with IAS 8.41. Please see the 2015 annual report for details.

Notes to the statement of financial position

(12) Statement of financial position according to measurement categories

Assets according to measurement categories in € million	30/6/2016	31/12/2015
Cash reserve	9,424	13,212
Trading assets	6,234	6,678
Financial assets at fair value through profit or loss	4,097	5,363
Financial assets available-for-sale	3,825	3,428
Loans and advances	80,580	75,646
Financial assets held-to-maturity	6,891	6,452
Derivatives (hedging)	780	709
Other assets	2,139	2,937
Total assets	**113,969**	**114,427**

Positive fair values of derivatives not designated as hedging instruments according to IAS 39 hedge accounting are reported in the measurement category trading assets. The measurement category financial assets available-for-sale comprises other affiliated companies, other equity participations, and non fixed-interest and fixed-interest securities. Loans and advances are reported on a net basis after provisions for impairment losses.

Equity and liabilities according to measurement categories in € million	30/6/2016	31/12/2015
Trading liabilities	5,841	5,641
Financial liabilities	96,799	97,809
Liabilities at fair value through profit and loss	1,385	1,227
Derivatives (hedging)	459	435
Provisions for liabilities and charges	760	814
Equity	8,725	8,501
Total equity and liabilities	**113,969**	**114,427**

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

(13) Cash reserve

in € million	30/6/2016	31/12/2015
Cash in hand	2,381	2,495
Balances at central banks	7,043	10,717
Total	**9,424**	**13,212**

(14) Loans and advances to banks

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

in € million	30/6/2016	31/12/2015
Austria	3,012	3,384
Foreign	10,735	7,453
Total	**13,747**	**10,837**

(15) Loans and advances to customers

in € million	30/6/2016	31/12/2015
Credit business	44,342	44,551
Money market business	4,816	2,963
Mortgage loans	16,231	16,815
Purchased loans	1,741	1,775
Leasing claims	3,162	3,170
Claims evidenced by paper	533	647
Total	**70,825**	**69,921**

in € million	30/6/2016	31/12/2015
Sovereigns	657	814
Corporate customers – large corporates	42,079	41,685
Corporate customers – mid market	2,825	2,787
Retail customers – private individuals	22,411	21,878
Retail customers – small and medium-sized entities	2,854	2,757
Total	**70,825**	**69,921**

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

in € million	30/6/2016	31/12/2015
Austria	5,485	5,297
Foreign	65,340	64,624
Total	**70,825**	**69,921**

(16) Impairment losses on loans and advances

in € million	30/6/2016	31/12/2015
Banks	72	120
Sovereigns	4	5
Corporate customers – large corporates	3,248	3,778
Corporate customers – mid market	268	289
Retail customers – private individuals	1,514	1,584
Retail customers – small and medium-sized entities	274	278
Total	**5,380**	**6,055**

The decline of impairment losses on loans and advances is mainly due to the derecognition of uncollectible loans from corporate business.

(17) Trading assets

in € million	30/6/2016	31/12/2015
Bonds, notes and other fixed-interest securities	2,039	2,778
Shares and other variable-yield securities	156	203
Positive fair values of derivative financial instruments	3,219	2,833
Total	**5,414**	**5,814**

Pledged securities ready to be sold or repledged by transferee shown under trading assets amounted to € 169 million (31/12/2015: € 1,080 million).

(18) Derivatives

in € million	30/6/2016	31/12/2015
Positive fair values of derivatives in fair value hedges (IAS 39)	774	692
Positive fair values of derivatives in cash flow hedges (IAS 39)	5	1
Positive fair values of derivatives in net investment hedge (IAS 39)	0	17
Positive fair values of other derivatives	820	864
Total	**1,600**	**1,574**

(19) Financial investments

in € million	30/6/2016	31/12/2015
Bonds, notes and other fixed-interest securities	14,454	14,915
Shares and other variable-yield securities	8	6
Equity participations	350	322
Total	**14,812**	**15,244**

Pledged securities ready to be sold or repledged by the transferee shown under financial investments amounted to € 565 million (31/12/2015: € 260 million).

(20) Intangible fixed assets

in € million	30/6/2016	31/12/2015
Software	511	531
Goodwill	42	40
Other intangible fixed assets	54	50
Total	**606**	**621**

(21) Tangible fixed assets

in € million	30/6/2016	31/12/2015
Land and buildings used by the Group for own purpose	489	487
Other land and buildings (investment property)	447	471
Office furniture, equipment and other tangible fixed assets	232	231
Leased assets (operating lease)	271	285
Total	**1,438**	**1,473**

(22) Other assets

in € million	30/6/2016	31/12/2015
Tax assets	259	323
Current tax assets	56	59
Deferred tax assets	203	263
Receivables arising from non-banking activities	53	64
Prepayments and other deferrals	135	132
Clearing claims from securities and payment transfer business	683	134
Lease in progress	63	44
Assets held for sale (IFRS 5)	19	774
Inventories	75	69
Valuation fair value hedge portfolio	48	24
Any other business	147	223
Total	**1,482**	**1,786**

Raiffeisen Bank Polska S.A., Warsaw, and Raiffeisen-Leasing Polska S.A., Warsaw, are involved in a legal dispute with the Polish tax authorities regarding a tax claim in the amount of € 20 million arising from a payment of tax for prior periods, which was paid in the course of a tax inspection in order to avoid late payment interest. The Management Board is however of the opinion that the payment of tax for prior periods was unfounded and expects a positive outcome for the bank from the dispute. The claim is therefore recognized in its full amount in the financial statements.

Application of IFRS 5

The decrease of the item assets held for sale is driven by the sale of Raiffeisen Banka d.d., Maribor, as at 30 June 2016, and the reclassification of ZUNO BANK AG due to the fact that the existing sales process was unsuccessful. Therefore a sale within a one-year period is not likely.

(23) Deposits from banks

Deposits from banks classified regionally (counterparty's seat) break down as follows:

in € million	30/6/2016	31/12/2015
Austria	7,246	6,004
Foreign	9,409	10,366
Total	**16,655**	**16,369**

(24) Deposits from customers

in € million	30/6/2016	31/12/2015
Sight deposits	40,357	37,488
Time deposits	25,282	28,409
Savings deposits	3,301	3,094
Total	**68,941**	**68,991**

in € million	30/6/2016	31/12/2015
Sovereigns	1,259	1,713
Corporate customers – large corporates	28,903	30,644
Corporate customers – mid market	2,830	2,990
Retail customers – private individuals	30,593	28,548
Retail customers – small and medium-sized entities	5,356	5,096
Total	**68,941**	**68,991**

Deposits from customers classified regionally (counterparty's seat) are as follows:

in € million	30/6/2016	31/12/2015
Austria	6,425	7,743
Foreign	62,515	61,248
Total	**68,941**	**68,991**

(25) Debt securities issued

in € million	30/6/2016	31/12/2015
Bonds and notes issued	7,311	7,402
Money market instruments issued	83	94
Other debt securities issued	3	5
Total	**7,397**	**7,502**

(26) Provisions for liabilities and charges

in € million	30/6/2016	31/12/2015
Severance payments and other	94	90
Retirement benefits	35	30
Taxes	144	136
Current	83	78
Deferred	61	57
Contingent liabilities and commitments	117	99
Pending legal issues	89	81
Overdue vacation	56	47
Bonus payments	113	130
Restructuring	14	15
Provisions for banking business due to governmental measures	48	115
Other	50	72
Total	**760**	**814**

As at 30 June 2016, the item other provisions includes provisions related to the resolution fund.

The decline of provisions for banking business due to governmental measures is due to the € 43 million charge for the "Walkaway Law" in Romania and the usage of the provision for the law in Croatia to enforce the conversion of loans denominated in Swiss francs at the historical rates at the time of lending.

Significant outstanding litigation is detailed in the 2015 Annual Report.

(27) Trading liabilities

in € million	30/6/2016	31/12/2015
Negative fair values of derivative financial instruments	**4,281**	**3,943**
Interest-based transactions	2,334	2,005
Currency-based transactions	605	784
Equity-/index-based transactions	1,227	1,024
Credit derivatives business	1	2
Other transactions	115	128
Short-selling of trading assets	**454**	**453**
Certificates issued	**720**	**695**
Total	**5,455**	**5,092**

(28) Derivatives

in € million	30/6/2016	31/12/2015
Negative fair values of derivatives in fair value hedges (IAS 39)	187	195
Negative fair values of derivatives in cash flow hedges (IAS 39)	262	240
Negative fair values of derivatives in net investment hedge (IAS 39)	9	0
Negative fair values of other derivative financial instruments	386	549
Total	**845**	**984**

(29) Other liabilities

in € million	30/6/2016	31/12/2015
Liabilities from non-banking activities	56	75
Accruals and deferred items	180	215
Liabilities from dividends	4	1
Clearing claims from securities and payment transfer business	480	168
Valuation fair value hedge portfolio	105	64
Liabilities held for sale (IFRS 5)	0	1,294
Other liabilities	226	193
Total	**1,051**	**2,010**

The decrease of the item liabilities held for sale is driven by the sale of Raiffeisen Banka d.d., Maribor, as at 30 June 2016, and the reclassification of ZUNO BANK AG due to the fact that the existing sales process was unsuccessful. Therefore a sale within a one-year period is not likely.

(30) Subordinated capital

in € million	30/6/2016	31/12/2015
Hybrid tier 1 capital	397	397
Subordinated liabilities and supplementary capital	3,744	3,768
Total	**4,141**	**4,164**

(31) Equity

in € million	30/6/2016	31/12/2015
Consolidated equity	7,973	7,588
Subscribed capital	892	892
Capital reserves	4,994	4,994
Retained earnings	2,088	1,702
Consolidated profit/loss	210	379
Non-controlling interests	541	535
Total	**8,725**	**8,501**

As at 30 June 2016 subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 894 million. After deduction of 509,977 own shares, the stated subscribed capital totaled € 892 million.

(32) Transferred assets

The following table shows the carrying amount of transferred assets:

30/6/2016	Transferred assets			Associated liabilities		
in € million	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Loans and advances	608	311	297	664	254	410
Trading assets	33	0	33	32	0	32
Financial investments	51	0	51	49	0	49
Total	**692**	**311**	**381**	**745**	**254**	**491**

31/12/2015	Transferred assets			Associated liabilities		
in € million	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Loans and advances	390	328	63	324	268	55
Trading assets	288	0	288	252	0	252
Financial investments	38	0	38	36	0	36
Total	**716**	**328**	**389**	**611**	**268**	**343**

(33) Assets pledged as collateral and received financial assets

Significant limitations regarding the access or use of group assets:

in € million	30/6/2016 Pledged	30/6/2016 Otherwise restricted with liabilities	31/12/2015 Pledged	31/12/2015 Otherwise restricted with liabilities
Loans and advances[1]	7,723	1,790	6,733	1,983
Trading assets[2]	169	48	1,078	56
Financial investments	816	196	573	7
Total	**8,708**	**2,034**	**8,383**	**2,047**

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

The group received collateral, for which selling or repledging is permitted as long as no default occurs in the course of reverse repo transactions, securities lending, derivative or other transactions.

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

in € million	30/6/2016	31/12/2015
Securities and other financial assets accepted as collateral which can be sold or repledged	7,557	1,781
hereof which have been sold or repledged	1,368	308

(34) Offsetting of financial assets and liabilities

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

30/6/2016	Gross amount		Net amount	Related amounts not set-off in the statement of financial position		Net amount
in € million	of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	Financial instruments	Cash collateral received	
Derivatives (legally enforceable)	5,529	1,199	4,330	2,863	26	1,440
Reverse repurchase, securities lending & similar agreements (legally enforceable)	6,551	0	6,551	6,527	0	24
Other financial instruments (legally enforceable)	229	13	216	0	0	216
Total	**12,308**	**1,212**	**11,096**	**9,390**	**26**	**1,679**

30/6/2016	Gross amount		Net amount	Related amounts not set-off in the statement of financial position		Net amount
in € million	of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	Financial instruments	Cash collateral pledged	
Derivatives	5,006	1,199	3,807	2,462	206	1,138
Repurchase, securities lending & similar agreements	904	0	904	882	0	22
Other financial instruments	106	13	93	0	0	93
Total	**6,016**	**1,212**	**4,804**	**3,344**	**206**	**1,254**

31/12/2015	Gross amount		Net amount	Related amounts not set-off in the statement of financial position		Net amount
in € million	of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	Financial instruments	Cash collateral received	
Derivatives (legally enforceable)	4,398	564	3,834	2,694	33	1,108
Reverse repurchase, securities lending & similar agreements	1,327	0	1,327	1,311	0	16
Other financial instruments	213	14	198	0	0	198
Total	**5,938**	**578**	**5,360**	**4,004**	**33**	**1,322**

31/12/2015	Gross amount		Net amount	Related amounts not set-off in the statement of financial position		Net amount
in € million	of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	Financial instruments	Cash collateral pledged	
Derivatives	4,320	564	3,756	2,657	171	928
Repurchase, securities lending & similar agreements	225	0	225	217	0	8
Other financial instruments	101	14	87	0	0	87
Total	**4,646**	**578**	**4,068**	**2,874**	**171**	**1,023**

(35) Derivatives

30/6/2016	Nominal amount by maturity				Fair values	
in € million	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive	Negative
Interest rate contracts	30,394	61,393	48,899	140,685	3,675	(2,683)
Foreign exchange rate and gold contracts	41,734	9,343	2,217	53,293	1,011	(1,101)
Equity/index contracts	1,177	2,114	373	3,664	128	(1,227)
Commodities	126	117	70	313	2	(101)
Credit derivatives	640	435	0	1,075	2	(1)
Precious metals contracts	16	2	16	34	1	(14)
Total	**74,086**	**73,405**	**51,574**	**199,065**	**4,819**	**(5,126)**

31/12/2015	Nominal amount by maturity				Fair values	
in € million	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive	Negative
Interest rate contracts	31,185	62,690	47,476	141,351	3,180	(2,390)
Foreign exchange rate and gold contracts	47,617	10,253	2,231	60,101	1,154	(1,383)
Equity/index contracts	1,251	1,822	403	3,476	70	(1,024)
Commodities	141	129	44	314	0	(111)
Credit derivatives	494	992	0	1,486	2	(2)
Precious metals contracts	22	11	0	33	0	(17)
Total	**80,710**	**75,897**	**50,154**	**206,761**	**4,406**	**(4,927)**

(36) Fair Value of financial instruments

Fair value of financial instruments reported at fair value

	30/6/2016			31/12/2015		
in € million	**Level I**	**Level II**	**Level III**	**Level I**	**Level II**	**Level III**
Trading assets	**2,048**	**4,165**	**21**	**2,764**	**3,890**	**24**
Positive fair values of derivatives[1]	129	3,906	4	64	3,630	2
Shares and other variable-yield securities	155	0	0	203	0	0
Bonds, notes and other fixed-interest securities	1,763	259	17	2,497	259	22
Financial assets at fair value through profit or loss	**1,999**	**2,046**	**51**	**2,225**	**3,072**	**66**
Shares and other variable-yield securities	5	0	1	3	0	1
Bonds, notes and other fixed-interest securities	1,995	2,046	50	2,222	3,072	65
Financial assets available-for-sale	**3,376**	**37**	**90**	**2,930**	**96**	**171**
Other interests[2]	1	26	0	1	0	89
Bonds, notes and other fixed-interest securities	3,375	10	87	2,929	96	79
Shares and other variable-yield securities	0	0	3	0	0	2
Derivatives (hedging)	**0**	**780**	**0**	**0**	**709**	**0**
Positive fair values of derivatives from hedge accounting	0	780	0	0	709	0

1 Including other derivatives.
2 Includes securities traded on the stock exchange as well as shares measured according to income approach.

	30/6/2016			31/12/2015		
in € million	**Level I**	**Level II**	**Level III**	**Level I**	**Level II**	**Level III**
Trading liabilities	**620**	**5,184**	**36**	**525**	**5,087**	**29**
Negative fair values of derivative financial instruments[1]	244	4,398	26	162	4,309	22
Short-selling of trading assets	377	77	0	363	90	0
Certificates issued	0	709	10	0	688	7
Liabilities at fair value through profit and loss	**0**	**1,385**	**0**	**0**	**1,227**	**0**
Debt securities issued	0	1,385	0	0	1,227	0
Derivatives (hedging)	**0**	**459**	**0**	**0**	**435**	**0**
Negative fair values of derivatives from hedge accounting	0	459	0	0	435	0

1 Including other derivatives.

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

Movements between Level I and Level II

Compared to year-end, the share of financial assets classified as Level II decreased. The decrease resulted mainly from divestitures from the category "financial assets at fair value through profit and loss". Compared to year-end, Level I assets also decreased. Moreover, there was a slight shift from Level II to Level I. This was due to the fact that quoted market prices for these financial instruments were available at the reporting date.

Movements in Level III of financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose fair value can not be calculated on the basis of observable market data and are therefore subject to other measurement models. Financial instruments of this category have a value component which is unobservable on the market and which has a material impact on the fair value.

in € million	As at 1/1/2016	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	24	0	(1)	14	(13)
Financial assets at fair value through profit or loss	66	0	3	31	(60)
Financial assets available-for-sale	171	0	1	24	(153)
Derivatives (hedging)	0	0	0	0	(2)

in € million	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 30/6/2016
Trading assets	(3)	0	0	0	21
Financial assets at fair value through profit or loss	12	0	0	0	51
Financial assets available-for-sale	4	43	0	0	90
Derivatives (hedging)	0	2	0	0	0

in € million	As at 1/1/2016	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading liabilities	29	0	0	2	(2)

in € million	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 30/6/2016
Trading liabilities	(2)	0	11	(2)	36

Qualitative information for the valuation of financial instruments in Level III

Financial assets	Type	Fair value in € million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Shares and other variable-yield securities	Closed end real estate fund	0	Net asset value	Haircuts	20 - 50%
Shares and other variable-yield securities	Shares	4	Approximation method	–	n. a.
Other interests	Shares	0	Income approach	Forecasted cash flows	-
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	148	Discounted cash flow method	Credit spread	2 - 20%
Bonds, notes and other fixed-interest securities	Asset backed securities	6	Broker estimate	Probability of default Loss severity Expected prepayment rate	n. a.
Positive fair value of banking book derivatives without hedge accounting	Forward foreign exchange contract	4	Discounted cash flow method	Interest rate	10 - 30%
Total		**161**			

Financial liabilities	Type	Fair value in € million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Negative fair value of banking book derivatives without hedge accounting	OTC options	26	Option model	Closing period Currency risk LT volatility Index category	2 - 16% 0 - 5% 0 - 3% 0 - 5%
Issued certificates for trading purposes	Certificates	10	Option model	Closing period Bid-Ask spread LT volatility Index category	0 - 3% 0 - 3% 0 - 3% 0 - 2.5%
Total		**36**			

Fair value of financial instruments not reported at fair value

30/6/2016 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	9,424	0	9,424	9,424	0
Loans and advances to banks	0	10,179	3,614	13,793	13,675	118
Loans and advances to customers	0	17,236	47,832	65,068	65,517	(449)
Financial investments	5,931	1,194	289	7,414	7,214	200
Liabilities						
Deposits from banks	0	13,800	2,926	16,726	16,655	71
Deposits from customers	0	26,400	42,765	69,165	68,941	224
Debt securities issued	301	3,940	1,826	6,067	6,012	55
Subordinated capital	0	4,102	406	4,508	4,141	368

31/12/2015 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	13,212	0	13,212	13,212	0
Loans and advances to banks	0	7,527	3,280	10,807	10,717	89
Loans and advances to customers	0	15,904	47,530	63,434	63,986	(553)
Financial investments	5,194	1,488	211	6,893	6,685	207
Liabilities						
Deposits from banks	0	13,524	2,887	16,411	16,369	42
Deposits from customers	0	27,280	42,252	69,533	68,991	542
Debt securities issued	272	4,276	1,791	6,338	6,275	64
Subordinated capital	0	4,088	406	4,494	4,164	330

(37) Contingent liabilities and commitments

in € million	30/6/2016	31/12/2015
Contingent liabilities	**8,988**	**9,387**
Acceptances and endorsements	0	26
Credit guarantees	5,036	4,929
Other guarantees	2,773	2,986
Letters of credit (documentary business)	976	1,238
Other contingent liabilities	203	208
Commitments	**10,175**	**9,980**
Irrevocable credit lines and stand-by facilities	10,175	9,980
Up to 1 year	3,128	2,894
More than 1 year	7,047	7,086

Risk report

(38) Risks arising from financial instruments

Active risk management is a core competency of the Group. In order to effectively identify, measure, and manage risks the Group continues to develop its comprehensive risk management system. Risk management is an integral part of overall bank management. In particular, in addition to legal and regulatory requirements, it takes into account the nature, scale and complexity of the business activities and the resulting risks. The principles and organization of risk management are disclosed in the relevant sections of the 2015 Annual Report, pages 144 ff.

Economic capital

Economic capital constitutes a fundamental aspect of overall bank risk management. It defines the internal capital requirement for all material risk categories based on comparable models and thereby facilitates an aggregated view of the Group's risk profile. Economic capital is therefore an important instrument in Group risk management and is used for making risk-adjusted business decisions and in performance measurement. For this purpose, a business unit's profit is set in relation to the economic capital attributed to the unit (return on risk-adjusted capital, RORAC).

Risk contribution of individual risk types to economic capital:

in € million	30/6/2016	Share	31/12/2015[1]	Share
Credit risk corporate customers	1,500	27.3%	1,596	28.5%
Credit risk retail customers	1,228	22.4%	1,200	21.4%
Operational risk	595	10.8%	639	11.4%
Macroeconomic risk	499	9.1%	499	8.9%
FX risk capital position	305	5.6%	247	4.4%
Credit risk sovereigns	306	5.6%	388	6.9%
Market risk	238	4.3%	211	3.8%
Other tangible fixed assets	219	4.0%	216	3.9%
Credit risk banks	177	3.2%	172	3.1%
Participation risk	118	2.1%	109	1.9%
Liquidity risk	17	0.3%	23	0.4%
CVA risk	30	0.6%	32	0.6%
Risk buffer	262	4.8%	267	4.8%
Total	**5,494**	**100.0%**	**5,599**	**100.0%**

1 Adaptation of previous year figures.

As at 30 June 2016, the risk category FX risk capital position was separately shown for the first time and represents the FX risk arising from the capital positions denominated in foreign currency. A longer holding period (one year) is assumed for currencies which can not be hedged. Diversification effects between the two risk categories of market risk cease to apply due to the separation. The comparable 31 December 2015 figures for market risk and FX risk capital position were adjusted in accordance with the methodology implemented as of 30 June 2016.

Regional allocation of economic capital according to Group unit domicile:

in € million	30/6/2016	Share	31/12/2015	Share
Central Europe	2,127	38.7%	2,268	40.5%
Southeastern Europe	1,287	23.4%	1,252	22.4%
Eastern Europe	1,022	18.6%	968	17.3%
Austria	1,041	18.9%	1,076	19.2%
Rest of World	17	0.3%	35	0.6%
Total	**5,494**	**100.0%**	**5,599**	**100.0%**

The Group uses a confidence level of 99.92 per cent for calculating economic capital. This confidence level is derived from the probability of default implied by the target rating. Based on the empirical analysis of rating agencies, the selected confidence level corresponds to a rating of "single A". 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.

Credit risk

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

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

In the reporting period, the presentation of the total credit exposure was extended to include loans and advances contained in synthetic securitizations. The values for the comparable periods were adjusted accordingly.

in € million	30/6/2016	31/12/2015[2]
Cash reserve	7,043	10,717
Loans and advances to banks	13,747	10,837
Loans and advances to customers	70,825	69,921
Trading assets	5,414	5,814
Derivatives	1,600	1,574
Financial investments	14,454	14,915
Other assets	1,096	1,511
Contingent liabilities	8,988	9,387
Commitments	10,175	9,980
Revocable credit lines	16,349	15,775
Disclosure differences	(1,109)	538
Total[1]	**148,581**	**150,969**

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

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

Rating models in the main non-retail asset classes – corporates, banks, and sovereigns – are uniform in all Group units and rank creditworthiness in 27 grades for corporate customers and 10 grades for banks and sovereigns. For retail asset classes, country specific scorecards are developed based on uniform Group standards. Customer rating, as well as validation is supported by specific software tools (e.g. business valuation tools, rating and default database).

Credit portfolio – Corporates

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

in € million		30/6/2016	Share	31/12/2015[1]	Share
1	Minimal risk	3,974	5.9%	3,583	5.2%
2	Excellent credit standing	8,818	13.0%	8,841	12.9%
3	Very good credit standing	9,544	14.1%	8,320	12.1%
4	Good credit standing	9,965	14.7%	10,851	15.8%
5	Sound credit standing	12,469	18.4%	11,937	17.4%
6	Acceptable credit standing	10,687	15.8%	10,541	15.3%
7	Marginal credit standing	4,767	7.0%	5,728	8.3%
8	Weak credit standing / sub-standard	1,954	2.9%	2,243	3.3%
9	Very weak credit standing / doubtful	736	1.1%	972	1.4%
10	Default	4,582	6.8%	5,622	8.2%
NR	Not rated	217	0.3%	111	0.2%
Total		**67,712**	**100.0%**	**68,750**	**100.0%**

1 Adaptation of previous year figures.

Compared to year-end 2015, the total credit exposure to corporate customers decreased € 1,038 million to € 67,712 million.

The credit exposure rated as good credit standing through to minimal risk increased € 706 million, representing a share of 47.7 per cent (31/12/2015: 46.0 per cent). The share of exposure with marginal credit standing through to very weak/doubtful credit profiles decreased from 13.0 per cent to 11.0 per cent.

At the end of the second quarter, the largest segment in terms of corporate customers was Group Corporates at € 22,118 million, followed by Central Europe at € 12,527 million, Southeastern Europe at € 9,012 million and Eastern Europe at € 8,893 million. The remaining exposure is allocated to Non-Core at € 7,039 million, Group Markets at € 5,461 million and Corporate Center at € 643 million. Compared to year-end 2015, the Non-Core segment reported the largest reduction, primarily attributable to a decline in facility financing and documentary letters of credit. The Corporate Center segment recorded a decline largely due to a reduction in credit financing and guarantees given, which was partially offset by increased facility financing. The declines in these segments were partially offset by a rise in the Group Markets segment as a result of an increase in repo and swap transactions.

The credit exposure in rating grade 3 – very good credit standing – increased € 1,224 million to € 9,544 million due to a rise in repo and swap business. The credit exposure in rating grade 4 – good credit standing – decreased € 886 million to € 9,965 million mainly resulting from a decline in facility financing and guarantees given. The decline of credit exposure in rating grade 7 – marginal credit standing – of € 961 million to € 4,767 million was due to a decrease in credit and facility financing.

A large part of the reduction of credit exposure in rating grade 10 – default – resulted from the derecognition of uncollectible loans.

The rating model for project finance has five grades and takes both individual probability of default and available collateral into account. The project finance exposure is composed as shown in the table below:

in € million		30/6/2016	Share	31/12/2015[1]	Share
6.1	Excellent project risk profile – very low risk	4,373	54.1%	3,907	48.3%
6.2	Good project risk profile – low risk	1,579	19.5%	2,180	27.0%
6.3	Acceptable project risk profile – average risk	858	10.6%	676	8.4%
6.4	Poor project risk profile – high risk	286	3.5%	414	5.1%
6.5	Default	956	11.8%	895	11.1%
NR	Not rated	34	0.4%	11	0.1%
Total		**8,085**	**100.0%**	**8,084**	**100.0%**

1 Adaptation of previous year figures.

At the end of the second quarter, the credit exposure to project finance amounted to € 8,085 million. At 73.6 per cent, projects rated in the two best rating grades, excellent project risk profile – very low risk and good project risk profile – low risk, accounted for the highest share of the portfolio. This reflects mainly the high level of collateralization in specialized lending transactions.

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

in € million	30/6/2016	Share	31/12/2015[1]	Share
Central Europe	22,294	29.4%	22,881	29.8%
Austria	14,173	18.7%	14,407	18.8%
Eastern Europe	11,840	15.6%	11,875	15.5%
Southeastern Europe	10,322	13.6%	10,301	13.4%
Western Europe	11,005	14.5%	9,384	12.2%
Asia	2,439	3.2%	3,551	4.6%
Other	3,724	4.9%	4,436	5.8%
Total	**75,798**	**100.0%**	**76,834**	**100.0%**

1 Adaptation of previous year figures.

Compared to year-end 2015, the credit exposure declined € 1,036 million to € 75,798 million. The decline in Asia mainly resulted from documentary letters of credit and facility and credit financing in China, and from credit financing in Indonesia. The decrease in the "other" category was due to credit and facility financing in the US. A decline in credit financing, foreign currencies and guarantees given posted in Switzerland was also reported under "other". The rise in Western Europe was attributable to increasing repo transactions in France and increasing swap and repo transactions in Great Britain.

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

in € million	30/6/2016	Share	31/12/2015[1]	Share
Manufacturing	17,052	22.5%	17,023	22.2%
Wholesale and retail trade	15,877	20.9%	17,043	22.2%
Financial intermediation	9,718	12.8%	8,534	11.1%
Real estate	8,715	11.5%	8,644	11.3%
Construction	5,121	6.8%	5,568	7.2%
Freelance/technical services	4,093	5.4%	4,105	5.3%
Transport, storage and communication	3,299	4.4%	3,531	4.6%
Electricity, gas, steam and hot water supply	3,255	4.3%	3,734	4.9%
Other industries	8,667	11.4%	8,652	11.3%
Total	**75,798**	**100.0%**	**76,834**	**100.0%**

1 Adaptation of previous year figures.

Credit portfolio – Retail customers

Retail customers are subdivided into private individuals and small and medium-sized entities (SMEs). For retail customers a two-fold scoring system is used – consisting of the initial and ad-hoc scoring based on customer data and of the behavioral scoring based on account data.

The table below provides a breakdown of the retail credit exposure:

in € million	30/6/2016	Share	31/12/2015	Share
Retail customers – private individuals	25,458	88.5%	24,619	88.4%
Retail customers – small and medium-sized entities	3,292	11.5%	3,225	11.6%
Total	**28,751**	**100.0%**	**27,844**	**100.0%**
hereof non-performing loans	2,293	8.0%	2,283	8.2%
hereof individual loan loss provision	1,596	5.5%	1,669	6.0%
hereof portfolio-based loan loss provision	207	0.7%	207	0.7%

The total credit exposure of retail customers breaks down by segments as follows (excluding Corporate Center):

30/6/2016 in € million	Central Europe	Southeastern Europe	Eastern Europe	Non-Core	Group Markets
Retail customers – private individuals	9,336	6,957	3,492	5,661	13
Retail customers – small and medium-sized entities	1,207	900	452	732	2
Total	**10,543**	**7,857**	**3,944**	**6,393**	**14**
hereof non-performing loans	536	533	808	415	0
hereof individual loan loss provision	276	339	728	243	0
hereof portfolio-based loan loss provision	80	64	42	20	0

31/12/2015 in € million	Central Europe	Southeastern Europe	Eastern Europe	Non-Core	Group Markets
Retail customers – private individuals	8,362	6,892	3,411	5,940	13
Retail customers – small and medium-sized entities	1,095	903	447	778	2
Total	**9,458**	**7,795**	**3,858**	**6,718**	**15**
hereof non-performing loans	424	547	901	411	0
hereof individual loan loss provision	269	319	806	233	0
hereof portfolio-based loan loss provision	80	51	48	23	0

Compared to year-end 2015, the total retail credit exposure increased € 907 million to € 28,751 million in the first half year. The highest volume of € 10,543 million was reported in the Central Europe segment. Compared to year-end 2015, this was a rise of € 1,085 million, mainly attributable to the Czech Republic and Slovakia. Slovakia recorded an increase in loans to private individuals. In the Czech Republic, the increase was also due to a rise in loans to private individuals, and to the purchase of a loan portfolio. The second largest segment was Southeastern Europe at € 7,857 million, representing an increase of € 62 million compared to year-end 2015. The Eastern Europe segment reported growth of € 86 million to € 3,944 million. The credit volumes in Russia declined due to the exit from the automobile financing business; however, the appreciation of the Russian rouble led to an overall increase in retail credit exposure in Russia. This was, however, partly offset by the reduction of loans to private individuals in Ukraine and devaluation of the Belarusian rouble and the Ukrainian hryvnia. Compared to year-end 2015, the Non-Core segment showed a decrease of € 325 million mainly due to lower mortgage loans in Poland.

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

in € million	30/6/2016	Share	31/12/2015	Share
Mortgage loans	14,944	52.0%	14,978	53.8%
Personal loans	6,233	21.7%	5,945	21.4%
Credit cards	3,128	10.9%	2,441	8.8%
Car loans	1,045	3.6%	1,251	4.5%
Overdraft	1,655	5.8%	1,699	6.1%
SME financing	1,746	6.1%	1,529	5.5%
Total	**28,751**	**100.0%**	**27,844**	**100.0%**

Credit cards posted a rise of € 687 million, mainly attributable to the acquisition of a credit portfolio in the Czech Republic. Car loans decreased € 206 million to € 1,045 million, as no new financing in this area was undertaken as a result of a change of strategy in Russia.

The share of foreign currency loans in the retail portfolio provides an indication of potential change in default rates if the exchange rate of the domestic currency changes. The internal risk assessment thus takes into account not only the share of foreign currency loans but also the usually stricter lending criteria when granting the loan and – in several countries – the customer's matching foreign currency income.

in € million	30/6/2016	Share	31/12/2015	Share
Swiss franc	3,156	42.7%	3,585	44.8%
Euro	3,595	48.7%	3,617	45.2%
US-Dollar	631	8.5%	794	9.9%
Other foreign currencies	4	0.1%	3	0.0%
Loans in foreign currencies	**7,386**	**100.0%**	**8,000**	**100.0%**
Share of total loans	**25.7%**		**28.7%**	

The decrease in foreign currency loans denominated in Swiss francs mainly resulted from the legal regulations related to the mandatory conversion of loans at historical rates at the time of lending in Croatia.

Credit portfolio – Banks

The banks asset class mainly contains banks and securities firms. The internal rating model for these institutions is based on a peer-group approach that takes both qualitative and quantitative information into account. The final rating for banks is capped by the country rating of the respective home country.

The following table shows the total credit exposure by internal rating for banks (excluding central banks). Due to the small number of customers (or observable defaults), the default probabilities of individual rating grades in this asset class are calculated based on a combination of internal and external data.

in € million		30/6/2016	Share	31/12/2015	Share
A1	Excellent credit standing	0	0.0%	0	0.0%
A2	Very good credit standing	2,013	9.6%	1,854	10.9%
A3	Good credit standing	2,051	9.8%	1,803	10.6%
B1	Sound credit standing	10,659	51.1%	9,295	54.7%
B2	Average credit standing	2,813	13.5%	1,115	6.6%
B3	Mediocre credit standing	1,303	6.2%	1,033	6.1%
B4	Weak credit standing	1,350	6.5%	1,321	7.8%
B5	Very weak credit standing	446	2.1%	277	1.6%
C	Doubtful/high default risk	138	0.7%	158	0.9%
D	Default	95	0.5%	137	0.8%
NR	Not rated	4	0.0%	3	0.0%
Total		**20,871**	**100.0%**	**16,997**	**100.0%**

The total credit exposure amounted to € 20,871 million at the end of the second quarter. Compared to year-end 2015, this was an increase of € 3,874 million resulting mainly from a rise in repo and swap business and was partly offset by a reduction in the portfolio of bank bonds and in credit financing.

At € 10,659 million, or 51.1 per cent, the bulk of this customer group was in the rating grade B1, which increased € 1,364 million compared to year-end 2015. This resulted mainly from repo business, but was partly offset by a reduction in the portfolio of bank bonds and in money market business. The changes in the other rating grades, such as B2 – with an increase of € 1,698 million to € 2,813 million – or A2, A3, B3 and B5 were primarily due to an increase in repo transactions.

At € 15,472 million, or 74.1 per cent, the Group Markets segment accounted for the largest proportion of the portfolio relating to banks, followed by the Southeastern Europe segment at € 1,567 million or 7.5 per cent.

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

in € million	30/6/2016	Share	31/12/2015	Share
Repo	5,850	28.0%	1,157	6.8%
Derivatives	4,244	20.3%	3,886	22.9%
Loans	4,091	19.6%	4,728	27.8%
Money market	3,056	14.6%	3,067	18.0%
Bonds	2,494	11.9%	2,895	17.0%
Other	1,135	5.4%	1,263	7.4%
Total	**20,871**	**100.0%**	**16,997**	**100.0%**

Credit portfolio – Sovereigns

Another asset class is formed by central governments, central banks, and regional municipalities as well as other public sector entities. The table below provides a breakdown of the total credit exposure to sovereigns (including central banks) by internal rating:

in € million		30/6/2016	Share	31/12/2015	Share
A1	Excellent credit standing	3,678	15.9%	8,323	28.4%
A2	Very good credit standing	609	2.6%	892	3.0%
A3	Good credit standing	4,635	20.0%	4,564	15.6%
B1	Sound credit standing	3,787	16.4%	4,206	14.4%
B2	Average credit standing	2,392	10.3%	3,117	10.6%
B3	Mediocre credit standing	5,066	21.9%	2,637	9.0%
B4	Weak credit standing	1,518	6.6%	4,178	14.3%
B5	Very weak credit standing	770	3.3%	721	2.5%
C	Doubtful/high default risk	705	3.0%	618	2.1%
D	Default	2	0.0%	3	0.0%
NR	Not rated	0	0.0%	34	0.1%
Total		**23,161**	**100.0%**	**29,294**	**100.0%**

Compared to year-end 2015, the credit exposure to sovereigns fell € 6,133 million to € 23,161 million in the first half. It accounted for 15.6 per cent (31/12/2015: 19.4 per cent) of the total credit exposure.

The rating grade excellent credit standing (A1 rating) showed a decrease of € 4,645 million. This resulted mainly from a reduction in the minimum reserve at the Austrian National Bank (down € 4,522 million).

The intermediate rating grades, good credit standing (A3 rating) to mediocre credit standing (B3 rating), accounted for the highest share at 68.6 per cent of the total credit exposure. The high level of exposure in the intermediate rating grades was mainly due to deposits of Group units in Central and Southeastern Europe and the Non-Core segment at their local central banks. These serve to meet the respective minimum reserve requirements or are used to manage excess liquidity on a short-term basis, and are therefore inextricably linked to the business activities in these countries. Furthermore, this high exposure also derived from bonds issued by central banks and governments in Central and Southeastern Europe and in the Non-Core segment. The fall in rating grade B1 was mainly due to a decrease in the portfolio of Polish state bonds and to a reduction in the minimum reserve at the Polish National Bank. The decline in rating grade B2 resulted from a decline in the portfolio of bonds in Romania, Italy and Slovenia. The rise in the rating grade B3 was due to an improvement in the internal rating for Hungary from B4 to B3.

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

in € million	30/6/2016	Share	31/12/2015	Share
Bonds	13,349	57.6%	14,448	49.3%
Loans	9,203	39.7%	14,089	48.1%
Derivatives	528	2.3%	719	2.5%
Other	82	0.4%	38	0.1%
Total	**23,161**	**100.0%**	**29,294**	**100.0%**

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

in € million	30/6/2016	Share	31/12/2015	Share
Hungary	2,394	29.7%	2,625	32.0%
Bulgaria	959	11.9%	943	11.5%
Croatia	828	10.3%	995	12.1%
Albania	733	9.1%	857	10.5%
Serbia	508	6.3%	504	6.1%
Bosnia and Herzegovina	539	6.7%	478	5.8%
Russia	844	10.5%	604	7.4%
Ukraine	486	6.0%	397	4.8%
Vietnam	154	1.9%	160	2.0%
Belarus	195	2.4%	211	2.6%
Other	421	5.2%	419	5.1%
Total	**8,061**	**100.0%**	**8,191**	**100.0%**

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

Compared to year-end 2015, the credit exposure to sovereigns in non-investment grade decreased € 130 million to € 8,061 million. Hungary reported a decline in money market transactions, which was partially offset by a rise in Republic of Hungary bonds. The decline in Croatia resulted from a reduction in the minimum reserves at the Croatian National Bank and from a decline in Republic of Croatia bonds as well as from a decrease in credit financing. The reduction in Albania was mainly due to a decline in Republic of Albania bonds. The decline in credit exposure to sovereigns in non-investment grade was offset by an increase in Russia. This resulted from an increase of the minimum reserve at the Russian Central Bank and in the bond portfolio, along with a rise in money market transactions.

Credit risk mitigation

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

30/6/2016	Maximum credit exposure		Fair value of collateral
in € million	Net exposure	Commitments/guarantees issued	
Banks	13,675	2,989	5,562
Sovereigns	653	547	426
Corporate customers – large corporates	38,831	27,177	23,268
Corporate customers – mid market	2,557	966	1,936
Retail customers – private individuals	20,897	3,353	12,519
Retail customers – small and medium-sized entities	2,580	482	1,894
Total	**79,193**	**35,512**	**45,605**

31/12/2015	Maximum credit exposure		Fair value of collateral
in € million	Net exposure	Commitments/guarantees issued	
Banks	10,717	1,983	1,933
Sovereigns	809	436	422
Corporate customers – large corporates	37,907	28,329	25,366
Corporate customers – mid market	2,497	1,042	2,083
Retail customers – private individuals	20,295	2,859	12,408
Retail customers – small and medium-sized entities	2,478	495	1,844
Total	**74,703**	**35,144**	**44,056**

Non-performing exposure (NPE)

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

The crucial aspect in deciding whether a loan is forborne is the financial situation of a customer at the time the terms or loan conditions are altered. If based on the customer's creditworthiness (taking the internal early warning system into account) it can be assumed, at the point when the loan terms or conditions are altered, that the customer is in financial difficulties and if the modification is assessed as a concession, such loans are designated as forborne. If such a modification for a loan previously considered as non-performing is carried out, then the loan is assessed as non-performing exposure (NPE) irrespective of whether a reason for default pursuant to Article 178 CRR exists. The decision on whether a loan is classified as forborne/NPE does not trigger an individual loan loss provision in respect of the customer; this is based on the default definition of CRD IV/CRR.

In the retail sector, restructured loans are subject to an observation period of at least three months in order to ensure that the customer meets the re-negotiated terms. In those cases where the customer concerned meets the re-negotiated terms and the credit exposure was not overdue for 180 days before the re-negotiation, the credit exposure is transferred from the portfolio in observation to the living portfolio. Those credit exposures already overdue for more than 180 days prior to the re-negotiation or those customers who did not meet the re-negotiated terms remain in the portfolio which is fully impaired.

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

in € million	30/6/2016	Share	31/12/2015	Share
Central Europe	38	15%	57	15%
Southeastern Europe	120	46%	119	31%
Eastern Europe	22	9%	68	18%
Group Corporates	31	12%	87	23%
Group Markets	0	0%	0	0%
Corporate Center	0	0%	0	0%
Non-Core	47	18%	53	14%
Total	**258**	**100%**	**383**	**100%**
hereof non-banks	258	100%	383	100%

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

	Refinancing		Instruments with modified time and modified conditions		NPE total	
in € million	30/6/2016	31/12/2015	30/6/2016	31/12/2015	30/6/2016	31/12/2015
Corporate customers	0	15	59	159	60	174
Retail customers	23	29	175	180	198	209
Banks	0	0	0	0	0	0
Sovereigns	0	0	0	0	0	0
Total	**24**	**44**	**235**	**339**	**258**	**383**

The decrease in non-performing exposure of € 125 million to € 258 million was primarily due to the reclassification of corporate customers to performing exposure.

In the non-retail sector, financial difficulties are measured by means of an internal early warning system which is based on numerous representative and accepted input factors for customer risk classification (e.g. overdue days, rating downgrade etc.). IAS 39 requires that impairments must be derived from an incurred loss event; defaults pursuant to Article 178 CRR are still the main indicators for individual and portfolio-based loan loss provisions. The transfer of forborne exposures to the living portfolio is not automatically carried out after the determined monitoring period. Additionally, an expert opinion has to be obtained confirming that the circumstances of the customer concerned have improved.

Non-performing loans (NPL) and provisioning

According to Article 178 CRR, a default and thus a non-performing loan (NPL) applies if it can be assumed that a customer is unlikely to fulfill all of its credit obligations to the bank, or if the debtor is overdue at least 90 days on any material credit obligation to the bank. For non-retail customers, the Group has defined twelve different indicators which are used to identify a default event. For example, a default event applies if a customer is involved in insolvency or similar proceedings, if it has been necessary to apply an impairment or direct write-down of a customer loan or if credit risk management has judged a customer account receivable to be not wholly recoverable.

Within the Group, a Group-wide default database is used for collecting and documenting customer defaults. The database also tracks the reasons for defaults, which enables the calculation and validation of default probabilities.

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

The following table shows the development of non-performing loans in the defined asset classes loans and advances to customers and loans and advances to banks (excluding items off the statement of financial position):

in € million	As at 1/1/2016	Change in consolidated group/ Exchange differences	Additions	Disposals	As at 30/6/2016
Corporate customers	6,051	(45)	557	(1,477)	5,087
Retail customers	2,274	(37)	424	(386)	2,276
Sovereigns	3	(1)	0	(1)	2
Total non-banks	**8,328**	**(83)**	**982**	**(1,863)**	**7,364**
Banks	127	(1)	0	(38)	88
Total	**8,456**	**(83)**	**982**	**(1,902)**	**7,452**

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

	NPL		NPL ratio		NPL coverage ratio	
in € million	30/6/2016	31/12/2015	30/6/2016	31/12/2015	30/6/2016	31/12/2015
Corporate customers	5,087	6,051	10.5%	12.5%	67.8%	68.1%
Retail customers	2,276	2,274	9.0%	9.2%	78.3%	80.0%
Sovereigns	2	3	0.6%	0.8%	250.1%	129.8%
Total non-banks	**7,364**	**8,328**	**10.4%**	**11.9%**	**72.1%**	**71.3%**
Banks	88	127	0.5%	0.7%	81.3%	94.1%
Total	**7,452**	**8,456**	**8.8%**	**10.5%**	**72.2%**	**71.6%**

The volume of non-performing loans to non-banks decreased € 964 million due to the improved economic environment in many markets and the derecognition of economically uncollectible loans in the statement of financial position. The NPL ratio decreased 1.5 percentage points to 10.4 per cent.

At the end of the second quarter, corporate customers posted a year-to-date € 965 million decline to € 5,087 million. The ratio of non-performing loans to credit exposure decreased 2.0 percentage points to 10.5 per cent; the NPL coverage ratio went down 0.3 percentage points to 67.8 per cent. In the retail portfolio, non-performing loans rose 0.1 per cent, or € 2 million, to € 2,276 million. The ratio of non-performing loans to credit exposure decreased 0.2 percentage points to 9.0 per cent; the NPL coverage ratio decreased 1.8 percentage points to 78.3 per cent. For banks, non-performing loans at the end of the second quarter amounted to € 88 million, € 39 million down on the year-end 2015; the NPL coverage ratio declined 12.8 percentage points to 81.3 per cent.

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

	NPL		NPL ratio		NPL coverage ratio	
in € million	**30/6/2016**	**31/12/2015**	**30/6/2016**	**31/12/2015**	**30/6/2016**	**31/12/2015**
Central Europe	1,369	1,331	6.3%	6.4%	69.2%	75.3%
Southeastern Europe	1,495	1,587	10.3%	10.7%	72.9%	71.6%
Eastern Europe	1,754	1,902	14.1%	15.1%	84.1%	86.4%
Group Corporates	899	1,268	6.1%	9.1%	55.2%	56.7%
Group Markets	143	415	1.4%	5.7%	62.8%	82.0%
Corporate Center	41	49	0.7%	0.6%	81.8%	78.9%
Non-Core	1,751	1,903	14.2%	14.1%	71.3%	62.4%
Total	**7,452**	**8,456**	**8.8%**	**10.5%**	**72.2%**	**71.6%**
hereof non-banks	7,364	8,328	10.4%	11.9%	72.1%	71.3%

The decline in non-performing loans in the Group Corporates segment was particularly significant, falling 29.1 per cent, or € 369 million, to € 899 million. This was primarily caused by the derecognition of uncollectible loans in Austria. The ratio of non-performing loans to credit exposure fell 3.0 percentage points to 6.1 per cent; the NPL coverage ratio decreased 1.5 percentage points to 55.2 per cent. In the Group Markets segment, non-performing loans declined 65.5 per cent, or € 272 million, to € 143 million due to derecognition of uncollectible loans. The NPL ratio fell 4.3 percentage points to 1.4 per cent; the NPL coverage ratio decreased 19.2 percentage points to 62.8 per cent. The Non-Core segment reported a decline in non-performing loans of 8.0 per cent, or € 152 million, to € 1,751 million, primarily due to the sale of Raiffeisen Banka d.d., Maribor, in Slovenia and the derecongition of uncollectible loans in Asia. The ratio of non-performing loans to credit exposure increased 0.1 percentage points compared to year-end 2015 to 14.2 per cent; the NPL coverage ratio rose 8.9 percentage points to 71.3 per cent. The Eastern Europe segment recorded a decline in non-performing loans of 7.8 per cent, or € 149 million, to € 1,754 million, largely due to sales of non-performing loans of € 61 million in Ukraine. The ratio of non-performing loans to credit exposure decreased 1.0 percentage point to 14.1 per cent; the NPL coverage ratio decreased 2.3 percentage points to 84.1 per cent. In Southeastern Europe, non-performing loans fell 5.8 per cent, or € 92 million, to € 1,495 million. Whereas declines due to sales of € 21 million were reported in Bulgaria, Romania and Croatia, non-performing loans increased in Albania. The NPL ratio fell 0.4 percentage points to 10.3 per cent; in contrast, the NPL coverage ratio increased 1.3 percentage points to 72.9 per cent. In Central Europe, non-performing loans increased 2.9 per cent, or € 38 million, to € 1,369 million, primarily attributable to rises in the Czech Republic. The NPL ratio decreased 0.1 percentage points to 6.3 per cent; the NPL coverage ratio declined 6.1 percentage points to 69.2 per cent.

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

in € million	As at 1/1/2016	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 30/6/2016
Individual loan loss provisions	5,772	4	866	(434)	(1,052)	(18)	5,137
Loans and advances to banks	118	0	2	(6)	(42)	0	70
Loans and advances to customers	5,581	4	820	(405)	(1,010)	(17)	4,972
Off-balance sheet obligations	73	1	45	(23)	0	0	95
Portfolio-based loan loss provisions	382	0	116	(143)	0	3	359
Loans and advances to banks	2	0	0	(1)	0	0	2
Loans and advances to customers	354	0	109	(131)	0	3	336
Off-balance sheet obligations	26	0	7	(11)	0	0	22
Total	**6,154**	**5**	**982**	**(577)**	**(1,052)**	**(15)**	**5,497**

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

The sale of Raiffeisen Banka d.d., Maribor is not reflected in the provisions, as at year-end 2015 both assets and provisions were already reported under the item other assets, assets held for sale, in accordance with IFRS 5.

Concentration risk

The Group's credit portfolio is well diversified in terms of geographical region and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence, portfolio granularity is high. The regional breakdown of the loans reflects the broad diversification of credit business in the European markets of the Group.

The following table shows the regional distribution of the credit exposure of all asset classes by the borrower's home country and grouped by regions:

in € million	30/6/2016	Share	31/12/2015[1]	Share
Austria	**21,653**	**14.6%**	**26,731**	**17.7%**
Central Europe	**50,368**	**33.9%**	**51,179**	**33.9%**
Poland	15,633	10.5%	16,375	10.8%
Czech Republic	13,994	9.4%	12,368	8.2%
Slovakia	13,258	8.9%	13,856	9.2%
Hungary	7,101	4.8%	7,555	5.0%
Other	383	0.3%	1,024	0.7%
Other European Union	**24,197**	**16.3%**	**19,047**	**12.6%**
Germany	6,376	4.3%	6,090	4.0%
Great Britain	5,425	3.7%	4,536	3.0%
France	4,682	3.2%	2,169	1.4%
Spain	2,175	1.5%	795	0.5%
Netherlands	1,651	1.1%	1,744	1.2%
Italy	1,002	0.7%	1,102	0.7%
Other	2,886	1.9%	2,611	1.7%
Southeastern Europe	**24,155**	**16.3%**	**24,498**	**16.2%**
Romania	8,760	5.9%	8,902	5.9%
Croatia	4,799	3.2%	5,011	3.3%
Bulgaria	3,956	2.7%	3,906	2.6%
Serbia	2,003	1.3%	1,953	1.3%
Bosnia and Herzegovina	2,145	1.4%	2,124	1.4%
Albania	1,774	1.2%	1,912	1.3%
Other	719	0.5%	689	0.5%
Asia	**3,895**	**2.6%**	**5,282**	**3.5%**
China	1,153	0.8%	1,780	1.2%
Other	2,741	1.8%	3,503	2.3%
Eastern Europe	**18,769**	**12.6%**	**18,017**	**11.9%**
Russia	13,376	9.0%	12,522	8.3%
Ukraine	3,418	2.3%	3,547	2.3%
Belarus	1,433	1.0%	1,471	1.0%
Other	541	0.4%	478	0.3%
North America	**2,544**	**1.7%**	**3,058**	**2.0%**
Switzerland	**1,821**	**1.2%**	**1,931**	**1.3%**
Rest of World	**1,178**	**0.8%**	**1,225**	**0.8%**
Total	**148,581**	**100.0%**	**150,969**	**100.0%**

1 Adaptation of previous year figures.

The Group does not own any banking subsidiaries that are incorporated in the so-called European periphery countries. Nonetheless, some of the bank's loans and advances are to customers domiciled in these countries and result from credit financing and capital markets activities. The Group holds no material volumes of government bonds issued by these countries.

Market risk

Market risk management is based on figures from an internal model that calculates value-at-risk (VaR) for changes in the following risk factors: foreign exchange, interest rate changes, credit spreads, implied volatility and equity indices. The Austrian Financial Market Authority approved this model so that it can be used for calculating total capital requirements for market risks.

The following table shows the VaR for overall market risk in the trading and banking book for each risk type. The VaR is dominated by risk arising from equity positions held in foreign currencies, structural interest rate risks and credit spread risks arising from the bond books (frequently held as a liquidity reserve).

Total VaR 99% 1d in € million	**VaR as at 30/6/2016**	**Average VaR**	**Minimum VaR**	**Maximum VaR**	**VaR as at 31/12/2015**
Currency risk	30	27	19	39	29
Interest rate risk	7	8	5	16	6
Credit spread risk	12	11	7	16	17
Share price risk	1	1	0	1	1
Vega risk	3	2	1	5	1
Total	46	37	27	48	33

Exchange rate risk on total bank level also includes equity of subsidiaries denominated in foreign currency. The structural exchange rate risk resulting from equity capital is managed independently from the mainly short-term trading positions.

Liquidity risk

The following table shows the liquidity gap 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 all items on the statement of financial position 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 securities lending transactions).

in € million	**30/6/2016**			**31/12/2015**		
Maturity	**1 week**	**1 month**	**1 year**	**1 week**	**1 month**	**1 year**
Liquidity gap	21,019	21,225	22,631	21,316	19,783	23,431
Liquidity ratio	168%	151%	127%	182%	147%	127%

Limits are used in each Group unit in order to limit liquidity risk. They require a positive short-term liquidity gap based on the internal liquidity model. The Group 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 case of a liquidity shortage in the Group, contingency plans would come into force. Such prioritized action lists for handling liquidity needs exist for all major Group units.

Liquidity coverage ratio

RBI meets all regulatory requirements related to liquidity risk management. They are monitored on Group and on individual unit level and limited by a comprehensive limit system. The calculation of expected inflows and outflows of funds is based on a centrally steered and consistent model approach.

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

As of October 2015, a regulatory minimum ratio for the LCR of 70 per cent is applicable which will be raised to 100 per cent by 2018.

in € million	30/6/2016	31/12/2015
Average liquid assets	**11,583**	**17,898**
Net outflows	**5,513**	**9,902**
Inflows	12,968	10,394
Outflows	18,481	20,296
LCR	**210%**	**181%**

Compared to year-end 2015, the LCR was higher at the end of the first half of 2016. The decline in the LCR originally expected in the first half of 2016 did not occur, as the planned sale of Zuno and the related outflow of stable deposits did not take place.

Additional notes

(39) Capital management and total capital according to CRR/CRD IV and Austrian Banking Act (BWG)

From a regulatory view, RBI Group is part of RZB credit institution group and moreover RBI Group is supervised on a subgroup level according to Article 11 paragraph 5 CRR (Capital Requirement Regulation) based on the Austrian Financial Market Authority (FMA) decision from 24 October 2014. Therefore RBI AG is the superordinated credit institution for the subgroup in terms of Section 30 of the Austrian Banking Act. Furthermore, RBI AG as an individual institution has to adhere to the legal capital regulations.

Based on an annually undertaken Supervisory Review and Evaluation Process (SREP), the ECB instructs RBI and also RZB by way of an official notification to hold additional common equity tier 1 capital to cover risks which are not or not adequately taken into account under pillar I.

The so-called SREP minimum capital ratio currently contains a capital conservation buffer in addition to the minimum requirements of the CRR and the SREP add-on as well as a possible countercyclical buffer in other member states. A breach of the combined buffer requirement would induce constraints, for example in relation to dividend distributions and coupon payments on certain capital instruments.

Additionally, national supervisors can determine national systemic risk buffers (up to 5 per cent) as well as additional capital add-ons for systemic banks (up to 3.5 per cent). In the event that systemic risk buffers as well as add-ons for systemic banks are determined for an institution, only the higher of the two values is applicable. In September 2015, the responsible Financial Market Stability Board (FMSB) of the FMA recommended the requirement of systemic risk buffers for twelve large banks located in Austria, including RBI and RZB. This came into force as of the beginning of 2016 through the FMA. The systemic risk buffer was set at 0.25 per cent for RBI and RZB as of 1 January 2016 and progressively increases to 2 per cent by 2019.

Moreover, a countercyclical buffer can be implemented by member states in order to curb excessive lending growth. This buffer was currently set at 0 per cent in Austria due to restrained lending growth and the stable macroeconomic environment.

A mid-year examination of the interim profit was carried out, based on a review by the auditor and therefore this interim profit was included in the calculation of total capital.

Total capital

in € million	30/6/2016	31/12/2015
Paid-in capital	5,886	5,886
Earned capital	2,001	1,750
Non-controlling interests	419	399
Common equity tier 1 (before deductions)	**8,306**	**8,034**
Deduction intangible fixed assets/goodwill	(532)	(326)
Deduction provision shortage for IRB positions	(50)	(20)
Deduction securitizations	(14)	(14)
Deduction deferred tax assets	0	0
Deduction loss carry forwards	(2)	(3)
Deduction insurance and other investments	0	0
Common equity tier 1 (after deductions)	**7,706**	**7,671**
Additional tier 1	90	309
Non-controlling interests	0	0
Deduction intangible fixed assets/goodwill	(74)	(295)
Deduction provision shortage for IRB positions	(17)	(15)
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 1	**7,706**	**7,671**
Long-term subordinated capital	3,125	3,160
Non-controlling interests	0	(4)
Provision excess of internal rating approach positions	154	160
Provision excess of standardized approach positions	0	0
Deduction securitizations	0	0
Deduction insurance and other investments	(13)	0
Tier 2 (after deductions)	**3,266**	**3,316**
Total capital	**10,972**	**10,987**
Total capital requirement	**4,938**	**5,062**
Common equity tier 1 ratio (transitional)	12.5%	12.1%
Common equity tier 1 ratio (fully loaded)	12.2%	11.5%
Tier 1 ratio (transitional)	12.5%	12.1%
Tier 1 Ratio (fully loaded)	12.2%	11.5%
Total capital ratio (transitional)	17.8%	17.4%
Total capital ratio (fully loaded)	17.6%	16.8%

The transitional ratios are the currently applicable ratios according to CRR requirements under consideration of the applicable transitional provisions for the current calendar year set out in Part 10 of the CRR. The fully loaded ratios are for information purposes only and are calculated assuming full implementation without taking the transitional provisions into account.

Total capital requirement and risk-weighted assets

in € million	30/6/2016	31/12/2015
Risk-weighted assets (total RWA)	**61,722**	**63,272**
Total capital requirement for credit risk	4,025	4,117
Internal rating approach	2,272	2,327
Standardized approach	1,722	1,751
CVA risk	30	32
Basel 1 floor	0	7
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	197	241
Own funds requirement for operational risk	715	704
Total capital requirement	**4,938**	**5,062**

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

in € million	30/6/2016	31/12/2015
Risk-weighted assets according to standardized approach	**21,529**	**21,884**
Central governments and central banks	2,224	2,209
Regional governments	56	49
Public administration and non-profit organizations	11	7
Multilateral development banks	0	0
Banks	314	302
Corporate customers	8,480	8,906
Retail customers	7,356	7,448
Equity exposures	449	407
Covered bonds	0	0
Mutual funds	7	7
Securitization position	0	0
Other positions	2,633	2,551
Risk-weighted assets according to internal rating approach	**28,404**	**29,081**
Central governments and central banks	416	311
Banks	2,324	2,095
Corporate customers	21,091	22,143
Retail customers	4,218	4,141
Equity exposures	108	133
Securitization position	246	259
CVA risk	**379**	**406**
Basel 1 floor	**0**	**87**
Total	**50,312**	**51,459**

Leverage ratio

The leverage ratio is defined in Part 7 of the CRR and is not a mandatory quantitative requirement until 1 January 2018. Therefore, until then it serves only for information purposes.

in € million	30/6/2016	31/12/2015
Leverage exposure	134,463	136,163
Tier 1	7,706	7,671
Leverage ratio (transitional)	**5.7%**	**5.6%**
Leverage ratio (fully loaded)	5.6%	5.4%

(40) Average number of staff

Full-time equivalents	1/1-30/6/2016	1/1-30/6/2015
Austria	2,755	2,670
Foreign	48,910	51,841
Total	**51,665**	**54,511**

(41) Related parties

Transactions with related parties that are natural persons are limited to banking business transactions that are carried out at fair market conditions. Moreover, members of the Management Board hold shares of Raiffeisen Bank International AG. Detailed information regarding this is published on the homepage of Raiffeisen Bank International.

The following tables show transactions with related companies. Parent companies are Raiffeisen-Landesbanken-Holding GmbH, Vienna and Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna. Under affiliated companies, affiliated companies that are not consolidated due to immateriality are shown.

30/6/2016 in € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	880	66	350	50
Loans and advances to customers	0	610	128	143
Trading assets	1	42	2	1
Financial investments	0	267	0	109
Other assets (incl. derivatives)	10	11	0	0
Deposits from banks	431	158	2,577	118
Deposits from customers	0	546	302	74
Debt securities issued	0	11	0	0
Provisions for liabilities and charges	0	1	0	0
Trading liabilities	0	64	6	0
Other liabilities including derivatives	3	1	1	0
Subordinated capital	67	0	0	0
Guarantees given	0	126	0	0
Guarantees received	609	223	154	45

31/12/2015 in € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	2,021	102	134	48
Loans and advances to customers	0	760	122	164
Trading assets	0	40	0	1
Financial investments	0	179	0	148
Other assets (incl. derivatives)	7	24	0	0
Deposits from banks	338	207	2,453	118
Deposits from customers	0	472	719	52
Debt securities issued	0	11	0	0
Provisions for liabilities and charges	0	1	0	0
Trading liabilities	0	72	8	0
Other liabilities including derivatives	6	3	0	0
Subordinated capital	66	2	0	0
Guarantees given	0	184	0	0
Guarantees received	699	266	164	36

1/1-30/6/2016 in € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Interest income	17	29	3	5
Interest expenses	(4)	(9)	(20)	(1)
Dividends income	0	20	0	3
Fee and commission income	0	19	4	2
Fee and commission expense	(2)	(3)	(2)	(2)

1/1-30/6/2015 in € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Interest income	14	5	4	4
Interest expenses	(3)	(5)	(12)	0
Dividends income	0	15	0	5
Fee and commission income	0	22	0	0
Fee and commission expense	(2)	(1)	(5)	0

Events after the reporting date

There were no material events after the reporting date.

Report on the Review of the condensed Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Raiffeisen Bank International AG, Vienna, for the period from 1 January 2016 to 30 June 2016. These condensed interim consolidated financial statements comprise the consolidated statement of financial position as of 30 June 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the condensed consolidated statements of cash flows for the period from 1 January 2016 to 30 June 2016 and the condensed notes, summarizing the significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Our responsibility is to express a conclusion on these condensed interim consolidated financial statements. Our liability towards the Company and towards third parties is limited in accordance with § 62a of the Austrian Banking Act (BWG).

Scope of review

We conducted our review in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 "Principles of Engagements to Review Financial Statements", and with the International Standard on Review Engagements (ISRE 2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements is limited primarily to making inquiries, primarily of Company personnel, responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Austrian Standards on Auditing and/or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing came to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Statement on the consolidated interim management report for the 6 month period ended 30 June 2016 and on management's statement in accordance with § 87 Austrian Stock Exchange Act (BörseG)

We have read the consolidated interim management report and evaluated whether it does not contain any apparent inconsistencies with the condensed interim consolidated financial statements. Based on our evaluation, the consolidated interim management report does not contain any apparent inconsistencies with the condensed interim consolidated financial statements.

The interim financial information contains the statement by management in accordance with § 87 par. 1 subpar. 3 Austrian Stock Exchange Act.

Vienna, 10 August 2016

Mag. Wilhelm Kovsca

Wirtschaftsprüfer
(Austrian Chartered Accountant)

Note: The condensed interim consolidated financial statements together with our review report may be published or transmitted only as agreed by us.

Statement of legal representatives

We confirm to the best of our knowledge that the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the semi-annual group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions.

Vienna, 10 August 2016

The Management Board

Karl Sevelda

Chief Executive Officer responsible for Compliance[1], Group Communications, Group Strategy, Human Resources, Internal Audit, International Banking Units, Legal Services, Management Secretariat and Marketing & Event Management

Johann Strobl

Deputy to the Chief Executive Officer responsible for Credit Management Corporates, Financial Institutions, Country & Portfolio Risk Management, Retail Risk Management, Risk Controlling, Risk Excellence & Projects and Special Exposures Management

Klemens Breuer

Member of the Management Board responsible for Business Management & Development, Consumer Banking, Group Capital Markets, Institutional Clients, Investment Banking, Raiffeisen Research and Small Business & Premium Banking

Martin Grüll

Member of the Management Board responsible for Active Credit Management, Investor Relations, Planning & Finance, Tax Management, Participations and Treasury

Andreas Gschwenter

Member of the Management Board responsible for Bereiche Group & Austrian IT, Lean, Operations, Procurement & Cost Management and Project Portfolio & Security

Peter Lennkh

Member of the Management Board responsible for Corporate Customers, Corporate Finance, Corporate Sales Management & Development, International Business Support and Trade Finance & Transaction Banking

1 Outsourced to RZB/Reporting to the whole Board of Management.

Glossary

Common equity tier 1 ratio (fully loaded) – Common equity tier 1 as a percentage of risk-weighted assets (total RWA) according to CRR/CRD IV, without application of the transitional provisions set out in Part Ten of CRR and the accompanying CRR regulation of the FMA, respectively (425th regulation issued on 11 December 2013).

Common equity tier 1 ratio (transitional) – Common equity tier 1 as a percentage of risk-weighted assets (total RWA) according to CRR/CRD IV methodology.

Consolidated Return on Equity - consolidated profit in relation to average consolidated equity, i.e. the equity attributable to the shareholders of RBI. Average equity is based on month-end figures excluding non-controlling interests and does not include current year profit.

Cost/income ratio – General administrative expenses in relation to operating income (less bank levies, impairments of goodwill, releases of negative goodwill and any non-recurring effects reported under sundry operating expenses).

Credit exposure – Comprises all exposures on the statement of financial position (loans, debt securities) and all exposures off the statement of financial position (guarantees, commitments) that expose RBI to credit risk.

Interest-bearing assets – Total assets less trading assets, derivatives, intangible fixed assets, tangible fixed assets, and other assets.

Leverage ratio – The ratio of tier 1 capital to specific exposures on and off the statement of financial position calculated in accordance with the methodology set out in CRD IV.

Loan/deposit ratio (net) – Loans and advances to customers less impairment losses, in relation to deposits from customers (in each case less claims and obligations from (reverse) repurchase agreements and securities lending).

Loan to local stable funding ratio (LLSFR) – The sum of total loans and advances to customers less impairment losses on loans and advances to customers, divided by the sum of deposits from non-banks, funding from supranational institutions, capital from third parties and the total outstanding bonds (with an original maturity of at least one year issued by a subsidiary bank to investors outside the bank`s consolidated group).

Net interest margin (average interest-bearing assets) – Net interest income in relation to average interest-bearing assets.

NPL – Non-performing loans. A loan is classified as non-performing when it is expected that a specific debtor is unlikely to pay its credit obligations to the bank in full, or the debtor is overdue by 90 days or more on any material credit obligation to the bank (RBI has defined twelve default indicators).

NPL coverage ratio – Impairment losses on loans and advances to customers in relation to non-performing loans to customers.

NPL ratio – Non-performing loans in relation to total loans and advances to customers.

Operating income – Comprises net interest income, net fee and commission income, net trading income and other net operating income (less bank levies, impairments of goodwill, releases of negative goodwill and any non-recurring effects reported under sundry operating expenses).

Operating result – Consists of operating income less general administrative expenses.

Other results – Consist of net income from derivatives and liabilities, net income from financial investments, expenses for bank levies, impairment of goodwill, releases of negative goodwill, net income from disposal of Group assets and any non-recurring effects reported under sundry operating expenses.

Provisioning ratio – Net provisioning for impairment losses in relation to average loans and advances to customers.

Risk-weighted assets (total RWA) – Risk-weighted assets (credit risk, CVA risk) plus market risk and operational risk.

ROE – Return on equity. Return on the total equity including non-controlling interests, i.e. profit before tax respectively after tax in relation to average equity on the statement of financial position. Average equity is calculated on month-end figures including non-controlling interests and does not include current year profit.

ROTE – Return on tangible equity is consolidated profit less depreciation of intangible assets and less impairment of goodwill in relation to average consolidated equity less intangible assets. Average equity is calculated using month-end figures for the period.

Tax rate – Relation of income taxes to profit before tax.

Tier 1 ratio (transitional) – Tier 1 capital to risk-weighted assets (total RWA).

Total capital ratio – Total capital as a percentage of risk-weighted assets (total RWA).

Publication details/Disclaimer

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