Annual Report 2016

Raiffeisen Bank International

Insight 2016

Overview of RBI

Interview with the Management Board	6
Management Board of RBI	9
Report of the Supervisory Board	10
Merger of RBI and RZB	12
Raiffeisen at a glance	15
RBI's strategy	17
RBI in the capital markets	18
Corporate Governance Report	21
Sustainability Management	35

Group management report

Market development	38
Performance and financials	42
Statement of financial position	51
Research and development	54
Internal control and risk management system	54
Capital, share, voting and control rights	57
Risk management	59
Human Resources	60
Outlook	62
Events after the reporting date	63

Segment reports

Segment overview	66
Segment development	67

Consolidated financial statements

Statement of comprehensive income	86
Statement of financial position	89
Statement of changes in equity	90
Statement of cash flows	91
Segment reporting	93
Notes	100
Risk report	148
Auditor's report	233

Service

Glossary	242
Addresses	244
Publication details	246

Overview

Raiffeisen Bank International (RBI)

Monetary values in € million	2016	Change	2015	2014	2013	2012
Income statement	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**	**1/1-31/12**	**1/1-31/12**
Net interest income	2,935	(11.8)%	3,327	3,789	3,729	3,472
Net provisioning for impairment losses	(754)	(40.3)%	(1,264)	(1,750)	(1,149)	(1,009)
Net fee and commission income	1,497	(1.5)%	1,519	1,586	1,626	1,516
Net trading income	215	>500.0%	16	(30)	321	215
General administrative expenses	(2,848)	(2.3)%	(2,914)	(3,024)	(3,340)	(3,258)
Profit/loss before tax	886	24.6%	711	(105)	835	1,037
Profit/loss after tax	574	31.9%	435	(587)	603	752
Consolidated profit/loss	463	22.2%	379	(617)	557	730
Statement of financial position	**31/12**		**31/12**	**31/12**	**31/12**	**31/12**
Loans and advances to banks	9,900	(8.6)%	10,837	15,573	22,243	22,323
Loans and advances to customers	70,514	0.8%	69,921	77,925	80,635	83,343
Deposits from banks	12,816	(21.7)%	16,369	22,408	30,105	30,186
Deposits from customers	71,538	3.7%	68,991	66,094	66,437	66,297
Equity	9,232	8.6%	8,501	8,178	10,364	10,873
Assets	111,864	(2.2)%	114,427	121,500	130,640	136,116
Key ratios	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**	**1/1-31/12**	**1/1-31/12**
Return on equity before tax	10.3%	1.9 PP	8.5%	–	7.8%	9.7%
Consolidated return on equity	5.8%	1.0 PP	4.8%	–	4.9%	7.4%
Cost/income ratio	60.7%	1.6 PP	59.1%	56.5%	58.3%	61.5%
Return on assets before tax	0.79%	0.19 PP	0.60%	–	0.63%	0.73%
Net interest margin (average interest-bearing assets)	2.78%	(0.22) PP	3.00%	3.24%	3.11%	2.66%
Provisioning ratio (average loans and advances to customers)	1.05%	(0.59) PP	1.64%	2.17%	1.39%	1.21%
Bank-specific information	**31/12**		**31/12**	**31/12**	**31/12**	**31/12**
NPL ratio	9.2%	(2.7) PP	11.9%	11.4%	10.7%	9.8%
Risk-weighted assets (total RWA)	60,061	(5.1)%	63,272	68,721	79,897	82,822
Total capital requirement	4,805	(5.1)%	5,062	5,498	6,392	6,626
Total capital	11,537	5.0%	10,987	10,970	12,686	12,885
Common equity tier 1 ratio (transitional)	13.9%	1.8 PP	12.1%	10.8%	10.7%	10.7%
Common equity tier 1 ratio (fully loaded)	13.6%	2.1 PP	11.5%	10.0%	–	–
Total capital ratio (transitional)	19.2%	1.8 PP	17.4%	16.0%	15.9%	15.6%
Total capital ratio (fully loaded)	18.9%	2.2 PP	16.8%	15.1%	–	–
Stock data	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**	**1/1-31/12**	**1/1-31/12**
Earnings per share in €	1.58	22.2%	1.30	(2.17)	1.83	2.72
Closing price in € (31/12)	17.38	27.7%	13.61	12.54	25.62	31.46
High (closing prices) in €	18.29	16.6%	15.69	31.27	33.59	33.36
Low (closing prices) in €	10.21	13.4%	9.01	11.51	19.96	18.64
Number of shares in million (31/12)	292.98	0.0%	292.98	292.98	195.51	195.51
Market capitalization in € million (31/12)	5,092	27.7%	3,986	3,672	5,009	6,150
Dividend per share in €	–	–	–	–	1.02	1.17
Resources	**31/12**		**31/12**	**31/12**	**31/12**	**31/12**
Employees as at reporting date (full-time equivalents)	48,556	(5.7)%	51,492	54,730	57,901	60,084
Business outlets	2,506	(7.4)%	2,705	2,866	3,025	3,106
Customers in million	14.1	(5.0)%	14.9	14.8	14.6	14.2

In this report, Raiffeisen Bank International (RBI) refers to the RBI Group, and RBI AG is used wherever statements refer solely to Raiffeisen Bank International AG. The same applies to RZB and RZB AG.

Overview of RBI

Interview with the Management Board	6
Management Board of RBI	9
Report of the Supervisory Board	10
Merger of RBI and RZB	12
Raiffeisen at a glance	15
RBI's strategy	17
RBI in the capital markets	18
Corporate Governance Report	21
Sustainability Management	35

“RBI is on the right track“

Interview with the CEO Karl Sevelda and CEO designate Johann Strobl

The merger of RBI with its parent company RZB, which you have been working on for some time, is due to be completed by the end of March 2017. What are the benefits of this merger?
SEVELDA: The primary objective of the merger is to improve total capitalization at the group’s top level. In view of steadily rising capital requirements, this is of particular importance. Above all, the merger will eliminate regulatory minority deductions at the level of RZB, as they limit RBI’s growth. Dispensing with the minority deductions gives us more leeway for new business in order to grow in attractive markets and business areas. In addition, the merger will simplify capital planning and allocation. The removal of one level will reduce complexity and hence increase transparency. This has effects both internally and externally. Within RBI, it will result in a more efficient structure, which will, among other things, facilitate faster decision-making processes. This will clearly improve RBI’s position and will involve only slight adjustments to the proven business model. Externally, it should simplify matters for the banking regulator, who will have to keep an eye on just one institution in the future.

Can you explain the merger in detail?
SEVELDA: RZB is merging into RBI. In order to compensate RZB shareholders for their shares, RBI will issue new shares and the total number of RBI shares will therefore increase. As a result, the shareholding of RBI’s current free float would fall from previously 39.3 per cent to around 35 per cent. However, as some former RZB shareholders are to be classified as part of the free float after the transaction, the free float will rise to 41.2 per cent. The regional Raiffeisen banks, which will be parties to a new syndicate agreement with respect to RBI, will hold 58.8 per cent in the merged entity after the transaction. The number of RBI shares that a RZB shareholder is entitled to is determined according to the exchange ratio, which is based on comparative valuations for RBI and RZB. These valuations were prepared by two well-established international accounting firms. The fairness of the exchange ratio, which the Management Boards of RZB and RBI passed a resolution on, was confirmed by international investment banks and an independent merger auditor.

STROBL: Of course, the Supervisory Boards of RBI and RZB have examined these valuations and confirmed the fairness of the exchange ratio. As far as the time frame for this project is concerned, I would like to point out that capital market regulations – here the listing of RBI is important – meant that we were required to announce the review of the merger very early on – in May 2016.

What will happen after the merger?
STROBL: As announced at the end of November 2016, I will succeed Karl Sevelda as CEO when the merger is entered in the commercial register. Hannes Mösenbacher will take on my previous role of Chief Risk Officer. As the current Head of Risk Controlling at RBI, he is therefore well prepared for the job. The other members of RBI’s Management Board will remain with the bank. This, combined with the internal filling of vacancies, ensures a high degree of continuity. The fact that the deputy CEO is to become CEO – of course there is great mutual trust between the two of us – is a further sign of continuity, as is the well-established name of the merged entity, which will be Raiffeisen Bank International.

SEVELDA: I would also mention that Johann Strobl, as the long-standing Management Board member responsible for risk management at RBI and previously RZB, not only knows the two banks that are to be merged very well, but he is also very familiar with our markets in Central and Eastern Europe and Austria. With this background and his extensive banking experience, also as CFO, I am very pleased that he will be my successor.

What will the new bank look like?
STROBL: The combined bank will continue to operate in attractive markets. In Central and Eastern Europe, where RBI is present in 14 countries with banking subsidiaries, we expect economic growth to be twice as strong as in the euro area on average – probably over the coming three to four years. In addition, unemployment in the region is falling and wages are rising at the same time – these are very good prospects. In 9 of these markets, our subsidiaries are among the 5 largest banks. And in Austria, RBI has a solid business which uses the distribution channels of the local Raiffeisen banks. We are especially well positioned to serve large corporate customers with links to CEE, because we can offer them an extensive network and our local presence. The services of affiliated companies, specializing for example in asset management and property financing, will complement the Austrian business in the future. There is good demand for such services and products in Central and Eastern Europe, which offers us interesting growth opportunities. And cooperation is not starting from scratch: in CEE, for example, RBI is already working successfully with Raiffeisen Bausparkasse and UNIQA, in which RBI will hold a stake of almost 11 per cent after the merger.

One aspect I would also like to stress in connection with RBI's future is that we will remain a traditional relationship bank in all the markets. In other words, our focus is very clearly on long-term, close relationships with our customers. While we use our network for our corporate customers for this purpose, for our retail customers we provide a multichannel offering. Moreover, we will continue to focus on comfortable capitalization levels and a high degree of efficiency.

And what will the new bank's role be in the Raiffeisen Banking Group?
STROBL: Like RZB, the new RBI will be the central institution of the Raiffeisen Banking Group. Its main responsibilities as the central institution include the administration and investing of liquidity reserves as well as the reconciliation of liquidity within the Raiffeisen Banking Group. In addition, RBI will offer selected services to the regional Raiffeisen banks. These services will, of course, be provided on an arm's length basis. This means that external market prices must be charged for such services.

Will RBI also merge with regional Raiffeisen banks or will the current merger with RZB be the last step?
SEVELDA: Of course, a range of models were examined to determine how the Raiffeisen Banking Group can be made fit for the future in view of the difficult market environment for banks and growing regulation. However, further mergers between banks from within the Raiffeisen sector and RBI are currently not planned.

Mr. Strobl, will you find it difficult to stop focusing on risk management and take a broader view as CEO?
STROBL: No. Risk management has been a very important function in all banks, especially in the more recent past. Today's risk managers in a bank must therefore take a broad-based view. They have to know the bank's most important customers and maintain a close dialogue with the regulators. As Karl Sevelda's deputy, I have already been heavily involved in strategic issues such as our transformation program. In the future, I will devote even more time to strategy and the ongoing development of our business model. Among other things, I look forward to addressing digitalization, an extremely interesting area. We want to exploit the know-how already available in the network to the utmost. Our Slovakian Tatra banka, for example, is a pioneer in this field and other subsidiary banks can profit from its experience and knowledge. And of course we need to engage with and listen to our customers.

You implemented a transformation program in 2015. The goal was a CET1 ratio (fully loaded) of at least 12 per cent. What measures have you taken?
SEVELDA: We have sold Raiffeisen-Leasing Polska to PKO, Poland's largest bank, for about € 200 million. Besides the proceeds from the sale, we also reduced our risk-weighted assets (RWA) by about € 1.3 billion. Furthermore, we have reduced our RWA in Asia and the US by 85 and 65 per cent respectively so far – calculated from year-end 2014. In addition, we sold our Slovenian subsidiary bank in mid-2016. We have also optimized our branch network and scaled back business in Russia, Belarus and Ukraine, completely restructured the Raiffeisen bank in Hungary, as well as substantially reducing costs across the Group. With this, we have created a very good basis for the future. In Poland, the main focus is on rightsizing the business model and the IPO.

STROBL: For me, the key point is that we have already reached our overall target from February 2015, namely a CET1 ratio (fully loaded) of at least 12 per cent by the end of 2017, one year ahead of the deadline. At the end of September 2016, RBI's CET1 ratio already stood at 12.3 per cent, and at year-end 2016 it was 13.6 per cent. Even for the combined bank we had reached this target at year-end, and were at 12.4 per cent.

RBI is therefore on the right track. What about dividends?
STROBL: We are faced with the challenge of, on the one hand, meeting the regulatory capital requirements, and on the other, satisfying the justified wishes of our owners. While the regulators request an ever greater capital buffer from us and therefore also that we retain earnings, our shareholders naturally expect a dividend. There will be no dividends distributed for the 2016 financial year. In light of the optimistic economic forecast for Central and Eastern Europe, I am confident about the future.

One final question, also on behalf of your shareholders: How do you rate RBI's share price performance in 2016?
STROBL: RBI's shares performed very respectably in 2016. The share price increased by almost 30 per cent, outperforming both the ATX and the Euro Stoxx Banks. In the latter index, our shares were by far the best performer. The capital market is evidently rewarding our efforts.

Management Board of RBI

Karl Sevelda

Group Communications
Group Compliance[1]
Group Strategy
Human Resources
Internal Audit
International Banking Units
Legal Services
Management Secretariat
Marketing & Event Management

[1] Outsourced to RZB; reports to whole Management Board

Johann Strobl

Credit Management Corporates
Financial Institutions, Country & Portfolio Risk Management
Retail Risk Management
Risk Controlling
Risk Excellence & Projects
Special Exposures Management

Klemens Breuer

Business Management & Development
Consumer & Small Business Banking
Group Capital Markets
Institutional Clients
Investment Banking
Raiffeisen Research
Retail Strategy & Products
Premium & Private Banking

Martin Grüll

Active Credit Management
Group Investor Relations
Participations
Planning & Finance
Tax Management
Treasury

Andreas Gschwenter

Group & Austrian IT
Group Efficiency Management
Group Procurement, Cost & Real Estate Management
Head Office Operations
Project Portfolio & Security

Peter Lennkh

Corporate Customers
Corporate Finance
Corporate Sales Management & Development
International Business Support
Leasing Steering & Product Management
Trade Finance & Transaction Banking

Report of the Supervisory Board

Dear Shareholders,

During the 2016 financial year, the members of the Supervisory Board and its Committees were informed in a timely and comprehensive manner by the Management Board, in the course of meetings, about the different business areas, risk developments and relevant business developments in RBI as well as the subsidiaries. Information was provided verbally as well as in writing and enabled the Supervisory Board to duly fulfill its duty to supervise and advise the Management Board.

At the Supervisory Board meetings, the Management Board was given specific assignments and asked to report on their implementation and results at subsequent meetings. The Supervisory Board also asked the Management Board to provide regular reports on significant political and legal developments, as well as on regulatory, macroeconomic and other possible risks. Key areas included, for example, the foreign currency issues in some CEE countries and the situation in Russia, especially the status of the continuing sanctions and their impact on the local network bank. The Management Board was also asked to provide regular reports on matters which were of priority for the Supervisory Board due to their importance for the company or their strategic significance. In addition to the implementation of the transformation program, the cost reduction program and the largest IT projects, this included in particular the merger of RBI with Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB). The Supervisory Board was provided with regular detailed reports on the valuation analyses and the project's development. On 5 October 2016, following the evaluation phase, the Management Boards and Supervisory Boards of RBI and RZB decided, in principle, to merge RBI with RZB. Details on the merger of RBI and RZB are provided in the next chapter of this report. This form of regular reporting on particularly important matters enabled the Supervisory Board to form a comprehensive picture of developments within RBI throughout the entire financial year.

In addition to the regular meetings, the Chairman of the Supervisory Board also held numerous discussions with the Management Board. This further strengthened open communication and the regular exchange of information between the members of the Supervisory Board and the members of the Management Board.

Besides the ordinary Supervisory Board meetings, the Supervisory Board also met, on a situation-specific basis, for five extraordinary meetings:

- At the extraordinary meeting on 22 January 2016, the Supervisory Board discussed and/or decided on the following matters: the preliminary result for 2015, the budget of the RBI Group and medium-term planning, the status of the transformation and the cost reduction programs, and the status of the planned sales process for Raiffeisen-Leasing Polska S.A. (RLPL) and Raiffeisen Bank Polska S.A. (RBPL).

- An extraordinary meeting was held after the Annual General Meeting on 16 June 2016. The only item on the agenda was the re-election of Walter Rothensteiner as Chairman of RBI's Supervisory Board and his re-election to the Supervisory Board Committees.

- The extraordinary meetings on 5 October 2016 and 16 December 2016 primarily dealt with the merger of RBI and RZB.

- At the extraordinary meeting on 30 November 2016, the Management Board was authorized to finalize the negotiations and conclude the planned sale of RBPL. Also at this meeting, Johann Strobl was appointed as Chairman of the Management Board, Klemens Breuer was appointed as Deputy Chairman, and Hannes Mösenbacher as Chief Risk Officer. The appointments will become effective once the merger of RBI with RZB is registered with the commercial register.

As in previous years, the members of the Supervisory Board also had the opportunity to hold expert discussions in advance of the meetings in order to obtain detailed information about the content of the items on the agenda for the forthcoming meeting. Overall, the members of the Supervisory Board were thereby able to diligently fulfill their supervisory duties and form a sound basis on which to take decisions.

The Audit and Risk Committees each appointed a new Chairman. The Chairmen of the Working, Audit, Remuneration, Personnel, Risk and Nomination Committees regularly reported to the Supervisory Board on the respective Committee's work. A detailed breakdown of the type and composition of the Committees as well as their fields of activity is contained in the Corporate Governance Report.

In 2016, the Supervisory Board also conducted an efficiency review to examine its organizational structure and working methods in order to enable it to properly carry out its duties in the interests of the shareholders and all other stakeholders. The efficiency review was conducted on the basis of a self-evaluation and was analyzed by an external party. The results of the self-evaluation were presented in detail. Priority is given to guaranteeing open communication and to the prompt and adequate provision of information.

At the Annual General Meeting on 16 June 2016, Walter Rothensteiner was elected as member of the Supervisory Board and at the subsequent extraordinary Supervisory Board meeting he was re-elected as Chairman of the Supervisory Board.

Martin Prater, Chairman of the Staff Council and member of the Supervisory Board, entered into early retirement as of 1 February 2016. His delegation was therefore revoked by the Staff Council. On behalf of the Supervisory Board, I would like to thank Martin Prater for his longstanding service to RBI and his close cooperation at all times. The Staff Council delegated Natalie Egger-Grunicke to the Supervisory Board with effect from 18 February 2016. Rudolf Kortenhof is the new Chairman of the Staff Council.

The consolidated financial statements (income statement, statement of financial position, statement of changes in equity, cash flow statement and notes) as well as the annual financial statements for RBI have been audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG). Representatives of the auditing company presented the results of the audit at the respective meeting of the Audit Committee and Supervisory Board which dealt with the financial statements.

The audit revealed no reason for objections. All legislative provisions were fully satisfied and the unqualified auditor's report was thus issued.

The consistency check of the Corporate Governance Report according to § 243c of the Austrian Commercial Code (UGB) was performed by KPMG. Its final report gave no reason for objections.

Following an extensive audit and discussion of the consolidated financial statements and annual financial statements, in the Supervisory Board meeting and preceding Audit Committee meeting, the Supervisory Board approved the annual financial statements of RBI. The statements were thus adopted in accordance with § 96 (4) of the Austrian Stock Corporation Act (AktG). The consolidated financial statements were noted by the Supervisory Board.

The last financial year was dominated by two key issues. Firstly, the market environment, which remained challenging due to the very low interest rate level and continuing high regulatory and political pressures; secondly, the start of the process of evaluating a merger of RBI and RZB. Once again, the high level of commitment shown by the Management Board and by employees enabled a respectable, positive result and a solid capitalization to be achieved in the last financial year. On behalf of the Supervisory Board, I would therefore like to express my deep gratitude to our employees and to the members of the Management Board for their contribution in this particularly demanding financial year.

On behalf of the Supervisory Board
Walter Rothensteiner, Chairman

Merger of RBI and RZB

Merger rationale

The market environment for banks has changed significantly in recent years. The capitalization requirements for banks were increased substantially following the 2008 financial crisis and there has also been extensive tightening of regulations by the national and international regulatory authorities. While this has benefited the overall stability of the European financial system, at the same time, the administrative burden and complexity for banks has increased markedly. Stricter requirements and regular bank stress tests, for example, require extensive preparation and tie up resources. In addition, there have been further burdens, such as bank levies in many Central and Eastern European countries. These do not contribute to the stabilization of the financial system, but negatively impact banks' resources and thereby reduce the potential for strengthening equity by internal generation.

In this context, the Management Board believes more than ever that it has a responsibility to continuously evaluate the company's position and prospects, as well as to identify options for adjusting to the changed market environment and resulting challenges for optimal positioning in the future. The evaluation of the merger of RBI and RZB and the potential benefits resulting for the entire Group also formed part of these considerations.

Strengths of the combined bank

The key objectives of the transaction are, on the one hand, to retain the proven business model and, on the other, to optimally position the organization for the aforementioned challenges. The main focus is on three issues:

- Firstly, it should improve the capitalization of the Group from a regulatory perspective. Capital planning and allocation are to be optimized as a result of the merger. In addition, the minority interest deduction for the combined bank is eliminated and conserves capital. The minority deduction has been applicable for RZB since the introduction of Basel III.

- Secondly, the internal and external transparency of the Group will be increased: the harmonization of shareholder interests and regulatory requirements will become much simpler. At the same time, transparency is improved for all stakeholders by reducing the previously high complexity of the Group structure.

- Thirdly, the merger has a positive impact on corporate governance policies: Leaner organizational and governance structures facilitate more focused and efficient decision-making processes throughout the organization. Previously overlapping functions between the two companies will be eliminated.

The strengths of the combined bank build on prior achievements. These include the geographic footprint in the attractive growth markets of CEE, with top-five market positions in 9 of a total of 14 markets, as well as a stable business in Austria. The focus will remain on long-term customer relationships in the respective local markets. As a customer-oriented universal bank, solutions to address corporate customer needs based on local market access and an extensive network, along with a comprehensive multichannel offering for retail customers in CEE, play an important role in the overall focus.

Cost control will remain a high priority, and the more streamlined organizational structure will help improve efficiency and transparency.

Progress of the merger

On 10 May 2016, the Management Boards of RBI and RZB resolved to examine a merger of RBI and RZB. The objectives of a merger are the simplification of the corporate structure and adaptation of the Group to increased regulatory requirements.

Following an extensive evaluation phase, on 5 October 2016, the Management and Supervisory Boards of RBI and RZB passed in principle a resolution to merge RZB and RBI. In connection with this, preliminary valuation ranges were also defined for the merging entities. RZB, as the transferring company, is to merge with RBI, the acquiring company; through absorption by way of universal succession by transferring all of RZB's assets as at 30 June 2016, and based on RZB's closing balance at 30 June 2016, with a capital increase for RBI. The combined bank will operate under the name of Raiffeisen Bank International AG, as was previously the case for RBI, and RBI shares will continue to be listed on the Vienna Stock Exchange.

The documents required to vote on the merger at the Extraordinary General Meeting were published on 21 December 2016, following publication of the final exchange ratio on 16 December 2016 and the completion of the legally required examinations by the merger auditor and Supervisory Boards of the merging entities. On 23 January and 24 January 2017, RZB and RBI held

Extraordinary General Meetings to pass resolutions on the merger. The merger resolutions required the majority votes of three-quarters of the share capital present to be passed. This majority was exceeded by a wide margin in both cases. A webcast of RBI's Extraordinary General Meeting can be viewed online at www.rbinternational.com → Investor Relations → Presentations & Webcasts. The merger is expected to be entered in the commercial register on 18 March 2017.

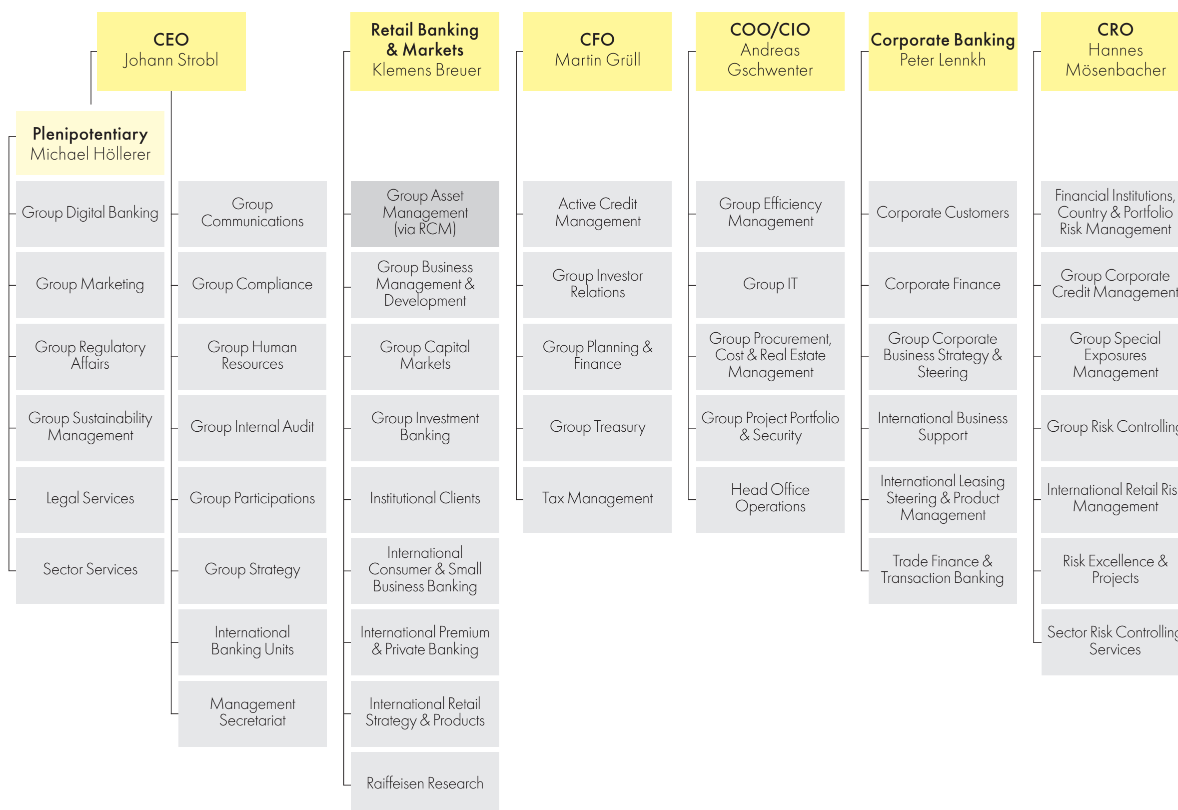
The determined exchange ratio was supported by relative company valuations conducted by two internationally recognized appraisers. In keeping with Austrian merger law, the fairness of the exchange ratio was also verified by an independent, court-appointed merger auditor, also a recognized appraiser. In order to compensate RZB's shareholders for their shares in the bank, RBI will issue new shares and thereby increase its total number of shares from 292,979,038 to 328,939,621.

Management Board and Supervisory Board

The composition of the Management Board of the combined bank reflects a high degree of continuity in terms of personnel. Karl Sevelda will step down from his position on the Management Board once the merger of RBI and RZB takes effect, having reached retirement age. Johann Strobl has been appointed as the new CEO. The appointment will take effect with the entry of the merger into the commercial register. Johann Strobl joined RZB as Chief Risk Officer (CRO) in 2007. He has been a member of the Management Board of RBI (CRO) since 2010 and Deputy CEO since 2013.

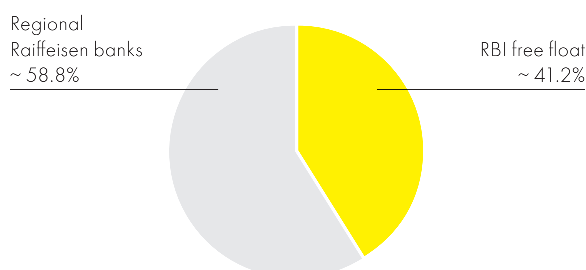
Furthermore, once the merger takes effect, Klemens Breuer (Deputy CEO and responsible for Retail Banking & Markets), Martin Grüll (CFO), Andreas Gschwenter (COO/CIO), and Peter Lennkh (responsible for Corporate Banking) will be members of the Management Board. The new Management Board member responsible for Risk Management will be Hannes Mösenbacher (CRO), who previously headed Risk Controlling at RBI and has been with the company since 2008.

RBI's Management Board after the merger



Shareholder structure after the merger

After the merger of RBI and RZB, former RZB shareholders will become direct shareholders in RBI. The regional Raiffeisen banks will hold approximately 58.8 per cent of RBI's shares, with 41.2 per cent in free float.



Segmentation as of first quarter of 2017

As a result of the merger of RBI and RZB, there will also be a change in the segmentation. RBI's existing segments – Central Europe, Southeastern Europe, Eastern Europe and Corporate Center – are to be expanded as a result of the inclusion of parts of the RZB business. Group Corporates & Markets (GC&M) segment will be introduced for operating business booked in Austria. This will primarily comprise financing business with Austrian and international corporate customers serviced from Vienna, Group Markets, Financial Institutions & Sovereigns, as well as business with the institutions of the Raiffeisen Banking Group. Also included in the segment are small service units and specialized financial institution subsidiaries, such as Raiffeisen Centrobank, Kathrein Privatbank, Raiffeisen Leasing, Raiffeisen Factorbank, Raiffeisen Bausparkasse, and Raiffeisen Capital Management.

The Corporate Center segment comprises RBI's central management functions (e.g. Treasury), as well as RBI's minority interests (inter alia UNIQA, Leipnik-Lundenburger Invest Beteiligungs AG).

Separately to the above, the Non-Core segment will be dissolved in the first quarter of 2017, with the remaining business allocated to the regional segments, due to the conclusion of the transformation program.

These changes will result in a switch from a mixed system to an exclusively regional segmentation, with all operating business booked in a region being pooled in a segment. These changes will be in effect in the report for the first quarter of 2017.

Overview of segments	
Central Europe	Czech Republic, Hungary, Poland, Slovakia
Southeastern Europe	Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, Serbia
Eastern Europe	Belarus, Russia, Ukraine
Group Corporates & Markets	Business booked in Austria: Austrian and international corporate customers, Group Markets, Financial Institutions & Sovereigns, RBG, specialized financial institution subsidiaries, small service units
Corporate Center	Central management functions (e.g. Treasury), minority interests
Non-Core (until 31/12/2016)	Poland, Slovenia, Zuno (in Central Europe as of 2017); Asia and USA (remaining wind down business booked in Group Corporates & Markets as of 2017)

Raiffeisen at a glance

The Raiffeisen Banking Group Austria (RBG)

RBG is the country's largest banking group and has the densest branch network in Austria. In financing, it primarily serves small and mid-sized retail, service, industrial and commercial enterprises as well as the tourism and agriculture sectors. RBG employs around 29,000 persons across Austria.

RBG is organized into three tiers: the autonomous, local Raiffeisen banks (first tier), the eight autonomous regional Raiffeisen banks (second tier), and RZB AG (third tier).

Together, the 434 autonomous Raiffeisen banks with their 1,500 branches, the regional Raiffeisen banks and the specialist companies make up a comprehensive and extensive banking network. The autonomous Raiffeisen banks are universal banks that provide a full range of banking services and are also the owners of their respective regional bank.

The regional Raiffeisen banks (Raiffeisen Landesbanken and Raiffeisenverband) provide liquidity balancing and other central services for the Raiffeisen banks in their area of activity. Although clearly identified in RBG's organizational structure, their business operations are not restricted to specific geographic territories. The regional Raiffeisen banks are also independent universal banks and were shareholders of RZB AG as at 31 December 2016. Around 90 per cent of RZB AG's share capital was held by the regional Raiffeisen banks at the end of 2016.

Raiffeisen Zentralbank Österreich AG

Raiffeisen Zentralbank Österreich AG (RZB AG) was established in 1927 as "Girozentrale der österreichischen Genossenschaften" and at that time served as the liquidity balancing center for Austria's agricultural cooperatives, as envisioned by social reformer Friedrich Wilhelm Raiffeisen.

RZB AG had one of the largest banking networks in CEE through its subsidiary, Raiffeisen Bank International AG (RBI AG), which has been listed on the stock exchange since 2005. At the end of 2016, RZB AG held approximately 60.7 per cent of RBI's stock, with the remaining shares in free float. RZB AG was primarily owned by the eight Raiffeisen regional banks and served as their central institution pursuant to the Austrian Banking Act (BWG). Following the merger between RZB AG and RBI AG, effective retroactively as of 30 June 2016, RBI AG will assume the role of RBG's central institution by way of universal succession.

Raiffeisen Bank International

RBI regards CEE (including Austria) as its home market. For over 30 years, RBI has been operating in CEE, where today it maintains a closely-knit network of subsidiary banks, leasing companies and numerous specialized financial service providers. As a universal bank, RBI ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. In CEE, at the end of 2016, around 46,000 RBI employees served some 14.1 million customers in around 2,500 business outlets. In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers and large multinational corporate customers operating in CEE. All in all, RBI employs about 49,000 people and has total assets of approximately € 112 billion.

RBI's markets

2016	Assets in € million	Change[1]	Business outlets	Number of staff
Czech Republic	11.966	29.2%	142	3,158
Hungary	6,606	3.3%	72	1,983
Slovakia	11,388	1.5%	196	3,910
Reconciliation	(468)	–	–	0
CE segment	**29,492**	**9.7%**	**410**	**9,051**
Albania	2,002	(5.6)%	81	1,291
Bosnia and Herzegovina	2,057	5.6%	98	1,268
Bulgaria	3,350	(2.6)%	138	2,569
Croatia	4,689	1.6%	78	2,128
Kosovo	896	5.7%	52	731
Romania	7,605	5.1%	480	5,322
Serbia	2,097	7.6%	87	1,522
Reconciliation	(1)	–	–	0
SEE segment	**22,694**	**2.6%**	**1,014**	**14,831**
Belarus	1,524	5.1%	91	2,005
Kazakhstan	3	(79.4)%	1	7
Russia	11,768	10.2%	181	7,742
Ukraine	1,999	(1.9)%	498	8,073
Reconciliation	(3)	–	–	0
Eastern Europe segment	**15,291**	**7.8%**	**771**	**17,827**
Group Corporates segment	**15,201**	**9.6%**	**1**	
Group Markets segment	**12,149**	**(9.7)%**	**5**	**2,274[2]**
Corporate Center segment	**20,936**	**(23.3)%**	**0**	
Asia	852	(59.8)%	3	108
Poland	12,055	(16.9)%	299	4,242
USA	262	(58.3)%	1	32
Reconciliation/Other	660	–	2	191
Non-Core segment	**13,828**	**(26.6)%**	**305**	**4,573**
Reconciliation	(17,728)	–	–	–
Total	**111,864**	**(2.2)%**	**2,506**	**48,556**

[1] Change of total assets versus figures from 31 December 2015 expressed in local currencies varies due to fluctuations in euro exchange rates.
[2] Allocation of employees to Group Corporates, Group Markets and Corporate Center is not possible.

Raiffeisen Customer Guarantee Scheme Austria (RKÖ)

In Austria, deposit protection and investor compensation with respect to banks is subject to the provisions of the Austrian Act on Deposit Guarantee Schemes and Investor Compensation (Einlagensicherungs- und Anlegerentschädigungsgesetz – ESAEG). The Österreichischen Raiffeisen-Einlagensicherung eGen (ÖRE) is responsible for the statutory deposit guarantee and investor compensation scheme for the Raiffeisen banks, the regional Raiffeisen banks, RZB AG, and RBI AG. Since 2000, the Raiffeisen Customer Guarantee Scheme Austria ("Raiffeisen-Kundengarantiegemeinschaft Österreich" or "RKÖ") offers deposit protection supplementary to the statutory deposit protection of the RBG according to the economic reserves of the participating banks. The regional customer guarantee associations joined forces with RZB AG and RBI AG at a national level within the RKÖ. Currently, the Raiffeisen banks and regional Raiffeisen banks for seven federal states, RZB AG and RBI AG are members of the RKÖ. If required, the economic reserves of the participating banks will be drawn upon in a legally binding manner. The customers are then offered recoverable claims against other RBG institutions.

Institutional protection scheme

Institutional protection schemes (IPS) approved by the Financial Market Authority have been established within the RBG since the end of 2014. Contractual or statutory liability arrangements were concluded as well. The schemes and liability arrangements protect the participating institutions and, in particular, ensure their liquidity and solvency when required. The IPS is based on uniform, joint risk monitoring pursuant to Article 49 CRR (Capital Requirements Regulation). The IPS was designed with two levels (federal and regional IPS) to reflect RBG's organizational structure.

As RBG's central institution, RZB AG is a member of the federal IPS whose members, in addition to the regional Raiffeisen banks, include: Raiffeisen-Holding Niederösterreich-Wien, Posojilnica Bank (formerly ZVEZA Bank), Raiffeisen Wohnbaubank and Raiffeisen Bausparkasse. The federal IPS is subject to regulatory supervision. Therefore, the capital adequacy requirements of the CRR must also be complied with at the level of the federal IPS. Consequently, no deductions are made for the members of the federal IPS for their holding in RZB AG. Moreover, internal receivables within the IPS can be weighted at zero per cent. It is planned that RBI AG will join the federal IPS once the merger of RZB AG and RBI AG has been entered in the commercial register.

The federal IPS relies on uniform, joint risk monitoring as part of the early warning system of the ÖRE. The IPS hence supplements the RBG system of mutual assistance that comes into effect if a member experiences economic difficulties.

RBI's strategy

The primary objective is long-term value creation

RBI is a leading universal banking group in the CEE region and Austria. Its business activities comprise the corporate customer business, financial services for retail customers in CEE, and business with banks and other institutional clients. Ongoing changes and challenges in the business environment in which financial institutions operate – particularly tighter regulatory requirements, bank-specific taxes and politically motivated market interventions, the persistently low interest rate environment, new technological challenges and competitors – demands flexibility in adjusting structures and business models. RBI responded to these developments with two key strategic measures: on the one hand, with the transformation program, which was launched in February 2015, and on the other, through the merger of RBI and RZB.

February 2015 saw the implementation of a transformation program designed to strengthen the capital base – it targeted a CET1 ratio (fully loaded) of at least 12 per cent – and reduce risk-weighted assets. With a CET1 ratio (fully loaded) of 13.6 per cent at 31 December 2016, RBI achieved its target ahead of schedule.

In October 2016, the Management Boards of RBI and RZB passed a resolution in principle to merge RZB into RBI. The merger will result in a strengthening of the regulatory capital ratio of the Group (elimination of the minority deduction from common equity tier 1 capital at Group level), simplified decision-making structures and streamlining of functions where there is duplication between RBI and RZB. The focus for RBI will continue to be on the CEE region, which offers structurally higher growth rates than Western Europe and which consequently has a more attractive level of interest rates and income. RBI's business portfolio is strengthened by the addition of leading specialist institutions in Austria – notably the building society, asset management company and pension fund. Additionally, RBI benefits from the stability of the Austrian business areas, which will be further strengthened by the merger. The overall result is a balanced, attractive business portfolio.

RBI's business model is based on the following core competencies:

- RBI maintains and develops a strong and reliable brand that serves as the basis for its business model.
- RBI provides all retail customer segments with comprehensive financial services through the customer's respective preferred sales and communication channel.
- RBI is a reliable business partner for corporate and institutional clients that have a link to the target region, and offers financial services of an international standard.
- RBI distinguishes itself through its strong local presence, customer focus and long-term business relationships.
- RBI utilizes the strengths of country-specific business strategies combined with central business management standards.

OVERVIEW OF RBI
GROUP MANAGEMENT REPORT
SEGMENT REPORTS
CONSOLIDATED FINANCIAL STATEMENTS
SERVICE

This is used as a basis by RBI in the provision of services to some 14 million retail and private banking customers as well as small enterprises, roughly 90,000 corporate clients (medium-sized businesses, major local companies and international corporations) and approximately 8,000 institutional clients (banks, insurance companies, asset managers, sovereigns and public-sector organizations). Customers' needs are always a top priority, and RBI sees itself as their financial advisor. It aims to provide its customers with the right financial services to meet their needs as comprehensively as possible and in this way build longterm business partnerships. In the process, customers typically take advantage of entire product bundles. RBI successfully implements this strategy through the provision of top-quality advisory services and innovative solutions.

Retail customers stand to benefit, for example, from video call or telephone advisory services, as well as state-of-the-art mobile banking options. By means of these sales and support channels – alongside around 2,500 business outlets, which remain the central component of customer service – customers are offered a broad product range (e.g. current account packages, payment transfer business, consumer financing and mortgage loans) from which they can select the products that best fit their needs. Particular emphasis is placed on transparent and customer-friendly solutions, as well as on a fast flow of information and short decision-making processes.

For corporate and institutional clients, key emphasis is placed on Group-wide sales and management tools with a focus on capital- and liquidity-efficient products (particularly trade finance, capital market products and hedging of currency, interest rate and credit risks, as well as payment transfer business). At the same time, Group-wide product competence centers not only enhance efficiency through the pooling of know-how but also facilitate customer access to complex financing products (e.g. in the areas of project, real estate and export financing).

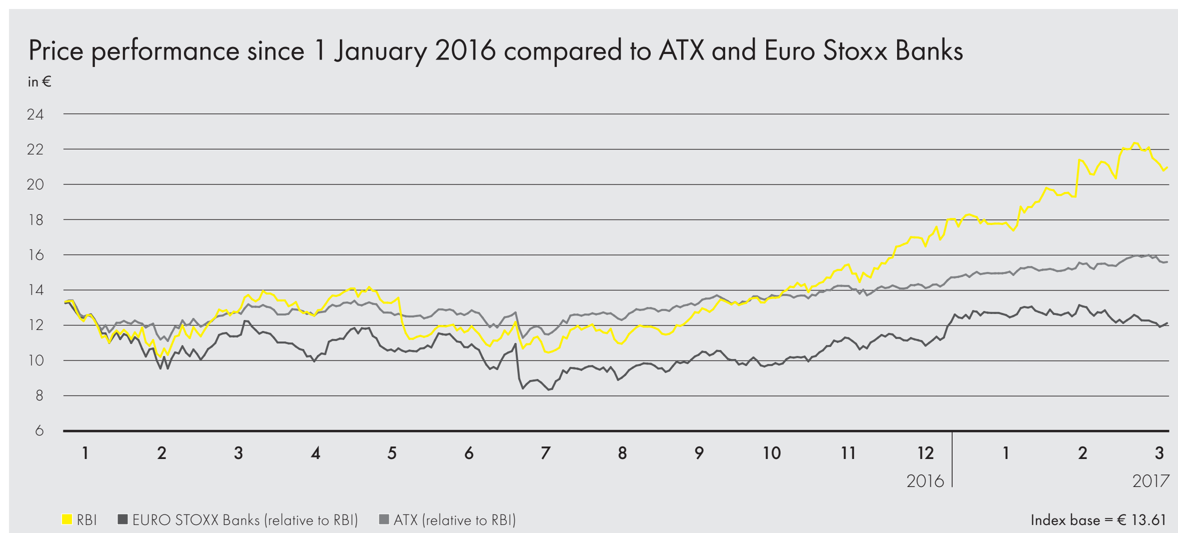
RBI in the capital markets

Performance of RBI stock

In 2016, RBI's stock opened at € 13.61 and reached its lowest closing price of € 10.21 in February amid weak global stock market performance at the start of the year. European stock markets and bank shares in particular, declined following the surprising outcome of the UK's referendum on leaving the European Union in late June. However, the markets quickly recovered from this setback in the second half of the year.

As plans for the merger of RBI and Raiffeisen Zentralbank Österreich AG (RZB) took shape in early October, the RBI share price began a strong rally that gained further momentum following publication of the financial results for the third quarter. The share price significantly outperformed the Euro Stoxx Banks from the middle of the year onwards and the ATX from early October. It peaked at € 18.29 in December. At the end of the year, the stock was trading at € 17.38, having gained 28 per cent over the year. RBI shares outperformed the ATX (up 9 per cent) and Euro Stoxx Banks (down 8 per cent) by a wide margin, and were the best performing by far in the Euro Stoxx Banks Index in 2016.

Price performance since 1 January 2016 compared to ATX and Euro Stoxx Banks



As of the editorial deadline for this report on 28 February 2017, RBI's stock was priced at € 20.96. The shares therefore posted a gain of 20.6 per cent compared to 31 December 2016, which was a markedly better performance than both the ATX (up 4.9 per cent) and the Euro Stoxx Banks (down 3.2 per cent).

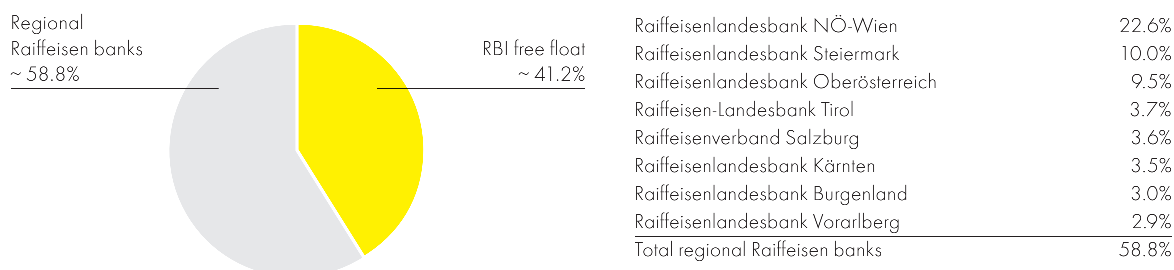
At year-end 2016, the number of shares issued remained unchanged from the start of the year at around 293 million while the market capitalization was € 5.1 billion. At the editorial deadline, the market capitalization stood at € 6.1 billion.

In 2016, approximately 187 million RBI shares were traded, amounting to a total value of € 2.4 billion and an average daily volume of 752,512 shares.

Stock data and details	
Price as at 31 December 2016	€ 17.38
High/low (closing prices) 2016	€ 18.29/€ 10.21
Earnings per share 2016	€ 1.58
Bookvalue per share as at 31 December 2016	€ 29.53
Market capitalization as at 31 December 2016	€ 5.1 billion
Average daily trading volume (single count) in 2016	752,512 shares
Stock exchange turnover (single count) 2016	€ 2,441 million
Free float as at 31 December 2016	approximately 39.3%
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	Prime Market
Number of shares issued as at 31 December 2016	292,979,038

Shareholder structure after the merger

Following the merger of RBI and RZB, the regional Raiffeisen banks will hold approximately 58.8 per cent of RBI's shares, with 41.2 per cent in free float. The shareholder base is well diversified due to the broad geographic spread and various investment strategies. The majority of institutional investors are from North America and Europe and increasingly from Asia and Australia. These include sovereign wealth funds and supranational organizations, which offers stability as a result of their preferred longterm investing strategies. There are also a large number of Austrian retail investors.



Raiffeisenlandesbank NÖ-Wien	22.6%
Raiffeisenlandesbank Steiermark	10.0%
Raiffeisenlandesbank Oberösterreich	9.5%
Raiffeisen-Landesbank Tirol	3.7%
Raiffeisenverband Salzburg	3.6%
Raiffeisenlandesbank Kärnten	3.5%
Raiffeisenlandesbank Burgenland	3.0%
Raiffeisenlandesbank Vorarlberg	2.9%
Total regional Raiffeisen banks	58.8%

RBI rating

Last year, RBI was rated by Moody's Investors Service and Standard & Poor's. In order to ensure an accurate assessment, RBI maintains regular contact with rating agency analysts and informs them about trends in RBI's business development.

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

Annual General Meeting and dividends

RBI's Annual General Meeting on 16 June 2016 approved all of the proposed resolutions relating to the individual agenda items. On 24 January 2017, an Extraordinary General Meeting was held and the merger of RBI and RZB was passed by a clear majority. The next Annual General Meeting will take place on 22 June 2017. There will be no dividends distributed for the 2016 financial year.

Capital market communications

RBI offered institutional investors numerous opportunities to obtain first-hand information at 27 road shows and conferences in 2016. Over the course of the year, representatives of RBI and, in some cases, members of the Management Board traveled to Frankfurt, Geneva, London, New York, Paris, Stockholm, Tallinn, and Zurich, as well as to Stegersbach and Zürs in Austria.

To mark the occasion of the publication of its financial results, RBI regularly invites Austrian investors to an investor lunch in Vienna.

On 1 February 2016, RBI announced preliminary figures for the 2015 financial year. Around 270 participants took part in the subsequent conference call. To mark the mid-March release of the final results for the 2015 financial year, RBI's Management Board met with investors in Vienna and also held a conference call with over 250 participants. On the following day, RBI invited institutional investors and analysts to its investor presentation in London. The event, which takes place – as it has for a number of years now – on the day following the publication of the full-year results, met with keen interest among the more than 100 participants.

On 10 May 2016, RBI announced that a merger of RBI and RZB was under evaluation, along with the first quarter results. Over 300 international analysts and investors participated in the conference call held the following day.

The results of the European Banking Authority (EBA) stress test were published on 29 July 2016. RZB and thus RBI were subject to the stress test as part of Raiffeisen-Landesbanken-Holding GmbH. In a conference call on the results of this stress test, RBI and RZB Management Board members answered questions from over 260 international analysts and investors.

At the end of September, RBI invited analysts to its annual discussion in London, which was attended by nearly all equity analysts who regularly report on RBI. An international investor conference, also in London, was held at the same time, at which the Management Board presented the company to around 60 participants and answered questions from equity and debt investors. In addition, the Management Board and Group IR team took part in numerous group and one-on-one meetings with around another 50 high-profile investors.

An additional conference call and webcast, arranged at short notice, took place on 6 October 2016, in which RBI and RZB Management Board members reported on the resolution passed in principle to merge RZB and RBI, the preliminary valuation ranges for the entities to be merged, and on the next stages planned for the process. Attracting over 350 participants, this conference call reflected the high level of interest in the information provided by the Management Board about this step. On the following day, the same Management Board members presented details of the planned merger of RBI and RZB to around 50 participants at an investor meeting in London and again answered follow-up questions.

A total of 26 equity analysts and 20 debt analysts (as at 31 December 2016) regularly provide investment recommendations on RBI, making RBI the Austrian company on which the greatest number of analyst teams regularly report. In 2016, 545 analyst reports on RBI were published.

RBI continuously strives to keep market participants fully informed. In the interest of making its communications as easily accessible and widespread as possible, RBI makes conference call presentations and other important events available as webcasts online. These can be viewed at any time at www.rbinternational.com → Investor Relations → Presentations & Webcasts.

Financial Calendar 2017	
15 March 2017	Annual Report 2016, Conference Call
16 March 2017	RBI Investor Presentation, London
03 May 2017	Start of Quiet Period
17 May 2017	First Quarter Report, Conference Call
12 June 2017	Record Date Annual General Meeting
22 June 2017	Annual General Meeting
27 July 2017	Start of Quiet Period
10 August 2017	Semi-Annual Report, Conference Call
31 October 2017	Start of Quiet Period
14 November 2017	Third Quarter Report, Conference Call

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Corporate Governance Report

This Corporate Governance Report combines the Corporate Governance Report of RBI AG and the consolidated Corporate Governance Report of RBI pursuant to § 267a of the Austrian Commercial Code (UGB) in conjunction with § 251 of the UGB.

RBI attaches great importance to responsible and transparent business management in order to maintain the understanding and confidence of its various stakeholders – not least capital market participants. Hence, RBI is committed to adhering to the Austrian Code of Corporate Governance (ACCG or "the Code") as laid out in the version dated January 2015. The ACCG is publicly available on the Austrian Working Group for Corporate Governance website (www.corporate-governance.at) and on the RBI website (www.rbinternational.com → Investor Relations → Corporate Governance). RBI does not have any capital market-oriented subsidiaries which are obliged to publish a corporate governance report due to local statutory regulations.

Transparency is a key corporate governance issue and is therefore of particular importance to RBI. This Corporate Governance Report is structured according to the legal guidelines contained in § 243c of the UGB and is based on the structure set forth in Appendix 2a of the ACCG.

The ACCG is subdivided into rules L, C and R. L Rules (Legal Requirements) are based on compulsory legal requirements. C Rules (Comply or Explain) should be observed; any deviation must be explained and justified in order to ensure conduct that complies with the Code. R Rules (Recommendations) have the characteristics of guidelines; non-compliance does not need to be reported or justified.

RBI deviates from the C Rule below, but conducts itself in accordance with the Code through the following explanation and justification:

C Rule 45: non-competition clause for members of the Supervisory Board
RBI AG is a company forming part of the Raiffeisen Banking Group Austria (RBG), which is also a majority shareholder through its central institution, RZB. Some members of the Supervisory Board therefore also hold executive roles as shareholder representatives in RBG banks. Moreover, a number of members of the Supervisory Board hold executive roles at other banks and financial services institutions. Consequently, comprehensive know-how and experience specific to the industry can be applied in exercising the control function of the Supervisory Board, to the benefit of the company.

In accordance with C Rule 62 of the ACCG, RBI AG commissioned KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG) to conduct an external evaluation on compliance with the C Rules of the Code. The report on this external evaluation is publicly available at www.rbinternational.com → Investor Relations → Corporate Governance → External Evaluation of the CG Code.

Composition of the Management Board

In the 2016 financial year, the Management Board consisted of the following members:

Management Board member	Year of birth	Original appointment	End of term
Karl Sevelda Chairman	1950	22 September 2010[1]	With entry of merger of RZB AG into RBI AG (expected on 18 March 2017)[2]
Johann Strobl Deputy Chairman	1959	22 September 2010[1]	28 February 2022[3]
Klemens Breuer	1967	16 April 2012	31 December 2020
Martin Grüll	1959	3 January 2005	28 February 2020[3]
Andreas Gschwenter	1969	1 July 2015	30 June 2018
Peter Lennkh	1963	1 October 2004	31 December 2020

[1] Effective as of 10 October 2010
[2] As a result of the merger of RZB AG into RBI AG, Karl Sevelda will resign his mandate as member of the Management Board member once the merger is effective.
[3] The mandates as Management Board members of Johann Strobl and Martin Grüll will be extended once the merger of RZB AG into RBI AG is effective.

At the Supervisory Board meeting on 30 November 2016, it was decided, in connection with the merger of RZB AG with RBI AG, to appoint Johann Strobl as Chairman of the Management Board with effect as of the date of the merger, Klemens Breuer as Deputy Chairman of the Management Board, and Hannes Mösenbacher as member of the Management Board.

Members of the Management Board held seats on the supervisory board or comparable functions in the following domestic and foreign companies that are not included in the consolidated financial statements:

Karl Sevelda	Oesterreichische Kontrollbank AG, Siemens AG Austria
Klemens Breuer	FMS Wertmanagement AöR (until 5 January 2017)
Peter Lennkh	Raiffeisen-Leasing Management GmbH (until 9 April 2016)

In addition to the management and governance of RBI AG, the members of the Management Board perform supervisory and managerial duties at the following material subsidiaries as Managing Director or on the Supervisory Board:

	Supervisory Board mandate	Management
Karl Sevelda	Raiffeisen Bank d.d., Bosnia and Herzegovina, Chairman Raiffeisenbank Austria d.d., Croatia, Chairman Raiffeisen Bank Polska S.A., Poland, Chairman AO Raiffeisenbank, Russia, Chairman Raiffeisen Bank S.A., Romania, Chairman Raiffeisen banka a.d., Serbia, Chairman Tatra banka, a.s., Slovakia, Chairman Raiffeisenbank a.s., Czech Republic, Chairman Raiffeisen Bank Aval JSC, Ukraine, Chairman Raiffeisen Bank Zrt., Hungary, Deputy Chairman Priorbank JSC, Belarus, member	
Johann Strobl	Raiffeisen Bank Zrt., Hungary, Chairman DAV Holding Kft., Hungary, Chairman AO Raiffeisenbank, Russia, Deputy Chairman Raiffeisen Bank Polska S.A., Poland, member Raiffeisen Bank S.A., Romania, member Tatra banka, a.s., Solvakia, member Raiffeisenbank a.s., Czech Republic, member	
Klemens Breuer	Raiffeisen Centrobank AG, Austria, Chairman Kathrein Privatbank Aktiengesellschaft, Austria, Deputy Chairman Raiffeisen Bank Polska S.A., Poland, member Raiffeisen Bank S.A., Romania, member AO Raiffeisenbank, Russia, member Tatra banka, a.s., Slovakia, member Raiffeisenbank a.s., Czech Republic, member	
Martin Grüll	Raiffeisen Bank Polska S.A., Poland, Deputy Chairman Raiffeisen Bank S.A., Romania, Deputy Chairman AO Raiffeisenbank, Russia, member Tatra banka, a.s., Slovakia, member Raiffeisenbank a.s., Czech Republic, member	Raiffeisen CEE Region Holding GmbH, Austria, Managing Director Raiffeisen CIS Region Holding GmbH, Austria, Managing Director Raiffeisen RS Beteiligungs GmbH, Austria, Managing Director Raiffeisen SEE Region Holding GmbH, Austria, Managing Director
Andreas Gschwenter	RSC Raiffeisen Service Center GmbH, Austria, member Raiffeisen Bank Polska S.A., Poland, member Raiffeisen Bank S.A., Romania, member AO Raiffeisenbank, Russia, member Tatra banka, a.s., Slovakia, member Raiffeisenbank a.s., Czech Republic, member Raiffeisen Bank Zrt., Hungary, member	
Peter Lennkh	Raiffeisen Bank d.d., Bosnia and Herzegovina, Deputy Chairman Raiffeisenbank Austria d.d., Croatia, Deputy Chairman Raiffeisen banka a.d., Serbia, Deputy Chairman Raiffeisenbank a.s., Czech Republic, Deputy Chairman Raiffeisen Bank Aval JSC, Ukraine, Deputy Chairman Raiffeisen Bank Polska S.A., Poland, member Raiffeisen Bank S.A., Romania, member AO Raiffeisenbank, Russia, member Tatra banka, a.s., Slovakia, member	

Composition of the Supervisory Board

During the 2016 financial year, the Supervisory Board comprised:

Supervisory Board member	Year of birth	Original appointment	End of term
Walter Rothensteiner Chairman	1953	11 May 2001	Annual General Meeting 2017[3]
Erwin Hameseder 1st Deputy Chairman	1956	8 July 2010[1]	Annual General Meeting 2020
Heinrich Schaller 2nd Deputy Chairman	1959	20 June 2012	Annual General Meeting 2017
Martin Schaller 3rd Deputy Chairman	1965	4 June 2014	Annual General Meeting 2019
Klaus Buchleitner	1964	26 June 2013	Annual General Meeting 2020
Kurt Geiger	1946	9 June 2009	Annual General Meeting 2019
Michael Höllerer	1978	17 June 2015	With entry of merger of RZB AG into RBI AG (expected on 18 March 2017)[4]
Günther Reibersdorfer	1954	20 June 2012	Annual General Meeting 2017
Johannes Schuster	1970	8 July 2010[1]	With entry of merger of RZB AG into RBI AG (expected on 18 March 2017)[4]
Bettina Selden	1952	4 June 2014	Annual General Meeting 2019
Rudolf Kortenhof[2]	1961	10 October 2010	Until further notice
Martin Prater[2]	1953	10 October 2010	31 January 2016
Peter Anzeletti-Reikl[2]	1965	10 October 2010	Until further notice
Susanne Unger[2]	1961	18 January 2012	Until further notice
Helge Rechberger[2]	1967	10 October 2010	Until further notice
Natalie Egger-Grunicke[2]	1973	18 February 2016	Until further notice

[1] Effective as of 10 October 2010 [2] Delegated by the Staff Council [3] As a result of the merger between RZB AG and RBI AG, Walter Rothensteiner will resign his mandate as member of the Supervisory Board as of the end of the Annual General Meeting on 22 June 2017. [4] Michael Höllerer and Johannes Schuster will withdraw from their functions on the Supervisory Board once the merger is effective.

Independence of the Supervisory Board

In accordance with and taking into consideration C Rule 53 and Appendix 1 of the ACCG, the Supervisory Board of RBI AG specified the following criteria for the independence of the members of the company's Supervisory Board:

- The Supervisory Board member shall not have been a member of the Management Board or a senior executive of the company or one of its subsidiaries in the past five years.

- The Supervisory Board member shall not have, or have had in the previous year, any significant business relationships with the company or a subsidiary of the company. This also applies to business relationships with companies in which the Supervisory Board member has a significant financial interest, albeit not with regard to carrying out executive functions within the company. The approval of individual transactions by the Supervisory Board according to L Rule 48 of the ACCG does not automatically lead to a qualification of "not independent".

- The exercise of functions within the company or merely exercising the function of a management board member or senior executive by a Supervisory Board member does not, as a rule, lead to the company concerned being regarded as a "company in which a Supervisory Board member has a significant financial interest," to the extent that circumstances do not support the presumption that the Supervisory Board member derives a direct personal advantage from doing business with the company.

- The Supervisory Board member shall not have been an auditor of the company, nor a partner or employee of the auditing company in the previous three years.

- The Supervisory Board member shall not be a member of the management board of another company in which a Management Board member of the company is a member of the supervisory board.
- The Supervisory Board member shall not be part of the Supervisory Board for longer than 15 years. This does not apply to Supervisory Board members who are shareholders with business interests in the company, or who represent the interests of such shareholders.
- The Supervisory Board member shall not be a close relative (direct descendant, spouse, partner, father, mother, uncle, aunt, brother, sister, nephew, niece) of a member of the Management Board or of persons who meet one of the criteria described in the preceding points.

In accordance with the criteria listed above for the independence of Supervisory Board members, all RBI AG Supervisory Board members are considered independent.

Bettina Selden and Kurt Geiger, as members of the Supervisory Board, are neither shareholders with a shareholding of greater than 10 per cent, nor do they represent the interests of such shareholders. They are therefore "free float representatives" according to C Rule 54 of the ACCG.

Members of the Supervisory Board had the following additional supervisory board mandates or comparable functions in domestic and foreign stock exchange listed companies:

Walter Rothensteiner	UNIQA Insurance Group AG AG (Chairman)
Erwin Hameseder	AGRANA Beteiligungs-AG (Chairman), STRABAG SE, UNIQA Insurance Group AG, Südzucker AG, Flughafen Wien AG
Heinrich Schaller	voestalpine AG, AMAG Austria Metall AG
Klaus Buchleitner	BayWa AG, AGRANA Beteiligungs-AG
Kurt Geiger	Demir Bank OJSC
Johannes Schuster	UNIQA Insurance Group AG

In addition to their functions as members of RBI AG's Supervisory Board, supervisory duties within the context of supervisory board mandates were also performed at the following material subsidiaries in the 2016 financial year:

Walter Rothensteiner	Kathrein Privatbank Aktiengesellschaft, Austria, Chairman
Kurt Geiger	Raiffeisen Bank AVAL JSC, Ukraine, member
Michael Höllerer	Raiffeisen Centrobank AG, Austria, member
Johannes Schuster	RSC Raiffeisen Service Center GmbH, Austria, member

No management functions at RBI AG's material subsidiaries were undertaken by Supervisory Board members.

Members of the Committees

The procedural rules of the Supervisory Board govern its organization and allocate particular tasks to the Working, Audit, Remuneration, Risk, Nomination and Personnel Committees. These committees comprise the following members:

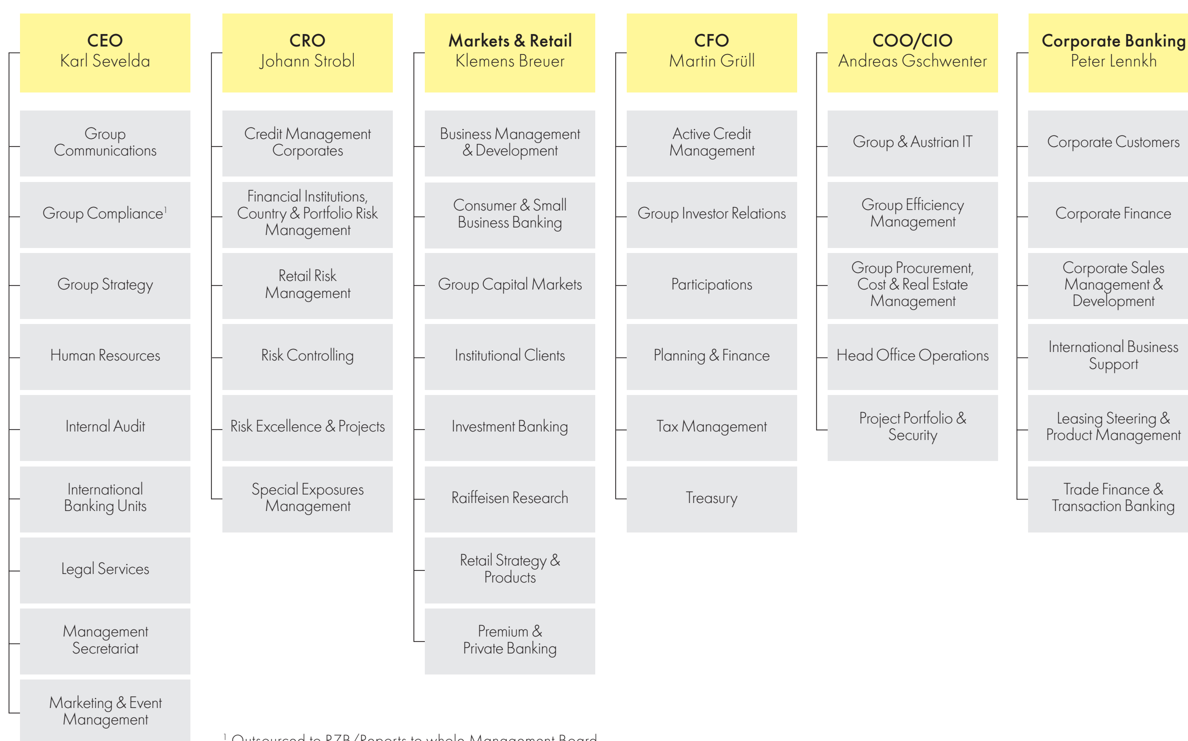
	Working Committee	**Audit Committee**	**Personnel Committee**	**Remuneration Committee**	**Risk Committee**	**Nomination Committee**
Chairman	Walter Rothensteiner	Michael Höllerer[1]	Walter Rothensteiner	Walter Rothensteiner	Johannes Schuster[1]	Walter Rothensteiner
1st Deputy Chairman	Erwin Hameseder	Walter Rothensteiner[2]	Erwin Hameseder	Erwin Hameseder	Walter Rothensteiner[2]	Erwin Hameseder
2nd Deputy Chairman	Heinrich Schaller	Erwin Hameseder[3]	Heinrich Schaller	Heinrich Schaller	Erwin Hameseder[3]	Heinrich Schaller
3rd Deputy Chairman	Martin Schaller	Heinrich Schaller[4]	Martin Schaller	Martin Schaller	Heinrich Schaller[4]	Martin Schaller
4th Deputy Chairman	–	Martin Schaller[5]	–	–	Martin Schaller[5]	–
Member	Johannes Schuster	Johannes Schuster	Johannes Schuster	Johannes Schuster	Johannes Schuster[6]	Johannes Schuster
Member	Rudolf Kortenhof	Rudolf Kortenhof	–	Rudolf Kortenhof	Rudolf Kortenhof	Rudolf Kortenhof
Member	Peter Anzeletti-Reikl	Peter Anzeletti-Reikl	–	Peter Anzeletti-Reikl	Peter Anzeletti-Reikl	Peter Anzeletti-Reikl
Member	Susanne Unger[7]	Susanne Unger[7]	–	Susanne Unger[7]	Susanne Unger[7]	Susanne Unger[7]

[1] As of 15 March 2016; until 15 March 2016, Walter Rothensteiner
[2] As of 15 March 2016; until 15 March 2016 Erwin Hameseder
[3] As of 15 March 2016; until 15 March 2016 Heinrich Schaller
[4] As of 15 March 2016; until 15 March 2016 Martin Schaller
[5] As of 15 March 2016
[6] Until 15 March 2016
[7] As of 1 February 2016; until 31 January 2016 Martin Prater

Functions of the Management Board and the Supervisory Board

Division of responsibilities and functions of the Management Board

The RBI AG Management Board manages the company according to clearly defined goals, strategies and guidelines on its own authority, with a focus on future-oriented business management and in line with modern business principles. In doing so, the Management Board pursues the good of the company at all times and considers the interests of shareholders and employees. Management Board members' areas of responsibility have been defined by the Supervisory Board, without prejudice to the general responsibility of the Management Board, as follows (as at 31 December 2016):



[1] Outsourced to RZB/Reports to whole Management Board

In the 2016 financial year, the following significant organizational changes, among others, took place at Tier 2 management level (B-1):

- Management Board division Corporate Banking: As a result of the inclusion of employees of RLI Holding Gesellschaft m.b.H. in RBI AG, the new area "Leasing, Steering & Product Management" was created under Peter Lennkh.

- Management Board division Chief Operation Officer/Chief Information Officer (COO/CIO): The dissolution of the "Lean" area and the reorganization of the responsibilities of the "Operations" area resulted in the establishment of two new areas: "Group Efficiency Management" and "Head Office Operations". "Procurement & Cost Management" was combined with "Real Estate Management" to form "Group Procurement, Cost & Real Estate Management".

- Management Board division Markets and Retail: Following the dissolution of the "Consumer Banking" and "Small Businesses & Premium Banking" areas, three new areas were created: "Retail Strategy & Products", "Consumer & Small Business Banking" and "Private & Premium Banking".

The Management Board manages the company's business in accordance with the law, the Articles of Association and the Management Board's rules of procedure. The Management Board's weekly meetings are convened and led by the chairman. The meetings facilitate mutual gathering and exchange of information, consultation and decision-making with respect to all matters requiring the board's approval. The internal regulations of the Supervisory Board and the Management Board describe the duties of the Management Board in terms of information and reporting, as well as a catalog of measures that require the approval of the Supervisory Board.

Decision-making authority and activities of the Committees of the Supervisory Board

The internal regulations of the Management Board, as well as the Supervisory Board and its Committees, outline the business management measures that require the approval of the Supervisory Board or of the appropriate Committee.

The **Working Committee** is responsible for all matters referred to it by the Supervisory Board. These include, in particular, the approval of the establishment, closure and liquidation of subsidiaries, as well as the acquisition or disposal of equity participations where the change in the capitalized book value of the investment resulting from the transaction exceeds a certain amount (up to the ceiling amount for overall Supervisory Board responsibility). Moreover, the Working Committee deals with the execution of functions in the management bodies of other companies by members of the Management Board. Furthermore, the Working Committee approves the assumption of risks arising from banking business and risk limits to third parties above a certain level up to the ceiling amount for overall Supervisory Board responsibility.

The **Personnel Committee** deals with the remuneration of Management Board members as well as their employment contracts. In particular, it is responsible for approving bonus allocations and share allotments through the Share Incentive Program to members of the Management Board. Furthermore, it also gives its approval in the event of an acceptance of secondary employment by members of the Management Board.

The **Audit Committee** monitors the accounting process. It issues corresponding recommendations or proposals for guaranteeing reliability and supervises the effectiveness of the company's internal control, audit and risk management systems. The tasks of the Audit Committee include the supervision of the annual audit of the financial statements and consolidated financial statements, as well as checking and supervising the independence of the Group's auditors, particularly with respect to additional work performed for the audited company. The Committee examines the annual financial statements, the management report, the consolidated financial statements and the Group management report, and is responsible for the preparation for their adoption. It also examines the proposal for earnings appropriation and the consolidated corporate governance report. The Audit Committee presents a report on the results of its examinations to the Supervisory Board. It also conducts a process, in accordance with statutory requirements, for the selection of the (Group) auditor and bank auditor and submits a recommendation to the Supervisory Board concerning the appointment of the auditor. Moreover, the Audit Committee discusses the content of the management letter as well as the report on the effectiveness of the risk management system and the internal control system. Internal Audit must provide the Audit Committee with quarterly reports on the areas audited and on any audit findings from audits performed, taking into account § 42 (3) of the Austrian Banking Act (BWG). The Organization & Processes area also reports twice a year on the status of the internal control system and its effectiveness.

The **Remuneration Committee**'s responsibilities include, first and foremost, establishing guidelines for the company's remuneration policies and practices, particularly on the basis of the BWG, as well as relevant sections of the ACCG. In addition, the Remuneration Committee supervises and regularly reviews the remuneration policies, remuneration practices and relevant incentive structures to ensure that all related risks are controlled, monitored and limited in accordance with the BWG, as well as with respect to the company's capitalization and liquidity. In doing so, the long-term interests of shareholders, investors and employees of the company are also taken into account, as are the economic interests of maintaining a functioning banking system and the stability of the financial market. The Remuneration Committee also directly reviews the remuneration of executives responsible for risk management and compliance.

The responsibilities of the **Risk Committee** include advising the Management Board on current and future risk propensity and risk strategy, monitoring the implementation of this risk strategy with regard to the controlling, monitoring and limitation of risk in accordance with the BWG, as well as the monitoring of capitalization and liquidity. It is also responsible for checking whether the pricing of the services and products offered, the business model as well as risk strategy are given adequate consideration and where applicable for submitting a plan with corrective measures. The Risk Committee also monitors whether the incentives offered by the internal remuneration system give adequate consideration to risk, capital, liquidity and the probability as well as timing of realized profits.

The **Nomination Committee** attends to the filling of any posts on the Management Board and the Supervisory Board that have become vacant. Consideration is given to the balance and diversity of knowledge, skills and experience of all members of the governing body in question. The Nomination Committee also specifies a target ratio for the under-represented gender on the Management Board and the Supervisory Board, as well as a strategy for achieving the defined target. In its decision-making process, it ensures that the Management Board and the Supervisory Board are not dominated by one individual person, or a small group of persons, in a way which is contrary to the company's interests. The Nomination Committee's other responsibilities include:

- regular evaluation, and in all cases where events indicate a need for re-evaluation, of the structure, size, composition and performance of the Management Board and Supervisory Board, as well as submission to the Supervisory Board of proposals for changes where necessary;
- regularly conducting, but at least once a year, an evaluation of the knowledge, skills and experience of the individual members of both the Management Board and Supervisory Board and also of the respective governing body as a whole, and informing the Supervisory Board of the results; and

- reviewing the Management Board's policy with regard to the selection of executives and supporting the Supervisory Board in preparing recommendations for the Management Board.

Number of meetings of the Supervisory Board and of the Committees

The Supervisory Board held nine meetings during the reporting period. In addition, the Management Board fully informed the Supervisory Board on a prompt and regular basis of all relevant matters pertaining to the company's performance, including the risk position and risk management of the company and material Group companies, particularly in relation to important matters.

The Working Committee held eight meetings in the 2016 financial year. The Audit Committee met three times, the Personnel Committee three times, the Remuneration Committee three times, the Risk Committee five times, and the Nomination Committee five times.

No member of the Supervisory Board was unable to personally attend more than half of the sittings of the Supervisory Board.

In addition, the Supervisory Board and the Working and Remuneration Committees also passed resolutions by circulation.

Further information on the activities of the Supervisory Board can be found in the Report of the Supervisory Board.

Management Board and Supervisory Board remuneration disclosure

Management Board remuneration

The following total amounts were paid to the Management Board of RBI AG:

in € thousands	2016	2015
Fixed remuneration	5,017	5,007
Bonuses (incl. portions for prior years)	1,467	1,759
Share-based payments	220	0
Other remuneration	2,456	2,477
Total	**9,160**	**9,243**

Fixed remuneration, as shown in the above table, includes salaries and benefits in kind. Performance-based components of the Management Board's remuneration basically consist of bonus payments and the share-based remuneration under the Share Incentive Program (SIP).

In 2016, deferred bonus amounts from 2013 and previous years as well as immediately payable bonus amounts for 2015 were paid out. No bonus was paid for 2014. In 2016 there was an allocation of share-based payments from the 2011 SIP tranche (see below for details).

The payment of a bonus is linked to the achievement of annually agreed goals from four or five areas based on a balanced scorecard approach. These are weighted financial goals (adjusted to the respective function, e.g. return on risk-adjusted capital, total costs, risk-weighted assets), customer and employee goals, as well as process/efficiency/infrastructure goals and, where necessary, additional goals. The amount of the bonus is determined based on consolidated profit and the cost/income ratio; the targets to be achieved are based on the RBI's medium-term return on equity target and thus consider a period spanning several years. Payment of bonuses is deferred as set forth in the BWG and implemented according to internal regulations.

Management Board members' contracts specify a maximum bonus. Similarly, the SIP includes a cap amounting to three times the allocation value. A maximum limit is thus in place for all variable compensation components. Other remuneration consists of compensation for board-level functions in affiliated companies, payments to pension funds and for reinsurance policies, as well as other insurance and benefits.

The Management Board's remuneration paid in 2016 is shown in detail as follows:

in € thousands	Fixed remuneration	Bonus allocations for 2015 and prior years	Share-based payments	Other	Total
Karl Sevelda	1,111	359	65	471	2,006
Johann Strobl	900	312	60	444	1,716
Klemens Breuer	823	236	0	518	1,577
Martin Grüll	762	275	52	430	1,519
Andreas Gschwenter	659	65	0	159	883
Peter Lennkh	762	220	43	434	1,459
Total	**5,017**	**1,467**	**220**	**2,456**	**9,160**

In addition to the amounts listed above, deferred bonus amounts totaling € 382 thousand and € 111 thousand were paid to Herbert Stepic, Aris Bogdaneris and Patrick Butler within the context of the payment of the 2011 SIP tranche on account of their previous work on the Management Board.

Principles of remuneration policy and practices in accordance with § 39 (2) in conjunction with § 39b of the BWG

In accordance with § 39 (2) in conjunction with § 39b of the BWG including annexes, RBI AG's Supervisory Board approved the "General Principles of the Remuneration Policy and Practice" in 2011. Remuneration of all employees, including the Management Board and other "risk personnel" must comply with these principles. These principles also apply to bonus payments for 2011 and subsequent years. The Remuneration Committee reviews these principles on a regular basis and is responsible for the monitoring of these policies and their implementation. Taking the current version of § 39 (2) in conjunction with § 39b of the BWG including annexes into account, which was updated in implementation of Directive 2013/36/EU, the Remuneration Committee of RBI AG's Supervisory Board approved a new version of the "General Principles of the Remuneration Policy and Practice" in 2014, which was applied as of 2014. This was most recently amended in 2015.

As a result of this amendment, the variable component may fall away completely for positions with minimal or only indirect influence on the business results. Role-based fixed compensation was implemented in various forms according to respective local conditions. When determining the bonus for specific business and management functions, more weight was placed on RBI's and the respective organizational units' results and less on the functional area in order to promote teamwork.

General remuneration principles of the RBI – Summary

The RBI uses a simple, transparent remuneration system which reflects the Group's business strategy and complies with regulatory requirements. The remuneration principles support the company's long-term objectives, interests and values while at the same time containing measures to avoid conflicts of interest.

The RBI's remuneration system does not encourage the assumption of disproportionate risks, and instead supports sound, effective risk management (e.g. through a performance management process with financial and non-financial targets as well as qualitative and quantitative key performance indicators and the use of a bonus pool approach). This is in particular also achieved by limiting variable remuneration through thresholds and upper limits, which also enables more precise long-term cost planning. In addition, special rules apply to all employees whose professional activities have significant consequences for the risk profile of the company and/or the Group ("risk personnel").

Within the overall remuneration, the relationship between fixed and variable components is made appropriate to enable employees to maintain an adequate standard of living based on their fixed income. This aims to facilitate a flexible policy and should allow for unrestricted choice and implemenentation of the variable remuneration components, and it should also be possible to forgo the granting of variable remuneration. The total amount of the variable remuneration does not restrict the RBI's ability to improve its capitalization. The basis for all variable remuneration programs is performance, which is measured at Group, company and also individual level.

The remuneration system of the RBI helps to address the "silo mentality" by linking a significant part of variable remuneration to the Group's performance – in compliance with statutory and regulatory requirements. The remuneration and performance management system provides quality enhancement and aims to strengthen customer relationships in the long term.

Share Incentive Program

Due to the immense increase in the complexity of the regulatory provisions for variable remuneration, the Management Board was prompted to review the benefits and meaningfulness of share-based remuneration. Originally intended as a variable long-term remuneration element geared towards the market and corporate success, the SIP has since lost this meaning because the annual bonus for the same target group of top executives is now deferred for 3 to 5 years, and half must be paid in instruments (e.g. shares). It was therefore decided that no further SIP tranches would be issued from the 2014 financial year onwards.

The 2011 SIP tranche matured in 2016. In accordance with the terms and conditions of the program, the number of shares actually transferred was as follows:

SIP 2011

Group of persons	Number shares due	Value at share price on allotment date (2/5/2016) € 13.92	Actual number of transferred shares
Members of the Management Board of RBI AG	24,493	€ 340,943	12,809
Members of the management boards of subsidiary banks and branches affiliated to RBI AG	30,050	€ 418,296	23,125
Executives of RBI AG and other affiliated companies	19,839	€ 276,159	11,384

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

On the reporting date, contingent shares for two tranches were allocated. At 31 December 2016, the number of these contingent shares was 693,462 (of which 367,977 were attributable to the 2012 allocation and 325,485 to the 2013 allocation). The number of contingently allocated shares originally announced changed due to various personnel alterations in Group units. It is shown on an aggregated basis in the following table:

SIP 2012 and 2013

Group of persons	Number of contingently alloted shares at 31/12/2016	Minimum allocation of shares	Maximum allocation of shares
Members of the Management Board of RBI AG	214,091	64,227	321,137
Members of the management boards of subsidiary banks and branches affiliated to RBI AG	291,910	87,573	437,865
Executives of RBI AG and other affiliated companies	187,461	56,238	281,192

No shares were repurchased for the SIP in 2016.

Expenditure for severance payments and pensions

The same rules essentially apply for the members of the Management Board as for employees. They provide for a basic contribution to a pension fund by the company and an additional contribution when the employee makes their own contributions in the same amount. Additional individual pension benefits, which are financed by a reinsurance policy, apply to three members of the Management Board.

In the event of a function or contract termination, one member of the Management Board is entitled to severance payments in accordance with the Salaried Employees Act and the Banking Sector Collective Agreement, one member in accordance with a contractual agreement and four members in accordance with the Company Retirement Plan Act. In principle, the severance payment claims under the Salaried Employees Act or contractual agreements expire if the Management Board member resigns.

Furthermore, protection against occupational disability risk is provided by a pension fund and/or on the basis of an individual pension benefit, which is secured by a reinsurance policy. Contracts for Management Board members are limited to the duration of their respective term in office or a maximum of five years. Regulations regarding severance payments, in the event of the early termination of Management Board mandates, are based on the principles stipulated by the ACCG, as well as on the stipulated maximum limits (a maximum of two years' total annual remuneration for early termination without serious cause and in any case no longer than the remaining term. No remuneration is paid for premature terminations for serious reasons attributable to the Management Board member).

Supervisory Board remuneration

For the 2015 financial year, the members of the Supervisory Board received total remuneration of € 525,000 in accordance with the resolution of the Annual General Meeting. This amount included € 70,000 for the Chairman of the Supervisory Board, € 60,000 each for the Deputy Chairmen of the Supervisory Board and € 50,000 each for the other members of the Supervisory Board. Depending on the duration of the respective Supervisory Board member's term, the remuneration for 2015 was paid on a pro rata basis or in its entirety.

Supervisory Board remuneration for the 2016 financial year was apportioned to individual Supervisory Board members as follows. The amounts stated are provisional amounts from the statement of financial position, subject to the approval of the Annual General Meeting 2017. Attendance fees were not paid. Depending on the duration of the respective Supervisory Board mandate, the provision for the 2016 financial year was booked on a pro rata basis or in its entirety.

Supervisory Board member	in €
Walter Rothensteiner	70,000
Erwin Hameseder	60,000
Heinrich Schaller	60,000
Martin Schaller	60,000
Klaus Buchleitner	50,000
Kurt Geiger	50,000
Michael Höllerer	50,000
Günther Reibersdorfer	50,000
Johannes Schuster	50,000
Bettina Selden	50,000

D&O insurance

For the 2016 financial year, a D&O (directors and officers) financial loss and liability insurance policy was signed with UNIQA Sachversicherung AG for the Supervisory Board, the Management Board and key executives, the cost of which is borne by the company. The policy covers both third party claims (external cover) and also claims of the company itself (internal cover) against the managers. The internal cover also protects the Company.

Annual General Meeting

The Annual General Meeting for the 2015 financial year was held on 16 June 2016 in Vienna. In addition, on 24 January 2017, an Extraordinary General Meeting of RBI AG decided on the merger of RZB AG and RBI AG. The Annual General Meeting for the 2016 financial year will take place on 22 June 2017. The convening notice will be published in the Wiener Zeitung's official journal and in electronic form a minimum of 28 days before the Annual General Meeting.

At the Annual General Meeting the shareholders, as owners of the company, can exercise their rights by voting. The fundamental principle of 'one share, one vote' applies. Accordingly, there are no restrictions on voting rights and all shareholders have equal rights. Every share confers one vote; registered shares have not been issued. Shareholders may exercise their voting rights themselves or by means of an authorized agent. RZB has not exercised its right to nominate up to one third of the Supervisory Board members to be elected by the Annual General Meeting, as per the Articles of Association, so that the share structure complies with the principle of 'one share, one vote'. At the Extraordinary General Meeting of RBI AG on 24 January 2017, a decision was taken to remove the right to delegate members in Article 9 of RBI AG's Articles of Association. The right to delegate members will therefore cease to exist when the amendment to the Articles of Association is registered with the commercial register.

Report on measures taken by the company to promote women to the Management Board, the Supervisory Board and into executive positions (§ 80 of the Austrian Stock Corporation Act (AktG)) as laid down in § 243c (2) 2 of the UGB

Prejudices and discrimination have no place in RBI. This is also clearly stated in the Code of Conduct which is valid across the entire Group. RBI instead advocates equality, and in keeping with its corporate identity, it offers equal opportunities for equal performance within the company, regardless of gender or other factors. This begins with staff selection, which must be without prejudice, and where the same standards must always be applied irrespective of gender.

At 31 December 2016, the proportion of women in the top three tiers of management (positions with staff responsibility) at RBI AG was as follows: Supervisory Board, 13 per cent; Management Board, 0 per cent; Tier 2 management, 12 per cent; and Tier 3 management, 29 per cent. This is with a total proportion of female employees of 45 per cent.

In RBI, the total proportion of women among employees is 67 per cent. The proportion of women in Management Board positions is 16 per cent, 36 per cent in Tier 2 management and 47 per cent in Tier 3 management positions. The proportion of women who are Supervisory Board members is 8 per cent. These figures include RBI AG and the 14 network banks in CEE, as well as Kathrein Privatbank Aktiengesellschaft and Raiffeisen Centrobank AG.

To further improve the framework conditions for work and career, RBI continuously endeavors to reconcile family and working life as far as possible. Working arrangements such as flexible working hours, part-time and home-office working are offered in almost all countries in accordance with the local statutory provisions, as are company kindergartens with employee-friendly opening hours. Among other things, these aim to facilitate effective management of maternity leave, which should encourage women to return to work. RBI adopts a positive stance towards paternity leave and considers it an important means of strengthening equality at both the personal and professional level.

In order to build on management skills among employees, RBI offers targeted training and continuing education programs, which also proved popular among female employees. For example, 27 per cent of the participants in the group-wide top management program "Execute" were women; in 2016, the proportion of women participating in RBI AG's basic leadership program was 26 per cent and in the Talent Lab for managers 32 per cent.

In 2016, RBI AG launched the initiative "Diversity 2020". This diversity initiative firstly focuses on the empowerment of women. In particular, it aims to increase the number of women in top management positions. Extensive communication measures were implemented to further raise awareness and highlight the importance of this issue as well as to ensure maximum transparency for the initiative. Accordingly, a waiting period is applied to the process when recruiting internally and, in addition, qualified female candidates are approached by HR employees. Subconscious prejudices are a material factor preventing the appointment of women to management positions, among other things. This issue formed the focus for two "managers' breakfasts" and for keynote presentations to employees. For RBI AG, mentoring of women is an important tool for increasing the percentage of women in management positions. We will therefore continue our efforts in this field. Another key focus involves strengthening the skill sets of female managers. Initial measures for training in this area have already taken place.

The Management Board is aware of the need to continue to pursue the existing initiatives as well as to maintain its openness to new initiatives in order to further increase the percentage of women in highly qualified positions. To achieve this end, it encourages women to take advantage of these opportunities and to actively participate in further development.

Transparency

The internet, particularly the company website, plays an important role for RBI with regard to open communication with shareholders, their representatives, customers, analysts, employees, and the interested public. Therefore, the website offers regularly updated information and services, including the following: annual and interim reports, company presentations, telephone conference webcasts, ad-hoc releases, press releases, investor relations releases, share price information and stock data, information for debt investors, financial calendar with advance notice of important dates, information on securities transactions of the Management Board and Supervisory Board that are subject to reporting requirements (directors' dealings), RBI's Articles of Association, the corporate governance report, analysts' research and recommendations, as well as an ordering service for written information and registration for the automatic receipt of investor relations news by e-mail.

Conflicts of interest

Both the Management Board and the Supervisory Board of RBI are required to disclose any potential conflicts of interest.

Members of the Management Board must therefore disclose to the Supervisory Board any significant personal interests in transactions involving the company and Group companies, as well as any other conflicts of interest. They must also inform the other members of the Management Board. Members of the Management Board who occupy management positions within other companies must ensure a fair balance between the interests of the companies in question.

Members of the Supervisory Board must immediately report any potential conflicts of interest to the Chairman of the Supervisory Board, who is supported by Compliance when carrying out his evaluation. In the event that the Chairman himself should encounter a conflict of interest, he must report this immediately to the Deputy Chairman. Company agreements with members of the Supervisory Board that require members to perform a service for the company or for a subsidiary outside of their duty on the Supervisory Board (§ 189 a sub-para. 7 of the UGB) in exchange for not-insignificant compensation require the approval of the Supervisory Board. This also applies to agreements with companies in which a member of the Supervisory Board has a significant financial interest. Furthermore, related party transactions as defined by § 28 of the BWG require the approval of the Supervisory Board.

Accounting and audit of financial statements

RBI's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU. They also comply with the regulations of the BWG in conjunction with the UGB to the extent that these are applicable to the consolidated financial statements. The consolidated annual financial statements are published within the first four months of the financial year following the reporting period. Interim reports are published no later than two months after the end of the respective reporting period pursuant to IFRS.

The Annual General Meeting on 17 June 2015 selected KPMG as external Group auditor and bank auditor for the 2016 financial year. KPMG has confirmed to RBI that it has the certification of a quality auditing system. It has also declared that there are no reasons for disqualification or prejudice. The Supervisory Board is informed of the result of the audit by a statutory report regarding the audit of the consolidated financial statements by the auditor, as well as by the report of the Audit Committee. Furthermore, the auditor assesses the effectiveness of the company's risk management in accordance with the ACCG, based on the documents submitted to the auditor and otherwise available. The resulting report is presented to the Chairman of the Supervisory Board, who is responsible for ensuring the report is addressed in the Audit Committee and presented to the Supervisory Board.

The Management Board

Karl Sevelda

Johann Strobl

Klemens Breuer

Martin Grüll

Andreas Gschwenter

Peter Lennkh

Sustainability Management

Since being founded by Friedrich Wilhelm Raiffeisen, sustainable action and corporate responsibility have been part of the policy and identity of all Raiffeisen companies and also form integral components of their business activities. Sustainability management promotes added value resulting from the combination of economic, ecological and social factors. In this process, RBI focuses on adherence to the ten principles of the United Nations Global Compact. These principles address the key areas of human rights, labor standards, environmental protection and anti-corruption. In this respect, RBI expects a corresponding approach not only from its employees but also from its partners and suppliers. Detailed information about developments in Sustainability Management and the current Sustainability Report are available on RBI's website under www.rbinternational.com → About Us → Sustainability Management.

Nine of RBI's subsidiary banks have an Environmental and Social Management System (ESMS) and a corresponding Environmental and Social Policy (E&S Policy), which define the bank's principles for ecological and social risk management. These are based on the standards of the International Finance Corporation (IFC) and/or the Multilateral Investment Guarantee Agency (MIGA).

RBI is also a member of the Green Bond Principles of the International Capital Market Association (ICMA). These principles define a uniform issuance process to promote transparency and integrity in this fast-growing market.

RBI works continuously with the sustainability rating agencies, oekom research, Sustainalytics, MSCI and VIGEO EIRIS, when preparing the assessment documents. In November 2016, the oekom research sustainability rating was upgraded from "C-" to "C" (corresponding to "prime" status) in recognition of measures undertaken. Among other factors, the upgrade reflected the increasing importance of environmental and social management within the Group, the strategic approach to diversity as well as the excellent performance with respect to CDP (formerly Carbon Disclosure Project). Around 550 companies are currently assigned oekom research's "prime" status (the oekom "Prime Universe"), and form a comprehensive basis for structuring sustainable capital investments/investment products. In fall 2016, RBI was again rated an "Outperformer" by Sustainalytics.

Furthermore, RBI was included in the Austrian sustainability index, VBV Österreichischer Nachhaltigkeitsindex (VÖNIX), for the eleventh time in succession in 2016. This index contains listed Austrian companies which are leaders in social and ecological performance. RBI also continues to be included in the STOXX® Global ESG Leaders Indices.

In spring 2016, RBI launched the diversity initiative "Diversity 2020". The project's primary focus is on the empowerment of women (for details, please refer to the Corporate Governance Report). In organizational terms, this involved formation of a diversity committee, establishing diversity ambassadors and appointing a diversity officer.

This year, around 9 per cent of over 1,800 globally listed companies secured a place on the A List of the non-profit organization CDP. In 2016, RBI was again included on the A List and was rated country leader in Austria in the "Financials" sector for the second time in succession. In 2015, the CO_2 footprint per employee stood at 2,693 kg CO_2e, marking a 24 per cent reduction since 2011.

The seventh Stakeholder Council was held in November, at which the expectations and needs of internal and external participants in relation to the following areas were discussed in workshop groups: Sustainable investments and activities, developing awareness among employees, impact of the Climate Conference, investments in the community, diversity in the core business: consequences of social transformation, and sustainability in the supply chain. The numerous findings will be incorporated into the various areas of action for the 2017 sustainability strategy, to contribute to ongoing further development in the field of sustainability.

The annual Sustainability Report is an important communication tool for open and transparent dialog with stakeholders. The 2015 Sustainability Report received the Austrian ASRA (Austrian Sustainability Reporting Award) gold award as the best sustainability report in the "large companies" category. This award is conferred annually by the Austrian Chamber of Public Accountants for the best sustainability reports published by Austrian companies.

Group management report

Market development	38
Performance and financials	42
Significant events	42
Events in the financial year	43
Detailed review of income statement items	44
Comparison of results with the previous quarter	49
Statement of financial position	51
Equity	53
Research and development	54
Internal control and risk management system	54
Capital, share, voting and control rights	57
Risk management	59
Corporate Governance	59
Human Resources	60
Outlook	62
Events after the reporting date	63

Market development

Markets swayed by monetary policy

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

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

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

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

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

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

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

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

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

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

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

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

Development of the banking sector in CEE

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

Banking sector in Austria

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

The Sustainability Package, which was launched in 2012, has helped to strengthen the local funding base of Austrian subsidiary banks in CEE. The loan/deposit ratio fell from 117 per cent in 2008 to 88 per cent in the first quarter of 2016, and was primarily attributable to an increase in local savings deposits. Accordingly, credit growth is increasingly financed on a local basis.

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

In the first half of 2016, the Austrian banks generated a positive consolidated net income of roughly € 2.9 billion, or € 0.3 billion more than in the same period of the previous year. The positive result was mainly driven by the sharp reduction in loan loss provisions, which not only more than offset significant declines in net interest income as the most important income component, but also lower income from commissions and net trading income. The profitability of Austrian subsidiary banks in CEE significantly improved in the first quarter of 2016. Profit contributions from Austrian subsidiary banks were positive in all CEE countries. The highest profits were made in the Czech Republic, Romania and Russia, albeit with profits down in Russia in comparison with the previous year's quarter.

Regulatory environment

Changes in the regulatory environment

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

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

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

Bank recovery and bank resolution

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

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

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

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

Amendment to European regulations

In November 2016, the European Commission published a legislative proposal to change the prudential requirements (CRD IV/CRR), as well as to amend the recovery and resolution framework (BRRD, SRM). The documents provide the basis for follow-up negotiations with the EU Parliament and European Council and at the same time offer a preview of the regulatory challenges for the years following 2017.

On the one hand, the proposed changes to the CRR can be broken down thematically into criteria for classification under the finalized Basel III. This comprises, for example, the introduction of a binding minimum leverage ratio and net stable funding ratio (NSFR), as well as add-ons to the bank recovery and resolution regulations, in order to meet the Total Loss Absorbing Capacity (TLAC) requirements for global systemically important banks. On the other hand, the drafts include adjustments whose content already relates to Basel IV, e.g. the introduction of a standardized approach for measuring counterparty risks, an overhaul of market price risk regulations within the framework of the Fundamental Review of the Trading Book (FRTB) and new rules for investment funds. Compared to the previous implementation of Basel standards, it is clearly evident that proportionality is given far greater weight, in particular, to meet the needs of the numerous smaller banks in the EU. According to the latest information, the new rules and regulations are expected to be applicable from 2019 onwards.

Action plan for building a capital markets union

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

Earnings and financial performance

The consolidated financial statements of RBI are prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU. RBI AG also prepares individual financial statements in accordance with the Austrian Commercial Code (UGB) in conjunction with the Austrian Banking Act (BWG), which provide the formal basis of assessment for calculating dividend distributions and taxes. For more information on disclosures required by the UGB and BWG, please see note (46) other disclosures according to BWG in the consolidated financial statements.

Significant events

Merger of RBI AG and RZB AG

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

Following the merger, the Group's risk-weighted assets (total RWA) would increase 13 per cent to € 68 billion (pro forma as at the end of 2016). The common equity tier 1 ratio (transitional) of the merged entity, based on a pro forma calculation, would be 12.7 per cent as at the end of 2016, with a common equity tier 1 ratio (fully loaded) of 12.4 per cent.

Transformation program

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

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

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

As part of the planned reduction in RWA, significant progress has been made in Asia since the end of 2014, with RWA scaled back by approximately 84 per cent to € 395 million. The winding down of the US operations is also making good headway, with a decrease in RWA of circa 66 per cent to € 347 million since the end of 2014. The remaining business is now being run down; branches in Asia and business outlet in the US are being reduced to a minimum, and no longer conduct active business.

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

Merger of Group parent companies

RBI's former ultimate parent company, Raiffeisen-Landesbanken-Holding GmbH, Vienna, and its wholly owned subsidiary R-Landesbanken-Beteiligung GmbH, Vienna, in which 82.4 per cent of the shares in Raiffeisen Zentralbank Österreich AG were pooled, were merged into Raiffeisen Zentralbank Österreich AG at the end of September 2016. The latter will thus serve as ultimate parent company of RBI up until its merger into RBI, forming a consolidated group. Once RZB AG is merged into RBI AG, then RBI AG itself will be the ultimate parent company.

Revision of bank levy regulation in Austria

In July 2016 the Austrian government reached an agreement to amend the bank levy regulation from 2017 onwards. The amendment includes a reduction in the annual bank levy; at the same time, Austrian banks are to make a one-off payment. For the merged Group this will amount to around € 163 million. This payment will be spread over a four-year period, starting in 2017. The Austrian bank levy came to approximately € 85 million for RBI in 2016 (€ 1 million less than in 2015). Starting in 2017, the amount will be around € 58 million per year for the merged Group, including the proportional share of the one-off payment, until 2020.

Overview of the financial year

In addition to the persistently low interest rate level, which also resulted in a decline in RBI's operating result, the financial year was primarily influenced by significantly lower impairment losses on loans and advances. In CEE, nearly all markets registered declines. Also in Asia, impairment losses were € 118 million lower than in the previous year. Net provisioning for impairment losses fell 40 per cent year-on-year, or € 509 million, to € 754 million. The largest declines occurred in Ukraine, Asia and at Group head office. Consolidated profit amounted to € 463 million and improved 22 per cent year-on-year, or € 84 million.

Operating income was down 5 per cent year-on-year, or € 237 million, to € 4,692 million. A portion of the decline was attributable to currency devaluations in Eastern Europe. Net interest income fell 12 per cent, or € 391 million, to € 2,935 million. This was primarily attributable to continuing low market interest rates in many of the Group's countries, existing excess liquidity, and a reduction of € 215 million, particularly in Russia, in interest income from derivatives entered into for hedging purposes. Despite the currency devaluations in Eastern Europe and lower sales in Central Europe, net fee and commission income declined only 1 per cent, or € 22 million, to € 1,497 million. Net trading income rose € 198 million year-on-year to € 215 million. Net income from currency-based transactions improved by € 176 million to € 116 million, primarily as a result of a more limited devaluation of the Ukrainian hryvnia than in the previous year (€ 81 million increase).

General administrative expenses were down 2 per cent year-on-year, or € 66 million, to € 2,848 million. On the one hand, this decline was attributable to currency devaluations in Eastern Europe; on the other, deposit insurance fees were lower (€ 34 million) mainly in Poland, the Czech Republic, Romania and Bulgaria. In addition, office space expenses fell € 26 million because of branch closures. Expenses were increased by expenditures for the bank resolution fund (up € 10 million) and for IT (up € 6 million). Staff expenses rose 1 per cent, or € 20 million, to € 1,410 million. Cost savings from the workforce reduction of 7 per cent were set against increases from the purchase of Citibank's retail business in the Czech Republic and from growth in Slovakia. Furthermore, no bonuses for the year 2014 were paid in 2015, which resulted in a release of provisions totaling approximately € 76 million. This effect was absent in the 2016 financial year.

The average number of staff was further reduced, down 3,906 year-on-year to 50,186. The number of business outlets decreased 199 year-on-year to 2,506.

In the course of the year, total assets fell 2 per cent, or € 2,563 million, to € 111,864 million. Changes in the scope of consolidation were responsible for around € 2,400 million decline in consolidated total assets, which resulted primarily from the sale of the Polish leasing business and of the Slovenian subsidiary bank. Currency developments – predominantly the appreciation of the Russian rouble (up 25 per cent) and the US dollar against the euro (up 3 per cent) – resulted in an increase of around € 1,700 million.

Equity including capital attributable to non-controlling interests increased 9 per cent, or € 731 million, to € 9,232 million. Increases resulted from profit after tax of € 574 million and other comprehensive income of € 190 million. Exchange rate differences represented the largest item in other comprehensive income and amounted to € 291 million in the reporting period (2015: minus € 194 million).

In terms of regulatory capital, the key metrics changed as follows: Common equity tier 1 (after deductions) was € 8,339 million at the end of the year, a € 668 million increase over the 2015 comparable figure. Total capital pursuant to the CRR came to € 11,537 million, which corresponds to an increase of € 550 million compared to the 2015 year-end figure. Total risk-weighted assets were down € 3,212 million to € 60,061 million, as a result of the sale of the Slovenian subsidiary bank and the Polish leasing business, as well as due to rating improvements in Ukraine and Belarus. Based on total risk, the common equity tier 1 ratio (transitional) was 13.9 per cent while the total capital ratio (transitional) was 19.2 per cent. Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 13.6 per cent, and the total capital ratio (fully loaded) was 18.9 per cent.

No dividend will be distributed for the 2016 financial year, to continue to sustainably strengthen the capital ratio.

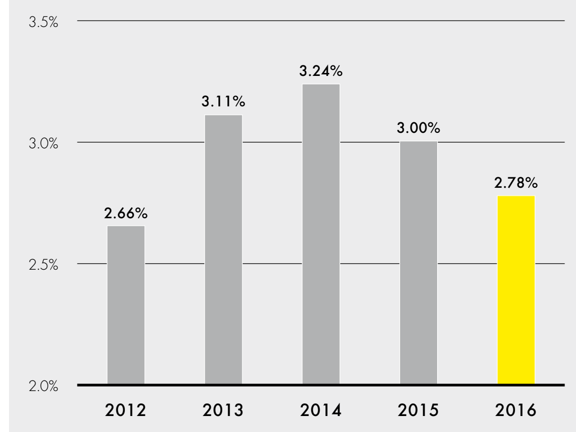
Detailed review of income statement items

in € million	2016	2015	Change absolute	Change in %
Net interest income	2,935	3,327	(391)	(11.8)%
Net fee and commission income	1,497	1,519	(22)	(1.5)%
Net trading income	215	16	198	>500.0%
Recurring other net operating income	45	66	(21)	(31.8)%
Operating income	**4,692**	**4,929**	**(237)**	**(4.8)%**
Staff expenses	(1,410)	(1,389)	(20)	1.5%
Other administrative expenses	(1,107)	(1,173)	66	(5.6)%
hereof regulatory other administrative expenses	(144)	(167)	24	(14.1)%
Depreciation	(331)	(351)	20	(5.8)%
General administrative expenses	**(2,848)**	**(2,914)**	**66**	**(2.3)%**
Operating result	**1,844**	**2,015**	**(171)**	**(8.5)%**
Net provisioning for impairment losses	(754)	(1,264)	509	(40.3)%
Other results	(204)	(40)	(164)	409.8%
Profit/loss before tax	**886**	**711**	**175**	**24.6%**
Income taxes	(312)	(276)	(36)	13.1%
Profit/loss after tax	**574**	**435**	**139**	**31.9%**
Profit attributable to non-controlling interests	(111)	(56)	(54)	96.8%
Consolidated profit/loss	**463**	**379**	**84**	**22.2%**

Operating income

Net interest income

In 2016, net interest income declined 12 per cent, or € 391 million, to € 2,935 million. This was primarily attributable to continuing low market interest rates in many of the Group's countries, existing excess liquidity, and a reduction of € 215 million, particularly in Russia, in interest income from derivatives entered into for hedging purposes. This was a result of the lower interest rates in 2016 (the interbank interest rates were exceptionally high in Russia in the first half of 2015) and of a lower volume of USD swaps. The decline in loan portfolios in Asia also contributed to the reduction in net interest income; across the Group, the volume of interest-bearing assets declined 5 per cent.



In the Central Europe segment, net interest income fell 4 per cent, or € 25 million, to € 629 million. Lower interest rates reduced net interest income by € 23 million in Slovakia, and by € 14 million in Hungary. In contrast, the Czech Republic reported a volume-related rise of € 12 million. In the Southeastern Europe segment, net interest income fell 5 per cent, or € 42 million, to € 738 million. All countries in this segment – with the exception of Bosnia and Herzegovina – reported declines, which were also mainly attributable to the continuing low level of interest rates. The Eastern Europe segment reported a 9 per cent, or € 82 million, decline in net interest income to € 866 million. This primarily resulted from a 12 per cent, or € 80 million, drop in net interest income to € 567 million in Russia, due to a € 175 million reduction in interest income from derivatives. In contrast, margins from the core business improved significantly, especially on the liabilities side. In Ukraine, the 3 per cent, or € 5 million, decline in net interest income to € 171 million was currency related, whereas in local currency terms, net interest income rose 14 per cent. In Belarus, net interest income increased € 3 million to € 128 million. In the Non-Core segment, however, net interest income fell 14 per cent, or € 54 million, to € 331 million, with Asia reporting the largest decline of 56 per cent, or € 47 million, to € 37 million due to reduced volumes. In the USA, net interest income fell € 11 million to € 14 million, due to the reduction in business volumes. In contrast, in Poland, repricing measures in the deposit business increased net interest income by 4 per cent, or € 9 million, to € 262 million.

The Group's net interest margin declined 22 basis points year-on-year to 2.78 per cent, of which a reduction of 6 basis points was due to exchange rate effects in the Eastern Europe segment. The decline in the net interest margin was attributable to the aforementioned low market interest rates, especially in the Central Europe and Southeastern Europe segments. In addition, the business volume (average interest-bearing assets) was down 5 per cent.

Net fee and commission income

Net fee and commission income declined year-on-year, despite the currency devaluations in Eastern Europe and lower sales in Central Europe, by just 1 per cent, or € 22 million, to € 1,497 million. Net income from the loan and guarantee business fell € 28 million to € 170 million; aside from currency effects, this was also due to volume reductions in Asia and Slovenia, the legal restriction on fees for early loan repayments in Slovakia, lower guarantee income at Group head office and in Croatia, and lower fee and commission income in Hungary. Net income from the management of investment and pension funds also fell, € 5 million to € 38 million, mainly in Slovakia. In contrast, net income from the foreign currency, notes/coins and precious metals business grew 3 per cent, or € 11 million, to € 392 million, predominantly due to higher income in the Czech Republic and at Group head office. Net income from the sale of own and third party products grew 15 per cent, or € 8 million, to € 60 million, most notably in Poland and Romania. Net income from the payment transfer business rose € 7 million to € 651 million due to margins and volumes, primarily at Group head office and in Russia.

OVERVIEW OF RBI
GROUP MANAGEMENT REPORT
SEGMENT REPORTS
CONSOLIDATED FINANCIAL STATEMENTS
SERVICE

Net trading income

Net trading income increased € 198 million year-on-year to € 215 million. Currency-based transactions rose € 176 million to € 116 million, primarily as a result of a more limited Ukrainian hryvnia devaluation than in the previous year (€ 81 million increase). Another positive effect was attributable to the discontinuation of a hedging transaction for Russian rouble denominated dividend income, which had resulted in a € 70 million reduction in the previous year. Net trading income also increased as a result of valuation gains on derivatives and foreign currency positions in Russia (€ 13 million increase) and Croatia (€ 6 million increase). In contrast, Group head office (down € 82 million) and Belarus (down € 61 million) reported declines resulting from lower net income from open foreign currency positions due to valuations and volumes and to the termination of a strategic currency position. Net income from interest-based business rose € 51 million to € 119 million, primarily due to valuation gains and higher interest income from derivatives and securities positions at Group head office. In contrast, net income from equity and index-based transactions fell € 25 million to minus € 18 million, as a result of an adjustment of the yield curve due to changed market conditions.

Recurring other net operating income

Recurring other net operating income decreased € 21 million year-on-year to € 45 million. This included a € 13 million decline in net income from the allocation and release of other provisions, caused by higher allocations for litigation in Slovakia. Net income from investment property fell € 7 million, predominantly due to the disposal of a Group unit in the Czech Republic.

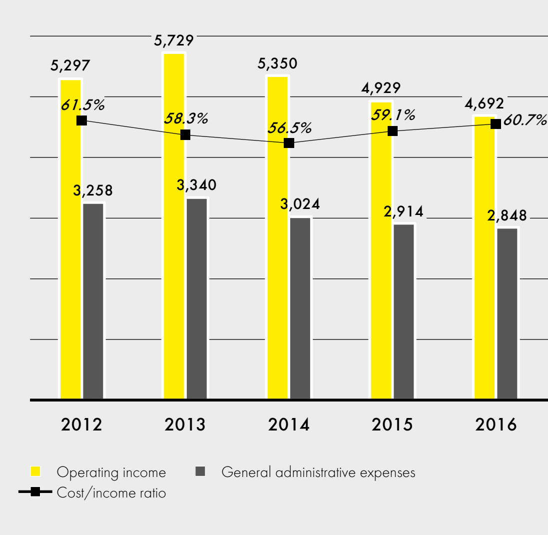
General administrative expenses

The Group's general administrative expenses were down 2 per cent, or € 66 million, to € 2,848 million in the reporting period. The cost/income ratio increased 1.6 percentage points to 60.7 per cent due to lower operating income.

Staff expenses

Staff expenses, which constituted the largest item within general administrative expenses (50 per cent), increased 1 per cent, or € 20 million, to € 1,410 million. Following the decision not to pay a bonus for 2014, bonus provisions of € 76 million were released in the previous year. The Czech Republic reported an increase of € 27 million, primarily driven by higher staffing levels following the purchase of Citibank's retail business. In Slovakia, staff expenses rose € 9 million and was also due to increased staffing levels. At Group head office, staff expenses grew € 7 million as a result of an increase in staffing levels and salary adjustments. Staff expenses fell in Russia (down € 14 million) due to a reduction in staffing levels and to currency effects. In Asia, staff expenses were down € 5 million due to reduced staffing levels.

The average number of staff (full-time equivalents) fell 3,906 year-on-year to 50,186. The largest declines occurred in Ukraine (down 1,728), in Poland (down 1,143) due to the sale of the Polish leasing company, in Russia (down 358), in Slovenia (down 189) due to the sale of the Slovenian subsidiary bank, and in Hungary (down 150). The largest increases occurred in the Czech Republic (up 341) and in Slovakia (up 154).



Other administrative expenses

Other administrative expenses decreased 6 per cent, or € 66 million, to € 1,107 million. The decline was largely driven by lower deposit insurance fees (down € 34 million), primarily in Poland, in the Czech Republic, in Romania, and in Bulgaria. Office space expenses also fell (down € 26 million) due to branch closures. The number of business outlets was down 199 to 2,506 compared to year-end 2015. The most significant declines occurred in Ukraine (down 80), Poland (down 58), Romania (down 32), and in Slovenia due to the sale of the subsidiary bank (down 13). Communication and car expenses also declined, whereas contributions to the bank resolution fund increased € 10 million and IT expenses grew € 6 million.

Depreciation of tangible and intangible fixed assets

Depreciation of tangible and intangible fixed assets fell 6 per cent year-on-year, or € 20 million, to € 331 million. The most significant decline occurred in Hungary, which reported impairment charges in the previous year as a result of branch closures (€ 5 million) and in relation to software (€ 7 million). Ukraine also reported a decline of € 10 million, following impairment charges in relation to buildings and the brand in the previous year. The impairment charge in relation to the Polbank brand amounted to € 21 million in the previous year, with the remaining € 26 million written down in the year under review. An increase was reported in Russia, where investments in software and licenses resulted in higher depreciation.

The Group invested € 384 million in fixed assets in the reporting period. Of that amount, 36 per cent (€ 137 million) was invested in own tangible assets. Investments in intangible fixed assets – mainly related to software projects – accounted for 42 per cent. The remainder was invested in assets in the operating leasing business.

Net provisioning for impairment losses

Net provisioning for impairment losses declined 40 per cent overall year-on-year, or € 509 million, to € 754 million. This included a € 555 million reduction in individual loan loss provisions to € 769 million, while net releases for portfolio-based loan loss provisions declined € 45 million to € 4 million. Proceeds from the sale of impaired loans remained almost unchanged at € 10 million.

The majority of net provisioning for impairment losses in the reporting year was attributable to corporate customers, for which provisions of € 506 million were required. The figure for retail customers was € 237 million, of which € 88 million related to the switch to a rating-based model (PD/LGD) to calculate portfolio-based loan loss provisions, which had commenced in the previous year. An amount of € 28 million was already reported in the previous year.

The largest decline in net provisioning for impairment losses was recorded in Ukraine, which reported a net release of € 2 million compared to a net provisioning requirement of € 212 million in the previous year. This was because higher allocations for retail and corporate customers were still necessary in the previous year, due to the economic situation in the Donbass region, and because currency effects had a reduced influence in the reporting period. In Asia, net provisioning for corporate customers amounted to € 179 million, € 118 million less than in the previous year. In the Group Corporates segment, net provisioning for impairment losses for large corporate customers also fell € 66 million to € 74 million. Hungary reported a net release of € 7 million, compared to net provisioning for impairment losses of € 56 million for corporate and retail customers in the previous year. The decline was due in particular to sales of non-performing loans collateralized with real estate and to rating improvements of corporate customers. The credit risk situation for corporate and retail customers also improved in Russia, where net provisioning for impairment losses amounted to € 145 million, € 36 million less than in the previous year. In Bulgaria, the settlement of several corporate customer non-performing loans resulted in a decline of € 32 million, with no net provisioning requirement in the reporting year. Albania was the only country where the situation was different, with the default of several large corporate customers resulting in a € 34 million increase to € 65 million.

The significant credit risk improvement is also reflected in the portfolio of non-performing loans, which fell € 1,843 million to € 6,486 million during the year. The reduction was primarily attributable to sales of non-performing loans (€ 1,187 million), while the remainder of the decline was largely due to the derecognition of uncollectible loans. Currency effects resulted in a € 52 million rise. The largest declines occurred in Group Corporates (down € 587 million), Ukraine (down € 299 million), Hungary (down € 252 million), Group Markets (down € 233 million), Russia (down € 152 million), Slovenia (down € 121 million as a result of the sale of the Slovenian subsidiary bank), Bulgaria (down € 77 million) and Croatia (down € 72 million). The NPL ratio declined 2.7 percentage points year-on-year to 9.2 per cent. Non-performing loans compared to loan loss provisions amounting to € 4,905 million. Despite the sales and write-offs, the NPL coverage ratio improved from 71.3 per cent to 75.6 per cent.

The provisioning ratio – net provisioning for impairment losses in relation to the average volume of loans and advances to customers – fell 0.59 percentage points year-on-year to 1.05 per cent.

Other results

Net income from derivatives and liabilities

Net income from derivatives and liabilities declined € 184 million to minus € 189 million. This reduction was primarily due to net income from changes in credit spreads for own liabilities, which fell € 116 million to minus € 119 million due to lower risk premiums for RBI. Net income from the valuation of derivatives entered into for hedging purposes fell € 68 million.

Net income from financial investments

Net income from financial investments improved € 84 million year-on-year to € 153 million. This was primarily attributable to net proceeds from the sale of equity participations, which rose € 144 million year-on-year to € 145 million. The sale of Visa Europe shares to Visa Inc. in June 2016 resulted in proceeds of € 132 million, of which € 78 million was transferred from other comprehensive income. Impairment charges relating to equity participations fell € 28 million in the reporting year to € 18 million. In contrast, the valuation result for securities in the fair value portfolio declined € 59 million to € 16 million, mainly due to significantly lower valuation results on fixed income government bonds linked to the US dollar in Ukraine. Net income from the sale of securities from the fair value portfolio also fell € 23 million. This decline was primarily due to the sale of Icelandic bonds at Group head office in the previous year.

Bank levies and non-recurring effects

The expense for bank levies rose € 39 million year-on-year to € 158 million. The increase was primarily due to expenses of € 34 million for the newly-introduced bank levy in Poland.

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

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

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

Net income from the disposal of Group assets

The disposal of 16 subsidiaries resulted in net income of € 19 million in the reporting year, mainly from the sale of the Polish leasing company. Net income of € 41 million was recorded in the previous year as a result of the exclusion of 28 subsidiaries from the consolidation group. Proceeds of € 86 million from the sale of the 75 per cent stake in the Russian pension fund business ZAO NPF Raiffeisen, Moscow, were offset by an impairment of € 52 million in respect of assets available for sale in connection with the sale of the Slovenian subsidiary bank Raiffeisen Banka d.d., Maribor. Of the 16 subsidiaries excluded in the reporting year, nine companies were excluded due to immateriality, six as a result of their sale and a further one due to a change in control. The companies were predominantly active in leasing, financing and banking business, and as suppliers of ancillary services.

Income taxes

Income taxes increased € 36 million, or 13 per cent, year-on-year to € 312 million. The increase was predominantly the result of the write-off of tax receivables from prior periods in Poland and the return to positive results from a tax perspective in Ukraine and in Croatia. At 35 per cent, the effective tax rate in the reporting year was significantly above the Austrian income tax rate of 25 per cent. This was largely attributable to expenses which are non-deductible for tax purposes mainly in Russia, in the Czech Republic, at Group head office and in Ukraine, as well as to loss carryforwards which cannot be capitalized for tax purposes at Group head office and in Hungary.

Comparison of results with the previous quarter

in € million	Q4/2016	Q3/2016	Change absolute	Change in %
Net interest income	748	732	16	2.2%
Net fee and commission income	400	378	22	5.7%
Net trading income	78	52	27	51.3%
Recurring other net operating income	(4)	24	(28)	–
Operating income	**1,222**	**1,186**	**36**	**3.1%**
Staff expenses	(362)	(347)	(15)	4.4%
Other administrative expenses	(293)	(245)	(48)	19.4%
Depreciation	(94)	(95)	1	(1.2)%
General administrative expenses	**(749)**	**(687)**	**(62)**	**9.0%**
Operating result	**474**	**499**	**(25)**	**(5.0)%**
Net provisioning for impairment losses	(251)	(100)	(151)	151.4%
Other results	(82)	(103)	21	(20.0)%
Profit/loss before tax	**140**	**296**	**(156)**	**(52.7)%**
Income taxes	(46)	(84)	38	(45.0)%
Profit/loss after tax	**94**	**212**	**(118)**	**(55.8)%**
Profit attributable to non-controlling interests	(25)	(28)	4	(13.9)%
Consolidated profit/loss	**69**	**184**	**(114)**	**(62.3)%**

Operating income

Net interest income

Compared to the third quarter of 2016, net interest income rose 2 per cent, or € 16 million, to € 748 million in the fourth quarter. The net interest margin (calculated on interest-bearing assets) increased 6 basis points from the previous quarter to 2.83 per cent. The primary cause of this positive development was the € 21 million increase in interest income from loans and advances to customers, predominantly in Russia and at Group head office.

Net fee and commission income

Net fee and commission income grew 6 per cent compared to the third quarter, or € 22 million, to € 400 million. The increase was based in part on exchange rate movements in Eastern Europe, but was largely due to volume effects. Net income from the payment transfer business posted the largest increase, up 5 per cent, or € 9 million, to € 176 million, due to higher fee and commission income driven by volumes and margins in Russia, at Group head office and in Romania. Net income from the loan and guarantee business improved by € 7 million to € 46 million, due to higher guarantee income at Group head office and higher volumes, notably in Russia and in the Czech Republic. Net income from the foreign currency, notes/coins and precious metals business rose € 6 million to € 105 million, particularly at Group head office and in Poland.

Net trading income

Compared to the previous quarter, net trading income improved € 27 million to € 78 million. Net income from currency-based transactions increased € 21 million to € 44 million, primarily due to exchange rate-related valuation gains on foreign currency positions and on derivatives at Group head office, at Raiffeisen Centrobank and in Russia. This was set against valuation losses from foreign currency positions, notably in Ukraine and Asia. Net income from equity and index-based transactions posted a € 6 million increase as a result of higher levels of activity in securities trading, as well as positive valuation effects in connection with changed market conditions.

Recurring other net operating income

Recurring other net operating income fell € 28 million in the fourth quarter to minus € 4 million. This was primarily attributable to net income from the allocation and release of other provisions, which was down € 8 million due to a provision made for litigation in Slovakia, and net proceeds from the disposal of tangible and intangible fixed assets, which declined € 7 million, largely driven by sales completed in Slovakia in the previous quarter.

General administrative expenses

At € 749 million, general administrative expenses in the fourth quarter were up 9 per cent, or € 62 million, from € 687 million in the previous quarter.

Staff expenses rose € 15 million in the fourth quarter to € 362 million. In addition to currency effects, this was mainly due to higher wages and salaries, predominantly in Russia, Ukraine and the Czech Republic, whereas staff expenses in Poland and Asia were down due to lower staff numbers.

Other administrative expenses increased € 48 million to € 293 million. This was in large part due to a seasonally-driven rise in advertising, legal and advisory and consulting expenses in nearly all countries.

Depreciation of tangible and intangible fixed assets fell € 1 million quarter-on-quarter to € 94 million. An impairment charge for the Polbank brand was recognized in the previous quarter, while depreciation of tangible fixed assets was higher in the fourth quarter, largely in Slovakia.

Net provisioning for impairment losses

Compared to the third quarter, net provisioning for impairment losses rose € 151 million to € 251 million. The increase was mainly attributable to Russia, Asia, Croatia, and the Group Corporates segment. In Russia, net provisioning for impairment losses was up € 60 million from the previous quarter due to a large individual case and to the implementation of a PD/LGD-based calculation of portfolio-based loan loss provisions for retail customers. In Asia, loan loss provisions for corporate customers were up € 39 million. In Croatia, higher loan loss provisions both for corporate and for retail customers were responsible for the € 29 million increase. In the Group Corporates segment, the provisioning requirement was € 24 million higher than in the previous quarter.

Overall, net individual loan loss provisioning rose € 116 million to € 226 million. Net portfolio-based loan loss provisions amounted to € 28 million in the fourth quarter, while net releases of € 5 million were recognized in the third quarter.

The portfolio of non-performing loans to customers declined € 663 million from the previous quarter to € 6,486 million, primarily due to sales of non-performing loans. On a currency-adjusted basis, the decline was € 778 million. There were reductions in nearly all countries, most notably in Hungary (down € 215 million), Russia (down € 144 million), Asia (down € 112 million), Poland (down € 70 million), and Ukraine (down € 55 million). The NPL ratio decreased quarter-on-quarter, from 10.2 per cent to 9.2 per cent, and the NPL coverage ratio was up 3.6 percentage points to 75.6 per cent.

Other results

Net income from derivatives and liabilities

Net income from derivatives improved € 16 million in the fourth quarter to minus € 55 million. This was mainly due to net income from the valuation of derivatives entered into for hedging purposes; whereas net income from the change in credit spreads on own issues came to minus € 12 million.

Net income from financial investments

Net income from financial investments fell € 7 million in the fourth quarter to minus € 13 million, largely attributable to higher impairment charges on equity participations.

Bank levies, non-recurring effects

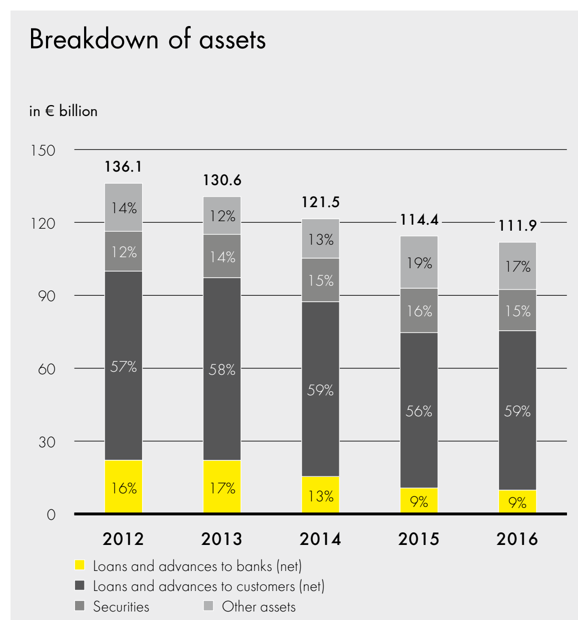
Bank levies amounted to € 43 million in the fourth quarter (third quarter: € 34 million). The largest amounts were at Group head office (€ 23 million) and in Poland (€ 9 million). The "Walkaway Law" came into force in Romania in the second quarter of 2016. As a result of the expected take-up rate under the new law, a provision of € 43 million was recognized in May, with releases in the amount of € 12 million in the fourth quarter and € 3 million in the third quarter.

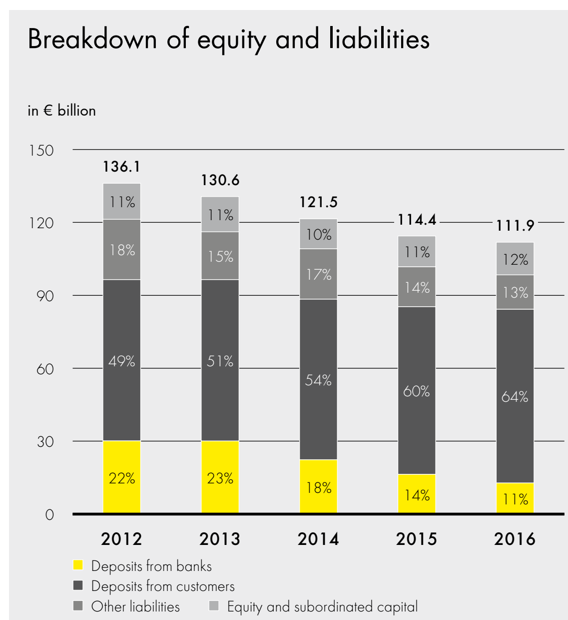
Income taxes

Income tax expense decreased € 38 million quarter-on-quarter to € 46 million, notably in Ukraine, Russia and Slovakia. The effective tax rate was 33 per cent, up from 28 per cent in the previous quarter.

Statement of financial position

In the course of 2016, RBI's total assets declined 2 per cent, or € 2,563 million, to € 111,864 million. The reduction was attributable to changes in the scope of consolidation of around € 2,400 million, primarily as a result of the sale of the Polish leasing company and the Slovenian subsidiary bank. Currency developments – predominantly the appreciation of the Russian rouble (up 25 per cent) and the US dollar (up 3 per cent) against the euro – resulted in a rise of around € 1,700 million.





Assets

Loans and advances to banks before deduction of impairment losses (€ 50 million) fell 9 per cent over the year, or € 937 million, to € 9,900 million. This was primarily attributable to a decline of € 1,004 million to € 1,412 million in receivables from the lending business, mainly at Group head office. In contrast, receivables from repurchase agreements and securities lending increased € 2,194 million to € 3,374 million.

Loans and advances to customers before deduction of impairment losses (€ 4,905 million) increased 1 per cent, or € 593 million, to € 70,514 million in the reporting period. In particular, this included a € 943 million net increase in loans and advances to retail customers to € 25,578 million, while loans and advances to corporate customers declined € 195 million to € 44,277 million, and loans and advances to sovereigns fell € 155 million to € 659 million. Loans to private individuals recorded a rise of € 1,514 million. This included an increase in mainly in Russia (primarily currency-related), in the Czech Republic (as a result of organic growth in the lending and mortgage lending business and of the acquisition of Citibank's retail customer and credit card business), and in Slovakia. The € 571 million decline in loans and advances to small and medium-sized entities to € 2,185 million was attributable to the sale of the Polish leasing business. Declines in loans and advances to corporate customers in Asia and the US, due to the planned reduction in business volumes, were largely offset by increases in the Czech Republic, in Russia (notably currency-related) and in Romania.

The item securities registered a decrease of € 1,253 million to € 16,972 million, notably at Group head office and in Poland. The € 2,065 million decline in other assets was mainly the result of the € 970 million reduction in the cash reserve (primarily at Group head office), of the € 745 million reduction in assets available for sale pursuant to IFRS 5 (sale of the Slovenian subsidiary bank, reclassification of Zuno), and of the € 324 million reduction in trading and banking book derivatives.

Equity and liabilities

The volume of Group financing from banks (mainly commercial banks) decreased 22 per cent, or € 3,553 million, to € 12,816 million. Long-term and short-term deposits declined, notably at Group head office and in Asia.

Deposits from customers increased 4 per cent, or € 2,547 million, to € 71,538 million in the course of the year. In particular, deposits from retail customers increased € 4,885 million to € 38,529 million, while deposits from corporate customers declined € 2,089 million to € 31,554 million. The € 4,032 million increase in deposits from retail customers was attributable to private individuals mainly in the Czech Republic (organic growth and purchase of a business unit), Russia, Slovakia and Romania. Deposits from small and medium-sized entities also rose, by € 853 million to € 5,949 million, notably in the Czech Republic and Slovakia. The decline in deposits from corporate customers was mainly recorded at Group head office (repayments) as well as in Poland and Slovakia due to the reduction of excess liquidity. In particular, deposits from large corporate customers reduced by € 2,083 million to € 28,561 million.

Other liabilities fell € 2,328 million to € 14,073 million. Debt securities issued decreased € 856 million, primarily due to the reduced refinancing required, while liabilities available for sale pursuant to IFRS 5 declined € 1,294 million (sale of the Slovenian subsidiary bank, reclassification of Zuno).

Funding

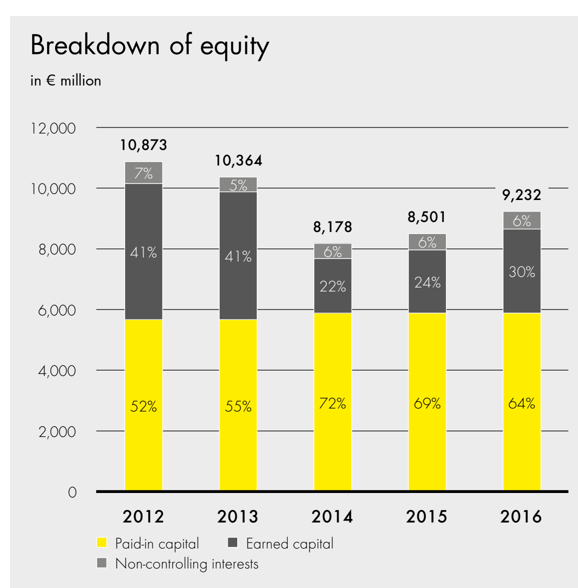
For information relating to funding, please refer to the risk report, note (42) to the consolidated financial statements.

Equity

Equity on the statement of financial position

Equity on the statement of financial position – consisting of consolidated equity, consolidated profit/loss and non-controlling interests – increased 9 per cent compared to year-end 2015, or € 731 million, to € 9,232 million. This increase was mainly attributable to total comprehensive income (€ 763 million), whereas dividend payments to non-controlling interests resulted in a € 40 million reduction in capital. No dividends were paid out to RBI's shareholders for the financial year 2015.

Total comprehensive income attributable to the Group of € 667 million comprises consolidated profit of € 463 million and other comprehensive income of € 204 million. Exchange rate differences represented the largest item in other comprehensive income and amounted to € 299 million in the reporting year (2015: minus € 185 million). Key drivers were the appreciation of the Russian rouble, which resulted in an increase of € 348 million, and the devaluation of the Polish zloty, which reduced equity by € 49 million. Since part of the equity in these currencies was hedged (capital hedge), the movement in the exchange rate also resulted in a loss of € 43 million. The sale of Visa Europe Ltd. shares to Visa Inc. realized € 122 million, resulting in a net loss of € 70 million under the item net gains (losses) on financial assets available-for-sale.



Capital of non-controlling interests rose € 47 million to € 581 million.This was primarily due to the proportion of total comprehensive income attributable to non-controlling interests of € 96 million, the payment of dividends of € 40 million to minority shareholders of Group units – mainly from Tatra Banka (€ 24 million) and Raiffeisenbank in the Czech Republic (€ 13 million) – as well as other smaller capital movements.

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

The following consolidated figures have been calculated in accordance with the provisions of the Capital Requirements Regulation (CRR). Pursuant to Article 11 of the CRR, RBI is supervised by the ECB on a subconsolidated basis and is subject to the CRR provisions not only as an individual credit institution but also as a subgroup. RBI is also part of the RZB Group for regulatory purposes. In addition to the minimum capital requirements defined by the CRR, RBI must also comply with the capital requirements set by the ECB under the SREP process. With respect to this, please refer to note (47) Capital management and total capital according to CRR/CRD IV and the Austrian Banking Act (BWG).

Common equity tier 1 after deductions stood at € 8,339 million. The increase from the 2015 comparable level totaled € 668 million, mainly due to the inclusion of the net profit for 2016 and to positive currency effects, especially in relation to the Russian rouble. In contrast, the application of transitional provisions for 2016 and the inability to continue to recognize the hybrid capital of RZB Finance Jersey IV since May, due to the change in interest terms as stipulated in the prospectus, had a negative impact. Tier 2 capital declined € 118 million compared to the previous year and totaled € 3,198 million. The decline was mainly attributable to matured tier 2 capital instruments in RBI AG. As at 31 December 2016, total capital under CRR amounted to € 11,537 million. This corresponds to an increase of € 550 million compared to the 2015 year-end figure.

Total capital compared to a total capital requirement of € 4,805 million. The total capital requirement for credit risk amounted to € 3,907 million. The decline of € 209 million was based on the sale of Raiffeisen-Leasing Polska, Raiffeisen Banka d.d., Maribor, the rating improvement in Belarus and Ukraine, and also on the reduction in exposures in the Non-Core segment. The total capital requirement for position risk in bonds, equities, commodities and currencies came to € 214 million, a decline of € 27 million. The decline of € 21 million in the total capital requirement for operational risk to € 684 million was attributable to the conversion of larger units to the advanced approach.

Based on total risk, the common equity tier 1 ratio (transitional) was 13.9 per cent, with a total capital ratio (transitional) of 19.2 per cent. Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 13.6 per cent, and the total capital ratio (fully loaded) was 18.9 per cent.

Research and development

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

In the context of financial engineering, however, it does develop customized investment, financing and risk hedging solutions for its customers. Financial engineering encompasses not only structured investment products, but also structured financing, i.e. financing concepts that go beyond the application of standard instruments and are used in areas such as acquisition or project financing. RBI also develops individual solutions to hedge a broad spectrum of risks, from interest rate risk and currency risk through to commodity price risk. Besides financial engineering, RBI is also actively working on the further development of integrated product solutions for international payment transfers within cash management.

In CEE, the RBI subsidiary banks in Slovakia and the Czech Republic are leaders in the mobile and online banking field. To learn from the experiences and know-how in these markets, an extensive project to establish a Group-wide digital roadmap was launched at the end of 2016.

As part of innovation management, networking with ambitious start-up companies, renowned research institutes and original thinkers provides new incentives and solutions for changing customer requirements, which are then placed at the disposal of the Raiffeisen Banking Group. Here, too, the focus is on developing a culture of innovation and supporting the digital transformation of the entire Raiffeisen Banking Group.

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

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

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

The consolidated financial statements are prepared in accordance with the relevant Austrian laws, predominantly the Austrian Banking Act (BWG) and Austrian Commercial Code (UGB), which govern the preparation of consolidated annual financial statements. The accounting standards, used to prepare the consolidated financial statements, are the International Financial Reporting Standards (IFRS) as adopted by the EU.

Control environment

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

- The hierarchical decision-making process for approving Group and company directives, as well as departmental and divisional instructions.
- Process descriptions for the preparation, quality control, approval, publication, implementation, and monitoring of directives and instructions.
- Regulations for the revision and repeal of directives and instructions.

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

The consolidated financial statements are prepared by Accounting & Reporting, which reports to the Chief Financial Officer. The associated responsibilities are defined for the Group within the framework of a dedicated Group function.

Risk assessment

Significant risks relating to the Group accounting process are evaluated and monitored by the Management Board. Complex accounting standards can increase the risk of errors, as can the use of differing valuation standards, particularly in relation to the Group's principal financial instruments. A difficult business environment can also increase the risk of significant financial reporting errors. For the purpose of preparing the consolidated financial statements, estimates have to be made for asset and liability items for which no market value can be reliably determined. This is particularly relevant for credit business, equity participations, trademark rights and goodwill. Social capital and the valuation of securities are also based on estimates.

Control measures

The preparation of individual financial statements is decentralized and carried out by each Group unit in accordance with the RZB or RBI guidelines. The Group unit employees and managers responsible for accounting are required to provide a full presentation and accurate valuation of all transactions. Differences in local accounting standards can result in inconsistencies between the individual financial statements and the figures submitted to RBI. The local management is responsible for ensuring implementation of mandatory internal control measures, such as the separation of functions and the principle of dual control. The reconciliation and validation controls are imbedded in the aggregation, calculation and accounting valuation activities for all financial reporting processes.

Group consolidation

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

The plausibility of each Group unit's financial statements is initially checked by the responsible key account manager within Accounting & Reporting. Group-level control activities comprise the analysis and, where necessary, modification of the financial statements submitted by Group units. In this process, the reports submitted by the auditor and the results of meetings with the representatives of the individual companies where the financial statements are discussed are taken into account. The discussions cover the plausibility of the individual financial statements as well as critical matters pertaining to the Group unit.

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

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

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

Information and communication

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

Each year the Annual Report shows the consolidated results in the form of a complete set of consolidated financial statements. These consolidated financial statements are examined by an external auditor. In addition, the Group management report contains comments on the consolidated results in accordance with the statutory requirements.

Throughout the year, consolidated monthly reports are produced for the Group's senior management. Statutory interim reports are produced that conform to the provisions of IAS 34 and are also published quarterly in accordance with the Austrian Stock Exchange Act. Before publication, the consolidated financial statements are presented to senior managers and the Chief Financial Officer for final approval and then submitted to the Supervisory Board's Audit Committee. Analyses pertaining to the consolidated financial statements are also provided for management, as are forecast Group figures at regular intervals. The financial and capital planning process, undertaken by Planning & Finance, includes a three-year Group budget.

Monitoring

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

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

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

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

Capital, share, voting, and control rights

The following disclosures cover the provisions of § 243a (1) of the Austrian Commercial Code (UGB):

(1) As at 31 December 2016, the company's share capital amounted to € 893,586,065.90 and was divided into 292,979,038 voting common bearer shares. As at 31 December 2016, 509,977 of those were own shares, and consequently 292,469,061 shares were outstanding at the reporting date. In comparison with 31 December 2015 (557,295 shares), this results in a reduction of 47,318 shares and was based on the transferring of shares within the framework of the share-based remuneration program. Please see note (32) for further disclosures.

(2) The Articles of Association contain no restrictions concerning voting rights or the transfer of shares. As RZB's shareholders, the regional Raiffeisen banks are parties to syndicate agreements regarding RZB AG. These syndicate agreements will be replaced by a new syndicate agreement concluded by the regional Raiffeisen banks for RBI AG. The new syndicate agreement will take effect on the effective date of the merger between RZB AG and RBI AG. The terms that the regional Raiffeisen banks intend to incorporate in the new syndicate agreement include a block voting agreement, preemption rights and a prohibition on the sale of RBI shares held by the regional Raiffeisen banks (with few exceptions) for a period of three years (lock-up period) from the effective date of the merger between RZB AG and RBI AG, if the sale would directly and/or indirectly reduce the regional Raiffeisen banks' aggregate shareholding in RBI AG to less than 50 per cent of the share capital plus one share. After the lock-up period expires, the shareholding threshold would fall to 40 per cent of the share capital of RBI AG.

(3) As at 31 December 2016, RZB AG indirectly held around 60.7 per cent of the share capital of the company through its wholly owned subsidiary Raiffeisen International Beteiligungs GmbH. By virtue of a syndicate agreement, the voting rights attributable to RZB AG from the 177,847,115 shares in RBI AG are also assigned to the individual regional Raiffeisen banks as syndicate partners and to their holding companies who have acceded to the syndicate agreement (in each case pursuant to § 91 and § 92 7 of the Austrian Stock Exchange Act (BörseG)), which hold, in total, around 90.43 per cent of the share capital and voting rights in RZB AG as parties acting in concert (see notification on voting rights published on 19 July 2016). The remaining shares of RBI AG are held in free float, with no direct or indirect shareholdings amounting to 10 per cent or more known to the Management Board. Please see the "Merger of RBI and RZB" chapter of the Annual Report with regard to the merger approved at the Extraordinary General Meeting of RBI AG on 24 January 2017.

(4) Pursuant to the company's Articles of Association, RZB AG is granted the right to delegate up to one third of the Supervisory Board members to be elected by the Annual General Meeting, as long as it holds an interest in the share capital. Beyond that, there are no special rights of control associated with holding shares. At the Extraordinary General Meeting of RBI AG on 24 January 2017, a decision was made to remove the right to delegate members in § 9 of RBI AG's Articles of Association. The right to delegate members will therefore cease to exist when the amendment to the Articles of Association is registered with the commercial register. According to the syndicate agreement of the regional Raffieisen banks, the regional Raiffeisen banks will be able to nominate nine members of the RBI AG Supervisory Board once the merger between RZB AG and RBI AG takes effect. In addition to the members nominated by the regional Raiffeisen banks, the RBI AG Supervisory Board will in the future also include three (previously: two) independent representatives of free-float shareholders who are not attributable to the Austrian Raiffeisen Banking Group. This is to be implemented at the RBI AG Annual General Meeting in 2017.

(5) There is no control of voting rights arising from interests held by employees in the share capital.

(6) Pursuant to the Articles of Association, a person who is 68 years or older may not be appointed as a member of the Management Board or be reappointed for another term in office. The rule for the Supervisory Board is that a person who is aged 75 years or older may not be elected as a member of the Supervisory Board or be re-elected for another term in office. Moreover, no person who already holds eight supervisory board mandates in publicly traded companies may be a member of the Supervisory Board. Holding a position as chairman of the supervisory board of a publicly traded company would count twice for this purpose. The Annual General Meeting may choose to waive this restriction through a simple majority of votes if permitted by law. Any candidate who has more mandates for, or chairman positions on, supervisory boards in publicly traded companies must disclose this to the Annual General Meeting. There are no further regulations regarding the appointment or dismissal of members of the Management Board and the Supervisory Board beyond the provisions of the relevant laws (with regard to RZB AG's right to delegate members, please see point (4) above). The Articles of Association stipulate that the resolutions of the Annual General Meeting are, provided that there are no mandatory statutory provisions or Articles of Association to the contrary, adopted by a simple majority of the votes cast. Where the law requires a capital majority in addition to the voting majority, resolutions are adopted by a simple majority of the share capital represented in the votes. As a result of this provision, members of the Supervisory Board may be dismissed prematurely via a simple majority. The Supervisory Board is authorized to adopt amendments to the

Articles of Association that only affect the respective wording. This right may be delegated to committees. Furthermore, there are no regulations regarding amendments to the company Articles of Association beyond the provisions of the relevant laws.

(7) Pursuant to § 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 4 June 2014 to increase the share capital with the approval of the Supervisory Board – in one or more tranches – by up to € 446,793,032.95 through issuing up to 146,489,519 new common bearer shares with voting rights in exchange for contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to § 153 (6) of AktG) by 25 August 2019 at the latest and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights with the approval of the Supervisory Board (i) if the capital increase is carried out in exchange for contributions in kind or (ii) if the capital increase is carried out in exchange for contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's share capital (exclusion of subscription rights).

Pursuant to § 159 (2) 1 of the AktG, the share capital has been increased contingently by up to € 119,258,123.20 through the issue of up to 39,101,024 common bearer shares (contingent capital). The contingent capital increase will only be undertaken if and when use is made of an irrevocable exchange or subscription right to shares granted by the company to creditors holding convertible bonds issued on the basis of the resolution of the Annual General Meeting held on 26 June 2013 and the Management Board does not decide to allocate own shares. Pursuant to § 174 (2) of the AktG, the Annual General Meeting of 26 June 2013 authorized the Management Board to issue, in one or more tranches, convertible bonds in a total nominal amount of up to € 2,000,000,000, which grant holders conversion or subscription rights for up to 39,101,024 common bearer shares of the company with a proportional amount of the share capital of up to € 119,258,123.20, within five years from the date of the resolution adopted by the Annual General Meeting, with the approval of the Supervisory Board. Shareholders' subscription rights to the convertible bonds are excluded. No convertible bonds have been issued to date.

The Annual General Meeting held on 16 June 2016 authorized the Management Board pursuant to § 65 (1) 8, § 65 (1a) and § 65 (1b) of the AktG to purchase own shares and to retire them if appropriate without requiring any further resolutions to be passed by the General Meeting. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the General Meeting resolution, i.e. as of 15 December 2018. The acquisition price for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The authorization may be exercised in full or in part or also in several partial amounts, for one or more purposes – with the exception of securities trading – by the company, by a subsidiary (§ 189a 7 of the UGB) or by third parties for the account of the company or a subsidiary.

The Management Board was further authorized, pursuant to § 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad, or for the purpose of implementing the company's Share Incentive Program for executives and members of the Management Boards of the company and affiliated companies. In addition, if convertible bonds are issued in accordance with the Annual General Meeting resolution of 26 June 2013, shareholders' subscription rights may also be excluded in order to issue (own) shares to the holders of these convertible bonds who exercise the conversion or subscription rights granted them under the terms of the convertible bonds to shares of the company. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (§ 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 15 June 2021.

This resolution, any repurchase program based on it, or any resale program must be published along with the applicable duration. This authorization replaces the authorization granted at the Annual General Meeting of 4 June 2014 pursuant to § 65 (1) 4 and 8 of the AktG to purchase and use own shares and, with regard to their use, extends to the own shares already purchased by the company. No own shares have been bought since the authorization was issued in June 2016.

The Annual General Meeting of 16 June 2016 also authorized the Management Board, under the provisions of § 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 15 December 2018), provided that the trading portfolio of shares purchased for this purpose does not exceed 5 per cent of the company's respective share capital at the end of any given day. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in full or in part or also in several partial amounts by the company, by a subsidiary (§ 189a 7 UGB) or by third parties acting for the account of the company or a subsidiary. This authorization replaces the authorization to purchase own shares for the purpose of securities trading that was granted in the Annual General Meeting of 4 June 2014.

(8) The following material agreements exist, to which the company is a party and which take effect, change or come to an end upon a change of control in the company as a result of a takeover bid:

- As a subsidiary of RZB, RBI AG is insured under RZB's group-wide D&O insurance. Insurance cover remains in place in the event of a merger with another legal entity of the RZB Group. In the event of a merger with a legal entity outside the RZB Group, RBI AG will no longer be covered under the group-wide insurance from the date of the merger. In such cases, insurance cover only exists for claims for damages arising from breaches of obligations that occurred before the merger, which are reported to the insurance carrier prior to any termination of RZB's group-wide D&O insurance and thereafter within the agreed notification period of five years.
- The company's SIP provides the following upon a change in corporate control: "If a change in corporate control or a merger occurs during the vesting period, and the combination does not exclusively concern subsidiaries, all contingent shares will lapse without replacement at the time of acquiring the shares of RBI AG and the investor's effective power to dispose of them, or at the time of the merger. An indemnification payment will be made for these contingent shares. The indemnity sum calculated will be paid out with the next possible salary payment."
- Furthermore, the syndicate agreement concluded by RBI AG in relation to a subsidiary bank with a joint shareholder will automatically be terminated upon a change of control.
- The brand agreement concluded with RZB AG (which will cease to exist once the merger is in effect) on the unrestricted use of the name and logo of Raiffeisen Bank International for an indefinite period of time in all jurisdictions in which the brand is registered now or in the future includes a right of cancellation upon a change of control.
- RBI AG is a member of the Professional Association of Raiffeisen Banks. Upon a change in control of RBI AG which results in the attainment of control by a shareholder outside of the Raiffeisen Banking Group Austria, membership of the Professional Association of Raiffeisen Banks and of the Raiffeisen Customer Guarantee Scheme Austria may be terminated.
- The company's refinancing agreements and agreements concerning third-party financing for subsidiaries, which are guaranteed by the company, stipulate that the lenders can demand early repayment of the financing in the event of a change in control.

(9) There are no indemnification agreements between the company and its Management Board and Supervisory Board members or employees that would take effect in the event of a public takeover bid.

Risk management

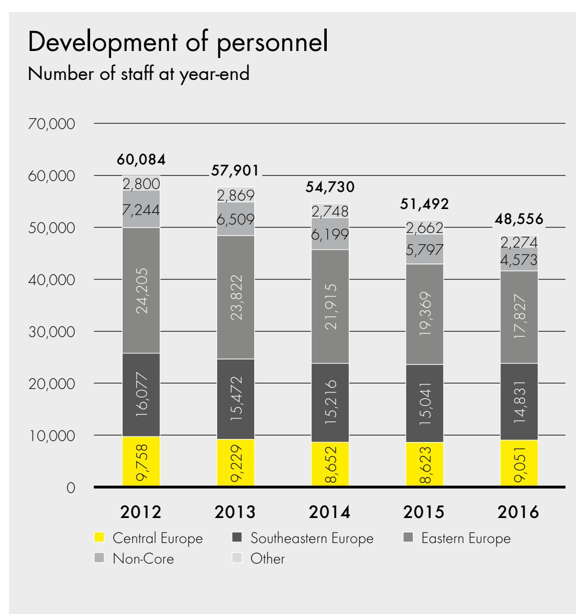
For information on risk management, please refer to note (42) Risks arising from financial instruments, in the risk report section of the consolidated financial statements.

Corporate Governance

The Corporate Governance Report can be found on the RBI website (www.rbinternational.com → Investor Relations → Corporate Governance), as well as in the Corporate Governance Report chapter of the Annual Report.

Human Resources

Human Resources (HR) deals with the key corporate processes for managing personnel resources within the Group, taking both the needs of employees and corporate interests into account. As at 31 December 2016, RBI had 48,556 employees (full-time equivalents), 2,936 or 6 per cent fewer than at the end of 2015. The majority of this reduction is attributable to developments in Ukraine, Poland and Slovenia. The average age of employees remained relatively low at 37 years, and women accounted for 67 per cent of the workforce. Graduates make up 76 per cent of employees, indicating a highly skilled workforce.



Professional and management development

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

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

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

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

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

Performance and talent management

The new performance management model for Group executives developed during 2015 was successfully implemented in 2016. This included introducing clearly defined target categories (similar to a balanced scorecard approach) and improving consultation between head office and Group units. Other measures included a new competence model and the intensification of dialog and feedback. Based on these concepts, an international team developed the guidelines and fundamental principles for the new performance management process for all other employee levels. Some subsidiary banks have already launched corresponding pilot projects. In Hungary, for example, the focus was on increasing the level of individual responsibility with respect to target definition and performance, as well as on regular and mutual feedback, coaching and staff development.

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

Employee survey

In 2016, around 40,000 employees participated in a Group-wide employee survey. The overall response rate was 87 per cent. Improvements were achieved for the two key factors employee engagement (commitment to the company and associated willingness to voluntarily make additional effort) and employee enablement (existence of an environment which nurtures success). Of the employees surveyed, 65 per cent felt committed to the company and 67 per cent felt their environment nurtured success. Compared to the last Group-wide survey, this represents an increase of 4 and 3 percentage points respectively.

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

Developments in compensation management

In order to more strongly reflect the critical importance of RBI's medium-term objectives and its capitalization in the compensation system, the bonus system was further adapted in 2016 by expanding the "step-in" criteria for Group executives and adjusting the criteria for target achievement.

A reduction in the variable compensation components of remuneration packages also led to new, non-financial concepts for recognizing special achievements by employees being established. For example, a non-financial motivation program (starting with a system of medical services) was launched in Belarus to improve employee commitment and reward long-serving employees, while the "Success Celebration System", which aims to strengthen team cooperation and collaboration between business areas, was established in Hungary.

HR awards

The diverse measures taken by HR managers from the subsidiary banks designed to continuously improve HR functions and processes were again recognized by a number of awards during the year under review. The Hungarian subsidiary bank, for example, received the "Employer Partner Certificate" in recognition of high quality standards and "best HR practice". Headhunters ranked the Russian subsidiary bank among the "Top 10 best places to work" and the Head of HR was awarded the accolade "Best HR director in the banking sector". In Romania, the subsidiary bank's project "Inspire to Aspire-Wakanda Challenge" prevailed against 17 competitors and won an HR award in the category "Training and Development of People". This program places special emphasis on adapting leadership behavior. The Bulgarian subsidiary bank received the "Best HR project in a large company award" for the restructuring and modernization of its HR area. In the Czech Republic, RBI received the "HR Excellence Award" which is awarded by HR managers and experts from 300 Czech companies. Finally, the Hungarian bank subsidiary received the "Colibri Internship Award" as the best employer for interns.

Outlook

Economic prospects

Central Europe

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

Southeastern Europe

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

Eastern Europe

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

Austria

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

CEE banking sector

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

Outlook for RBI

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

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

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

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

We look to reach an NPL ratio of around 8 per cent by the end of 2017, and over the medium term we expect this to reduce further.

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

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

Events after the reporting date

Extraordinary General Meeting approves merger with RZB

The Extraordinary General Meeting of RBI approved the merger with RZB by a clear majority on 24 January 2017. The shareholders also approved the capital increase related to the merger. RBI's share capital will be increased by € 109,679,778.15, from € 893,586,065.90 to € 1,003,265,844.05, through the issuance of 35,960,583 new no par value common bearer shares. The number of shares issued will therefore increase to 328,939,621.

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

Segment reports

Segment overview	66
Segment development	67
Central Europe	67
Southeastern Europe	70
Eastern Europe	74
Group Corporates	77
Group Markets	78
Corporate Center	80
Non-Core	81

Segment overview

Segmentation principles

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

This results in the following segments:

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

The segment reporting section in the consolidated financial statements contains details on segment classification.

Details on the segmentation following the merger of RBI and RZB are provided in the merger chapter.

Segment reports

Central Europe

in € million	2016	2015	Change	Q4/2016	Q3/2016	Change
Net interest income	629	654	(3.8)%	160	147	8.6%
Net fee and commission income	383	388	(1.3)%	100	95	4.5%
Net trading income	28	31	(9.3)%	10	5	85.9%
Recurring other net operating income	(24)	(25)	(4.6)%	(20)	(6)	240.9%
Operating income	**1,016**	**1,048**	**(3.0)%**	**249**	**242**	**3.1%**
General administrative expenses	(643)	(636)	1.2%	(179)	(151)	18.5%
Operating result	**373**	**412**	**(9.5)%**	**71**	**91**	**(22.5)%**
Net provisioning for impairment losses	(38)	(133)	(71.3)%	(7)	2	–
Other results	19	31	(36.4)%	(14)	0	–
Profit/loss before tax	**354**	**310**	**14.3%**	**49**	**93**	**(47.3)%**
Income taxes	(64)	(66)	(3.5)%	(8)	(15)	(44.4)%
Profit/loss after tax	**291**	**244**	**19.1%**	**41**	**78**	**(47.8)%**
Risk-weighted assets (total RWA)	13,564	12,910	5.1%	13,564	13,728	(1.2)%
Assets	29,492	26,878	9.7%	29,492	29,054	1.5%
Net interest margin (average interest-bearing assets)	2.31%	2.67%	(0.36) PP	2.26%	2.14%	0.12 PP
Return on equity before tax	**19.1%**	**18.3%**	**0.8 PP**	**10.7%**	**20.8%**	**(10.1) PP**

In Central Europe, RBI increased total assets through greater new business generation, especially in the Czech Republic and Slovakia. An additional increase resulted from the acquisition of Citibank's retail and credit card business in the Czech Republic (€ 669 million), which included a retail loan portfolio of € 201 million. The low level of interest rates, however, continued to negatively impact operating income. Lower net provisioning for impairment losses in all countries in the segment, as well as income from the sale of Visa Europe Ltd. shares to Visa Inc., led however to a significant improvement in profit before tax, which rose € 44 million year-on-year to € 354 million.

Operating income

Net interest income decreased 4 per cent year-on-year, or € 25 million, to € 629 million due to persistently low market interest rates. In Slovakia, net interest income declined € 23 million. Half of the € 14 million decline in Hungary was attributable to higher interest-like expenses in connection with the termination of an intra-Group mezzanine financing arrangement. In the Czech Republic, in contrast, net interest income increased € 12 million as a result of higher volumes. The net interest margin fell 36 basis points year-on-year to 2.31 per cent due to interest rate adjustments relating to assets.

Net fee and commission income declined 1 per cent year-on-year, or € 5 million, to € 383 million. Net income from the payment transfer business reduced € 9 million to € 187 million as a result of lower margins, particularly in the Czech Republic, as well as changes to regulations in Slovakia. Net income from the loan and guarantee business decreased 21 per cent, or € 9 million, to € 34 million due to legal restrictions on fees for early loan repayments in Slovakia and lower income in Hungary. Net income from the management of investment and pension funds also fell € 6 million to € 15 million, largely as a result of a market-driven decline in Slovakia. Net income from the foreign currency, notes/coins, and precious metals business, in contrast, increased € 14 million to € 95 million as a result of improved margins, primarily in the Czech Republic. Net income from the securities business rose € 4 million to € 39 million, mainly due to higher income in the Czech Republic.

Net trading income fell 9 per cent, or € 3 million, to € 28 million. This included a € 6 million year-on-year decrease in net income from interest-based transactions to € 3 million, attributable to valuation losses on interest-based derivatives in the Czech Republic. Net income from currency-based transactions, in contrast, increased € 2 million year-on-year to € 26 million, primarily as a result of valuation gains on derivatives and foreign currency positions in the Czech Republic and Slovakia.

Recurring other net operating income improved slightly from minus € 25 million to minus € 24 million. Allocations to other provisions increased in Slovakia, but were almost completely offset by a decrease in sundry operating expenses in all countries in the segment.

General administrative expenses

The segment's general administrative expenses rose 1 per cent year-on-year, or € 7 million, to € 643 million. Staff expenses increased 13 per cent, or € 36 million, to € 318 million, due to the purchase of Citibank's retail and credit card business in the Czech Republic as well as the expansion of a call center in Slovakia. Other administrative expenses decreased 6 per cent, or € 15 million, to € 250 million. The decline was largely the result of lower office space expenses – especially in Hungary, where provisions were recognized in the previous year in connection with the closure of bank branches – and lower deposit insurance fees, whereas communication and IT expenses increased. Contributions to bank resolution funds in the Czech Republic (€ 7 million), Slovakia (€ 6 million) and Hungary (€ 3 million) were up € 5 million year-on-year. Depreciation of tangible and intangible fixed assets decreased 15 per cent, or € 14 million, to € 75 million, due to an impairment charge in the previous year's period in connection with branch closures and an impairment charge for software in Hungary. The segment's number of business outlets rose by 15 year-on-year to 410, with most of the increase taking place in the Czech Republic. The cost/income ratio increased 2.6 percentage points to 63.3 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses in the Central Europe segment declined 71 per cent year-on-year, or € 95 million, to € 38 million in the reporting period. This included a € 79 million decrease in net allocations to individual loan loss provisions to € 38 million, while net allocations to portfolio-based loan loss provisions fell € 14 million to € 2 million. Most of this reduction was in Hungary, where a net total of € 7 million of provisions were released during the reporting year. A decrease of € 63 million was primarily attributable to sales of non-performing loans that were collateralized with real estate, as well as to rating improvements and lower defaults in the corporate customer business. In Slovakia, net provisioning for impairment losses declined € 23 million to € 13 million due to loan sales and repayments in the corporate customer business. In the Czech Republic, net provisioning for impairment losses decreased € 9 million year-on-year to € 32 million. Significantly lower portfolio-based loan loss provisions for retail customers, due to new default probability rates implemented in the previous year, as well as improvements in the economic environment and loan sales, were offset by higher individual loan loss provisions due to several defaults on the part of large corporate customers.

The portfolio of non-performing customer loans fell € 254 million to € 1,077 million, primarily due to a reduction of € 249 million in Hungary following sales of loans. The proportion of non-bank non-performing loans in the Central Europe segment's loan portfolio decreased 1.6 percentage points year-on-year to 5.5 per cent. The NPL coverage ratio declined 4.3 percentage points to 71.0 per cent.

Other results and taxes

The Central Europe segment's other results decreased € 11 million year-on-year to € 19 million.

In the previous year, a provision of € 67 million was released in connection with the implementation of the Settlement Act (unilateral interest rate changes on consumer loans) in Hungary. There was a release of € 7 million in the reporting period.

The bank levies contained in the other results increased € 3 million to € 38 million. The increase was evenly distributed between Hungary and Slovakia.

Net income from financial investments rose € 51 million year-on-year to € 47 million, mainly driven by the sale of Visa Europe Ltd. shares to Visa Inc., which closed in June and generated proceeds of € 56 million. Of this total, € 30 million was attributable to Slovakia, € 19 million to the Czech Republic and € 6 million to Hungary. This was offset by an increase of € 6 million in impairment charges for equity participations, primarily relating to Hungarian equity participations.

In the reporting period, net income from the disposal of Group assets amounted to € 7 million (2015: € 6 million). Most of the net income posted in 2016 stemmed from the sale of a property leasing project in the Czech Republic.

Net income from derivatives and liabilities remained unchanged year-on-year at minus € 3 million and resulted from hedging to adjust the currency and interest rate structure.

The segment's income taxes declined slightly year-on-year to € 64 million. The effective tax rate was 18 per cent in the reporting period compared to 21 per cent in the previous year. The decrease is predominantly attributable to the utilization of tax loss carryforwards in Hungary.

Detailed results of individual countries:

2016 in € million	Czech Republic	Hungary	Slovakia
Net interest income	247	107	275
Net fee and commission income	111	122	151
Net trading income	8	14	6
Recurring other net operating income	14	(33)	(5)
Operating income	**380**	**210**	**427**
General administrative expenses	(236)	(151)	(256)
Operating result	**144**	**59**	**170**
Net provisioning for impairment losses	(32)	7	(13)
Other results	24	(13)	9
Profit/loss before tax	**136**	**52**	**166**
Income taxes	(27)	0	(37)
Profit/loss after tax	**109**	**53**	**129**
Risk-weighted assets (total RWA)	4,942	3,597	5,024
Assets	11,966	6,606	11,388
Loans and advances to customers	8,075	3,107	8,577
hereof corporate %	43.7%	67.3%	44.0%
hereof retail %	55.8%	30.9%	55.9%
hereof foreign currency %	17.1%	43.1%	0.8%
Deposits from customers	8,415	4,474	8,981
Loan/deposit ratio (net)	93.1%	61.6%	93.2%
Equity	979	587	996
Return on equity before tax	14.8%	10.3%	17.5%
Return on equity after tax	11.9%	10.3%	13.6%
Cost/income ratio	62.1%	72.0%	60.1%
Net interest margin (average interest-bearing assets)	2.36%	1.78%	2.52%
Employees as at reporting date	3,158	1,983	3,910
Business outlets	142	72	196
Customers	613,901	540,189	851,746

Southeastern Europe

in € million	2016	2015	Change	Q4/2016	Q3/2016	Change
Net interest income	738	780	(5.4)%	184	183	0.5%
Net fee and commission income	390	380	2.7%	100	102	(2.5)%
Net trading income	54	50	7.2%	9	14	(33.7)%
Recurring other net operating income	21	3	>500.0%	7	11	(37.4)%
Operating income	**1,203**	**1,214**	**(0.9)%**	**299**	**310**	**(3.4)%**
General administrative expenses	(674)	(681)	(1.0)%	(179)	(161)	10.8%
Operating result	**529**	**533**	**(0.8)%**	**120**	**148**	**(18.8)%**
Net provisioning for impairment losses	(175)	(191)	(8.4)%	(77)	(26)	203.0%
Other results	8	(82)	–	11	0	–
Profit/loss before tax	**363**	**260**	**39.4%**	**54**	**123**	**(55.7)%**
Income taxes	(62)	(33)	89.4%	(15)	(18)	(17.2)%
Profit/loss after tax	**301**	**227**	**32.2%**	**39**	**104**	**(62.5)%**
Risk-weighted assets (total RWA)	14,203	13,968	1.7%	14,203	14,253	(0.4)%
Assets	22,694	22,120	2.6%	22,694	22,182	2.3%
Net interest margin (average interest-bearing assets)	3.55%	3.84%	(0.29) PP	3.46%	3.51%	(0.05) PP
Return on equity before tax	**18.5%**	**15.0%**	**3.6 PP**	**11.2%**	**25.9%**	**(14.7) PP**

Net income in the Southeastern Europe segment improved, mainly due to the proceeds from the sale of Visa shares (€ 38 million) and a € 50 million reduction in the negative impact of banking business costs following governmental measures. In the reporting year, a new mortgage loan law in Romania resulted in expenses of € 27 million, while expenses of € 77 million had to be booked in the previous year in connection with the conversion of Swiss franc loans in Croatia.

Operating income

Net interest income decreased 5 per cent year-on-year, or € 42 million, to € 738 million. All of the segment's countries – with the exception of Bosnia and Herzegovina – reported lower net interest income, which was primarily attributable to the persistently low interest rate level. The largest reduction (minus € 14 million) was reported in Albania, where declining lending volumes had an additional dampening effect. The € 10 million drop in net interest income in Croatia also reflected a reduction in interest-bearing assets. The lower market interest rate level led to declines in net interest income of € 5 million in Romania and € 8 million in Serbia. The segment's net interest margin ultimately fell 29 basis points to 3.55 per cent.

In contrast, net fee and commission income increased 3 per cent year-on-year, or € 10 million, to € 390 million. Net income from the payment transfer business was up € 9 million to € 209 million due to a rise in income from the credit card business, mainly in Romania, Bosnia and Herzegovina and Albania. Net income from the foreign currency, notes/coins and precious metals business also increased € 4 million to € 85 million, largely as a result of higher volumes in Romania und Croatia. Net income from the sale of own and third party products was up € 2 million to € 22 million, primarily in Romania. In contrast, net income from the securities business fell € 4 million as a result of lower income, largely in Romania.

Net trading income grew 7 per cent year-on-year, or € 4 million, to € 54 million in Southeastern Europe. Higher valuation gains on foreign currency positions, mostly in Croatia, were mainly responsible for the € 4 million increase to € 34 million in currency-based transactions, while Serbia and Albania reported valuation losses. Net income from interest-based business remained almost unchanged.

Recurring other net operating income improved € 17 million to € 21 million, primarily as a result of a € 20 million increase in net income from the allocation to and release of other provisions (up € 13 million in Romania due to provisions for litigation in 2015).

General administrative expenses

General administrative expenses fell 1 per cent year-on-year, or € 7 million, to € 674 million. Staff expenses remained virtually unchanged at € 301 million. Increases in Bulgaria and Albania were offset by a decline in Bosnia and Herzegovina. The segment's other administrative expenses fell € 6 million to € 299 million. The decline was largely due to lower deposit insurance fees in Romania and Bulgaria. In contrast, advertising, PR and promotional expenses, legal, advisory and consulting expenses and the contributions to the bank resolution fund increased. Depreciation of tangible and intangible fixed assets decreased € 1 million, mainly as a result of a reduction in depreciation of tangible fixed assets in Serbia. The cost/income ratio remained almost unchanged at 56.0 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses declined € 16 million year-on-year, or 8 per cent, to € 175 million. Net individual loan loss provisioning fell € 40 million to € 149 million, while portfolio-based loan loss provisions were up € 25 million to € 27 million. The positive trend in individual loan loss provisioning was primarily attributable to loan sales, while the implementation of a PD-/LGD-based calculation of the portfolio-based loan loss provisions in the retail customer business had a negative effect in further Group units.

The largest declines were reported in Bulgaria, Croatia and Serbia: In Bulgaria, net releases of loan loss provisions totaled € 1 million, after net provisioning for loan losses amounted to € 32 million in the previous year. The reduction was mainly due to loan sales and lower portfolio-based loan loss provisions for retail customers due to the implementation of default probabilities in the previous year. In Croatia, net provisioning for impairment losses was down € 14 million to € 22 million. The decrease was the result of loan sales and releases of provisions for mortgage loans that had been recognized in connection with the conversion of Swiss franc loans. In contrast, the implementation of a PD-/LGD-based calculation of the portfolio-based loan loss provisions for retail customers had a negative effect of € 15 million. In Serbia, net releases totaled € 6 million, compared to net provisioning for impairment losses of € 8 million in the previous year. This was due to the improved risk situation in the corporate customer business, while the introduction of new default probabilities had a negative impact of € 6 million in the reporting year. In Romania, net provisioning for impairment losses amounted to € 77 million, which was € 4 million more than in the previous year. The improved risk profile of corporate and retail customers had a positive effect, while the implementation of a PD-/LGD-based calculation of portfolio-based loan loss provisions for retail customers resulted in an increase of € 18 million in net provisioning. In Albania, net provisioning for impairment losses rose € 34 million to € 65 million, which mainly reflected defaults of several large corporate customers, the revaluation of collateral (negative effect of € 7 million) and the PD/LGD-based calculation of portfolio-based loan loss provisions for retail customers (negative effect of € 6 million).

Non-performing loans fell € 166 million to € 1,421 million, compared to year-end 2015. The biggest reductions were reported in Bulgaria (down € 77 million) and Croatia (down € 72 million). The proportion of non-bank non-performing loans in the segment's loan portfolio fell 1.6 percentage points to 10.5 per cent, while the NPL coverage ratio was up 8.1 percentage points to 79.7 per cent.

Other results and taxes

Other results improved € 91 million to € 8 million. Net income from financial investments increased € 41 million year-on-year to € 46 million. This mainly reflected proceeds of € 38 million from the sale of Visa Europe Ltd. shares to Visa Inc. in the reporting year (€ 21 million in Romania, € 10 million in Croatia and € 7 million in Bulgaria), as well as a € 6 million increase in valuation gains on securities in the fair value portfolio, primarily in Romania and Croatia.

In the second quarter of 2016, the "Walkaway Law" entered into force in Romania. This resulted in a charge of € 27 million in the reporting period. The new mortgage loan law stipulates that borrowers may transfer ownership of their properties to the banks and thereby settle their debt, even if the loan exceeds the value of the property. The law relates to certain mortgage loans taken out by private persons in any currency and applies retroactively. As RBI believes that this violates the Romanian constitution, legal action has been initiated. In October 2016, the law was partially repealed by the Romanian constitutional court. As a result of the ruling, an amount of € 12 million was released from the required provisioning of € 43 million in the fourth quarter. The releases amounted to € 3 million in the third quarter.

In Croatia, expenses of € 77 million for governmental measures were recognized in the comparable period of 2015; while in the reporting period, an expense of only € 10 million was incurred in connection with the conversion of Swiss franc loans. In this case as well, an objection was filed against the law under the bilateral investment protection treaties. A decision is still being awaited.

The tax expense increased € 29 million year-on-year to € 62 million, while the effective tax rate was up 5 percentage points to 17 per cent. The rise was largely due to the use of loss carry-forwards in Croatia, where the tax expense increased € 21 million to € 19 million and the effective tax rate was 24 per cent. In Bulgaria, the tax expense doubled to € 7 million for income-related reasons, while the effective tax rate remained nearly unchanged at 9 per cent.

Detailed results of individual countries:

2016 in € million	Albania	Bosnia and Herzegovina	Bulgaria
Net interest income	56	67	112
Net fee and commission income	13	38	42
Net trading income	12	2	2
Recurring other net operating income	(3)	0	0
Operating income	**78**	**106**	**156**
General administrative expenses	(47)	(58)	(86)
Operating result	**31**	**49**	**71**
Net provisioning for impairment losses	(65)	(13)	1
Other results	2	(1)	7
Profit/loss before tax	**(32)**	**35**	**78**
Income taxes	0	(6)	(7)
Profit/loss after tax	**(33)**	**29**	**71**
Risk-weighted assets (total RWA)	1,584	1,559	1,728
Assets	2,002	2,057	3,350
Loans and advances to customers	815	1,188	2,166
hereof corporate %	61.1%	31.2%	42.1%
hereof retail %	38.9%	68.0%	57.5%
hereof foreign currency %	56.4%	63.8%	48.9%
Deposits from customers	1,694	1,646	2,426
Loan/deposit ratio (net)	39.5%	67.5%	83.9%
Equity	191	264	487
Return on equity before tax	–	13.8%	17.0%
Return on equity after tax	–	11.5%	15.4%
Cost/income ratio	60.1%	54.2%	54.9%
Net interest margin (average interest-bearing assets)	3.03%	3.55%	3.41%
Employees as at reporting date	1,291	1,268	2,569
Business outlets	81	98	138
Customers	751,313	454,454	641,126

2016 in € million	Croatia	Kosovo	Romania	Serbia
Net interest income	126	38	259	80
Net fee and commission income	66	10	185	38
Net trading income	18	1	17	3
Recurring other net operating income	15	1	2	6
Operating income	**224**	**49**	**463**	**126**
General administrative expenses	(131)	(26)	(254)	(73)
Operating result	**94**	**23**	**209**	**53**
Net provisioning for impairment losses	(22)	(3)	(77)	6
Other results	6	0	(6)	0
Profit/loss before tax	**78**	**20**	**125**	**59**
Income taxes	(19)	(2)	(21)	(6)
Profit/loss after tax	**59**	**17**	**104**	**52**
	0	0	0	0
Risk-weighted assets (total RWA)	2,872	533	4,335	1,593
Assets	4,689	896	7,605	2,097
Loans and advances to customers	2,807	533	4,825	1,151
hereof corporate %	41.4%	37.1%	34.3%	51.0%
hereof retail %	56.8%	62.9%	63.6%	48.8%
hereof foreign currency %	55.3%	0.0%	39.3%	61.0%
Deposits from customers	3,283	725	5,797	1,578
Loan/deposit ratio (net)	74.9%	70.9%	76.9%	66.8%
	0	0	0	0
Equity	671	124	771	471
Return on equity before tax	12.5%	17.7%	17.1%	12.9%
Return on equity after tax	9.5%	15.6%	14.3%	11.5%
Cost/income ratio	58.2%	53.1%	54.9%	58.0%
Net interest margin (average interest-bearing assets)	3.14%	4.38%	3.71%	4.17%
	0	0	0	0
Employees as at reporting date	2,128	731	5,322	1,522
Business outlets	78	52	480	87
Customers	449,960	312,842	2,110,244	704,974

Eastern Europe

in € million	2016	2015	Change	Q4/2016	Q3/2016	Change
Net interest income	866	949	(8.7)%	229	219	5.0%
Net fee and commission income	391	404	(3.1)%	113	99	13.8%
Net trading income	64	31	110.6%	16	14	16.2%
Recurring other net operating income	(7)	(22)	(67.4)%	(2)	(1)	45.4%
Operating income	**1,315**	**1,361**	**(3.4)%**	**357**	**331**	**7.9%**
General administrative expenses	(519)	(563)	(7.9)%	(162)	(122)	33.2%
Operating result	**796**	**798**	**(0.2)%**	**195**	**209**	**(6.8)%**
Net provisioning for impairment losses	(163)	(422)	(61.2)%	(71)	(13)	442.1%
Other results	17	173	(90.4)%	3	2	90.9%
Profit/loss before tax	**649**	**550**	**18.2%**	**127**	**198**	**(35.6)%**
Income taxes	(126)	(128)	(1.5)%	(16)	(42)	(61.3)%
Profit/loss after tax	**524**	**422**	**24.1%**	**111**	**156**	**(28.6)%**
Risk-weighted assets (total RWA)	11,536	11,642	(0.9)%	11,536	11,483	0.5%
Assets	15,291	14,179	7.8%	15,291	14,589	4.8%
Net interest margin (average interest-bearing assets)	6.60%	6.14%	0.46 PP	6.64%	6.62%	0.02 PP
Return on equity before tax	**41.3%**	**33.5%**	**7.8 PP**	**32.4%**	**49.6%**	**(17.2) PP**

As in 2015, the Eastern Europe segment was again affected by a high level of currency volatility in the reporting period. The average exchange rate of the Russian rouble was 7 per cent lower year-on-year, while the Ukrainian hryvnia and Belarusian rouble were down 15 and 20 per cent respectively. On 1 July 2016, a currency reform came into effect in Belarus; the new Belarusian rouble (BYN) replaced the old Belarusian rouble (BYR) at a rate of 1 to 10,000. In Ukraine, net trading income increased € 85 million due to the more limited depreciation of the Ukrainian hryvnia, compared to the prior year, and an improved result from foreign currency positioning. There were releases of provisions for impairment losses as a result of the improvement in the risk situation, after very high provisioning was still necessary in the comparable period in 2015 due to the political situation in the Donbass region. Profit before tax in Ukraine therefore increased € 241 million to € 150 million. In contrast, Russia reported a 16 per cent drop in profit before tax. A volume- and margin-related decline in net interest income was almost entirely offset by lower general administrative expenses and net provisioning for impairment losses; however in 2015, net income from the disposal of group assets of € 86 million was also recognized as a result of the sale of the Russian pension fund business, ZAO NPF Raiffeisen. In Belarus, profit fell year-on-year due to a valuation result from a foreign currency position recognized in the previous year and lower net income from proprietary trading.

Operating income

Net interest income was down 9 per cent year-on-year, or € 82 million, to € 866 million. This was mainly due to a decrease in net interest income in Russia of 12 per cent, or € 80 million, to € 567 million. Apart from foreign currency effects, the decline was primarily caused by a € 175 million decrease in interest income from derivative financial instruments entered into for hedging purposes. This was a consequence of the lower interest rate level in 2016 (interbank interest rates in Russia were exceptionally high in the first half of 2015) as well as lower volumes of USD swaps. In addition, interest income from loans and advances to customers fell as a result of volume effects. In contrast, new retail business resulted in considerable margin-driven increases, particularly due to the focus on local currencies. In Ukraine, the 3 per cent, or € 5 million, decline in net interest income to € 171 million was entirely currency-related; in local currency, net interest income increased 14 per cent. In Belarus, net interest income rose just € 3 million to € 128 million, despite better margins, as a result of currency devaluations. The segment's net interest margin improved 46 basis points year-on-year to 6.60 per cent.

Net fee and commission income fell 3 per cent year-on-year, or € 12 million, to € 391 million. Net income from foreign currency, notes/coins and precious metals business dropped 7 per cent, or € 8 million, to € 108 million – mainly as a result of currency movements as well as lower volumes and margins in Belarus and Russia. Net income from the loan and guarantee business was also down € 2 million to € 56 million – primarily as a result of exchange rate effects in Ukraine and Belarus.

Net trading income increased from € 31 million in the comparable period of 2015 to € 64 million. Net income from currency-based business improved € 30 million to € 52 million. Ukraine reported a significant increase of € 81 million due to the more limited depreciation of the Ukrainian hryvnia and foreign currency positions. Net trading income in Russia was also up on the back of valuation gains on derivative financial instruments and foreign currency positions. In contrast, net trading income in Belarus declined due to the closure of a strategic currency position that had led to a valuation gain of € 34 million in the previous year, and a valuation- and volume-related fall in net income from open foreign exchange positions. Net income from interest-based transactions increased € 3 million to € 12 million due to valuation gains on securities positions in Ukraine.

Recurring other net operating income was up € 15 million year-on-year to minus € 7 million, mainly as a result of a € 12 million decline in other provisions in Russia due to branch closures in the previous year.

General administrative expenses

General administrative expenses fell 8 per cent year-on-year, or € 44 million, to € 519 million. Russia and Ukraine accounted for most of the reduction, which largely reflected the depreciation of the Russian rouble and Ukrainian hryvnia. The € 16 million decrease in staff expenses was based on currency devaluations and a lower headcount. Other administrative expenses fell € 24 million due to a decrease in legal, advisory and consulting expenses, as well as in office space expenses. The number of business outlets in the segment fell by 91 to 771. Of these, 80 were in Ukraine. Depreciation was down € 4 million following impairment charges for buildings in Ukraine in the previous year. The cost/income ratio improved 1.9 percentage points to 39.5 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses fell 61 per cent year-on-year, or € 258 million, to € 163 million. In Ukraine, net provisioning for impairment losses was down € 214 million; thus in the reporting year, there was a net release of € 2 million. This was attributable primarily to the high provisioning requirements for loans to retail and corporate customers in the comparable period of the previous year, due to the economic situation in the Donbass region and currency movements. In addition, restructuring and loan sales reduced risk costs. The credit risk situation also improved in Russia in the retail and corporate customer areas; net provisioning for impairment losses fell € 36 million to € 145 million. In Belarus, the provisioning requirement declined € 6 million to € 20 million due to a reduction in corporate customer loan volumes.

Compared to the start of 2016, the portfolio of non-performing customer loans in Eastern Europe declined € 326 million to € 1,576 million. The currency-adjusted fall was € 403 million. The biggest drop (€ 299 million) was reported in Ukraine, compared to € 152 million in Russia. In contrast, non-performing loans increased € 47 million in Belarus. The proportion of non-bank non-performing loans in the segment's loan portfolio fell 4.2 percentage points year-on-year to 14.7 per cent. The NPL coverage ratio dropped 0.6 percentage points to 85.7 per cent.

Other results and taxes

Other results were down € 156 million to € 17 million year-on-year. The decrease was mainly due to net income from the disposal of Group assets and from financial investments, which fell € 85 million and € 79 million respectively. In the previous year, net income from the disposal of group assets of € 86 million was reported as a result of the sale of the Russian pension fund business; in the reporting year, the result was € 1 million. The decrease in net income from financial investments to € 11 million resulted primarily from lower valuation gains on securities in the fair value portfolio, mainly from fixed income government bonds in Ukraine and bonds in Russia. In contrast, net income from financial derivatives rose € 7 million to € 4 million in the reporting year, as a result of the valuation of interest rate swaps used to mitigate interest rate structure risk and changes in market values of banking book derivatives, above all in Russia.

The tax expense declined slightly to € 126 million. In Ukraine, the tax expense increased € 22 million as a result of the turnaround, while it was € 15 million and € 9 million lower in Belarus and Russia respectively for income-related reasons. The effective tax rate amounted to 19 per cent compared to 23 per cent in the previous year.

Detailed results of individual countries:

2016 in € million	Belarus	Russia	Ukraine
Net interest income	128	567	171
Net fee and commission income	51	259	81
Net trading income	7	47	11
Recurring other net operating income	(2)	(3)	(2)
Operating income	**185**	**869**	**261**
General administrative expenses	(70)	(326)	(123)
Operating result	**115**	**543**	**138**
Net provisioning for impairment losses	(20)	(145)	2
Other results	0	6	10
Profit/loss before tax	**95**	**404**	**150**
Income taxes	(23)	(88)	(15)
Profit/loss after tax	**72**	**316**	**135**
Risk-weighted assets (total RWA)	1,399	8,294	1,836
Assets	1,524	11,768	1,999
Loans and advances to customers	999	7,821	1,894
hereof corporate %	73.6%	60.1%	59.4%
hereof retail %	26.4%	39.9%	40.6%
hereof foreign currency %	68.7%	37.8%	49.2%
Deposits from customers	904	8,509	1,535
Loan/deposit ratio (net)	103.4%	86.9%	63.5%
Equity	369	1,834	311
Return on equity before tax	34.1%	30.9%	74.8%
Return on equity after tax	25.9%	24.2%	67.3%
Cost/income ratio	37.8%	37.5%	47.1%
Net interest margin (average interest-bearing assets)	9.57%	5.64%	9.87%
Employees as at reporting date	2,005	7,742	8,073
Business outlets	91	181	498
Customers	762,782	2,364,821	2,536,828

Group Corporates

in € million	2016	2015	Change	Q4/2016	Q3/2016	Change
Net interest income	313	326	(4.0)%	90	72	24.1%
Net fee and commission income	60	74	(19.1)%	17	14	25.8%
Net trading income	8	1	>500.0%	1	2	(17.1)%
Recurring other net operating income	2	1	82.4%	0	0	0.4%
Operating income	**382**	**402**	**(4.9)%**	**109**	**89**	**23.4%**
General administrative expenses	(153)	(143)	7.1%	(38)	(40)	(4.2)%
Operating result	**229**	**259**	**(11.5)%**	**71**	**49**	**45.9%**
Net provisioning for impairment losses	(74)	(141)	(47.2)%	(18)	6	–
Other results	(4)	(15)	(71.5)%	(3)	(1)	208.1%
Profit/loss before tax	**150**	**103**	**46.6%**	**50**	**54**	**(7.1)%**
Income taxes	(37)	(25)	43.7%	(12)	(13)	(4.7)%
Profit/loss after tax	**114**	**77**	**47.5%**	**37**	**41**	**(7.8)%**
Risk-weighted assets (total RWA)	9,208	8,590	7.2%	9,208	8,922	3.2%
Assets	15,201	13,873	9.6%	15,201	14,822	2.6%
Net interest margin (average interest-bearing assets)	2.16%	2.08%	0.08 PP	2.42%	1.99%	0.43 PP
Return on equity before tax	**12.6%**	**9.3%**	**3.2 PP**	**17.0%**	**18.9%**	**(1.9) PP**

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

Operating income

Net interest income declined 4 per cent, or € 13 million, to € 313 million. This was mainly due to lower loan volumes and declining margins in the corporate customer business (Austrian and multinational corporate customers serviced from Vienna). In addition, interest-like extraordinary income declined after exceptionally high interest-like income, especially from real estate financing, was reported in the previous year. The segment's net interest margin increased 8 basis points to 2.16 per cent.

Net fee and commission income declined 19 per cent, or € 14 million, to € 60 million. Lower fee and commission income from export and investment financing, liquidity management services and bond trading, as well as a reclassification of net fee and commission income items as net trading income was partly offset by higher net fee and commission income from bond issues.

The increase of € 7 million in net trading income was the result of the above-mentioned reclassification.

General administrative expenses

General administrative expenses increased 7 per cent, or € 10 million, to € 153 million. The increase was due mainly to other administrative expenses, which rose because of the pro rata allocation of the contribution to the bank resolution fund to the segment. The cost/income ratio increased 4.5 percentage points to 40.0 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses declined 47 per cent year-on-year, or € 66 million, to € 74 million. In the previous year, individual provisions for losses on loans to large corporate customers, especially from the Donbass region, were significantly higher. On a currency-adjusted basis, the portfolio of non-performing loans declined € 587 million to € 688 million, since the start of the year, as a result of sales of loans. The proportion of non-bank non-performing loans in the segment's loan portfolio fell 4.7 percentage points to 4.6 per cent. The NPL coverage ratio increased 9.2 percentage points to 65.9 per cent.

Other results and taxes

Other results improved € 11 million to minus € 4 million, mainly due to a € 16 million rise in income from financial investments, which predominantly came from a real estate transaction. This was offset by a € 5 million increase in expenses for bank levies (€ 20 million).

Income tax expense increased 44 per cent, or € 11 million, to € 37 million as a result of higher income.

Group Markets

in € million	2016	2015	Change	Q4/2016	Q3/2016	Change
Net interest income	62	74	(15.9)%	17	16	5.6%
Net fee and commission income	113	122	(7.3)%	30	27	11.1%
Net trading income	122	78	56.4%	35	32	9.8%
Recurring other net operating income	9	14	(34.1)%	2	2	(0.7)%
Operating income	**307**	**288**	**6.5%**	**84**	**77**	**9.1%**
General administrative expenses	(211)	(216)	(2.0)%	(53)	(54)	(1.5)%
Operating result	**95**	**72**	**31.7%**	**31**	**23**	**33.5%**
Net provisioning for impairment losses	(34)	7	–	(7)	(33)	(79.0)%
Other results	6	15	(61.9)%	(6)	(3)	149.5%
Profit/loss before tax	**67**	**94**	**(29.1)%**	**18**	**(12)**	**–**
Income taxes	(15)	(23)	(32.3)%	(4)	4	–
Profit/loss after tax	**51**	**72**	**(28.1)%**	**14**	**(8)**	**–**
Risk-weighted assets (total RWA)	3,211	3,781	(15.1)%	3,211	3,249	(1.2)%
Assets	12,149	13,461	(9.7)%	12,149	14,027	(13.4)%
Net interest margin (average interest-bearing assets)	0.60%	0.77%	(0.17) PP	0.69%	0.58%	0.11 PP
Return on equity before tax	**13.4%**	**17.2%**	**(3.7) PP**	**14.3%**	**–**	**–**

Profit before tax in the Group Markets segment declined 29 per cent. This was mainly due to higher net provisioning for impairment losses. In contrast, the operating result increased 32 per cent due to improved net trading income resulting from higher business volumes.

Operating income

Net interest income decreased 16 per cent, or € 12 million, to € 62 million. The excess liquidity in the market and the associated lower credit demand had a negative effect in this respect. Interest income from loans and securities also decreased as a result of lower volumes due to the reduction of a securities portfolio in the bank book. The net interest margin declined 17 basis points to 0.60 per cent.

Net fee and commission income was down € 9 million year-on-year to € 113 million. Higher income from cash management was offset by a decline in investment banking resulting from lower bond issuance volumes, reduced income from the securities business due to lower volumes and margins, as well as the reclassification of income items from the securities business with institutional customers as net trading income. In addition, income generated by Kathrein Privatbank AG in the securities business decreased € 1 million.

Net trading income increased € 44 million to € 122 million. Higher volumes in business with institutional investors had a positive impact, while losses resulted from the abolition of the minimum exchange rate for the Swiss franc in the previous year. Despite the

withdrawal from individual markets and discontinuation of business with specific customer groups, a slight increase was also reported in banknote trading due to improved margins.

Recurring other net operating income declined € 5 million to € 9 million due to lower sundry operating income.

General administrative expenses

General administrative expenses declined 2 per cent, or € 4 million, to € 211 million. The cost/income ratio decreased 5.9 percentage points year-on-year to 69.0 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses amounted to € 34 million in the reporting period after a net amount of € 7 million was released in the previous year. Non-performing loans (including to banks) declined € 284 million to € 131 million. The proportion of non-performing loans in relation to the segment's total credit exposure amounted to 1.9 per cent. The NPL coverage ratio amounted to 71.9 per cent.

Other results and taxes

Other results declined € 10 million year-on-year to € 6 million due to a lower valuation result for bonds. This contrasted with increased net income from derivative financial instruments resulting from the interest rate development. The expenses for bank levies reported in the segment amounted to € 21 million, a year-on-year increase of € 3 million.

Income tax expense posted an income-related decline of 32 per cent, or € 7 million, to € 15 million. The effective tax rate in the reporting period was 23 per cent.

Corporate Center

in € million	2016	2015	Change	Q4/2016	Q3/2016	Change
Net interest income	362	1,124	(67.8)%	23	88	(73.4)%
Net fee and commission income	42	17	138.7%	20	13	47.1%
Net trading income	(26)	(147)	(82.6)%	2	(9)	–
Recurring other net operating income	114	154	(25.7)%	28	31	(9.4)%
Operating income	**492**	**1,148**	**(57.2)%**	**73**	**123**	**(40.8)%**
General administrative expenses	(326)	(306)	6.6%	(80)	(68)	18.3%
Operating result	**166**	**842**	**(80.3)%**	**(7)**	**56**	**–**
Net provisioning for impairment losses	(9)	(23)	(59.3)%	(1)	2	–
Other results	(221)	(226)	(2.5)%	(56)	(78)	(27.7)%
Profit/loss before tax	**(64)**	**593**	**–**	**(65)**	**(21)**	**212.7%**
Income taxes	32	22	45.7%	18	7	171.5%
Profit/loss after tax	**(33)**	**614**	**–**	**(46)**	**(14)**	**232.6%**
Risk-weighted assets (total RWA)	13,990	14,777	(5.3)%	13,990	14,136	(1.0)%
Assets	20,936	27,287	(23.3)%	20,936	22,249	(5.9)%

This segment principally comprises net income from Group head office governance functions and from other Group units. As a result, its net income is generally more volatile. Profit before tax significantly declined – by € 657 million – in 2016. Operating income mainly decreased due to lower dividend income. Net income from derivatives and liabilities declined, while there was an increase in net income from financial investments and net income from the disposal of Group assets.

Operating income

Net interest income fell 68 per cent year-on-year, or € 762 million, to € 362 million. This was mainly due to a decline of € 604 million in dividend income from the Central and Eastern European Group units, after higher dividends were received in the previous year, particularly from Russia (€ 479 million) and Croatia (€ 84 million). Interest income from intra-Group refinancing also declined due to the decreasing financing volumes.

In contrast, net fee and commission income increased € 24 million year-on-year to € 42 million. This increase mainly resulted from higher income from cash management, while net fee and commission income from the loan and guarantee business declined due to lower volumes

Net trading income improved 83 per cent year-on-year, or € 122 million, to minus € 26 million. This was mainly due to a loss of € 70 million from a hedging transaction for dividend income in Russian roubles, booked in the previous year, and lower currency-related valuation losses from a property company.

Recurring other net operating income fell 26 per cent, or € 40 million, to € 114 million. This decline primarily resulted from lower income from intra-Group service charges.

General administrative expenses

General administrative expenses increased 7 per cent, or € 20 million, to € 326 million. This was largely driven by higher staff expenses and the allocation of the contribution to the bank resolution fund to the segment.

Net provisioning for impairment losses

Net provisioning for impairment losses amounted to € 9 million in the reporting period, after a provisioning requirement of € 23 million for corporate customers at Group head office in the previous year.

Other results and taxes

Other results improved € 6 million to minus € 221 million.

Net income from the disposal of Group assets amounted to € 11 million in the reporting period, after a negative amount of € 49 million – mainly as a result of a provision booked for the sale of Raiffeisen Banka d.d., Maribor (€ 52 million) – was reported in the previous year.

The segment reported expenses for bank levies of € 42 million, which was € 7 million lower than in the comparable period in the previous year.

The negative development of net income from derivatives and liabilities, as a result of the valuation of bank book derivatives and own issues, contrasted with improved net income from financial investments.

Tax income of € 32 million was posted in the segment in the reporting period after € 22 million in the previous year.

Non-Core

in € million	2016	2015	Change	Q4/2016	Q3/2016	Change
Net interest income	331	385	(14.1)%	77	91	(15.6)%
Net fee and commission income	154	172	(10.3)%	35	38	(7.5)%
Net trading income	(5)	1	–	(6)	(1)	>500.0%
Recurring other net operating income	0	19	–	(7)	7	–
Operating income	**480**	**577**	**(16.8)%**	**98**	**135**	**(27.0)%**
General administrative expenses	(406)	(462)	(12.3)%	(85)	(111)	(23.9)%
Operating result	**74**	**114**	**(35.4)%**	**13**	**23**	**(41.9)%**
Net provisioning for impairment losses	(255)	(375)	(31.9)%	(68)	(38)	76.5%
Other results	(22)	(2)	>500.0%	(14)	(17)	(19.2)%
Profit/loss before tax	**(203)**	**(263)**	**(22.7)%**	**(68)**	**(32)**	**110.7%**
Income taxes	(41)	(24)	72.5%	(8)	(4)	104.8%
Profit/loss after tax	**(244)**	**(286)**	**(14.9)%**	**(76)**	**(36)**	**110.1%**
Risk-weighted assets (total RWA)	7,235	10,611	(31.8)%	7,235	9,272	(22.0)%
Assets	13,828	18,835	(26.6)%	13,828	16,130	(14.3)%
Net interest margin (average interest-bearing assets)	2.12%	2.01%	0.11 PP	2.12%	2.31%	(0.19) PP

The Non-Core segment encompasses those business areas which are to be sold or reduced in line with RBI's strategic review, as laid out in 2015. The sale of the Raiffeisen bank in Slovenia closed in June 2016, while the sale of Raiffeisen-Leasing Polska closed in December 2016. When RBI acquired Raiffeisen Bank Polska S.A. (Raiffeisen Polbank) in 2012, it made a commitment to the Polish regulatory authority (KNF) to list the shares of Raiffeisen Polbank on the Warsaw Stock Exchange with a free float of at least 15 per cent by 30 June 2016. In May 2016, the KNF agreed that RBI could satisfy this commitment by selling Raiffeisen Polbank to a listed Polish bank by the end of 2016. On 7 December 2016, the negotiations with Alior Bank S.A. regarding the sale of Raiffeisen Polbank's core banking business were terminated. RBI will now prepare the listing of 15 percent of Raiffeisen Polbank, as agreed with the KNF, while also working on rightsizing the business model.

The segment's profit before tax improved 23 percent to minus € 203 million. This mainly resulted from lower net provisioning for impairment losses on loans and advances, predominantly in Asia, and reduced general administrative expenses. Operating income declined as a result of the planned reduction in volumes.

Operating income

Net interest income was down 14 per cent year-on-year, or € 54 million, to € 331 million. Asia reported the largest decline, with a volume-related reduction of 56 per cent, or € 47 million, to € 37 million. The € 7 million decrease in Slovenia is attributable to

the sale of the Slovenian Raiffeisen bank. Net interest income in the US declined € 11 million to € 14 million due to the planned reduction in business volumes. In contrast, in Poland, repricing measures in the deposit business increased net interest income by 4 per cent, or € 9 million, to € 262 million. The net interest margin improved 11 basis points to 2.12 per cent.

Net fee and commission income declined 10 per cent year-on-year, or € 18 million, to € 154 million. Net income from the loan and guarantee business decreased € 12 million to € 22 million as a result of lower volumes, primarily in Asia, Slovenia and Poland. Net income from the foreign currency, notes/coins, and precious metals business fell € 5 million to € 68 million due to a reduction of income in Poland. Net income from the payment transfer business dropped € 4 million, primarily in Asia and Slovenia. In contrast, net income from the sale of own and third party products increased € 4 million to € 27 million, mainly in Poland.

Net trading income was down € 5 million year-on-year to minus € 5 million. Net income from currency-based transactions declined € 3 million due to valuation losses on foreign currency positions in Poland. Net income from interest-based transactions declined € 3 million, primarily in Poland.

Recurring other net operating income declined € 20 million to almost zero due to losses from the disposal of tangible and intangible fixed assets in Poland (negative impact of € 5 million), lower income from the allocation and release of other provisions (down € 5 million), higher other operating expenses (up € 8 million), especially in Poland, and lower net income from non-banking activities (down € 4 million).

General administrative expenses

General administrative expenses dropped 12 per cent, or € 57 million, to € 406 million. Staff expenses decreased 6 per cent, or € 11 million, to € 187 million, primarily due to the windown in Asia and the sale of the subsidiary bank in Slovenia. Other administrative expenses declined 22 per cent, or € 44 million, to € 154 million. This decrease was based on lower deposit insurance fees due to an exceptional payment relating to the default of a Polish bank in the previous year. Furthermore, a one-off payment was made in the previous year to a mortgage borrowers' support fund in Poland. Depreciation of tangible and intangible fixed assets fell 3 per cent, or € 2 million, to € 65 million. The Polbank brand's residual value of € 26 million was written off in the reporting year due to the results of the endeavors to sell the company. In the previous year, a partial impairment of € 21 million was recognized in relation to the Polbank brand. Depreciation of tangible fixed assets, in contrast, was lower. The number of business outlets fell by 73 to 305, with most of the decline occurring in Poland (down 58) and Slovenia (down 13). The cost/income ratio rose 4.4 percentage points to 84.6 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses declined 32 per cent year-on-year, or € 120 million, to € 255 million. This development was mainly attributable to Asia, where net provisioning for loans to large corporate customers declined € 118 million to € 179 million. Net provisioning for impairment losses in Poland fell € 4 million year-on-year to € 40 million. This was primarily due to an improvement in the credit risk situation of corporate customers. In Slovenia, a net amount of € 2 million in provisions was released before the bank was sold in the middle of the year, as compared to the previous year when net provisioning was € 19 million. In the US, net provisioning for corporate customers who had already defaulted amounted to € 36 million (up € 23 million).

The portfolio of non-performing loans decreased € 268 million since the start of the year to € 1,634 million, with a decline of € 222 million on a currency-adjusted basis. The largest reduction was recorded in Slovenia (decline of € 121 million) due to the sale of the Slovenian subsidiary bank. In Poland, the decline was € 38 million, € 37 million in the US, and € 29 million in Asia. The proportion of non-bank non-performing loans in the segment's loan portfolio increased 2.3 percentage points year-on-year to 17.7 per cent. The NPL coverage ratio rose 4.2 percentage points to 66.6 per cent.

Other results and taxes

The segment's other results fell € 19 million year-on-year to minus € 22 million. Expenses of € 34 million for the newly-introduced bank levy in Poland had a negative impact. Net income from financial investments primarily increased due to € 22 million resulting from the sale of Visa Europe Ltd. shares to Visa Inc. (in Poland: € 18 million, ZUNO BANK AG: € 4 million).

Tax expense increased 73 per cent year-on-year, or € 17 million, to € 41 million as a result of the write off of tax assets from prior periods in Poland. The effective tax rate for the segment was 20 per cent.

Selected detailed results:

2016 in € million	Asia	Poland	USA
Net interest income	37	262	14
Net fee and commission income	4	145	3
Net trading income	(12)	6	0
Recurring other net operating income	(1)	(1)	1
Operating income	**28**	**414**	**18**
General administrative expenses	(46)	(304)	(16)
Operating result	**(18)**	**109**	**2**
Net provisioning for impairment losses	(179)	(40)	(36)
Other results	(1)	(22)	(3)
Profit/loss before tax	**(198)**	**47**	**(37)**
Income taxes	(1)	(41)	2
Profit/loss after tax	**(199)**	**6**	**(35)**
Risk-weighted assets (total RWA)	395	6,315	347
Assets	852	12,055	262
Loans and advances to customers	625	8,070	76
hereof corporate %	100.0%	30.8%	100.0%
hereof retail %	0.0%	68.9%	0.0%
hereof foreign currency %	3.5%	58.4%	0.0%
Deposits from customers	4	8,284	0
Loan/deposit ratio (net)	–	92.7%	–
Equity	–	1,423	13
Return on equity before tax	–	3.0%	–
Return on equity after tax	–	0.4%	–
Cost/income ratio	164.1%	73.6%	88.3%
Net interest margin (average interest-bearing assets)	2.92%	1.99%	3.53%
Employees as at reporting date	108	4,242	32
Business outlets	3	299	1
Customers	60	816,413	34

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

Consolidated financial statements

Statement of comprehensive income	86
Statement of financial position	89
Statement of changes in equity	90
Statement of cash flows	91
Segment reporting	93
Notes	100
Risk report	148
Auditor's report	233
Statement of all legal representatives	239

Statement of comprehensive income

Income statement

in € thousand	Notes	2016	2015	Change
Interest income		4,043,862	4,916,202	(17.7)%
Interest expenses		(1,108,433)	(1,589,552)	(30.3)%
Net interest income	**[2]**	**2,935,429**	**3,326,650**	**(11.8)%**
Net provisioning for impairment losses	[3]	(754,387)	(1,263,802)	(40.3)%
Net interest income after provisioning		**2,181,042**	**2,062,847**	**5.7%**
Fee and commission income		1,997,477	1,987,107	0.5%
Fee and commission expense		(500,633)	(467,913)	7.0%
Net fee and commission income	**[4]**	**1,496,844**	**1,519,193**	**(1.5)%**
Net trading income	[5]	214,586	16,415	>500.0%
Net income from derivatives and liabilities	[6]	(188,752)	(4,272)	>500.0%
Net income from financial investments	[7]	152,940	68,448	123.4%
General administrative expenses	[8]	(2,848,228)	(2,913,986)	(2.3)%
Other net operating income	[9]	(141,749)	(78,810)	79.9%
Net income from disposal of group assets	[10]	18,914	41,111	(54.0)%
Profit/loss before tax		**885,598**	**710,946**	**24.6%**
Income taxes	[11]	(311,982)	(275,955)	13.1%
Profit/loss after tax		**573,615**	**434,991**	**31.9%**
Profit attributable to non-controlling interests	[32]	(110,512)	(56,142)	96.8%
Consolidated profit/loss		**463,104**	**378,850**	**22.2%**

Earnings per share

in € thousand	2016	2015
Consolidated profit/loss	463,104	378,850
Average number of ordinary shares outstanding in thousand	292,447	292,414
Earnings per share in €	**1.58**	**1.30**

Earnings per share are obtained by dividing consolidated profit/loss by the average number of common shares outstanding.

There were no conversion rights or options outstanding, hence a dilution of earnings per share did not take place.

Other comprehensive income and total comprehensive income

in € thousand	Total 2016	Total 2015	Group equity 2016	Group equity 2015	Non-controlling interests 2016	Non-controlling interests 2015
Profit/loss after tax	**573,615**	**434,991**	**463,104**	**378,850**	**110,512**	**56,142**
Items which are not reclassified to profit and loss	**2,028**	**2,205**	**2,028**	**2,205**	**0**	**0**
Remeasurements of defined benefit plans	2,704	2,941	2,704	2,941	0	0
Deferred taxes on items which are not reclassified to profit and loss	(676)	(735)	(676)	(735)	0	0
Items that may be reclassified subsequently to profit or loss	**187,598**	**(55,474)**	**201,682**	**(49,740)**	**(14,085)**	**(5,734)**
Exchange differences	291,039	(194,064)	299,257	(185,071)	(8,218)	(8,993)
Capital hedge	(43,445)	90,316	(43,445)	90,316	0	0
Net gains (losses) on derivatives hedging fluctuating cash flows[1]	5,788	(436)	6,449	1,478	(661)	(1,914)
Net gains (losses) on financial assets available-for-sale	(77,321)	82,418	(70,428)	75,640	(6,893)	6,778
Deferred taxes on income and expenses directly recognized in equity	11,536	(33,708)	9,849	(32,103)	1,687	(1,606)
Other comprehensive income	**189,626**	**(53,269)**	**203,710**	**(47,535)**	**(14,085)**	**(5,734)**
Total comprehensive income	**763,241**	**381,722**	**666,814**	**331,315**	**96,427**	**50,408**

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

Other comprehensive income

According to IAS 19, revaluations of defined benefit plans are to be shown in other comprehensive income. This resulted in other comprehensive income of € 2,704 thousand in the reporting year (2015: € 2,941 thousand).

Positive exchange rate differences are derived primarily from the upward revaluation of the Russian rouble, generating a gain of € 347,933 thousand, whereas the devaluation of the Polish zloty led to a reduction of € 48,582 thousand. Due to disposals of Group assets, losses of € 10,860 thousand (2015: losses of € 4,018 thousand) were reclassified to the income statement in the reporting year.

The capital hedge comprises hedges for investments in economically independent operations. The negative result of € 43,445 thousand posted in the 2016 financial year is attributable to the partial hedging of the net investments in Russia and Poland and the corresponding currency developments in these countries.

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

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

The components of retained earnings developed as follows:

in € thousand	Remeasure-ments reserve	Exchange differences	Capital hedge	Hyper-inflation	Cash flow hedge[1]	Fair value reserve (AfS financial assets)	Deferred taxes
As at 1/1/2015	**(15,472)**	**(3,062,227)**	**79,614**	**175,012**	**(26,903)**	**36,674**	**307,359**
Unrealized net gains (losses) of the period	2,941	(189,089)	90,316	0	399	75,624	(32,835)
Net gains (losses) reclassified to income statement	0	4,018	0	0	1,079	15	(3)
As at 31/12/2015	**(12,532)**	**(3,247,298)**	**169,930**	**175,012**	**(25,425)**	**112,314**	**274,521**
Unrealized net gains (losses) of the period	2,704	284,008	(43,445)	0	6,449	51,858	(8,370)
Net gains (losses) reclassified to income statement	0	15,249	0	0	0	(122,286)	17,543
As at 31/12/2016	**(9,827)**	**(2,948,041)**	**126,486**	**175,012**	**(18,977)**	**41,886**	**283,694**

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

Quarterly results

in € thousand	Q1/2016	Q2/2016	Q3/2016	Q4/2016
Net interest income	717,637	737,676	731,862	748,254
Net provisioning for impairment losses	(105,588)	(297,273)	(100,039)	(251,486)
Net interest income after provisioning	**612,048**	**440,403**	**631,824**	**496,767**
Net fee and commission income	346,857	372,459	377,946	399,582
Net trading income	28,271	56,127	51,809	78,378
Net income from derivatives and liabilities	(27,480)	(34,495)	(71,382)	(55,395)
Net income from financial investments	26,201	145,086	(5,708)	(12,639)
General administrative expenses	(718,000)	(694,356)	(687,156)	(748,716)
Other net operating income	(40,651)	(60,685)	(5,619)	(34,795)
Net income from disposal of group assets	1,786	(3,429)	3,980	16,578
Profit/loss before tax	**229,033**	**221,109**	**295,695**	**139,761**
Income taxes	(91,209)	(91,259)	(83,558)	(45,956)
Profit/loss after tax	**137,824**	**129,850**	**212,137**	**93,804**
Profit attributable to non-controlling interests	(23,550)	(34,006)	(28,456)	(24,500)
Consolidated profit/loss	**114,273**	**95,845**	**183,681**	**69,304**

in € thousand	Q1/2015	Q2/2015	Q3/2015	Q4/2015
Net interest income	819,975	861,070	813,710	831,896
Net provisioning for impairment losses	(260,411)	(343,430)	(190,800)	(469,160)
Net interest income after provisioning	**559,564**	**517,639**	**622,910**	**362,735**
Net fee and commission income	359,629	385,049	384,103	390,413
Net trading income	(62,087)	63,788	(13,934)	28,647
Net income from derivatives and liabilities	19,660	(29,411)	20,318	(14,839)
Net income from financial investments	64,027	(2,946)	7,394	(27)
General administrative expenses	(690,718)	(697,108)	(713,126)	(813,033)
Other net operating income	(62,996)	33,367	(64,299)	15,117
Net income from disposal of group assets	588	(2,989)	9,638	33,874
Profit/loss before tax	**187,667**	**267,389**	**253,002**	**2,888**
Income taxes	(87,691)	(53,311)	(51,502)	(83,451)
Profit/loss after tax	**99,976**	**214,078**	**201,500**	**(80,563)**
Profit attributable to non-controlling interests	(16,609)	(21,703)	(15,762)	(2,068)
Consolidated profit/loss	**83,367**	**192,376**	**185,738**	**(82,631)**

Statement of financial position

Assets in € thousand	Notes	2016	2015	Change
Cash reserve	[13, 33]	12,242,415	13,211,971	(7.3)%
Loans and advances to banks	[14, 33, 49]	9,900,012	10,837,209	(8.6)%
Loans and advances to customers	[15, 33, 49]	70,514,116	69,921,365	0.8%
Impairment losses on loans and advances	[16, 33]	(4,955,132)	(6,055,134)	(18.2)%
Trading assets	[17, 33, 49]	4,986,462	5,814,108	(14.2)%
Derivatives	[18, 33, 49]	1,428,639	1,573,637	(9.2)%
Financial investments	[19, 33, 49]	14,639,012	15,243,635	(4.0)%
Intangible fixed assets	[20, 22, 33]	598,402	620,912	(3.6)%
Tangible fixed assets	[21, 22, 33]	1,393,358	1,473,291	(5.4)%
Other assets	[23, 33, 49]	1,116,561	1,785,589	(37.5)%
Total assets		**111,863,845**	**114,426,583**	**(2.2)%**

Equity and liabilities in € thousand	Notes	2016	2015	Change
Deposits from banks	[24, 33, 49]	12,816,475	16,369,175	(21.7)%
Deposits from customers	[25, 33, 49]	71,538,226	68,990,887	3.7%
Debt securities issued	[26, 33, 49]	6,645,127	7,501,593	(11.4)%
Provisions for liabilities and charges	[27, 33, 49]	756,252	813,823	(7.1)%
Trading liabilities	[28, 33, 49]	5,119,743	5,091,510	0.6%
Derivatives	[29, 33, 49]	786,949	984,299	(20.0)%
Other liabilities	[30, 33, 49]	765,251	2,009,976	(61.9)%
Subordinated capital	[31, 33, 49]	4,203,693	4,164,353	0.9%
Equity	[32, 33]	9,232,130	8,500,967	8.6%
Consolidated equity		8,187,672	7,587,555	7.9%
Consolidated profit/loss		463,104	378,850	22.2%
Non-controlling interests		581,353	534,562	8.8%
Total equity and liabilities		**111,863,845**	**114,426,583**	**(2.2)%**

Statement of changes in equity

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Total
Equity 1/1/2015	**891,742**	**4,991,269**	**2,417,002**	**(616,849)**	**494,561**	**8,177,725**
Capital increases/decreases	0	0	0	0	62,670	62,670
Transferred to retained earnings	0	0	(616,849)	616,849	0	0
Dividend payments	0	0	0	0	(50,516)	(50,516)
Total comprehensive income	0	0	(47,535)	378,850	50,408	381,722
Own shares/share incentive program	144	2,604	0	0	0	2,748
Other changes	0	0	(50,822)	0	(22,561)	(73,383)
Equity as at 31/12/2015	**891,886**	**4,993,872**	**1,701,796**	**378,850**	**534,562**	**8,500,967**
Capital increases/decreases	0	0	0	0	0	0
Transferred to retained earnings	0	0	378,850	(378,850)	0	0
Dividend payments	0	0	0	0	(40,272)	(40,272)
Total comprehensive income	0	0	203,710	463,104	96,427	763,241
Own shares/share incentive program	144	297	(441)	0	0	0
Other changes	0	0	17,558	0	(9,364)	8,193
Equity as at 31/12/2016	**892,031**	**4,994,169**	**2,301,473**	**463,104**	**581,353**	**9,232,130**

The item "Own shares/share incentive program" shows adjustments arising from the transfer of 47,318 own shares from a SIP tranche and other results related to the SIP program. The premium of the own shares has been deducted from retained earnings.

Further details about the changes shown above are reported in the notes under (32) Equity.

Statement of cash flows

in € thousand	Notes	2016	2015
Profit/loss after tax		**573,615**	**434,991**
Non-cash positions in profit/loss and transition to net cash from operating activities:			
Write-downs/write-ups of tangible fixed assets and financial investments	[7, 8, 20, 22]	338,745	325,974
Net provisioning for liabilities and charges and impairment losses	[3, 9, 27, 42]	1,109,023	1,515,939
Gains (losses) from disposals of tangible fixed assets and financial investments	[7, 9]	(177,926)	(78,297)
Other adjustments (net)		383,742	(1,186,118)
Subtotal		**2,227,199**	**1,012,490**
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:			
Loans and advances to banks and customers	[12, 14, 15]	(1,213,085)	11,775,004
Trading assets/trading liabilities (net)	[12, 17, 18, 28, 39]	1,020,621	530,573
Other assets/other liabilities (net)	[12, 19, 23, 30]	391,693	(3,344,951)
Deposits from banks and customers	[12, 24, 25]	(2,478,377)	(1,264,869)
Usage of provisions	[27, 42]	(370,989)	(402,989)
Debt securities issued	[26, 35]	(719,167)	(3,289,354)
Net cash from operating activities		**(1,142,106)**	**5,015,904**
Proceeds from sale of:			
Financial investments	[7, 19]	1,901,163	3,932,588
Tangible and intangible fixed assets	[9, 20, 21, 22]	212,390	173,022
Proceeds from disposal of group assets	[10, 52]	203,952	105,468
Payments for purchase of:			
Financial investments	[19]	(1,854,866)	(2,084,588)
Tangible and intangible fixed assets	[22]	(363,380)	(328,070)
Payments for acquisition of subsidiaries	[19, 52]	0	(494)
Net cash from investing activities		**99,258**	**1,797,926**
Capital increases	[32]	0	62,670
Inflows/outflows of subordinated capital	[31]	(103,812)	(36,574)
Dividend payments	[32]	(40,272)	(50,516)
Change in non-controlling interests	[32]	0	(48,673)
Net cash from financing activities		**(144,084)**	**(73,093)**

in € thousand		2016	2015
Cash and cash equivalents at the end of previous period[1]	**[12, 13]**	**13,482,547**	**6,768,685**
Cash and cash equivalents from disposal of subsidiaries		(163,171)	0
Net cash from operating activities		(1,142,106)	5,015,904
Net cash from investing activities		99,258	1,797,926
Net cash from financing activities		(144,084)	(73,093)
Effect of exchange rate changes		109,970	(26,874)
Cash and cash equivalents at the end of period	**[12, 13]**	**12,242,415**	**13,482,547**

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

Payments for taxes, interest and dividends		2016	2015
Interest received	[2]	3,788,115	4,554,983
Dividends received	[2]	86,462	58,688
Interest paid	[2]	(1,096,390)	(1,566,966)
Income taxes paid	[11]	(411,932)	(281,142)

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

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

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

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

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

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

Segment reporting

Segment classification

Segmentation principles

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

Markets in Central and Eastern Europe are thereby grouped together into regional segments comprising countries with comparable economic profiles and similar long-term economic growth expectations. Business activities outside the CEE region are divided according to business area.

In order to achieve the maximum possible transparency and clear lines of reporting, seven segments were defined in accordance with the IFRS 8 thresholds. IFRS 8 establishes a 10 per cent threshold for the key figures of operating income, profit after tax and segment assets.

The following segments resulted thereof:

Central Europe

This segment encompasses the most advanced banking markets in Central and Eastern Europe, namely the EU members Czech Republic, Hungary and Slovakia. They are also the markets in which RBI has been operating the longest. In each of the countries, RBI is represented by a bank, leasing companies and other specialized financial institutions. In Slovakia, RBI is active in Corporate and Retail Customers business, including leasing. In retail business Tatra Banka is pursuing a multibrand strategy; besides the existing business outlets, outlets carrying the Raiffeisen brand are being further rolled out, with a focus on particular retail client groups. In the Czech Republic, RBI offers real estate leasing in addition to traditional banking services to corporate and retail customers. The focus is on broadening relationships with existing affluent customers. In Hungary, the Group provides services to private and corporate customers via the bank's countrywide network and also through leasing companies. The focus rests on corporate customers and affluent retail customers.

Southeastern Europe

The Southeastern Europe segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia. In these markets, RBI is represented by banks and leasing companies, as well as separate capital management and asset management companies and pension funds in some markets. In Albania and Bulgaria, financial services are offered across all business areas. In Kosovo, RBI also offers a comprehensive product range. In Bosnia and Herzegovina the emphasis is on small and medium-sized enterprises, while also including a wide range of products for retail customers. In Croatia the focus is on large and medium-sized corporate customers and also on retail customers (including pension funds business). In Romania a broad range of financial services is offered via a tightly knit branch network. Moreover, the Moldovan corporate customer market is also served from Romania. In Serbia, the market is serviced by a universal bank and a leasing company.

Eastern Europe

This segment comprises Belarus, Russia and Ukraine. In Belarus, RBI is represented by a bank and a leasing company, whilst in Kazakhstan it is represented in the leasing business. Raiffeisenbank Russia is one of the leading foreign banks in Russia and services both corporate and retail customers. The branch network also offers products targeted toward affluent retail customers and small and medium-sized entities, with the focus on large cities. Furthermore, RBI is active in the new issuance business. The product range in Russia is rounded off by leasing business. In Ukraine RBI is represented by a bank, a leasing company and a card-processing company and provides a full range of financial services via a tightly knit branch network.

Group Corporates

The Group Corporates segment covers business with Austrian and international corporate customers of RBI AG, which is managed from Vienna and grouped within the Corporate Customers profit center. These customers include Austria's largest companies and Western European multinational customers. The segment also contains the large corporate business with Central and Eastern European customers as well multinationals with CEE business, included in the Network Corporate Customers & Support profit center.

Group Markets

The Group Markets segment covers RBI AG's customer and proprietary business related to the capital market. Net income from currency, interest-based and securities trading as well as from trading in structured products for financial institutions is also allocated to this segment, as is proprietary business. The same applies to proprietary trading and market maker activities in Vienna. This segment includes net income from customer business, sales of all banking products and business relationships with banks, institutional customers, governments and local authorities. Furthermore, net income from Raiffeisen Centrobank arising from equity trading and capital market financing and from Kathrein Privatbank is also booked under this segment.

Corporate Center

The Corporate Center segment encompasses services provided by Group head office in various areas that serve to implement the Group's overall strategy and that are allocated to this segment to ensure comparability. Therefore, this segment includes the following areas: Liquidity management and balance sheet structure management as part of proprietary trading, equity participation management, the banking operations carried out by Group head office for financing Group units, the Austrian transaction and services business for financial services providers, as well as other companies outside the financial service provider business that do not fall directly under another segment.

Non-Core

The Non-Core segment includes all business activities which are to be sold, rescaled or exited as a result of the strategic review decided upon in February 2015. These include the countries Poland and Slovenia as well as the online bank ZUNO BANK AG and the business activities in Asia and the USA.

In Poland, in addition to the credit business with corporate customers and small and medium-sized enterprises (including leasing and factoring), the focus is also on retail banking and on business with affluent customers. On 7 December 2016, negotiations with Alior Bank over the sale of the core banking business of Raiffeisen Bank Polska S.A. Warsaw, were terminated. RBI will now prepare the stock exchange listing of 15 per cent of the shares of Raiffeisen Polbank agreed with the regulatory authority and is at the same time working on optimization of the business model. The successful sale of Raiffeisen Leasing Polska S.A., Warsaw, resulted in the deconsolidation of the corresponding units at the start of December 2016. In Slovenia, the Group now has one leasing company following closure of the sale of the Slovenian bank in June 2016. The business volume of the Slovenian leasing company is being reduced as scheduled. Corporate customer business in Asia is operated via the outlets in Singapore and China (including Hong Kong); here too, a complete winding down of business activities is in progress. In the USA, the business activities will also be wound down in the course of 2017. Following the unsuccessful sales process for ZUNO BANK AG, Vienna, parts of the existing business in the Czech Republic and Slovakia will be integrated into the subsidiary banks in those countries. Conclusion of this integration process is planned for mid-2017.

Assessment of segment profit and loss

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

The governance of the separate segments is based on key indicators relating to profitability, growth, efficiency, constraints and business mix parameters. The target values of the separate key indicators are determined according to the specific market environment and adapted when necessary.

The performance of CGUs is evaluated as follows:

- **Profitability**

  Profitability is measured by the return on equity (ROE) and return on risk-adjusted capital (RORAC) based on the internal management systems. The return on equity shows the profitability of a CGU and is calculated as the ratio of profit/loss after deduction of non-controlling interests to average consolidated equity employed. The return on equity reflects the yield of the capital of each segment. The calculation of the RORAC incorporates risk-adjusted capital, which reflects the capital necessary in case of possible unexpected losses. In RBI this capital requirement is calculated within the economic capital model for credit, market and operational risk. This ratio shows the yield on the risk-adjusted equity (economic capital), but is not an indicator pursuant to IFRS. Within the different countries and business lines the actual RORAC generated is compared with the respective predetermined minimal value (RORAC hurdle), which reflects appropriate market yield expectations.

- **Efficiency**

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

- **Constraints**

  In accordance with the Basel III framework, specific legal regulations have to be considered. The proportion of common equity tier 1 capital to total risk-weighted assets (common equity tier 1 ratio) is for example an important indicator of whether the underlying capital is adequate for the business volume. Industry sector specifics lead to different risk weights within the calculation of risk-weighted assets according to CRR. These factors are crucial for the calculation of the regulatory minimum total capital requirements. In addition, as part of the annual Supervisory Review and Evaluation Process (SREP), the ECB stipulates in a notification that additional CET1 capital must be held in order to cover those risks which are not considered or are insufficiently considered in Pillar I. The efficient use of the available capital is calculated internally, whereby the actual usage is compared to the theoretically available risk coverage capital. The long-term liquidity ratios are also restrictive and are defined in accordance with the regulatory requirements.

- **Business Mix**

  The following key performance indicators are relevant in ensuring a reasonable and sustainable business structure, whereby the composition of the results and the underlying portfolio parameters are of significance. The structure of the primary funding basis for loans and advances to customers is measured using the loan/deposit ratio (net) which is the proportion of loans and advances to customers less impairment losses to deposits from customers (each less claims and obligations from (reverse) repurchase agreements and securities lending). The share of the result derived from the core business is also relevant. The net interest margin is calculated based on average interest-bearing assets. The proportion of the net fee and commission income to operating income is also a key performance indicator, which is included in the target setting for the business mix.

The presentation of segment performance is based on the income statement and geared to the reporting structure internally used. Income and expenses are attributed to the country and/or business area in which they are generated. Operating income positions are the net interest income, net fee and commission income, net trading income and the recurring other net operating income. The other results include the net income from financial investments, the net income from derivatives and liabilities, the net income from disposal of group assets, the bank levies, the impairment of goodwill, the release of negative goodwill and the profit/loss from banking business due to governmental measures which is shown in sundry operating expenses. The segment result is shown up to the profit/loss after deduction of non-controlling interests. The segment assets are represented by the total assets and the risk-weighted assets. The item liabilities includes all positions from the liabilities side of the statement of financial position except the equity. The reconciliation includes mainly the amounts resulting from the elimination of intra-group results and consolidation between the segments. This is supplemented with financial ratios conventionally used within the industry to evaluate performance. The values shown in the segment reporting are for the most part taken from the IFRS individual financial statements which are also used for the compilation of the consolidated financial statements. In some units profit center results are taken from the internal management income statement.

1/1-31/12/2016 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates	Group Markets
Net interest income	629,441	738,218	866,320	312,548	62,343
Net fee and commission income	382,804	390,478	391,394	59,892	112,817
Net trading income	28,412	53,738	64,236	7,735	122,205
Recurring other net operating income	(24,246)	20,519	(7,031)	1,846	9,184
Operating income	**1,016,411**	**1,202,953**	**1,314,919**	**382,021**	**306,549**
General administrative expenses	(643,316)	(673,897)	(518,868)	(152,898)	(211,428)
Operating result	**373,095**	**529,056**	**796,051**	**229,123**	**95,121**
Net provisioning for impairment losses	(38,172)	(174,928)	(163,367)	(74,383)	(34,224)
Other results	19,434	8,499	16,587	(4,368)	5,874
Profit/loss before tax	**354,356**	**362,627**	**649,271**	**150,373**	**66,771**
Income taxes	(63,524)	(61,919)	(125,685)	(36,505)	(15,279)
Profit/loss after tax	**290,833**	**300,708**	**523,586**	**113,868**	**51,492**
Profit attributable to non-controlling interests	(54,155)	(78)	(53,152)	(1,783)	0
Profit/loss after deduction of non-controlling interests	**236,678**	**300,630**	**470,434**	**112,085**	**51,492**
Risk-weighted assets (credit risk)	11,552,673	11,824,716	8,784,261	8,543,021	1,735,284
Risk-weighted assets (total RWA)	13,564,023	14,202,875	11,535,963	9,207,993	3,210,704
Total capital requirement	1,085,122	1,136,230	922,877	736,639	256,856
Assets	29,492,206	22,694,168	15,290,907	15,201,027	12,148,915
Liabilities	26,930,630	19,714,884	12,774,075	11,863,986	13,936,837
Net interest margin (average interest-bearing assets)	2.31%	3.55%	6.60%	2.16%	0.60%
NPL ratio	5.5%	10.5%	14.7%	4.6%	1.9%
NPL coverage ratio	71.0%	79.7%	85.7%	65.9%	71.9%
Cost/income ratio	63.3%	56.0%	39.5%	40.0%	69.0%
Provisioning ratio (average loans and advances to customers)	0.20%	1.32%	1.61%	0.52%	1.44%
Average equity	1,854,661	1,957,229	1,573,106	1,195,809	496,569
Return on equity before tax	**19.1%**	**18.5%**	**41.3%**	**12.6%**	**13.4%**
Business outlets	410	1,014	771	1	5

Significant changes in profit/loss are described below:

In Central Europe, RBI increased total assets through greater new business generation, especially in the Czech Republic and Slovakia. An additional increase resulted from the acquisition of Citibank's retail and credit card business in the Czech Republic (€ 669 million), which included a retail loan portfolio of € 201 million. The low level of interest rates, however, continued to negatively impact operating income. Lower net provisioning for impairment losses in all countries in the segment as well as income from the sale of Visa Europe Ltd. shares to Visa Inc. led to a significant improvement in profit before tax, which rose € 44 million year-on-year to € 354 million.

Net income in the Southeastern Europe segment improved, mainly due to the proceeds from the sale of Visa shares (€ 38 million) and a € 50 million reduction in the negative impact of banking business costs following governmental measures. In the reporting year, a new mortgage loan law in Romania resulted in expenses of € 27 million, while expenses of € 77 million had to be booked in the previous year in connection with the conversion of Swiss franc loans in Croatia.

As in 2015, the Eastern Europe segment was again affected by a high level of currency volatility in the reporting period. The average exchange rate of the Russian rouble was 7 per cent lower year-on-year, while the Ukrainian hryvnia and Belarusian rouble were down 15 and 20 per cent respectively. In Ukraine, net trading income increased € 85 million due to the more limited depreciation of the Ukrainian hryvnia compared to the prior year, and an improved result from foreign currency positioning. There were releases of provisions for impairment losses as a result of the improvement in the risk situation, after very high provisioning was still necessary in the comparable period in 2015 due to the political situation in the Donbass region. Profit before tax in Ukraine therefore increased € 241 million to € 150 million. In contrast, Russia reported a 16 per cent drop in profit before tax. A volume- and margin-related decline in net interest income was almost entirely offset by lower general administrative expenses and net provisioning for impairment losses; though in 2015, net income from the disposal of group assets of € 86 million was also recognized as a result of the sale of the Russian pension fund business, ZAO NPF Raiffeisen. In Belarus, profit fell year-on-year due to a valuation result from a foreign currency position recognized in the previous year and lower net income from proprietary trading.

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

Profit before tax in the Group Markets segment declined 29 per cent. This was mainly due to higher net provisioning for impairment losses. In contrast, operating income increased 32 per cent due to improved net trading income resulting from higher business volumes.

1/1-31/12/2016 in € thousand	Corporate Center	Non-Core	Reconciliation	Total
Net interest income	361,563	330,777	(365,781)	2,935,429
Net fee and commission income	41,535	154,035	(36,111)	1,496,844
Net trading income	(25,620)	(4,946)	(31,173)	214,586
Recurring other net operating income	114,388	(301)	(68,996)	45,364
Operating income	**491,866**	**479,564**	**(502,061)**	**4,692,222**
General administrative expenses	(325,950)	(405,719)	83,847	(2,848,228)
Operating result	**165,917**	**73,846**	**(418,214)**	**1,843,995**
Net provisioning for impairment losses	(9,388)	(255,145)	(4,780)	(754,387)
Other results	(220,785)	(21,741)	(7,511)	(204,010)
Profit/loss before tax	**(64,256)**	**(203,041)**	**(430,504)**	**885,598**
Income taxes	31,540	(40,609)	0	(311,982)
Profit/loss after tax	**(32,717)**	**(243,650)**	**(430,504)**	**573,615**
Profit attributable to non-controlling interests	(1,821)	(1)	478	(110,512)
Profit/loss after deduction of non-controlling interests	**(34,538)**	**(243,651)**	**(430,026)**	**463,104**
Risk-weighted assets (credit risk)	12,281,655	6,218,589	(12,098,954)	48,841,245
Risk-weighted assets (total RWA)	13,990,460	7,235,450	(12,886,823)	60,060,645
Total capital requirement	1,119,237	578,836	(1,030,946)	4,804,852
Assets	20,935,860	13,828,352	(17,727,590)	111,863,845
Liabilities	16,624,340	11,973,214	(11,186,251)	102,631,716
Net interest margin (average interest-bearing assets)	–	2.12%	–	2.78%
NPL ratio	–	17.7%	–	9.2%
NPL coverage ratio	–	66.6%	–	75.6%
Cost/income ratio	66.3%	84.6%	–	60.7%
Provisioning ratio (average loans and advances to customers)	–	2.31%	–	1.05%
Average equity	2,005,438	1,310,348	(1,822,371)	8,570,790
Return on equity before tax	**–**	**–**	**–**	**10.3%**
Business outlets	0	305	–	2,506

Corporate Center principally comprises net income from Group head office governance functions and from other Group units. As a result, its net income is generally more volatile. In 2016 profit before tax declined € 657 million. Operating income decreased mainly due to lower dividend income. Net income from derivatives and liabilities declined compared to an increase in net income from financial investments and net income from the disposal of Group assets.

The Non-Core segment encompasses those business areas which are to be sold or reduced in line with RBI's strategic review, as laid out in 2015. The segment's profit before tax improved 23 percent to minus € 203 million. This mainly resulted from lower net provisioning for impairment losses on loans and advances predominantly in Asia and reduced general administrative expenses. Operating income declined as a result of the planned reduction in volumes.

Reconciliation comprises consolidation adjustments to reconcile segments with Group results. The financials of the reportable segments are shown after elimination of intra-segment items. However, the inter-segment items are eliminated in the reconciliation. The main eliminations are dividend payments to head office and inter-segment revenues charged and expenses carried by the head office.

1/1-31/12/2015 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates	Group Markets
Net interest income	654,409	780,220	948,557	325,711	74,144
Net fee and commission income	387,818	380,344	403,764	74,056	121,683
Net trading income	31,311	50,138	30,505	773	78,136
Recurring other net operating income	(25,404)	3,267	(21,597)	1,012	13,928
Operating income	**1,048,134**	**1,213,970**	**1,361,229**	**401,551**	**287,891**
General administrative expenses	(635,848)	(680,562)	(563,252)	(142,751)	(215,676)
Operating result	**412,286**	**533,408**	**797,978**	**258,800**	**72,215**
Net provisioning for impairment losses	(132,879)	(191,017)	(421,523)	(140,874)	6,587
Other results	30,536	(82,217)	173,060	(15,337)	15,421
Profit/loss before tax	**309,943**	**260,174**	**549,515**	**102,589**	**94,223**
Income taxes	(65,813)	(32,686)	(127,589)	(25,406)	(22,563)
Profit/loss after tax	**244,130**	**227,488**	**421,925**	**77,183**	**71,661**
Profit attributable to non-controlling interests	(57,375)	(1,181)	(4,773)	(1,091)	0
Profit/loss after deduction of non-controlling interests	**186,755**	**226,307**	**417,153**	**76,092**	**71,661**
Risk-weighted assets (credit risk)	10,761,209	11,491,224	9,588,789	7,770,899	1,634,033
Risk-weighted assets (total RWA)	12,909,877	13,967,653	11,641,878	8,590,224	3,781,066
Total capital requirement	1,032,790	1,117,412	931,350	687,218	302,485
Assets	26,877,762	22,120,394	14,179,099	13,873,346	13,460,865
Liabilities	24,449,729	19,174,229	12,458,753	12,207,042	19,229,383
Net interest margin (average interest-bearing assets)	2.67%	3.84%	6.14%	2.08%	0.77%
NPL ratio	7.1%	12.1%	18.9%	9.4%	5.7%
NPL coverage ratio	75.3%	71.6%	86.4%	56.7%	82.0%
Cost/income ratio	60.7%	56.1%	41.4%	35.5%	74.9%
Provisioning ratio (average loans and advances to customers)	0.71%	1.44%	3.54%	0.94%	(0.24)%
Average equity	1,697,586	1,737,542	1,640,918	1,098,732	548,184
Return on equity before tax	**18.3%**	**15.0%**	**33.5%**	**9.3%**	**17.2%**
Business outlets	395	1,064	862	1	5

1/1-31/12/2015 in € thousand	Corporate Center	Non-Core	Reconciliation	Total
Net interest income	1,123,763	384,908	(965,062)	3,326,650
Net fee and commission income	17,399	171,740	(37,612)	1,519,193
Net trading income	(147,131)	542	(27,859)	16,415
Recurring other net operating income	153,895	19,488	(78,096)	66,493
Operating income	**1,147,927**	**576,677**	**(1,108,629)**	**4,928,751**
General administrative expenses	(305,850)	(462,452)	92,405	(2,913,986)
Operating result	**842,077**	**114,225**	**(1,016,224)**	**2,014,765**
Net provisioning for impairment losses	(23,090)	(374,737)	13,731	(1,263,802)
Other results	(226,401)	(2,305)	67,225	(40,017)
Profit/loss before tax	**592,587**	**(262,817)**	**(935,269)**	**710,946**
Income taxes	21,644	(23,541)	0	(275,955)
Profit/loss after tax	**614,230**	**(286,358)**	**(935,269)**	**434,991**
Profit attributable to non-controlling interests	(18,500)	(9)	26,787	(56,142)
Profit/loss after deduction of non-controlling interests	**595,730**	**(286,366)**	**(908,481)**	**378,850**
Risk-weighted assets (credit risk)	13,707,964	9,192,475	(12,687,947)	51,458,646
Risk-weighted assets (total RWA)	14,777,339	10,611,238	(13,007,057)	63,272,218
Total capital requirement	1,182,187	848,899	(1,040,565)	5,061,777
Assets	27,287,163	18,834,740	(22,206,785)	114,426,583
Liabilities	17,009,804	17,147,627	(15,750,951)	105,925,617
Net interest margin (average interest-bearing assets)	–	2.01%	–	3.00%
NPL ratio	–	15.4%	–	11.9%
NPL coverage ratio	–	62.4%	–	71.3%
Cost/income ratio	26.6%	80.2%	–	59.1%
Provisioning ratio (average loans and advances to customers)	–	2.68%	–	1.64%
Average equity	2,039,659	1,459,596	(1,839,391)	8,382,827
Return on equity before tax	**29.1%**	**–**	**–**	**8.5%**
Business outlets	0	378	–	2,705

Notes

Principles underlying the preparation of financial statements

Reporting entity

Raiffeisen Bank International AG (RBI AG) is registered at the Vienna Commercial Court (Handelsgericht Wien) under Companies Register number FN 122.119m. The company address is at Am Stadtpark 9, 1030 Vienna. The consolidated financial statements are lodged with the Companies Register in accordance with Austrian disclosure regulations and published in the official journal of the Wiener Zeitung.

With a holding of just over 60 per cent, Raiffeisen Zentralbank Österreich AG (RZB AG) is the majority owner of RBI; the remaining shares are held in free float and are traded on the Vienna Stock Exchange. RZB AG is the central institution of the Austrian Raiffeisen Banking Group (RBG), the head of the RZB Group and also the service unit for RBG. At the end of September 2016, the ultimate parent company of RZB AG, Raiffeisen-Landesbanken-Holding GmbH, Vienna, and its 100 per cent subsidiary R-Landesbanken-Beteiligung GmbH, Vienna, in which 82.4 per cent of the shares in RZB AG were pooled, were merged into RZB AG. Accordingly, RZB AG serves, until its merger into RBI AG, as the ultimate parent company, and forms a consolidated group.

Raiffeisen Bank International (RBI) is a universal bank focusing on corporate and retail customers in Central and Eastern Europe (CEE) and exclusively on corporate customers in Austria. In CEE, RBI has a closely-knit network of subsidiary banks, leasing companies and numerous specialized financial service providers with around 2,500 business outlets. In Austria, RBI specializes in corporate banking and investment banking business. It is Austria's corporate finance bank and provides services to the country's top 1,000 companies. Numerous major international and multinational customers and financial firms also trust in its comprehensive service offering.

The consolidated financial statements were signed by the Management Board on February 28, 2017 and subsequently submitted for the notice of the Supervisory Board.

Principles underlying the consolidated financial statements

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

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

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

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

Foreign currency translation

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

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

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

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

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

The following exchange rates were used for currency translation:

	2016		2015	
Rates in units per €	**As at 31/12**	**Average 1/1-31/12**	**As at 31/12**	**Average 1/1-31/12**
Albanian lek (ALL)	135.400	137.299	137.280	139.668
Belarusian rouble (BYN)	2.068	2.186	2.030	1.758
Bosnian marka (BAM)	1.956	1.956	1.956	1.956
Bulgarian lev (BGN)	1.956	1.956	1.956	1.956
Croatian kuna (HRK)	7.560	7.544	7.638	7.621
Czech koruna (CZK)	27.021	27.041	27.023	27.305
Hungarian forint (HUF)	309.830	312.222	315.980	310.045
Kazakh tenge (KZT)	352.622	376.831	371.310	249.078
Malaysian ringgit (MYR)[1]	-	-	4.696	4.338
Polish zloty (PLN)	4.410	4.366	4.264	4.191
Romanian leu (RON)	4.539	4.496	4.524	4.444
Russian rouble (RUB)	64.300	73.876	80.674	69.043
Serbian dinar (RSD)	123.410	122.970	121.626	120.779
Singapore dollar (SGD)	1.523	1.526	1.542	1.529
Swiss franc (CHF)	1.074	1.090	1,084	1.075
Turkish lira (TRY)[1]	-	-	3.177	3.024
Ukrainian hryvnia (UAH)	28.599	28.214	26.223	24.016
US-Dollar (USD)	1.054	1.102	1.089	1.113

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

Key sources of estimation uncertainty and critical accounting judgments

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

Risk provisions for loans and advances

At each reporting date, all financial assets, not measured at fair value through profit or loss, are subject to an impairment test to determine whether an impairment loss is to be recognized through profit or loss. In particular, it is required to determine whether there is objective evidence of impairment as a result of a loss event occurring after initial recognition and to estimate the amount and timing of future cash flows when determining an impairment loss. Risk provisions are described in detail in the notes under (42) Risks arising from financial instruments, in the section on credit risk.

Fair value of financial instruments

Fair value is the price received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This applies regardless of whether the price can be directly observed or has been estimated on the basis of a measurement method. In determining the fair value of an asset or liability, the Group takes account of certain features of the asset or liability (e.g. condition and location of the asset or restrictions in the sale and use of an asset) if market participants would also take account of such features in determining the price for the acquisition of the respective asset or for the transfer of the liability at the measurement date. Where the market for a financial instrument is not active, fair value is established using a valuation technique or pricing model. For valuation methods and models, estimates are generally used depending on the complexity of the instrument and the availability of market-based data. The inputs to these models are derived from observable market data where possible. Under certain circumstances, valuation adjustments are necessary in order to account for model risk, liquidity risk or credit risk. The valuation models are described in the notes in the section on financial instruments – Recognition and measurement. In addition, the fair values of financial instruments are shown in the notes under (40) Fair value of financial instruments.

Provisions for pensions and similar obligations

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. The interest rate used to discount the Group's defined benefit obligations is determined on the basis of the yields obtained in the market at the balance sheet date for top-rated fixed-income corporate bonds. Considerable discretion has to be exercised in this connection in setting the criteria for the selection of the corporate bonds representing the universe from which the yield curve is derived. The main criteria for the selection of such corporate bonds are the issuance volumes of the bonds, the quality of the bonds and the identification of outliers, which are not taken into account. Mercer's recommendation is used to determine the interest rate. Assumptions and estimates used for the defined benefit obligation calculations are described in the section on pension obligations and other termination benefits. Quantitative data for long term employee provisions are disclosed in the notes under (27) Provisions for liabilities and charges.

Impairment of non-financial assets

Certain non-financial assets, including goodwill and other intangible assets, are subject to an annual impairment review. Goodwill and other intangible assets are tested more frequently if events or changes in circumstances, such as an adverse change in business climate, indicate that these assets may be impaired. The determination of the recoverable amount requires judgments and assumptions to be made by management. Because these estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change, the Group considers these estimates to be critical. Details concerning the impairment review of non-financial assets are disclosed in the section on business combinations. Additionally, the carrying amounts of goodwill are presented in the notes under (20) intangible assets.

Deferred tax assets

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

Deferred taxes are not reported separately in the income statement and statement of financial position. Details are provided in the statement of comprehensive income, and in (11) Income taxes, (23) Other assets, and (27) Provisions for liabilities and charges.

Leasing agreements

To distinguish between finance leases on the one hand and operating leases on the other, judgments have to be made from the view of the lessor, the criterion being the transfer of essentially all risks and opportunities from the lessor to the lessee. Details are provided in (44) Finance leases, and (45) Operating Leases.

Control

According to IFRS 10, a Group controls an investee if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 also provides specific information on the acknowledgement or assessment of potential voting rights, codecision rights or protective rights of third parties and constellations that are characterized by delegated or retained decision-making rights or de-facto control. Whether control exists requires a comprehensive assessment (i.e. requiring discretion) of the economic influence of the parent company over the investee. Details are provided in (52) Group composition.

Interests in structured entities

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

Assessment of which companies are structured entities, and what involvement in such companies actually represents an interest, requires judgments to be made. Details are provided in (52) Group composition, in the section on “Structured entities”.

Notes to the income statement

(1) Income statement according to measurement categories

in € thousand	2016	2015
Net gains (losses) on financial assets and liabilities held-for-trading	**214,447**	**105,649**
Financial assets and liabilities at fair value through profit or loss	**57,777**	**370,614**
Interest income	149,003	162,108
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	(91,226)	208,506
Financial assets available-for-sale	**153,400**	**47,182**
Interest income	28,301	87,651
Net realized gains (losses) on financial assets available-for-sale	148,984	2,664
Impairment on financial assets available-for-sale	(23,885)	(43,134)
Loans and advances	**2,723,634**	**2,776,114**
Interest income	3,477,104	4,039,632
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	10,008	10,724
Impairment on financial assets not measured at fair value through profit and loss	(763,478)	(1,274,243)
Financial assets held-to-maturity	**141,425**	**164,129**
Interest income	128,352	152,359
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	13,128	11,750
Write-ups/impairment on financial assets not measured at fair value through profit and loss	(55)	21
Financial liabilities	**(1,108,664)**	**(1,585,647)**
Interest expenses	(1,108,433)	(1,589,552)
Income from repurchase of liabilities	(230)	3,905
Derivatives (hedging)	**154,082**	**200,752**
Net interest income	160,449	194,763
Net gains (losses) from hedge accounting	(6,367)	5,989
Net revaluations from exchange differences	**23,715**	**64,645**
Sundry operating income and expenses	**(1,474,219)**	**(1,432,492)**
Profit/loss before tax	885,598	710,946

(2) Net interest income

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

in € thousand	2016	2015
Interest and interest-like income, total	**4,043,862**	**4,916,202**
Interest income	4,023,315	4,815,800
from balances at central banks	20,766	35,420
from loans and advances to banks	151,333	162,985
from loans and advances to customers	3,159,065	3,656,077
from financial investments	277,277	314,268
from leasing claims	153,773	172,598
from derivative financial instruments - economic hedge	100,653	279,689
from derivative financial instruments - hedge accounting	160,449	194,763
Current income	28,379	87,850
from shares and other variable-yield securities	78	198
from shares in affiliated companies	24,640	76,110
from other interests	3,661	11,541
Interest-like income	14,023	18,229
Negative interest from financial assets	(21,855)	(5,677)
Interest expenses and interest-like expenses, total	**(1,108,433)**	**(1,589,552)**
Interest expenses	(1,090,866)	(1,530,715)
on deposits from central banks	(14,358)	(53,964)
on deposits from banks	(161,976)	(190,163)
on deposits from customers	(604,356)	(905,602)
on debt securities issued	(149,626)	(194,370)
on subordinated capital	(160,549)	(186,615)
Interest-like expenses	(35,547)	(61,896)
Negative interest from financial liabilities	17,980	3,058
Total	**2,935,429**	**3,326,650**

Interest income includes interest income (unwinding) from impaired loans to customers and banks in the amount of € 185,018 thousand (2015: € 183,804 thousand). Interest income from impaired loans and advances to customers and banks is recognized based on the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(3) Net provisioning for impairment losses

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

in € thousand	2016	2015
Individual loan loss provisions	**(768,835)**	**(1,324,169)**
Allocation to provisions for impairment losses	(1,625,946)	(1,967,334)
Release of provisions for impairment losses	841,648	638,597
Direct write-downs	(112,791)	(117,352)
Income received on written-down claims	128,254	121,921
Portfolio-based loan loss provisions	**4,441**	**49,642**
Allocation to provisions for impairment losses	(179,337)	(194,730)
Release of provisions for impairment losses	183,778	244,372
Gains from loan termination or sale	**10,008**	**10,724**
Total	**(754,387)**	**(1,263,802)**

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

(4) Net fee and commission income

in € thousand	2016	2015
Payment transfer business	651,195	644,469
Loan and guarantee business	170,032	198,497
Securities business	136,556	136,056
Foreign currency, notes/coins, and precious metals business	391,626	381,034
Management of investment and pension funds	37,646	43,044
Sale of own and third party products	59,788	52,030
Other banking services	50,001	64,063
Total	**1,496,844**	**1,519,193**

(5) Net trading income

Net trading income includes interest and dividend income, financing costs, commissions and any changes in fair value of trading portfolios.

in € thousand	2016	2015
Interest-based transactions	118,507	67,993
Currency-based transactions	115,706	(60,259)
Equity-/index-based transactions	(18,265)	7,134
Credit derivatives business	(3,751)	(926)
Other transactions	2,388	2,473
Total	**214,586**	**16,415**

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

(6) Net income from derivatives and liabilities

in € thousand	2016	2015
Net income from hedge accounting	(6,367)	5,989
Net income from credit derivatives	(48)	(90)
Net income from other derivatives	(77,029)	(125,718)
Net income from liabilities designated at fair value	(105,078)	111,643
Income from repurchase of liabilities	(230)	3,905
Total	**(188,752)**	**(4,272)**

Net income from hedge accounting includes a valuation result from derivatives used in fair value hedges of € 9,200 thousand (2015: minus € 112,615 thousand) and changes in the carrying amount of the fair value hedged items of minus € 15,778 thousand (2015: € 118,812 thousand). This item also includes the ineffective portions of the cash flow hedge amounting to € 211 thousand (2015: minus € 208 thousand).

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

Net income from liabilities designated at fair value includes a loss from changes in own credit risk amounting to € 119,064 thousand (2015: loss of € 2,572 thousand) and a positive effect from changes in market interest rates totaling € 13,986 thousand (2015: positive effect of € 114,215 thousand).

(7) Net income from financial investments

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

in € thousand	2016	2015
Net income from securities held-to-maturity	**13,073**	**11,770**
Net valuations of securities	(55)	21
Net proceeds from sales of securities	13,128	11,750
Net income from equity participations	**126,850**	**(44,654)**
Net valuations of equity participations	(17,652)	(45,311)
Net proceeds from sales of equity participations	144,501	656
Net income from securities at fair value through profit and loss	**14,768**	**97,147**
Net valuations of securities	16,218	75,570
Net proceeds from sales of securities	(1,450)	21,576
Net income from available-for-sale securities	**(1,751)**	**4,185**
Total	**152,940**	**68,448**

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

(8) General administrative expenses

in € thousand	2016	2015
Staff expenses	(1,409,841)	(1,389,414)
Other administrative expenses	(1,107,364)	(1,173,095)
hereof operating other administrative expenses	(963,697)	(1,005,874)
hereof regulatory other administrative expenses	(143,667)	(167,221)
Depreciation of tangible and intangible fixed assets	(331,023)	(351,476)
Total	**(2,848,228)**	**(2,913,986)**

Staff expenses

in € thousand	2016	2015
Wages and salaries	(1,072,610)	(1,053,851)
Social security costs and staff-related taxes	(248,820)	(255,289)
Other voluntary social expenses	(43,078)	(37,997)
Expenses for defined contribution pension plans	(11,382)	(11,359)
Expenses/income for defined benefit pension plans	(456)	(1,308)
Expenses for other post-employment benefits	(8,716)	(8,256)
Expenses for other long-term employee benefits	(2,519)	(5,033)
Termination benefits	(11,872)	(11,000)
Expenses on share incentive program (SIP)	(1,217)	(1,905)
Deferred bonus payments according to Section 39b BWG	(9,171)	(3,416)
Total	**(1,409,841)**	**(1,389,414)**

Other administrative expenses

in € thousand	2016	2015
Office space expenses	(244,965)	(271,220)
IT expenses	(259,584)	(253,518)
Communication expenses	(65,462)	(68,671)
Legal, advisory and consulting expenses	(95,038)	(96,978)
Advertising, PR and promotional expenses	(102,775)	(102,009)
Office supplies	(25,661)	(27,649)
Car expenses	(14,534)	(17,718)
Security expenses	(37,386)	(37,045)
Traveling expenses	(15,852)	(16,021)
Training expenses for staff	(16,998)	(16,736)
Sundry administrative expenses	(85,441)	(98,310)
Operating other administrative expenses	**(963,697)**	**(1,005,874)**
Deposit insurance fees	(91,987)	(125,853)
Resolution fund	(51,680)	(41,367)
Regulatory other administrative expenses	**(143,667)**	**(167,221)**
Total	**(1,107,364)**	**(1,173,095)**

Legal, advisory and consulting expenses include audit fees in relation to RBI AG and its subsidiaries which comprise expenses for the audit of financial statements amounting to € 6,531 thousand (2015: € 6,172 thousand) and tax advisory as well as other additional consulting services provided by the auditors amounting to € 8,524 thousand (2015: € 5,747 thousand). Thereof, € 1,879 thousand (2015: € 2,157 thousand) relates to the Group auditor for the audit of the financial statements and € 1,434 thousand (2015: € 1,450 thousand) accounts for the other consulting services.

Depreciation of tangible and intangible fixed assets

in € thousand	2016	2015
Tangible fixed assets	(122,883)	(149,716)
Intangible fixed assets	(177,478)	(170,864)
Leased assets (operating lease)	(30,663)	(30,896)
Total	**(331,023)**	**(351,476)**

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

The depreciation of tangible and intangible fixed assets includes impairments of € 34,300 thousand (2015: € 50,246 thousand). The impairments comprise impairment losses for buildings and land of € 5,080 thousand (2015: € 17,850 thousand) and impairment losses for intangible assets of € 28,540 thousand (2015: 31,993 thousand), mainly for the brand Polbank.

Expenses for severance payments and retirement benefits

in € thousand	2016	2015
Members of the management board and senior staff	(3,528)	(3,045)
Other employees	(23,374)	(25,233)
Total	**(26,902)**	**(28,278)**

The same regulations for employees are in principle valid for the members of the Management Board. These regulations provide for a basic contribution to a pension fund from the company and an additional contribution if the employee pays own contributions of the same amount. Three members of the Management Board additionally have individual retirement benefits, which are funded by a reinsurance policy.

In the event of termination of function or employment contract and departure from the company, one member of the Management Board is entitled to severance payments according to the Salaried Employees Act (Angestelltengesetz) in connection with the Bank Collective Agreement (Bankenkollektivvertrag), one member of the Management Board according to contractual agreements and four members of the Management Board according to the Company Retirement Plan Act (Betrieblichen Mitarbeitervorsorgegesetz). The entitlement to receive severance payments according to the Salaried Employees Act or according to contractual agreements lapses in the case of termination by the employee.

Moreover, protection against the risk of occupational disability exists which is covered by a pension fund and/or by individual pension agreements secured through reinsurance. The contracts of the members of the Management Board run for the functional duration or are limited to a maximum of five years. Severance payments in the event of early termination of function without good cause amount to a maximum of two years total remuneration.

(9) Other net operating income

in € thousand	2016	2015[1]
Net income arising from non-banking activities	18,878	17,988
Sales revenues from non-banking activities	53,029	66,402
Expenses arising from non-banking activities	(34,151)	(48,413)
Net income from additional leasing services	5,338	5,602
Revenues from additional leasing services	71,748	61,531
Expenses from additional leasing services	(66,410)	(55,929)
Rental income from operating lease (vehicles and equipment)	30,888	30,880
Rental income from investment property incl. operating lease (real estate)	40,427	47,498
Net proceeds from disposal of tangible and intangible fixed assets	(1,650)	1,196
Other taxes	(71,789)	(75,476)
Net expense from allocation and release of other provisions	(17,288)	(4,470)
Sundry operating income	100,826	114,907
Sundry operating expenses	(60,265)	(71,632)
Recurring other net operating income	**45,364**	**66,493**
Impairment of goodwill	0	(6,954)
Bank levies	(157,846)	(119,100)
Profit/loss from banking business due to governmental measures	(29,268)	(19,249)
Total	**(141,749)**	**(78,810)**

1 Previous year figures adapted to reflect changes in allocation

The item “Other taxes” includes the financial transactions tax in Hungary in addition to property taxes.

Other net operating income includes no impairments of goodwill for the financial year. In the previous year, impairments of goodwill totaling € 6,954 thousand for Group units in Ukraine and Serbia were included.

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

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

(10) Net income from disposal of group assets

in € thousand	2016	2015
Net income from disposal of group assets	18,914	92,587
Impairment of assets held for sale	0	(51,772)
Total	**18,914**	**41,111**

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

in € thousand	RLPL Group	RBSI	Others	Total
Assets	1,580,189	545,114	153,426	2,278,729
Liabilities	1,416,664	489,413	122,926	2,029,004
Total identifiable net assets	**163,525**	**55,701**	**30,500**	**249,725**
Non-controlling interests	0	156	5,516	5,672
Net assets after non-controlling interests	**163,525**	**55,544**	**24,984**	**244,053**
Selling price/carrying amount	192,787	500	27,557	220,844
Effect from deconsolidations	**29,263**	**(55,044)**	**2,573**	**(23,209)**
Usage of provision for assets held for sale	0	51,772	0	51,772
Fair value reserve reclassified to income statement	0	1,212	0	1,212
FX reserve reclassified to income statement	(11,663)	(3,586)	4,388	(10,860)
Net income from disposal of group assets	**17,600**	**(5,647)**	**6,961**	**18,914**

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

In the reporting period, nine subsidiaries were excluded from the consolidated group due to materiality reasons. Moreover, six subsidiaries were excluded due to sale and one due to a change in control. Net income from the disposal of these group assets amounted to € 18,914 thousand.

In the previous year, net income amounted to € 41,111 thousand. The sale of ZAO NPF Raiffeisen, Moscow, resulted in a gain of € 86,171 thousand. The currency effects of minus € 4,018 thousand that were realized from this transaction were reclassified to the income statement. In contrast, a provision of € 51,772 thousand was recognized for the expected loss from the sale of Raiffeisen Banka d.d., Maribor.

Details are shown under (52) Group composition.

(11) Income taxes

in € thousand	2016	2015
Current income taxes	(282,466)	(281,314)
Austria	(19,740)	(47,225)
Foreign	(262,727)	(234,088)
Deferred taxes	(29,516)	5,359
Total	**(311,982)**	**(275,955)**

RBI AG, 22 of its domestic subsidiaries and eleven of its other affiliated companies are members of a joint tax entity headed by Raiffeisen Zentralbank Österreich Aktiengesellschaft. In the previous year, the existing tax compensation agreement was expanded with a supplementary agreement. If RBI AG has a negative result in the tax accounts which cannot be used in the group, the group parent is not obliged to pay negative tax contributions to RBI AG. However, the amount is to be settled in the event of a withdrawal from the tax group. The obligation of the tax group head to pay a negative tax contribution to RBI AG for usable losses remains.

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

in € thousand	2016	2015
Profit/loss before tax	**885,598**	**710,946**
Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent	**(221,399)**	**(177,736)**
Effect of divergent foreign tax rates	102,893	77,554
Tax decrease because of tax-exempted income from equity participations and other income	65,449	38,059
Tax increase because of non-deductible expenses	(128,432)	(167,810)
Impairment on loss carry-forwards	(7,462)	(3,151)
Other changes	(123,032)	(42,871)
Effective tax burden	**(311,983)**	**(275,955)**
Effective tax rate in per cent	**35.2%**	**38.8%**

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

Notes to the statement of financial position

(12) Statement of financial position according to measurement categories

Assets according to measurement categories in € thousand	2016	2015
Cash reserve	**12,242,415**	**13,211,971**
Trading assets	**5,770,407**	**6,678,474**
Positive fair values of derivative financial instruments	3,437,526	3,696,941
Shares and other variable-yield securities	164,575	203,289
Bonds, notes and other fixed-interest securities	2,168,307	2,778,244
Financial assets at fair value through profit or loss	**3,962,757**	**5,363,032**
Shares and other variable-yield securities	3,694	3,751
Bonds, notes and other fixed-interest securities	3,959,064	5,359,281
Financial assets available-for-sale	**4,117,276**	**3,428,362**
Investments in other affiliated companies	193,421	176,390
Other interests	85,931	146,042
Bonds, notes and other fixed-interest securities	3,835,200	3,103,430
Shares and other variable-yield securities	2,724	2,499
Loans and advances	**76,482,005**	**75,646,253**
Loans and advances to banks	9,900,012	10,837,209
Loans and advances to customers	70,514,116	69,921,365
Other non-derivative financial assets	1,023,009	942,814
Impairment losses on loans and advances	(4,955,132)	(6,055,134)
Financial assets held-to-maturity	**6,558,979**	**6,452,241**
Bonds, notes and other fixed-interest securities	6,558,979	6,452,241
Derivatives (hedging)	**644,693**	**709,272**
Positive fair values of derivatives (hedging)	644,693	709,272
Other assets	**2,085,313**	**2,936,978**
Intangible and tangible fixed assets	1,991,760	2,094,203
Inventories	64,726	68,636
Assets held for sale (IFRS 5)	28,826	774,139
Total assets	**111,863,845**	**114,426,583**

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

Equity and liabilities according to measurement categories in € thousand	2016	2015
Trading liabilities	**5,481,277**	**5,641,019**
Negative fair values of other derivative financial instruments	2,961,867	4,492,701
Short-selling of trading assets	555,346	453,459
Certificates issued	1,964,063	694,859
Financial liabilities	**93,185,123**	**96,447,725**
Deposits from banks[1]	12,064,755	15,530,422
Deposits from customers	71,538,226	68,990,887
Debt securities issued[1]	5,271,709	6,274,628
Subordinated capital[1]	3,545,183	3,641,812
Other non-derivative financial liabilities	765,251	716,207
Liabilities held for sale (IFRS 5)	0	1,293,769
Liabilities at fair value through profit and loss	**2,783,648**	**2,588,259**
Deposits from banks[1]	751,720	838,753
Debt securities issued[1]	1,373,418	1,226,965
Subordinated capital[1]	658,510	522,541
Derivatives (hedging)	**425,415**	**434,791**
Negative fair values of derivatives (hedging)	425,415	434,791
Provisions for liabilities and charges	**756,252**	**813,823**
Equity	**9,232,130**	**8,500,967**
Total equity and liabilities	**111,863,845**	**114,426,583**

1 Adaptation of previous year figures

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

(13) Cash reserve

in € thousand	2016	2015
Cash in hand	2,975,329	2,495,135
Balances at central banks	9,267,086	10,716,836
Total	**12,242,415**	**13,211,971**

(14) Loans and advances to banks

in € thousand	2016	2015
Giro and clearing business	2,027,695	1,651,648
Money market business	6,048,921	6,547,259
Loans to banks	1,412,069	2,415,874
Purchased loans	257,469	49,781
Leasing claims	24	57
Claims evidenced by paper	153,833	172,590
Total	**9,900,012**	**10,837,209**

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

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

in € thousand	2016	2015
Austria	2,263,695	3,383,989
Foreign	7,636,316	7,453,220
Total	**9,900,012**	**10,837,209**

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

in € thousand	2016	2015
Central banks	1,109,775	2,355,185
Commercial banks	8,786,233	8,475,233
Multilateral development banks	4,003	6,790
Total	**9,900,012**	**10,837,209**

(15) Loans and advances to customers

in € thousand	2016	2015
Credit business	44,077,339	44,550,999
Money market business	4,378,329	2,962,552
Mortgage loans	17,501,479	16,815,309
Purchased loans	2,222,508	1,774,747
Leasing claims	1,841,422	3,170,455
Claims evidenced by paper	493,039	647,303
Total	**70,514,116**	**69,921,365**

Purchased loans amounting to € 2,222,508 thousand (2015: € 1,774,747 thousand) are exclusively assigned to the measurement category "loans and advances". The drop in leasing claims is primarily due to the sale of the leasing company in Poland. Details on leasing claims are shown under (44) Finance leases.

Loans and advances to customers are distributed among asset classes as follows:

in € thousand	2016	2015
Sovereigns	659,231	814,425
Corporate customers – large corporates	41,676,239	41,685,252
Corporate customers – mid market	2,600,364	2,786,716
Retail customers – private individuals	23,392,811	21,878,405
Retail customers – small and medium-sized entities	2,185,471	2,756,567
Total	**70,514,116**	**69,921,365**

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

in € thousand	2016	2015
Austria	5,108,924	5,297,257
Foreign	65,405,192	64,624,108
Total	**70,514,116**	**69,921,365**

(16) Impairment losses on loans and advances

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

in € thousand	2016	2015
Banks	50,365	119,916
Sovereigns	4,753	5,392
Corporate customers – large corporates	2,929,930	3,778,315
Corporate customers – mid market	216,334	289,427
Retail customers – private individuals	1,515,175	1,583,638
Retail customers – small and medium-sized entities	238,574	278,447
Total	**4,955,132**	**6,055,134**

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

Loans and advances and loan loss provisions according to asset classes are shown in the following table:

2016 in € thousand	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based loan loss provisions	Net carrying amount
Banks	9,909,101	9,900,012	50,606	48,300	2,065	9,849,646
Sovereigns	594,130	659,231	5,607	4,347	406	654,478
Corporate customers – large corporates	37,564,456	41,676,239	4,186,286	2,825,635	104,295	38,746,308
Corporate customers – mid market	2,406,066	2,600,364	268,976	208,956	7,378	2,384,031
Retail customers – private individuals	22,311,945	23,392,811	1,685,669	1,303,946	211,229	21,877,636
Retail customers – small and medium-sized entities	2,062,307	2,185,471	321,337	213,247	25,327	1,946,897
Total	**74,848,005**	**80,414,128**	**6,518,482**	**4,604,432**	**350,700**	**75,458,996**

2015 in € thousand	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based loan loss provisions	Net carrying amount
Banks	10,806,542	10,837,209	120,657	117,672	2,244	10,717,293
Sovereigns	709,805	814,425	7,808	5,027	364	809,033
Corporate customers – large corporates	37,126,663	41,685,252	5,557,602	3,635,428	142,887	37,906,937
Corporate customers – mid market	2,476,074	2,786,716	377,006	280,241	9,186	2,497,289
Retail customers – private individuals	20,507,112	21,878,405	1,810,777	1,409,232	174,406	20,294,767
Retail customers – small and medium-sized entities	2,613,887	2,756,567	378,288	250,229	28,218	2,478,120
Total	**74,240,083**	**80,758,573**	**8,252,139**	**5,697,828**	**357,306**	**74,703,439**

Impaired financial assets

Impairments and collateral according to asset classes are shown in the following table:

2016 in € thousand	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collateral for individually impaired assets	Interest on individually impaired assets
Banks	50,606	48,300	2,306	0	109
Sovereigns	5,607	4,347	1,260	0	6
Corporate customers – large corporates	4,186,286	2,825,635	1,360,650	702,301	93,678
Corporate customers – mid market	268,976	208,956	60,020	117,076	9,506
Retail customers – private individuals	1,685,669	1,303,946	381,724	422,806	61,911
Retail customers – small and medium-sized entities	321,337	213,247	108,090	100,328	19,809
Total	**6,518,482**	**4,604,432**	**1,914,050**	**1,342,511**	**185,018**

ILLP individual loan loss provisions

2015 in € thousand	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collateral for individually impaired assets	Interest on individually impaired assets
Banks	120,657	117,672	2,986	183	153
Sovereigns	7,808	5,027	2,781	46	30
Corporate customers – large corporates	5,557,602	3,635,428	1,922,174	1,401,764	95,616
Corporate customers – mid market	377,006	280,241	96,765	82,404	12,420
Retail customers – private individuals	1,810,777	1,409,232	401,545	412,123	58,620
Retail customers – small and medium-sized entities	378,288	250,229	128,059	123,087	16,965
Total	**8,252,139**	**5,697,828**	**2,554,310**	**2,019,607**	**183,804**

ILLP individual loan loss provisions

(17) Trading assets

in € thousand	2016	2015
Bonds, notes and other fixed-interest securities	**2,168,307**	**2,778,244**
Treasury bills and bills of public authorities eligible for refinancing	632,054	1,029,632
Other securities issued by the public sector	300,058	299,452
Bonds and notes of non-public issuers	1,236,195	1,449,160
Shares and other variable-yield securities	**164,575**	**203,289**
Shares	115,513	173,360
Mutual funds	48,969	29,922
Other variable-yield securities	93	7
Positive fair values of derivative financial instruments	**2,653,580**	**2,832,575**
Interest-based transactions	1,857,351	1,927,195
Currency-based transactions	697,525	833,322
Equity-/index-based transactions	94,938	69,838
Credit derivatives business	648	1,776
Other transactions	3,119	443
Total	**4,986,462**	**5,814,108**

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

(18) Derivatives

in € thousand	2016	2015
Positive fair values of derivatives in fair value hedges (IAS 39)	**641,851**	**691,539**
Interest-based transactions	641,559	691,539
Currency-based transactions	291	0
Positive fair values of derivatives in cash flow hedges (IAS 39)	**2,842**	**1,021**
Interest-based transactions	2,842	0
Currency-based transactions	0	1,021
Positive fair values of derivatives in net investment hedge (IAS 39)	**0**	**16,711**
Currency-based transactions	0	16,711
Positive fair values of other derivatives	**783,945**	**864,366**
Interest-based transactions	567,886	560,995
Currency-based transactions	216,060	303,371
Total	**1,428,639**	**1,573,637**

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

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

The table below shows the expected hedged cash flows from assets and the effect on the statement of comprehensive income by period:

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

(19) Financial investments

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

in € thousand	2016	2015
Bonds, notes and other fixed-interest securities	**14,353,243**	**14,914,953**
Treasury bills and bills of public authorities eligible for refinancing	7,804,483	9,026,174
Other securities issued by the public sector	4,632,268	3,807,862
Bonds and notes of non-public issuers	1,896,098	2,060,554
Other	20,394	20,363
Shares and other variable-yield securities	**6,417**	**6,250**
Shares	1,493	2,598
Mutual funds	1,662	390
Other variable-yield securities	3,262	3,262
Equity participations	**279,352**	**322,432**
Interest in affiliated companies	193,421	176,408
Other interests	85,931	146,024
Total	**14,639,012**	**15,243,635**

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

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

Equity participations valued at amortized cost for which fair values could not be measured reliably amounted to € 249,143 thousand (2015: € 231,869 thousand).

(20) Intangible fixed assets

in € thousand	2016	2015
Software	531,127	531,165
Goodwill	39,587	39,585
Other intangible fixed assets	27,688	50,162
hereof brand	9,272	36,657
hereof customer relationships	17,199	12,643
Total	**598,402**	**620,912**

Software

The item software comprises acquired software amounting to € 416,656 thousand (2015: € 411,138 thousand) and internally developed software amounting to € 114,471 thousand (2015: € 120,027 thousand).

Goodwill

The following overview shows the development of the carrying amount of goodwill, gross amounts and cumulative impairments of goodwill, by cash generating units. The main goodwill position relates to Raiffeisenbank a.s., Prague (RBCZ).

Development of goodwill

2016 in € thousand	RBCZ	Other	Total
As at 1/1	**37,881**	**1,704**	**39,585**
Additions	0	2,431	2,431
Impairment	0	(2,431)	(2,431)
Exchange rate changes	3	0	3
As at 31/12	**37,884**	**1,704**	**39,587**
Gross amount	37,884	529,069	566,953
Cumulative impairment[1]	0	(527,366)	(527,366)

2015 in € thousand	RBCZ	Other	Total
As at 1/1	**36,908**	**10,085**	**46,993**
Disposals	0	(91)	(91)
Impairment	0	(6,954)	(6,954)
Exchange rate changes	972	(1,335)	(363)
As at 31/12	**37,881**	**1,704**	**39,585**
Gross amount	37,881	516,421	554,302
Cumulative impairment[1]	0	(514,717)	(514,717)

1 Calculated with average exchange rates
RBCZ: Raiffeisenbank a.s., Prague (CZ)

In the 2016 financial year, € 2,431 thousand in goodwill was acquired and impaired in connection with the purchase of a Citibank operation in the Czech Republic. The impairment was included in general administrative expenses. The cumulative impairments resulted from impairments recognized in previous years for Raiffeisen Bank Sh.a., Tirana, Raiffeisen Bank Polska S.A., Warsaw, and AO Raiffeisenbank, Moscow.

Impairment test for goodwill

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

Recoverable value

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

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

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

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

Key assumptions

Key assumptions that have been made for the individual cash generating units:

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

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

RBCZ: Raiffeisenbank a.s., Prague (CZ)

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

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

Cash generating unit	Significant assumptions	Management approach	Risk assumption
RBCZ	Czech Republic is a core market for the Group where a selective growth strategy is pursued. Improvement through increased use of alternative distribution channels and additional consulting services. Stable costs are assumed.	The assumptions are based on internal as well as external sources. Macroeconomic assumptions of the research department were compared with external data sources and the 5-year plans were presented to the Management Board. Moreover, the detail planning phase was approved by the Supervisory Board.	Weakening of the macroeconomic environment. Possible negative effects of changed local capital requirements. Pressure on interest margins through greater competition.

RBCZ: Raiffeisenbank a.s., Prague (CZ)

Sensitivity analysis

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

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

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

1 The respective maximum sensitivity refers to the change of the perpetuity.
RBCZ: Raiffeisenbank a.s., Prague (CZ)

Brand

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

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

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

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

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

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

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

Customer relationships

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

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

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

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

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

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

(21) Tangible fixed assets

in € thousand	2016	2015
Land and buildings used by the Group for own purpose	480,713	486,684
Other land and buildings (investment property)	451,311	470,603
Office furniture, equipment and other tangible fixed assets	236,624	230,832
Leased assets (operating lease)	224,710	285,172
Total	**1,393,358**	**1,473,291**

The fair value of investment property totaled € 454,745 thousand (2015: € 474,098 thousand).

Details on leased assets are shown under (45) Operating leases.

(22) Development of fixed assets

	Cost of acquisition or conversion						
in € thousand	As at 1/1/2016	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As at 31/12/2016
Intangible fixed assets	**2,193,865**	**(38,253)**	**43,904**	**159,463**	**(84,791)**	**(484)**	**2,273,704**
Goodwill	554,302	(12,162)	22,382	2,431	0	0	566,953
Software	1,515,157	(25,163)	27,621	146,733	(84,076)	(3,793)	1,576,479
Other intangible fixed assets	124,406	(928)	(6,099)	10,299	(715)	3,309	130,272
Tangible fixed assets	**2,690,011**	**(132,601)**	**58,432**	**224,113**	**(245,143)**	**484**	**2,595,296**
Land and buildings used by the Group for own purpose	753,778	(16,436)	29,568	33,021	(46,052)	1,197	755,076
Other land and buildings	546,627	(2,055)	6,730	14,075	(28,813)	485	537,049
of which land value of developed land	11,449	0	(230)	0	(2,728)	0	8,491
Office furniture, equipment and other tangible fixed assets	967,604	(21,191)	23,932	89,914	(90,441)	544	970,362
Leased assets (operating lease)	422,002	(92,919)	(1,799)	87,103	(79,837)	(1,741)	332,809
Total	**4,883,876**	**(170,854)**	**102,336**	**383,576**	**(329,934)**	**0**	**4,869,000**

in € thousand	Write-ups, amortization, depreciation, impairment Cumulative	hereof Write-ups	hereof Depreciation	Carrying amount As at 31/12/2016
Intangible fixed assets	**(1,675,302)**	**393**	**(177,478)**	**598,402**
Goodwill	(527,366)	0	(2,431)	39,587
Software	(1,045,352)	172	(143,604)	531,127
Other intangible fixed assets	(102,584)	221	(31,443)	27,688
Tangible fixed assets	**(1,201,938)**	**858**	**(153,546)**	**1,393,358**
Land and buildings used by the Group for own purpose	(274,363)	0	(33,808)	480,713
Other land and buildings	(85,738)	83	(13,456)	451,311
of which land value of developed land	(518)	0	(33)	7,973
Office furniture, equipment and other tangible fixed assets	(733,738)	632	(75,619)	236,624
Leased assets (operating lease)	(108,099)	143	(30,663)	224,710
Total	**(2,877,240)**	**1,251**	**(331,023)**	**1,991,760**

in € thousand	Cost of acquisition or conversion As at 1/1/2015	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As at 31/12/2015
Intangible fixed assets	**2,231,728**	**(13,486)**	**(130,448)**	**155,898**	**(63,496)**	**13,669**	**2,193,865**
Goodwill	603,950	0	(49,648)	0	0	0	554,302
Software	1,477,596	(13,469)	(59,026)	155,016	(62,254)	17,294	1,515,157
Other intangible fixed assets	150,182	(17)	(21,774)	882	(1,242)	(3,625)	124,406
Tangible fixed assets	**2,610,498**	**191,542**	**(74,388)**	**191,233**	**(215,205)**	**(13,669)**	**2,690,011**
Land and buildings used by the Group for own purpose	834,146	0	(71,936)	24,540	(33,525)	553	753,778
Other land and buildings	310,215	189,429	58,517	11,647	(18,140)	(5,041)	546,627
of which land value of developed land	12,352	(3)	(907)	495	(488)	0	11,449
Office furniture, equipment and other tangible fixed assets	1,086,895	2,113	(76,148)	77,452	(107,763)	(14,945)	967,604
Leased assets (operating lease)	379,242	0	15,179	77,594	(55,777)	5,764	422,002
Total	**4,842,226**	**178,056**	**(204,836)**	**347,131**	**(278,701)**	**0**	**4,883,876**

in € thousand	Write-ups, amortization, depreciation, impairment Cumulative	hereof Write-ups	hereof Depreciation	Carrying amount As at 31/12/2015
Intangible fixed assets	**(1,569,091)**	**0**	**(177,819)**	**620,912**
Goodwill	(514,717)	0	(6,954)	39,585
Software	(980,130)	0	(143,403)	531,165
Other intangible fixed assets	(74,244)	0	(27,461)	50,162
Tangible fixed assets	**(1,216,691)**	**7,505**	**(180,612)**	**1,473,291**
Land and buildings used by the Group for own purpose	(267,094)	2,919	(41,901)	486,684
Other land and buildings	(76,024)	667	(19,023)	470,603
of which land value of developed land	(529)	0	(578)	10,920
Office furniture, equipment and other tangible fixed assets	(736,743)	3,637	(88,792)	230,832
Leased assets (operating lease)	(136,830)	282	(30,896)	285,172
Total	**(2,785,782)**	**7,505**	**(358,431)**	**2,094,203**

In the reporting year and the previous year, there were no single investments exceeding € 10,000 thousand.

(23) Other assets

in € thousand	2016	2015
Tax assets	211,318	322,829
Current tax assets	69,646	59,485
Deferred tax assets	141,671	263,345
Receivables arising from non-banking activities	57,679	63,784
Prepayments and other deferrals	129,482	132,054
Clearing claims from securities and payment transfer business	325,454	133,628
Lease in progress	40,782	43,785
Assets held for sale (IFRS 5)	28,826	774,139
Inventories	64,726	68,636
Valuation fair value hedge portfolio	37,699	24,058
Any other business	220,595	222,675
Total	**1,116,561**	**1,785,589**

Application of IFRS 5

The decline in the item "Assets held for sale" is attributable to the fact that Raiffeisen Banka d.d., Maribor, was sold as of 30 June 2016 and ZUNO BANK AG, Vienna, was reclassified because the sales negotiations were inconclusive.

Deferred taxes

in € thousand	2016	2015
Deferred tax assets	141,671	263,345
Provisions for deferred taxes	(57,345)	(57,400)
Net deferred taxes	**84,326**	**205,945**

The net deferred taxes result from the following items:

in € thousand	2016	2015
Loans and advances to customers	28,999	199,441
Impairment losses on loans and advances	115,813	158,440
Tangible and intangible fixed assets	7,084	10,867
Other assets	15,485	4,633
Provisions for liabilities and charges	56,869	59,335
Trading liabilities	67,180	72,177
Other liabilities	359,378	361,864
Tax loss carry-forwards	24,047	48,824
Other items of the statement of financial position	119,415	200,306
Deferred tax assets	**794,269**	**1,115,887**
Loans and advances to banks	10,331	10,971
Loans and advances to customers	34,488	70,976
Impairment losses on loans and advances	49,832	98,371
Trading assets	42,474	85,922
Tangible and intangible fixed assets	77,310	77,468
Deposits from customers	10	603
Provisions for liabilities and charges	23	0
Other liabilities	4,860	4,828
Other items of the statement of financial position	490,616	560,803
Deferred tax liabilities	**709,943**	**909,942**
Net deferred taxes	**84,326**	**205,945**

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry-forwards which amounted to € 24,047 thousand (2015: € 48,824 thousand). The tax loss carry-forwards are mainly without any time limit. The Group did not recognize deferred tax assets of € 347,016 thousand (2015: € 476,384 thousand) because from a current point of view there is no prospect of realizing them within a reasonable period of time.

(24) Deposits from banks

in € thousand	2016	2015
Giro and clearing business	4,008,410	3,694,353
Money market business	5,241,580	7,950,665
Long-term refinancing	3,566,485	4,724,157
Total	**12,816,475**	**16,369,175**

The Group refinances itself periodically with international commercial banks and multinational development banks. These credit contracts contain ownership clauses normally used in business. These clauses grant permission to the parties to the contracts for exceptional termination in the event of a change in direct or indirect control of RBI AG. This could lead to increased refinancing costs for the Group.

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

in € thousand	2016	2015
Austria	5,164,540	6,003,632
Foreign	7,651,934	10,365,543
Total	**12,816,475**	**16,369,175**

Deposits from banks break down into the following segments:

in € thousand	2016	2015
Central banks	1,081,913	1,241,339
Commercial banks	10,606,026	13,229,751
Multilateral development banks	1,128,536	1,898,085
Total	**12,816,475**	**16,369,175**

(25) Deposits from customers

in € thousand	2016	2015
Sight deposits	44,461,093	37,487,997
Time deposits	23,344,880	28,408,583
Savings deposits	3,732,254	3,094,308
Total	**71,538,226**	**68,990,887**

Deposits from customers break down as follows:

in € thousand	2016	2015
Sovereigns	1,464,965	1,713,265
Corporate customers – large corporates	28,560,874	30,643,854
Corporate customers – mid market	2,983,553	2,989,683
Retail customers – private individuals	32,579,753	28,547,853
Retail customers – small and medium-sized entities	5,949,082	5,096,233
Total	**71,538,226**	**68,990,887**

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

in € thousand	2016	2015
Austria	6,415,736	7,742,505
Foreign	65,122,490	61,248,382
Total	**71,538,226**	**68,990,887**

(26) Debt securities issued

in € thousand	2016	2015
Bonds and notes issued	6,604,140	7,402,374
Money market instruments issued	38,995	94,024
Other debt securities issued	1,992	5,195
Total	**6,645,127**	**7,501,593**

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

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

(27) Provisions for liabilities and charges

in € thousand	As at 1/1/2016	Change in consolidated group	Allocation	Release	Usage	Transfers, exchange differences	As at 31/12/2016
Severance payments and other	89,669	(6,126)	13,629	(8,509)	(1,574)	(2,567)	84,523
Retirement benefits	30,380	0	4,386	(6,221)	0	0	28,545
Taxes	135,587	(888)	91,505	(11,598)	(90,224)	5,349	129,731
Current	78,187	(412)	85,914	(7,507)	(86,901)	3,105	72,386
Deferred	57,400	(476)	5,591	(4,091)	(3,323)	2,245	57,345
Contingent liabilities and commitments	98,804	849	93,898	(71,162)	(353)	1,198	123,233
Pending legal issues	80,770	(84)	20,979	(6,991)	(16,578)	6,818	84,914
Overdue vacation	46,984	(1,426)	12,794	(15,520)	(445)	1,086	43,473
Bonus payments	129,683	(1,028)	116,789	(27,646)	(77,822)	7,318	147,294
Restructuring	15,305	(3,101)	13,504	(5,319)	(8,709)	2,551	14,231
Provisions for banking business due to governmental measures	114,762	0	26,741	(7,109)	(119,885)	(7)	14,503
Other	71,878	(4,662)	92,145	(16,529)	(53,325)	(3,701)	85,806
Total	**813,823**	**(16,467)**	**486,370**	**(176,604)**	**(368,915)**	**18,045**	**756,252**

The item “Severance and similar payments” includes provisions for service anniversary bonuses and other payments in the amount of € 25,979 thousand (2015: € 26,600 thousand) and obligations from other benefits due to termination of employment according to IAS 19 amounting to € 58,544 thousand (2015: € 63,070 thousand).

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

The Group is involved in litigation arising from the undertaking of banking business. The Group does not expect that these legal cases will have a material impact on the financial position of the Group. As of 31 December 2016, Group-wide provisions for pending legal issues amounted to € 84,914 thousand (2015: € 80,770 thousand). Single cases involving provisions in excess of € 10,000 thousand occurred in Austria and Slovakia (2015: in Austria and Slovakia).

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

Pension obligations and other termination benefits

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

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

Funding

For pensions there are different plans: unfunded, partly funded and fully funded. The partly and fully funded plans are all invested by Valida Pension AG. Valida Pension AG is a pension fund, and is subject in particular to the provisions of the PKG (Pension Act) and BPG (Company Pension Act).

The Group expects to pay € 287 thousand in contributions to its defined benefit plans in 2017. In the financial year 2016, the Group's contribution to defined benefit plans was € 278 thousand.

Pension obligations/defined benefit pension plans

Financial status

in € thousand	2016	2015
Defined benefit obligation (DBO)	42,748	44,143
Plan assets at fair value	(14,203)	(13,763)
Net liability/asset	28,545	30,380

The defined benefit obligations developed as follows:

in € thousand	2016	2015
DBO as at 1/1	**44,143**	**48,117**
Current service cost	450	668
Interest cost	868	940
Payments	(1,179)	(1,061)
Loss/(gain) on DBO due to past service cost	0	(1,146)
Transfer	(6)	(917)
Remeasurement	(1,528)	(2,458)
DBO as at 31/12	**42,748**	**44,143**

Plan assets developed as follows:

in € thousand	2016	2015
Plan assets at fair value as at 1/1	**13,762**	**14,687**
Interest income	273	292
Contributions to plan assets	332	382
Payments from fund	(271)	(275)
Transfer	(177)	(1,343)
Return on plan assets excluding interest income	284	19
Plan assets at fair value as at 31/12	**14,203**	**13,762**

The return on plan assets for 2016 was € 548 thousand (2015: € 311 thousand). The fair value of rights to reimbursement recognized as an asset was € 15,200 thousand (2015: € 15,519 thousand) as at year-end 2016.

Structure of plan assets

Plan assets broke down as follows:

Per cent	2016	2015
Bonds	40	51
Shares	35	27
Alternative Investments	3	2
Property	5	4
Cash	17	17
Total	**100**	**100**
hereof own financial instruments	0	1

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

Asset Liability Matching

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

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

Actuarial assumptions

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

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

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

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

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

Sensitivity analysis

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

	2016		2015	
in € thousand	Addition	Decrease	Addition	Decrease
Discount rate (1 per cent change)	(5,543)	6,894	(5,939)	7,427
Future salary growth (0.5 per cent change)	433	(414)	496	(474)
Future pension increase (0.25 per cent change)	1,380	(1,320)	1,464	(1,398)
Remaining life expectancy (change 1 year)	1,714	(1,896)	1,766	(2,012)

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

Other termination benefits

The other termination benefits developed as follows:

in € thousand	2016	2015
DBO as at 1/1	**63,458**	**60,186**
Changes in consolidated group	(8,093)	0
Current service cost	4,122	3,781
Interest cost	1,182	1,162
Payments	(2,366)	(1,430)
Loss/(gain) on DBO due to past service cost	(176)	(17)
Transfer	1,505	240
Remeasurement	(1,088)	(464)
DBO as at 31/12	**58,544**	**63,458**

Actuarial assumptions

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

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

Sensitivity analysis

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

in € thousand	2016 Addition	2016 Decrease	2015 Addition	2015 Decrease
Discount rate (1 per cent change)	(5,619)	6,629	(6,400)	7,566
Future salary growth (0.5 per cent change)	3,119	(2,903)	3,545	(3,333)

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

Employee benefit expenses

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

(28) Trading liabilities

in € thousand	2016	2015
Negative fair values of derivative financial instruments	**2,600,333**	**3,943,192**
Interest-based transactions	1,835,473	2,004,541
Currency-based transactions	588,762	784,285
Equity-/index-based transactions	164,863	1,024,373
Credit derivatives business	687	1,960
Other transactions	10,547	128,033
Short-selling of trading assets	**555,346**	**453,459**
Certificates issued	**1,964,063**	**694,859**
Total	**5,119,743**	**5,091,510**

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

(29) Derivatives

in € thousand	2016	2015
Negative fair values of derivatives in fair value hedges (IAS 39)	**132,565**	**194,932**
Interest-based transactions	132,508	194,932
Currency-based transactions	57	0
Negative fair values of derivatives in cash flow hedges (IAS 39)	**275,102**	**239,858**
Currency-based transactions	275,102	239,858
Negative fair values of derivatives in net investment hedge (IAS 39)	**17,749**	**0**
Currency-based transactions	17,749	0
Negative fair values of credit derivatives	**0**	**154**
Negative fair values of other derivative financial instruments	**361,534**	**549,355**
Interest-based transactions	173,039	190,655
Currency-based transactions	188,495	358,700
Total	**786,949**	**984,299**

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

The table below shows the expected hedged cash flows from liabilities affecting the statement of comprehensive income by maturity:

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

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

(30) Other liabilities

in € thousand	2016	2015
Liabilities from non-banking activities	72,517	75,397
Liabilities from insurance contracts	82	112
Accruals and deferred items	194,989	214,618
Liabilities from dividends	1,000	877
Clearing claims from securities and payment transfer business	374,276	168,052
Valuation fair value hedge portfolio	57,564	63,839
Liabilities held for sale (IFRS 5)	0	1,293,769
Other liabilities	64,823	193,312
Total	**765,251**	**2,009,976**

Application of IFRS 5

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

(31) Subordinated capital

in € thousand	2016	2015
Hybrid tier 1 capital	396,725	396,725
Subordinated liabilities and supplementary capital	3,806,968	3,767,628
Total	**4,203,693**	**4,164,353**

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

Issuer	ISIN	Type	Currency	Nominal value in € thousand	Coupon[1]	Due
RBI AG	XS0619437147	Subordinated capital	EUR	500,000	6,625%	18/5/2021
RBI AG	XS0981632804	Subordinated capital	EUR	500,000	6,000%	16/10/2023
RBI AG	XS1034950672	Subordinated capital	EUR	500,000	4,500%	21/2/2025

1 Current interest rate, interest clauses are agreed.

In the reporting period, expenses on subordinated capital totaled € 160,549 thousand (2015: € 186,615 thousand).

(32) Equity

in € thousand	2016	2015
Consolidated equity	8,187,672	7,587,555
Subscribed capital	892,031	891,886
Capital reserves	4,994,169	4,993,872
Retained earnings	2,301,473	1,701,796
Consolidated profit/loss	463,104	378,850
Non-controlling interests	581,353	534,562
Total	**9,232,130**	**8,500,967**

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

Subscribed capital

As at 31 December 2016, the subscribed capital of RBI AG as defined by the articles of incorporation amounted to unchanged € 893,586 thousand. The subscribed capital consists of 292,979,038 non-par bearer shares. After deduction of own shares of 509,977, the stated subscribed capital totaled € 892,031 thousand.

Own shares

The Annual General Meeting held on 16 June 2016 authorized the Management Board to acquire own shares, pursuant to Section 65 (1), item 8 and Sections (1a) and (1b) of the Austrian Stock Corporation Act (AktG), during a period of 30 months as of the date of the resolution (i.e. by 15 December 2018), up to 10 per cent of the subscribed capital of the company and to withdraw them if applicable. This authorization may be exercised in full or in part or also in several installments and for one or more purposes – with the exception of securities trading – by the company, by a subsidiary (Section 189a, item 7 of the Austrian Commercial Code (UGB)) or, for their account, by third parties. The acquisition price for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the ten trading days prior to exercising this authorization.

The Management Board was further authorized pursuant to Section 65 (1b) of the Austrian Stock Corporation Act (AktG), to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses or branches of activity of one or several companies in Austria or abroad, or for the purpose of implementing the company's Share Incentive Program (SIP) for executives and members of the Management Boards of the company and affiliated enterprises.

In addition, if convertible bonds are issued in accordance with the Annual General Meeting resolution of 26 June 2013, shareholders' subscription rights may also be excluded in order to issue (own) shares to the holders of these convertible bonds who exercise the conversion or subscription rights granted them under the terms of the convertible bonds to shares of the company. This authorization replaces the authorization granted at the Annual General Meeting of 4 June 2014 pursuant to Section 65 (1), item 4 and 8 of the Austrian Stock Corporation Act (AktG) to purchase and use own shares and, with regard to their use, extends to the own shares already purchased by the company. No own shares have been bought since the authorization was issued in June 2016. This authorization applies for a period of five years from the date of the resolution (i.e. until 15 June 2021).

The acquisition of own shares mainly serves to cover the obligation of the Group within the framework of the share incentive program (SIP) towards the members of the Management Board and executive employees. These bonus payments are carried out in the form of company shares.

The Annual General Meeting held on 16 June 2016 also authorized the Management Board, in accordance with Section 65 (1), item 7 of the Austrian Stock Corporation Act (AktG), to acquire own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 15 December 2018), of up to a maximum of 5 per cent of the respective subscribed capital of the company. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price. This authorization may be exercised in full or in part or also in several installments by the company, by a subsidiary (Section 189a, item 7 of the Austrian Commercial Code (UGB)) or, for their account, by third parties.

Authorized capital

Pursuant to Section 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized since the Annual General Meeting of 4 June 2014 to increase the capital stock – in one or more tranches – by up to € 446,793,032.95 by issuing up to 146,489,519 new common bearer shares with voting rights against contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to Section 153 (6) of AktG) and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights, with the approval of the Supervisory Board, (i) if the capital increase is carried out by contributions in kind or (ii) if the capital increase is carried out by contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's capital stock (exclusion of subscription rights).

Convertible bonds

In the Annual General Meeting held on 26 June 2013, the Management Board was authorized pursuant to Section 174 (2) of the Austrian Stock Corporation Act (AktG) to issue – with the approval of the Supervisory Board – convertible bonds in a total nominal amount of up to € 2,000,000 thousand, also in several tranches, within five years from the date of the resolution, which grant holders conversion or subscription rights for up to 39,101,024 common bearer shares of the company with a pro-rata share in the subscribed capital of up to € 119,258 thousand. Shareholders` subscription rights to the convertible bonds are excluded. However, no convertible bonds have been issued to date.

Contingent capital

Pursuant to Section 159 (2) item 1 of the Austrian Stock Corporation Act (AktG), the subscribed capital has been increased contingently by a maximum of € 119,258 thousand by issuing a maximum of 39,101,024 common bearer shares (contingent capital). The contingent capital increase will only be performed if and when use is made of an irrevocable right of exchange or subscription granted on shares by the company to creditors holding convertible bonds issued on the basis of the resolution of the Annual General Meeting on 26 June 2013 and the Management Board does not decide to issue own shares.

Dividend proposal

No dividends will be distributed for the 2016 financial year.

Number of shares outstanding

Number of shares	2016	2015
Number of shares issued as at 1/1	**292,979,038**	**292,979,038**
New shares issued	0	0
Number of shares issued as at 31/12	**292,979,038**	**292,979,038**
Own shares as at 1/1	557,295	604,517
Purchase of own shares	0	0
Sale of own shares	(47,318)	(47,222)
Less own shares as at 31/12	**509,977**	**557,295**
Number of shares outstanding as at 31/12	**292,469,061**	**292,421,743**

Non-controlling interests

The following table contains financial information of subsidiaries which are held by the Group and in which material non-controlling interests exist. The amounts reported below refer to the non-controlling interests that were not eliminated.

2016 in € thousand	Ownership interest	Net assets	Profit/loss after tax	Other comprehensive income	Total comprehensive income
Raiffeisen Bank Aval JSC, Kiev (UA)	31.8%	110,659	42,633	(6,788)	35,844
Raiffeisenbank a.s., Prague (CZ)	25.0%	232,068	24,078	(3,749)	20,329
Tatra banka a.s., Bratislava (SK)	21.2%	201,210	26,858	(3,160)	23,698
Priorbank JSC, Minsk (BY)	12.3%	41,266	8,246	302	8,548
Other	n/a	(3,850)	8,698	(689)	8,008
Total		**581,353**	**110,512**	**(14,085)**	**96,427**

2015 in € thousand	Ownership interest	Net assets	Profit/loss after tax	Other comprehensive income	Total comprehensive income
Raiffeisen Bank Aval JSC, Kiev (UA)	31.8%	74,814	(2,660)	(2,232)	(4,892)
Raiffeisenbank a.s., Prague (CZ)	25.0%	225,695	23,241	6,530	29,771
Tatra banka a.s., Bratislava (SK)	21.2%	201,576	24,567	3,536	28,104
Priorbank JSC, Minsk (BY)	12.3%	0	13,009	(11,951)	1,059
Other	n/a	32,477	(2,015)	(1,618)	(3,634)
Total		**534,562**	**56,142**	**(5,734)**	**50,408**

As opposed to the above stated financial information which only relates to non-controlling interests, the following table contains financial information of the individual subsidiaries (including controlling interests):

2016 in € thousand	Raiffeisen Bank Aval JSC, Kiev (UA)	Raiffeisenbank a.s., Prague (CZ)	Tatra banka a.s., Bratislava (SK)	Priorbank JSC, Minsk (BY)
Operating income	260,870	362,445	380,833	173,889
Profit/loss after tax	133,913	96,311	126,583	67,258
Other comprehensive income	(21,323)	(14,625)	(14,895)	(3,185)
Total comprehensive income	**112,591**	**81,686**	**111,687**	**64,073**
Current assets	1,294,459	5,920,463	4,011,927	1,082,880
Non-current assets	661,686	5,858,452	7,153,017	308,780
Current liabilites	1,607,155	9,906,597	9,230,563	941,215
Non-current liabilities	1,401	944,044	986,076	113,838
Net assets	**347,590**	**928,274**	**948,305**	**336,607**
Net cash from operating activities	194,082	1,520,710	(91,844)	15,242
Net cash from investing activities	(7,382)	297,945	18,034	17,040
Net cash from financing activities	(144,644)	169,770	(113,413)	(25,185)
Effect of exchange rate changes	(16,503)	(10,373)	(76)	(1,949)
Net increase in cash and cash equivalents	**25,553**	**1,978,052**	**(187,299)**	**5,148**
Dividends paid to non-controlling interests during the year [1]	0	12,711	23,970	3,346

1 Included in net cash from financing activites

2015 in € thousand	Raiffeisen Bank Aval JSC, Kiev (UA)	Raiffeisenbank a.s., Prague (CZ)	Tatra banka a.s., Bratislava (SK)	Priorbank JSC, Minsk (BY)
Operating income	177,484	342,178	417,263	236,271
Profit/loss after tax	(70,709)	92,962	115,787	106,115
Other comprehensive income	(59,317)	27,165	16,666	(99,525)
Total comprehensive income	**(130,026)**	**120,128**	**132,453**	**6,590**
Current assets	1,163,589	3,890,887	4,278,006	1,033,626
Non-current assets	790,149	5,224,497	6,719,135	275,061
Current liabilites	1,636,383	7,230,308	8,838,163	843,362
Non-current liabilities	82,356	982,297	1,208,949	171,144
Net assets	**234,999**	**902,780**	**950,030**	**294,181**
Net cash from operating activities	336,012	1,251,199	772,106	58,094
Net cash from investing activities	(1,975)	36,058	(66,230)	(11,455)
Net cash from financing activities	(299,940)	(18,165)	(138,078)	(25,583)
Effect of exchange rate changes	(35,339)	6,769	752	(36,046)
Net increase in cash and cash equivalents	**(1,242)**	**1,275,862**	**568,551**	**(14,990)**
Dividends paid to non-controlling interests during the year [1]	0	9,659	28,861	3,231

1 Included in net cash from financing activites

Significant restrictions

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

In relation to the approval of the acquisition of Polbank shares, a commitment was made – besides other undertakings – to the Polish Financial Supervision Authority that 15 per cent of the shares in the Polish banking unit would be listed on the Warsaw Stock Exchange by June 2017 at the latest. Furthermore, a commitment was made in relation to the approval that RBI shares would also be listed on the Warsaw Stock Exchange (in addition to the listing on the Vienna Stock Exchange) from June 2018 at the latest or, alternatively, that the listed proportion of shares in the Polish banking unit would be increased to 25 per cent.

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

As at end of 2014, the Ukrainian National Bank launched foreign currency transfer controls. A foreign investor is currently not able to execute dividend payments in a foreign currency. This restriction was extended indefinitely in the 2016 financial year.

Share-based remuneration

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

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

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

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

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

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

Disclosures to financial instruments

(33) Breakdown of remaining terms to maturity

2016 in € thousand	Short-term assets/liabilities Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	Long-term assets/liabilities More than 1 year, up to 5 years	More than 5 years
Cash reserve	12,242,415	0	0	0	0
Loans and advances to banks	4,243,475	4,153,208	777,297	405,692	320,340
Loans and advances to customers	7,731,784	9,951,599	9,385,212	24,326,063	19,119,458
Impairment losses on loans and advances	(4,955,132)	0	0	0	0
Trading assets	168,555	650,738	660,827	1,780,389	1,725,952
Financial investments	282,192	2,931,881	2,196,199	7,958,089	1,270,651
Sundry assets	2,153,011	864,518	152,705	877,160	489,567
Total assets	**21,866,300**	**18,551,944**	**13,172,241**	**35,347,393**	**22,925,967**
Deposits from banks	4,084,452	2,396,550	1,632,095	2,776,168	1,927,210
Deposits from customers	48,004,468	11,776,469	8,453,654	2,030,824	1,272,811
Debt securities issued	0	443,924	2,169,542	3,107,203	924,458
Trading liabilities	281,739	484,177	496,745	2,353,080	1,504,001
Subordinated capital	0	37	30,845	999,723	3,173,087
Sundry liabilities	786,503	790,373	128,671	490,613	112,291
Subtotal	**53,157,163**	**15,891,531**	**12,911,554**	**11,757,610**	**8,913,857**
Equity	9,232,130	0	0	0	0
Total equity and liabilities	**62,389,293**	**15,891,531**	**12,911,554**	**11,757,610**	**8,913,857**

2015 in € thousand	Short-term assets/liabilities Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	Long-term assets/liabilities More than 1 year, up to 5 years	More than 5 years
Cash reserve	13,211,971	0	0	0	0
Loans and advances to banks	1,961,987	5,527,674	1,305,561	469,110	1,572,876
Loans and advances to customers	7,698,266	11,134,422	10,212,342	22,726,471	18,149,864
Impairment losses on loans and advances	(6,055,134)	0	0	0	0
Trading assets	438,770	405,188	644,488	2,822,342	1,503,321
Financial investments	326,237	4,244,823	2,156,345	7,253,683	1,262,547
Sundry assets	2,600,863	486,136	455,333	994,483	916,614
Total assets	**20,182,959**	**21,798,243**	**14,774,069**	**34,266,090**	**23,405,221**
Deposits from banks	3,715,948	4,800,766	2,322,350	3,671,258	1,858,854
Deposits from customers	40,468,200	15,375,668	9,068,723	2,640,591	1,437,705
Debt securities issued	0	598,857	1,153,153	5,043,017	706,566
Trading liabilities	412,115	482,505	599,953	2,052,374	1,544,563
Subordinated capital	0	5,807	22,025	484,642	3,651,878
Sundry liabilities	1,658,554	746,096	501,670	595,476	306,302
Subtotal	**46,254,817**	**22,009,699**	**13,667,873**	**14,487,357**	**9,505,869**
Equity	8,500,967	0	0	0	0
Total equity and liabilities	**54,755,784**	**22,009,699**	**13,667,873**	**14,487,357**	**9,505,869**

(34) Foreign currency volumes

in € thousand	2016	2015
Assets	61,071,903	55,305,039
Liabilities	48,678,601	48,228,043

(35) Securitization

The Group as originator

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

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

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

SME: small and medium-sized enterprises

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

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

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

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

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

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

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

The Group as investor

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

Total exposure to structured products (excluding CDS):

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

(36) Transferred assets

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

Transferred financial assets not derecognized

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

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

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

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

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

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

Transferred financial assets that are not entirely derecognized

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

(37) Assets pledged as collateral and received financial assets

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

in € thousand	2016	2015
Loans and advances[1]	6,729,870	6,732,916
Trading assets[2]	63,540	1,077,547
Financial investments	678,766	572,848
Total	**7,472,177**	**8,383,312**

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

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

in € thousand	2016	2015
Deposits from banks	2,579,979	3,370,649
Deposits from customers	45,906	561,207
Debt securities issued	1,610,164	1,586,489
Other liabilities	201,069	645,593
Contingent liabilities and commitments	0	115,798
Total	**4,437,118**	**6,279,735**

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

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

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

Significant restrictions regarding access to or usage of Group assets

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

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

in € thousand	2016 Pledged	2016 Otherwise restricted with liabilities	2015 Pledged	2015 Otherwise restricted with liabilities
Loans and advances[1]	6,729,870	1,338,469	6,732,916	1,983,278
Trading assets[2]	63,540	29,174	1,077,547	56,227
Financial investments	678,766	386,013	572,848	7,327
Total	**7,472,177**	**1,753,656**	**8,383,312**	**2,046,832**

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

(38) Offsetting of financial assets and liabilities

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

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

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

2016	Gross amount		Net amount	Related amounts not set-off in the statement of financial position		Net amount
in € thousand	of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	Financial instruments	Cash collateral received	
Derivatives (legally enforceable)	4,501,241	733,698	3,767,544	2,631,677	38,683	1,097,183
Reverse repurchase, securities lending & similar agreements (legally enforceable)	3,681,162	0	3,681,162	3,681,162	0	0
Other financial instruments (legally enforceable)	188,172	0	188,172	0	0	188,172
Total	**8,370,575**	**733,698**	**7,636,877**	**6,312,839**	**38,683**	**1,285,355**

2016 in € thousand	Gross amount of recognized liabilities set-off in the statement of financial position	 of recognized assets set-off in the statement of financial position	Net amount of recognized liabilities set-off in the statement of financial position	Related amounts not set-off in the statement of financial position Financial instruments	 Cash collateral pledged	Net amount
Derivatives (legally enforceable)	3,953,907	733,698	3,220,210	1,986,648	110,345	1,123,217
Repurchase, securities lending & similar agreements (legally enforceable)	447,514	0	447,514	433,849	0	13,665
Other financial instruments (legally enforceable)	10,206	0	10,206	0	0	10,206
Total	**4,411,628**	**733,698**	**3,677,930**	**2,420,497**	**110,345**	**1,147,088**

In 2016, assets which were not subject to legally enforceable netting agreements amounted to € 104,226,968 thousand (2015: € 109,067,016 thousand), of which an immaterial part was accounted for by derivative financial instruments and cash balances from reverse repo business. Liabilities which were not subject to legally enforceable netting agreements totaled € 99,535,179 thousand in 2016 (2015: € 102,392,574 thousand), of which only an immaterial part was accounted for by derivative financial instruments and cash deposits from repo business.

2015 in € thousand	Gross amount of recognized assets set-off in the statement of financial position	 of recognized liabilities set-off in the statement of financial position	Net amount of recognized assets set-off in the statement of financial position	Related amounts not set-off in the statement of financial position Financial instruments	 Cash collateral received	Net amount
Derivatives (legally enforceable)	4,398,339	563,947	3,834,392	2,693,543	33,017	1,107,832
Reverse repurchase, securities lending & similar agreements (legally enforceable)	1,326,950	0	1,326,950	1,310,863	0	16,087
Other financial instruments (legally enforceable)	212,652	14,427	198,224	0	0	198,224
Total	**5,937,941**	**578,374**	**5,359,567**	**4,004,406**	**33,017**	**1,322,143**

2015 in € thousand	Gross amount of recognized liabilities set-off in the statement of financial position	 of recognized assets set-off in the statement of financial position	Net amount of recognized liabilities set-off in the statement of financial position	Related amounts not set-off in the statement of financial position Financial instruments	 Cash collateral pledged	Net amount
Derivatives (legally enforceable)	4,319,563	563,947	3,755,616	2,656,661	170,599	928,356
Repurchase, securities lending & similar agreements (legally enforceable)	225,431	0	225,431	217,366	0	8,065
Other financial instruments (legally enforceable)	100,985	14,427	86,558	0	0	86,558
Total	**4,645,979**	**578,374**	**4,067,605**	**2,874,028**	**170,599**	**1,022,979**

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

(39) Derivative financial instruments

2016 in € thousand	Nominal amount by maturity Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Fair values Positive	Negative
Total	**65,512,221**	**74,540,645**	**69,082,240**	**209,135,105**	**4,082,219**	**(3,387,283)**
Interest rate contracts	**26,699,382**	**63,426,788**	**50,318,362**	**140,444,531**	**3,069,639**	**(2,141,020)**
OTC products						
Interest rate swaps	23,243,697	53,017,215	44,161,793	120,422,706	2,774,581	(1,909,513)
Interest rate futures	824,943	0	0	824,943	34	0
Interest rate options – purchased	1,203,708	5,353,995	3,206,507	9,764,211	294,952	0
Interest rate options – sold	1,096,945	4,951,732	2,863,743	8,912,420	0	(230,881)
Products trading on stock exchange						
Interest rate futures	330,089	49,412	38,592	418,093	0	(626)
Interest rate options	0	54,433	47,726	102,160	72	0
Foreign exchange rate and gold contracts	**36,878,782**	**9,413,284**	**18,535,556**	**64,827,623**	**913,876**	**(1,070,164)**
OTC products						
Cross-currency interest rate swaps	4,912,509	8,359,482	18,535,556	31,807,547	465,483	(729,777)
Forward foreign exchange contracts	28,748,913	973,379	0	29,722,293	429,751	(320,081)
Currency options – purchased	1,202,723	27,264	0	1,229,987	14,774	0
Currency options – sold	1,402,522	34,639	0	1,437,162	0	(14,003)
Gold commodity contracts	1,431	18,519	0	19,950	492	0
Products trading on stock exchange						
Currency contracts (futures)	610,685	0	0	610,685	3,376	(6,304)
Equity/index contracts	**924,565**	**1,519,131**	**228,322**	**2,672,017**	**94,938**	**(164,863)**
OTC products						
Equity-/index-based options - purchased	48,915	590,584	123,230	762,729	49,563	0
Equity-/index-based options - sold	209,132	904,613	104,595	1,218,340	8,942	(125,385)
Products trading on stock exchange						
Equity/index futures - forward pricing	405,278	291	497	406,066	31,302	(32,414)
Equity/index futures	261,240	23,643	0	284,883	5,131	(7,065)
Commodities	**95,930**	**95,699**	**0**	**191,629**	**3,119**	**(9,428)**
Credit derivatives	**895,537**	**85,743**	**0**	**981,281**	**648**	**(687)**
Precious metals contracts	**18,024**	**0**	**0**	**18,024**	**0**	**(1,120)**

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

2015	Nominal amount by maturity				Fair values	
in € thousand	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive	Negative
Total	80,710,102	75,897,307	50,153,791	206,761,200	4,406,213	(4,927,491)
Interest rate contracts	**31,184,684**	**62,690,306**	**47,475,761**	**141,350,751**	**3,179,729**	**(2,390,128)**
OTC products						
Interest rate swaps	24,126,580	54,008,153	41,570,577	119,705,310	2,893,293	(2,133,649)
Interest rate futures	1,913,964	0	0	1,913,964	1,231	(2,549)
Interest rate options – purchased	979,454	4,442,682	2,944,024	8,366,160	284,805	0
Interest rate options – sold	1,289,859	4,205,272	2,883,845	8,378,977	0	(253,873)
Other similar contracts	2,161	0	0	2,161	0	0
Products trading on stock exchange						
Interest rate futures	2,872,666	34,198	58,945	2,965,809	336	(57)
Interest rate options	0	0	18,371	18,371	64	0
Foreign exchange rate and gold contracts	**47,617,072**	**10,253,473**	**2,230,651**	**60,101,197**	**1,154,426**	**(1,382,843)**
OTC products						
Cross-currency interest rate swaps	6,346,523	9,209,688	2,217,123	17,773,334	739,139	(941,323)
Forward foreign exchange contracts	37,336,296	866,568	0	38,202,865	381,159	(390,424)
Currency options – purchased	1,497,065	105,479	0	1,602,545	31,221	0
Currency options – sold	1,639,230	68,754	0	1,707,984	0	(29,752)
Gold commodity contracts	0	2,984	13,529	16,512	47	(12,240)
Products trading on stock exchange						
Currency contracts (futures)	797,957	0	0	797,957	2,859	(9,103)
Equity/index contracts	**1,250,956**	**1,821,516**	**403,490**	**3,475,961**	**69,838**	**(1,024,373)**
OTC products						
Equity-/index-based options - purchased	84,862	505,331	113,035	703,229	39,062	0
Equity-/index-based options - sold	133,298	648,667	163,124	945,088	0	(161,330)
Other similar equity/index contracts	229,331	644,521	127,331	1,001,183	120	(826,338)
Products trading on stock exchange						
Equity/index futures - forward pricing	436,540	0	0	436,540	24,803	(22,172)
Equity/index futures	366,924	22,997	0	389,921	5,853	(14,532)
Commodities	**141,386**	**128,795**	**43,889**	**314,071**	**442**	**(110,759)**
Credit derivatives	**494,078**	**992,305**	**0**	**1,486,383**	**1,776**	**(2,114)**
Precious metals contracts	**21,926**	**10,912**	**0**	**32,838**	**1**	**(17,274)**

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

(40) Fair value of financial instruments

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

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

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

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

Fair value of financial instruments reported at fair value

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

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

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

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

A further element of the CVA involves determining a probability of default for each counterparty. Where direct credit default swap (CDS) quotations are available, the Group calculates the market-based probability of default and, implicitly, the loss-given-default (LGD) for the respective counterparty. The probability of default for counterparties which are not actively traded on the market is calculated by assigning a counterparty's internal rating to a sector and rating-specific CDS curve.

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

No Funding Value Adjustment (FVA) was considered to measure OTC derivatives. RBI is observing market developments and will develop a method to calculate the FVA where appropriate.

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

in € thousand	2016 Level I	Level II	Level III	2015 Level I	Level II	Level III
Trading assets	**2,030,695**	**3,667,492**	**72,220**	**2,764,434**	**3,889,826**	**24,214**
Positive fair values of derivatives[1]	93,900	3,342,774	852	64,453	3,630,168	2,320
Shares and other variable-yield securities	164,159	350	65	202,603	449	237
Bonds, notes and other fixed-interest securities	1,772,637	324,368	71,303	2,497,378	259,210	21,657
Financial assets at fair value through profit or loss	**1,937,532**	**1,972,735**	**52,490**	**2,224,975**	**3,072,102**	**65,955**
Shares and other variable-yield securities	2,502	23	1,168	2,560	0	1,191
Bonds, notes and other fixed-interest securities	1,935,030	1,972,712	51,322	2,222,415	3,072,102	64,764
Financial assets available-for-sale	**3,750,409**	**44,138**	**73,585**	**2,930,139**	**95,835**	**170,518**
Other interests[2]	1,536	28,673		1,127	0	89,436
Bonds, notes and other fixed-interest securities	3,748,871	15,465	70,865	2,929,009	95,835	78,586
Shares and other variable-yield securities	3	0	2,721	3	0	2,496
Derivatives (hedging)	**0**	**644,693**	**0**	**0**	**709,272**	**0**
Positive fair values of derivatives from hedge accounting	0	644,693	0	0	709,272	0

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

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

in € thousand	2016 Level I	Level II	Level III	2015 Level I	Level II	Level III
Trading liabilities	**618,955**	**4,854,785**	**7,537**	**524,973**	**5,087,363**	**28,683**
Negative fair values of derivative financial instruments[1]	135,334	2,826,443	91	161,769	4,309,317	21,614
Call/time deposits from trading purposes	0	0	0	0	0	0
Short-selling of trading assets	483,236	72,111	0	363,204	90,255	0
Certificates issued	386	1,956,232	7,446	0	687,791	7,068
Liabilities at fair value through profit and loss	**0**	**2,783,648**	**0**	**0**	**2,588,259**	**0**
Deposits from banks[2]	0	751,720	0	0	838,753	0
Debt securities issued[2]	0	1,373,418	0	0	1,226,965	0
Subordinated capital[2]	0	658,510	0	0	522,541	0
Derivatives (hedging)	**0**	**425,415**	**0**	**0**	**434,791**	**0**
Negative fair values of derivatives from hedge accounting	0	425,415	0	0	434,791	0

1 Including other derivatives
2 Adaptation of previous year figures

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

Movements between Level I and Level II

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

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

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

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

Movements in Level III of financial instruments at fair value

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

in € thousand	As at 1/1/2016	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	24,214	0	(790)	70,261	(19,691)
Financial assets at fair value through profit or loss	65,955	0	4,667	18,586	(45,287)
Financial assets available-for-sale	170,518	0	(2,277)	14,619	(149,215)
Derivatives (hedging)	0	0	146	0	(28)

in € thousand	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 31/12/2016
Trading assets	(1,775)	0	0	0	72,220
Financial assets at fair value through profit or loss	8,569	0	0	0	52,490
Financial assets available-for-sale	129,399	(89,459)	0	0	73,585
Derivatives (hedging)	(118)	0	0	0	0

in € thousand	As at 1/1/2016	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading liabilities	28,683	0	0	12,849	(19,931)

in € thousand	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 31/12/2016
Trading liabilities	(258)	0	0	(13,806)	7,537

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

Qualitative information for the measurement of Level III financial instruments

Financial assets	Type	Fair value in € thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Shares and other variable-yield securities	Closed end real estate fund	65	Net asset value	Haircuts	40-90%
Shares and other variable-yield securities	Shares, floating rate notes	3,888	Cost of aquisition, DCF - method	Realization rate Credit spread	10-40%
Other investments	Shares	0	Income approach	Prognosticated cash flows	-
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	186,680	Discounted cash flow method	Credit spread	0,4-50%
Bonds, notes and other fixed-interest securities	Asset backed securities	6,810	Discounted cash flow method	Realization rate Credit spread	10-20%
Positive fair value of banking book derivatives without hedge accounting	Forward foreign exchange contracts	852	Net present value method Internal model	Interest rate PD LGD	10-30% 0.25-100% 37-64%
Total		**198,295**			

Financial liabilities	Type	Fair value in € thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Negative fair value of banking book derivatives without hedge accounting	OTC options	91	Option model Net present value method	Closing period Currency risk LT volatility Index category Net interest rate	2-5% 0-5% 0-3% 0-5% 10-30%
Issued certificates for trading purposes	Certificates	7,446	Option model (Curran)	Closing period Bid-Ask spread LT volatility Index category	0-3% 0-3% 0-3% 0-2.5%
Total		**7,537**			

Fair value of financial instruments not reported at fair value

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

2016 in € thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve		12,242,415		12,242,415	12,242,415	0
Loans and advances to banks	0	8,262,067	1,647,033	9,909,101	9,849,646	59,455
Loans and advances to customers	0	17,216,090	47,722,814	64,938,904	65,609,350	(670,445)
Financial investments	5,249,218	1,458,517	193,692	6,901,428	6,809,658	91,770
Liabilities						
Deposits from banks	0	10,417,797	1,724,605	12,142,402	12,064,755	77,647
Deposits from customers	0	27,002,668	44,585,410	71,588,078	71,538,226	49,852
Debt securities issued	106,814	3,728,921	1,469,758	5,305,493	5,271,709	33,784
Subordinated capital	0	3,337,908	401,636	3,739,544	3,545,183	194,361

2015 in € thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	13,211,971	0	13,211,971	13,211,971	0
Loans and advances to banks	0	7,526,878	3,279,664	10,806,542	10,717,293	89,249
Loans and advances to customers	0	15,903,839	47,529,702	63,433,541	63,986,146	(552,606)
Financial investments	5,193,682	1,487,619	211,392	6,892,693	6,685,237	207,456
Liabilities						
Deposits from banks[1]	0	12,685,593	2,886,555	15,572,148	15,530,422	41,725
Deposits from customers	0	27,280,163	42,252,466	69,532,630	68,990,887	541,742
Debt securities issued	271,962	4,275,546	1,790,895	6,338,403	6,274,628	63,775
Subordinated capital	0	3,565,784	406,123	3,971,907	3,641,811	330,096

1 Adaptation of previous year figures

(41) Contingent liabilities and commitments

in € thousand	2016	2015
Contingent liabilities	**9,055,448**	**9,386,509**
Acceptances and endorsements	0	26,180
Credit guarantees	5,397,891	4,928,800
Other guarantees	2,626,370	2,985,994
Letters of credit (documentary business)	993,936	1,237,908
Other contingent liabilities	37,251	207,627
Commitments	**10,174,261**	**9,980,036**
Irrevocable credit lines and stand-by facilities	10,174,261	9,980,036
Up to 1 year	2,818,529	2,894,232
More than 1 year	7,355,732	7,085,805

The following table contains revocable credit lines:

in € thousand	2016	2015
Revocable credit lines	**16,890,479**	**15,775,452**
Up to 1 year	9,643,908	9,581,961
More than 1 year	4,090,360	4,119,528
Without maturity	3,156,211	2,073,964

RBI AG is a member of Raiffeisen-Kundengarantiegemeinschaft Austria. The members of this association have a contractual obligation to guarantee jointly the punctual fulfillment of the entirety of an insolvent association member's commitments arising from customer deposits and its own issues up to the limit of the sum of the individual capacities of the remaining association members. The individual capacity of an association member is measured on the basis of its freely available reserves subject to the pertinent provisions of the Austrian Banking Act (BWG).

Risk report

(42) Risks arising from financial instruments

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

Risk management principles

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

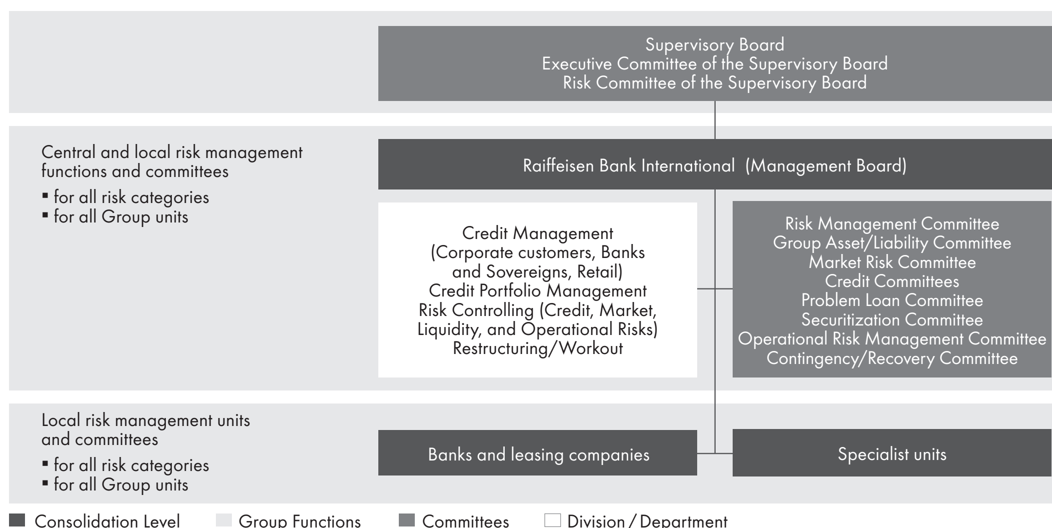
- Integrated risk management: Credit, country, market, liquidity, and operational risks are managed as key risks on a Group-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies: Risk measurement and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

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

Organization of risk management

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

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



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

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

Risk committees

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

The Group Asset/Liability Committee assesses and manages statement of financial position structure and liquidity risks and defines the standards for internal funds transfer pricing. In this context it plays an important role in the long-term funding planning and the hedging of structural interest rate and foreign exchange risks. The Capital Hedge Committee is a sub-committee of the Group Asset/Liability Committee and manages the currency risk of the capital position.

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

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

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

The Securitization Committee is the decision-making committee for limit requests in relation to securitization positions within the specific decision-making authority framework and develops proposals for modifications to the securitization strategy for the Man-

agement Board. In addition, the Securitization Committee is a platform for exchanging information regarding securitization positions and market developments.

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

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

Quality assurance and internal audit

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

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

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

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

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

Overall group risk management

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

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

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

Target rating perspective

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

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

During the year, the economic capital of the Group decreased 5 per cent, or € 289,746 thousand, to € 5,309,708 thousand. Overall, as at the reporting date, credit risk accounted for 61 per cent (2015: 60 per cent) of economic capital. Additionally, a general buffer for other risks, unchanged at 5 per cent of calculated economic capital, is added. In the allocation of risk capital as at 31 December 2016, the largest share of economic capital, at 34 per cent (2015: 41 per cent), is consumed by Group units located in Central Europe.

The economic capital is compared to internal capital, which mainly comprises equity and subordinated capital of the Group. This capital form serves as a primary means of risk coverage for servicing claims of senior lenders if the bank should incur losses. As at year-end 2016, total utilization of available risk capital (the ratio of economic capital to internal capital) amounted to 46 per cent (2015: 51 per cent).

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

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

Risk distribution of individual risk types to economic capital:

in € thousand	2016	Share	2015[1]	Share
Credit risk corporate customers	1,478,538	27.8%	1,596,219	28.5%
Credit risk retail customers	1,154,508	21.7%	1,200,409	21.4%
Operational risk	590,317	11.1%	639,280	11.4%
Credit risk sovereigns	412,024	7.8%	388,328	6.9%
Macroeconomic risk	391,510	7.4%	499,000	8.9%
FX risk capital position	275,745	5.2%	246,621	4.4%
Market risk	217,897	4.1%	211,082	3.8%
Credit risk banks	191,258	3.6%	171,793	3.1%
Other tangible fixed assets	190,782	3.6%	216,179	3.9%
Participation risk	108,942	2.1%	108,631	1.9%
CVA risk	30,457	0.6%	32,455	0.6%
Liquidity risk	14,887	0.3%	22,817	0.4%
Risk buffer	252,843	4.8%	266,641	4.8%
Total	**5,309,708**	**100.0%**	**5,599,454**	**100.0%**

1 Adaptation of previous year figures

The risk position "FX risk capital position" was shown separately for the first time as at 30 June 2016. It represents the risk from the foreign currency capital positions. A longer holding period (1 year) is assumed for non-hedgeable currencies. The breakdown also eliminates diversification effects between the two risk types shown. The comparative values for 31 December 2015 for market risk and FX risk capital position were adapted based on the methodology used as at 30 June 2016.

Regional allocation of economic capital according to Group booking unit:

in € thousand	2016	Share	2015[1]	Share
Central Europe	1,823,142	34.3%	2,268,010	40.5%
Southeastern Europe	1,207,851	22.7%	1,252,447	22.4%
Austria	1,134,260	21.4%	1,076,497	19.2%
Eastern Europe	1,132,709	21.3%	967,081	17.3%
Rest of World	11,746	0.2%	35,420	0.6%
Total	**5,309,708**	**100.0%**	**5,599,454**	**100.0%**

1 Adaptation of previous year figures

The decline in Central Europe was mainly attributable to the sale of Raiffeisen Banka d.d., Maribor, and Raiffeisen-Leasing Polska S.A. The sales were primarily reflected in the credit and macroeconomic risk. The increase in Eastern Europe was due to market risk.

Going concern perspective

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

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

Sustainability perspective

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

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

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

Credit risk

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

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

Limit application process

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

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

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

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

Credit portfolio management

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

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

The following table translates items of the statement of financial position (bank and trading book positions) into the maximum 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 such as guarantees and physical collateral, effects that are, however, considered in the total assessment of credit risks. The maximum credit exposure is used – if not explicitly stated otherwise –- in all subsequent tables in the risk report. The reasons for different values used for internal portfolio management and external financial accounting are the different scopes of consolidation (regulatory versus accounting rules according to IFRS, i.e. corporate legal basis), different classifications and presentation of exposure volumes.

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

in € thousand	2016	2015[2]
Cash reserve	9,267,086	10,716,836
Loans and advances to banks	9,900,012	10,837,209
Loans and advances to customers	70,514,116	69,921,365
Trading assets	4,986,462	5,814,108
Derivatives	1,428,639	1,573,637
Financial investments	14,353,243	14,914,953
Other assets	637,692	1,510,645
Contingent liabilities	9,055,448	9,386,509
Commitments	10,174,261	9,980,036
Revocable credit lines	16,890,479	15,775,452
Disclosure differences	(634,289)	538,094
Total[1]	**146,573,149**	**150,968,845**

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

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

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

Credit portfolio – Corporates

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

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

in € thousand		2016	Share	2015[1]	Share
1	Minimal risk	5,804,818	8.8%	3,582,589	5.2%
2	Excellent credit standing	7,080,479	10.8%	8,841,232	12.9%
3	Very good credit standing	7,634,073	11.6%	8,320,494	12.1%
4	Good credit standing	10,488,162	15.9%	10,850,849	15.8%
5	Sound credit standing	13,149,526	20.0%	11,937,323	17.4%
6	Acceptable credit standing	10,811,774	16.4%	10,541,442	15.3%
7	Marginal credit standing	4,356,303	6.6%	5,728,309	8.3%
8	Weak credit standing / sub-standard	1,498,401	2.3%	2,242,753	3.3%
9	Very weak credit standing / doubtful	683,561	1.0%	972,003	1.4%
10	Default	4,025,766	6.1%	5,622,237	8.2%
NR	Not rated	226,379	0.3%	110,663	0.2%
Total		**65,759,242**	**100.0%**	**68,749,895**	**100.0%**

1 Adaptation of previous year figures

The total credit exposure to corporates amounted to € 65,759,242 thousand (2015: € 68,749,895 thousand) at year-end 2016. The increase in rating grade 1 resulted from a rating upgrade of individual financial service providers and customers in the Group Markets and Group Corporates segments. Rating grade 5 recorded a € 1,212,203 thousand increase to € 13,149,526 thousand, due to an increase in credit financing and swap transactions. The € 1,372,006 thousand decline in rating grade 7 resulted from a reduction in facility and credit financing, guarantees issued, and from a reduction in deposits in the Group Corporates, Non-Core and Southeastern Europe segments. Rating grade 10 recorded a € 1,596,471 thousand decline to € 4,025,766 thousand. The decline was attributable to the reduction in exposure and the sales of non-performing loans in several countries, notably in Group Corporates, Asia, Russia and Hungary, and to the sales of Raiffeisen Banka d.d., Maribor, and Raiffeisen-Leasing Polska S.A., Warsaw.

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

in € thousand		2016	Share	2015[1]	Share
6.1	Excellent project risk profile – very low risk	4,530,210	56.0%	3,907,386	48.3%
6.2	Good project risk profile – low risk	1,850,736	22.9%	2,180,389	27.0%
6.3	Acceptable project risk profile – average risk	843,661	10.4%	676,171	8.4%
6.4	Poor project risk profile – high risk	246,584	3.0%	414,076	5.1%
6.5	Default	596,213	7.4%	894,909	11.1%
NR	Not rated	19,929	0.2%	11,079	0.1%
Total		**8,087,334**	**100.0%**	**8,084,011**	**100.0%**

1 Adaptation of previous year figures

The credit exposure in project finance amounted to € 8,087,334 thousand (2015: € 8,084,011 thousand) at year-end 2016. At 78.9 per cent (2015: 75.3 per cent), projects rated in the two best rating grades, excellent project risk profile – very low risk (rating 6.1) or good project risk profile – low risk (rating 6.2), accounted for the highest share of the portfolio. This reflects mainly the high level of collateralization in specialized lending transactions. The increase in rating grade 6.1 excellent project risk profile – very low risk was attributable to a rating upgrade of individual customers in Austria, Hungary and Slovakia.

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

in € thousand	2016	Share	2015[1]	Share
Central Europe	20,922,091	28.3%	22,880,766	29.8%
Austria	12,896,882	17.5%	14,407,083	18.8%
Western Europe	10,971,652	14.9%	9,383,779	12.2%
Eastern Europe	12,321,417	16.7%	11,874,752	15.5%
Southeastern Europe	11,098,349	15.0%	10,300,863	13.4%
Asia	1,943,739	2.6%	3,550,538	4.6%
Other	3,692,445	5.0%	4,436,125	5.8%
Total	**73,846,576**	**100.0%**	**76,833,905**	**100.0%**

1 Adaptation of previous year figures

The credit exposure for corporate customers and project financing declined € 2,987,329 thousand to € 73,846,576 thousand. Central Europe recorded a € 1,958,675 thousand decline, which was attributable to project and facility financing and to a reduction in the bond portfolio. The decrease of € 1,510,201 thousand in the Austrian region resulted mainly from facility financing. Western Europe recorded an increase of € 1,587,873 thousand due to an increase in repo and swap transactions and to money market business. As a result of the decision to downscale business operations in Asia as part of the transformation program, Asia recorded a decline of € 1,606,799 thousand.

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

in € thousand	2016	Share	2015[1]	Share
Manufacturing	16,836,731	22.8%	17,022,635	22.2%
Wholesale and retail trade	15,888,410	21.5%	17,043,083	22.2%
Financial intermediation	7,746,120	10.5%	8,534,257	11.1%
Real estate	8,350,888	11.3%	8,644,148	11.3%
Construction	5,377,591	7.3%	5,567,635	7.2%
Freelance/technical services	4,208,989	5.7%	4,104,635	5.3%
Transport, storage and communication	3,346,237	4.5%	3,530,765	4.6%
Electricity, gas, steam and hot water supply	3,046,017	4.1%	3,734,447	4.9%
Other industries	9,045,592	12.2%	8,652,301	11.3%
Total	**73,846,576**	**100.0%**	**76,833,905**	**100.0%**

1 Adaptation of previous year figures

Credit portfolio – Retail customers

Retail customers are subdivided into private individuals and small and medium-sized entities (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 of the Group:

in € thousand	2016	Share	2015	Share
Retail customers – private individuals	26,497,529	90.9%	24,618,945	88.4%
Retail customers – small and medium-sized entities	2,668,266	9.1%	3,225,167	11.6%
Total	**29,165,795**	**100.0%**	**27,844,112**	**100.0%**
hereof non-performing loans	2,138,814	7.3%	2,282,662	8.2%
hereof individual loan loss provision	1,522,231	5.2%	1,669,456	6.0%
hereof portfolio-based loan loss provision	249,294	0.9%	206,761	0.7%

The total credit exposure to retail customers breaks down by Group segments as follows:

2016 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Non-Core	Group Markets
Retail customers – private individuals	9,954,054	7,335,063	4,003,633	5,191,768	13,011
Retail customers – small and medium-sized entities	1,002,360	738,631	403,160	522,804	1,310
Total	**10,956,414**	**8,073,694**	**4,406,793**	**5,714,572**	**14,321**
hereof non-performing loans	488,621	537,071	698,602	414,520	0
hereof individual loan loss provision	273,452	371,579	643,693	233,462	45
hereof portfolio-based loan loss provision	86,772	90,081	55,444	16,997	0

2015 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Non-Core	Group Markets
Retail customers – private individuals	8,362,152	6,892,493	3,411,455	5,939,594	13,251
Retail customers – small and medium-sized entities	1,095,471	902,940	446,912	778,107	1,736
Total	**9,457,623**	**7,795,433**	**3,858,367**	**6,717,702**	**14,987**
hereof non-performing loans	423,890	546,889	900,920	410,962	0
hereof individual loan loss provision	268,798	319,446	805,949	232,657	60
hereof portfolio-based loan loss provision	79,524	51,134	48,359	23,328	0

Compared to year-end 2015, the retail credit portfolio with a volume of € 29,165,795 thousand showed an increase of € 1,321,683 thousand. The highest volume of € 10,956,414 thousand (2015: € 9,457,623 thousand) was shown in the segment Central Europe. Compared to year-end 2015, this was an increase of € 1,498,791 thousand, mainly caused by a rise in loans to private individuals in the Czech Republic and Slovakia and by the purchase of a loan portfolio in the Czech Republic. The second largest segment was Southeastern Europe at € 8,073,694 thousand (2015: € 7,795,433 thousand). Compared to the previous year, the exposure increased € 278,261 thousand. This was mainly due to Bulgaria and Romania. Compared to year-end 2015, the segment Non-Core reported a decrease of € 1,003,130 thousand mainly resulting from the sale of Raiffeisen-Leasing Polska S.A., Warsaw, and Raiffeisen Banka d.d., Maribor. The segment Eastern Europe showed an increase of € 548,426 thousand to € 4,406,793 thousand. This was mainly attributable to Russia and Ukraine. The increase was primarily due to the appreciation of the Russian rouble.

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

in € thousand	2016	Share	2015	Share
Mortgage loans	15,548,794	53.3%	14,977,762	53.8%
Personal loans	6,668,084	22.9%	5,945,319	21.4%
Credit cards	3,196,821	11.0%	2,441,433	8.8%
Car loans	495,976	1.7%	1,251,341	4.5%
Overdraft	1,647,468	5.6%	1,699,054	6.1%
SME financing	1,608,652	5.5%	1,529,203	5.5%
Total	**29,165,795**	**100.0%**	**27,844,112**	**100.0%**

The increase in mortgage loans was mainly attributable to the Czech Republic, Russia and Slovakia, but was partly offset by a decrease in Poland and Ukraine. Personal loans also rose due to Russia, Poland and Romania. The increase in credit card exposure resulted from the purchase of a loan portfolio in the Czech Republic and from organic growth in Russia. The decline in car loans was on the one hand due to the decision, taken in 2015, to withdraw from this product category in Russia and also to the sale of Raiffeisen-Leasing Polska S.A., Warsaw.

2016 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Non-Core	Group Markets
Mortgage loans	7,331,681	2,244,661	1,587,248	4,385,204	0
Personal loans	991,066	3,569,309	1,511,882	587,219	8,608
Credit cards	1,011,368	960,885	956,812	264,676	3,081
Car loans	158,827	131,061	205,255	833	0
Overdraft	837,935	369,961	34,297	404,857	418
SME financing	625,538	797,818	111,300	71,783	2,214
Total	**10,956,414**	**8,073,694**	**4,406,793**	**5,714,572**	**14,321**

2015 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Non-Core	Group Markets
Mortgage loans	6,616,952	2,403,254	1,317,397	4,640,159	0
Personal loans	865,823	3,270,247	1,266,241	532,725	10,284
Credit cards	494,547	882,014	765,571	296,140	3,162
Car loans	119,612	140,932	338,589	652,207	0
Overdraft	842,337	375,491	28,456	452,090	680
SME financing	518,353	723,495	142,113	144,381	861
Total	**9,457,623**	**7,795,433**	**3,858,367**	**6,717,702**	**14,987**

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

in € thousand	2016	Share	2015	Share
Swiss franc	3,099,078	43.8%	3,585,047	44.8%
Euro	3,402,789	48.1%	3,617,077	45.2%
US-Dollar	564,276	8.0%	794,474	9.9%
Other foreign currencies	1,987	0.0%	3,290	0.0%
Loans in foreign currencies	**7,068,130**	**100.0%**	**7,999,889**	**100.0%**
Share of total loans	**24.2%**		**28.7%**	

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

The following table shows the credit exposure in foreign currencies to this asset class by segments:

2016 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Non-Core	Group Markets
Swiss franc	4,839	311,336	0	2,782,903	0
Euro	47,654	2,483,627	20,297	851,212	0
US-Dollar	5,445	4,098	549,646	3,689	1,398
Other foreign currencies	308	20	796	554	309
Loans in foreign currencies	**58,245**	**2,799,081**	**570,739**	**3,638,357**	**1,708**
Share of total loans	**0.5%**	**34.7%**	**13.0%**	**63.7%**	**11.9%**

2015 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Non-Core	Group Markets
Swiss franc	6,011	642,205	0	2,936,397	434
Euro	19,093	2,575,930	31,750	990,304	0
US-Dollar	3,301	4,377	780,855	4,392	1,550
Other foreign currencies	410	1,350	277	676	578
Loans in foreign currencies	**28,815**	**3,223,861**	**812,883**	**3,931,768**	**2,562**
Share of total loans	**0.3%**	**41.4%**	**21.1%**	**58.5%**	**17.1%**

Credit portfolio – Banks

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

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

1. Viability rating

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

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

2. Final rating

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

3. Country ceiling

A country ceiling is used in order to take the transfer risk of international transactions into account. The default probability applied for the bank must be at least as high as the default probability of the relevant country.

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

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

The following table shows the credit exposure for banks in the nine principal grades of the new master scale:

in € thousand		2016	Share
1	Minimal risk	2,520,990	13.5%
2	Excellent credit standing	2,918,689	15.7%
3	Very good credit standing	9,934,631	53.3%
4	Good credit standing	1,391,396	7.5%
5	Sound credit standing	1,041,572	5.6%
6	Acceptable credit standing	218,373	1.2%
7	Marginal credit standing	186,097	1.0%
8	Weak credit standing / sub-standard	245,432	1.3%
9	Very weak credit standing / doubtful	77,456	0.4%
10	Default	83,767	0.4%
NR	Not rated	9,141	0.0%
Total		**18,627,544**	**100.0%**

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

in € thousand		2015	Share
A1	Excellent credit standing	0	0.0%
A2	Very good credit standing	1,853,562	10.9%
A3	Good credit standing	1,802,532	10.6%
B1	Sound credit standing	9,294,803	54.7%
B2	Average credit standing	1,115,254	6.6%
B3	Mediocre credit standing	1,033,347	6.1%
B4	Weak credit standing	1,320,815	7.8%
B5	Very weak credit standing	277,171	1.6%
C	Doubtful/high default risk	158,099	0.9%
D	Default	137,493	0.8%
NR	Not rated	3,459	0.0%
Total		**16,996,536**	**100.0%**

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

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

in € thousand	2016	Share	2015	Share
Western Europe	8,640,033	46.4%	7,359,597	43.3%
Austria	4,617,079	24.8%	5,600,117	32.9%
Asia	1,128,700	6.1%	1,232,447	7.3%
Eastern Europe	1,793,563	9.6%	1,003,535	5.9%
Central Europe	794,418	4.3%	557,041	3.3%
Southeastern Europe	140,297	0.8%	109,638	0.6%
Other	1,513,453	8.1%	1,134,160	6.7%
Total	**18,627,544**	**100.0%**	**16,996,536**	**100.0%**

The total credit exposure to banks amounted to € 18,627,544 thousand (2015: € 16,996,536 thousand) at year-end 2016. The largest increase of € 1,280,436 thousand was recorded by Western Europe, mainly due to an increase in repo transactions. The rise of € 790,028 thousand in Eastern Europe also resulted from an increase in repo transactions. Central Europe recorded growth of € 237,377 thousand due to an increase in the bond portfolio and in facility financing and repo transactions. The increase in the overall credit portfolio was, however, partly offset by a decrease in Austria. This was mainly due to a reduction in short-term money market business.

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

The Group continues to reduce the unsecured credit exposure in this asset class according to its strategy. New business in this asset class thus mainly stems from counterparty credit exposure from derivatives and short-term money market deposits. Credit business with other banks in the Austrian Raiffeisen Banking Group which are participating in a joint risk monitoring system is not restricted.

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

in € thousand	2016	Share	2015	Share
Loans	5,071,334	27.2%	4,728,489	27.8%
Derivatives	3,801,657	20.4%	3,885,666	22.9%
Repo	3,754,785	20.2%	1,157,084	6.8%
Bonds	2,585,038	13.9%	2,895,266	17.0%
Money market	2,067,598	11.1%	3,067,019	18.0%
Other	1,347,133	7.2%	1,263,013	7.4%
Total	**18,627,544**	**100.0%**	**16,996,537**	**100.0%**

Credit exposure – Sovereigns

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

in € thousand		2016	Share	2015	Share
A1	Excellent credit standing	1,918,575	7.7%	8,322,919	28.4%
A2	Very good credit standing	2,805,251	11.3%	891,918	3.0%
A3	Good credit standing	5,950,211	23.9%	4,564,252	15.6%
B1	Sound credit standing	3,825,660	15.3%	4,206,332	14.4%
B2	Average credit standing	2,690,331	10.8%	3,117,402	10.6%
B3	Mediocre credit standing	4,627,223	18.6%	2,636,501	9.0%
B4	Weak credit standing	1,563,842	6.3%	4,178,438	14.3%
B5	Very weak credit standing	837,488	3.4%	720,668	2.5%
C	Doubtful/high default risk	711,850	2.9%	618,117	2.1%
D	Default	1,669	0.0%	3,305	0.0%
NR	Not rated	1,134	0.0%	34,439	0.1%
Total		**24,933,234**	**100.0%**	**29,294,291**	**100.0%**

The credit exposure to sovereigns amounted to € 24,933,234 thousand (2015: € 29,294,291 thousand) at year-end 2016. It accounted for 17.0 per cent (2015: 19.4 per cent) of the total credit exposure.

The rating grade excellent credit standing (rating A1) showed a decrease of € 6,404,344 thousand. This mainly resulted from the decrease in deposits at the Austrian National Bank. As a result of the internal rating downgrade of the Republic of Austria, the remaining deposits at year-end 2016 were classified in the rating grade A2 very good credit standing which showed an increase of € 1,912,333 thousand.

The medium rating grades good credit standing (rating A3) to mediocre credit standing (rating B3) represented the highest share at 68.6 per cent (2015: 49.6 per cent). The high exposure in the medium rating grades resulted amongst other factors from bonds of central banks and central governments. The medium rating grades also reflected minimum reserves and money market transactions. The rating grade A3 good credit standing showed an increase due to money market business in the Czech Republic, which was however partly offset by a reduction in the bond portfolio in Slovakia and the Czech Republic. The change in rating grade B3 mediocre credit standing and B4 weak credit standing was on the one hand due to a rating upgrade of Hungary and on the other due to the decline in deposits at the Hungarian National Bank.

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

in € thousand	2016	Share	2015	Share
Bonds	13,190,659	52.9%	14,448,094	49.3%
Loans	11,217,626	45.0%	14,089,281	48.1%
Derivatives	487,999	2.0%	718,848	2.5%
Other	36,950	0.1%	38,068	0.1%
Total	**24,933,234**	**100.0%**	**29,294,291**	**100.0%**

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

in € thousand	2016	Share	2015	Share
Hungary	2,120,403	27.4%	2,624,900	32.0%
Croatia	1,047,445	13.5%	994,753	12.1%
Bulgaria	853,896	11.0%	942,536	11.5%
Albania	792,225	10.2%	856,583	10.5%
Russia	555,157	7.2%	604,315	7.4%
Serbia	500,992	6.5%	503,747	6.1%
Ukraine	494,194	6.4%	396,901	4.8%
Bosnia and Herzegovina	491,937	6.4%	477,723	5.8%
Belarus	188,830	2.4%	210,800	2.6%
Vietnam	163,728	2.1%	160,226	2.0%
Other	534,400	6.9%	418,987	5.1%
Total	**7,743,206**	**100.0%**	**8,191,468**	**100.0%**

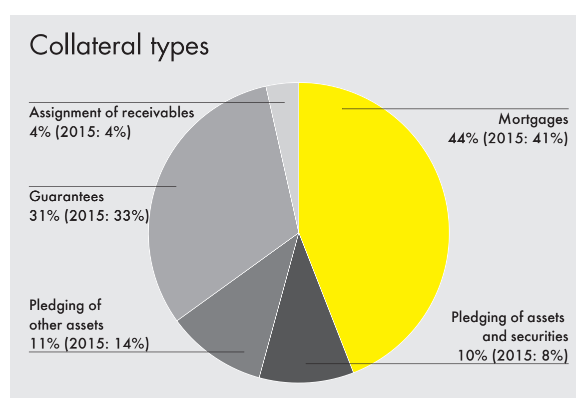
Compared to year-end 2015, the credit exposure to sovereigns in non-investment grade decreased € 448,262 thousand to € 7,743,206 thousand. This decrease resulted primarily from a reduction in short-term money market business. The increase in Other was largely due to an increase in facility financing in Ghana.

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

Credit risk mitigation

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

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



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

2016 in € thousand	Maximum credit exposure Net exposure	 Commitments/guarantees issued	Fair value of collateral
Banks	9,849,646	3,501,577	2,925,107
Sovereigns	654,478	758,490	420,141
Corporate customers – large corporates	38,746,308	27,215,300	23,049,198
Corporate customers – mid market	2,384,031	1,086,902	1,772,718
Retail customers – private individuals	21,877,636	3,464,393	13,069,419
Retail customers – small and medium-sized entities	1,946,897	508,747	1,312,405
Total	**75,458,996**	**36,535,409**	**42,548,987**

2015 in € thousand	Maximum credit exposure Net exposure	 Commitments/guarantees issued	Fair value of collateral
Banks	10,717,293	1,982,693	1,932,954
Sovereigns	809,033	436,169	421,672
Corporate customers – large corporates	37,906,937	28,329,257	25,366,407
Corporate customers – mid market	2,497,289	1,041,942	2,082,505
Retail customers – private individuals	20,294,767	2,858,860	12,408,275
Retail customers – small and medium-sized entities	2,478,120	495,495	1,843,926
Total	**74,703,439**	**35,144,417**	**44,055,739**

Problem loan management

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

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

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

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

2016 in € thousand	Current	Overdue Up to 30 days	 31 days, up to 90 days	 91 days, up to 180 days	 181 days, up to 1 year	 More than 1 year	Collateral received for assets which are past due
Banks	9,848,761	638	2	0	0	4	0
Sovereigns	651,117	736	368	1,400	1	2	0
Corporate customers – large corporates	36,634,944	681,648	125,729	4,577	8,763	8,972	444,282
Corporate customers – mid market	2,283,084	30,688	8,613	2,047	2,173	4,783	34,070
Retail customers – private individuals	20,144,167	1,270,439	240,309	18,311	12,065	21,285	554,240
Retail customers – small and medium-sized entities	1,750,505	75,877	27,883	3,785	1,327	4,756	61,032
Total	**71,312,579**	**2,060,026**	**402,903**	**30,121**	**24,330**	**39,801**	**1,093,624**

2015 in € thousand	Current	Overdue					Collateral received for assets which are past due
		Up to 30 days	31 days, up to 90 days	91 days, up to 180 days	181 days, up to 1 year	More than 1 year	
Banks	10,716,548	0	1	0	0	3	0
Sovereigns	767,530	39,022	46	0	1	17	1,682
Corporate customers – large corporates	35,237,668	755,943	60,644	13,381	43,044	16,969	588,469
Corporate customers – mid market	2,322,891	62,904	13,325	3,243	1,867	5,481	70,091
Retail customers – private individuals	18,199,971	1,421,837	297,556	101,251	19,170	27,843	697,654
Retail customers – small and medium-sized entities	2,102,777	215,296	44,729	8,927	2,822	3,727	213,588
Total	**69,347,384**	**2,495,002**	**416,300**	**126,803**	**66,904**	**54,041**	**1,571,484**

Non-performing exposure (NPE)

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

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

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

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

in € thousand	2016	Share	2015	Share
Central Europe	76,556	27%	56,706	15%
Southeastern Europe	99,713	35%	118,883	31%
Eastern Europe	14,063	5%	67,729	18%
Group Corporates	42,313	15%	87,150	23%
Group Markets	0	0%	0	0%
Corporate Center	0	0%	0	0%
Non-Core	51,159	18%	52,594	14%
Total	**283,803**	**100%**	**383,061**	**100%**
hereof non-banks	283,803	100%	383,061	100%

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

in € thousand	Refinancing 2016	2015	Instruments with modified time and modified conditions 2016	2015	NPE total 2016	2015
Corporate customers	11,897	15,357	72,252	159,044	84,150	174,402
Retail customers	23,768	28,933	175,885	179,726	199,654	208,659
Total	**35,666**	**44,291**	**248,138**	**338,771**	**283,803**	**383,061**

Non-performing loans (NPL) and provisioning

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

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

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

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

in € thousand	As at 1/1/2016	Change in consolidated group/ Exchange differences	Additions	Disposals	As at 31/12/2016
Corporate customers	6,051,344	13,655	1,206,100	(2,913,678)	4,357,420
Retail customers	2,273,515	39,334	506,077	(692,408)	2,126,518
Sovereigns	3,305	(1,395)	271	(513)	1,669
Total non-banks	**8,328,164**	**51,595**	**1,712,448**	**(3,606,600)**	**6,485,607**
Banks	127,496	1,337	2,268	(53,824)	77,277
Total	**8,455,659**	**52,931**	**1,714,716**	**(3,660,423)**	**6,562,884**

in € thousand	As at 1/1/2015 restated	Change in consolidated group/ Exchange differences	Additions	Disposals	As at 31/12/2015
Corporate customers	6,264,985	109,313	1,463,302	(1,786,257)	6,051,344
Retail customers	2,610,770	102,651	515,840	(955,747)	2,273,515
Sovereigns	229	22	3,305	(251)	3,305
Total non-banks	**8,875,984**	**211,987**	**1,982,447**	**(2,742,255)**	**8,328,164**
Banks	129,909	4,837	0	(7,250)	127,496
Total	**9,005,894**	**216,824**	**1,982,447**	**(2,749,505)**	**8,455,659**

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

in € thousand	NPL 2016	2015	NPL ratio 2016	2015	NPL coverage ratio 2016	2015
Corporate customers	4,357,420	6,051,344	9.3%	12.5%	71.5%	68.1%
Retail customers	2,126,518	2,273,515	8.3%	9.2%	82.2%	80.0%
Sovereigns	1,669	3,305	0.6%	0.8%	283.8%	129.8%
Total non-banks	**6,485,607**	**8,328,164**	**9.2%**	**11.9%**	**75.6%**	**71.3%**
Banks	77,277	127,496	0.5%	0.7%	65.4%	94.1%
Total	**6,562,884**	**8,455,659**	**8.2%**	**10.5%**	**75.5%**	**71.6%**

The volume of non-performing loans to non-banks fell € 1,842,557 thousand, in particular due to the sale of non-performing loans with a nominal value of € 1,186,945 thousand and the derecognition of uncollectible loans. The NPL ratio based on loans to non-banks declined 2.7 percentage points to 9.2 per cent.

In 2016, in the asset class corporate customers, non-performing loans decreased € 1,693,923 thousand to € 4,357,420 thousand (2015: € 6,051,344 thousand), mainly due to the derecognition of uncollectible loans in the amount of € 938,618 thousand. The ratio of non-performing loans to credit exposure fell 3.2 percentage points to 9.3 per cent. The NPL coverage ratio increased 3.4 percentage points to 71.5 per cent. In the retail portfolio, non-performing loans sank 6.5 per cent, or € 146,997 thousand, to € 2,126,518 thousand (2015: € 2,273,515 thousand). The ratio of non-performing loans to credit exposure decreased 0.9 percentage points to 8.3 per cent; the NPL coverage ratio increased 2.2 percentage points to 82.2 per cent. The portfolio of non-performing loans to banks decreased € 50,219 thousand to € 77,277 thousand at year-end and the NPL coverage ratio decreased 28.7 percentage points to 65.4 per cent.

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

in € thousand	NPL 2016	2015	NPL ratio 2016	2015	NPL coverage ratio 2016	2015
Central Europe	1,078,207	1,331,017	5.0%	6.4%	71.0%	75.3%
Southeastern Europe	1,421,322	1,587,178	9.9%	10.7%	79.7%	71.6%
Eastern Europe	1,576,113	1,902,359	12.0%	15.1%	85.9%	86.4%
Group Corporates	688,202	1,268,433	4.5%	9.1%	65.9%	56.7%
Group Markets	130,905	415,090	1.9%	5.7%	71.9%	82.0%
Corporate Center	33,742	48,703	0.5%	0.6%	87.8%	78.9%
Non-Core	1,634,393	1,902,879	16.7%	14.1%	66.6%	62.4%
Total	**6,562,884**	**8,455,659**	**8.2%**	**10.5%**	**75.5%**	**71.6%**
hereof non-banks	6,485,607	8,328,164	9.2%	11.9%	75.6%	71.3%

The declines in non-performing loans in the segment Group Corporates were particularly significant, falling 45.7 per cent, or € 580,231 thousand, to € 688,202 thousand (2015: € 1,268,433 thousand). This was primarily caused by the sale and the derecognition of uncollectible loans. The ratio of non-performing loans to credit exposure fell 4.6 percentage points to 4.5 per cent; the NPL coverage ratio increased 9.2 percentage points to 65.9 per cent.

The segment Eastern Europe posted a decline in non-performing loans of 17.1 per cent, or € 326,245 thousand, to € 1,576,113 thousand (2015: € 1,902,359 thousand), largely due to the sale of non-performing loans in the amount of € 235,304 thousand in Russia and € 144,527 thousand in Ukraine. The ratio of non-performing loans to credit exposure fell 3.1 percentage points to 12.0 per cent and the NPL coverage ratio fell 0.5 percentage points to 85.9 per cent.

In the segment Group Markets, non-performing loans fell 68.5 per cent, or € 284,186 thousand, to € 130,905 thousand (2015: € 415,090 thousand) due to the derecognition of uncollectible loans. The NPL ratio fell 3.8 percentage points to 1.9 per cent; the NPL coverage ratio fell 10.1 percentage points to 71.9 per cent.

In the segment Non-Core, non-performing loans decreased 14.1 per cent, or € 268,485 thousand, to € 1,634,393 thousand (2015: € 1,902,879 thousand), mainly due to the sale of Raiffeisen Banka d.d., Maribor, in Slovenia. The ratio of non-performing loans to credit exposure rose 2.6 percentage points to 16.7 per cent compared to previous year-end; the NPL coverage ratio rose 4.2 percentage points to 66.6 per cent.

In Central Europe, non-performing loans fell € 252,810 thousand to € 1,078,207 thousand (2015: € 1,331,017 thousand), mainly due to sales of non-performing loans of € 261,196 thousand in Hungary. The NPL ratio fell 1.4 percentage points to 5.0 per cent; the NPL coverage ratio fell 4.3 percentage points to 71.0 per cent.

In Southeastern Europe, non-performing loans decreased 10.4 per cent, or € 165,857 thousand, to € 1,421,322 thousand (2015: € 1,587,178 thousand). Whereas declines totaling € 190,783 thousand were recorded in Bulgaria, Croatia, Serbia and Bosnia and Herzegovina, non-performing loans increased in Albania. The NPL ratio fell 0.8 percentage points to 9.9 per cent and the NPL coverage ratio increased 8.1 percentage points to 79.7 per cent.

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

in € thousand	As at 1/1/2016	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 31/12/2016
Individual loan loss provisions	**5,771,958**	**(55,027)**	**1,610,483**	**(841,648)**	**(1,875,662)**	**87,307**	**4,697,411**
Banks	117,672	0	6,533	(8,489)	(42,254)	(25,162)	48,300
Corporate customers	3,915,657	(33,863)	965,288	(420,436)	(1,464,920)	72,866	3,034,591
Retail customers	1,660,539	(21,963)	556,102	(349,788)	(368,022)	40,325	1,517,193
Sovereigns	5,028	0	954	(477)	(112)	(1,044)	4,347
Off-balance sheet obligations	73,062	798	81,607	(62,456)	(353)	321	92,979
Portfolio-based loan loss provisions	**381,982**	**(5,667)**	**179,338**	**(183,778)**	**(55)**	**9,134**	**380,954**
Banks	2,245	0	1,216	(1,467)	0	71	2,065
Corporate customers	152,085	(2,590)	40,583	(79,169)	(18)	781	111,673
Retail customers	201,546	(3,128)	125,091	(94,077)	(37)	7,162	236,556
Sovereigns	365	0	153	(355)	0	243	406
Off-balance sheet obligations	25,742	51	12,294	(8,710)	0	877	30,254
Total	**6,153,940**	**(60,695)**	**1,789,821**	**(1,025,426)**	**(1,875,717)**	**96,441**	**5,078,364**

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

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

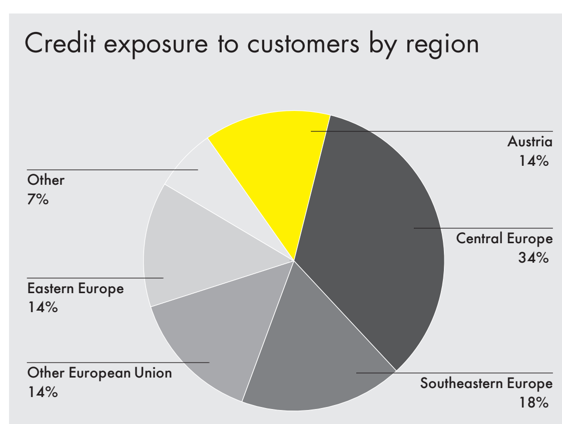
in € thousand	As at 1/1/2015 restated	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 31/12/2015
Individual loan loss provisions	**5,763,004**	**6,414**	**1,962,765**	**(638,597)**	**(1,356,008)**	**34,380**	**5,771,958**
Banks	111,768	0	(6,462)	(224)	8,151	4,439	117,672
Corporate customers	3,717,206	3,191	1,282,900	(343,198)	(740,109)	(4,333)	3,915,657
Retail customers	1,865,203	798	670,721	(270,750)	(639,259)	33,827	1,660,539
Sovereigns	34	2,426	(21,049)	(88)	22,514	1,191	5,028
Off-balance sheet obligations	68,794	0	36,654	(24,336)	(7,305)	(744)	73,062
Portfolio-based loan loss provisions	**438,106**	**588**	**194,730**	**(244,421)**	**(1,120)**	**(5,901)**	**381,982**
Banks	2,853	0	1,485	(2,071)	0	(22)	2,245
Corporate customers	205,215	237	53,712	(106,118)	(225)	(736)	152,085
Retail customers	200,328	156	131,117	(123,841)	(895)	(5,320)	201,546
Sovereigns	755	35	109	(561)	0	27	365
Off-balance sheet obligations	28,954	160	8,307	(11,830)	0	150	25,742
Total	**6,201,109**	**7,003**	**2,157,495**	**(883,018)**	**(1,357,128)**	**28,479**	**6,153,940**

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

The following table shows the breakdown of loan loss provisions according to segments:

in € thousand	2016	2015
Individual loan loss provisions	**4,697,411**	**5,770,893**
Central Europe	674,924	913,069
Southeastern Europe	1,029,070	1,046,997
Eastern Europe	1,283,701	1,568,170
Group Corporates	564,316	704,562
Group Markets	124,856	346,507
Corporate Center	77,881	31,728
Non-Core	942,663	1,159,860
Portfolio-based loan loss provisions	**380,953**	**383,047**
Central Europe	121,409	121,332
Southeastern Europe	121,094	92,290
Eastern Europe	76,319	76,745
Group Corporates	27,756	34,262
Group Markets	865	1,747
Corporate Center	0	2,260
Non-Core	33,510	54,411
Total	**5,078,364**	**6,153,940**

Country risk



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

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

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

Concentration risk

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

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

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

in € thousand	2016	Share	2015[1]	Share
Austria	**19,936,393**	**13.6%**	**26,730,656**	**17.7%**
Central Europe	**50,177,300**	**34.2%**	**51,179,153**	**33.9%**
Czech Republic	15,047,461	10.3%	12,368,270	8.2%
Slovakia	14,137,525	9.6%	13,856,339	9.2%
Poland	14,083,249	9.6%	16,374,737	10.8%
Hungary	6,471,385	4.4%	7,555,475	5.0%
Other	437,680	0.3%	1,024,332	0.7%
Other European Union	**21,138,955**	**14.4%**	**19,046,765**	**12.6%**
Germany	6,354,099	4.3%	6,089,890	4.0%
Great Britain	5,274,700	3.6%	4,535,558	3.0%
France	3,085,908	2.1%	2,169,294	1.4%
Netherlands	1,827,995	1.2%	1,743,832	1.2%
Italy	883,322	0.6%	1,101,715	0.7%
Spain	594,955	0.4%	795,341	0.5%
Other	3,117,977	2.1%	2,611,135	1.7%
Southeastern Europe	**25,658,526**	**17.5%**	**24,498,105**	**16.2%**
Romania	9,451,710	6.4%	8,902,051	5.9%
Croatia	5,090,754	3.5%	5,011,250	3.3%
Bulgaria	3,998,317	2.7%	3,906,302	2.6%
Serbia	2,467,276	1.7%	1,953,486	1.3%
Bosnia and Herzegovina	2,076,891	1.4%	2,123,730	1.4%
Albania	1,830,351	1.2%	1,912,134	1.3%
Other	743,226	0.5%	689,152	0.5%
Asia	**3,499,318**	**2.4%**	**5,282,122**	**3.5%**
China	935,664	0.6%	1,779,591	1.2%
Other	2,563,654	1.7%	3,502,531	2.3%
Eastern Europe	**19,813,764**	**13.5%**	**18,017,018**	**11.9%**
Russia	14,262,288	9.7%	12,522,070	8.3%
Ukraine	3,379,948	2.3%	3,546,669	2.3%
Belarus	1,635,031	1.1%	1,470,571	1.0%
Other	536,498	0.4%	477,707	0.3%
North America	**3,051,440**	**2.1%**	**3,058,359**	**2.0%**
Switzerland	**2,192,707**	**1.5%**	**1,931,252**	**1.3%**
Rest of World	**1,104,747**	**0.8%**	**1,225,415**	**0.8%**
Total	146,573,149	100.0%	150,968,845	100.0%

1 Adaptation of previous year figures

At € 6,794,262 thousand, the largest decline, in Austria, was attributable to the reduction in deposits at the Austrian National Bank and in Austrian government bonds. Overall, Central Europe showed a fall of € 1,001,853 thousand, with the decline in Poland due to the sale of Raiffeisen-Leasing-Polska S.A., Warsaw, offset by new business in Slovakia and in the Czech Republic and by the purchase of a loan portfolio in the Czech Republic. As a result of the decision, taken within the framework of the transformation program, to downscale operations, Asia showed a fall of € 1,782,804 thousand.

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

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

in € thousand	2016	Share	2015	Share
Banking and insurance	39,182,850	26.7%	42,631,642	28.2%
Private households	26,589,450	18.1%	24,836,803	16.5%
Wholesale trade and commission trade (except car trading)	11,976,256	8.2%	13,014,461	8.6%
Public administration and defence and social insurance institutions	11,844,457	8.1%	11,774,484	7.8%
Other manufacturing	11,425,672	7.8%	11,532,103	7.6%
Real estate activities	8,385,798	5.7%	8,687,946	5.8%
Construction	5,551,211	3.8%	5,759,567	3.8%
Other business activities	4,437,567	3.0%	4,369,722	2.9%
Retail trade except repair of motor vehicles	3,674,826	2.5%	3,671,634	2.4%
Electricity, gas, steam and hot water supply	3,055,623	2.1%	3,740,070	2.5%
Manufacture of basic metals	2,182,536	1.5%	2,249,574	1.5%
Manufacture of food products and beverages	1,833,599	1.3%	1,968,692	1.3%
Other transport	1,904,549	1.3%	2,117,036	1.4%
Land transport, transport via pipelines	1,895,778	1.3%	1,929,462	1.3%
Manufacture of machinery and equipment	1,694,385	1.2%	1,661,274	1.1%
Sale of motor vehicles	915,539	0.6%	1,098,668	0.7%
Extraction of crude petroleum and natural gas	776,215	0.5%	686,746	0.5%
Other industries	9,246,836	6.3%	9,238,962	6.1%
Total	**146,573,149**	**100%**	**150,968,845**	**100%**

Structured credit portfolio

The Group invests in structured products. The total exposure to structured products is shown under (35) Securitization. Around 55 per cent of this portfolio (2015: 67 per cent) is rated A or better by external rating agencies. The pools mainly contain loans and advances to European customers.

Counterparty credit risk

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

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

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

Market risk

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

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

Organization of market risk management

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

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

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

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

Limit system

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

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

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

Value-at-Risk (VaR)

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

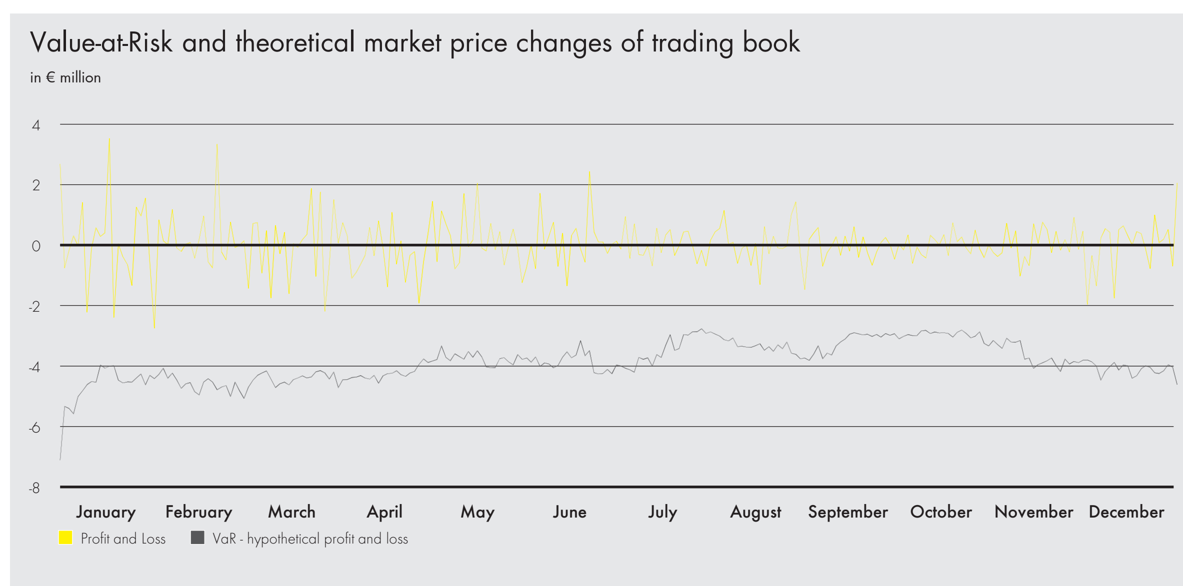
Trading book VaR 99% 1d in € thousand	VaR as at 31/12/2016	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2015
Currency risk	3,506	2,984	1,778	5,980	2,386
Interest rate risk	3,522	2,400	1,258	4,461	1,534
Credit spread risk	692	2,119	496	6,375	3,869
Share price risk	909	724	474	951	676
Vega risk	255	482	121	1,333	779
Total	5,012	5,553	3,350	9,720	9,164

Banking book VaR 99% 1d in € thousand	VaR as at 31/12/2016	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2015
Currency risk	23,525	26,328	17,128	42,811	28,191
Interest rate risk	15,260	7,842	4,317	15,367	5,094
Credit spread risk	7,316	9,011	5,940	13,427	14,537
Vega risk	1,082	2,162	632	5,240	522
Total	34,406	34,492	25,287	47,468	30,728

Total VaR 99% 1d in € thousand	VaR as at 31/12/2016	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2015
Currency risk	23,683	25,182	16,616	38,973	28,914
Interest rate risk	15,827	9,505	5,435	17,059	5,834
Credit spread risk	7,576	10,325	6,345	16,114	16,915
Share price risk	909	724	474	951	676
Vega risk	1,009	1,973	670	4,699	814
Total	35,723	35,964	27,314	48,039	33,075

The risk measurement approaches employed are verified – besides analyzing returns qualitatively – on an ongoing basis through backtesting and statistical validation techniques. If model weaknesses are identified, then they are improved accordingly.

In the previous year, no backtesting exceedings arose. The following graph compares the VaR to the theoretical gains and losses on a daily basis. The VaR represents the maximum loss which will not be exceeded within one day, with a confidence level of 99 per cent. It is compared to the respective theoretical gain or loss which would arise on the following day due to the actual market conditions at the time.



Exchange rate risk and capital (ratio) hedge

Market risk in the Group results primarily from exchange rate risk, which stems from foreign-currency denominated equity investments in foreign Group units and the corresponding hedging positions entered into by the Group Asset/Liability Committee. In a narrow sense, exchange rate risk denotes the risk that losses are incurred due to open foreign exchange positions. However, exchange rate fluctuations also influence current revenues and expenses. They also affect regulatory capital requirements for assets denominated in foreign currencies, even if they are financed in the same currency and thus do not create an open foreign exchange position.

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

There are two different approaches for managing exchange rate risks:

- Preserve equity: With this hedging strategy an offsetting position is held on Group level for local currency denominated equity positions. However, the necessary hedging positions cannot be established in all currencies in the required size. Moreover, these hedges might be inefficient for some currencies if they carry a high interest rate differential.
- Stable capital ratio: The goal of this hedging strategy is to balance tier 1 capital and risk-weighted assets in all currencies according to the targeted tier 1 ratio (i.e. reduce excess capital or deficits in relation to risk-weighted assets for each currency) such that the tier 1 ratio remains stable even if foreign exchange rates change.

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

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

in € thousand	2016	2015
ALL	9,238	77,775
BAM	147,906	118,140
BGN	305,709	285,101
BYN	253,524	118,937
CNY	11,637	49,720
CHF	(240,133)	(13,999)
CZK	392,781	231,610
HRK	557,109	398,544
HUF	364,272	169,923
PLN	747,365	734,114
RON	505,480	478,732
RSD	378,831	384,463
RUB	566,157	368,721
UAH	11,036	(184,372)
USD	(417,224)	501,756

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

Interest rate risk in the trading book

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

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

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

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

Interest rate risk in the banking book

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

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

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

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

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

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

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

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

2015 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
ALL	(31)	2	(4)	(3)	(14)	(5)	(4)	(4)	0	0	0	0
AUD	1	0	0	1	0	0	0	0	0	0	0	0
BAM	2	2	(1)	(5)	0	0	(1)	2	3	1	0	0
BGN	26	(1)	0	(7)	(2)	8	56	(9)	(8)	(7)	(2)	0
BYN	(28)	0	(1)	(8)	(10)	(5)	(2)	(1)	(1)	0	0	0
CHF	(351)	15	(3)	(20)	(9)	(6)	(18)	(15)	(71)	(138)	(71)	(13)
CNY	2	(4)	1	5	0	0	0	0	0	0	0	0
CZK	63	(3)	(15)	15	22	3	(12)	(18)	49	14	6	2
EUR	166	(38)	(26)	92	98	(48)	(85)	266	261	(218)	(48)	(88)
GBP	(2)	1	0	2	0	0	(1)	(1)	(2)	0	0	0
HRK	(21)	0	0	0	(11)	0	13	(12)	(8)	(3)	0	0
HUF	16	1	(5)	12	(5)	(13)	2	(11)	4	22	8	1
PLN	(29)	7	24	14	(29)	0	(1)	(9)	(13)	(15)	(7)	(1)
RON	45	5	(8)	(3)	(37)	9	95	(9)	(5)	(1)	0	0
RSD	(26)	(1)	(2)	(2)	(7)	(3)	(5)	(5)	0	0	0	0
RUB	(82)	(3)	(16)	(9)	(35)	(1)	32	(12)	(25)	(12)	(1)	0
SGD	(7)	1	0	(8)	0	0	0	0	0	0	0	0
UAH	(1)	(1)	0	(1)	(3)	3	9	(4)	(4)	(1)	0	0
USD	84	17	19	43	(30)	33	(7)	6	9	8	(3)	(10)
Other	1	0	0	1	0	0	0	0	0	0	0	0

Credit spread risk

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

Liquidity management

Funding structure

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

Funding
in € million

Assets	€ million	€ million	Equity and liabilities
Cash reserve	12,242	8,121	Short-term bank deposits
Reverse repurchase agreement/Securities borrowing	4,849	555	Trading liabilities
Short-term interbank business	4,856	3,445	Negative fair value of derivatives
Trading book bonds	2,333	1,749	Other liquid liabilities
Positive fair values of derivatives	4,120	1,129	Multilateral development banks
Other liquid assets	1,079	3,566	Wholesale funding
Long-term interbank business	1,670	44,176	Sight deposits
Loans and advances to customers (net)	64,084	23,345	Term deposits
		3,732	Savings deposits
		6,645	Liabilities evidenced by paper
		1,964	Trading certificates
		4,204	Subordinated capital
Banking book bonds	14,360	9,232	Equity incl. profit/loss
Other illiquid assets	2,271		
Total assets	**111,864**	**111,864**	**Total equity and liabilities**

89.9% Loan/deposit ratio

Principles

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

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

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

Organization and responsibility

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

Liquidity strategy

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

Liquidity risk framework

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

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

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

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

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

Risk appetite and liquidity limits

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

Liquidity monitoring

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

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

Liquidity stress test

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

A conservative approach is adopted when establishing outflow ratios based on historical data and expert opinions. The simulation assumes a lack of access to the money or capital market and simultaneous significant outflows of customer deposits. In this respect, the deposit concentration risk is considered by assigning higher outflow ratios to large customers. Furthermore, stress assumptions are formulated for the drawdown of guarantees and credit obligations. In addition, the liquidity buffer positions are adapted by haircuts in order to cover the risk of disadvantageous market movements, and the potential outflows resulting from collateralized derivative transactions are estimated. The bank continuously monitors whether the stress assumptions are still appropriate or whether new risks need to be considered. The time to wall concept has established itself as the main control instrument for day-to-day liquidity management and is therefore a central component of funding planning and budgeting. It is also fundamental to determining performance ratios relating to liquidity.

Liquidity buffer

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

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

Contingency funding plan

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

Liability structure and liquidity position

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

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

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

in € thousand	2016		2015	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	21,066,192	24,517,362	19,783,414	23,430,660
Liquidity ratio	160%	131%	147%	127%

Liquidity coverage ratio (LCR)

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

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

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

in € thousand	2016	2015
Average liquid assets	**12,976,791**	**17,898,255**
Net outflows	**7,071,013**	**9,901,948**
Inflows	11,185,616	10,394,364
Outflows	18,256,629	20,296,311
Liquidity Coverage Ratio	**184%**	**181%**

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

Net Stable Funding Ratio (NSFR)

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

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

in € thousand	2016
Required stable funding	73,729,744
Available stable funding	86,230,087
Net Stable Funding Ratio	**117%**

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

Funding liquidity risk

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

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

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

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

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

2016 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**98,488,181**	**105,586,892**	**70,187,335**	**13,106,947**	**15,869,512**	**6,423,093**
Deposits from banks	12,816,475	16,405,878	6,505,140	2,575,320	5,124,414	2,201,003
Deposits from customers	71,538,226	73,358,262	60,881,071	7,758,164	3,532,505	1,186,522
Debt securities issued	6,645,127	7,167,793	979,807	2,410,159	3,061,778	716,049
Other liabilities	3,284,660	3,702,007	1,786,696	227,750	1,311,615	375,943
Subordinated capital	4,203,693	4,952,952	34,621	135,554	2,839,200	1,943,576
Derivatives	**3,387,282**	**8,109,383**	**4,123,582**	**1,700,682**	**1,717,117**	**568,004**
Derivatives in the trading book	2,600,333	6,292,952	3,157,018	1,533,305	1,139,389	463,241
Hedging derivatives	425,415	272,198	15,711	29,287	222,309	4,891
Other derivatives	361,534	1,544,233	950,853	138,090	355,419	99,872
Credit derivatives	0	0	0	0	0	0
Contingent liabilities	**9,055,448**	**1,558,439**	**856,711**	**424,683**	**239,507**	**37,538**
Credit guarantees	5,397,891	288,391	82,608	65,511	103,361	36,911
Other guarantees	2,626,370	199,050	85,802	68,599	44,022	627
Letters of credit (documentary business)	993,936	1,033,747	651,050	290,573	92,124	0
Other contingent liabilities	37,251	37,251	37,251	0	0	0
Commitments	**10,174,261**	**10,615,520**	**4,701,813**	**1,074,241**	**4,426,760**	**412,706**
Irrevocable credit lines	10,174,261	10,615,520	4,701,813	1,074,241	4,426,760	412,706

2015 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**100,184,302**	**107,569,572**	**70,296,120**	**14,584,917**	**17,454,182**	**5,234,353**
Deposits from banks	16,369,175	21,105,519	10,315,690	3,402,338	5,848,589	1,538,902
Deposits from customers	68,990,887	70,689,215	57,806,203	9,483,172	3,066,938	332,902
Debt securities issued	7,501,593	8,502,892	794,522	1,425,090	5,615,737	667,543
Other liabilities	3,158,294	2,141,903	1,349,992	125,481	493,571	172,858
Subordinated capital	4,164,353	5,130,043	29,713	148,836	2,429,347	2,522,148
Derivatives	**4,927,492**	**10,705,247**	**3,658,348**	**2,100,882**	**3,292,865**	**1,653,151**
Derivatives in the trading book	3,943,192	8,706,683	3,020,170	1,805,114	2,321,286	1,560,113
Hedging derivatives	434,791	261,216	29,385	13,782	243,506	(25,457)
Other derivatives	549,355	1,737,142	608,725	281,848	728,073	118,495
Credit derivatives	154	206	68	138	0	0
Contingent liabilities	**9,386,509**	**1,082,964**	**573,621**	**306,735**	**163,070**	**39,538**
Credit guarantees	4,954,980	164,257	70,380	70,545	21,413	1,919
Other guarantees	2,985,994	203,408	99,820	68,501	34,466	621
Letters of credit (documentary business)	1,237,908	676,857	401,977	167,689	107,191	0
Other contingent liabilities	207,627	38,442	1,444	0	0	36,998
Commitments	**9,980,036**	**9,525,946**	**4,826,324**	**1,331,788**	**3,108,622**	**259,211**
Irrevocable credit lines	9,980,036	9,525,946	4,826,324	1,331,788	3,108,622	259,211

Operational risk

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

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

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

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

Risk identification

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

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

Monitoring

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

Loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner and on a Group-wide basis according to the event type and the business line. In addition to the requirements for internal and external

reporting, information on loss events is exchanged with international data pools to further develop operational risk management tools as well as to track measures and control effectiveness. Since 2010, The Group has been a participant in the ORX data pool (Operational Risk Data Exchange Association), whose data are currently used for internal benchmark purposes and analyses and as part of the operational risk model. The ORX data consortium is an association of banks and insurance groups for statistical purposes. The results of the analyses as well as events resulting from operational risks are reported in a comprehensive manner to the relevant Operational Risk Management Committee on a regular basis.

Quantification and mitigation

Since October 2016, the Group has calculated the equity requirement for a significant part of the Group using the Advanced Measurement Approach (AMA). This includes units in Bulgaria, Romania, Russia, Slovakia and principal banks in Austria (Raiffeisen Bank International AG, Vienna, Kathrein Privatbank Aktiengesellschaft, Vienna, Raiffeisen Centrobank AG, Vienna). The Standardized Approach (STA) is still used to calculate the operational risk of the remaining units in the CRR scope of consolidation.

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

Other disclosures

(43) Fiduciary business

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

in € thousand	2016	2015
Loans and advances to banks	0	11,168
Loans and advances to customers	249,078	274,912
Financial investments	7,091	7,091
Other fiduciary assets	68,651	52,860
Fiduciary assets	**324,821**	**346,031**
Deposits from banks	136,611	148,028
Deposits from customers	112,467	143,252
Other fiduciary liabilities	75,742	54,751
Fiduciary liabilities	**324,821**	**346,031**

Fiduciary income and expenses break down as follows:

in € thousand	2016	2015
Fiduciary income	15,083	13,248
Fiduciary expenses	(53)	(352)

The following table contains the funds managed by the Group:

in € thousand	2016	2015
Retail investment funds	**5,265,851**	**4,860,389**
Equity-based and balanced funds	4,279,473	3,813,056
Bond-based funds	719,722	751,719
Other	266,656	295,614
Special funds	**0**	**61,207**
Property-based funds	**244,036**	**242,143**
Total	**5,509,887**	**5,163,739**

(44) Finance leases

in € thousand	2016	2015
Gross investment value	**2,039,604**	**3,519,290**
Minimum lease payments	1,998,311	3,479,369
Up to 3 months	205,087	375,659
More than 3 months, up to 1 year	433,267	858,544
More than 1 year,up to 5 years	1,130,489	1,929,385
More than 5 years	229,467	315,782
Non-guaranteed residual value	41,293	39,921
Unearned finance income	**205,850**	**361,405**
Up to 3 months	27,548	47,433
More than 3 months, up to 1 year	52,189	95,063
More than 1 year,up to 5 years	104,064	181,878
More than 5 years	22,049	37,031
Net investment value	**1,833,754**	**3,157,885**

The reduction in the net investment value in finance leases is mainly attributable to the sale of the leasing company in Poland. Write-offs on unrecoverable minimum lease payments also fell, to € 9,633 thousand (2015: € 65,618 thousand).

Assets under finance leases break down as follows:

in € thousand	2016	2015
Vehicles leasing	929,756	1,869,112
Real estate leasing	367,469	694,080
Equipment leasing	536,529	594,693
Total	**1,833,754**	**3,157,885**

(45) Operating leases

Operating leases from view of lessor

Future minimum lease payments under non-cancelable operating leases are as follows:

in € thousand	2016	2015
Up to 1 year	31,285	35,552
More than 1 year, up to 5 years	51,568	65,200
More than 5 years	694	1,991
Total	**83,547**	**102,743**

Operating leases from view of lessee

Future minimum lease payments under non-cancelable operating leases are as follows:

in € thousand	2016	2015
Up to 1 year	62,876	77,938
More than 1 year, up to 5 years	125,060	149,314
More than 5 years	30,962	36,687
Total	**218,898**	**263,938**

(46) Other disclosures according to BWG

Geographical markets

2016 Monetary values in € thousand	Operating income	hereof net interest income	Profit/loss before tax	Current income taxes	Employees as at reporting date
Central Europe	**1,016,411**	**629,441**	**354,356**	**(63,524)**	**9,051**
Czech Republic	380,460	247,177	136,234	(26,920)	3,158
Hungary	209,896	106,635	52,453	139	1,983
Slovakia	426,552	274,774	165,670	(36,743)	3,910
Southeastern Europe	**1,202,953**	**738,218**	**362,627**	**(61,919)**	**14,831**
Albania	77,872	55,632	(32,250)	(289)	1,291
Bosnia and Herzegovina	106,407	67,007	34,777	(5,640)	1,268
Bulgaria	156,359	111,909	77,896	(7,390)	2,569
Croatia	224,427	126,379	77,910	(18,711)	2,128
Kosovo	48,786	37,577	19,826	(2,371)	731
Romania	462,719	259,239	125,492	(21,036)	5,322
Serbia	126,434	80,434	58,976	(6,483)	1,522
Eastern Europe	**1,314,919**	**866,320**	**649,271**	**(125,685)**	**17,827**
Belarus	184,894	127,918	95,135	(22,837)	2,005
Kazakhstan	396	468	113	(65)	7
Russia	869,097	566,773	404,235	(87,795)	7,742
Ukraine	260,532	171,071	149,788	(14,989)	8,073
Non-Core	**479,564**	**330,777**	**(203,041)**	**(40,609)**	**4,573**
Asia	28,256	37,484	(198,027)	(1,040)	108
Poland	413,509	262,473	46,710	(40,794)	4,242
Slovenia	9,069	3,495	1,114	(475)	16
USA	17,597	14,071	(36,671)	1,708	32
ZUNO	11,134	13,253	(16,168)	(8)	175
Head office and other	**1,180,436**	**736,454**	**152,888**	**(20,245)**	**2,274**
Reconciliation	**(502,061)**	**(365,781)**	**(430,504)**	**(0)**	**0**
Total	**4,692,222**	**2,935,429**	**885,598**	**(311,982)**	**48,556**

2015 Monetary values in € thousand	Operating income	hereof net interest income	Profit/loss before tax	Current income taxes	Employees as at reporting date
Central Europe	**1,048,134**	**654,409**	**309,943**	**(65,813)**	**8,623**
Czech Republic	362,680	234,950	127,100	(25,251)	2,753
Hungary	220,112	120,892	18,765	(539)	2,016
Slovakia	465,516	298,189	164,078	(40,023)	3,854
Southeastern Europe	**1,213,972**	**780,220**	**260,174**	**(32,686)**	**15,041**
Albania	90,430	69,880	14,872	(2,428)	1,349
Bosnia and Herzegovina	103,914	66,066	36,346	(4,169)	1,311
Bulgaria	158,217	116,144	34,275	(3,410)	2,546
Croatia	232,475	135,882	(14,028)	2,746	2,133
Kosovo	49,434	39,675	21,703	(2,278)	715
Romania	446,533	263,938	118,935	(18,933)	5,437
Serbia	133,352	88,637	48,072	(4,214)	1,550
Eastern Europe	**1,360,673**	**948,557**	**549,515**	**(127,589)**	**19,369**
Belarus	256,348	124,975	156,759	(38,185)	2,086
Kazakhstan	2,985	863	406	185	9
Russia	923,451	646,666	483,751	(96,331)	7,635
Ukraine	177,889	175,810	(91,401)	6,742	9,639
Non-Core	**576,677**	**384,908**	**(262,817)**	**(23,541)**	**5,797**
Asia	82,227	84,425	(269,316)	(6,669)	197
Poland	428,604	253,299	41,632	(16,209)	5,128
Slovenia	22,401	10,601	(14,722)	(15)	218
USA	31,915	25,476	(3,163)	(639)	56
ZUNO	11,605	11,107	(17,248)	(8)	198
Head office and other	**1,295,837**	**798,423**	**(49,068)**	**(19,592)**	**2,662**
Reconciliation	**(566,543)**	**(239,868)**	**(96,801)**	**(6,733)**	**0**
Total	**4,928,751**	**3,326,649**	**710,945**	**(275,954)**	**51,492**

Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria are as follows:

in € thousand	2016	2015
Assets	86,906,325	81,049,678
Liabilities	71,456,232	71,856,759

Volume of the securities trading book

in € thousand	2016	2015
Securities, equity investments	4,771,172	5,806,872
Other financial instruments	146,269,000	152,826,437
Total	**151,040,172**	**158,633,308**

Securities admitted for trading on a stock exchange

	2016		2015	
in € thousand	listed	unlisted	listed	unlisted
Bonds, notes and other fixed-interest securities	9,897,188	276,540	11,397,602	452,546
Shares and other variable-yield securities	155,634	56,628	240,433	79,771
Equity participations	31,939	247,035	1,544	271,789
Total	**10,084,762**	**580,204**	**11,639,579**	**804,107**

Subordinated assets

in € thousand	2016	2015
Loans and advances to banks	1,803	4,139
Loans and advances to customers	178,873	252,219
Trading assets	15,226	13,694
Financial investments	59,429	102,919
Total	**255,331**	**372,971**

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

Capital management

Capital continues to be an integral part of the Group's control procedures. RBI as an international Group takes various control parameters into consideration. From a regulatory perspective, the RBI Group is supervised on a subgroup level according to Article 11 paragraph 5 CRR (Capital Requirement Regulation) based on the FMA (Austrian Financial Market Authority) notification from 24 October 2014, and is the superordinated credit institution for the subgroup in terms of Section 30 Austrian Banking Act (BWG). Moreover, the Group has to adhere to the legal capital regulations on an individual basis and is additionally part of the RZB credit institution group.

Regulatory values are defined on an individual and subgroup basis by the BWG and the applicable regulation of the European Parliament (CRR) based on corresponding EU guidelines. There are also – often deviating with regard to content – guidelines in individual countries in which the Group operates. Control on a Group level is undertaken by the Planning & Finance department, while compliance with the local capital requirements of the individual Group units is primarily the responsibility of the units themselves in coordination with the respective central departments.

For internal management purposes, targets which take account of a management buffer in addition to the regulatory requirements are defined for the Group.

The main focus is on the regulatory (minimum) capital ratios and the economic capital within the framework of ICAAP (Internal Capital Adequacy Assessment Process, a quantitative method used to assess the adequacy of internal capital). Moreover, the optimal mixture of capital instruments (e.g. additional tier 1 capital and tier 2 capital) plays an important role and is continuously analyzed and optimized.

Risk taking capacity is calculated within the framework of regulatory limits. It is defined as the maximum loss which the bank or the banking group may incur during the next twelve months without falling short of the regulatory minimum capital ratios.

The determination of the target values in relation to the compulsory minimum requirements necessitates additional internal control calculations. The Risk Controlling department calculates the value-at-risk in relation to the above defined risk taking capacity. Moreover, a comparison between economic capital and internal capital is drawn. Further details regarding this calculation are contained in the risk report.

In 2016, RBI continued to implement the planned measures aimed at stengthening the capital ratios, resulting in a steady and significant improvement.

Regulatory capital

RBI calculates the regulatory total capital and total capital requirement according to CRR. The implementation of these requirements in the European Union was carried out by way of a regulation (CRR) and a directive (CRD IV).

Moreover, based on the SSM (Single Supervisory Mechanism) regulation, the European Central Bank (ECB) took over supervision of large banks in the euro area in November 2014, whose total assets exceed € 30 billion or 20 per cent of a country's economic output. Both RBI and RZB are defined as large banks. Based on an annually undertaken Supervisory Review and Evaluation Process (SREP), the ECB instructs RBI and also RZB by way of an official notification to hold additional capital to cover risks which are not, or not adequately, considered under pillar I. A draft proposal from the Basel Committee to tighten up the definition of the basis for the calculation of risk-weighted assets is currently in preparation.

The so-called SREP requirement represents an add-on to the minimum requirements of the CRR and CRD IV and the Austrian Banking Act (BWG). Moreover, additional buffer requirements must be complied with.

These are divided into the capital conservation buffer (up to 2.5 per cent), a systemic risk buffer (up to 5 per cent) determined by national supervisors as well as additional capital add-ons for systemic banks (up to 3.5 per cent). In the event that systemic risk buffers as well as add-ons for systemic banks are determined for a banking institution, only the higher of the two values is applicable. In September 2015, the responsible financial market stability committee of the FMA recommended the requirement of a systemic risk buffer for twelve large banks located in Austria, including RBI and RZB. This recommendation came into force as of the beginning of 2016 through the FMA. The systemic risk buffer was set at 0.25 per cent for RBI and RZB as of 1 January 2016 and progressively increases to 2 per cent by 2019. Moreover, a countercyclical buffer, can be implemented by member states in order to curb excessive lending growth. This countercyclical buffer was initially set at 0 per cent for Austria due to restrained lending growth and the stable macroeconomic environment. Within the framework of the Supervisory Review and Revaluation Process ECB implicitly sets CET 1 ratio to 8.5 per cent (SREP requirement), including capital conservation and systemic risk buffer.

A breach of the combined buffer requirement would lead to restrictions, for example, on dividend distributions and coupon payments for certain capital instruments. The capital requirements in force over the year, including a sufficient buffer, were met on a partially consolidated basis (Group level).

Further expected regulatory changes and developments are monitored, and included and analyzed in scenario calculations undertaken by Planning & Finance jointly with RZB's Group Regulatory & Transformation Office on an ongoing basis. Potential effects are taken into account in planning and governance, insofar as the extent and implementation are foreseeable.

Calculation of total capital

The determination of eligible total capital – including 2016 profit – in accordance with the applicable regulations is based on international accounting standards. Further details can be found in the regulatory disclosure report pursuant to Article 431 ff CRR.

The total capital broke down as follows:

in € thousand	2016	2015
Paid-in capital	5,886,199	5,885,624
Earned capital	2,584,942	1,750,292
Non-controlling interests	445,249	398,562
Common equity tier 1 (before deductions)	**8,916,390**	**8,034,479**
Deduction intangible fixed assets/goodwill	(520,436)	(326,273)
Deduction provision shortage for IRB positions	(33,511)	(19,753)
Deduction securitizations	(20,693)	(14,184)
Deduction deferred tax assets	0	0
Deduction loss carry forwards	(2,388)	(2,963)
Deduction insurance and other investments	0	0
Common equity tier 1 (after deductions)	**8,339,362**	**7,671,305**
Additional tier 1	90,475	308,876
Non-controlling interests	(1,374)	464
Deduction intangible fixed assets/goodwill	(77,930)	(294,526)
Deduction provision shortage for IRB positions	(11,170)	(14,815)
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 1	**8,339,362**	**7,671,305**
Long-term subordinated capital	3,046,665	3,159,832
Non-controlling interests	(8,530)	(3,641)
Provision excess of internal rating approach positions	159,437	159,674
Provision excess of standardized approach positions	0	0
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 2 (after deductions)	**3,197,573**	**3,315,864**
Total capital	**11,536,935**	**10,987,169**
Total capital requirement	**4,804,852**	**5,061,931**
Common equity tier 1 ratio (transitional)	13.9%	12.1%
Common equity tier 1 ratio (fully loaded)	13.6%	11.5%
Tier 1 ratio (transitional)	13.9%	12.1%
Tier 1 ratio (fully loaded)	13.6%	11.5%
Total capital ratio (transitional)	19.2%	17.4%
Total capital ratio (fully loaded)	18.9%	16.8%

The basis for the assessment of credit risk by asset class was as follows:

in € thousand	2016	2015
Risk-weighted assets according to standardized approach	**20,025,409**	**21,884,143**
Central governments and central banks	1,924,568	2,208,732
Regional governments	60,256	48,813
Public administration and non-profit organizations	12,330	6,673
Multilateral development banks	0	0
Banks	293,052	301,932
Corporate customers	7,908,946	8,905,615
Retail customers	7,240,705	7,447,821
Equity exposures	397,460	406,792
Covered bonds	0	0
Mutual funds	4,180	6,681
Securitization position	0	0
Other positions	2,183,912	2,551,083
Risk-weighted assets according to internal rating approach	**28,434,587**	**29,081,410**
Central governments and central banks	243,971	311,112
Banks	1,995,047	2,094,780
Corporate customers	21,454,083	22,143,058
Retail customers	4,389,683	4,140,911
Equity exposures	122,681	132,753
Securitization position	229,122	258,795
CVA risk	**381,249**	**405,734**
Basel 1 floor	**0**	**87,359**
Risk-weighted assets (credit risk)	**48,841,245**	**51,458,646**
Total capital requirement (credit risk)	**3,907,300**	**4,116,692**

The total capital requirement composition was as follows:

in € thousand	2016	2015
Total capital requirement for credit risk	3,907,300	4,116,692
Internal rating approach	2,274,767	2,326,513
Standardized approach	1,602,033	1,750,731
CVA risk	30,500	32,459
Basel 1 floor	0	6,989
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	214,060	240,924
Total capital requirement for operational risk	683,492	704,161
Total capital requirement	**4,804,852**	**5,061,777**
Risk-weighted assets (total RWA)	**60,060,645**	**63,272,218**

Leverage ratio

Within the framework of CRR and in addition to the total capital requirements the leverage ratio was implemented as a new instrument to limit the risk of excessive indebtedness. According to Article 429 CRR, the leverage ratio is the ratio of capital to the leverage exposure. This means tier 1 capital in relation to unweighted exposure on and off the statement of financial position. The Basel Committee set a minimum ratio of 3 per cent. After a test period in which the credit institutions are required to publish the figures, and possible modification of the minimum ratio, the leverage ratio is set to become effective as of 1 January 2018.

in € thousand	2016	2015
Leverage exposure	122,842,860	136,163,097
Tier 1	8,339,362	7,671,305
Leverage ratio (transitional)	6.8%	5.6%
Leverage ratio (fully loaded)	6.6%	5.4%

The increase of 1.2 percentage points in the leverage ratio (transitional and fully loaded) compared to the previous year is attributable to the increase in tier 1 capital and a reduced total risk position – largely due to the changed classification of off-balance sheet transactions under Annex I of the CRR and the lower credit conversion factors (CCF) that were applied as a result.

The following table provides an overview of the calculation methods that are applied to determine total capital requirements in the subsidiaries:

Unit	Credit risk Non-Retail	Retail	Market risk	Operational risk
Raiffeisen Bank International AG, Vienna (AT)	IRB	n.a.	Internal model	AMA
RBI Finance (USA) LLC, New York (USA)	IRB	n.a.	STA	STA
Raiffeisenbank a.s., Prague (CZ)	IRB	IRB	STA	STA
Raiffeisen Bank Zrt., Budapest (HU)	IRB	IRB	STA	STA
Tatra banka a.s., Bratislava (SK)	IRB	IRB	STA	AMA
Raiffeisen Bank S.A., Bucharest (RO)	IRB	IRB	STA	AMA
Raiffeisenbank Austria d.d., Zagreb (HR)	IRB	STA	STA	STA
Raiffeisenbank Russia d.d., Moscow (RU)	IRB	STA	STA	AMA
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	IRB	IRB	STA	AMA
Raiffeisen Centrobank AG, Vienna (AT)	STA	n.a.	STA	AMA
Kathrein Privatbank Aktiengesellschaft, Vienna(AT)	STA	STA	n.a.	AMA
All other units	STA	STA	STA	STA

IRB: internal ratings-based approach
Internal model for risk of open currency positions and general interest rate risk in the trading book
STA: standardized approach
AMA: advanced measurement approach

(48) Average number of staff

Full-time equivalents	2016	2015
Salaried employees	49,443	53,156
Wage earners	743	936
Total	**50,186**	**54,092**

Full-time equivalents	2016	2015
Austria	2,196	2,656
Foreign	47,990	51,436
Total	**50,186**	**54,092**

(49) Related parties

Companies can carry out business with related parties that may affect the entity's assets, financial and earnings position. Information about related parties refers to the highest level of consolidation, that of Raiffeisen Zentralbank Österreich Aktiengesellschaft.

The following tables show the relationships to related parties. At the end of September 2016, the previous parent company, Raiffeisen-Landesbanken-Holding GmbH, Vienna, and its wholly owned subsidiary R-Landesbanken-Beteiligung GmbH, Vienna, were merged into Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna. Transactions with the 306 subsidiaries that are not included in the consolidated financial statements due to immateriality are reported under affiliated companies. Disclosures on RBI's transactions with key management are reported in the notes under (50) Relations to key management.

2016 in € thousand	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	686,183	65,270	353,103	46,245
Loans and advances to customers	0	658,659	36,990	132,788
Trading assets	0	42,408	14	1,908
Financial investments	0	198,019	0	88,150
Investments in associates	0	0	0	0
Other assets (incl. derivatives)	59,501	13,764	47	822
Total receivables	**745,684**	**978,120**	**390,154**	**269,913**
Deposits from banks	332,683	296,608	2,592,458	75,425
Deposits from customers	0	553,641	401,928	89,433
Debt securities issued	0	1,355	0	0
Provisions for liabilities and charges	0	53	0	0
Trading liabilities	0	65,492	5,920	0
Other liabilities including derivatives	1,145	2,231	1,499	452
Subordinated capital	68,205	0	0	0
Total liabilities	**402,033**	**919,380**	**3,001,805**	**165,310**
Guarantees given	0	148,461	138	8,012
Guarantees received	556,098	204,432	46,809	37,828

2015 in € thousand	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	2,021,342	101,678	133,795	47,919
Loans and advances to customers	0	760,423	122,468	164,082
Trading assets	0	39,582	190	1,337
Financial investments	0	178,763	0	148,261
Investments in associates	0	0	0	0
Other assets (incl. derivatives)	7,284	23,814	8	205
Total receivables	**2,028,626**	**1,104,260**	**256,461**	**361,804**
Deposits from banks	337,960	206,556	2,452,570	118,197
Deposits from customers	171	471,582	719,037	52,069
Debt securities issued	0	11,319	0	0
Provisions for liabilities and charges	0	816	0	0
Trading liabilities	0	71,619	8,329	0
Other liabilities including derivatives	5,511	3,400	0	247
Subordinated capital	66,099	2,072	0	0
Total liabilities	**409,741**	**767,364**	**3,179,936**	**170,513**
Guarantees given	0	183,761	70	0
Guarantees received	698,789	266,066	164,083	36,277

2016 in € thousand	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Interest income	46,190	13,589	7,118	8,407
Interest expenses	(10,711)	(6,347)	(30,142)	(935)
Dividends income	0	24,640	0	3,661
Fee and commission income	768	38,363	7,887	5,487
Fee and commission expense	(4,344)	(1,271)	(3,904)	(3,649)

2015 in € thousand	Parent companies	Affiliated companies[1]	Companies valued at equity	Other interests
Interest income	38,296	21,403	8,910	12,354
Interest expenses	(9,776)	(13,771)	(59,224)	(1,339)
Dividends income	0	82,702	0	4,949
Fee and commission income	297	42,072	5,097	5,515
Fee and commission expense	(6,125)	(1,546)	(5,960)	(3,291)

1 Adaptation of previous year figures

(50) Relations to key management

Group relationship with key management

Key management refers to the members of the Management Board and the Supervisory Board of RBI AG and Raiffeisen Zentralbank Österreich Aktiengesellschaft, the major shareholder. Transactions between key management and RBI are as follows (respective fair values):

in € thousand	2016	2015
Sight deposits	96	861
Bonds	1,226	1,186
Shares	1,746	1,246
Time deposits	0	65
Loans	0	2
Leasing liabilities	560	578
Other liabilities	34	0

The following table shows transactions with close family members of key management of RBI:

in € thousand	2016	2015
Shares	51	3
Other loans	13	0
Time deposits	66	114
Loans	3	4

There is no compensation agreed between the company and members of the Management Board and Supervisory Board or employees in the case of a takeover bid.

Remuneration of members of the Management Board

The following table shows total remuneration of the members of the Management Board according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards (IAS 19 and IFRS 2):

in € thousand	2016	2015
Short-term employee benefits	7,209	7,223
Post-employment benefits	(787)	1,065
Other long-term benefits	498	(786)
Termination benefits	0	0
Share based payments	220	421
Total	**7,140**	**7,923**

Short-term employee benefits shown in the above table contain salaries and benefits in kind and other benefits, remuneration for membership of boards in affiliated companies and those parts of the bonuses which become due in the short term. Furthermore, it also includes changes possibly arising from the difference between the bonus provision and the bonus later awarded.

Post-employment benefits comprise payments to pension funds, business insurances and payments according to Retirement Plan Act (Mitarbeitervorsorgegesetz) as well as net allocations to provisions for retirement benefits and severance payments.

Other long-term benefits contains portions of the provision for bonus payments relating to deferred bonus portions in cash and retained portions payable in instruments. For the latter, valuation changes due to currency fluctuations are taken into account.

Bonus calculation is linked to the achievement of annually agreed objectives. These comprise four or five categories covering specific targets and financial targets adapted to the respective function. These are, for example, profit after tax in a particular segment, return on risk adjusted capital (RORAC), total costs, risk-weighted assets, customer-oriented and employee-oriented targets, as well as process-based, efficiency-based, and infrastructure targets, and if necessary other additional targets. The bonus level is determined by the level of consolidated profit and the cost/income ratio, where the target values to be achieved are derived from the medium-term Group ROE objective. Payment is made according to the applicable regulations of the Austrian Banking Act (BWG) implemented in the bank's internal regulations (see employee compensation plans under the section recognition and measurement principles).

Share-based payments comprises adjustments for the SIP tranches launched up to 2013 (see share-based remuneration in the notes under (32) Equity).

An amount of € 511 thousand (2015: € 509 thousand) was paid in pension benefits to former members of the Management Board and to their surviving dependants. In addition to these amounts, deferred bonus components and pro-rata payments from a matured SIP tranche totaling € 493 thousand (2015: € 420 thousand) were paid to former members of the Management Board.

Remuneration of members of the Supervisory Board

in € thousand	2016	2015
Remunerations Supervisory Board	525	550

The Annual General Meeting held on 16 June 2016 approved annual remuneration for the members of the Supervisory Board of € 550 thousand and assigned the distribution to the Supervisory Board. The members of the Supervisory Board determined the distribution by resolution on 9 May 2016 subject to approval of the Annual General Meeting held on 16 June 2016 as follows: Chairman € 70 thousand, Deputy Chairman € 60 thousand, members of the Supervisory Board € 50 thousand. Meeting attendance fees are not paid.

In the financial year 2016, no contracts subject to approval within the meaning of Section 95 (5) 12 of the Austrian Stock Corporation Act (AktG) were concluded with members of the Supervisory Board.

(51) Boards

Management Board

Members of the Management Board	First assignment	End of period
Karl Sevelda, Chairman	22 September 2010[1]	With entry of merger of RZB AG into RBI AG (expected on 18 March 2017)[2]
Johann Strobl, Deputy Chairman	22 September 2010[1]	28 February 2022[3]
Klemens Breuer	16 April 2012	31 December 2020
Martin Grüll	3 January 2005	28 February 2020
Andreas Gschwenter	1 July 2015	30 June 2018
Peter Lennkh	1 October 2004	31 December 2020

1Effective as of 10 October 2010
2 As a result of the merger of RZB AG into RBI AG, Karl Sevelda will resign his mandate as member of the Management Board once the merger is effective.
3 The mandates as Management Board members of Johann Strobl and Martin Grüll will be extended once the merger of RZB AG into RBI AG is effective.

At the Supervisory Board meeting on 30 November 2016, it was decided, in connection with the merger of RZB AG with RBI AG, to appoint Johann Strobl as Chairman of the Management Board with effect as of the date of the merger, Klemens Breuer as Deputy Chairman of the Management Board, and Hannes Mösenbacher as member of the Management Board.

Supervisory Board

Members of the Supervisory Board	First assignment	End of period
Walter Rothensteiner, Chairman	11 May 2001	AGM 2017[3]
Erwin Hameseder, 1st Deputy Chairman	8 July 2010[1]	AGM 2020
Heinrich Schaller, 2nd Deputy Chairman	20 June 2012	AGM 2017
Martin Schaller, 3rd Deputy Chairman	4 June 2014	AGM 2019
Klaus Buchleitner	26 June 2013	AGM 2020
Kurt Geiger	9 June 2009	AGM 2019
Michael Höllerer	17 June 2015	With entry of merger of RZB AG into RBI AG (expected on 18 March 2017)[4]
Günther Reibersdorfer	20 June 2012	AGM 2017
Johannes Schuster	8 July 2010[1]	With entry of merger of RZB AG into RBI AG (expected on 18 March 2017)[4]
Bettina Selden	4 June 2014	AGM 2019
Rudolf Kortenhof[2]	10 October 2010	Until further notice
Martin Prater[2]	10 October 2010	31 January 2016
Peter Anzeletti-Reikl[2]	10 October 2010	Until further notice
Suanne Unger[2]	18 January 2012	Until further notice
Helge Rechberger[2]	10 October 2010	Until further notice
Natalie Egger-Grunicke[2]	18 February 2016	Until further notice

1 Effective as of 10 October 2010.
2 Delegated by the Staff Council
3 As a result of the merger between RZB AG and RBI AG, Walter Rothensteiner will resign his mandate as member of the Supervisory Board as of the end of the Annual General Meeting on 22 June 2017.
4 Michael Höllerer and Johannes Schuster will withdraw from their functions on the Supervisory Board once the merger is effective.

Committees of the Supervisory Board

	Working Committee	Audit Committee	Personnel Committee	Remuneration Committee	Risk Committee	Nomination Committee
Chairman	Walter Rothensteiner	Michael Höllerer[1]	Walter Rothensteiner	Walter Rothensteiner	Johannes Schuster[1]	Walter Rothensteiner
1st Deputy Chairman	Erwin Hameseder	Walter Rothensteiner[2]	Erwin Hameseder	Erwin Hameseder	Walter Rothensteiner[2]	Erwin Hameseder
2nd Deputy	Heinrich Schaller	Erwin Hameseder[3]	Heinrich Schaller	Heinrich Schaller	Erwin Hameseder[3]	Heinrich Schaller
3rd Deputy Chairman	Martin Schaller	Heinrich Schaller[4]	Martin Schaller	Martin Schaller	Heinrich Schaller[4]	Martin Schaller
4th Deputy Chairman	–	Martin Schaller[5]	–	–	Martin Schaller[5]	–
Member	Johannes Schuster	Johannes Schuster[6]	Johannes Schuster	Johannes Schuster	Johannes Schuster[6]	Johannes Schuster
Member	Rudolf Kortenhof	Rudolf Kortenhof	–	Rudolf Kortenhof	Rudolf Kortenhof	Rudolf Kortenhof
Member	Peter Anzeletti-Reikl	Peter Anzeletti-Reikl	–	Peter Anzeletti-Reikl	Peter Anzeletti-Reikl	Peter Anzeletti-Reikl
Member	Susanne Unger[7]	Susanne Unger[7]	–	Susanne Unger[7]	Susanne Unger[7]	Susanne Unger[7]

1 As of15 March 2016; until 15 March 2016, Walter Rothensteiner
2 As of15 March 2016; until 15 March 2016, Erwin Hameseder
3 As of15 March 2016; until 15 March 2016, Heinrich Schaller
4 As of15 March 2016; until 15 March 2016, Martin Schaller
5 As of15 March 2016
6 Until 15 March 2016,
7 As of 1 February 2016; until 31 January 2016, Martin Prater

State Commissioners:

- Alfred Lejsek, State Commissioner (since 1 January 2011)
- Anton Matzinger, Deputy State Commissioner (since 1 April 2011)

(52) Group composition

Consolidated group

Number of units	Fully consolidated 2016	2015
As at beginning of period	**120**	**135**
Included for the first time in the financial period	3	15
Merged in the financial period	(1)	(2)
Excluded in the financial period	(16)	(28)
As at end of period	**106**	**120**

Of the 106 entities in the Group, 36 are domiciled in Austria (2015: 37) and 70 abroad (2015: 83). They comprise 19 banks, 50 financial institutions, 16 companies rendering bank-related ancillary services, nine financial holding companies and twelve other companies.

Included units

Name, domicile	Share	Included as of	Reason
Financial institutions			
Ados Immobilienleasing GmbH, Eschborn (DE)	75.0%	1/1	Materiality
RBI eins Leasing Holding GmbH, Vienna (AT)	75.0%	1/6	Materiality
RBI ITS Leasing-Immobilien GmbH, Vienna (AT)	75.0%	1/6	Materiality

Excluded units

Name, domicile	Share	Excluded as of	Reason
Credit institutions			
Raiffeisen Banka d.d., Maribor (SI)	99.8%	30/6	Sale
Financial institutions			
Eastern European Invest GmbH, Vienna (AT)	100.0%	1/1	Immaterial
Eastern European Invest Holding GmbH, Vienna (AT)	100.0%	1/1	Immaterial
Golden Rainbow International Limited, Tortola (VG)	100.0%	1/1	Immaterial
Raiffeisen-Leasing Real Estate Sp. z o.o., Warsaw (PL)	100.0%	1/1.	Immaterial
RI Eastern European Finance B.V., Amsterdam (NL)	100.0%	1/1	Immaterial
Roof Russia DPR Finance Company S.A., Luxembourg (LU)	<0.1%	1/1	Immaterial
SCTF Szentendre Ingatlanforgalmazó és Ingatlanfejlesztő Kft., Budapest (HU)	100.0%	1/1	Immaterial
Raiffeisen Lízing Zrt., Budapest (HU)	100.0%	2/8	Sale
Raiffeisen-Leasing Polska S.A., Warsaw (PL)	100.0%	1/12	Sale
ROOF Poland Leasing 2014 Ltd, Dublin (IE)	<0.1%	1/12	Sale
Companies rendering bank-related ancillary services			
Raiffeisen Ingatlan Vagyonkezelő Kft., Budapest (HU)	100.0%	1/4	Immaterial
Tatra Residence, s. r. o., Bratislava (SK)	78.8%	31/10	Merger
Raiffeisen Insurance Agency Sp.z.o.o, Warsaw (PL)	100.0%	1/12	Sale
RSC Raiffeisen Service Center GmbH, Vienna (AT)	50.0%	31/12	Change in control
Other companies			
Raiffeisen Energiaszolgáltató Kft., Budapest (HU)	100.0%	1/1	Immaterial
Bondy Centrum, s.r.o., Prague (CZ)	43.8%	1/2	Sale

Consolidated subsidiaries where RBI holds less than 50 per cent of the ordinary voting shares

The Group controls the following types of entities, even though it holds less than half of the voting rights.

Structured entities

Name, domicile	Share	Reason
Raiffeisen Real Estate Fund, Budapest (HU)	<0.1%	Fund
CJSC Mortgage Agent Raiffeisen 01, Moscow (RU)	<0.1%	SPV
FWR Russia Funding B.V., Amsterdam (NL)	<0.1%	SPV

The above special purpose vehicles (SPV) are consolidated, as the Group is exposed to variability in returns from these structured entities. The returns are primarily from activities such as holding debt securities or issued financial guarantees. Beyond the ongoing management of the receivables (which is carried out by the Group under a service agreement), significant decisions only become necessary when there is a default on the part of the structured entity.

Subsidiaries not consolidated where RBI holds more than 50 per cent of the ordinary voting shares

Because of their minor importance in giving a view of the Group's assets, financial and earnings position 227 subsidiaries were not included in the consolidated financial statements (20115: 224). They are recognized at cost as interests in affiliated companies, under financial investments, and are assigned to the measurement category available-for-sale. Total assets of the companies not included came to less than 1 per cent of the Group's aggregate total assets.

List of fully consolidated companies

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
Ados Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	75.0%	FI
AMYKOS RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
AO Raiffeisenbank, Moscow (RU)	36,711,260,000	RUB	100.0%	BA
B52 RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	OT
BAILE Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	FI
Baumgartner Höhe RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
BUILDING BUSINESS CENTER DOO NOVI SAD, Novi Sad (RS)	559,220,792	RSD	100.0%	FI
Bulevard Centar BBC Holding d.o.o., Belgrade (RS)	63,708	RSD	100.0%	BR
CINOVA RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
CJSC Mortgage Agent Raiffeisen 01, Moscow (RU)	10,000	RUB	<0.1%	BR
CP Inlandsimmobilien-Holding GmbH, Vienna (AT)	364,000	EUR	99.0%	OT
DAV Holding Ltd., Budapest (HU)	3,030,000	HUF	100.0%	FI
DAV-PROPERTY Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
Expo 2000 Real Estate EOOD, Sofia (BG)	10,000	BGN	100.0%	OT
FCC Office Building SRL, Bucharest (RO)	30,298,500	RON	100.0%	BR
Floreasca City Center Verwaltung Kft., Budapest (HU)	41,000	HUF	100.0%	FI
FWR Russia Funding B.V., Amsterdam (NL)	1	EUR	<0.1%	FI
Harmadik Vagyonkezelő Kft., Budapest (HU)	3,100,000	HUF	100.0%	BR
Infrastruktur Heilbad Sauerbrunn GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
Infrastruktur Heilbad Sauerbrunn RBI-Leasing GmbH & Co.KG., Bad Sauerbrunn (AT)	0	EUR	75.0%	FI
Invest Vermögensverwaltungs-GmbH, Vienna (AT)	73,000	EUR	98.0%	OT
JLLC "Raiffeisen-leasing", Minsk (BY)	430,025	BYN	91.4%	FI
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	20,000,000	EUR	100.0%	BA
Lexxus Services Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Limited Liability Company Raiffeisen Leasing Aval, Kiev(UA)	180,208,527	UAH	72.3%	FI
LLC "ARES Nedvizhimost", Moscow (RU)	10,000	RUB	50.0%	BR
MP Real Invest a.s., Bratislava (SK)	140,000,000	EUR	100.0%	OT
OOO Raiffeisen-Leasing, Moscow (RU)	1,071,000,000	RUB	100.0%	FI
Park City real estate Holding d.o.o., Novi Sad (RS)	63,708	RSD	100.0%	BR
PERSES RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
Pointon Investment Limited, Limassol (CY)	77,446	RUB	100.0%	BR
Priorbank JSC, Minsk (BY)	86,147,909	BYN	87.7%	BA
Raiffeisen Bank Aval JSC, Kyiv (UA)	6,154,516,258	UAH	68.2%	BA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	247,167,000	BAM	100.0%	BA
Raiffeisen Bank Kosovo J.S.C., Pristina (KO)	63,000,000	EUR	100.0%	BA
Raiffeisen Bank Polska S.A., Warsaw (PL)	2,256,683,400	PLN	100.0%	BA
Raiffeisen Bank S.A., Bucharest (RO)	1,200,000,000	RON	99.9%	BA
Raiffeisen Bank Sh.a., Tirana (AL)	14,178,593,030	ALL	100.0%	BA
Raiffeisen Bank Zrt., Budapest (HU)	50,000,090,000	HUF	100.0%	BA
Raiffeisen banka a.d., Belgrade (RS)	27,466,157,580	RSD	100.0%	BA
Raiffeisen CEE Region Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen Centrobank AG, Vienna (AT)	47,598,850	EUR	100.0%	BA
Raiffeisen CIS Region Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen consulting d.o.o., Zagreb (HR)	105,347,000	HRK	100.0%	FI
Raiffeisen Corporate Lízing Zrt., Budapest (HU)	50,100,000	HUF	100.0%	BR
Raiffeisen Factoring Ltd., Zagreb (HR)	15,000,000	HRK	100.0%	FI
Raiffeisen FinCorp, s.r.o., Prague (CZ)	200,000	CZK	87.5%	FI
Raiffeisen International Invest Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen International Liegenschaftsbesitz GmbH, Vienna (AT)	35,000	EUR	100.0%	BR
Raiffeisen Leasing Bulgaria OOD, Sofia (BG)	5,900,000	BGN	100.0%	FI

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
Raiffeisen Leasing d.o.o., Belgrade (RS)	226,389,900	RSD	100.0%	FI
Raiffeisen Leasing d.o.o., Ljubljana (SI)	3,738,107	EUR	100.0%	FI
Raiffeisen Leasing d.o.o. Sarajevo, Sarajevo (BA)	15,405,899	BAM	100.0%	FI
Raiffeisen Leasing IFN S.A., Bucharest (RO)	14,935,400	RON	100.0%	FI
Raiffeisen Leasing Kosovo LLC, Pristina (KO)	642,857	EUR	100.0%	FI
Raiffeisen Leasing sh.a., Tirana (AL)	263,520,134	ALL	100.0%	FI
Raiffeisen Mandatory and Voluntary Pension Funds Management Company Plc., Zagreb (HR)	143,445,300	HRK	100.0%	FI
Raiffeisen Pension Insurance d.d., Zagreb (HR)	23,100,000	HRK	100.0%	VV
Raiffeisen Property Holding International GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen Property International GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Raiffeisen Property Management GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Raiffeisen Real Estate Fund, Budapest (HU)	0	HUF	<0.1%	FI
Raiffeisen Rent DOO, Belgrade (RS)	243,099,913	RSD	100.0%	FI
Raiffeisen RS Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen SEE Region Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen stambena stedionica d.d., Zagreb (HR)	180,000,000	HRK	100.0%	BA
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	603,447,952	BGN	100.0%	BA
Raiffeisenbank a.s., Prague (CZ)	11,060,800,000	CZK	75.0%	BA
Raiffeisenbank Austria d.d., Zagreb (HR)	3,621,432,000	HRK	100.0%	BA
Raiffeisen-Leasing d.o.o., Zagreb (HR)	30,000,000	HRK	100.0%	FI
Raiffeisen-Leasing International Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
Raiffeisen-Leasing Lithuania UAB, Vilnius (LT)	100,000	EUR	92.3%	FI
Raiffeisen-Leasing, s.r.o., Prague (CZ)	450,000,000	CZK	87.5%	FI
Raiffeisen-RBHU Holding GmbH, Vienna (AT)	236,640	EUR	100.0%	FH
RB International Finance (Hong Kong) Ltd., Hong Kong (HK)	10,000,000	HKD	100.0%	FI
RB International Finance (USA) LLC, New York (US)	1,510,000	USD	100.0%	FI
RB International Investment Asia Limited, Labuan (MY)	1	USD	100.0%	FI
RB International Markets (USA) LLC, New York (US)	8,000,000	USD	100.0%	FI
RBI KI Beteiligungs GmbH, Vienna (AT)	48,000	EUR	100.0%	FH
RBI eins Leasing Holding GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
RBI IB Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
RBI ITS Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
RBI LEA Beteiligungs GmbH, Vienna (AT)	70,000	EUR	100.0%	FI
RBI Leasing GmbH, Vienna (AT)	100,000	EUR	75.0%	FI
RBI LGG Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RBI PE Handels- und Beteiligungs GmbH, Vienna (AT)	150,000	EUR	100.0%	FI
REC Alpha LLC, Kyiv (UA)	267,643,204	UAH	100.0%	BR
Regional Card Processing Center s.r.o., Bratislava (SK)	539,465	EUR	100.0%	BR
RIRE Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	BR
RLI Holding Gesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	FI
RZB Finance (Jersey) III Ltd, St Helier (JE)	1,000	EUR	100.0%	FI
RZB Finance (Jersey) IV Limited, St Helier (JE)	2,000	EUR	100.0%	FI
S.C. PLUSFINANCE ESTATE 1 S.R.L., Bucharest (RO)	13,743,340	RON	100.0%	BR
Sky Tower Immobilien- und Verwaltung Kft, Budapest (HU)	41,000	HUF	100.0%	OT
Skytower Building SRL, Bucharest (RO)	126,661,500	RON	100.0%	OT
'S-SPV'' d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	FI
Tatra Asset Management, správ. spol., a.s., Bratislava (SK)	1,659,700	EUR	78.8%	FI
Tatra banka, a.s., Bratislava (SK)	64,326,228	EUR	78.8%	BA
Tatra Residence, a.s., Bratislava (SK)	21,420,423	EUR	78.8%	BR
Tatra-Leasing, s.r.o., Bratislava (SK)	6,638,785	EUR	78.8%	FI

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
TOO Raiffeisen Leasing Kazakhstan, Almaty (KZ)	85,800,000	KZT	100.0%	FI
Ukrainian Processing Center PJSC, Kiev (UA)	180,000	UAH	100.0%	BR
Viktor Property, s.r.o., Prague (CZ)	200,000	CZK	87.5%	OT
Vindalo Properties Limited, Limassol (CY)	67,998	RUB	100.0%	BR
ZUNO BANK AG, Vienna (AT)	5,000,000	EUR	100.0%	BA

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Structured units

The following tables show, by type of structured entity, the carrying amounts of the Group's interests recognized in the consolidated statement of financial position as well as the maximum exposure to loss resulting from these interests. The carrying amounts presented below do not reflect the true variability of returns faced by the Group because they do not take into account the effects of collateral or hedges.

Assets

2016 in € thousand	Loans and advances	Equities	Debt instruments	Derivatives
Securitization vehicles	315,147	0	389,813	0
Third party funding entities	166,949	1,925	0	0
Funds	0	48,004	0	0
Total	**482,095**	**49,929**	**389,813**	**0**

2015 in € thousand	Loans and advances	Equities	Debt instruments	Derivatives
Securitization vehicles	231,362	0	451,637	0
Third party funding entities	111,577	18,180	0	0
Funds	0	29,922	0	0
Total	**342,939**	**48,101**	**451,637**	**0**

Liabilities

2016 in € thousand	Deposits	Equities	Debt securities issued	Derivatives
Securitization vehicles	330	0	0	0
Third party funding entities	22,219	0	0	1,051
Funds	0	0	0	956
Total	**22,550**	**0**	**0**	**2,007**

2015 in € thousand	Deposits	Equities	Debt securities issued	Derivatives
Securitization vehicles	2,920	0	22,628	0
Third party funding entities	30,067	0	0	1,118
Total	**32,987**	**0**	**22,628**	**1,118**

Nature, purpose and extent of the Group's interests in non-consolidated structured entities

The Group engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- Restricted activities;
- A narrow and well defined objective;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- Financing in the form of the issue of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The principal uses of structured entities are to provide clients with access to specific portfolios of assets and to provide market liquidity for clients through securitizing financial assets. Structured entities may be established as corporations, trusts or partnerships. Structured entities generally finance the purchase of assets by issuing debt and equity securities that are collateralized by and/or indexed to the assets held by the structured entities.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicate that the structured entities are controlled by the Group.

Below is a description of the Group's involvements in non-consolidated structured entities by type.

Third party funding entities

The Group provides funding to structured entities that hold a variety of assets. These entities may take the form of funding entities, trusts and private investment companies. The funding is collateralized by the assets in the structured entities. The group's investment activity involves predominantly lending.

Securitization vehicles

The Group establishes securitization vehicles which purchase diversified pools of assets, including fixed income securities, company loans, and asset-backed securities (predominantly commercial and residential mortgage-backed securities and credit card receivables). The vehicles fund these purchases by issuing multiple tranches of debt and equity securities, the repayment of which is linked to the performance of the assets in the vehicles.

The Group often transfers assets to these securitization vehicles and provides financial support to these entities in the form of liquidity facilities.

Funds

The Group establishes structured entities to accommodate client requirements to hold investments in specific assets. The Group also invests in funds that are sponsored by third parties. A Group entity may act as fund manager, custodian or in some other capacity and provide funding and liquidity facilities to both Group sponsored and third party funds. The funding provided is collateralized by the underlying assets held by the fund.

Maximum exposure to and size of non-consolidated structured entities

The maximum exposure to loss is determined by considering the nature of the interest in the non-consolidated structured entity. The maximum exposure for loans and trading instruments is reflected by their carrying amounts in the consolidated statement of financial position. The maximum exposure for derivatives and instruments off the statement of financial position such as guarantees, liquidity facilities and loan commitments under IFRS 12, as interpreted by the Group, is reflected by the notional amounts. Such amounts do not reflect the economic risks faced by the Group because they do not take into account the effects of collateral or hedges or the probability of such losses being incurred. At 31 December 2016, the notional values of derivatives and instruments off the statement of financial position were € 27,822 thousand (2015: € 29,064 thousand) and € 95,292 thousand (2015: € 104,682 thousand) respectively. Information on the size of structured entities is not always publicly available therefore the Group has determined that its exposure is an appropriate guide to size.

Financial support

The Group provided financial support during the financial year to non-consolidated structured entities with a carrying value of € 3,420 thousand as at 31 December 2016 (2015: € 0 thousand).

Sponsored structured entities

As a sponsor, the Group is often involved in the legal set up and marketing of the entity and supports the entity in different ways such as providing operational support to ensure the entity's continued operation.

The Group is also deemed a sponsor for a structured entity if market participants would reasonably associate the entity with the Group. Additionally, the use of the Raiffeisen name for the structured entity often indicates that the Group has acted as a sponsor.

The gross proceeds from sponsored entities for the year ending 31 December 2016 amounted to € 18,197 thousand (2015: € 21,923 thousand).

No assets were transferred to sponsored non-consolidated structured entities in 2016 or 2015.

(53) List of equity participations

Other affiliated companies

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
"A-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	FI
"Immobilien Invest" Limited Liability Company, Moscow (RU)	10,000	RUB	100.0%	BR
"K-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	FI
Afrodite Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
ALT POHLEDY s.r.o., Prague (CZ)	84,657,000	CZK	100.0%	OT
Amfion Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Appolon Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Aspius Immobilien Holding International GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Astra Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Athena Property, s.r.o. v likvidaci, Prague (CZ)	200,000	CZK	100.0%	OT
BA Development II., s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
BA Development, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
Boreas Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
BUXUS Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	2,820,000	RON	100.0%	BR
Centrotrade Chemicals AG - in liquidation, Zug (CH)	5,000,000	CHF	100.0%	OT
Centrotrade Holding GmbH, Vienna (AT)	3,000,000	EUR	100.0%	OT
Chronos Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
CP Linzerstraße 221-227 Projektentwicklungs GmbH, Vienna (AT)	37,000	EUR	100.0%	OT
CP Logistikcenter Errichtungs- und Verwaltungs GmbH, Vienna (AT)	37,000	EUR	<0.1%	OT
CP Projekte Muthgasse Entwicklungs GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Credibilis a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
CRISTAL PALACE Property s.r.o., Prague (CZ)	400,000	CZK	100.0%	FI
Dafne Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
DAV Depo Projekt Korlátolt Felelősségű Társaság, Budapest (HU)	3,000,000	HUF	100.0%	OT
DAV Management Kft., Budapest (HU)	3,010,000	HUF	100.0%	BR
DAV-ESTATE Kft., Budapest (HU)	3,030,000	HUF	100.0%	BR
DAV-LAND Kft., Budapest (HU)	3,020,000	HUF	100.0%	BR
DAV-OUTLET Kft., Budapest (HU)	3,020,000	HUF	100.0%	OT
Dike Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Dom-office 2000, Minsk (BY)	283,478	BYN	100.0%	OT
Don Giovanni Properties, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Doplnková dôchodková spoločnosť Tatra banky, a.s., Bratislava (SK)	1,659,700	EUR	100.0%	FI
DORISCUS ENTERPRISES LTD., Limassol (CY)	18,643,400	EUR	86.6%	OT
Dúbravčice, s.r.o., Bratislava (SK)	5,000	EUR	100.0%	FI
Eastern European Invest GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Eastern European Invest Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Easy Develop s.r.o., Prague (CZ)	200,000	CZK	100.0%	SC
Eos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Erato Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Eris Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Euro Green Energy Fejlesztő és Szolgáltató Kft., Budapest (HU)	14,490,000	HUF	100.0%	OT
Eurolease RE Leasing, s. r. o., Bratislava (SK)	6,125,256	EUR	100.0%	OT
Euros Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Euterpe Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Exit 90 SPV s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Extra Year Investments Limited, Tortola (VG)	50,000	USD	100.0%	FH
FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	OT
FMK Fachmarktcenter Kohlbruck Betriebs GmbH, Eschborn (DE)	30,678	EUR	<0.1%	FI
FORZA SOLE s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
FVE Cihelna s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Gaia Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Gala Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Gergely u. Ingatlanfejlesztő Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
Golden Rainbow International Limited, Tortola (VG)	1	SGD	100.0%	FI
Grainulos s.r.o., Prague (CZ)	1	CZK	100.0%	FI
GS55 Sazovice s.r.o., Prague (CZ)	15,558,000	CZK	90.0%	OT
Harmonia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Hebe Property, s.r.o., Prague (CZ)	200,000	CZK	95.0%	OT
Hermes Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Hestia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Holeckova Property s.r.o., Prague (CZ)	210,000	CZK	100.0%	FI
Humanitarian Fund ''Budimir Bosko Kostic'', Belgrade (RS)	30,000	RSD	100.0%	OT
Hyperion Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Hypnos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
ICS Raiffeisen Leasing s.r.l, Chisinau (MD)	8,307,535	MDL	100.0%	FI
INFRA MI 1 Immobilien Gesellschaft mbH, Vienna (AT)	1,000,000	EUR	100.0%	OT
Ino Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Iris Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Janus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Kalypso Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
KAPMC s.r.o., Prague (CZ)	100,000	CZK	100.0%	OT
Kappa Estates s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Kathrein & Co Life Settlement Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	OT
Kathrein & Co. Private Equity I AG, Vienna (AT)	190,000	EUR	100.0%	OT
Kathrein & Co. Trust Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Kathrein Capital Management GmbH, Vienna (AT)	1,000,000	EUR	100.0%	FI
KIWANDA Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Kleio Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Konevova s.r.o., Prague (CZ)	50,000,000	CZK	10.0%	BR
Leasing Poland Sp.z.o.o., Warsaw (PL)	19,769,500	PLN	100.0%	FI
Leto Property, s.r.o., Prague (CZ)	200,000	CZK	77.0%	OT
Limited Liability Company European Insurance Agency, Moscow (RU)	120,000	RUB	100.0%	OT
Limited Liability Company REC GAMMA, Kyiv (UA)	49,015,000	UAH	100.0%	BR
LOTA Handels- und Beteiligungs-GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Luna Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Lysithea a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
Mall Varna EAD, Sofia (BG)	146,700,000	BGN	100.0%	OT
MAMONT GmbH, Kiev (UA)	44,000	UAH	100.0%	OT
Medea Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Melete Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Melpomene Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Michalka - Sun s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Morfeus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
MORHUA Handels- und Beteiligungs GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
MOVEO Raiffeisen-Leasing GmbH, Vienna (AT)	35,000	EUR	51.0%	FI
Na Starce, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
NAURU Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
NC Ivancice, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Neptun Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance; SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Nike Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Niobe Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Nußdorf Immobilienverwaltung GmbH, Vienna (AT)	36,336	EUR	99.5%	OT
Ofion Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Onyx Energy Projekt II s.r.o., Prague (CZ)	210,000	CZK	100.0%	OT
Onyx Energy s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
OOO "Vneshleasing", Moscow (RU)	131,770	RUB	100.0%	FI
OOO Raiffeisen Capital Asset Management Company, Moscow (RU)	225,000,000	RUB	100.0%	FI
OOO SB "Studia Strahovania", Minsk (BY)	34,924	BYN	100.0%	OT
Orchideus Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Ötödik Vagyonkezelő Kft., Budapest (HU)	9,510,000	HUF	100.0%	FI
P & C Beteiligungs Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	OT
Palace Holding s.r.o., Prague (CZ)	2,700,000	CZK	90.0%	FI
Peito Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Photon Energie s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 10 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 11 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 3 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 4 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 6 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 8 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
PILSENINEST SICAV, a.s., Prague (CZ)	212,000,000	CZK	100.0%	OT
PLUSFINANCE LAND S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
PLUSFINANCE OFFICE S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
PLUSFINANCE RESIDENTIAL S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
Pontos Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Pro Invest da Vinci e.o.o.d., Sofia (BG)	5,000	BGN	100.0%	OT
PRODEAL, a.s., Bratislava (SK)	796,654	EUR	100.0%	FI
Production unitary enterprise "PriortransAgro", Minsk (BY)	50,000	BYN	100.0%	OT
PZ PROJEKT a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
R LUX IMMOBILIEN LINIE S.R.L., Timisoara (RO)	50,000	RON	1.0%	OT
R MORMO IMMOBILIEN LINIE S.R.L., Bucharest (RO)	50,000	RON	1.0%	OT
R.L.H. Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen (Beijing) Investment Management Co., Ltd., Beijing (CN)	2,000,000	CNH	100.0%	FI
Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG)	250,000	BGN	100.0%	FI
Raiffeisen Assistance D.O.O., Beograd, Belgrade (RS)	4,307,115	RSD	100.0%	OT
Raiffeisen Assistance doo Sarajevo, Sarajevo (BA)	4,000	BAM	100.0%	BR
Raiffeisen Autó Lízing Kft., Budapest (HU)	3,000,000	HUF	100.0%	FI
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	131,074,560	RON	33.3%	BA
Raiffeisen Befektetési Alapkezelõ Zrt., Budapest (HU)	100,000,000	HUF	100.0%	FI
Raiffeisen Biztosításközvetítö Kft., Budapest (HU)	5,000,000	HUF	100.0%	BR
Raiffeisen Bonus Ltd., Zagreb (HR)	200,000	HRK	100.0%	BR
Raiffeisen Capital a.d. Banja Luka, Banja Luka (BA)	355,000	BAM	100.0%	BR
Raiffeisen Direct Investments CZ s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Raiffeisen Energiaszolgáltató Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Raiffeisen Financial Services Polska Sp. z o.o., Warsaw (PL)	4,657,500	PLN	100.0%	FI
Raiffeisen Future AD Beograd drustvo za upravljanje dobrovoljnim penzijskim fondom, Belgrade (RS)	143,204,921	RSD	100.0%	FI
Raiffeisen Gazdasági Szolgáltató Zrt., Budapest (HU)	20,099,879	HUF	100.0%	FI
Raiffeisen Ingatlan Üzemeltető Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT

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Raiffeisen Ingatlan Vagyonkezelő Kft., Budapest (HU)	3,110,000	HUF	100.0%	BR
Raiffeisen Insurance and Reinsurance Broker S.R.L, Bucharest (RO)	180,000	RON	100.0%	BR
RAIFFEISEN INSURANCE BROKER EOOD, Sofia (BG)	5,000	BGN	100.0%	BR
Raiffeisen Insurance Broker Kosovo L.L.C., Pristina (KO)	10,000	EUR	100.0%	BR
RAIFFEISEN INVEST AD DRUSTVO ZA UPRAVLJANJE INVESTICIONIM FONDOVIMA BEOGRAD, Belgrade (RS)	47,662,692	RSD	100.0%	FI
Raiffeisen Invest d.o.o., Zagreb (HR)	8,000,000	HRK	100.0%	FI
Raiffeisen Invest Drustvo za upravljanje fondovima d.o.o Sarajevo, Sarajevo (BA)	945,424	BAM	100.0%	BR
Raiffeisen INVEST Sh.a., Tirana (AL)	90,000,000	ALL	100.0%	FI
Raiffeisen investicni spolecnost a.s., Prague (CZ)	40,000,000	CZK	100.0%	SC
Raiffeisen Investment Advisory GmbH, Vienna (AT)	730,000	EUR	100.0%	FI
Raiffeisen Investment Financial Advisory Services Ltd. Co., Istanbul (TR)	2,930,000	TRY	99.0%	FI
Raiffeisen Investment Polska sp.z.o.o., Warsaw (PL)	3,024,000	PLN	100.0%	FI
Raiffeisen Investment Ukraine TOV - in liquidation, Kiev (UA)	3,733,213	UAH	100.0%	FI
Raiffeisen Property Management Bulgaria EOOD, Sofia (BG)	80,000	BGN	100.0%	OT
Raiffeisen Property Management spol.s.r.o., Prague (CZ)	100,000	CZK	100.0%	OT
RAIFFEISEN SERVICE EOOD, Sofia (BG)	4,220,000	BGL	100.0%	OT
Raiffeisen Services SRL, Bucharest (RO)	30,000	RON	100.0%	OT
Raiffeisen Solutions Spółka z ograniczoną odpowiedzialnością, Warsaw (PL)	550,000	PLN	100.0%	FI
RAIFFEISEN SPECIAL ASSETS COMPANY d.o.o. Sarajevo (in liquidation), Sarajevo (BA)	1,982,591	BAM	100.0%	FI
Raiffeisen stavebni sporitelna, a.s., Prague (CZ)	650,000,000	CZK	10.0%	BA
Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A., Warsaw (PL)	4,000,000	PLN	100.0%	OT
Rail-Rent-Holding GmbH in Liqu., Vienna (AT)	40,000	EUR	60.0%	OT
Ratio Holding Gesellschaft mit beschränkter Haftung, Vienna (AT)	40,000	EUR	100.0%	OT
RB Kereskedhőáz Kft., Budapest (HU)	4,000,000	HUF	100.0%	BR
RB Szolgáltató Központ Kft. - RBSC Kft., Nyíregyháza (HU)	3,000,000	HUF	100.0%	BR
RBI Vajnoria spol.s.r.o., Bratislava (SK)	5,000	EUR	100.0%	OT
RCR Ukraine LLC, Kiev (UA)	282,699	UAH	100.0%	BR
RDI Czech 1 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 3 s.r.o, Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 4 s.r.o, Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 5 s.r.o, Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 6 s.r.o, Prague (CZ)	3,700,000	CZK	100.0%	OT
RDI Management s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Real Estate Rent 4 DOO, Belgrade (RS)	40,310	RSD	100.0%	FI
Rent CC, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
Rent GRJ, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
Rent PO, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
Residence Park Trebes, s.r.o., Prague (CZ)	20,000,000	CZK	100.0%	OT
Rheia Property, s.r.o., Prague (CZ)	200,000	CZK	95.0%	OT
RIRBRO ESTATE MANAGEMENT S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
RL Leasing Gesellschaft m.b.H., Eschborn (DE)	25,565	EUR	25.0%	FI
RL-Assets Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
RLRE Beta Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
RLRE Carina Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RLRE Dorado Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RLRE Eta Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
RLRE Hotel Ellen, s.r.o., Prague (CZ)	100,000	CZK	100.0%	FI
RLRE Jota Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
RLRE Ypsilon Property, s.r.o., Prague (CZ)	200,000	CZK	50.0%	FI

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Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Robert Károly Körút Irodaház Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Rogofield Property Limited, Nicosia (CY)	2,174	USD	100.0%	OT
RPM Budapest KFT, Budapest (HU)	3,000,000	HUF	100.0%	OT
RPN Verwaltungs GmbH, Vienna (AT)	37,464	EUR	100.0%	OT
S.A.I. Raiffeisen Asset Management S.A., Bucharest (RO)	10,656,000	RON	100.0%	FI
SAM-House Kft, Budapest (HU)	3,000,000	HUF	100.0%	BR
SASSK Ltd., Kiev (UA)	152,322,000	UAH	88.7%	OT
SCT Kárász utca Ingatlankezelő Kft., Budapest (HU)	3,000,000	HUF	100.0%	FI
SCTB Ingatlanfejlesztés Ingatlanhasznosító Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
SCTF Szentendre Ingatlanforgalmazó és Ingatlanfejlesztő Kft., Budapest (HU)	3,000,000	HUF	100.0%	FI
SCTP Biatorbágy Ingatlanfejlesztő és Ingatlanhasznosító Kft., Budapest (HU)	3,000,000	HUF	75.3%	OT
SCTS Kft., Budapest (HU)	3,100,000	HUF	100.0%	OT
Selene Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Sirius Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Sky Solar Distribuce s.r.o., Prague (CZ)	200,000	CZK	77.0%	OT
St. Marx-Immobilien Verwertungs- und Verwaltungs GmbH, Vienna (AT)	36,336	EUR	99.0%	OT
Stadtpark Hotelreal GmbH, Vienna (AT)	6,543,000	EUR	1.0%	OT
Szentkiraly utca 18 Kft., Budapest (HU)	5,000,000	HUF	100.0%	OT
Tatra Office, s.r.o., Bratislava (SK)	185,886	EUR	100.0%	BR
TAURUS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H. in Liqu., Vienna (AT)	36,336	EUR	100.0%	FI
TB Invest Ingatlanforgalmazó Zrt., Budapest (HU)	20,000,000	HUF	50.0%	OT
Theia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Triton Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Unitary insurance enterprise "Priorlife", Minsk (BY)	4,689,500	BYN	100.0%	VV
UPC Real, s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Urania Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	FI
Villa Atrium Bubenec, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
VINAGRIUM Borászati és Kereskedelmi Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
VN-Industrie Immobilien GmbH, Vienna (AT)	35,000	EUR	74.0%	OT
VN-Wohn Immobilien GmbH, Vienna (AT)	35,000	EUR	74.0%	OT
VUWG Verwaltung und Verwertung von Gewerbeimmobilien GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Zefyros Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Zeleny Zlonin s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
ZHS Office- & Facilitymanagement GmbH, Vienna (AT)	36,336	EUR	1.2%	BR

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Other equity participations

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Accession Mezzanine Capital II L.P., Bermuda (BM)	2,613	EUR	5.7%	OT
Accession Mezzanine Capital III L.P., St. Helier (BM)	134,125,000	EUR	3.7%	OT
Accession Mezzanine Capital L.P. in Liquidation, Bermuda (BM)	1,147	EUR	2.6%	OT
Agricultural Open Joint Stock Company Illintsi Livestock Breeding Enterprise, Illinci (UA)	703,100	UAH	4.7%	OT
ALCS Association of Leasing Companies in Serbia, Belgrade (RS)	853,710	RSD	12.5%	OT
A-Trust Gesellschaft für Sicherheitssysteme im elektronischen Datenverkehr GmbH, Vienna (AT)	5,290,013	EUR	<0.1%	OT
bat-groupware GmbH, Vienna (AT)	50,000	EUR	<0.1%	BR
Belarussian currency and stock exchange JSC, Minsk (BY)	9,006,584	BYN	<0.1%	SC
Biroul de Credit S.A., Bucharest (RO)	4,114,615	RON	13.2%	FI
Bucharest Stock Exchange, Bucharest (RO)	76,741,980	RON	1.0%	OT
Budapest Stock Exchange, Budapest (HU)	541,348,100	HUF	<0.1%	SC
Burza cennych papierov v. Bratislave, a.s., Bratislava (SK)	11,404,927,296	EUR	0.1%	SC
CASA DE COMPENSARE S.A., Bucharest (RO)	239,255	RON	0.1%	OT
Cash Service Company AD, Sofia (BG)	12,500,000	BGN	20.0%	BR
CEESEG Aktiengesellschaft, Vienna (AT)	18,620,720	EUR	7.0%	SC
CELL MED Research GmbH, Vienna (AT)	1,898,418	EUR	4.5%	OT
Central Depository and Clearing Company, Inc., Zagreb (HR)	86,925,000	HRK	0.1%	FI
Closed Joint Stock Company Truskavets Valeological Innovative Centre, Truskavets (UA)	100,000	UAH	5.0%	OT
Closed Joint Stock Company Vinegar-yeast Factory, Uzyn (UA)	9,450,000	UAH	33.8%	OT
Commodity Exchange Crimean Interbank Currency Exchange, Simferopol (UA)	440,000	UAH	4.5%	SC
Commodity Exchange of the Agroindustrial Complex of Central Regions of Ukraine, Cherkassy (UA)	90,000	UAH	11.1%	OT
Czech Real Estate Fund (CREF) B.V., Amsterdam (NL)	18,000	EUR	20.0%	FI
D. Trust Certifikacná Autorita, a.s., Bratislava (SK)	331,939	EUR	10.0%	OT
Easdaq NV, Leuven (BE)	128,526,849	EUR	<0.1%	OT
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna (AT)	70,000	EUR	0.1%	FI
EMERGING EUROPE GROWTH FUND II, L.P., Delaware (US)	370,000,000	USD	1.9%	OT
Euro Banking Association (ABE Clearing S.A.S.), Paris (FR)	53,000	EUR	1.9%	FI
European Investment Fund S.A., Luxembourg (LU)	3,000,000,000	EUR	0.2%	FI
Export and Industry Bank Inc., Makati City (PH)	4,734,452,540	PHP	9.5%	BA
Flex-space Plzen I, s.r.o., Prague (CZ)	200,000	CZK	<0.1%	OT
Fondul de Garantare a Creditului Rural S.A., Bucharest (RO)	15,940,890	RON	33.3%	FI
Garantiqa Hitelgarancia ZRt., Budapest (HU)	7,839,600,000	HUF	0.2%	FI
Greenix Limited, Road Town (VG)	100,000	USD	25.0%	OT
Hrvatski registar obveza po kreditima d.o.o., Zagreb (HR)	13,500,000	HRK	10.5%	BR
INVESTOR COMPENSATION FUND, Bucharest (RO)	344,350	RON	0.4%	SC
Limited Liability Company Scientific-Production Enterprise Assembling and Implementation of Telecommunication Sytems, Dnepropetrovsk (UA)	500,000	UAH	10.0%	OT
LLC "Insurance Company 'Raiffeisen Life", Moscow (RU)	240,000,000	RUB	25.0%	VV
LUXTEN LIGHTING COMPANY S.A., Bucharest (RO)	42,126,043	RON	<0.1%	OT
MasterCard Inc, New York (US)	13,518	USD	<0.1%	BA
National Settlement Depositary, Moscow (RU)	1,180,675,000	RUB	<0.1%	FI
Open Joint Stock Company Kiev Special Project and Design Bureau Menas, Kiev (UA)	3,383,218	UAH	4.7%	OT
Open Joint Stock Company Volodymyr-Volynskyi Sugar Refinery, Volodymyr-Volynskyi Stadt (UA)	13,068,010	UAH	2.6%	OT
Österreichische Raiffeisen-Einlagensicherung eGen, Vienna (AT)	3,100	EUR	9.7%	OT
OT-Optima Telekom d.d., Zagreb (HR)	635,568,080	HRK	3.3%	OT
OVIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	<0.1%	FI
Pannon Lúd Kft, Mezokovácsháza (HU)	852,750,000	HUF	0.6%	OT
Polish Real Estate Investment Limited, Limassol (CY)	911,926	EUR	11.2%	OT
Private Joint Stock Company First All-Ukrainian Credit Bureau, Kiev (UA)	11,750,000	UAH	5.1%	OT
Private Joint Stock Company Sumy Enterprise Agrotechservice, Sumy (UA)	1,545,000	UAH	0.6%	OT

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Private Joint Stock Company Ukrainian Interbank Currency Exchange, Kiev (UA)	36,000,000	UAH	3.1%	SC
Public Joint Stock Company Bird Farm Bershadskyi, Viytivka (UA)	6,691,141	UAH	0.5%	OT
Public Joint Stock Company National Depositary of Ukraine, Kiev (UA)	103,200,000	UAH	0.1%	BR
Public Joint Stock Company Settlement Center for Servicing of Contracts in Financial Markets, Kiev (UA)	153,100,000	UAH	<0.1%	FI
Public Joint Stock Company Stock Exchange PFTS, Kiev (UA)	32,010,000	UAH	0.2%	SC
Raiffeisen e-force GmbH, Vienna (AT)	145,346	EUR	0.7%	OT
Raiffeisen Informatik GmbH, Vienna (AT)	1,460,000	EUR	0.1%	BR
Raiffeisen Software GmbH, Linz (AT)	150,000	EUR	0.1%	OT
Raiffeisen-Leasing BOT s.r.o., Prague (CZ)	100,000	CZK	<0.1%	OT
Raiffeisen-Leasing Management GmbH, Vienna (AT)	300,000	EUR	25.0%	OT
Raiffeisen-Leasing Mobilien und KFZ GmbH, Vienna (AT)	35,000	EUR	15.0%	FI
RC Gazdasági és Adótanácsadó Zrt., Budapest (HU)	20,000,000	HUF	22.2%	FI
Registry of Securities in FBH, Sarajevo (BA)	2,052,300	BAM	1.4%	OT
REPEF Holding GmbH in Liquidation, Vienna (AT)	400,000	EUR	3.5%	OT
RLKG Raiffeisen-Leasing GmbH, Vienna (AT)	40,000	EUR	12.5%	FI
RSC Raiffeisen Service Center GmbH, Vienna (AT)	2,000,000	EUR	50.0%	BR
RVS, a. s., Bratislava (SK)	6,852,480	EUR	0.7%	OT
S.C. DEPOZITARUL CENTRAL S.A., Budapest (RO)	25,291,953	RON	2.6%	OT
Sarajevska berza-burza vrijednosnih papira dd Sarajevo, Sarajevo (BA)	1,975,680	BAM	5.2%	OT
Scanviwood Co. Ltd., Ho Chi Minh City (VN)	2,500,000	USD	6.0%	OT
Slovak Banking Credit Bureau, s.r.o., Bratislava (SK)	9,958	EUR	33.3%	BR
Societatea de Transfer de Fonduri si Decontari-TRANSFOND S.A, Bucharest (RO)	6,720,000	RON	3.4%	BR
Society for Worldwide Interbank Financial Telekommunication scrl, La Hulpe (BE)	13,781,250	EUR	0.5%	FI
Stemcor Global Holdings Limited, St Helier (JE)	100,000	USD	3.2%	OT
Syrena Immobilien Holding AG, Spittal an der Drau (AT)	22,600,370	EUR	21.0%	OT
The Zagreb Stock Exchange joint stock company, Zagreb (HR)	46,357,000	HRK	2.9%	SC
Transilvania LEASING SI CREDIT IFN S.A., Brasov (RO)	51,569,000	RON	0.6%	FI
UNIQA Raiffeisen Software Service Kft., Budapest (HU)	19,900,000	HUF	1.0%	OT
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH, Vienna (AT)	36,336	EUR	17.0%	OT
Visa Inc., San Francisco (US)	192,964	USD	<0.1%	BR
Zhytomyr Commodity Agroindustrial Exchange, Zhitomir (UA)	476,615	UAH	3.1%	OT
Ziloti Holding S.A., Luxemburg (LU)	48,963	EUR	0.9%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance; SC Securities firms

Recognition and measurement principles

Financial instruments: Recognition and measurement (IAS 39)

According to IAS 39, all financial assets, financial liabilities and derivative financial instruments are to be recognized in the statement of financial position. A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. On initial recognition, financial instruments are to be measured at fair value, which generally corresponds to the transaction price at the time of acquisition or issue. According to IFRS 13, the fair value is defined as the exit price. This is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For subsequent measurement, financial instruments are recognized in the statement of financial position according to the respective measurement category pursuant to IAS 39, either at (amortized) cost or at fair value.

Categorization of financial assets and financial liabilities and their measurement

The measurement categories for financial instruments pursuant to IAS 39 do not equate to the principal line items in the statement of financial position. Relationships between the principal line items in the statement of financial position and the measurement standard applied are described in the table "Categories of financial instruments according to IFRS7" and in the notes under (1) Income statement according to measurement categories and (12) Statement of financial position according to measurement categories.

1. Financial assets or liabilities at fair value through profit and loss

On initial recognition, the Group categorizes certain financial assets and liabilities as held-for-trading or measured at fair value. These financial assets and liabilities are recognized at fair value and shown as financial assets and liabilities at fair value.

a. Trading assets/liabilities

Trading assets/liabilities are acquired or incurred principally for the purpose of generating profit from short-term fluctuations in market prices. Securities (including short selling of securities) and derivative financial instruments held-for-trading are recognized at their fair values. If securities are listed, the fair value is based on stock exchange prices. Where such prices are not available, internal prices based on present value calculations for originated financial instruments and futures or option pricing models for options are applied. Present value calculations are based on an interest rate curve which consists of money market rates, future rates and swap rates. Option price formulas Black-Scholes 1972, Black 1976 or Garman-Kohlhagen are applied depending on the kind of option. The measurement for complex options is based on a binominal tree model and Monte Carlo simulations.Derivative financial instruments held-for-trading are shown under the item "trading assets" or "trading liabilities". Positive fair values including accrued interest (dirty price) are shown under trading assets. Negative fair values are recorded under trading liabilities. Positive and negative fair values are not netted. Changes in dirty prices are recognized in net trading income. Derivatives that are used neither for trading purposes nor for hedging purposes are recorded under the item "derivatives". Any liabilities from the short-selling of securities are shown in "trading liabilities".

Capital-guaranteed products (guarantee funds and pension plans) are shown as sold put options on the respective funds to be guaranteed, in accordance with statutory requirements. The valuation is based on a Monte Carlo simulation. The Group has provided capital guarantee obligations as part of the government-funded state-sponsored pension plans according to Section 108h (1) item 3 EStG (Austrian Income Tax Act). The bank guarantees that the retirement annuity, available for the payment amount, is not less than the sum of the amounts paid by the taxpayer plus credits for such taxable premiums within the meaning of Section 108g EStG.

b. Designated financial instruments at fair value

This category comprises mainly all those financial assets that are irrevocably designated as financial instruments at fair value (so-called fair value option) upon initial recognition in the statement of financial position independent of any intention to trade. An entity may use this designation only when doing so results in more relevant information for the user of the financial statements. This is the case for those financial assets, which belong to a portfolio, which is managed and its performance evaluated on a fair value basis.

These instruments are bonds, notes and other fixed-interest securities as well as shares and other variable-yield securities. These financial instruments are valued at fair value under IAS 39. In the statement of financial position, they are shown under the item "financial investments". Current income is shown under net interest income, valuation results and proceeds from disposals are shown in net income from financial investments.

Financial liabilities are also designated as financial instruments at fair value, to avoid valuation discrepancies with related derivatives. The fair value of financial obligations under the fair value option in this category reflects all market risk factors, including those related to the credit risk of the issuer.

In 2016, as in 2015, observable market prices were used for the valuation of liabilities of subordinated issues measured at fair value. The financial liabilities are mostly structured bonds. The fair value of these financial liabilities is calculated by discounting the contractual cash flows with a credit-risk-adjusted yield curve, which reflects the level at which the Group could issue similar financial instruments at the reporting date. The market risk parameters are evaluated according to similar financial instruments that are held as financial assets. Valuation results for liabilities that are designated as a financial instrument at fair value are recognized in income from derivatives and liabilities.

2. Financial assets held-to-maturity

Non-derivative financial assets (securities with fixed or determinable payments and a fixed maturity) purchased with the intention and ability to hold them to maturity are reported under the item "financial investments". They are recognized at amortized cost and differences are amortized over the term to maturity and recognized in the income statement under net interest income. If impairment occurs, it is taken into account when determining the amortized cost and shown in net income from financial investments. Coupon payments are recognized under net interest income. A sale of these financial instruments is only allowed in certain cases explicitly stated in IAS 39.

3. Loans and advances

Non-derivative financial assets with fixed or determinable payment entitlements for which there is no active market are allocated to this category. These financial instruments are mainly recorded in the items "loans and advances to banks" and "loans and advances to customers". Moreover, loans and advances relating to finance lease business, which are recognized in accordance with IAS 17, are stated in the items "loans and advances to banks" and "loans and advances to customers".

They are measured at amortized cost. If there is a difference between the amount paid and face value – and this has an interest character – the effective interest method is used and the amount is stated under net interest income. If impairment occurs it is taken account of when determining the amortized cost. Impairment provisions and provisions for losses that have occurred but have not yet been recognized are reported in the statement of financial position under the item "impairment losses on loans and advances". Profits from the sale of impaired loans are recognized in the income statement in the item "net provisioning for impairment losses".

Moreover, debt instruments are also allocated to this category if there is no active market for them. Derecognition of financial assets within the framework of securitizations is – after checking if the securitized special purpose vehicle has to be integrated into the consolidated accounts – undertaken on the basis of a risk and rewards or control test according to IAS 39 after identifying loss of control over the contractual rights relating to the asset.

4. Financial assets available-for-sale

The category of financial assets available-for-sale contains financial instruments including non-consolidated equity participations that were not allocated to any of the other three categories. They are stated at fair value, if a fair value is reliably measurable. Valuation differences are shown directly in equity in other comprehensive income and only recognized in the income statement under net income from financial investments if there is an objective indication of impairment or if the financial asset available-for-sale is sold.

For equity instruments impairment exists, among other indicators, if the fair value is either significantly or permanently below cost. In the Group, equity instruments classified as available-for-sale are impaired when the fair value over the last six months before the reporting date was consistently more than 20 per cent below carrying value, or in the last twelve months, on average, more than 10 per cent below carrying value. In addition to these quantitative indications (trigger events), qualitative indications from IAS 39.59 are considered. It is not permitted to include any appreciation in value in the income statement for equity instruments classified as available-for-sale, but rather this should be recognized in other comprehensive income under the item fair value reserve (available-for-sale financial assets). This means that only impairments or disposals are to be shown in the income statement.

Unquoted equity instruments which, due to a lack of materiality, are not fully consolidated are measured at cost of acquisition because the fair values do not represent a better approximation of the fully consolidated values. Other unquoted equity instruments for which reliable fair values cannot be assessed regularly are valued at cost of acquisition less impairment losses. It is not permitted to show an appreciation in the value. Reliable fair values cannot be regularly assessed in emerging countries due to the absence of comparative yardsticks for the "market approach" and due to the inherent difficulties when using the "income approach". This kind of financial instrument is reported under the item "financial investments".

Interest and dividend income from financial assets available-for-sale are recorded in net interest income.

5. Financial liabilities

Liabilities are predominantly recognized at amortized cost. Discounted debt securities issued and similar obligations are measured at their present value. Financial liabilities are reported in the statement of financial position under the items "deposits from banks", "deposits from customers", "debt securities issued" or "subordinated capital". Financial liabilities measured at fair value are shown in the category "liabilities at fair value through profit and loss". Interest expenses are stated under net interest income.

Derecognition of financial assets and liabilities

Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows arising from a financial asset have expired, when the Group has transferred the rights to the cash flows, or if the Group has the obligation, in case that certain criteria occur, to transfer the cash flows to one or more receivers. A transferred asset is also derecognized if all material risks and rewards of ownership of the assets are transferred.

Securitization transactions

The Group securitizes various financial assets from transactions with retail and commercial customers by selling them to a special purpose vehicle (SPV) that issues securities to investors. The assets transferred may be derecognized fully or partly. Rights to securitized financial assets can be retained in the form of senior or subordinated tranches, interest claims or other residual claims (retained rights).

Derecognition of financial liabilities

The Group derecognizes a financial liability if the obligations of the Group have been paid, expired or revoked. The income or expense from the repurchase of own liabilities is shown in the notes under (6) Net income from derivatives and liabilities. The repurchase of own bonds also falls under derecognition of financial liabilities. Differences on repurchase between the carrying value of the liability (including premiums and discounts) and the purchase price are reported in the income statement in net income from derivatives and liabilities.

Reclassification

In accordance with IAS 39.50, non-derivative financial instruments classified as trading assets and available-for-sale financial instruments can be reclassified as financial assets held-to-maturity and loans and advances in exceptional circumstances. The effects resulting from such reclassifications are shown in the notes under (19) Financial investments.

Offsetting of financial instruments

Where the borrower and lender are the same, offsetting of loans and liabilities with matching maturities and currencies occurs only if a legal right, by contract or otherwise, exists and offsetting is in line with the actually expected course of the business. Information on offsetting of financial instruments is provided in the notes under (38) Offsetting financial assets and liabilities.

Derivatives

Within the operating activity, the Group carries out different transactions with derivative financial instruments for trading and hedging purposes. The Group uses derivatives including swaps, standardized forward contracts, futures, credit derivatives, options and similar contracts. The Group uses derivatives in order to meet client requirements concerning their risk management, to manage and hedge risks and to generate profit in proprietary trading. Derivatives are initially recognized at the time of the transaction at fair value and subsequently revalued to fair value. The resulting valuation gain or loss is recognized immediately in net income from derivatives and liabilities, unless the derivative is designated as a hedging instrument for hedge accounting purposes and the hedge is effective. Here the timing of the recognition of the gain or loss on the hedging instrument depends on the type of hedging relationship.

Derivatives which are used for hedging against market risk (excluding trading assets/liabilities) for a non-homogeneous portfolio do not meet the conditions for IAS 39 hedge accounting. These are recognized as follows: the dirty price is booked under the item "derivatives" in the statement of financial position (positive fair values under assets and negative fair values under liabilities). The change in value of these derivatives, on the basis of the clean price, is shown in net income from derivatives and liabilities (net income from other derivatives) and interest is shown in net interest income.

Credit derivatives, the value of which is dependent on future specified credit (non-)events are shown at fair value under the item "derivatives" (positive fair values under assets and negative fair values under liabilities). Changes in valuation are recognized under net income from derivatives and liabilities.

Additional information on derivatives is provided in the notes under (39) Derivative financial instruments.

Hedge Accounting

If derivatives are held for the purpose of risk management and if the respective transactions meet specific criteria, the Group uses hedge accounting. The Group designates certain hedging instruments as fair value hedges, cash flow hedges or capital hedges. Most of these are derivatives. At the beginning of the hedging relationship, the relationship between underlying and hedging instrument, including the risk management objectives, is documented. Furthermore, it is necessary to regularly document from the beginning and during the lifetime of the hedging relationship that the fair value or cash flow hedge is highly effective.

a. Fair value hedge

Hedge accounting according to IAS 39 applies to those derivatives that are used to hedge the fair values of financial assets and liabilities. The credit business is especially subject to such fair value risks if it deals with fixed-interest loans. Interest rate swaps that satisfy the prerequisites for hedge accounting are contracted to hedge against the interest-rate risks arising from individual loans or refinancing. Thus, hedges are formally documented, continuously assessed, and tested to be highly effective. Throughout the term of a hedge it can therefore be assumed that changes in the fair value of a hedged item will be nearly completely offset by a change in the fair value of the hedging instrument and that the actual effectiveness outcome will lie within a band of 80 to 125 per cent.

Derivative instruments held to hedge the fair values of individual items in the statement of financial position (except trading assets/liabilities) are recognized at their fair values (dirty prices) under the item "derivatives" (for assets: positive dirty prices; for liabilities: negative dirty prices). Changes in the carrying amounts of hedged items (assets or liabilities) are allocated directly to the corresponding items of the statement of financial position and reported separately in the notes.

Both the effect of changes in the carrying values of positions requiring hedging and the effects of changes in the clean prices of the derivative instruments are recorded under "net income from derivatives and liabilities" (net income from hedge accounting).

Within the management of interest rate risks, the hedging of interest rate risk is also undertaken on the portfolio level. Individual transactions or groups of transactions with similar risk structures, divided into maturities according to the expected repayment and interest rate adjustment date in a portfolio, are hedged. Portfolios can contain assets only, liabilities only, or both. For hedge accounting, the change in the value of the hedged asset or liability is shown as a separate item in other assets/liabilities. The hedged amount of the hedged items is determined in the consolidated financial statements including sight deposits (the rules of the EU carve-out are therefore applied).

b. Cash flow hedge

Cash flow hedge accounting according to IAS 39 applies for those derivatives that are used to hedge against the risk of fluctuating future cash flows. Variable-interest loans and liabilities, as well as expected transactions such as expected borrowing or investment, are especially subject to such cash flow risks. Interest rate swaps used to hedge against the risk of fluctuating cash flows arising from specific variable interest-rate items are recognized as follows: The hedging instrument is recognized at fair value, changes in its clean price are recorded in other comprehensive income. Any ineffective portion is recognized in the income statement in net income from derivatives and liabilities.

c. Hedge of a net investment in an economically independent operation (capital hedge)

In the Group, foreign exchange hedges of investments in economically independent sub-units (IAS 39.102) are executed in order to reduce differences arising from the foreign currency translation of equity components. Currency swaps are mainly used as hedging instruments. Where the hedge is effective the resulting gains or losses from foreign currency translation are recognized in other comprehensive income and shown separately in the statement of comprehensive income. Any ineffective part of the hedge is recognized in net trading income. The related interest components are shown in net interest income.

Fair value

The fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability, in an orderly business transaction between market participants on the measurement reference date. This applies irrespective of whether the price is directly observable or has been estimated using a valuation method. In accordance with IFRS 13, RBI uses the following hierarchy to determine and report the fair value for financial instruments.

Quotation on an active market (Level I)

If market prices are available, the fair value is reflected best by the market price. This category contains equity instruments traded on the stock exchange, debt instruments traded on the interbank market, and derivatives traded on the stock exchange. The valuation is mainly based on external data sources (stock exchange prices or broker quotes in liquid market segments). In an active market, transactions involving financial assets and liabilities are traded in sufficient frequency and volumes, so that price information is continuously available. Indicators for active markets are the number, the frequency of update or the quality of quotations (e.g. banks or stock exchanges). Moreover, narrow bid/ask spreads and quotations from market participants within a certain corridor are also indicators of an active liquid market.

Measurement techniques based on observable market data (Level II)

When quoted prices for financial instruments are unavailable, the prices of similar financial instruments are used to determine the current fair value or accepted measurement methods utilizing observable prices or parameters (in particular present value calculations or option price models) are employed. These methods concern the majority of the OTC-derivatives and non-quoted debt instruments.

Measurement techniques not based on observable market data (Level III)

If no sufficient current verifiable market data is available for the measurement with measurement models, parameters which are not observable in the market are also used. These input parameters may include data which is calculated in terms of approximated values from historical data among other factors (fair value hierarchy level III). The utilization of these models requires assumptions and estimates of the Management. The scope of the assumptions and estimates depends on the price transparency of the financial instrument, its market and the complexity of the instrument.

For financial instruments valued at amortized cost (this comprises loans and advances, deposits, other short-term borrowings and long-term liabilities), the Group publishes the fair value. In principle, there is low or no trading activity for these instruments, therefore a significant degree of assessment by the Management is necessary for determining the fair value.

Further information on measurement methods and quantitative information for determination of fair value is shown in the notes under (40) Fair value of financial instruments.

Amortized cost

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating interest expenses and interest income to the relevant periods. The effective interest rate is the interest rate used to discount the forecast future cash inflows and outflows (including all fees which form part of the effective interest rate, transaction costs and other premiums and discounts) over the expected term of the financial instrument or a shorter period, where applicable, to arrive at the net carrying amount from initial recognition.

Categories of financial instruments according to IFRS 7

As the nature of the financial instruments is already shown by the classification of the items of the statement of financial position, the formation of categories was built in line with these items, which include financial instruments. Categories of financial instruments on the asset side of the statement of financial position are primarily cash reserve, loans and advances to banks, loans and advances to customers, trading assets, derivative financial instruments, derivatives for hedging, and financial investments (within this category are separately financial assets not traded on an active market and which are shown at cost of acquisition). Categories of financial instruments on the liability side are most notably trading liabilities, derivative financial instruments, derivatives for hedge accounting, deposits from banks, deposits from customers, debt securities issued and subordinated capital.

Assets/liabilities	Fair Value	Measurement Amortized Cost	Others	Category according to IAS 39[1]
Asset classes				
Cash reserve			Nominal value	n/a
Trading assets	X			TA
Derivatives	X			TA
Loans and advances to banks		X		LAR
Loans and advances to customers		X		LAR
of which finance lease business			to IAS 17	n/a
Financial investments	X			AFVTPL
Financial investments	X			AfS
Financial investments		X		HTM
of which not traded on an active market			At Cost	AfS
Positive fair values of derivatives for hedge accounting (IAS 39)	X			n/a
Liability classes				
Trading liabilities	X			TL
Derivatives	X			TL
Deposits from banks		X		FL
Deposits from customers		X		FL
Subordinated capital		X		FL
Debt securities issued		X		FL
Debt securities issued	X			AFVTPL
Negative fair values of derivatives for hedge accounting (IAS 39)	X			n/a

1 AfS Available-for-sale
AFVTPL At fair value through profit and loss
FL Financial liabilities
HTM Held to maturity
LAR Loans and advances
TA Trading assets
TL Trading liabilities

Impairment losses on loans and advances

At each reporting date an assessment is made as to whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, when:

- there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the financial asset up until the reporting date (a "loss event");
- that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets, and
- the amount can be reliably estimated.

Objective evidence for an impairment may exist when the issuer or the counterparty faces considerable financial difficulties, a breach of contract occurs (for example, default or delay in interest or principal payments) or it can be assumed with high probability that insolvency or other restructuring proceedings will be instituted against the borrower.

Credit risk is accounted for by forming individual loan loss provisions and portfolio-based loan loss provisions. The latter comprise impairment provisions for portfolios of loans with the same risk profiles that are formed under certain conditions for IBNR losses (incurred but not reported). This involves cases where there is not yet any objective evidence of an individual impairment of a financial asset and for this reason groups of financial assets with a similar default risk profile are collectively examined for impairment. The underlying rating models for corporate customers are distinguished between “corporate large” and “corporate regular” as well as “SME large” and “SME regular”. Moreover, portfolios for which the “financial institutions” or “project finance” rating models are applied are separately evaluated. A Group-wide uniform approach is in place for calculation of portfolio-based provisions in that centrally calculated historical Group default rates (“Group HDRs”) for each rating class are evaluated and applied. These Group HDRs show the average actually observed probability of default over the last five years. In the retail segment, with the exception of one Group unit where the amount of the portfolio impairment is calculated according to product portfolio and past due days, provisions are formed using a PD/LGD-based calculation (probability of default/loss given default).

Individual and portfolio-based impairment provisions are not netted against corresponding receivables but are stated separately in the statement of financial position.

For credit risks related to loans and advances to customers and banks, provisions are formed in the amount of expected loss according to homogeneous Group-wide standards. Risk of loss is deemed to exist if the discounted projected repayment amounts and interest payments are below the carrying value of the loan – taking collateral into account. Portfolio-based impairments are calculated using valuation models that estimate expected future cash flows for the loans in the respective loan portfolio based on loss experience history.

The total provision for impairment losses arising from loans reported in the statement of financial position comprising individual loan loss provisions and portfolio-based loan loss provisions is shown as a separate item "Impairment losses on loans and advances" under assets, below loans and advances to banks and customers.

Genuine sale and repurchase agreements

In a genuine sale and repurchase transaction, the Group sells assets to a third party and agrees at the same time to repurchase these assets at an agreed price and time. The assets remain on the statement of financial position of the Group and are measured according to the standards applied to the item in the statement of financial position under which they are shown. The securities are not derecognized since all the risks and rewards associated with the ownership of the repurchased securities are retained. Cash inflows arising from a sale and repurchase transaction are recognized in the statement of financial position as "deposits from banks" or "deposits from customers" depending on the counterparty.

Under reverse repurchase agreements, assets are acquired with the obligation to sell them in the future. The purchased securities on which the financial transaction is based are not reported in the statement of financial position and accordingly not measured. Cash outflows arising from reverse repurchase agreements are recorded in the statement of financial position under the item "loans and advances to banks" or "loans and advances to customers".

Interest expense from sale and repurchase agreements and interest income from reverse sale and repurchase agreements is accrued in a straight line over their term to maturity and shown under net interest income.

Securities lending

The Group concludes securities lending transactions with banks or customers in order to meet delivery obligations or to conduct security sale and repurchase agreements. Securities lending transactions are shown in the same way as genuine sale and repurchase agreements. This means loaned securities continue to remain in the securities portfolio and are valued according to IAS 39. Borrowed securities are not recognized and not valued. Cash collateral provided by the Group for securities lending transactions is shown as a claim under the item "loans and advances to banks" or "loans and advances to customers" while collateral received is shown as deposits from banks or deposits from customers in the statement of financial position.

Leasing

Leases are classified according to their contractual structure as follows:

Finance leases

When nearly all the risks and rewards of a leased asset are transferred to the lessee, the Group as lessor recognizes a loan to banks or a loan to customers. The loan amount is the amount of the net investment. The income from the finance lease is spread over periods in such a way as to represent a constant periodic rate of interest on the outstanding net investment in the leases. Interest income is reported under net interest income.

If the Group holds assets under a finance lease as lessee, these are shown under the relevant tangible fixed asset item, which corresponds to a lease liability. Interest expenditure is reported under net interest income.

Operating leases

An operating lease exists when the risks and rewards of ownership remain with the lessor. The leased assets are allocated to the Group under the item "tangible fixed assets" and depreciated in accordance with the principles applicable to the type of fixed assets. Rental income from the corresponding lease object is spread on a straight-line basis over the term of the leasing contract and reported in other net operating income. Expenses for operating leases are generally amortized on a straight-line basis over the term of the leasing contract and reported as administrative expenses.

Consolidation principles

Subsidiaries

All material subsidiaries over which RBI AG directly or indirectly has control are fully consolidated. The Group has control over an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Structured entities are entities in which the voting or similar rights are not the dominant factor for determining control, e.g. if the voting rights are solely related to administration activities and the relevant activities are governed by contractual agreements.

Similar to subsidiaries, consolidation of structured entities is necessary, if the Group has control over the entity. In the Group, the need to consolidate structured entities is reviewed as part of the securitization transaction process, where the structured entity is either formed by the Group with or without participation of third parties, or, in which the Group with or without participation of third parties enters into contractual relationships with already existing structured entities. Whether an entity should be consolidated or not is reviewed at least quarterly. All fully consolidated structured entities and interests in non-consolidated structured entities are to be found in the notes under (56) Group composition.

In order to determine when an entity has to be consolidated, a series of control factors have to be checked. These include an examination of

- the purpose and the constitution of the entity,
- the relevant activities and how they are determined,
- if the Group has the ability to determine the relevant activity through its rights,
- if the Group is exposed to risks of or has rights to variable returns,
- if the Group has the ability to use its power over the investee in order to affect the amount of variable returns.

If voting rights are relevant, the Group has control over an entity in which it directly or indirectly holds more than 50 per cent of the voting rights; except when there are indicators that another investee has the ability to determine unilaterally the relevant activities of the entity. One or more of the following points may be such an indicator:

- Another investor has control over more than half of the voting rights due to an agreement with the Group,
- Another investor has the ability to control financial policy and operational activities of the equity participation due to legal provisions or an agreement,
- Another investor has control over the equity participation due to its possibility to appoint and withdraw the majority of members of the Board or members of an equivalent governing body,
- Another investor has control over the entity due to its possibility to possess the majority of the delivered voting rights in a meeting of members of the Board or of members an equivalent governing body.

When judging control, also potential voting rights are considered as far as they are material.

The Group assesses evidence of control in cases in which it does not hold the majority of voting rights but has the ability to unilaterally govern the relevant activities of the entity. This ability may occur in cases in which the Group has the ability to control the relevant activities due to the extent and distribution of voting rights of the investees.

In principle, subsidiaries are initially integrated into the consolidated group on the date when the Group obtains control of the company and are excluded from the date on when it no longer has control of the company. The results from subsidiaries acquired or disposed of during the year are recorded in the consolidated income statement, either from the actual date of acquisition or up to the actual date of disposal. The Group reviews the adequacy of previous decisions on which companies to consolidate at least every quarter. Accordingly, any organizational changes are immediately taken into account. Apart from changes in ownership, these also include any changes to the Group's existing contractual arrangements or new contractual arrangements with a unit.

Non-controlling interests are shown in the consolidated statement of financial position as part of equity, but separately from RBI AG's equity. The profit attributable to non-controlling interests is shown separately in the consolidated income statement.

In debt consolidation, intra-group loans and liabilities are eliminated. Remaining temporary differences are recognized under the items "other assets/other liabilities" in the consolidated statement of financial position.

Intra-group income and expenses are also eliminated and temporary differences resulting from bank business transactions are included partly in net interest income and partly in net trading income. Other differences are shown in the item "other net operating income."

Intra-group results are eliminated insofar as they have a material effect on the income statement items. Transactions between Group members are executed on an arm's length basis.

Changes in the Group's ownership interests in existing subsidiaries

If, in the case of existing control, further shares are acquired or sold without loss of control, in subsequent consolidation such transactions are recognized directly in equity. The carrying amount of the shares held by the Group and the non-controlling interests are adjusted in such a way as to reflect changes in existing shareholdings in subsidiaries. Any difference between the amount which is adjusted for the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and is assigned to the shareholders of the parent company.

If the company loses control over a subsidiary, the income/loss from disposal of group assets is shown in the income statement. This is calculated as the difference between

- the total amount of fair value of the received consideration and fair value of the shares retained and
- the carrying amount of assets (including goodwill), liabilities of the subsidiary and all non-controlling interests

All amounts related to these subsidiaries and shown in other comprehensive income are recognized in the same way as would be the case for the sale of assets. This means the amounts are reclassified to the income statement or directly transferred to retained earnings.

Associated companies

An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity in which shares are held. No control or joint management of decision making processes exists. As a rule, significant influence is assumed if the Group holds 20 to 50 per cent of the voting rights. When judging whether the Group has the ability to exert a significant influence on another entity, the existence and the effect of potential voting rights which are actually usable or convertible are taken into account. Further parameters for judging significant influence are, for example, the representation in executive committees and supervisory boards (Supervisory Board in Austrian Joint Stock companies) of the entity and material business transactions with the entity. Shares in associated companies are valued at equity and shown in the statement of financial position under the item "investments in associates".

The acquisition cost of these investments including goodwill is determined at the time of their initial consolidation, applying by analogy the same rules as for subsidiaries (offsetting acquisition costs against proportional fair net asset value). If associated companies are material, appropriate adjustments are made to the carrying value in the accounts, in accordance with developments in the company's equity. Profit or losses of companies valued at equity are netted and recognized in the item "current income from associates". Losses attributable to companies accounted for using the equity method are only recognised up to the level of the carrying value. Losses in excess of this amount are not recognised, since there is no obligation to offset excess losses. Further, any amounts recognised by the associate through other comprehensive income will be recognised in the other comprehensive Income statement of RBI. This is especially relevant for valuation effects seen from financial assets available-for-sale.

At each reporting date, the Group reviews to what extent there is objective evidence for impairment of an equity participation in an associated company. If there is objective evidence of impairment, an impairment test is carried out, in which the recoverable value of the participation – this is higher of the usable value and the fair value less selling costs – is compared to the carrying amount. An impairment made in previous periods is reversed only if the assumptions underlying the determination of the recoverable value have been changed since recognition of the last impairment. In this case the carrying amount is written up to the higher recoverable value.

Shares in subsidiaries not included in the consolidated financial statements because of their minor significance and shares in associated companies that have not been valued at equity are included under the item "financial investments" and assigned to the measurement category "financial assets available-for-sale". They are measured at acquisition cost.

Business combinations

The acquisition of business operations is recognized according to the acquisition method. The consideration transferred in a business combination is measured at fair value. This is calculated as the aggregate of the acquisition-date fair value of all assets transferred, liabilities assumed from former owners of the acquired business combination and equity instruments issued by the Group in exchange for control of the business combination. Transaction costs related to business combinations are recognized in the income statement when incurred.

Goodwill is measured as the excess of the aggregate of the value of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree (if any), and the net of the acquisition-date amounts of the fair values of identifiable assets acquired and the liabilities assumed. In the event that the difference is negative after further review, the resulting gain is recognized immediately in the income statement.

Non-controlling interests which confer ownership rights and grant the right to the owner to receive a proportionate share of the net assets of the entity in the event of liquidation, are measured either at fair value or at the non-controlling interest's proportionate share of net assets of the acquiree at the acquisition date. This accounting policy choice can be newly made for every business combination. Other components of non-controlling interests are measured at fair value or with measurement values derived from other standards.

If the consideration transferred includes a contingent consideration, this is measured at the acquisition-date fair value. Changes in the fair value of the contingent consideration within the measurement period are adjusted retroactively and are booked against goodwill. Adjustments within the measurement period are corrections to reflect additional information about facts and circumstances already existing at the acquisition date. The measurement period may not exceed one year from the acquisition date.

Recognition of changes in the fair value of the contingent consideration which do not represent corrections within the measurement period is dependent on how the contingent consideration is to be classified. If the contingent consideration is classified as equity, it is not re-measured on the following reporting date. Its settlement is recognized within equity. A contingent consideration classified as assets or liabilities is measured on the following reporting dates according to IAS 39 or IAS 37 Provisions for liabilities and charges, contingent liabilities or contingent receivables if applicable and a resulting profit or loss is recognized in the income statement.

Cash reserve

The cash reserve includes cash in hand and balances at central banks that are due on call. They are shown with their nominal value.

Equity participations

Shareholdings in subsidiaries not included in the consolidated financial statements because of their minor significance, shareholdings in associated companies that are not valued at equity and other equity participations are shown under financial investments.

These are categorized as "financial assets available-for-sale" upon initial recognition and – if no share prices are available – are measured at cost. Changes in value are recognized in other comprehensive income. Impairment is shown in net income from financial investments.

Intangible fixed assets

Separately acquired intangible fixed assets

Separately acquired intangible fixed assets, i.e. those with a definite useful life not acquired in a business combination, are capitalized at acquisition cost less accumulated amortization and impairment. Amortization is accrued in a straight line over the expected useful life and reported as an expense in the income statement. The expected useful life and the depreciation method are reviewed at each reporting date and any possible changes in measurement taken into account prospectively. Separately acquired intangible fixed assets with an indefinite useful life are capitalized at acquisition cost less accumulated impairment. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

Internally developed intangible fixed assets – research and development costs

Internally developed intangible assets comprise exclusively software and are capitalized if it is probable that the future economic benefits attributable to the asset will accrue to the Group and the cost of the asset can be measured reliably. Expenses for research are recognized as an expense when they are incurred.

An internally developed intangible fixed asset resulting from development activities or from the development stage of an internal project is capitalized when the following evidence is provided:

- The final completion of the intangible fixed asset is technically feasible so that it will be available for use or sale.
- It is intended to finally complete the intangible fixed asset and to use or to sell it.
- The ability exists to use or to sell the intangible fixed asset. The intangible fixed asset is likely to generate future economic benefit.
- The availability of adequate technical, financial and other resources required in order to complete development and to use or sell the intangible fixed asset is assured.
- The ability exists to reliably determine the expenditure incurred during the development of the intangible fixed asset.

The amount at which an internally developed intangible fixed asset is initially capitalized is the sum of all expenses incurred beginning from the day on which the aforementioned conditions are initially met. If an internally developed intangible fixed asset cannot be capitalized, or if there is as yet no intangible fixed asset, the development costs are reported in the income statement for the reporting period in which they are incurred.

Capitalized development costs are generally amortized in the Group in a straight line over a useful life of five years. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

Intangible fixed assets acquired in a business combination

Intangible fixed assets acquired in a business combination are reported separately from goodwill and measured at fair value. Goodwill and other intangible fixed assets without definite useful lives are tested for impairment at each reporting date. Impairment tests are performed whenever certain events (trigger events) occur during the year. Whenever circumstances indicate that the expected benefit no longer exists, impairment must be recognized pursuant to IAS 36.

Intangible fixed assets with a definite useful life are amortized over the period during which the intangible fixed asset can be used. The useful life of the acquired customer base was set at 20 years in the retail business of Raiffeisen Bank Aval JSC. For the customer base of Polbank EFG S.A. a useful life of ten years was set for the purchase price allocation.

Group companies use brands to differentiate their services from the competition. According to IFRS 3, brands of acquired companies are recognized separately under the item "intangible fixed assets." Brands have an indeterminable useful life and are therefore not subject to scheduled amortization. Brands have to be tested annually for impairment and additionally whenever indications of impairment arise. Details on impairment testing can be found in the notes under (20) Intangible fixed assets.

Tangible fixed assets

The land and buildings as well as office furniture and equipment reported under tangible fixed assets are measured at cost of acquisition or conversion less depreciation. Depreciation is recorded under the item "general administrative expenses". The straight-line method is used for depreciation and is based on the following useful life figures:

Useful life	Years
Buildings	25 – 50
Office furniture and equipment	5 – 10
Hardware	3 – 5

Land is not subject to depreciation.

Expected useful lives, residual values and depreciation methods are reviewed annually. Any necessary future change of estimates is taken into account. Any anticipated permanent impairment is reported in the income statement and shown under the item "general administrative expenses". In the event that the reason for the write-down no longer applies, a write-up will take place up to a maximum of the amount of the amortized cost of the asset.

A tangible fixed asset is derecognized on disposal or when no future economic benefit can be expected from the continued use of the asset. The resulting gain or loss from the sale or retirement of any asset is determined as the difference between the proceeds and the carrying value of the asset and is recognized in other net operating income.

Investment property

This is property that is held to earn rental income and/or for capital appreciation. Investment property is reported at amortized cost using the cost model permitted by IAS 40 and is shown under tangible fixed assets because of minor importance. Straight line depreciation is applied on the basis of useful life. The normal useful life of investment property is identical to that of buildings recognized under tangible fixed assets. Depreciation is recorded under the item "general administrative expenses".

Investment property is derecognized on disposal or when it is no longer to be used and no future economic benefit can be expected from disposal. The resulting gain or loss from the disposal is determined as the difference between the net proceeds from the disposal and the carrying value of the asset and is recognized in other net operating income in the reporting period in which the asset was sold.

Impairment of non-financial assets (tangible fixed assets, investment property and intangible fixed assets)

Impairment test for goodwill

On each reporting date, goodwill is examined with a view to its future economic utility on the basis of cash generating units (CGUs). A cash generating unit is defined by the management and represents the smallest identifiable group of assets of a company that generates cash inflows from operations. Within RBI, all segments according to segment reporting are determined as cash generating units. Legal entities within the segments form their own CGU for the purpose of impairment testing of goodwill. The carrying value of the relevant entity (including any assigned goodwill) is compared with its recoverable amount. This is, as a general principle, defined as the amount resulting from its value in use and based on expected potential dividends discounted using a rate of interest reflecting the risk involved. The estimation of the future results requires an assessment of previous as well as future performance. The latter must take into account the likely development of the relevant markets and the overall macroeconomic environment.

Impairment tests for goodwill based on cash-generating units use a multi-year plan drawn up by the relevant management team and approved by the bodies responsible. This covers the CGU's medium-term prospects for success taking into account its business strategy, overall macroeconomic conditions (gross domestic product, inflation expectations, etc.) and the specific market circumstances. The data is then used to capture the terminal value based on a going concern concept. Discounting of the earnings relevant for the measurement, i.e. potential dividends, is undertaken using risk-adapted and country-specific equity capital cost rates determined by means of the capital asset pricing model. The individual interest rate parameters (risk-free interest rate, inflation difference, market risk premium, country-specific risks and beta factors) were defined by using external information sources. The entire planning horizon is divided into three phases with phase I covering the management planning period of three years. Detailed planning, including macroeconomic planning data, is extrapolated in phase II, which lasts another two years. The terminal value is then calculated in phase III based on the assumption of a going concern. Details on impairment testing can be found in the notes under (20) Intangible fixed assets.

Inventory

Inventories are measured at the lower of cost or net realizable value. Write-downs are made if the acquisition cost is above the net realizable value as of the reporting date or if limited usage or longer storage periods have impaired the value of the inventory.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when the related carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is only considered met if the sale is highly probable and the asset (or disposal groups) is immediately available for sale and furthermore that the Management Board has committed itself to a sale. Moreover, the sale transaction must be due to be completed within twelve months.

Non-current assets and disposal groups classified as held for sale are valued at the lower amount of their original carrying value or fair value less costs to sell and are reported under other assets. Income from non-current assets held for sale and discontinued operations is reported under other net operating income. If the impairment expense of the discontinued operations exceeds the carrying value of the assets which fall under the scope of IFRS 5 (Measurement), there is no special provision in the IFRS on how to deal with this difference. This difference is recognized as other provisions in the item “provisions for liabilities and charges” in the statement of financial position.

In the event that the Group has committed to a sale involving the loss of control over a subsidiary, all assets and liabilities of the subsidiary concerned are classified as held for sale provided the aforementioned conditions for this are met. This applies irrespective of whether the Group retains a non-controlling interest in the former subsidiary after the sale or not. Results from discontinued business operations are reported separately in the income statement as result from discontinued business operations.

Details on assets held for sale pursuant to IFRS 5 are included in the notes under (23) Other assets.

Provisions for liabilities and charges

Provisions are recognized when the Group has a present obligation from a past event, where it is likely that it will be obliged to settle, and a reliable estimate of the amount is possible. The level of provisions is the best possible estimate of expected outflow of economic benefits at the reporting date while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. If a provision is formed based on cash flows estimated to fulfill an obligation, the cash flows must be discounted if the interest effect is material.

These types of provision are reported in the statement of financial position under the item "provisions for liabilities and charges". Allocation to the various types of provision is booked through different line items in the income statement depending on the nature of the provision. Allocation of loan loss provisions for contingent liabilities are recorded under net provisioning for impairment losses, restructuring provisioning, provisioning for legal risks and other employee benefits are recorded in general administrative expenses. Provision allocations that are not assigned to a corresponding general administrative expense are as a matter of principle booked against other net operating income.

Provisions for pensions and similar obligations

All defined benefit plans relating to so-called social capital (provisions for pensions, provisions for severance payments and provisions for service anniversary bonuses) are measured using the Projected Unit Credit Method in accordance with IAS 19 – Employee Benefits. The biometrical basis for the calculation of provisions for pensions, severance payments and service anniversary bonuses for Austrian companies is provided by AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance) – Pagler & Pagler, using the relevant parameters for salaried employees. In other countries, comparable actuarial parameters are used for calculation.

Please refer to Provisions for pensions and similar obligations in the notes under (27) Provisions for liabilities and charges for further details.

Defined contribution plans

Under defined contribution plans, the company pays fixed contributions into a separate entity (a fund). These payments are recognized as staff expenses in the income statement.

Employee compensation plans

Variable remuneration – special remuneration policies

In the Group variable compensation is based on bonus pools on the bank or profit center level. Every variable remuneration system has fixed minimum and maximum levels and thus defines maximum payout values.

As of the financial year 2011, the following general and specific principles for the allocation, the claim and the payment of variable remuneration (including the payment of the deferred portion of the bonus) for board members of RBI AG and certain Group units and identified staff ("risk personnel") are applied:

- 60 per cent and for especially high amounts 40 per cent of the annual bonus respectively will be paid out on a proportional basis as 50 per cent cash immediately (up-front), and 50 per cent through a phantom share plan (see details below), which will pay out after a holding period (retention period) of one year. An exception to this are the Group units in Bulgaria, with 40 percent up-front portion and a retention period of two years, and in the Czech Republic with a holding period of 1.5 years.
- 40 per cent and 60 per cent of the annual bonus respectively will be deferred according to local law over a period of three (in Austria, five) years (deferral period). Payment will be made on a proportional basis, 50 per cent cash and 50 per cent based on the phantom share plan.

Variable remuneration including a deferred portion is only allocated, paid or transferred if the following criteria are met:

- This is not prohibited at the level of RZB/ RBI and/or RBI AG on the basis of a decision by the competent supervisory authority (e.g. by the European Central Bank for RZB/ RBI).
- This is tenable overall based on the financial position of RZB/ RBI and the financial position of RBI AG and is justified based on the performance of the Group, RBI AG, the business unit and the individual concerned.
- The minimum requirements applicable to RBI AG under local legislation for the allocation or payment of variable remuneration are fulfilled.
- The legally required CET 1 ratio of RZB/ RBI is achieved, the capital and buffer requirements of the CRR and CRD IV for RZB/ RBI are complied with in full and additionally neither the allocation, payment or transfer of the variable remuneration is detrimental to the maintenance of a sound capital base for RZB/RBI.
- RBI has met the minimum requirements under applicable law for economic and regulatory capital and additionally neither the allocation, payment nor transfer of the variable remuneration is detrimental to the maintenance of a sound capital base for RZB/ RBI.
- All additional criteria and prerequisites for the allocation and/or payment of variable remuneration, as defined from time to time by the Management Board or the Supervisory Board (REMCO) of RZB/RBI, are met.

The Group fulfills the obligation arising from Clause 11 of the Annex to Section 39b of the Austrian Banking Act (BWG) which stipulates that at least 50 per cent of the variable remuneration of risk personnel must be paid out in the form of shares or similar non-cash instruments by means of a phantom share plan as follows: 50 per cent of the "up front" and 50 per cent of the "deferred" portion of the bonus are divided by the average closing price of the RBI share on trading days of the Vienna Stock Exchange in the payment year serving as the basis for calculating the bonus. Thereby, a certain amount of phantom shares is determined. This amount is fixed for the entire duration of the deferral period. After the expiration of the respective retention period, the amount of specified phantom shares is multiplied by RBI's share price for the previous financial year, calculated as described above. The resulting cash amount is paid on the next available monthly salary payment date.

These rules are valid unless any applicable local laws prescribe a different procedure (e.g. Poland).

Further details of the employee compensation plans are described in the management report.

Share-based compensation

The Management Board, with approval of the Supervisory Board, of RBI AG has approved a share incentive program (SIP) for the years 2011, 2012 and 2013 which provides performance based allotments of shares to eligible employees domestically and abroad for a given period. Eligible employees are current board members and selected executives of RBI AG, as well as executives of its affiliated bank subsidiaries and other affiliated companies. In 2014, it was already decided not to continue the program due to the complexity of the regulatory rules regarding variable compensation.

The number of ordinary shares of RBI AG which will ultimately be transferred depends on the achievement of two performance criteria: the targeted return on equity (ROE) and the performance of the shares of RBI AG compared to the total shareholder return of the shares of companies in the DJ EURO STOXX Banks index after a five-year holding period.

All expenses related to the share incentive program are recognized in staff expenses in accordance with IFRS 2 (share-based payment) and charged to equity. They are described in greater detail in the notes under (32) Equity.

Subordinated capital

This item comprises subordinated capital and supplementary capital. Assets are subordinated if, in the event of liquidation or bankruptcy, they can only be met after the claims of the other – not subordinated – creditors have been satisfied. Supplementary capital contains all paid-in capital provided by a third-party and available for the company for at least eight years, for which interest is paid only from profit and which can be repaid in the case of insolvency only after all other creditors are satisfied.

Net interest income

Interest and interest-like income mainly includes interest income on loans and advances to banks and customers and from fixed-interest securities. In addition, current income from shares and other variable-yield securities (especially dividends), income from equity participations and from investments accounted for at equity, and interest-like income are also reported under net interest income. Dividend income is recognized if the entitlement of the owner for payment exists. Interest expenses and interest-like expenses mainly include interest paid on deposits from banks and customers and on debt securities issued and subordinated capital. Interest income and interest expenses are accrued in the reporting period. Negative interest from asset items is shown in interest income; negative interest from liability items is shown in interest expenses.

Net fee and commission income

Net fee and commission income mainly includes income and expenses arising from payment transfer business, foreign exchange business and credit business. Fee and commission income and expenses are accrued in the reporting period.

Net trading income

Net trading income comprises the trading margins resulting from the foreign exchange business, results due to foreign exchange revaluations and all realized and unrealized gains and losses from financial assets and liabilities at fair value. In addition, it includes all interest and dividend income attributable to trading activities and related refinancing costs.

General administrative expenses

General administrative expenses include staff and other administrative expenses as well as amortization/depreciation and impairment losses on tangible and intangible fixed assets.

Income taxes

RBI AG and eight of its consolidated domestic subsidiaries are members of a tax group for which Raiffeisen Zentralbank Österreich Aktiengesellschaft acts as group parent. Current taxes are calculated on the basis of taxable income for the current year taking into account the tax group (in terms of a tax group allocation). In the reporting year, a supplementary agreement was added to the current tax group allocation agreement. If RBI AG generates a negative taxable net income and these taxable losses are not usable in the group, then the group parent does not immediately pay a negative tax group allocation. Only and after withdrawal from the tax group at the latest, a final settlement is carried out. The group parent still pays a negative tax group allocation to RBI AG if the tax losses of RBI AG are usable. The taxable income deviates from the profit of the consolidated statement of comprehensive income due to expenses and income which are taxable or tax-deductible in the following years or which are never taxable or tax-deductible. The liability of the Group for current taxes is recognized on the basis of the actual tax rate or the expected applicable tax rate.

Deferred taxes are calculated and recognized in accordance with IAS 12 applying the liability method. Deferred taxes are based on all temporary differences that result from comparing the carrying amounts of assets and liabilities in the IFRS accounts with the tax bases of assets and liabilities, and which will reverse in the future. Deferred taxes are calculated by using tax rates applicable in the countries concerned. A deferred tax asset should also be recognized on tax loss carry-forwards if it is probable that sufficient taxable profit will be generated against which the tax loss carry-forwards can be utilized within the same entity. On each reporting date, the carrying amount of the deferred tax assets is reviewed and impaired if it is no longer probable that sufficient taxable income will become available in order to partly or fully realize the tax assets. Deferred tax assets and deferred tax liabilities within the same entity are netted. Income tax credits and income tax obligations are recorded separately under the items "other assets" and "tax provisions" respectively.

Current taxes and movements of deferred taxes are recognized in the income statement unless they are linked to items which are recognized in other comprehensive income, in which case the current and deferred taxes are also directly recognized in other comprehensive income.

Other comprehensive income

Other comprehensive income comprises all income and expenses directly recognized in equity according to IFRS standards. Income and expenses recognized directly in equity that are reclassified in the income statement are reported separately from income and expenses recognized directly in equity that are not reclassified in the income statement. This applies to currency differences resulting from the translation of equity held in foreign currency, changes resulting from the hedging of net investments in a foreign entity (capital hedge), the effective part of a cash flow hedge, changes resulting from valuation of available-for-sale financial assets as well as deferred taxes on the mentioned items. Revaluations of defined benefit plans are reported in other comprehensive income and are not reclassified to the income statement.

Fiduciary business

Transactions arising from the holding and placing of assets on behalf of third parties are not shown in the statement of financial position. Fees arising from these transactions are shown under net fee and commission income.

Financial guarantees

According to IAS 39, a financial guarantee is a contract under which the guarantor is obliged to make certain payments. These payments compensate the party to whom the guarantee is issued for losses arising in the event that a particular debtor does not fulfill payment obligations on time as stipulated in the original terms of a debt instrument. At the date of recognition of a financial guarantee, the initial fair value corresponds under market conditions to the premium at the date of signature of the contract. For subsequent measurement the credit commitment has to be presented as a provision according to IAS 37.

Insurance contracts

Liabilities arising from insurance contracts change depending on changes in interest rates, income from investments and expenses for pension agreements for which future mortality rates cannot be reliably predicted. IFRS 4 must be applied to the reporting of liabilities resulting from the existence of mortality rate risks and discretionary participation features. All assets associated with pension products are reported in accordance with IAS 39. Liabilities are recorded under other liabilities. Please refer to the notes under (30) Other liabilities for more information on insurance contracts.

Contingent liabilities and commitments

This item mainly includes contingent liabilities from guarantees, credit guarantees, letters of credit and loan commitments recognized at face value. Guarantees are used in situations in which the Group guarantees payment to the creditor of a third party to fulfill the obligation of the third party. Irrevocable credit lines must be reported when a credit risk may occur. These include commitments to provide loans, to purchase securities or to provide guarantees and acceptances. Loan loss provisions for contingent liabilities and irrevocable loan commitments are reported under provisions for liabilities and charges.

Own shares

Own shares of RBI AG at the reporting date are deducted directly from equity. Gains and losses on own shares have no impact on the income statement.

Statement of cash flows

The cash flow statement reports the change in the cash and cash equivalents of the Group through the net cash from operating activities, investing and financing activities. Cash flows for investing activities mainly include proceeds from the sale, or payments for the acquisition of, financial investments and tangible fixed assets. The net cash from financing activities shows all cash flows from equity capital, subordinated capital, and participation capital. All other cash flows are – according to international practices for financial institutions – assigned to operating activities.

Segment reporting

Notes on segment reporting are to be found in the section segment reporting.

Notes on the nature and extent of risks

Information about risks arising from financial instruments is disclosed in the explanatory notes. The risk report in particular contains detailed information on credit risk, country risk, concentration risk, market risk and liquidity risk.

Capital management

Information on capital management, regulatory capital and risk-weighted assets is disclosed in the notes under (47) Capital management and total capital according to CCR/CRD IV and Austrian Banking Act (BWG).

Application of new and revised standards

IAS 19 (Employee contributions; entry into force February 1, 2015)

The amendments clarify the provisions that relate to the allocation of employee or third-party contributions linked to periods of service. In addition, a solution that simplifies accounting practice is permitted if the amount of the contributions is independent of the number of years of service performed. These amendments have no material impact on the consolidated financial statements of RBI.

Annual Improvements to IFRS – 2010–2012 cycle (entry into force February 1, 2015)

The Annual Improvements to IFRS – 2010–2012 cycle include numerous amendments to various IFRS. These amendments have no material impact on the consolidated financial statements of RBI.

Amendments to IAS 1 (Presentation of financial statements; entry into force January 1, 2016)

The amendments aim to remove obstacles encountered by those responsible for preparing the financial statements relating to the exercise of discretion in the presentation of financial statements. These amendments have no material impact on the consolidated financial statements of RBI.

Amendments to IAS 16/IAS 38 (Clarification of acceptable methods of depreciation and amortization; entry into force January 1, 2016)

These amendments provide guidelines for methods of depreciation on tangible and intangible fixed assets to be used; especially related to revenue-based methods of depreciation. These amendments have no material impact on the consolidated financial statements of RBI.

Amendments to IAS 16/IAS 41 (Agriculture: bearer plants; entry into force January 1, 2016)

According to these amendments, IAS 16 is applicable for bearer plants which are no longer subject to obvious biological changes; therefore they can be recognized as tangible fixed assets. These amendments have no impact on the consolidated financial statements of RBI.

Amendments to IAS 27 (Equity method in separate financial statements; entry into force January 1, 2016)

Under these amendments, the option to use the equity method to measure investments in subsidiaries, joint ventures and associated companies in separate financial statements of investors is reinstated. These amendments have no impact on the consolidated financial statements of RBI.

Amendment to IFRS 10, IFRS 12 and IAS 28 (Investment entities: Applying the consolidation exception; entry into force January 1, 2016)

These amendments clarify that an entity may also apply the consolidation exception if its parent entity is an investment entity which measures its subsidiaries at fair value pursuant to IFRS 10. The amendments also clarify that an investment entity only has to consolidate a subsidiary that provides services related to the parent's investment activities if the subsidiary itself is not an investment entity. These amendments have no material impact on the consolidated financial statements of RBI because the Group is not an investment entity pursuant to IFRS 10.

Amendments to IFRS 11 (Joint arrangements; entry into force January 1, 2016)

The amendments to IFRS 11 modify accounting for acquisitions of interests in joint operations in such a way that the acquirer of shares in a joint operation in which the activity constitutes a business operation as defined in IFRS 3 is required to apply all of the principles regarding the recognition of business combinations pursuant to IFRS 3 and other IFRS, provided they do not contradict the principles contained in IFRS 11. These amendments have no material impact on the consolidated financial statements of RBI.

Annual Improvements to IFRS – 2012–2014 cycle (entry into force January 1, 2016)

Numerous amendments and clarifications to various IFRS. These amendments have no material impact on the consolidated financial statements of RBI.

Standards and interpretations that are not yet applicable (already endorsed by the EU)

The following new or amended standards and interpretations, which have been adopted, but are not yet mandatory, have not been applied early.

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

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

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

IFRS 9 (financial instruments) contains requirements for the classification, measurement, derecognition of and accounting for hedging relationships. The IASB published the final version of the standard within the context of completion of the various phases on July 24, 2014 and it was definitively incorporated into EU law through the EU Commission's adoption of Regulation (EU) No. 2016/2067 of November 22, 2016. Key requirements of IFRS 9 are:

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

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

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

For subsequent measurement of financial assets measured at amortized cost, IFRS 9 provides for three stages which determine the future amount of losses to be recognized and the recognition of interest. The first stage requires that at the time of initial recognition, expected losses must be shown in the amount of the present value of an expected twelve-month loss. If there is a significant increase in the default risk, the risk provision must be increased up to the amount of the expected full lifetime loss (stage 2). When there is an objective indication of impairment, the interest in step 3 must be recognized on the basis of the net carrying amount. In addition to transitional provisions, IFRS 9 also includes extensive provisions on disclosure both during transition and during ongoing application. New provisions relate in particular to impairment. The mandatory date of the initial application of IFRS 9 will be January 1, 2018.

RBI is implementing a centrally managed IFRS 9 program ("IFRS 9 Implementation") which is sponsored by the Group's Chief Financial Officer and Chief Risk Officer and for which experts provide support in matters relating to methodology, data acquisition and modelling, IT processes and accounting. Overall steering is the responsibility of an IFRS 9 steering committee ("Steering Committee IFRS9 Business Policy & Group Implementation"), whose members include Finance and Risk employees together with the board members with relevant responsibility. Policies and training on IFRS 9 are being provided across all Group units and Group functions as part of the IFRS 9 program in order to prepare for IFRS 9's entry into force for the Group as of January 1, 2018. During the 2016 financial year, RBI also further developed the relevant technical concepts and associated implementation guidelines. As part of the project, steps were commenced to conduct Group-wide iterative impact analyses with regard to classification and measurement ("SPPI test" and "benchmark test") and impairment of financial instruments. RBI will complete the analyses in stages in 2017 and move the project into its implementation phase.

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

RBI also assumes that IFRS 9 will have consequences for the classification and measurement of financial instruments. Following a detailed analysis, it was established with regard to classification and measurement that for certain contractual cash flows of financial assets there is a risk that parts of the portfolio will have to be re-measured "at fair value through profit or loss".

IFRS 9 grants accounting options for hedge accounting. RBI plans to continue to apply the provisions on hedge accounting pursuant to IAS 39 while, however, taking into account the changes in the information in the notes pursuant to IFRS 7. In addition, RBI will adapt the structure of the consolidated financial statements due to the first-time application of IFRS 9 and resulting changes to IFRS 7 and regulatory requirements (especially (FINREP).

Standards and interpretations not yet applicable (not yet endorsed by the EU)

Amendments to IAS 7 (Disclosure initiative; entry into force January 1, 2017)

The amendments aim to ensure that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to IAS 12 (Deferred taxes; entry into force January 1, 2017)

The amendments clarify that unrealized losses related to debt instruments measured at fair value but at cost for tax purposes can give rise to deductible temporary differences. This applies irrespective of whether the holder expects to recover the carrying amount by holding the debt instrument until maturity and collecting all contractual payments or by selling the debt instrument. In addition, the carrying amount of an asset does not represent the upper limit for the estimation of probable future taxable profits. When estimating future taxable profits tax deductions resulting from the reversal of deductible temporary differences must be excluded and a company must assess a deferred tax asset in combination with other deferred tax assets. If tax law restricts the realization of tax losses, a company must assess a deferred tax asset in combination with other deferred tax assets of the same (admissible) type.

Amendments to IFRS 2 (Share-based payment; entry into force January 1, 2018)

The amendments concern individual matters relating to the accounting of cash-settled share-based payments. The principal amendment/addition relates to the fact that IFRS 2 now contains provisions which relate to the calculation of the fair value of liabilities resulting from share-based payments. The consequences for the consolidated financial statements are still being analyzed.

Amendments to IFRS 4 (Insurance contracts; entry into force January 1, 2018)

The amendments aim to mitigate the consequences resulting from different first-time effective dates for the application of IFRS 9 and the successor standard to IFRS 4, especially for companies whose activities are predominantly connected with insurance. Two optional approaches are being introduced which can be used by insurers if certain requirements are met: the overlay approach and the deferral approach. The consequences for the consolidated financial statements are still being analyzed.

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

The IASB published clarifications to IFRS 15 in 2016. The amendments to clarify IFRS 15 'Revenue from contracts with customers' address three of the five topics identified (identifying performance obligations, principal versus agent considerations and licensing) and aim to provide transition relief for modified contracts and completed contracts. The consequences for the consolidated financial statements are still being analyzed.

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

For lessees, the new standard provides an accounting model which does not distinguish between finance and operating leases. In future, it will be necessary to report the majority of lease agreements in the balance sheet. For lessors, the rules of IAS 17 remain largely applicable, with the result that in future, they will still have to distinguish between finance and operating lease agreements – with corresponding implications for accounting. The consequences for the consolidated financial statements are still being analyzed.

Annual improvements to IFRS – 2014–2016 cycle (entry into force January 1, 2017/2018)

The amendments include in particular:

- IFRS 1 First-time adoption of International Financial Reporting Standards: Deletion of the remaining short-term exemptions in IFRS 1 for first-time users.
- IFRS 12 Disclosure of interests in other entities: Clarification that with the exception of IFRS 12.B10-B16, the standard's disclosure requirements also apply to interests which fall under the scope of IFRS 5.
- IAS 28 Investments in associates and joint ventures: Clarification that the election to measure an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment on an investment-by-investment basis.

The amendments to IFRS 12 are applicable from January 1, 2017, the amendments to IFRS 1 and IAS 28 from January 1, 2018. Earlier application is permitted.

IFRIC 22 (Foreign currency transactions and advance consideration; entry into force January 1, 2018)

This interpretation clarifies the accounting for transactions that include the receipt or payment of considerations in a foreign currency.

Amendments to IAS 40 for the classification of property under construction or development published (entry into force January 1, 2018)

The amendments serve to clarify the provisions in relation to transfers to or from investment properties. In particular, the amendments clarify whether property which is under construction or development which was previously classified under inventories can be transferred to investment properties when there is an evident change of use.

Amendments to IFRS 10/IAS 28 (Sale or contribution of assets between an investor and its associate or joint venture; entry into force January 1, 2016)

The amendments clarify that for transactions with an associate or joint venture, the extent of recognition of gains or losses depends on whether the sold or contributed assets constitute a business. The effective date has been deferred indefinitely.

IFRS 14 (Regulatory deferral accounts; entry into force January 1, 2016)

Only entities applying IFRS for the first time and who recognize regulatory deferrals according to their previous accounting standards are allowed to continue with regulatory deferrals after transition to IFRS. The standard is intended to be a short-term interim solution till the IASB concludes the long-term project relating to price-regulated business transactions. The European Commission has decided not to commence the adoption process for this temporary standard yet and to await the final IFRS 14.

Events after the reporting date

Extraordinary General Meeting approves merger with RZB

The Extraordinary General Meeting of RBI approved the merger with RZB by a clear majority on 24 January 2017. The shareholders also approved the capital increase related to the merger. RBI's share capital will be increased by € 109,679,778.15, from € 893,586,065.90 to € 1,003,265,844.05, through the issuance of 35,960,583 new no par value common bearer shares. The number of shares issued will therefore increase to 328,939,621.

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

Vienna, 28 February 2017

The Management Board

Karl Sevelda

Johann Strobl

Klemens Breuer

Martin Grüll

Andreas Gschwenter

Peter Lennkh

Auditor's report

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of

Raiffeisen Bank International AG,
Vienna, Austria,

and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG (Austrian Banking Act).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation (EU) 537/2014 ("EU Regulation") and with Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the audited entity within the meaning of Austrian commercial law and professional regulations, and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. Key audit matters are selected from the matters communicated with the audit committee, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole. Our opinion on the consolidated financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

In the following we present the key audit matters from our point of view:

- Recoverability of loans and advances to customers
- Valuation of derivative financial instruments
- Valuation of liabilites at fair value through profit and loss

Recoverability of loans and advances to customer

The Financial Statement Risk

Loans and advances to customers as at the Balance Sheet date amout to EUR 70.5 billion. This is made up of EUR 44.2 billion in loans to corporates, EUR 25.6 billion in loans to retail customers and EUR 0.7 billion in loans to the public sector. For these assets individual as well as portfolio loan loss provisions amounting to a total of EUR 4.9 billion have been recognized, comprising EUR 3.1 billion for loans to corporates and EUR 1.8 billion loans to retail customers.

The Board describes the process of monitoring the credit risk and the procedures for determining the loan loss provisions within the "Risk Report" and "Recognition and Measurement Principles" chapters within the notes of the Financial Statements.

As part of the credit risk monitoring process the bank checks if there is any indication of impairment and therefore whether an individual loan loss provision is needed. This includes assessing whether the customer can fully fulfill the contractually agreed repayments without the need of realizing collaterals.

Where there is an indication of impairment on loans to corporates, provisions are formed in the amount of the expected loss according to homogeneous Group-wide standards. This occurs when the discounted projected future repayment amounts, including interest and any amounts realisable from collateral, is below the carrying value of the loan. This assessment is significantly influenced by the estimate of the clients economic situation and development, the estimate of collateral values and the amount and timing of future cash flows.

For retail clients individual loan loss provisions are calculated using the Internal Rating Based Approach using the default definitions of the internal rating systems. One entity uses the Delinquency Bucket based Approach whereby all amounts overdue by more than 180 days are fully provisioned.

Portfolio loan loss provisions are calculated for all corporate customers that are not impaired based on their individual risk profile (individul rating classes). Portfolio loan loss provisions are determined using centrally calculated historical default rates for each rating class, collateral values and other statistical and historical data.

For retail clients the portfolio loan loss provision is calculated automatically using general probability of default rates and loss given default rates. These parameters are based on historical statistic data.

The calculation of loan loss provisions is significantly influenced by management's assumptions and estimates. These assumption and estimate uncertainties lead to a risk of mistatement in the Financial Statements.

Our Audit Approach

We have obtained the documentation that describes the process of loan issuance, loan monitoring and determination of loan loss provisions and analysed these documents to determine whether the processes adequately identify impairment indicators and ensure amounts are recorded at their appropriate carrying value in the Financial Statements. In addition we tested the entire process as well as the essential key controls within these processes. As part of this work we checked the design, implementation and effectiveness of these key controls.

For individual loan loss provision we used a sampling based approach to determine whether impairment indicators were indentified and whether appropriate loan loss provisions were calculated. We critically assessed the banks estimates regarding the amount and timing of future cash flows, including those resulting from realisation of collaterals, and whether the banks assessment was in line with the internal and external information available. The sample selection was made using both a risk based approach dependant on the clients rating class, and random selection approach for clients with a lower probability of default. With regards to the internal collateral valuation we analysed whether the assumptions used in the model were adequate and in line with available market data. We involved our internal valuation specialists in this process.

For portfolio loan loss provision we reviewed whether the models and relevant parameters used were adequate for calculating loan loss provisions. For corporate clients we used sampling to test whether the applied probability of default rates per rating class had been correctly determined. Our internal valuation specialists assessed the appropriateness of the models and parameters used in the calculation. We further analysed whether the models and parameters used, taking into account backtesting results, are appropriate for calculating loan loss provisions.

Finally we asssessed whether the disclosures in the notes to the Financial Statements regardings loan loss provisions were appropriate.

Valuation of Derivatives

The Financial Statement Risk

The Group has entered into derivatives for trading and hedging purposes as part of its business activities. The allocation of a derivative to the trading/banking book or hedge accounting is significant for it's presentation and subsequent valuation.

The Board describes its derivative financial instruments, the designation of derivatives to a hedging relationship as well as the calculation of fair value of financial instruments within the "Recognition and Measurement Principles" chapter in the notes of the Financial Statements.

For fair value instruments for which no quoted prices or only insufficient observable market data is available fair value is determined using internal models based on the assumptions and parameters within these models. Due to the leverage inherent in derivatives, market values of derivatives can be subject to significant fluctuation.

In order to apply hedge accounting, the bank is required to document the hedging relationship as well as the hedge effectiveness testing. In the case of a suitably documented strategy, bank book derivatives can be designated as hedging instruments for both micro hedges and portfolio hedges.

Our Audit Approach

We have analysed the allocation of derivatives and their presentation in the Statement of Financial Position using a sampling approach. We have analysed the process documentation regarding derivate closing, settlement, valuation, risk and limit monitoring, clearing and internal data management. The design and implementation of essential controls in the processes were critically assessed and the effectiveness of these controls was tested.

We involved valuation specialists to evaluate the fair values determined by the Group. We have examined the appropriateness of the valuation models used and the underlying valuation parameters by comparing the parameters used with available market data. Additionally we have sample tested the calculation and the assumptions used.

We have examined the existence of hedging relationships by reviewing the hedge accounting documentation using a sampling approach and in particular whether the hedging intention and documentation were in place at inception of the hedging relationship. We also reviewed the effectiveness tests provided by the Group to ensure they have been calculated appropriately. In addition, we have reconciled on a sample basis the hedge accounting adjustments to the Statement of Financial Position and Statement of Comprehensive Income.

Finally, we assessed whether the disclosures in the notes regarding the valuation methods, fair value hierarchy and hedging relationships were complete and appropriate.

Valuation of Liabilities at fair value through profit and loss

The Financial Statement Risk

As at the Balance Sheet date liabilities measured at fair value amount to EUR 2.8 billion, out of which EUR 0.7 are subordinated. In addition to the general market risk factors, their fair value is significantly influenced by the own credit risk of the issuing entity (credit spread).

The Board describes the process of calculating the fair value of these liabilities that are measured at fair value within Note 40 and the "Recognition and Measurement Principles" chapter in the notes of the Financial Statements.

The fair value calculation of own debt security issued for which there no market price available is based on an internal valuation model. The fair value is determined using a Discounted Cash Flow model applying estimated credit spreads. The credit spreads used in the model are derived from available market data.

The credit spread curve is a significant input to the fair value calculation and due to the indicative nature of the price quotations leads to a risk of mistatement in the Financial Statements.

Our Audit Approach

We have analysed the documentation that describes the process of issuance, valuation and risk and limit monitoring of liabilites measured at fair value. The design and implementation of essential controls in the processes were critically assessed and the effectiveness of these controls was tested.

We involved valuation specialists to evaluate the fair value model used by the Group. Further we compared the data inputs to this model to the available market data to determine whether the data input lies within a reasonable range in comparison to the available market data. Based on the documentation obtained we assessed whether the derived credit spread curve was adequate for dertermining the fair value of the liabilities. Using a samplling approach We tested whether the fair values calculation is appropriate on a sample basis.

Finally, we assessed whether the disclosures in the notes regarding the fair valued liabilities was appropriate and complete.

Management's Responsibility and Responsibility of the Audit Committee for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, and, where appropriate, to disclose matters that are relevant to the Group's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Group or closure of operations is planned or cases in which such measures appear unavoidable.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they could, individually or in the aggregate, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit as well as significant findings including any significant deficiencies in internal control that we identify in the course of our audit.
- We report to the audit committee that we have complied with the relevant professional requirements in respect of our independence and that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, related measures taken to ensure our independence.
- From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian Generally Accepted Accounting Principles the group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it has been prepared in accordance with legal requirements.

The legal representatives of the Company are responsible for the preparation of the group management report in accordance with Austrian Generally Accepted Accounting Principles.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report has been prepared in accordance with legal requirements and is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and the understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Other Information

The legal representatives of the Company are responsible for the other information. Other information comprises all information provided in the annual report, with the exception of the consolidated financial statements, the group management report, and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover other information, and we will not provide any assurance on it.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether it contains any material inconsistencies with the consolidated financial statements and our knowledge gained during our audit, or any apparent material misstatement of fact. If on the basis of our work performed, we conclude that there is a material misstatement of fact in the other information, we must report that fact. We have nothing to report with this regard

Auditor in Charge

The auditor in charge is Mr. Wilhelm Kovsca.

Vienna, 28 February 2017

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca

Wirtschaftsprüfer

(Austrian Chartered Accountant)

Statement of all legal representatives

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Vienna, 28 February 2017

The Management Board

Karl Sevelda

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

Johann Strobl

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

Klemens Breuer

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

Martin Grüll

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

Andreas Gschwenter

Member of the Management Board responsible for Group & Austrian IT, Group Efficiency Management, Group Procurement, Cost & Real Estate Management, Head Office Operations and Project Portfolio & Security

Peter Lennkh

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

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

Service

Glossary 242
Alternative Performance Measures (APM) 243
Addresses 244
Publication details 246

Glossary

Back testing – Comparison of historical calculated VaR figures with actual results to test the quality of a model.

Basel III – Expanded Basel-II regulations incorporating the experiences and insights from the financial and economic crisis, aimed at improving the alignment of incurred risks with a bank's risk bearing capacity (derived from the level and quality of equity).

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

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

Country risk – Comprises transfer and convertibility risk as well as political risk.

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

Credit risk – See default risk.

Credit spread – Difference in yield between top-rated bonds (usually government bonds) and bonds with the same residual maturity but lower issuer quality.

Cross-selling – Marketing strategy whereby additional products and services are actively offered to existing customers.

Default risk – Risk that counterparties in a financial transaction will not be able to fulfill its obligations, causing the other party a financial loss.

Earnings per share – Consolidated profit divided by the average number of ordinary shares outstanding in the reporting period.

EBRD – European Bank for Reconstruction and Development. An institution that promotes the transition to an open market economy and private and entrepreneurial activity in the countries of Central and Eastern Europe. Through its investments, it supports private sector activity and strengthens financial institutions, legal systems, and development of infrastructure needed by the private sector.

Excess cover ratio (total capital) – Ratio of excess total capital to total capital requirement.

Funding – All means used by banks for the purpose of refinancing.

Individual loan loss provisions – For credit risks related to loans and advances to customers and banks, provisions are made in the amount of the expected loss according to uniform Groupwide standards. Risk of loss is deemed to exist if the discounted projected repayment amounts and interest payments are below the carrying value of the loan, taking collateral into account.

IRB – Internal Ratings-Based. Approach to measure the total capital requirement for credit risks in accordance with Basel III. By applying the IRB approach, the total capital requirement is determined according to internal credit ratings. In the process, features specific to the borrower and the loan are taken into account. The ratings must be made by an independent source.

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

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

Liquidity risk – Risk that a bank could be unable to meet its current and future financial obligations in full or on a timely basis. This arises from the danger, for example, that refinancing can only be obtained at very disadvantageous terms or is entirely impossible.

Market capitalization – The number of issued shares multiplied by the share price on a given date.

Market risk – The risk that the value of a financial instrument will change due to fluctuations in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Monte Carlo simulation – Numerical method to aggregate risks to evaluate specific risks in respect to their influence on corresponding income statement items.

NSFR – Net Stable Funding Ratio. Relation of available stable funding to required stable funding.

Operational risk – Risk of unexpected losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

Portfolio-based loan loss provisions – Impairment provisions for portfolios of loans with the same risk profiles that may be formed under certain conditions.

Premium banking – Support for affluent customers that includes additional and above all more individually tailored products in comparison to the customary support for private customers.

Quarter-on-quarter – Compared to the quarter which precedes the quarter under consideration; for example, the fourth quarter of 2016 in comparison to the third quarter of 2016.

RBI – Raiffeisen Bank International. RBI Group in contrast to RBI AG.

Risk-weighted assets (RWA credit risk) – The sum of the weighted accounts receivable including receivables in the form of items on and off the statement of financial position and CVA risk.

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

RZB – Raiffeisen Zentralbank Österreich. RZB Group in contrast to RZB AG.

RZB credit institution group – Pursuant to Section 30 of the Austrian Banking Act (BWG), the RZB credit institution group is made up of all banks, financial institutions, securities companies and companies rendering banking related services in which RZB holds direct or indirect majority interests or has control as a superordinate institution.

Scorecard – A statistical tool in risk management for estimating risk parameters, typically used to determine probability of default or the loss given default.

Stress test – Stress tests endeavor to simulate extreme fluctuations in market parameters. They are used because such fluctuations are usually inadequately captured by VaR models (VaR forecasts maximum losses under normal market conditions).

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

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

Trading book – Bank regulatory term for positions taken by a bank for the purpose of short-term resale to exploit price and interest rate fluctuations.

VaR – Value at risk. Expresses the potential loss that will, with a 99 per cent probability, not be exceeded within the period for which an asset is held in the portfolio in question.

Wholesale funding – Financing of banks by way of external sources, i.e. not through their total capital or customer deposits.

Year-on-year – Compared to the point in time, or the period, which occurred one year before the point in time or period under consideration; for example, the first half year of 2016 in comparison to the first half year of 2015, or 30 June 2016 in comparison to 30 June 2015.

Alternative Performance Measures (APM)

The Group uses alternative performance measures in its financial reporting, not defined by IFRS or CRR regulations, to describe RBI Group's financial position and performance. These should not be viewed in isolation, but treated as supplementary information.

For the purpose of the analysis and description of the performance and the financial position these ratios are commonly used within the financial industry. The special items used below to calculate some alternative performance measures arise from the nature of Group's business, i.e. that of a universal banking group. However it is to mention that the definitions mostly deviate. Please find the definitions of these ratios below.

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

Cost/income ratio is an economic metric and shows the company's costs in relation to its income. The ratio gives a clear view of operational efficiency. Banks use the cost/income ratio as an efficiency measure for steering the bank and for easily comparing its efficiency with other financial institutions. General administrative expenses in relation to operating income is calculated. General administrative expenses comprise staff expenses, other administrative expenses and depreciation/amortization of intangible and tangible fixed assets. Operating income comprises net interest income, net fee and commission income, net trading income and recurring other net operating income (i.e. other net operating income less bank levies, impairments of goodwill, releases of negative goodwill, and profit/loss from banking business due to governmental measures).

Effective tax rate (ETR) gives a good understanding of the tax rate the company faces and simplifies comparison among companies. It will often differ from the company´s jurisdictional tax rate due to many accounting factors. The effective tax rate of a company is the average rate at which its pre-tax profits are taxed. It is calculated by dividing total tax expense (income taxes) by profit before tax. Total tax expense includes current income taxes and deferred taxes.

Loan/deposit ratio indicates a bank's ability to refinance its loans by deposits rather than wholesale funding. It is calculated with loans and advances to customers less impairment losses, in relation to deposits from customers (in each case less claims and obligations from (reverse) repurchase agreements and securities lending).

Loan to local stable funding ratio (LLSFR) – This ratio includes a wider range of refinancing considering further stable funding. LLSFR is used as a measure for the prudence of a bank indicating the local refinancing structure of subsidiary banks. It is calculated with the sum of total loans and advances to customers less impairment losses on loans and advances to customers, divided by the sum of deposits from non-banks, funding from supranational institutions, capital from third parties and the total outstanding bonds (with an original maturity of at least one year issued by a subsidiary bank to investors outside the bank`s consolidated group).

Net interest margin is used for external comparison with other banks as well as an internal profitability measurement of products and segments. It is caulcauted with net interest income set in relation to average interestbearing assets (total assets less trading assets and derivatives, intangible fixed assets, tangible fixed assets, and other assets).

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

NPL ratio is an economic ratio to demonstrate the proportion of loans that have been classified as non-performing in relation to the entire loan portfolio. The definition of non-performing has been adopted from regulatory standards and guidelines and comprises in general those customers where repayment is doubtful, a realization of collaterals is expected and which thus have been moved to a defaulted customer rating segment. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank's credit risk management.

NPL coverage ratio describes to which extent non-performing loans have been covered by impairments thus expressing also the ability of a bank to absorb losses from its NPL. It is calculated with impairment losses on loans and advances to customers set in relation to non-performing loans to customers.

Operating result is used to describe the operative performance of a bank for the reporting period. It consists of operating income less general administrative expenses.

Operating income – It comprises net interest income, net fee and commission income, net trading income and other net operating income (less bank levies, impairments of goodwill, releases of negative goodwill and profit/loss from banking business due to governmental measures).

Other results – Consists of net income from derivatives and liabilities, net income from financial investments, expenses for bank levies, impairment of goodwill, releases of negative goodwill, net income from disposal of Group assets and profit/loss from banking business due to governmental measures reported under other net operating income.

Provisioning ratio is an indicator for development of risk costs and provisioning policy of an enterprise. It is computed by dividing net provisioning for impairment losses by average loans and advances to customers.

Return on assets (ROA before/after tax) is a profitability ratio and measures how efficiently a company can manage its assets to produce profits during a period. It is computed by dividing profit before tax/after tax by average assets (based on total assets, average means the average of year-end figure and the relevant month´s figures).

Return on equity (ROE before/after tax) provides a profitability measure for both management and investors by expressing the net profit for the period as presented in the income statement as a percentage of the respective underlying (either equity related or asset related). Return on equity demonstrates the profitability of the bank on the capital invested by its shareholders and thus the success of their investment. Return on equity is a useful measure to easily compare the profitability of a bank with other financial institutions. Return on the total equity including non-controlling interests, i.e. profit before tax respectively after tax in relation to average equity on the statement of financial position. Average equity is calculated on month-end figures including non-controlling interests and does not include current year profit.

Return on risk-adjusted capital (RORAC) is a ratio of a risk-adjusted performance management and shows the yield on the risk-adjusted capital (economic capital). The return on risk-adjusted capital is computed by dividing consolidated profit by the risk-adjusted capital (i.e. average economic capital). This capital requirement is calculated within the economic capital model for credit, market and operational risk.

Return on tangible equity (ROTE) is used to measure the rate of return on the tangible common equity. It is computed by dividing consolidated profit less depreciation of intangible assets and less impairment of goodwill by average consolidated equity less intangible assets. Average equity is calculated using month-end figures for the period.

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