SEMI-ANNUAL FINANCIAL REPORT 2015

RZB Group

Overview

RZB Group Monetary values in € million	2015	Change	2014
Income statement	**1/1-30/6**		**1/1-30/6**
Net interest income	1,827	(12.9)%	2,097
Net provisioning for impairment losses	(594)	1.3%	(587)
Net fee and commission income	783	(2.8)%	805
Net trading income	(6)	–	7
General administrative expenses	(1,502)	(8.0)%	(1,633)
Profit/loss before tax	560	(5.0)%	590
Profit/loss after tax	393	(9.5)%	434
Consolidated profit/loss	222	(10.5)%	249
Earnings per share	32.81	(3.87)	36.67
Statement of financial position	**30/6**		**31/12**
Loans and advances to banks	16,187	(14.3)%	18,892
Loans and advances to customers	85,782	(2.2)%	87,741
Deposits from banks	32,968	(0.7)%	33,200
Deposits from customers	76,133	1.3%	75,168
Equity	9,735	4.3%	9,332
Assets	143,082	(1.3)%	144,929
Key ratios	**1/1-30/6**		**1/1-30/6**
Return on equity before tax	11.6%	2.6 PP	9.0%
Cost/income ratio	57.0%	1.8 PP	55.1%
Return on assets before tax	0.76%	(0.05) PP	0.81%
Net interest margin (average interest-bearing assets)	2.70%	(0.89) PP	3.59%
Provisioning ratio (average loans and advances to customers)	1.33%	0.03 PP	1.30%
Bank-specific information	**30/6**		**31/12**
NPL ratio	11.2%	4.3%	10.8%
Risk-weighted assets (total RWA)	79,542	1.1%	78,703
Total capital requirement	6,363	1.1%	6,296
Total capital	11,811	0.0%	11,814
Common equity tier 1 ratio (transitional)	10.0%	(0.2) PP	10.2%
Common equity tier 1 ratio (fully loaded)	8.7%	0.2 PP	8.5%
Total capital ratio (transitional)	14.8%	(0.2) PP	15.0%
Total capital ratio (fully loaded)	13.6%	0.2 PP	13.5%
Resources	**30/6**		**31/12**
Employees as at reporting date (full-time equivalents)	54,716	(2.7)%	56,212
Business outlets	2,797	(2.9)%	2,882

Content

In this report "RZB" denotes the "RZB Group".

If "RZB AG" is used it denotes Raiffeisen Zentralbank Österreich AG.

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

Semi-Annual Group Management Report

Market development

Austria: subdued economic rebound

In the first half of this year, Austria overcame its stagnation phase from 2014. Despite this, economic momentum was subdued, with real GDP of 0.2 per cent p.q. in the first quarter and 0.3 per cent p.q. in the second (preliminary). However, the short-term economic growth prospects have recently improved, as signaled by the leading indicators. Growth momentum should also be supported by the continued low oil price, as well as the depreciation of the euro against the US dollar. The Austrian tax reform is also likely to provide tailwind going forward.

Overall, GDP growth rates of 0.7 per cent and 1.8 per cent are expected for 2015 and 2016, respectively (2014: 0.4 per cent). Accordingly, Austria's growth rates for both this year and next will probably be below those projected for the euro area as a whole.

Central and Eastern Europe

Strong economic indicators in the first half of 2015 also point to healthy economic growth in Central Europe (CE) for the full year. This development is thus somewhat better than was expected at the beginning of the year. By contrast, the outlook for Southeastern Europe (SEE) continues to be mixed; however, economic growth in both regions should markedly exceed the average for the euro area. All three countries (Belarus, Russia and Ukraine) in the region of Eastern Europe (EE) will be marked by recessions in 2015. Western sanctions against Russia and the restrictions on food imports from the EU to Russia, however, are not materially affecting economic growth – either in the euro area or in CE and SEE – owing to the marginal level of direct interdependence.

Central Europe (CE) – the Czech Republic, Hungary, Poland, Slovakia and Slovenia – is the most economically developed CEE region. With the exception of Poland, the CE economies are small, open and highly dependent on exports, primarily to Germany. Following a 3.0 per cent increase in 2014, economic growth in CE is expected to reach 3.5 per cent in 2015. Poland should post the strongest GDP growth, followed by the Czech Republic, Slovakia and Hungary at roughly 3.0 per cent each, while in Slovenia growth is expected to exceed 2.4 per cent in 2015. CE generally benefits from solid economic growth in Germany, the recovery in the euro area and expansionary monetary policies in a number of CE countries. GDP growth rates for 2016 will likely be slightly lower than 2015 levels. After hitting lows in the first quarter of 2015 – in some cases in modest deflationary territory – inflation rates are starting to climb again, but are still at historically very moderate levels.

In Southeastern Europe (SEE) – Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia – economic output should grow 2.6 per cent in 2015, up from 1.5 per cent in 2014. GDP growth in Romania, which benefits from successfully implemented structural reforms, is expected to reach roughly 4.0 per cent in 2015, and around 3.0 per cent in Albania. GDP growth in most other SEE countries will likely be somewhat weaker in 2015, while Croatia and Serbia will either remain in stagnation or else exhibit only very marginal economic growth. The overall moderate economic growth in SEE is attributable not only to structural adjustments that are still outstanding, but also to the high level of private sector debt, which is only gradually decreasing. Positive growth rates are expected in all SEE countries for 2016.

In Eastern Europe (EE) – Belarus, Russia and Ukraine – the economic situation continues to be challenging, with downside risks dominating in the short term. GDP growth in EE is projected at minus 4.4 per cent in 2015. In line with expectations, the Russian economic slowdown that was already noticeable in 2013 and 2014 deepened into a recession in the first half of 2015 due to renewed downward pressure on crude oil prices and to the sanctions regime. Accordingly, the Russian economy is expected to shrink 4.0 per cent overall in the current year. Consumer demand in Russia fell significantly owing to declining real wages, while the lower oil price compared to the previous year is eroding export revenue. Russia's inflation rate rose sharply in the first quarter of 2015, but stabilized in the second quarter and should significantly decline towards the end of 2015. Moreover, notable currency devaluations in Russia and Ukraine are weighing on consumption and investment in both countries, while exports are hardly benefiting from the increased price competitiveness of Russian and Ukrainian products. Given the continued adjustment recession in Ukraine, its GDP is expected to decline 10 per cent in 2015, with growth also likely to remain subdued in 2016. Belarus, which is heavily impacted by the recession in Russia, is expected to show a GDP decline of 3.5 per cent in 2015. For all EE countries, however, moderately positive growth rates of between 0.5 per cent and 1.5 per cent are expected for 2016.

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

Region/country	2013	2014	2015e	2016f
Czech Republic	(0.7)	2.0	3.2	2.4
Hungary	1.5	3.6	3.0	2.5
Poland	1.7	3.4	3.9	3.6
Slovakia	1.4	2.4	3.1	3.5
Slovenia	(1.0)	2.6	2.4	2.3
Central Europe	**1.0**	**3.0**	**3.5**	**3.1**
Albania	1.1	2.0	3.0	4.0
Bosnia and Herzegovina	2.5	0.5	2.5	3.0
Bulgaria	1.1	1.7	2.0	2.1
Croatia	(1.1)	(0.4)	0.5	1.0
Kosovo	3.4	0.5	2.0	3.0
Romania	3.4	2.8	4.0	3.5
Serbia	2.6	(1.8)	0.0	2.5
Southeastern Europe	**2.2**	**1.5**	**2.6**	**2.8**
Russia	1.3	0.6	(4.0)	0.5
Belarus	1.0	1.6	(3.5)	0.5
Ukraine	0.2	(6.8)	(10.0)	1.5
Eastern Europe	**1.2**	**0.2**	**(4.4)**	**0.6**
Austria	**0.3**	**0.4**	**0.7**	**1.8**
Germany	**0.2**	**1.6**	**1.6**	**2.2**
Euro area	**(0.3)**	**0.9**	**1.4**	**1.9**

Earnings and financial performance

Business development and earnings for RZB were heavily impacted in the first half-year by high volatility in numerous currencies. Based on the average exchange rates that are used for the calculation of the income statement, the Russian rouble was 27 per cent below the comparable level of the previous year's period and the Ukrainian hryvnia 40 per cent. In contrast, measured on the basis of the period-end exchange rates relevant to the statement of financial position, the Russian rouble appreciated 16 per cent against the euro in the first half-year (following an annual loss in value of 38 per cent in 2014). The US dollar and Swiss franc also gained 9 per cent and 15 per cent, respectively, while the Ukrainian hryvnia (down 18 per cent) and the Belarusian rouble (down 15 per cent) have lost significant value against the euro year-to-date.

Profit before tax was € 560 million, which represents a year-on-year decline of 5 per cent, or € 30 million. While the operating result was 15 per cent below the previous year's level due to falling net interest income, higher valuation results from derivatives and lower one-off effects than in the previous year (provision for the Settlement Act in Hungary) resulted in an improvement in profit before tax.

Operating income declined 11 per cent year-on-year, or € 324 million, to € 2,637 million. This was primarily attributable to strong currency fluctuations (notably in the Russian rouble and Ukrainian hryvnia). The falling market interest rate level in Central and Southeastern Europe, as well as loan defaults in Asia, had a negative impact on the Group's net interest margin (calculated based on interest-bearing assets), which decreased 37 basis points to 2.70 per cent as a result. Net interest income was down 13 per cent, or € 270 million, to € 1,827 million, mainly due to the mentioned currency devaluations. Despite the currency effects in Eastern Europe, net fee and commission income declined only € 22 million to € 783 million, whereby, in particular higher income from other banking services, the foreign currency and the securities business, absorbed currency-related declines in income. Net trading income totaled minus € 6 million, down € 13 million from the previous year's level due to currency devaluations.

General administrative expenses fell 8 per cent year-on-year, or € 130 million, to € 1,502 million. The decline was largely attributable to currency devaluations in Eastern Europe, mainly in Russia and Ukraine. The average number of staff further decreased, with a 1,814 year-on-year reduction to 55,985. The sharp decline in staff expenses resulted not only from currency developments, but also from the release of bonus provisions following the decision not to pay bonuses for 2014. The number of business outlets was down 85 year-on-year to 2,797. The fact that other administrative expenses remained nearly unchanged despite currency effects and business outlet reductions was attributable to expenditures for the resolution fund. The remainder of the resolution fund contributions expected for the full year 2015 was booked in the second quarter, due to a change in interpretation with regard to IFRIC 21.

Net provisioning for impairment losses rose 1 per cent year-on-year, or € 8 million, to € 594 million. As a result of the underlying economic conditions, net provisioning increased for multinational corporate customers at Group head office and in Asia, as well as for retail and corporate customers in Russia, whereas most other countries posted declines.

Net income from derivatives and liabilities improved € 96 million to € 31 million in the reporting period as a result of the valuation of banking book derivatives. In contrast, net income from financial investments declined € 59 million year-on-year to € 40 million, driven by lower gains from securities measured at fair value, as well as by higher impairment charges for equity participations.

Profit after tax fell 10 per cent year-on-year to € 393 million. Profit attributable to non-controlling interests changed from minus € 186 million, by € 15 million, to minus € 171 million. Accordingly, consolidated profit for the first half-year was € 222 million, which corresponds to a decline of 11 per cent, or € 26 million.

Risk-weighted assets (total RWA) increased only slightly by 1 per cent year-to-date to € 79,542 million. The bulk of the increase was attributable to currency appreciation, which impacted not only credit and market risk but also operational risk.

Comparison of results year-on-year

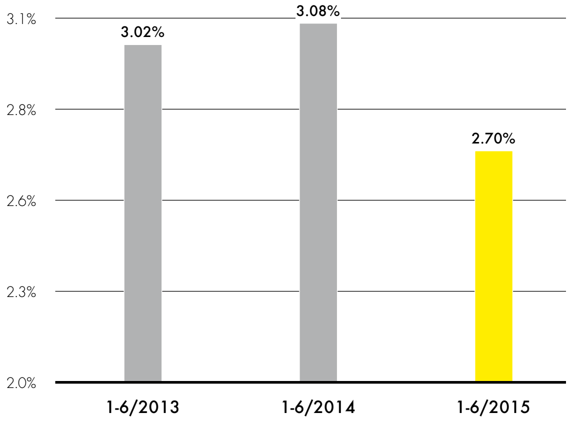
in € million	1/1-30/6/2015	1/1-30/6/2014[1]	Change absolute	Change in %
Net interest income	1,827	2,097	(270)	(12.9)%
Net fee and commission income	783	805	(22)	(2.8)%
Net trading income	(6)	7	(13)	–
Sundry net operating income	33	52	(18)	(35.7)%
Operating income	**2,637**	**2,962**	**(324)**	**(10.9)%**
Staff expenses	(714)	(842)	128	(15.2)%
Other administrative expenses	(621)	(613)	(8)	1.3%
Depreciation	(167)	(177)	10	(5.8)%
General administrative expenses	**(1,502)**	**(1,633)**	**130**	**(8.0)%**
Operating result	**1,135**	**1,329**	**(194)**	**(14.6)%**
Net provisioning for impairment losses	(594)	(587)	(8)	1.3%
Other results	19	(152)	172	–
Profit/loss before tax	**560**	**590**	**(30)**	**(5.0)%**
Income taxes	(167)	(156)	(12)	7.4%
Profit/loss after tax	**393**	**434**	**(41)**	**(9.5)%**
Profit attributable to non-controlling interests	(171)	(186)	15	(8.0)%
Consolidated profit/loss	**222**	**249**	**(26)**	**(10.5)%**

1 Consolidated profit published in the first half of 2014 considered the accrued dividend on participation capital of RBI.

Net interest income

In the first six months of 2015, net interest income fell 13 per cent, or € 270 million, to € 1,827 million year-on-year. Aside from being attributable to a reduced net interest margin, this was also due to currency-related declines in net interest income in Ukraine (down € 65 million) and Russia (down € 50 million), as well as to loan defaults in Asia (down € 29 million). In addition, net interest income declined € 34 million in Poland due to the continuing low market interest rates. The contribution to earnings by companies valued at equity rose € 12 million, to € 71 million, driven in particular by higher contributions of UNIQA Insurance Group AG (up € 5 million) and LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft (up € 9 million).

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



The Group's net interest margin declined 37 basis points year-on-year to 2.70 per cent. This was primarily due to reduced margins in many countries in the Central Europe and Southeastern Europe segments caused by the continued decline in market interest rates in those regions. In addition, the net interest margin fell in Ukraine (higher interest expenses in the local currency for deposits from customers and subordinated capital).

Net fee and commission income

Net fee and commission income fell 3 per cent, or € 22 million, to € 783 million year-on-year, and was largely currency-related. Net income from the payment transfer business fell 14 per cent, or € 49 million, to € 306 million, primarily as a result of currency effects in Ukraine and Russia. In contrast, net income from other banking services rose 28 per cent, or € 8 million, to € 35 million, mainly due to income from the M&A business. Net income from the foreign currency, notes/coins and precious metals business improved 4 per cent, or € 7 million, to € 187 million, primarily driven by higher volumes and margins in Russia, Slovakia and Romania. Net income from the securities business rose 8 percent, or € 5 million, to € 67 million, with Romania, Hungary and RBI AG accounting for the highest contributions. Net income from the management of investment and pension funds grew 6 per cent, or € 4 million, to € 62 million, predominantly due to developments in Croatia and Slovakia.

Net trading income

Compared to the same period last year, net trading income declined € 13 million to minus € 6 million. Currency-based transactions fell € 76 million to minus € 103 million. This was mainly attributable to a valuation loss from a hedging transaction related to Russian rouble-denominated dividend income (minus € 70 million) at RBI AG and to exchange-rate related valuation losses on foreign currency positions in Ukraine, where net trading income reduced due to the sharp depreciation of the Ukrainian hryvnia (down € 27 million). In contrast, Belarus posted a significant increase due to the discontinuation of hyperinflation accounting – from which minus € 16 million still resulted in the previous year. Moreover, there were positive effects from a strategic currency position and an improved result from proprietary trading. The trend in net income from interest-based transactions was positive, rising € 32 million to € 70 million. In particular, Poland, Russia and the Czech Republic posted valuation gains from securities positions and derivatives. Net income from other transactions also improved € 39 million, after the low interest rate level had a negative impact on the valuation of a guarantee product in the previous year.

Sundry net operating income

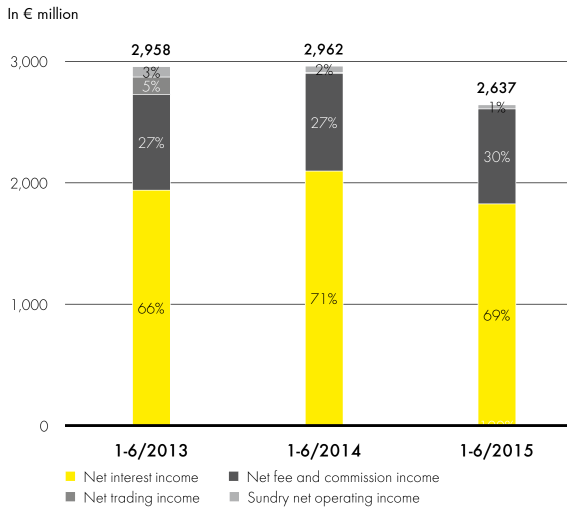
Sundry net operating income fell 36 per cent, or € 18 million, to € 33 million year-on-year. Net income from other provisions fell € 6 million, primarily due to higher allocations for restructuring and litigation in Russia. Net income from the disposal of tangible and intangible fixed assets was down € 7 million (in 2014, sales of real estate in Ukraine had produced a positive effect of € 5 million). Net income from non-banking activities decreased by € 6 million.

General administrative expenses

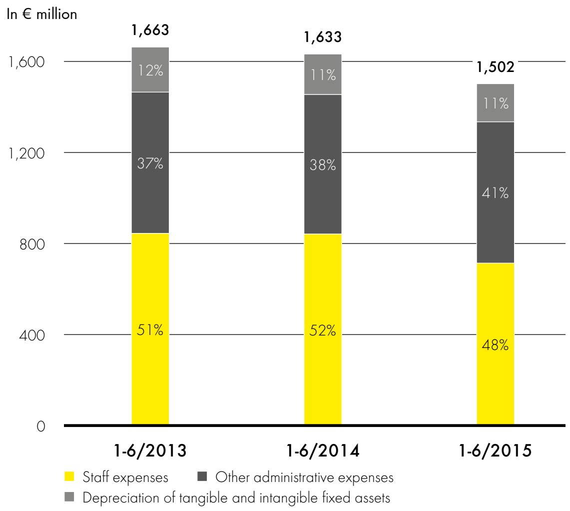
Compared to the same period last year, general administrative expenses declined € 130 million to € 1,502 million. The cost/income ratio nevertheless increased 1.8 percentage points to 57.0 per cent, particularly due to the reduced net interest income.

At 48 per cent, the largest component in general administrative expenses was staff expenses, which fell 15 per cent, or € 128 million, to € 714 million. Following the decision not to pay bonuses for 2014, there was a resulting release of bonus provisions. Moreover, in Russia (down € 51 million) and in Ukraine (down € 28 million), currency effects were mainly responsible for the sharp decline in staff expenses.

Development of operating income



General administrative expenses



The average number of staff (full-time equivalents) fell by 1,814 year-on-year to 55,985. The biggest declines occurred in Ukraine (down 1,617), Poland (down 527), Hungary (down 225) and Bulgaria (down 152).

Other administrative expenses increased by € 8 million to € 621 million. The expenditures relating to the resolution fund in RBI AG increased expenses, amounting to € 38 million. With regard to IFRIC 21, the entire amount of expected contributions for the full year was booked in the first half year. However, due to currency effects in Russia (down € 23 million) and Ukraine (down € 9 million) other administrative expensed decreased. Poland (down € 7 million) posted lower legal, advisory and consulting expenses as well as lower IT expenses, while deposit insurance fees rose.

Depreciation of tangible and intangible fixed assets fell 6 per cent, or € 10 million, year-on-year to € 167 million. Depreciation fell slightly in some countries, whereas the € 3 million decline in Ukraine was due to the currency devaluation. Moreover, depreciation within the Raiffeisen-Leasing Group fell € 4 million due to the sale of the wind farm companies. In contrast, impairments of tangible fixed assets in Hungary rose as a result of branch closures.

Net provisioning for impairment losses

Compared to the same period last year, net provisioning for impairment losses rose by € 8 million, to € 594 million. This was predominantly due to a € 13 million increase in individual loan loss provisioning to € 587 million, while portfolio-based provisioning fell € 5 million to € 10 million.

The highest net provisioning for impairment losses was recorded in RBI AG at € 125 million (up € 78 million) for large corporate customers. The continuing unfavorable underlying economic conditions in Russia required a € 44 million increase in net provisioning for impairment losses compared to the same period last year. This amounted to € 113 million in the reporting period and related to both retail and corporate customers. In Ukraine, the provisioning requirement was € 113 million, down € 70 million compared with the same period in the previous year, though this was purely currency related. In contrast, there was a 3 per cent rise in local currency, for which several factors were responsible: Higher net provisioning for foreign currency loans (conversion of foreign currency loans into local currency at an exchange rate below the official exchange rate; foreign currency portfolio with collateral in the local currency) and a higher provisioning requirement for retail and corporate customers in the Donbass region. In Asia, a € 39 million increase in net provisioning for impairment losses was required, mainly for individual cases, while provisions were released for another major loan following a sale. In contrast, the credit risk situation improved significantly in the countries of Southeastern Europe, where net provisioning for impairment losses fell € 51 million to € 83 million year-on-year. The biggest declines were recorded in Croatia (€ 15 million), Bulgaria (€ 13 million) and Romania (€ 9 million). The countries of Central Europe also recorded a € 19 million reduction to € 64 million, with the biggest decline (€ 15 million) in Slovakia, mainly for corporate customers.

The portfolio of non-performing loans rose € 185 million to € 9,637, with currency effects accounting for € 243 million of the increase. Therefore, on a currency-adjusted basis, there was a € 58 million decline in non-performing loans. The largest declines mainly occurred in Hungary (down € 331 million – predominantly as a result of The Settlement Act), in the affiliated companies – in German: „Verbundunternehmen"– down € 36 million, in Romania (down € 54 million), in the Czech Republic (down € 36 million) and in Bulgaria (down € 28 million). These contrasted with increases in Asia (up € 217 million), in Russia (up € 142 million), in Poland (up € 74 million) and in Ukraine (up € 31 million). In the reporting period, the NPL ratio rose 0.5 percentage points to 11.2 per cent compared to year-end 2014; the NPL coverage ratio fell to 67.0 per cent compared to 66.7 per cent at year-end.

The provisioning ratio, based on average volume of loans and advances to customers, increased 0.03 percentage points to 1.33 per cent year-on-year.

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, one-off effects and goodwill impairments, as well as net income from the disposal of Group assets – improved from minus € 152 million in the same period last year to plus € 19 million.

Net income from derivatives and liabilities

Net income from derivatives and liabilities increased € 96 million to € 31 million in the reporting period, primarily due to net gains from the valuation of banking book derivatives used for hedging purposes at Group head office and at RBI AG. In contrast, the change in the credit spread on own liabilities resulted in a valuation loss of € 12 million.

Net income from financial investments

Net income from financial investments fell € 59 million to € 40 million year-on-year. Here, valuation results from the fair value portfolio of securities were € 72 million lower than in the same period in the previous year. Declines in valuation results from fixed-income government bonds and valuation losses on various bonds at Group head office, at RBI AG and Ukraine were partly offset by higher valuation gains on bonds in Russia. Impairment charges for equity participations rose € 5 million, primarily relating to real estate and investment companies. In contrast, net proceeds from the sale of securities in the fair value portfolio rose € 18 million year-on-year.

Bank levies, one-off effects and goodwill

The expense for bank levies fell € 31 million to € 78 million in the reporting period. This decline was the result of the release of a provision formed in 2014 in connection with the payment of bank levies in Hungary (down € 21 million), in Slovakia (down € 8 million) and in Austria (down € 2 million).

Moreover, in Hungary, a provision of € 33 million formed in the previous year in connection with the Settlement Act (unilateral interest rate changes for consumer loans) was released. In the previous year, an allocation of € 67 million was made for the first half of 2014 after the plan was announced. Changes in consumer protection legislation in Croatia and Serbia also resulted in a one-off effect in the form of a provision totaling € 8 million in the reporting period. In Croatia, the underlying legislation related to exchange rates used for foreign currency loan disbursements and installments, while in Serbia it involved unilateral rate changes on foreign currency loans.

In addition, there were goodwill impairments of € 3 million for a subsidiary (Ukrainian Processing Center PJSC) in Ukraine.

Net income from the disposal of Group assets

Net income from the disposal of Group assets improved € 15 million to € 4 million compared with the same period last year. In the previous year, net income from the disposal of Group assets recorded a loss of € 11 million following the sale of the trading group F.J. Elsner, Vienna. The net income from the disposal of Group assets recorded this year derived from various Group units on grounds of immateriality or due to sale.

Income taxes

Income tax expense rose 7 per cent, or € 12 million, to € 167 million year-on-year. Some countries recorded varying effects: In Ukraine, deferred tax assets of € 11 million were posted in the previous year due to the capitalization of tax loss carryforwards, which did not occur in 2015. The tax rate was 29.8 per cent (same period in the previous year: 26.4 per cent).

Statement of financial position

Since the beginning of 2015, RZB's total assets declined 1 per cent year-to-date, or € 1,847 million, to € 143,082 million. As a result of currency developments – primarily the appreciation of the Russian rouble (up 16 per cent) and of the US dollar (up 9 per cent) against the euro – total assets would have increased roughly € 3 billion; however on an organic basis total assets fell nearly € 5 billion.

Assets

in € million	30/6/2015	Share	31/12/2014	Share
Loans and advances to banks (less impairment losses)	16,070	11.2%	18,773	13.0%
Loans and advances to customers (less impairment losses)	79,352	55.5%	81,413	56.2%
Financial investments	26,281	18.4%	25,432	17.5%
Other assets	21,379	14.9%	19,311	13.3%
Total assets	**143,082**	**100.0%**	**144,929**	**100.0%**

Loans and advances to banks before deduction of loan loss provisions decreased € 2,704 million year-to-date to € 16,187 million. This was mainly attributable to a decrease in short-term receivables from money market business – predominantly at RBI AG – of € 2,431 million to € 11,907 million; while the cash reserve increased. At the same time, receivables from repurchase agreements were down € 3,466 million to € 1,147 million; whereas receivables from securities lending transactions were up € 974 million to € 1,195 million.

Loans and advances to customers before deduction of loan loss provisions declined € 1,959 million, or 2 per cent, to € 85,782 million. This included a € 2,416 million reduction in loans to large corporate customers to € 48,694 million, largely at RBI AG and in Asia. Loans and advances to retail customers increased € 554 million to € 32,166 million, mainly driven by organic growth in Slovakia and the Czech Republic and currency developments in Poland and Russia; whereas, in Hungary, the volume of foreign currency loans reduced due to the implementation of the Settlement Act, which was adopted in the previous year.

Growth in other assets of € 2,068 million to € 21,379 million primarily resulted from the cash reserve increase.

Equity and liabilities

in € million	30/6/2015	Share	31/12/2014	Share
Deposits from banks	32,968	23.0%	33,200	22.9%
Deposits from customers	76,133	53.2%	75,168	51.9%
Own funds	14,115	9.9%	13,639	9.4%
Other liabilities	19,866	13.9%	22,922	15.8%
Total equity and liabilities	**143,082**	**100.0%**	**144,929**	**100.0%**

The refinancing volume via banks (mostly commercial banks) fell € 232 million to € 32,968 million, largely attributable to a reduction in long-term deposits at RBI AG, as well as in Romania, Poland and Russia.

Deposits from customers rose € 965 million to € 76,133 million, with deposits from private individuals and sovereigns in particular posting increases. The € 2,186 million increase in deposits from private individuals to € 38,019 million came largely from Russia (entirely currency related), as well as from Slovakia and the Czech Republic. Deposits from sovereigns – primarily due to the developments at RBI AG and in Russia – increased € 932 million to € 2,110 million. In contrast, deposits from large corporate customers dropped € 2,247 million to € 29,038 million, with the largest declines recorded at RBI AG and in Hungary; whereas Russia (entirely currency-related) and Slovakia recorded gains.

Other liabilities fell € 3,055 million to € 19,866 million, with debt securities decreasing € 2,043 million – mainly due to lower refinancing needs – and trading liabilities decreased € 895 million.

The funding structure is as follows:

in € million	30/6/2015	Share	31/12/2014	Share
Customer deposits	76,133	61.4%	75,168	60.1%
Medium- and long-term refinancing	19,659	15.9%	22,147	17.7%
Short-term refinancing	23,756	19.2%	23,544	18.8%
Subordinated liabilities	4,379	3.5%	4,308	3.4%
Total	**123,927**	**100.0%**	**125,166**	**100.0%**

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 4 per cent versus the end of 2014, or € 404 million, to € 9,735 million.

Total comprehensive income of € 490 million consisted of profit after tax of € 393 million and other comprehensive income of € 97 million. Currency translation differences of € 234 million constituted the largest item in other comprehensive income. The key drivers here were the 16 per cent appreciation of the Russian rouble and 2 per cent appreciation of the Polish zloty, whereas the Ukrainian hryvnia and Belarus rouble depreciated 18 per cent and 15 per cent, respectively. In contrast, a negative effect of € 387 million resulted from the depreciation of the Ukrainian hryvnia in the comparable period of the previous year. A negative effect of € 136 million resulted from companies valued at equity and mainly derived from the negative valuation result of assets available for sale at UNIQA Insurance Group AG.

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). A mid-year examination of the interim profits was carried out, based on a review by the auditor, so that the interim profits are eligible for inclusion in the calculation of total capital.

As of 30 June 2015, total capital amounted to € 11,811 million. This represents a decrease of € 3 million compared to the 2014 year-end figure. At the same time, common equity tier 1 was up, resulting mainly from the inclusion of interim profits in the amount of € 395 million, as well as currency translation differences of € 234 million, primarily attributable to the positive development of the Russian rouble and Polish zloty. In contrast, the CRR transitional provisions led to a decline, due to deductions and the lower allowance for minority interests. Tier 2 capital increased € 65 million to € 3,845 million, largely due to currency developments.

Total capital compared to a total capital requirement of € 6,363 million. The total capital requirement for credit risk came to € 5,316 million, which corresponds to an increase of € 2 million that was mainly due to the loss of third-country recognition status in Serbia and Bosnia and Herzegovina, as well as to currency appreciation (Russian rouble, US dollar, Swiss franc), partly offset by exposure reductions and impairments. The total capital requirement for position risk in bonds, equities, commodities and open currency positions rose € 35 million to € 290 million, primarily resulting from higher volatility in the internal model induced by interest effects. The total capital requirement for operational risk stood at € 758 million (€ 30 million increase).

Based on total risk, the common equity tier 1 ratio (transitional) was 10.0 per cent and the total capital ratio (transitional) was 14.8 per cent (including half-year results).

Excluding the transitional provisions as defined within the CRR, the common equity tier 1 ratio (fully loaded) amounted to 8.7 per cent (including half-year results).

Risk management

For information on risk management, please refer to note (32) Risks arising from financial instruments, in the risk report section of the consolidated financial statements.

Events after the reporting date

Changes to the Managing Board: Michael Höllerer/Johann Strobl

The Supervisory Board of Raiffeisen Zentralbank Österreich AG appointed Michael Höllerer, previously division head of RZB's General Secretariat, as member of RZB AG's Management Board effective 1 July 2015. In addition to his role as RZB's Secretary General, the lawyer was also Managing Director of Raiffeisen Kapitalanlage-Gesellschaft m.b.H. (Raiffeisen KAG), a 100 per cent subsidiary of RZB.

Due to regulatory requirements, Johann Strobl will focus in the future on his functions as CRO and Deputy CEO of Raiffeisen Bank International and resign from his position on RZB's Management Board: As part of the so-called subconsolidation, RBI took on a separate supervisory role within the RZB Group. This required not only organizational and functional separation between RZB as the Group's central institution and RBI as its most important participation but also, among other things, the end of identical board functions.

Polish draft bill on FX mortgage loans

During the night from the 5th to the 6th of August 2015, the lower house of the Polish parliament passed a draft bill for the conversion of FX mortgage loans. This bill would give private borrowers the right to convert loans at a fixed exchange rate given certain conditions, whereby the banks would have to carry 90 per cent of the burden of the conversion. There are still further legislative steps necessary for this draft bill to become law. The Polish parliament has, however, already been presented with legal opinions which question the constitutionality of the draft bill.

As of 30th of June 2015, the Polish unit of Raiffeisen Bank International AG had Swiss Franc exposure of approximately equivalent to € 3.2 billion. As the bill has not yet passed into law and as such the final parameters are not yet available, the exact impact it will have on RBI cannot be precisely calculated, at this point in time.

RBI to sell Russian Non-State Pension Fund (ZAO NPF Raiffeisen)

In mid-June 2015, AO Raiffeisenbank, Moscow, and BIN Group reached an agreement on the sale of ZAO NPF Raiffeisen, Moscow, and signed a set of binding documents on the deal. As required by applicable law, they filed a request to approve the transaction with the Federal Antimonopoly Service and the Central Bank of the Russian Federation. The sale will be closed after the parties receive all necessary approvals from regulators.

ZAO NPF Raiffeisen is a top-20 Russian non-state pension fund and was founded in 2004. The Fund manages roughly € 3 billion in assets; in roubles, its asset base has more than quadrupled over the last three years. The Fund manages funds for more than 170,000 customers. The Fund offers a complete range of pension products for both corporate and private customers: corporate pension programs, mandatory pension insurance and individual pension plans.

Acquisition of stakes in affiliated companies

Subject to regulatory and competition authority approvals, stakes in Raiffeisen Bausparkasse Gesellschaft m.b.H and in Valida Holding AG are planned to be increased to 100 per cent and 57.38 per cent, respectively. The transaction is set to be closed still in 2015.

Business Outlook

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

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

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

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

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

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

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

Interim consolidated financial statements

(Interim report as at 30 June 2015)

Statement of comprehensive income

Income statement

in € million	Notes	1/1-30/6/2015	1/1-30/6/2014	Change
Interest income		2,734	3,092	(11.6)%
Current income from associates		71	59	19.8%
Interest expenses		(978)	(1,054)	(7.2)%
Net interest income	**[2]**	**1,827**	**2,097**	**(12.9)%**
Net provisioning for impairment losses	[3]	(594)	(587)	1.3%
Net interest income after provisioning		**1,233**	**1,511**	**(18.4)%**
Fee and commission income		1,073	1,075	(0.2)%
Fee and commission expense		(290)	(270)	7.7%
Net fee and commission income	**[4]**	**783**	**805**	**(2.8)%**
Net trading income	[5]	(6)	7	–
Net income from derivatives and liabilities	[6]	31	(65)	–
Net income from financial investments	[7]	40	100	(59.6)%
General administrative expenses	[8]	(1,502)	(1,633)	(8.0)%
Other net operating income	[9]	(23)	(125)	(81.6)%
Net income from disposal of group assets		4	(11)	-
Profit/loss before tax		**560**	**590**	**(5.0)%**
Income taxes	[10]	(167)	(156)	7.4%
Profit/loss after tax		**393**	**434**	**(9.5)%**
Profit attributable to non-controlling interests		(171)	(186)	(8.0)%
Consolidated profit/loss		**222**	**249**	**(10.5)%**

Profit published in the first half of 2014 took into account the accrued dividend on participation capital of RBI. In 2014, RBI paid no dividend on participation capital. Therefore, the comparing period was adapted.

Earnings per share

in €	1/1-30/6/2015	1/1-30/6/2014[1]	Change
Earnings per share	32.81	36.67	(3.87)

1 Earnings per share published in the first half of 2014 considered the accrued dividend on participation capital of RBI.

Earnings per share are obtained by dividing consolidated profit by the average number of common shares outstanding. As at 30 June 2015, the average number of shares was 6,776,750 (30 June 2014: 6,776,750).

There were no conversion rights or options oustanding, so undiluted earnings per share are equal to diluted earnings per share.

Other comprehensive income and total comprehensive income

	Total		Group equity		Non-controlling interests	
in € million	1/1-30/6 2015	1/1-30/6 2014	1/1-30/6 2015	1/1-30/6 2014	1/1-30/6 2015	1/1-30/6 2014
Profit/loss after tax	**393**	**434**	**222**	**249**	**171**	**186**
Items which are not reclassified to profit and loss	**(2)**	**5**	**(1)**	**5**	**(1)**	**0**
Remeasurements of defined benefit plans	(2)	7	(1)	7	(1)	0
Deferred taxes on items which are not reclassified to profit and loss	0	(2)	0	(2)	0	0
Items that may be reclassified subsequently to profit or loss	**99**	**(282)**	**29**	**(158)**	**70**	**(123)**
Exchange differences	234	(387)	145	(229)	89	(158)
Capital hedge	15	2	9	1	6	1
Hyperinflation	0	25	0	13	0	12
Net gains (losses) on derivatives hedging fluctuating cash flows	3	(2)	2	(1)	1	(1)
Changes in equity of companies valued at equity	(136)	60	(115)	45	(21)	15
Net gains (losses) on financial assets available-for-sale	(15)	23	(11)	14	(4)	9
Deferred taxes on income and expenses directly recognized in equity	(3)	(3)	(2)	(2)	(1)	(1)
Other comprehensive income	**97**	**(277)**	**28**	**(153)**	**69**	**(123)**
Total comprehensive income	**490**	**158**	**250**	**95**	**240**	**63**

Half year results

in € million	H2/2013	H1/2014[1]	H2/2014	H1/2015
Net interest income	1,992	2,097	1,927	1,827
Net provisioning for impairment losses	(745)	(587)	(1,165)	(594)
Net interest income after provisioning	**1,247**	**1,511**	**762**	**1,233**
Net fee and commission income	842	805	841	783
Net trading income	178	7	(28)	(6)
Net income from derivatives and liabilities	(67)	(65)	86	31
Net income from financial investments	87	100	30	40
General administrative expenses[1]	(1,796)	(1,633)	(1,661)	(1,502)
Other net operating income	(16)	(125)	(550)	(23)
Net income from disposal of group assets	2	(11)	1	4
Profit/loss before tax	**476**	**590**	**(518)**	**560**
Income taxes	(140)	(156)	(349)	(167)
Profit/loss after tax	**336**	**434**	**(867)**	**393**
Profit attributable to non-controlling interests	(162)	(186)	295	(171)
Consolidated profit/loss	**174**	**249**	**(572)**	**222**

1 Adaptation of previous year figures: Profit published in the first half of 2014 took into account the accrued dividend on participation capital of RBI.

in € million	H2/2011	H1/2012	H2/2012	H1/2013
Net interest income	1,773	1,798	1,733	1,939
Net provisioning for impairment losses	(688)	(407)	(623)	(455)
Net interest income after provisioning	**1,085**	**1,391**	**1,110**	**1,484**
Net fee and commission income	755	723	798	788
Net trading income	89	155	40	144
Net income from derivatives and liabilities	366	(23)	(109)	(183)
Net income from financial investments	(195)	253	(13)	64
General administrative expenses[1]	(1,654)	(1,555)	(1,785)	(1,663)
Other net operating income	(179)	(12)	(67)	(55)
Net income from disposal of group assets	0	(1)	14	(6)
Profit/loss before tax	**267**	**931**	**(14)**	**573**
Income taxes	(215)	(198)	(79)	(154)
Profit/loss after tax	**51**	**733**	**(93)**	**419**
Profit attributable to non-controlling interests	(67)	(237)	(34)	(171)
Consolidated profit/loss	**(16)**	**497**	**(126)**	**248**

1 Adaptation of previous year figures due to the retrospective application of IAS 19R.

Statement of financial position

Assets in € million	Notes	30/6/2015	31/12/2014	Change
Cash reserve		11,501	9,221	24.7%
Loans and advances to banks	[14, 40]	16,187	18,892	(14.3)%
Loans and advances to customers	[15, 40]	85,782	87,741	(2.2)%
Impairment losses on loans and advances	[16]	(6,548)	(6,447)	1.6%
Trading assets	[17, 40]	6,868	7,868	(12.7)%
Derivatives	[18, 40]	1,686	1,568	7.5%
Financial investments	[19, 40]	21,442	20,303	5.6%
Investments in associates	[20, 40]	1,555	1,688	(7.9)%
Intangible fixed assets	[21]	840	861	(2.5)%
Tangible fixed assets	[22]	1,970	1,771	11.2%
Other assets	[23, 40]	1,798	1,462	23.0%
Total assets		**143,082**	**144,929**	**(1.3)%**

Equity and liabilities in € million	Notes	30/6/2015	31/12/2014	Change
Deposits from banks	[24, 40]	32,968	33,200	(0.7)%
Deposits from customers	[25, 40]	76,133	75,168	1.3%
Debt securities issued	[26, 40]	10,447	12,490	(16.4)%
Provisions for liabilities and charges	[27, 40]	1,002	1,187	(15.6)%
Trading liabilities	[28, 40]	5,909	6,804	(13.2)%
Derivatives	[29, 40]	1,035	775	33.6%
Other liabilities	[30, 40]	1,473	1,666	(11.5)%
Subordinated capital	[31]	4,379	4,308	1.7%
Equity	[32]	9,735	9,332	4.3%
Consolidated equity		5,324	5,651	(5.8)%
Consolidated profit/loss		222	(323)	–
Non-controlling interests		4,189	4,004	4.6%
Total equity and liabilities		**143,082**	**144,929**	**(1.3)%**

Statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Total
Eigenkapital 1.1.2015	**492**	**1,835**	**3,324**	**(323)**	**4,004**	**9,332**
Capital increases/decreases	0	0	0	0	0	0
Transferred to retained earnings	0	0	(323)	323	0	0
Dividend payments	0	0	0	0	(53)	(53)
Total comprehensive income	0	0	28	222	240	490
Other changes	0	0	(31)	0	(2)	(33)
Equity as at 30/6/2015	**492**	**1,835**	**2,997**	**222**	**4,189**	**9,735**

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Total
Equity as at 1/1/2014	**492**	**1,835**	**4,219**	**422**	**4,820**	**11,788**
Capital increases/decreases	0	0	0	0	291	291
Transferred to retained earnings	0	0	178	(178)	0	0
Dividend payments	0	0	0	(244)	(346)	(590)
Total comprehensive income	0	0	(153)	249	63	158
Dilution	0	0	(355)	0	355	0
Other changes	0	0	19	0	28	47
Equity as at 30/6/2014[1]	**492**	**1,835**	**3,908**	**249**	**5,210**	**11,693**

1 Adaptation of previous year figures: Profit published in the first half of 2014 took into account the accrued dividend on participation capital of RBI.

Statement of cash flows

in € million	1/1-30/6/2015	1/1-30/6/2014
Cash and cash equivalents at the end of previous period	**9,221**	**8,246**
Net cash from operating activities	255	383
Net cash from investing activities	1,817	(551)
Net cash from financing activities	(73)	(37)
Effect of exchange rate changes	280	(156)
Cash and cash equivalents at the end of period	**11,501**	**7,886**

Segment reporting

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

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

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

Raiffeisen Bank International Group (RBI)

This segment comprises the net income of the RBI Group. RBI AG is by far the largest participation of RZB. As the lead bank in the RZB credit institution group, RZB AG has corresponding management and control responsibilities. Together with representatives of its owners, RZB AG appoints eight of the ten RBI Supervisory Board members. Besides the direct net income from RBI activities, the segment also covers the costs incurred for services provided by RZB AG in various areas, such as audit or risk.

Raiffeisen Banking Group (RBG)

This segment consolidates the activities and participations that enable RZB AG to perform its tasks as the central institution of the Austrian RBG. This segment accordingly reports all the net income from the banking business of RZB AG within RBG. In addition, it shows the leasing business of RZB with numerous project companies in Austria and abroad. At the end of 2013, RZB AG took over the majority of business divisions such as the building societies, factoring and investment fund business that were until then jointly operated with the Regional Raiffeisen Banks (Raiffeisen-Landeszentralen). Consequently, the previously at equity included results are fully consolidated as of 2014. The results from the remaining participations portfolio that belongs to RBG are also shown in this segment. Allocated costs from group-wide services are also attributed to this segment. These are amongst others group services such as Sector-Marketing and Sector-Services.

Other equity participations

The segment for other equity participations shows net income from participations not connected with the function of RZB AG as the lead member of the Austrian RBG. This RZB AG equity participation portfolio contains predominantly non-controlling interests from the non-bank area, with income from companies valued and recognized at equity that do not belong to RBG. These include inter alia investments in UNIQA Insurance Group AG, LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG (holding company with investments in flour and milling industries and vending) and Raiffeisen evolution project development GmbH (development of high-quality residential and commercial property). Additionally, the investment in Notartreuhandbank AG is reported in this segment. The segment for other equity participations also reports the costs and income from internal allocation and netting.

The reconciliation includes primarily the amounts resulting from the elimination of intercompany results and from cross-segment consolidation. The income statement is finally supplemented by the standard industry financial ratios used to evaluate results.

1/1-30/6/2015 in € million	RBI	RBG	Other equity participations	Reconciliation	Total
Net interest income	1,675	100	69	(16)	1,827
Net fee and commission income	749	36	0	(2)	783
Net trading income	2	1	0	(8)	(6)
Sundry net operating income	20	20	18	(25)	33
Operating income	**2,445**	**156**	**87**	**(51)**	**2,637**
General administrative expenses	(1,407)	(100)	(23)	27	(1,502)
Operating result	**1,038**	**56**	**65**	**(23)**	**1,135**
Net provisioning for impairment losses	(592)	(2)	0	0	(594)
Other results	19	(9)	13	(3)	19
Profit/loss before tax	**465**	**45**	**77**	**(27)**	**560**
Income taxes	(153)	(15)	1	0	(167)
Profit/loss after tax	**312**	**30**	**78**	**(27)**	**393**
Profit attributable to non-controlling interests	(147)	(16)	(8)	0	(171)
Consolidated profit/loss	**165**	**14**	**70**	**(27)**	**222**
Risk-weighted assets (credit risk)	57,942	6,860	1,945	(303)	66,444
Total own funds requirement	5,596	670	160	(63)	6,363
Assets	119,847	23,600	1,996	(2,362)	143,082
Risk/revenue ratio	35.4%	2.1%	0.0%	–	32.5%
Cost/income ratio	57.5%	64.2%	25.8%	–	57.0%
Average equity	8,605	1,323	252	(488)	9,691
Return on equity before tax	**10.8%**	**8.8%**	**61.5%**	**–**	**11.6%**
Business outlets	2,781	15	0	1	2,797

1/1-30/6/2014 in € million	RBI	RBG	Other equity participations	Reconciliation	Total
Net interest income	1,974	82	55	(13)	2,097
Net fee and commission income	769	33	0	3	805
Net trading income	9	0	0	(1)	7
Sundry net operating income	24	35	16	(24)	52
Operating income	**2,775**	**150**	**71**	**(35)**	**2,962**
General administrative expenses	(1,533)	(106)	(18)	24	(1,633)
Operating result	**1,243**	**43**	**54**	**(11)**	**1,329**
Net provisioning for impairment losses	(568)	(19)	0	0	(587)
Other results	(145)	0	1	(9)	(152)
Profit/loss before tax	**530**	**25**	**55**	**(20)**	**590**
Income taxes	(147)	(9)	0	0	(156)
Profit/loss after tax	**383**	**16**	**56**	**(20)**	**434**
Profit attributable to non-controlling interests	(166)	(19)	(7)	6	(186)
Consolidated profit/loss	**217**	**(3)**	**49**	**(14)**	**249**
Risk-weighted assets (credit risk)	64,669	8,409	2,176	(363)	74,891
Total own funds requirement	6,259	724	179	(34)	7,128
Assets	127,364	23,015	5,280	(10,046)	145,613
Risk/revenue ratio	28.8%	23.1%	0.0%	–	28.0%
Cost/income ratio	55.2%	71.1%	24.6%	–	55.1%
Average equity	11,399	1,000	188	451	13,039
Return on equity before tax	**9.3%**	**4.9%**	**58.7%**	**–**	**9.0%**
Business outlets	2,934	16	0	1	2,951

Notes

Principles underlying the consolidated financial statements

Policies

The condensed interim consolidated financial statements of RZB 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 June 30, 2015 are prepared in accordance with IAS 34.

In addition to the information on risks arising from financial instruments in the individual notes to the financial statements, the risk report section in particular contains detailed information on the issues of credit risk, concentration risk, market risk and liquidity risk. The interim report as at June 30, 2015 did not undergo an audit inspection carried out by a certified auditor.

The same recognition and measurement principles and consolidation methods were fundamentally applied in the interim reporting, as those used in preparing the 2014 consolidated financial statements (see 2014 Annual Report, page 212 ff). Standards and interpretations to be applied in the EU from January 1, 2015 onward were accounted for in this interim report.

The relevant provisions for accounting in hyperinflation economies according to IAS 29 were applied for two subsidiaries in Belarus until December 31, 2014. Since 2011, the historical acquisition and production costs had been adjusted due to the changes in the general purchasing power and had been disclosed in the prevailing measuring unit at the reporting date until December 31, 2014. From January 1, 2015 on, accounting for hyperinflation economies was finished because the relevant parameters indicating hyperinflation were no longer given. The carrying values in 2015 were based on all carrying values stated in the prevailing measuring unit as at December 31, 2014. Expense and income items were again translated with the average exchange rate for the consolidated financial statements while the application of IAS 29 required period-end exchange rates.

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 today's standard. 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 IFRS 5

In February 2015, the Group decided to sell units in Poland and Slovenia as well as the online bank ZUNO BANK AG, Vienna, in the course of a strategy adaptation. Besides that, the disposal of the subsidiary ZAO NPF Raiffeisen, Moscow, was also fixed. In Poland, the sale process has already started, but is delayed due to the current surrounding conditions. Therefore, a closing within a one-year period is unlikely. Consequently, the disclosure as discontinued operations was resigned. In Slovenia, sale activities stopped and the execution of the company was initiated. The disclosure according to IFRS 5 for all other units was resigned due to immateriality.

Application of new and revised standards

The annual improvements to IFRS 2010–2012 cycle (entry into force February 1, 2015 in the EU) and 2011–2013 cycle (entry into force January 1, 2015 in the EU) comprise numerous amendments to various standards. The amendments are effective for annual periods beginning on or after February 1, 2015. They comprise amendments to various IFRS with impacts on the recognition, measurement and disclosure of business cases as well as terminological and editorial adaptations.

The amendments to IAS 19 (entry into force February 1, 2015 in the EU) clarify the provisions that relate to the allocation of employee or third party contributions linked to service to periods of service. In addition, a solution that simplifies accounting practice is permitted if the amount of the contributions is independent on the number of years of service performed.

The first-time application of the above mentioned IFRS had no material impact on the interim consolidated financial statements as the amendments had been contingently applicable.

Currencies

Rates in units per €	2015		2014	
	As at 30/6	Average 1/1-30/6	As at 31/12	Average 1/1-30/6
Albanian lek (ALL)	140.290	140.337	140.140	140.179
Belarusian rouble (BYR)	16,974.000	16,216.286	14,380.000	13,511.429
Bosnian marka (BAM)	1.956	1.956	1.956	1.956
Bulgarian lev (BGN)	1.956	1.956	1.956	1.956
Croatian kuna (HRK)	7.595	7.632	7.658	7.621
Czech koruna (CZK)	27.253	27.512	27.735	27.442
Hungarian forint (HUF)	314.930	308.096	315.540	306.810
Kazakh tenge (KZT)	206.980	207.959	221.970	239.423
Malaysian Ringgit (MYR)	4.219	4.090	4.247	4.479
Polish zloty (PLN)	4.191	4.152	4.273	4.178
Romanian leu (RON)	4.473	4.444	4.483	4.452
Russian rouble (RUB)	62.355	65.910	72.337	47.850
Serbian dinar (RSD)	120.604	120.889	120.958	115.571
Singapore Dollar (SGD)	1.507	1.516	1.606	1.729
Swedish Krona (SEK)	9.215	9.326	9.393	8.977
Turkish Lira (TRY)	2.995	2.876	2.832	2.963
Ukrainian hryvna (UAH)	23.541	23.431	19.233	14.069
US-Dollar (USD)	1.119	1.126	1.214	1.372

Changes in consolidated group

	Fully consolidated		Equity method	
Number of units	30/6/2015	31/12/2014	30/6/2015	31/12/2014
As at beginning of period	**337**	**360**	**10**	**9**
Included for the first time in the financial period	15	32	0	1
Merged in the financial period	(1)	(5)	0	0
Excluded in the financial period	(31)	(50)	0	0
As at end of period	**320**	**337**	**10**	**10**

Three of the entities firstly integrated into the Group are special financing companies from leasing and twelve from investment business. 21 entities were excluded due to immateriality and further ten were sold.

Notes to the income statement

(1) Income statement according to measurement categories

in € million	1/1-30/6/2015	1/1-30/6/2014
Net income from financial assets and liabilities held-for-trading	147	278
Net income from financial assets and liabilities at fair value through profit or loss	266	145
Net income from financial assets available-for-sale	33	16
Net income from loans and advances	1,681	2,003
Net income from financial assets held-to-maturity	86	96
Net income from financial liabilities measured at acquisition cost	(981)	(1,053)
Net income from derivatives (hedging)	104	66
Net revaluations from exchange differences	(109)	(57)
Sundry operating income and expenses	(668)	(904)
Profit/loss before tax	**560**	**590**

(2) Net interest income

in € million	1/1-30/6/2015	1/1-30/6/2014
Interest and interest-like income, total	**2,734**	**3,092**
Interest income	2,696	3,060
from balances at central banks	20	18
from loans and advances to banks	115	120
from loans and advances to customers	2,022	2,331
from financial investments	193	246
from leasing claims	106	108
from derivative financial instruments - economic hedge	127	177
from derivative financial instruments - hedge accounting	112	60
Current income	26	20
from shares and other variable-yield securities	1	1
from shares in affiliated companies	9	13
from other interests	16	6
Interest-like income	13	12
Current income from associates	**71**	**59**
Interest expenses and interest-like expenses, total	**(978)**	**(1,054)**
Interest expenses	(945)	(1,024)
on deposits from central banks	(35)	(5)
on deposits from banks	(135)	(190)
on deposits from customers	(544)	(550)
on debt securities issued	(138)	(176)
on subordinated capital	(93)	(102)
Interest-like expenses	(32)	(30)
Total	**1,827**	**2,097**

(3) Net provisioning for impairment losses

in € million	1/1-30/6/2015	1/1-30/6/2014
Individual loan loss provisions	**(587)**	**(574)**
Allocation to provisions for impairment losses	(1,013)	(905)
Release of provisions for impairment losses	447	356
Direct write-downs	(71)	(55)
Income received on written-down claims	50	31
Portfolio-based loan loss provisions	**(10)**	**(15)**
Allocation to provisions for impairment losses	(199)	(200)
Release of provisions for impairment losses	190	185
Gains from the sales of loans	**3**	**2**
Total	**(594)**	**(587)**

(4) Net fee and commission income

in € million	1/1-30/6/2015	1/1-30/6/2014
Payment transfer business	309	358
Loan and guarantee business	99	97
Securities business	67	62
Foreign currency, notes/coins, and precious metals business	187	180
Management of investment and pension funds	62	58
Sale of own and third party products	23	23
Other banking services	35	27
Total	**783**	**805**

(5) Net trading income

in € million	1/1-30/6/2015	1/1-30/6/2014
Interest-based transactions	70	38
Currency-based transactions	(103)	(27)
Equity-/index-based transactions	21	29
Other transactions	6	(33)
Total	**(6)**	**7**

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 € 13 million (comparable period: € 26 million).

(6) Income from derivatives and liabilities

in € million	1/1-30/6/2015	1/1-30/6/2014
Net income from hedge accounting	(8)	6
Net income from other derivatives	(83)	36
Net income from liabilities designated at fair value	126	(108)
Income from repurchase of liabilities	(3)	1
Total	**31**	**(65)**

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

Net income from liabilities designated at fair value comprises a profit from changes in own credit risk amounting to € 12 million (2014: positive effect of € 24 million) and a positive effect from changes in market interest rates totaling € 114 million (2014: negative effect of € 132 million).

(7) Net income from financial investments

in € million	1/1-30/6/2015	1/1-30/6/2014
Net income from securities held-to-maturity	**1**	**0**
Net valuations of securities	0	0
Net proceeds from sales of securities	1	0
Net income from equity participations	**9**	**(3)**
Net valuations of equity participations	(10)	(4)
Net proceeds from sales of equity participations	19	1
Net income from securities at fair value through profit and loss	**31**	**102**
Net valuations of securities	28	98
Net proceeds from sales of securities	3	4
Net income from available-for-sale securities	**(1)**	**1**
Total	**40**	**100**

(8) General administrative expenses

in € million	1/1-30/6/2015	1/1-30/6/2014
Staff expenses	**(714)**	**(842)**
Wages and salaries	(543)	(637)
Social security costs and staff-related taxes	(137)	(159)
Other voluntary social expenses	(20)	(21)
Sundry staff expenses	(13)	(25)
Other administrative expenses	**(621)**	**(613)**
Office space expenses	(143)	(162)
IT expenses	(138)	(134)
Communication expenses	(37)	(38)
Legal, advisory and consulting expenses	(50)	(52)
Advertising, PR and promotional expenses	(52)	(57)
Deposit insurance fees	(58)	(53)
Office supplies	(13)	(15)
Resolution fund	(41)	0
Car expenses	(9)	(10)
Security expenses	(15)	(23)
Traveling expenses	(8)	(9)
Training expenses for staff	(6)	(8)
Sundry administrative expenses	(52)	(52)
Depreciation of tangible and intangible fixed assets	**(167)**	**(177)**
Tangible fixed assets	(81)	(82)
Intangible fixed assets	(69)	(75)
Leased assets (operating lease)	(17)	(21)
Total	**(1,502)**	**(1,633)**

(9) Other net operating income

in € million	1/1-30/6/2015	1/1-30/6/2014
Net income arising from non-banking activities	23	29
Rental income from operating lease (vehicles and equipment)	20	22
Rental income from investment property incl. operating lease (real estate)	24	22
Net proceeds from disposal of tangible and intangible fixed assets	1	8
Other taxes	(115)	(150)
hereof bank levies	(78)	(109)
Impairment of goodwill	(3)	0
Net expense from allocation and release of other provisions	(12)	(6)
Negative interest	(1)	0
Profit/loss from legal measures relating to consumer protection	25	(67)
Sundry operating income and expenses	16	19
Total	**(23)**	**(125)**

In Hungary, a provision of € 33 million formed in the previous year in connection with the Settlement Act (unilateral interest rate changes for consumer loans) was released. In the previous year, an allocation of € 67 million was made for the first half of 2014 after the plan was announced.

Changes in consumer protection legislation in Croatia and Serbia resulted in a one-off effect in the form of a provision amounting to € 8 million in the reporting period.

An impairment test was carried out for a subsidiary (Ukrainian Processing Center PJSC) due to the continuing stressed market environment in Ukraine. This resulted in an impairment loss on goodwill of € 3 million.

(10) Net income from disposal of group assets

In the reporting period, 21 subsidiaries were excluded from the consolidated group due to materiality reasons. Moreover, ten subsidiaries were excluded due to sale. Net income from disposal of group assets amounted to € 4 million.

(11) Income taxes

in € million	1/1-30/6/2015	1/1-30/6/2014
Current income taxes	(102)	(159)
Austria	(14)	(33)
Foreign	(88)	(126)
Deferred taxes	(65)	4
Total	**(167)**	**(156)**

Notes to the statement of financial position

(12) Statement of financial position according to measurement categories

Assets according to measurement categories in € million	30/6/2015	31/12/2014[1]
Cash reserve	11,501	9,221
Trading assets	7,822	8,495
Financial assets at fair value through profit or loss	9,187	7,131
Investments in associates	1,555	1,688
Financial assets available-for-sale	4,074	3,400
Loans and advances	97,124	101,581
Financial assets held-to-maturity	8,181	9,772
Derivatives (hedging)	733	942
Other assets	2,905	2,699
Total assets	**143,082**	**144,929**

1 Adaptation of previous year figures due to change in classification.

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 and other equity participations. Loans and advances are reported on a net basis after provisions for impairment losses. Other assets comprise intangible and tangible fixed assets.

Equity and liabilities according to measurement categories in € million	30/6/2015	31/12/2014
Trading liabilities	6,482	7,378
Financial liabilities	123,853	124,236
Liabilities at fair value through profit and loss	1,547	2,596
Derivatives (hedging)	461	201
Provisions for liabilities and charges	1,004	1,187
Equity	9,735	9,332
Total equity and liabilities	**143,082**	**144,929**

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

(13) Cash reserve

in € thousand	2015	2014
Cash in hand	2,092	3,026
Balances at central banks	9,408	6,195
Total	**11,501**	**9,221**

(14) Loans and advances to banks

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

in € million	30/6/2015	31/12/2014
Austria	6,299	6,720
Foreign	9,888	12,172
Total	**16,187**	**18,892**

Loans and advances to banks include € 1,147 million (31/12/2014: € 4,613 million) from repo transactions.

(15) Loans and advances to customers

Loans and advances to customers break down into following asset classes:

in € million	30/6/2015	31/12/2014
Sovereigns	1,476	1,584
Corporate customers – large corporates	48,694	51,111
Corporate customers – mid market	3,446	3,435
Retail customers – private individuals	29,247	28,905
Retail customers – small and medium-sized entities	2,918	2,707
Total	**85,782**	**87,741**

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

in € million	30/6/2015	31/12/2014
Austria	13,332	14,213
Foreign	72,450	73,528
Total	**85,782**	**87,741**

(16) Impairment losses on loans and advances

Provisions for impairment losses are allocated to the following asset classes:

in € million	30/6/2015	31/12/2014
Banks	118	115
Sovereigns	5	1
Corporate customers – large corporates	3,999	3,839
Corporate customers – mid market	383	379
Retail customers – private individuals	1,760	1,857
Retail customers – small and medium-sized entities	283	256
Total	**6,548**	**6,447**

(17) Trading assets

in € million	30/6/2015	31/12/2014
Bonds, notes and other fixed-interest securities	3,008	3,093
Shares and other variable-yield securities	275	348
Positive fair values of derivative financial instruments	3,584	4,427
Total	**6,868**	**7,868**

Pledged securities ready to be sold or repledged by transferee shown under trading assets amounted to € 741 million (31/12/2014: € 679 million).

(18) Derivatives

in € million	30/6/2015	31/12/2014
Positive fair values of derivatives in fair value hedges (IAS 39)	733	941
Positive fair values of derivatives in net investment hedge (IAS 39)	15	0
Positive fair values of other derivatives	939	626
Total	**1,686**	**1,568**

(19) Financial investments

in € million	30/6/2015	31/12/2014
Bonds, notes and other fixed-interest securities	20,472	19,201
Shares and other variable-yield securities	521	495
Equity participations	449	606
Total	**21,442**	**20,303**

Pledged securities ready to be sold or repledged by the transferee shown under financial investments amounted to € 35 million (31/12/2014: € 352 million).

(20) Investments in associates

in € million	30/6/2015	31/12/2014
Investments in associates	1,555	1,688
hereof goodwill	58	58

(21) Intangible fixed assets

in € million	30/6/2015	31/12/2014
Goodwill	221	223
Software	534	547
Other intangible fixed assets	85	91
Total	**840**	**861**

(22) Tangible fixed assets

in € million	30/6/2015	31/12/2014
Land and buildings used by the Group for own purpose	707	695
Other land and buildings (investment property)	539	322
Office furniture, equipment and other tangible fixed assets	291	348
Leased assets (operating lease)	433	406
Total	**1,970**	**1,771**

(23) Other assets

in € million	30/6/2015	31/12/2014
Tax assets	402	477
Current tax assets	138	161
Deferred tax assets	264	316
Receivables arising from non-banking activities	99	99
Accruals and deferred items	183	281
Clearing claims from securities and payment transfer business	170	260
Lease in progress	43	39
Assets held for sale (IFRS 5)	50	103
Inventories	95	67
Valuation fair value hedge portfolio	12	29
Other assets	744	107
Total	**1,798**	**1,462**

(24) Deposits from banks

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

in € million	30/6/2015	31/12/2014
Austria	19,977	19,569
Foreign	12,991	13,631
Total	**32,968**	**33,200**

(25) Deposits from customers

Deposits from customers break down as follows:

in € million	30/6/2015	31/12/2014[1]
Sovereigns	2,110	1,179
Corporate customers – large corporates	29,038	31,285
Corporate customers – mid market	2,603	2,732
Retail customers – private individuals	38,019	35,833
Retail customers – small and medium-sized entities	4,364	4,140
Total	**76,133**	**75,168**

1 Adaptation of previous year figures due to change in classification.

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

in € million	30/6/2015	31/12/2014
Austria	12,390	12,806
Foreign	63,743	62,362
Total	**76,133**	**75,168**

(26) Debt securities issued

in € million	30/6/2015	31/12/2014
Bonds and notes issued	10,089	11,941
Money market instruments issued	331	517
Other debt securities issued	27	32
Total	**10,447**	**12,490**

(27) Provisions for liabilities and charges

in € million	30/6/2015	31/12/2014
Severance payments and other	116	111
Retirement benefits	108	108
Taxes	141	158
Current	56	88
Deferred	85	71
Contingent liabilities and commitments	122	112
Pending legal issues	71	96
Overdue vacation	57	55
Bonus payments	154	164
Restructuring	21	13
Settlement Act Hungary	44	251
Other	168	118
Total	**1,002**	**1,187**

The item Other includes provisions related to the Resolution fund of € 41 million.

(28) Trading liabilities

in € million	30/6/2015	31/12/2014
Negative fair values of derivative financial instruments	**4,744**	**5,613**
Interest-based transactions	2,711	3,006
Currency-based transactions	848	1,444
Equity-/index-based transactions	1,025	1,018
Credit derivatives business	16	17
Other transactions	144	128
Short-selling of trading assets	**500**	**498**
Certificates issued	**665**	**693**
Total	**5,909**	**6,804**

(29) Derivatives

in € million	30/6/2015	31/12/2014
Negative fair values of derivatives in fair value hedges (IAS 39)	190	137
Negative fair values of derivatives in cash flow hedges (IAS 39)	271	63
Negative fair values of other derivative financial instruments	574	574
Total	**1,035**	**775**

(30) Other liabilities

in € million	30/6/2015	31/12/2014
Liabilities from non-banking activities	106	109
Liabilities from insurance contracts	459	203
Prepayments and other deferrals	254	263
Liabilities from dividends	36	3
Clearing claims from securities and payment transfer business	424	425
Valuation fair value hedge portfolio	60	144
Liabilities held for Sale (IFRS 5)	0	12
Other liabilities	135	508
Total	**1,473**	**1,666**

(31) Subordinated capital

in € million	30/6/2015	31/12/2014
Hybrid tier 1 capital	397	397
Subordinated liabilities	3,982	3,911
Total	**4,379**	**4,308**

(32) Equity

in € million	30/6/2015	31/12/2014
Consolidated equity	5,324	5,651
Subscribed capital	492	492
Capital reserves	1,835	1,835
Retained earnings	2,997	3,324
Consolidated profit/loss	222	(323)
Non-controlling interests	4,189	4,004
Total	**9,735**	**9,332**

Risk report

(33) 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 continuously develops 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 chapters of the 2014 Annual Report, pages 117 ff.

Economic capital

Economic capital constitutes an important instrument in overall bank management. It sets the internal capital requirement for all risk categories based on comparable internal models and allows for 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	30/6/2015	Share	31/12/2014	Share
Credit risk corporate customers	2,007	27.1%	1,985	24.5%
Credit risk retail customers	1,815	24.5%	1,629	20.1%
Operational risk	682	9.2%	676	8.3%
Credit risk sovereigns	533	7.2%	489	6.0%
Market risk	527	7.1%	1,368	16.9%
Macroeconomic risk	462	6.2%	462	5.7%
Participation risk	412	5.6%	434	5.3%
Other tangible fixed assets	282	3.8%	317	3.9%
Credit risk financial institutions	231	3.1%	237	2.9%
Liquidity risk	74	1.0%	93	1.1%
CVA risk	35	0.5%	40	0.5%
Risk buffer	353	4.8%	387	4.8%
Total	**7,413**	**100.0%**	**8,116**	**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 reconciles the items on the statement of financial position (banking and trading book positions) with 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 maximum credit exposure. It is not reduced by the effects of credit risk mitigation, for example guarantees and physical collateral, which are however considered in the overall assessment of credit risks. The total credit exposure is used – if not explicitly stated otherwise – for showing exposures in the following tables in the risk report. The reasons for the deviation between the internal portfolio management and external accounting figures are the different scopes of consolidation (regulatory versus IFRS, i.e. corporate legal basis) and different classification and presentations of exposure volumes.

in € million	30/6/2015	31/12/2014[1]
Cash reserve	9,408	6,195
Loans and advances to banks	16,187	18,892
Loans and advances to customers	85,782	87,741
Trading assets	6,868	7,868
Derivatives	1,686	1,568
Financial investments	20,472	19,201
Other assets	1,468	1,028
Contingent liabilities	11,039	10,632
Commitments	11,325	10,423
Revocable credit lines	15,790	17,640
Description differences	(3,104)	(5,135)
Total	**176,922**	**176,055**

Items on the statement of financial position contain only credit risk portions.
1 Adaptation due to change in classification.

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 estimated for each asset class separately. As a consequence the default probabilities related to the same ordinal rating grade (e.g. good credit standing 4 for corporates, financial institutions A3, and sovereigns A3) are not directly comparable across these asset classes.

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

Credit portfolio – Corporates

The following table shows the total credit exposure by internal rating to corporate customers (large corporates, mid-market and small corporates). To provide a more concise overview, the individual grades of the rating scale are summarized in 9 main rating grades.

in € million		30/6/2015	Share	31/12/2014	Share
1	Minimal risk	4,881	6.4%	4,291	5.5%
2	Excellent credit standing	9,004	11.7%	10,507	13.4%
3	Very good credit standing	8,399	10.9%	9,496	12.1%
4	Good credit standing	11,885	15.5%	10,612	13.5%
5	Sound credit standing	13,745	17.9%	14,729	18.7%
6	Acceptable credit standing	11,801	15.4%	11,676	14.8%
7	Marginal credit standing	6,129	8.0%	6,150	7.8%
8	Weak credit standing / sub-standard	2,615	3.4%	2,796	3.6%
9	Very weak credit standing / doubtful	1,306	1.7%	1,617	2.1%
10	Default	6,488	8.4%	6,346	8.1%
NR	Not rated	581	0.8%	479	0.6%
Total		**76,835**	**100.0%**	**78,700**	**100.0%**

Compared to year-end 2014, total credit exposure to corporate customers decreased € 1,865 million to € 76,835 million. At 95.2 per cent or € 73,152 million (2014: € 74,842 million) Raiffeisen Bank International represents the largest segment.

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

in € million		30/6/2015	Share	31/12/2014	Share
6.1	Excellent project risk profile – very low risk	3,599	42.2%	3,668	41.1%
6.2	Good project risk profile – low risk	2,816	33.0%	3,167	35.4%
6.3	Acceptable project risk profile – average risk	563	6.6%	822	9.2%
6.4	Poor project risk profile – high risk	477	5.6%	509	5.7%
6.5	Default	891	10.4%	769	8.6%
NR	Not rated	187	2.2%	0	0.0%
Total		**8,533**	**100.0%**	**8,936**	**100.0%**

At the end of the first half year 2015, credit exposure to project finance amounted to € 8,533 million, with the two best rating grades – excellent project risk profile with very low risk and good project risk profile with low risk - accounting for the highest share, at 75.2 per cent. This reflects mainly the high level of collateralization in such specialized lending transactions. Compared to year-end 2014, the share of 'not rated' credit exposure increased to 2.2 per cent or € 187 million.

The following table provides a breakdown by country of risk of total credit exposure to corporate customers and project finance grouped into regions:

in € million	30/6/2015	Share	31/12/2014[1]	Share
Central Europe	23,646	27.7%	22,891	26.1%
Austria	17,358	20.3%	18,324	20.9%
Eastern Europe	14,545	17.0%	15,574	17.8%
Southeastern Europe	10,248	12.0%	10,925	12.5%
Western Europe	9,479	11.1%	10,283	11.7%
Asia	5,022	5.9%	4,996	5.7%
Other	5,069	5.9%	4,643	5.3%
Total	**85,368**	**100.0%**	**87,636**	**100.0%**

1 Adaptation of previous year figures due to change in presentation of regions.

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

in € million	30/6/2015	Share	31/12/2014	Share
Wholesale and retail trade	19,391	22.7%	19,603	22.4%
Manufacturing	17,511	20.5%	18,466	21.1%
Real estate	10,703	12.5%	11,027	12.6%
Financial intermediation	9,506	11.1%	10,253	11.7%
Construction	6,359	7.4%	6,101	7.0%
Freelance/technical services	4,546	5.3%	4,532	5.2%
Transport, storage and communication	3,844	4.5%	3,799	4.3%
Electricity, gas, steam and hot water supply	3,783	4.4%	3,492	4.0%
Other industries	9,724	11.4%	10,363	11.8%
Total	**85,368**	**100.0%**	**87,636**	**100.0%**

Credit portfolio – Retail customers

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

in € million	30/6/2015	Share	31/12/2014	Share
Retail customers – private individuals	32,317	91.7%	32,337	91.7%
Retail customers – small and medium-sized entities	2,925	8.3%	2,927	8.3%
Total	**35,242**	**100.0%**	**35,264**	**100.0%**
hereof non-performing loans	2,652	7.5%	2,699	7.7%
hereof individual loan loss provision	1,816	5.2%	1,908	5.4%
hereof portfolio-based loan loss provision	242	0.7%	205	0.6%

Compared to year-end 2014, total credit exposure to retail customers decreased € 22 million to € 35,242 million in the first half of 2015. The decrease is mainly attributable to a decline in loan volumes in the retail business in Hungary and to Raiffeisen Bausparkasse Österreich which was partly offset by increases in credit exposure in Slovakia and Poland and the currency development of the Swiss franc and the Polish zloty.

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

in € million	30/6/2015	Share	31/12/2014	Share
Mortgage loans	20,620	58.5%	19,928	56.5%
Personal loans	7,696	21.8%	7,031	19.9%
Credit cards	2,616	7.4%	2,551	7.2%
SME financing	1,561	4.4%	1,872	5.3%
Car loans	1,412	4.0%	2,100	6.0%
Overdraft	1,337	3.8%	1,782	5.1%
Total	**35,242**	**100.0%**	**35,264**	**100.0%**

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 of loan distribution and – in several countries – the customer's ability to match payments with foreign currency income.

in € million	30/6/2015	Share	31/12/2014	Share
Swiss franc	3,910	45.5%	4,230	46.6%
Euro	3,802	44.3%	3,955	43.6%
US-Dollar	863	10.1%	884	9.7%
Other foreign currencies	9	0.1%	10	0.1%
Loans in foreign currencies	**8,584**	**100.0%**	**9,079**	**100.0%**
Share of total loans	**24.4%**		**25.7%**	

Compared to year-end 2014, foreign currency loans in Swiss francs and US-Dollars and Euro loans declined despite a positive currency development. The decrease of foreign currency loans in Swiss francs mainly resulted from the conversion of loans into Hungarian forint according to the Settlement Act in Hungary.

Credit portfolio – Financial institutions

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

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

in € million		30/6/2015	Share	31/12/2014	Share
A1	Excellent credit standing	0	0.0%	0	0.0%
A2	Very good credit standing	2,432	10.5%	1,971	7.9%
A3	Good credit standing	2,506	10.8%	10,643	42.5%
B1	Sound credit standing	13,146	56.7%	6,613	26.4%
B2	Average credit standing	1,518	6.5%	2,844	11.4%
B3	Mediocre credit standing	1,879	8.1%	1,275	5.1%
B4	Weak credit standing	640	2.8%	541	2.2%
B5	Very weak credit standing	267	1.2%	339	1.4%
C	Doubtful/high default risk	203	0.9%	124	0.5%
D	Default	195	0.8%	194	0.8%
NR	Not rated	412	1.8%	502	2.0%
Total		**23,199**	**100.0%**	**25,047**	**100.0%**

Total credit exposure to financial institutions amounted to€ 23,199 million in the first half year of 2015. Compared to year-end 2014, this represents a decrease of € 1,848 million. This mainly resulted from a decline of repo and swap business which was partly offset by an increase in money market business and bonds issued by financial institutions.

At € 13,146 million, or 56.7 per cent, the bulk of this customer group was in the B1 rating class, which increased € 6,533 million compared to year-end 2014. . This mainly resulted from a rating migration from A3 to B1. At the same time, rating grade A3 reported the largest decline of € 8,137 million compared to year-end 2014.

The share of 'not rated' loans to financial institutions amounted to 1.8 per cent and was mainly based on short-term loans to small banks, where the rating process had not yet been completed.

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

in € million	30/6/2015	Share	31/12/2014	Share
Money market	5,675	24.5%	5,449	21.8%
Loans	4,390	18.9%	4,249	17.0%
Derivatives	4,181	18.0%	5,172	20.6%
Bonds	3,908	16.8%	3,487	13.9%
Repo	2,337	10.1%	4,150	16.6%
Other	2,709	11.7%	2,541	10.1%
Total	**23,199**	**100.0%**	**25,047**	**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		30/6/2015	Share	31/12/2014	Share
A1	Excellent credit standing	11,217	33.9%	7,489	26.6%
A2	Excellent credit standing	2,237	6.8%	2,429	8.6%
A3	Good credit standing	4,522	13.7%	4,755	16.9%
B1	Sound credit standing	3,624	10.9%	3,106	11.1%
B2	Average credit standing	3,359	10.1%	3,500	12.5%
B3	Mediocre credit standing	2,625	7.9%	1,721	6.1%
B4	Weak credit standing	4,078	12.3%	3,953	14.1%
B5	Very weak credit standing	725	2.2%	882	3.1%
C	Doubtful/high default risk	697	2.1%	272	1.0%
D	Default	4	0.0%	0	0.0%
NR	Not rated	26	0.1%	2	0.0%
Total		**33,114**	**100.0%**	**28,109**	**100.0%**

Compared to year-end 2014, credit exposure to sovereigns increased € 5,005 million to € 33,114 million which represents 18.7 per cent of the banks's total credit exposure.

The rating class 'excellent credit standing' (Rating A1) reported an increase of € 3,728 million. This mainly resulted from a rise in deposits at the Austrian National Bank (up € 3,608 million).

The medium rating classes 'Good credit standing' (A3 rating) to 'mediocre credit standing' (B3 rating) accounted for 42.6 per cent. The high level of exposure in the intermediate rating classes was amongst others mainly due to deposits of Group units in Central and Southeastern Europe 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 resulted from bonds issued by central banks and governments in Central and Southeastern Europe. The increase in the rating class B3 was mainly due to a rating migration of Russia from B2 to B3 and the increase in deposits at the Bulgarian National Bank.

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

in € million	30/6/2015	Share	31/12/2014	Share
Bonds	18,901	57.1%	18,065	64.3%
Loans	13,365	40.4%	8,535	30.4%
Derivatives	809	2.4%	791	2.8%
Other	37	0.1%	718	2.6%
Total	**33,114**	**100.0%**	**28,109**	**100.0%**

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

in € million	30/6/2015	Share	31/12/2014[1]	Share
Hungary	2,600	31.9%	2,646	38.7%
Croatia	896	11.0%	894	13.1%
Bulgaria	859	10.5%	395	5.8%
Albania	708	8.7%	744	10.9%
Russia	628	7.7%	0	0.0%
Serbia	529	6.5%	310	4.5%
Bosnia and Herzegovina	510	6.2%	432	6.3%
Ukraine	375	4.6%	267	3.9%
Belarus	316	3.9%	243	3.6%
Vietnam	166	2.0%	174	2.5%
Other	569	7.0%	724	10.6%
Total	**8,155**	**100.0%**	**6,830**	**100.0%**

1 Adaptation of previous year figures and reclassification of Slovenia to item 'Other' due to significant reduction in exposure.

The credit exposure mainly arises 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 2014, the credit exposure to non-investment grade sovereigns increased € 1,325 million to € 8,155 million. This mainly resulted from a rating migration of Russia from B2 to B3 and the increase of the minimum reserve at the Bulgarian National Bank.

Non-performing exposure

An amended definition of non-performing exposure (NPE) was published on the EBA homepage (Article 179) on 18 March 2015. This amendment resulted in a significant decrease of non-performing exposure according to the CRR/CRD IV definition. Only those exposures which were classified as defaulted non-performing exposure (NPL) in the past but recovered in the meantime, are classified automatically as non-performing exposure based on a repeated restructuring. Exposures which were not classified as NPL in the past are to be reassessed in the course of a further restructuring and are not automatically classified as NPE. This explains the strong decrease compared to year-end 2014.

The following table shows the non-performing exposure by asset class:

in € million	30/6/2015	Share	31/12/2014[1]	Share
Corporate customers	143	48.5%	782	72.3%
Retail customers	152	51.5%	299	27.6%
Banks	0	0.0%	1	0.1%
Sovereigns	0	0.0%	0	0.0%
Total	**296**	**100.0%**	**1,081**	**100.0%**

1 Due to an unreasonably high effort, the previous year figures were not adapted.

Non-performing loans and provisioning

The table below shows the volume of non-performing loans (NPL), the proportion they make up of the defined asset classes loans and advances to customers and loans and advances to banks (excluding items off the statement of financial position) in the statement of financial position and the corresponding share of provisioning:

	NPL		NPL ratio		NPL coverage ratio	
in € million	**30/6/2015**	**31/12/2014**	**30/6/2015**	**31/12/2014**	**30/6/2015**	**31/12/2014**
Corporate customers	7,007	6,764	12.9%	12.4%	60.3%	62.4%
Retail customers	2,626	2,688	10.3%	8.5%	74.2%	78.6%
Sovereigns	4	0	0.5%	0.0%	86.3%	439.2%
Total non-banks	**9,637**	**9,453**	**11.2%**	**10.8%**	**66.7%**	**67.0%**
Banks	133	130	0.6%	0.7%	88.3%	88.2%
Total	**9,770**	**9,582**	**9.6%**	**9.0%**	**68.2%**	**67.3%**

The table below 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) as reported in the statement of financial position:

in € million	As at 1/1/2015	Change in consolidated group/ Exchange differences	Additions	Disposals	As at 30/6/2015
Corporate customers	6,764	153	1,106	(1,016)	7,007
Retail customers	2,688	90	440	(592)	2,626
Sovereigns	0	0	4	0	4
Total non-banks	**9,453**	**243**	**1,550**	**(1,608)**	**9,637**
Banks	130	4	0	(1)	133
Total	**9,582**	**247**	**1,550**	**(1,609)**	**9,770**

In Corporate Customers, total non-performing loans increased 3.6 per cent, or € 243 million, to € 7,007 million in the first two quarters of 2015. The ratio of non-performing loans to total loans rose 0.5 percentage points to 12.9 per cent, however the NPL coverage ratio went down 2.1 percentage points to 60.3 per cent.

In the retail porfolio, non-performing loans declined 2.3 per cent, or € 62 million, to € 2,626 million. The ratio of non-performing loans to total loans increased 1.8 percentage points to 10.3 per cent, the NPL coverage ratio sank 4.4 percentage points to 74.2 per cent.

Non-performing loans of financial institutions amounted to € 133 million at the end of the second quarter of 2015 and the NPL coverage ratio totaled 88.3 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 1/1/2015	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 30/6/2015
Individual loan loss provisions	6,088	11	1,034	(447)	(676)	160	6,171
Portfolio-based loan loss provisions	471	0	199	(190)	(1)	19	499
Total	**6,559**	**11**	**1,233**	**(636)**	**(677)**	**179**	**6,670**

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

Concentration risk

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

in € million	30/6/2015	Share	31/12/2014[1]	Share
Austria	**40,200**	**22.7%**	**37,505**	**21.3%**
Central Europe	**52,186**	**29.5%**	**50,940**	**28.9%**
Poland	16,042	9.1%	14,660	8.3%
Czech Republic	12,564	7.1%	14,388	8.2%
Slovakia	14,413	8.1%	11,970	6.8%
Hungary	7,981	4.5%	8,483	4.8%
Other	1,186	0.7%	1,440	0.8%
Other European Union	**24,032**	**13.6%**	**26,636**	**15.1%**
Germany	6,409	3.6%	7,149	4.1%
France	4,696	2.7%	4,915	2.8%
Great Britain	4,156	2.3%	6,070	3.4%
Netherlands	2,152	1.2%	2,030	1.2%
Other	6,620	3.7%	6,472	3.7%
Southeastern Europe	**23,878**	**13.5%**	**24,378**	**13.8%**
Romania	8,497	4.8%	9,067	5.2%
Croatia	5,130	2.9%	5,234	3.0%
Bulgaria	3,737	2.1%	3,693	2.1%
Serbia	1,974	1.1%	1,658	0.9%
Other	4,539	2.6%	4,725	2.7%
Asia	**7,341**	**4.1%**	**7,640**	**4.3%**
China	2,664	1.5%	3,207	1.8%
Singapore	1,454	0.8%	1,337	0.8%
Other	3,223	1.8%	3,097	1.8%
Eastern Europe	**22,438**	**12.7%**	**22,965**	**13.0%**
Russia	16,361	9.2%	16,825	9.6%
Ukraine	3,816	2.2%	4,007	2.3%
Other	2,261	1.3%	2,133	1.2%
North America	**3,012**	**1.7%**	**2,908**	**1.7%**
Rest of World	**3,836**	**2.2%**	**3,083**	**1.8%**
Total	**176,922**	**100.0%**	**176,055**	**100.0%**

1 Adaptation of previous year figures due to change in the presentation of regions.
As of second quarter 2015, Far East is mapped to Asia.

RZB does not have a presence in any of the so-called peripheral European countries through subsidiary banks, but there are receivables from customers in these countries arising from credit financing and capital market business. 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 volatilities and equity indices. The Austrian Financial Market Authority has approved this model so that it can be used for calculating total capital requirement for market risks.

The following table lists risk measures 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 30/6/2015	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2014
Currency risk	20	42	19	108	109
Interest rate risk	9	20	9	62	52
Credit spread risk	28	25	9	58	19
Share price risk	1	1	1	1	1
Vega risk	1	2	1	6	1
Total	47	63	41	129	128

The modeling of risk arising from the structural currency position was improved insofar as goodwill, intangible assets and currency-induced fluctuations of risk-weighted assets are considered alongside the IFRS capital (including hedges).

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 repo transactions).

in € million	30/6/2015			31/12/2014		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	19,555	18,589	22,642	17,311	17,351	18,413
Liquidity ratio	147%	135%	122%	150%	133%	117%

Internal 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 short-term liquidity needs exist for all major Group units.

Additional notes

(34) Contingent liabilities and commitments

in € million	30/6/2015	31/12/2014
Contingent liabilities	**11,039**	**10,632**
Acceptances and endorsements	298	63
Credit guarantees	5,811	6,298
Other guarantees	2,367	2,323
Letters of credit (documentary business)	1,814	1,396
Other contingent liabilities	749	552
Commitments	**11,325**	**10,423**
Irrevocable credit lines and stand-by facilities	11,325	10,423
Up to 1 year	3,827	3,116
More than 1 year	7,499	7,307

(35) Derivatives

30/6/2015	Nominal amount by maturity				Fair values	
in € million	Up to 1 year	> 1 year to 5 years	More than 5 years	Total	Positive	Negative
Interest rate contracts	27,126	61,835	43,064	132,026	3,802	(3,204)
Foreign exchange rate and gold contracts	47,564	11,680	2,598	61,843	1,370	(1,390)
Equity/index contracts	1,737	1,806	437	3,979	80	(1,025)
Commodities	128	174	51	353	2	(124)
Credit derivatives	382	1,383	0	1,765	16	(16)
Precious metals contracts	25	0	12	38	0	(20)
Total	**76,963**	**76,877**	**46,163**	**200,003**	**5,271**	**(5,779)**

31/12/2014	Nominal amount by maturity				Fair values	
in € million	Up to 1 year	> 1 year to 5 years	More than 5 years	Total	Positive	Negative
Interest rate contracts	31,291	62,843	41,822	135,956	4,423	(3,412)
Foreign exchange rate and gold contracts	48,156	11,224	2,947	62,326	1,488	(1,813)
Equity/index contracts	1,705	1,895	1,137	4,738	64	(1,018)
Commodities	80	212	14	307	2	(103)
Credit derivatives	57	1,536	0	1,593	18	(17)
Precious metals contracts	15	20	12	48	0	(25)
Total	**81,305**	**77,731**	**45,933**	**204,969**	**5,995**	**(6,388)**

(36) Fair Value of financial instruments

Fair value of financial instruments not reported at fair value

30/6/2015 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	11,501	0	11,501	11,501	0
Loans and advances to banks	0	7,802	8,404	16,205	16,070	136
Loans and advances to customers	0	18,198	61,152	79,350	79,352	(2)
Financial investments	6,478	1,920	2,011	10,408	10,185	223
Liabilities						
Deposits from banks	0	17,628	15,472	33,100	32,968	132
Deposits from customers	0	26,480	50,143	76,622	76,133	489
Debt securities issued	2,276	5,616	979	8,872	8,900	(28)
Subordinated capital	0	4,182	507	4,689	4,379	310

31/12/2014 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	9,221	0	9,221	9,221	0
Loans and advances to banks	0	10,152	8,706	18,858	18,777	81
Loans and advances to customers	0	19,917	60,685	80,602	81,409	(807)
Financial investments	5,737	4,284	2,291	12,312	12,067	245
Liabilities						
Deposits from banks	0	17,095	16,405	33,499	33,200	299
Deposits from customers	0	26,916	48,557	75,474	75,168	306
Debt securities issued[1]	2,419	5,835	1,776	10,031	9,895	136
Subordinated capital[1]	0	4,239	532	4,771	4,308	464

1 Adaption of previous year figures.

Fair Value of financial instruments reported at fair value

in € million	30/6/2015 Level I	30/6/2015 Level II	30/6/2015 Level III	31/12/2014 Level I	31/12/2014 Level II	31/12/2014 Level III
Trading assets	**2,880**	**4,722**	**220**	**3,133**	**5,247**	**115**
Positive fair values of derivatives[1]	78	4,384	76	159	4,822	73
Shares and other variable-yield securities	275	0	0	346	2	0
Bonds, notes and other fixed-interest securities	2,527	338	144	2,629	423	42
Call/time deposits from trading purposes	0	0	0	0	0	0
Financial assets at fair value through profit or loss	**6,752**	**2,324**	**111**	**6,712**	**333**	**86**
Shares and other variable-yield securities	268	0	3	240	0	4
Bonds, notes and other fixed-interest securities	6,484	2,324	108	6,471	333	83
Financial assets available-for-sale	**2,622**	**680**	**326**	**1,881**	**583**	**332**
Other interests	3	0	0	3	0	0
Bonds, notes and other fixed-interest securities	2,618	680	75	1,877	583	82
Shares and other variable-yield securities	1	0	250	1	0	250
Derivatives (hedging)	**0**	**733**	**0**	**0**	**942**	**0**
Positive fair values of derivatives from hedge accounting	0	733	0	0	942	0

1 Including other derivatives.

in € million	30/6/2015 Level I	30/6/2015 Level II	30/6/2015 Level III	31/12/2014 Level I	31/12/2014 Level II	31/12/2014 Level III
Trading liabilities	**567**	**5,890**	**25**	**555**	**6,795**	**27**
Negative fair values of derivative financial instruments[1]	144	5,161	13	128	6,039	19
Short-selling of trading assets	423	73	4	427	71	0
Certificates issued	0	657	8	0	685	8
Liabilities at fair value through profit and loss	**0**	**1,547**	**0**	**0**	**2,596**	**0**
Debt securities issued[2]	0	1,547	0	0	2,596	0
Subordinated capital[2]	0	0	0	0	0	0
Derivatives (hedging)	**0**	**461**	**0**	**0**	**201**	**0**
Negative fair values of derivatives from hedge accounting	0	461	0	0	201	0

1 Including other derivatives.
2 Adaption of previous year figures.

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

Movements between Level I and Level II

Compared to year-end 2014, the share of financial assets according to Level II increased slightly. The increase resulted primarily from investments in bonds and other fixed-interest securities. The share of financial assets according to Level I decreased slightly compared to year-end 2014. The reasons are disposals and a slight shift from Level I to Level II which is due to a decreased market liquidity for individual securities.

Movements in Level III of financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose valuation models are based on unobservable parameters.

in € million	As at 1/1/2015	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	115	0	(9)	180	(79)
Financial assets at fair value through profit or loss	86	0	0	50	(22)
Financial assets available-for-sale	332	0	2	10	(11)
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 30/6/2015
Trading assets	9	0	4	0	220
Financial assets at fair value through profit or loss	(3)	0	0	0	111
Financial assets available-for-sale	(7)	0	0	0	326
Derivatives (hedging)	0	2	0	0	0

in € million	As at 1/1/2015	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading liabilities	27	0	0	4	(6)

in € million	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 30/6/2015
Trading liabilities	(1)	0	0	0	25

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	253	Approximation method	-	n.a.
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	279	Discounted cash flow method	Credit spread	2 - 20%
Bonds, notes and other fixed-interest securities	Asset backed securities	49	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 contracts	76	Discounted cash flow method	Interest rate	10 - 30%
Total		**656**			

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	17	Option model	Closing Period Currency risk LT volatility Index category	2 - 16% 0 - 5% 0 - 3% 0 - 5%
Issued certificates for trading purposes	Certificates	8	Option model	Closing period Bid-Ask Spread LT Volatility Index category	0 - 3% 0 - 3% 0 - 3% 0 - 2.5%
Total		**25**			

(37) Transferred assets

Transferred financial assets not entirely derecognized

30/6/2015	Transferred assets			Associated liabilities		
in € million	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Loans and advances	276	213	63	188	133	55
Trading assets	400	0	400	333	0	333
Financial investments	8	0	8	8	0	8
Total	**684**	**213**	**471**	**529**	**133**	**396**

31/12/2014			Transferred assets			Associated liabilities
in € million	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Loans and advances	321	63	258	217	162	55
Trading assets	79	79	0	73	0	73
Financial investments	124	124	0	88	0	88
Total	**524**	**266**	**258**	**378**	**162**	**216**

(38) Assets pledged as collateral and received financial assets

		30/6/2015		31/12/2014
in € million	Pledged	Otherwise restricted with liabilities	Pledged	Otherwise restricted with liabilities
Loans and advances[1]	8,655	1,455	7,214	1,735
Trading assets[2]	743	45	694	33
Financial investments	338	55	712	131
Total	**9,736**	**1,555**	**8,620**	**1,900**

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

(39) Offsetting of financial assets and liabilities

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

30/6/2015		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	5,159	271	4,888	4,058	40	790
Reverse repurchase, securities lending & similar agreements	2,416	0	2,416	2,389	0	26
Other financial instruments	4,119	469	3,650	372	0	3,278
Total	**11,695**	**741**	**10,954**	**6,819**	**40**	**4,094**

30/6/2015		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	4,852	271	4,580	3,818	100	663
Repurchase, securities lending & similar agreements	429	0	429	407	0	22
Other financial instruments	918	469	449	372	0	77
Total	**6,199**	**740**	**5,458**	**4,597**	**100**	**761**

31/12/2014		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	5,537	11	5,526	4,758	35	733
Reverse repurchase, securities lending & similar agreements	6,271	0	6,271	6,253	0	18
Other financial instruments	8,640	448	8,192	5,111	0	3,081
Total	**20,448**	**459**	**19,989**	**16,122**	**35**	**3,832**

31/12/2014		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	5,155	11	5,144	4,781	124	239
Repurchase, securities lending & similar agreements	406	0	406	399	0	7
Other financial instruments	5,611	447	5,164	5,111	0	53
Total	**11,172**	**458**	**10,714**	**10,292**	**124**	**298**

(40) Related parties

Transactions with related parties that are natural persons are limited to banking business transactions carried out at fair market conditions. In the current reporting period, further business transactions, especially large banking business transactions with related parties that are natural persons, were not concluded in the reporting period.

The following tables show transactions with related companies. Parent companies are Raiffeisen-Landesbanken-Holding GmbH, Vienna, and its subsidiary R-Landesbanken-Beteiligung GmbH, Vienna, which is the majority shareholder of Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna.

30/6/2015 in € million	Parent companies	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	0	2,738	0	192	260
Loans and advances to customers	0	1	314	26	165
Trading assets	0	12	0	0	0
Financial investments	0	5	245	0	205
Investments in associates	0	0	0	1,555	0
Other assets (incl. derivatives)	0	2	14	1	25
Deposits from banks	0	1,012	0	3,636	499
Deposits from customers	0	0	144	380	103
Debt securities issued	0	0	2	0	0
Provisions for liabilities and charges	0	0	0	0	0
Trading liabilities	0	1	12	11	0
Other liabilities including derivatives	0	11	0	0	0
Subordinated capital	0	0	0	0	0
Guarantees given	0	55	136	376	8
Guarantees received	0	28	0	148	39

31/12/2014 in € million	Parent companies	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	0	2,603	0	207	2,256
Loans and advances to customers	0	0	780	26	163
Trading assets	0	40	0	2	0
Financial investments	0	5	183	0	23
Investments in associates	0	0	0	10	0
Other assets (incl. derivatives)	0	0	49	2	0
Deposits from banks	0	3,214	30	3,673	336
Deposits from customers	7	0	165	624	189
Debt securities issued	0	0	1	0	0
Provisions for liabilities and charges	0	0	0	0	0
Trading liabilities	0	0	14	13	0
Other liabilities including derivatives	0	13	8	0	1
Subordinated capital	0	0	0	0	0
Guarantees given	0	1	232	1	9
Guarantees received	0	33	6	178	37

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

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.

Calculation of total capital of RZB

The total capital break down as follows:

in € million	30/6/2015	31/12/2014
Paid-in capital[1]	2,327	2,327
Earned capital[1]	2,941	2,749
Non-controlling interests	3,212	3,489
Common equity tier 1 (before deductions)	**8,480**	**8,565**
Intangible fixed assets/goodwill	(383)	(443)
Provision shortage for IRB positions	(15)	(9)
Deduction securitizations	(2)	(5)
Deduction deferred tax assets	0	0
Deduction loss carry forwards	(1)	0
Deduction insurance and other investments	(113)	(74)
Common equity tier 1 (after deductions)	**7,966**	**8,034**
Additional tier 1	309	353
Deduction securitizations	0	0
Intangible fixed assets/goodwill	(452)	(409)
Provision shortage for IRB positions	(12)	(18)
Deduction insurance and other investments	0	0
Non-controlling interests	155	74
Tier 1	**7,966**	**8,034**
Provision excess of internal rating approach positions	186	183
Hidden reserve	246	231
Long-term subordinated capital	3,257	3,223
Deduction securitizations	0	0
Deduction insurance and other investments	(38)	0
Non-controlling interests	194	143
Tier 2 (after deductions)	**3,845**	**3,780**
Total capital	**11,811**	**11,814**
Total capital requirement	**6,363**	**6,296**
Common equity tier 1 ratio (transitional)	10.0%	10.2%
Common equity tier 1 ratio (fully loaded)	8.7%	8.5%
Tier 1 ratio	10.0%	10.2%
Total capital ratio (transitional)	14.8%	15.0%
Total capital ratio (fully loaded)	13.6%	13.5%

1 Adaptation of previous year figures due to change in classification.

The total capital requirement is composed as follows:

in € million	30/6/2015	31/12/2014
Risk-weighted assets (total RWA)	**79,542**	**78,703**
Total capital requirement for credit risk	5,316	5,313
Internal rating approach	2,637	2,674
Standardized approach	2,643	2,598
CVA risk	35	40
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	290	255
Total capital requirement for operational risk	758	728
Total capital requirement	**6,363**	**6,296**

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

in € million	30/6/2015	31/12/2014
Risk-weighted assets according to standardized approach	**33,037**	**32,481**
Central governments and central banks	2,278	1,538
Regional governments	74	36
Public administration and non-profit organizations	28	27
Multilateral development banks	0	0
Banks	727	456
Corporate customers	12,611	12,813
Retail customers	10,732	10,567
Equity exposures	3,163	3,414
Covered bonds	34	35
Mutual funds	131	128
Securitization position	0	0
Other positions	3,259	3,466
Risk-weighted assets according to internal rating approach	**32,967**	**33,431**
Central governments and central banks	281	266
Banks	2,466	2,580
Corporate customers	25,721	25,519
Retail customers	4,101	4,686
Equity exposures	219	125
Securitization position	180	254
CVA risk	440	506
Total	**66,444**	**66,417**

Calculation of total capital of Raiffeisen-Landesbanken-Holding Group

According to Article 11 paragraph 2 CRR, institutions controlled by a parent financial holding, are to be included into the calculation of regulatiory capital. The following tables refer to the total capital of Raiffeisen-Landesbanken-Holding Group.

The total capital breaks down as follows:

in € million	30/6/2015	31/12/2014
Paid-in capital	2,346	2,346
Earned capital	1,940	1,782
Non-controlling interests	3,885	4,257
Common equity tier 1 (before deductions)	**8,172**	**8,385**
Intangible fixed assets/goodwill	(336)	(426)
Provision shortage for IRB positions	(15)	(9)
Deduction securitizations	(2)	(5)
Deduction deferred tax assets	0	0
Deduction loss carry forwards	(1)	0
Deduction insurance and other investments	(133)	(90)
Common equity tier 1 (after deductions)	**7,685**	**7,855**
Additional tier 1	309	353
Deduction securitizations	0	0
Intangible fixed assets/goodwill	(499)	(426)
Provision shortage for IRB positions	(12)	(18)
Deduction insurance and other investments	0	0
Non-controlling interests	202	91
Tier 1	**7,685**	**7,855**
Provision excess of internal rating approach positions	186	183
Hidden reserve	246	231
Long-term subordinated capital	3,257	3,223
Deduction securitizations	0	0
Deduction insurance and other investments	(44)	0
Non-controlling interests	312	216
Tier 2 (after deductions)	**3,956**	**3,853**
Total capital	**11,641**	**11,708**
Total capital requirement	**6,358**	**6,299**
Common Equity Tier 1 Ratio (transitional)	9.7%	10.0%
Common Equity Tier 1 Ratio (fully loaded)	8.4%	8.2%
Tier 1 Ratio	9.7%	10.0%
Total capital ratio (transitional)	14.6%	14.9%
Total capital ratio (fully loaded)	13.6%	13.5%

The total capital requirement is composed as follows:

in € million	30/6/2015	31/12/2014
Risk-weighted assets (total RWA)	**79,478**	**78,738**
Total capital requirement for credit risk	5,310	5,316
Internal rating approach	2,637	2,674
Standardized approach	2,643	2,602
CVA risk	35	40
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	290	255
Total capital requirement for operational risk	758	728
Total capital requirement	**6,358**	**6,299**

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

in € million	30/6/2015	31/12/2014
Risk-weighted assets according to standardized approach	**32,973**	**32,519**
Central governments and central banks	2,278	1,538
Regional governments	74	36
Public administration and non-profit organizations	28	27
Multilateral development banks	0	0
Banks	727	494
Corporate customers	12,611	12,813
Retail customers	10,732	10,567
Equity exposures	3,099	3,414
Covered bonds	34	35
Mutual funds	131	128
Securitization position	0	0
Other positions	3,259	3,466
Risk-weighted assets according to internal rating approach	**32,967**	**33,428**
Central governments and central banks	281	266
Banks	2,466	2,580
Corporate customers	25,721	25,516
Retail customers	4,101	4,686
Equity exposures	219	125
Securitization position	180	254
CVA risk	440	506
Total	**66,380**	**66,453**

(42) Average number of staff

Full-time equivalents	30/6/2015	31/12/2014
Salaried employees	55,065	57,026
Wage earners	920	773
Total	**55,985**	**57,799**

(43) Events after the reporting date

Changes to the Managing Board: Michael Höllerer/Johann Strobl

The Supervisory Board of Raiffeisen Zentralbank Österreich AG appointed Michael Höllerer, previously division head of RZB's General Secretariat, as member of RZB AG's Management Board effective 1 July 2015. In addition to his role as RZB's Secretary General, the lawyer was also Managing Director of Raiffeisen Kapitalanlage-Gesellschaft m.b.H. (Raiffeisen KAG), a 100 per cent subsidiary of RZB

Due to regulatory requirements, Johann Strobl will focus in the future on his functions as CRO and Deputy CEO of Raiffeisen Bank International and resign from his position on RZB's Management Board: As part of the so-called subconsolidation, RBI took on a separate supervisory role within the RZB Group. This required not only organizational and functional separation between RZB as the Group's central institution and RBI as its most important participation but also, among other things, the end of identical board functions.

Polish draft bill on FX mortgage loans

During the night from the 5th to the 6th of August 2015, the lower house of the Polish parliament passed a draft bill for the conversion of FX mortgage loans. This bill would give private borrowers the right to convert loans at a fixed exchange rate given certain conditions, whereby the banks would have to carry 90 per cent of the burden of the conversion. There are still further legislative steps necessary for this draft bill to become law. The Polish parliament has, however, already been presented with legal opinions which question the constitutionality of the draft bill.

As of 30th of June 2015, the Polish unit of Raiffeisen Bank International AG had Swiss Franc exposure of approximately equivalent to € 3.2 billion. As the bill has not yet passed into law and as such the final parameters are not yet available, the exact impact it will have on RBI cannot be precisely calculated, at this point in time.

RBI to sell Russian Non-State Pension Fund (ZAO NPF Raiffeisen)

In mid-June 2015, AO Raiffeisenbank, Moscow, and BIN Group reached an agreement on the sale of ZAO NPF Raiffeisen, Moscow, and signed a set of binding documents on the deal. As required by applicable law, they filed a request to approve the transaction with the Federal Antimonopoly Service and the Central Bank of the Russian Federation. The sale will be closed after the parties receive all necessary approvals from regulators.

ZAO NPF Raiffeisen is a top-20 Russian non-state pension fund and was founded in 2004. The Fund manages roughly € 3 billion in assets; in roubles, its asset base has more than quadrupled over the last three years. The Fund manages funds for more than 170,000 customers. The Fund offers a complete range of pension products for both corporate and private customers: corporate pension programs, mandatory pension insurance and individual pension plans.

Acquisition of stakes in affiliated companies

Subject to regulatory and competition authority approvals, stakes in Raiffeisen Bausparkasse Gesellschaft m.b.H and in Valida Holding AG are planned to be increased to 100 per cent and 57.38 per cent, respectively.

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, 14 August 2015

The Management Board

Walter Rothensteiner
Chairman of the Management Board responsible for
Participations Management and Finance, Management Secretariat, Compliance and Audit of RZB Group

Johannes Schuster
Member of the Management Board responsible for
Risk Controlling, Risk Management and Organisation & Processes

Michael Höllerer
Member of the Management Board responsible for
Sector Marketing, Sector Business, Sector Treasury, Sector Sale Services, Group Regulatory Affairs and Transformation Office

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Notes: In this extract of RZB's Semi-Annual Financial Report, "RZB" refers to the RZB Group and "RZB AG" is used wherever statements refer solely to Raiffeisen Zentralbank Osterreich AG.

The forecasts, plans and forward-looking statements contained in this report are based on RZB's state of knowledge and assessments at the time of its preparation. Like all statements addressing the future, they are subject to known and unknown risks and uncertainties that could cause actual results to differ materially. No guarantees can therefore be given that the forecasts and targeted values or the forward-looking statements will actually materialize.

This report is for information purposes only and contains neither a recommendation to buy or sell nor an offer of sale or subscription to shares nor does it constitute an invitation to make an offer to sell shares.

This report has been prepared and the data checked with the greatest possible care. Nonetheless, rounding, transmission, typesetting and printing errors cannot be ruled out. In the summing up of rounded amounts and percentages, rounding-off differences may occur. This report was prepared in German. The report in English is a translation of the original German report. The only authentic version is the German version. Raiffeisen Zentralbank is not liable for any losses or similar damages that may occur as a result of or in connection with the use of this report.

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