Raiffeisen Bank International

Third Quarter Report 2016

Survey of key data

Raiffeisen Bank International (RBI)

Monetary values in € million	2016	Change	2015
Income statement	**1/1-30/9**		**1/1-30/9**
Net interest income	2,187	(12.3)%	2,495
Net provisioning for impairment losses	(503)	(36.7)%	(795)
Net fee and commission income	1,097	(2.8)%	1,129
Net trading income	136	–	(12)
General administrative expenses	(2,100)	(0.1)%	(2,101)
Profit/loss before tax	746	5.3%	708
Profit/loss after tax	480	(6.9)%	516
Consolidated profit/loss	394	(14.7)%	461
Statement of financial position	**30.9**		**31.12**
Loans and advances to banks	12,692	17.1%	10,837
Loans and advances to customers	69,791	(0.2)%	69,921
Deposits from banks	14,541	(11.2)%	16,369
Deposits from customers	70,454	2.1%	68,991
Equity	9,022	6.1%	8,501
Assets	113,838	(0.5)%	114,427
Key ratios	**1/1-30/9**		**1/1-30/9**
Return on equity before tax	11.7%	0.3 PP	11.4%
Consolidated return on equity	6.6%	(1.3) PP	7.9%
Cost/income ratio	60.5%	3.1 PP	57.4%
Return on assets before tax	0.89%	0.10 PP	0.80%
Net interest margin (average interest-bearing assets)	2.76%	(0.23) PP	2.99%
Provisioning ratio (average loans and advances to customers)	0.93%	(0.42) PP	1.35%
Bank-specific information	**30/9**		**31/12**
NPL ratio	10.2%	(1.7) PP	11.9%
Risk-weighted assets (total RWA)	62,078	(1.9)%	63,272
Total capital requirement	4,966	(1.9)%	5,062
Total capital	11,039	0.5%	10,987
Common equity tier 1 ratio (transitional)	12.6%	0.5 PP	12.1%
Common equity tier 1 ratio (fully loaded)	12.3%	0.8 PP	11.5%
Total capital ratio (transitional)	17.8%	0.4 PP	17.4%
Total capital ratio (fully loaded)	17.6%	0.8 PP	16.8%
Stock data	**1/1-30/9**		**1/1-30/9**
Earnings per share in €	1.35	(14.7)%	1.58
Closing price in € (30/9)	13.56	15.8%	11.71
High (closing prices) in €	14.17	(9.1)%	15.59
Low (closing prices) in €	10.21	13.4%	9.01
Number of shares in million (30/9)	292.98	0.0%	292.98
Market capitalization in € million (30/9)	3,971	15.8%	3,431
Resources	**30/9**		**31/12**
Employees as at reporting date (full-time equivalents)	50,526	(1.9)%	51,492
Business outlets	2,590	(4.3)%	2,705
Customers in million	14.2	(4.8)%	14.9

Content

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

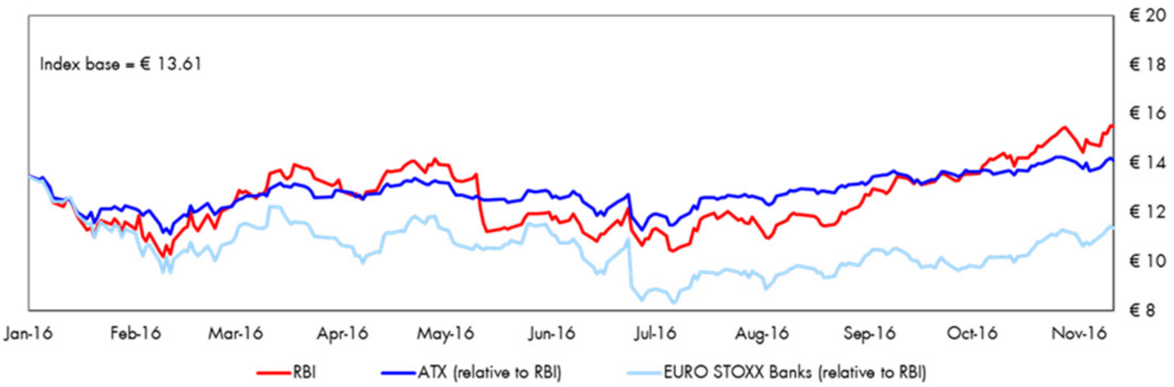
Adding and subtracting rounded amounts in tables and charts may lead to minor discrepancies. Changes in tables are not based on rounded amounts.

RBI in the capital markets

Performance of RBI stock

RBI's stock opened the third quarter at a share price of € 11.35 and closed on 30 September 2016 at € 13.56, its highest price during this period. The stock gained a total of 20 per cent, outperforming Austria's ATX stock index (up 15 per cent) and the EURO STOXX Banks (up 12 per cent). The main reason behind the more favorable stock market environment overall was the recovery of European equity markets following initially sharp share price falls due to the surprising result of the referendum on the United Kingdom's exit from the EU in late June. RBI's stock traded at € 15.50 on 11 November (editorial deadline for this report).

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



Active capital market communication

To mark the release of RBI's results for the first half of 2016 on 18 August, the Management Board of RBI met with investors in Vienna and, in addition, held a conference call – also available as a webcast on the Internet – in which around 250 international investors and analysts participated, from both the equity and debt side.

In late September, RBI invited analysts to its annual talk in London, which was attended by nearly all equity analysts who regularly report on RBI. An international conference, also in London, took place at around the same time, at which the Management Board presented the company to approximately 60 participants and answered questions from equity and debt investors. In addition, the Management Board and IR team participated in numerous group and individual discussions with a further 50 high profile investors in total.

Another short-notice conference call with webcast took place on 6 October. RZB Management Board members, Johannes Schuster and Michael Höllerer, as well as RBI Management Board members, Karl Sevelda, Johann Strobl and Martin Grüll, reported on the resolution in principle to merge RZB and RBI, the preliminary valuation range for the entities to be merged, as well as the planned procedure. Attracting over 350 participants, this conference call demonstrated the high level of interest in the Management Board's statements with respect to this step. On the following day, the abovementioned members of management of both companies personally presented the details of the planned merger of RZB and RBI to around 50 participants as part of an investor discussion round in London, and were again available for questions afterwards.

Stock data and details

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

Share price as at 30 September 2016	€ 13.56
High/low in the third quarter 2016	€ 13.56/€ 10.45
Earnings per share from 1 January to 30 September 2016	€ 1.35
Book value per share as at 30 September 2016	€ 28.94
Market capitalization as at 30 September 2016	€ 4.0 billion
Average daily trading volume in the third quarter 2016 (single count)	618,704 shares
Stock exchange turnover in the third quarter 2016 (single count)	€ 486 million
Free float as at 30 September 2016	approximately 39.3%
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	Prime Market
Number of shares issued as at 30 September 2016	292,979,038

Rating details

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

Financial calendar 2017

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

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Group management report

Market development

Outside of the UK, the economic fallout of Brexit has been relatively limited so far. There should be no slump in economic growth in the euro area in 2017 as a result. Furthermore, only a minor impact on the euro area or US economy is expected as a result of the US presidential election. In December at the latest, the ECB is expected to announce plans to extend its asset purchase program (quantitative easing). A reduction in volumes is not envisaged until the second half of 2017. Accordingly, a change in euro area interest rates is not anticipated before the second half of 2018. The similarly more cautious interest rate policy in the US afforded the euro some breathing space in 2016. The divergent trend between the Fed and the ECB, which should continue independently of the US presidential election, will stand to benefit the US dollar in 2017.

The persistent low interest rate environment in Western Europe is spreading to countries in Central Europe (CE) and Southeastern Europe (SEE), where key rates and bond yields are already at historical lows. The ECB's expansionary monetary policy should continue to indirectly support financial markets in CE and SEE. Most of the CE and SEE currencies are currently stable against the euro whereas the Ukrainian hryvnia and Belarusian rouble continue to be at risk of devaluation. In Russia, the stabilization of the rouble and significantly lower inflation opened the door to the first interest rate cuts in June and September 2016. The key rate in Russia should remain stable at 10.0 per cent until the end of 2016, with a moderate rate cut of 150 basis points to 8.5 per cent likely to first arrive some time in 2017.

The Austrian economy is expected to post real GDP growth of 1.4 per cent in 2016, reflecting a moderate pickup in economic momentum, with domestic demand continuing to drive economic growth. The growth rate in 2017 is projected to be slightly lower at 1.3 per cent.

Economic indicators in the first half of 2016 suggest that the CE region will experience robust economic growth for the full year, with growth in several countries weakening somewhat following a very strong 2015. The outlook for SEE is even more positive as an economic recovery continues to play out across SEE countries, with Romania showing especially strong domestic growth. In the region of Eastern Europe (EE), both Russia and Belarus will continue to be hit by recession in 2016, although this has already lost considerable traction in Russia, where modest growth is expected for 2017. The Ukrainian economy should already start experiencing slight growth in 2016. However, western sanctions against Russia, as well as restrictions on food imports from the EU to Russia, have no material impact on economic growth either in the euro area or in CE and SEE owing to the marginal level of direct interdependence. Economic sanctions imposed by the EU were extended into the second half of 2016, with neither a rapid nor complete lifting of sanctions expected for 2017.

Central Europe (CE) – the Czech Republic, Hungary, Poland, Slovakia and Slovenia – is the most economically developed CEE region. With the exception of Poland, CE economies are small, open and highly dependent on exports, primarily to Germany. Following a 3.6 per cent increase in 2015, economic growth in CE is expected to be at 3.0 per cent in 2016. Slovakia and Poland should post the strongest GDP growth at 3.5 per cent and 3.3 per cent, respectively, followed by the Czech Republic, Hungary and Slovenia, with growth rates ranging between 2.0 per cent and 2.5 per cent. In general, the CE region benefits from solid economic growth in Germany and in the euro area, as well as from expansionary monetary policies in a number of CE countries. Accordingly, economic growth in CE also looks set to be slightly higher than 3 per cent in 2017. In particular, Poland's expansionary fiscal policy will likely continue to support growth in 2017. Inflation rates should increase slightly in the second half of 2016 but still remain very moderate by historical standards. The period of negative inflation rates may come to an end in 2017, with inflation rates in CE to return to above 1 per cent on overage.

In Southeastern Europe (SEE) – Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia – economic output is poised to grow 4.0 per cent in 2016, compared to 3.0 per cent in 2015. In Romania, which is benefiting from tax breaks and strong wage growth, strong GDP growth of around 5.2 per cent is expected in 2016. Albania, Bulgaria, Bosnia and Herzegovina and Kosovo are likewise expected to show an increase of 3.0 per cent or higher. Croatia and Serbia should register positive growth rates in 2016 for the second consecutive year. For 2017, all SEE countries are expected to have positive growth rates of 2.5 per cent or higher, which should lead to average growth of 3.3 per cent in the SEE region. At the same time, the debt reduction of recent years should support economic growth.

Economic conditions remain challenging in Eastern Europe (EE) – Belarus, Russia and Ukraine – albeit the picture is significantly improving compared to 2015. The region's GDP should contract only 0.5 per cent in 2016, following a decline of 4.1 per cent in 2015. Following Russia's deep recession, with GDP down 3.7 per cent in 2015, a decline of only 0.5 per cent is forecast for 2016. However, domestic demand – both from household consumption and investments – is expected to further contract in 2016. In contrast, a number of export-oriented industrial sectors are benefiting from the weak rouble, with modest growth projected for Russia's industrial production. In Ukraine – following an adjustment recession in 2015 with a 9.9 per cent decline in GDP – subdued growth of 1.0 per cent is expected for 2016. On the other hand, Belarus has been heavily hit by the recession in Russia. A

GDP decline of 3.0 per cent is expected in Belarus for 2016. Depending on the development in Russia, 2017 could also turn out to be a challenging year for Belarus. In Russia, a gradual improvement of the economic situation and a return to modest growth are currently anticipated for 2017, provided however that the oil price continues to stabilize.

Annual real GDP growth in per cent

Region/country	2015	2016e	2017f	2018f
Czech Republic	4.6	2.5	2.7	2.5
Hungary	2.9	2.3	2.7	2.9
Poland	3.6	3.3	3.7	3.1
Slovakia	3.6	3.5	3.3	4.0
Slovenia	2.3	2.0	2.1	2.2
Central Europe	**3.6**	**3.0**	**3.3**	**3.0**
Albania	2.6	3.5	4.0	4.0
Bosnia and Herzegovina	3.0	3.0	3.5	4.0
Bulgaria	3.0	3.0	3.0	3.3
Croatia	1.6	2.3	2.5	2.0
Kosovo	4.0	3.5	3.5	3.5
Romania	3.8	5.2	3.6	3.0
Serbia	0.7	2.5	3.0	3.0
Southeastern Europe	**3.0**	**4.0**	**3.3**	**3.0**
Russia	(3.7)	(0.5)	1.0	1.5
Belarus	(3.9)	(3.0)	0.0	1.5
Ukraine	(9.9)	1.0	2.0	3.0
Eastern Europe	**(4.1)**	**(0.5)**	**1.0**	**1.6**
Austria	**1.0**	**1.4**	**1.3**	**1.5**
Germany	**1.5**	**1.8**	**1.7**	**1.5**
Euro area	**2.0**	**1.6**	**1.5**	**1.7**

Source: Raiffeisen Research

Significant events

Progress of the transformation program

At the beginning of November 2016, an agreement was reached on the sale of Raiffeisen Leasing Polska S.A. to PKO Leasing S.A. The purchase price equates to around € 200 million (PLN 850 million). The closing should still follow in 2016. The expected positive effect on RBI's consolidated result would be around EUR 30 million and would be booked at closing. The transaction will have a positive effect of around 33 basis points on RBI's CET1 ratio (fully loaded). The effect would amount to around 28 basis points for the combined bank (Raiffeisen Zentralbank Österreich AG and RBI). With the closing of the transaction, RBI's risk-weighted assets (RWA) are expected to be reduced by approximately € 1,290 million.

A sale of Raiffeisen Bank Polska S.A. (Polbank) is still planned. A spin-off of the banking operations without the Swiss franc loans, and possibly other mortgages, is intended. The remaining mortgage portfolio will subsequently be transferred to a Polish branch of RBI AG. In the course of the acquisition of Polbank in 2012, RBI made a commitment to the Polish regulatory authority (KNF) to list the shares of 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 the commitment with respect to an initial public offering would be fulfilled, if the sale of Polbank to a listed Polish bank takes place before the end of 2016. In October 2016, the KNF agreed that the deadline for determining the commercial parameters of the spin-off and sale is to be extended to the end of November 2016 (from end of September 2016). The spin-off must be completed by 30 June 2017.

Following the inconclusive sales process relating to ZUNO BANK AG, a partial integration of the existing business into the network banks in the Czech Republic and Slovakia is planned. Individual parts of the portfolio should also be dissolved from the Group in order to optimize the result of the integration. It is aimed to complete the integration by mid-2017.

As part of the planned reduction of RWA, significant progress has been made in Asia since the end of 2014, with RWA down by approximately 76 per cent. The winding down of the US operations is also making good headway, with a decrease in RWA of around 61 per cent since the end of 2014.

Merger of RZB and RBI has been resolved in principle

On 5 October 2016, the Management and Supervisory Boards of Raiffeisen Zentralbank Österreich AG (RZB) and Raiffeisen Bank International AG (RBI) have passed in principle a resolution to merge RZB and RBI. In connection with this, the preliminary valuation ranges of the units to be merged were also defined. RZB would be merged into RBI. The merged company will continue to be listed on the stock exchange.

The transaction includes the functions of RZB as the central institution of the Austrian Raiffeisen Banking Group as well as RZB's equity participations, excluding the planned partial sale of the UNIQA shareholding. All contributions to earnings and net income from valuations relating to the stake to be sold have been removed from the income statement, but are recognized in equity. The common equity tier 1 ratio (fully loaded) of the merged entity, based on the pro forma calculations, would be 11.3 per cent at 30 June 2016.

The preliminary valuation ranges determined for the entities to be merged were based on the most recent relative valuations conducted by two internationally recognized appraisers. On this basis, Management expects the RBI free float percentage to be between 34.6 and 35.7 per cent (previously 39.2 per cent, in each case based on the number of shares outstanding, which excludes treasury shares) following execution of the transaction.

The appraisers were engaged by the Management Boards of RZB and RBI, independently of one another, to conduct comparative valuations based on dividend discount methodology according to international valuation standards. The fairness of the final exchange ratio, which is still to be determined, must additionally be confirmed by an independent court appointed merger auditor under Austrian merger law.

The Extraordinary General Meeting of RBI which is to vote on the merger, requiring a 75 per cent majority of the share capital present, is planned for 24 January 2017. The documents required for the merger vote – following the finalization of the exchange ratio and the completion of legally required examinations by the Supervisory Boards and external auditors – will be published by 23 December 2016.

The financial targets of RBI are to remain effective and unchanged and will also apply to the merged institution following the merger transaction: A CET1 ratio (fully loaded) of at least 12 per cent and a total capital ratio (fully loaded) of at least 16 per cent are targeted by the end of 2017. A return on equity before tax of approximately 14 per cent and a consolidated return on equity of approximately 11 per cent are aimed for in the medium term. A further objective is to achieve a cost/income ratio of between 50 and 55 per cent in the medium term.

Merger of Group's parent companies

The former ultimate parent company of RBI, Raiffeisen Landesbanken-Holding GmbH, Vienna, and its wholly owned participation R-Landesbanken-Beteiligung GmbH, Vienna, in which 82.4 per cent of the shares belonging to Raiffeisen Zentralbank Österreich AG are bundled, were merged into Raiffeisen Zentralbank Österreich AG at the end of September 2016. Immediately establishing the company as the ultimate parent company of RBI and forming the highest consolidation Group.

Revision of bank levy regulation in Austria

In July 2016 the Austrian government reached an agreement to amend the bank levy regulation from 2017 onwards. The law still has to be passed by the Austrian parliament. Pursuant to this, the annual bank levy is to be reduced, while at the same time Austrian banks are to make a one-off payment which will amount to around € 120 million for RBI. This payment will split over a period of four years, beginning in 2017. The Austrian bank levy for 2016 will amount to approximately € 76 million for RBI (€ 12 million less than 2015). From 2017, once the law comes into effect, the bank levy including the share of the one-off payment will amount to around € 43 million.

Earnings and financial performance

RBI's capital position was strengthened significantly in the first nine months of 2016, with the CET1 ratio (fully loaded) standing at 12.3 per cent. The credit risk situation also improved markedly from the previous year, when developments in Ukraine in particular resulted in high charges, with impairment losses also down in nearly all other markets. On the other hand, market interest rates continued to trend lower, weighing on the Group's interest income both in the euro area and in other RBI markets. The recent stabilization in the net interest margin reflects the results of the measures taken by RBI. At the same time, credit volumes were slightly lower as a result of the implementation of the transformation program in the Non-Core segment, as well as due to subdued credit demand, although there was growth – as planned, and in some cases considerable – in the Czech Republic, Romania and Slovakia, mostly in the retail segment.

Consolidated profit was down 15 per cent year-on-year, or € 68 million, to € 394 million. This decline was mainly attributable to the 12 per cent reduction in net interest income. In contrast, the reduction in net provisioning for impairment losses of 37 per cent, or € 292 million, to € 503 million had a positive impact. In addition, both the current financial year and the previous year were influenced by a number of one-off effects: There were releases of provisions for the Settlement Act in Hungary in the previous year, whereas there was new provisioning at Group level in 2016. The sale of Visa Europe Ltd. shares to Visa Inc. resulted in proceeds of € 132 million. Furthermore, higher valuation losses on derivatives and own liabilities (up € 144 million) and higher income taxes (up € 74 million) had a negative impact. New legislation in Romania concerning private mortgage loans ("Walkaway Law") gave rise to a charge of € 39 million as a result of the expected take-up rate. In October, the "Walkaway Law" was partially repealed by the Romanian constitutional court. As a result of this decision, RBI expects that the vast majority of the € 43 million charge, which was booked under other results in the second quarter of 2016, will be released in the fourth quarter. Part of the charge may be rebooked under risk costs to cover potential voluntary conversions.

Operating income was down 5 per cent year-on-year, or € 190 million, to € 3,470 million. Net interest income declined further, down 12 per cent to € 2,187 million, due to the aforementioned low interest rate level. This was primarily attributable to persistently low market interest rates in many of the Group's countries and to existing excess liquidity, as well as to a reduction of € 171 million, particularly in Russia, in interest income from derivatives entered into for hedging purposes, which were impacted by market fluctuations in the first half of 2015. In contrast, net trading income improved € 148 million to € 136 million. In the previous year, currency devaluations in Ukraine had a significant negative impact on net trading income. The decline in net fee and commission income was moderate – down 3 per cent, or € 32 million, to € 1,097 million – and primarily currency related.

General administrative expenses fell € 1 million year-on-year to € 2,100 million. The average number of employees dropped 2,589 year-on-year to 51,430. Despite this reduction in employees, staff expenses were up 4 per cent to € 1,048 million due to the release of bonus provisions totaling € 76 million in the previous year. Other administrative expenses decreased 5 per cent, or € 45 million, to € 815 million. This was primarily due to lower office space expenses as a result of branch closures. The number of business outlets was down 164 year-on-year to 2,590. Regulatory expenses for deposit insurance fees and the resolution fund amounted to € 123 million, down from € 132 million in the previous year.

Total assets fell marginally to € 114.0 billion since the start of the year. The volume of loans to customers was virtually unchanged at € 69.8 billion in the current financial year. Whereas the retail business grew € 0.4 billion, predominantly in Central Europe, loans and advances to corporate customers were down € 0.4 billion due to the planned reduction in the Non-Core segment. On the liabilities side, customer deposits rose 2 per cent year-on-year, or € 1.5 billion, to € 70.5 billion, with deposits from retail customers increasing € 3.1 billion to € 36.7 billion. In contrast, deposits from corporate customers and sovereigns fell € 1.3 billion and € 0.3 billion, respectively.

Equity including capital attributable to non-controlling interests increased € 521 million to € 9,022 million. Alongside profit after tax of € 480 million, other comprehensive income was € 73 million, with positive currency effects of € 156 million offset by the realization of valuation results from financial assets available for sale.

In terms of regulatory capital, the key figures changed as follows: Common equity tier 1 (after deductions) totaled € 7,815 million at the end of the period and was €144 million higher than at year-end 2015. This was due, on the one hand, to the recognition of the half-year results and, on the other, to higher deductions resulting from the application of transitional provisions for 2016. Total capital pursuant to the CRR amounted to € 11,039 million, which represents an increase of € 52 million compared to the 2015 year-end figure. Risk-weighted assets (total) were reduced by € 1,194 million to € 62,078 million. Based on total risk, the common equity tier 1 ratio (transitional) was 12.6 per cent while the total capital ratio (transitional) was 17.8 per cent. Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 12.3 per cent and the total capital ratio (fully loaded) at 17.6 per cent.

Comparison of results year-on-year

in € million	1/1-30/9/2016	1/1-30/9/2015[1]	Change absolute	Change in %
Net interest income	2,187	2,495	(308)	(12.3)%
Net fee and commission income	1,097	1,129	(32)	(2.8)%
Net trading income	136	(12)	148	–
Recurring other net operating income	49	49	0	0.9%
Operating income	**3,470**	**3,660**	**(190)**	**(5.2)%**
Staff expenses	(1,048)	(1,008)	(40)	3.9%
Other administrative expenses	(815)	(860)	45	(5.2)%
hereof regulatory other administrative expenses	(123)	(132)	9	(7.0)%
Depreciation	(237)	(233)	(4)	1.6%
General administrative expenses	**(2,100)**	**(2,101)**	**1**	**(0.1)%**
Operating result	**1,370**	**1,559**	**(189)**	**(12.1)%**
Net provisioning for impairment losses	(503)	(795)	292	(36.7)%
Other results	(122)	(56)	(65)	115.7%
Profit/loss before tax	**746**	**708**	**38**	**5.3%**
Income taxes	(266)	(193)	(74)	38.2%
Profit/loss after tax	**480**	**516**	**(36)**	**(6.9)%**
Profit attributable to non-controlling interests	(86)	(54)	(32)	59.1%
Consolidated profit/loss	**394**	**461**	**(68)**	**(14.7)%**

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

Operating income

Net interest income

In the first nine months of 2016, net interest income fell 12 per cent, or € 308 million, to € 2,187 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 € 171 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 US dollar swaps. A decline in loan portfolios at Group head office and in Asia also contributed to the reduction in net interest income.

The Group's net interest margin declined 23 basis points year-on-year to 2.76 per cent, of which 8 basis points was due to exchange rate effects in the Eastern Europe segment. This development was attributable to the aforementioned low market interest rates, especially in the Central Europe and Southeastern Europe segments. The reduced business volume (average interest-bearing assets) was only able to partly compensate for this decline.

In the Central Europe segment, net interest income fell 5 per cent, or € 24 million, to € 470 million. In Hungary, net interest income declined € 15 million as a result of the low market interest rate level and notably a € 10 million increase in interest-like expenses in connection with the termination of an intra-Group mezzanine financing transaction. In Slovakia, lower interest rates also reduced net interest income by € 15 million. In contrast, the Czech Republic reported a volume-related rise of € 6 million in net interest income. In the Southeastern Europe segment, net interest income fell 6 per cent, or € 37 million, to € 555 million. All countries in this segment – with the exception of Bosnia and Herzegovina – reported declines in net interest income; these declines were also mainly attributable to the continuing low interest rate level. The Eastern Europe segment reported a 13 per cent, or € 92 million, decrease in net interest income to € 637 million. This primarily resulted from a 17 per cent, or € 86 million, drop in net interest income to € 416 million in Russia, due to a € 137 million reduction in interest income from derivatives as well as lower interest income from loans and advances to customers – driven by currency and volume developments – which was, however, offset by similarly reduced interest expenses. In Ukraine, the 6 per cent, or € 8 million, decline in net interest income to € 124 million was currency related; in local currency terms, net interest income rose 13 per cent. In Belarus, net interest income increased € 2 million to € 96 million. In the Non-Core segment, however, net interest income fell 16 per cent, or € 48 million, to € 254 million, with Asia reporting the largest decline of 56 per cent, or € 41 million, to € 33 million due to reduced volumes. In contrast, in Poland, repricing measures in the deposit business increased net interest income by 3 per cent, or € 5 million, to € 196 million.

Net fee and commission income

Net fee and commission income fell 3 per cent year-on-year, or € 32 million, to € 1,097 million due to the currency devaluations in Eastern Europe as well as lower sales in Central Europe. Net income from the loan and guarantee business was down € 26 million to € 124 million; aside from currency effects, this was also due to lower guarantee income at Group head office, the legal restriction on fees for early loan repayments in Slovakia, the withdrawal from the automobile financing business in Russia, volume reductions in Asia, and lower fee and commission income in Hungary. Net income from the securities business also fell € 5 million to € 99 million, most notably in Romania, Russia and at Group head office. In contrast, net income from the sale of own and third party products grew 27 per cent, or € 10 million, to € 46 million, predominantly due to higher income in Poland and Romania. Net income from the management of investment and pension funds declined, by 15 per cent, or € 5 million, to € 28 million, mainly in Slovakia.

Net trading income

Net trading income increased € 148 million year-on-year to € 136 million. Currency-based transactions rose € 137 million to € 72 million, primarily as a result of a more limited Ukrainian hryvnia devaluation than in the prior year and an improved open foreign currency position in Ukraine (up € 77 million). Another positive effect was attributable to the discontinuation of a hedging transaction for Russian rouble denominated dividend income, which had resulted in a € 70 million reduction in the previous year. Net trading income also increased due to valuation gains on foreign currency positions and on derivatives in Croatia, Russia and Hungary, while Belarus (ending of a strategic currency position and a valuation and volume-related reduction in net income from open foreign currency positions) and Group head office reported declines. Interest-based business rose € 52 million to € 93 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 € 36 million to minus € 25 million, as a result of an adjustment of the yield curve due to changed market conditions.

Recurring other net operating income

At € 49 million, recurring other net operating income remained virtually unchanged year-on-year. The sale of the card acquiring business (POS terminals) in the Czech Republic produced proceeds of € 8 million. This contrasted with higher allocations of other provisions at Group head office and a drop in net income from investment property.

General administrative expenses

Compared to the same period in the previous year, general administrative expenses declined € 1 million to € 2,100 million. The cost/income ratio increased 3.1 percentage points to 60.5 per cent, predominantly due to the lower net interest income.

Staff expenses

At 50 per cent, the largest component of general administrative expenses was staff expenses, which increased 4 per cent, or € 40 million, to € 1,048 million. In the same period in 2015, bonus provisions in the amount of € 76 million were released; this leads to distortions in the year-on-year comparison. Alongside the effect of the bonus provisions, the rise of € 20 million at Group head office was also due to a change in the salary scheme. The Czech Republic reported a total increase of € 18 million, owing to increased staffing levels following the purchase of Citibank's retail business and salary adjustments. In Slovakia, staff expenses rose € 11 million due to an expansion of the branch network and the one-off effect in the comparable period in the previous year. In Poland, staff expenses rose € 6 million as a result of the effect of the bonus provisions and an increase in provisions for unused vacation and employee retention programs. Staff expenses fell in Russia (down € 10 million) due to a reduction in staffing levels and to currency effects.

The average number of staff (full-time equivalents) fell 2,589 year-on-year to 51,430. The largest declines occurred in Ukraine (down 1,647), Russia (down 524), Poland (down 457), Hungary (down 247) and Bulgaria (down 116). The largest increases occurred in the Czech Republic (up 315) and in Slovakia (up 181).

Other administrative expenses

Other administrative expenses were down 5 per cent, or € 45 million, to € 815 million. This was mainly due to reduced office space expenses (down € 21 million) following branch closures. The number of business outlets fell 164 year-on-year to 2,590, most notably in Ukraine (down 84), Poland (down 38), Romania (down 28) and Russia (down 16). Legal and advisory and consultancy expenses also declined (down € 15 million), primarily at Group head office. Deposit insurance fees decreased € 11 million. This contrasted with higher IT expenses (up € 8 million).

Depreciation of tangible and intangible fixed assets

Depreciation of tangible and intangible fixed assets rose 2 per cent year-on-year, or € 4 million, to € 237 million. The increase was attributable to an impairment of € 26 million of the Polbank brand, of which € 23 million was recognized in the third quarter. In the previous year, Hungary reported impairment charges as a result of branch closures (€ 5 million) and in relation to software (€ 5 million), while Ukraine reported impairment charges in relation to buildings (€ 3 million) and the brand (€ 2 million).

Net provisioning for impairment losses

Compared to the same period of the previous year, net provisioning for impairment losses fell by a total of 37 per cent, or € 292 million, to € 503 million. This was due to a € 280 million reduction in individual loan loss provisioning to € 543 million. There was a net release of € 32 million of portfolio-based provisions in the reporting period, an improvement of € 14 million. The releases were primarily attributable to Russia (€ 20 million) and Group head office (€ 9 million) and resulted from reallocations into individual loan provisioning due to defaults of individual customers and from rating improvements.

The majority of net provisioning for impairment losses in the reporting period related to corporate customers, for which provisions of € 346 million were required (same period in the previous year: € 470 million), while for retail customers this amounted to € 141 million (same period in the previous year: € 309 million).

The largest decline in net provisioning for impairment losses was recorded in Ukraine, where the provisioning requirement fell € 153 million year-on-year to € 1 million. This was because higher allocations for retail and corporate customers were necessary in the same period of the previous year due to the economic situation in the Donbass region. In addition, currency effects had a reduced influence in the reporting period. Russia also reported a € 72 million decline to € 74 million due to an improved situation in the corporate and retail customer businesses. In the Group Corporates segment, net provisioning for impairment losses for large corporate customers fell € 51 million to € 56 million. Most countries in Central and Southeastern Europe also had a reduced net provisioning requirement for loans. Net provisioning for impairment losses in Central Europe declined € 59 million year-on-year to € 31 million, primarily due to a reduced provisioning requirement in Hungary for corporate customers. In Southeastern Europe, net provisioning for impairment losses fell € 27 million to € 97 million. Significant declines occurred in almost all markets in the segment in the corporate customer business, especially in Croatia (down € 29 million) and Bulgaria (down € 26 million). In contrast, net provisioning for impairment losses for corporate customers in Asia was € 34 million higher at € 123 million. The default of several large corporate customers in Albania also resulted in a € 34 million increase.

The portfolio of non-performing loans declined € 1,180 million since the start of the year to € 7,148 million. Currency effects accounted for € 63 million of the decrease. The actual reduction in non-performing loans on a currency-adjusted basis was therefore € 1,117 million. In addition to the improved risk situation, the derecognition of uncollectible loans also resulted in a decline. The largest falls were reported in the Group Corporates segment (down € 544 million), Ukraine (down € 243 million), Group Markets (down € 233 million), and as a result of the sale of Raiffeisen Bank d.d., Maribor (down € 118 million). As a result, the NPL ratio improved 1.7 percentage points compared to year-end 2015 to 10.2 per cent. Non-performing loans compared to loan loss provisions of € 5,150 million, resulting in a NPL coverage ratio of 72.0 per cent, up from 71.3 per cent at the year-end.

The provisioning ratio, based on average volume of loans and advances to customers, fell 0.42 percentage points year-on-year to 0.93 per cent.

Other results

Other results – consisting of net income from derivatives and liabilities, net income from financial investments, bank levies reported in sundry operating income/expenses, non-recurring effects, goodwill impairments and income from the release of negative goodwill, as well as net income from the disposal of Group assets – were down € 65 million year-on-year to minus € 122 million.

Net income from derivatives and liabilities

Net income from derivatives and liabilities fell from plus € 11 million in the previous year's period to minus € 133 million in the reporting period. The decline was due to an € 80 million change in credit spreads on own liabilities and a reduction of € 64 million in net income from the valuation of banking book derivatives used for hedging purposes, primarily at Group head office.

Net income from financial investments

Net income from financial investments rose € 97 million year-on-year to € 166 million. This was primarily attributable to net proceeds from the sale of equity participations, which increased € 142 million year-on-year. The sale of Visa Europe Ltd. shares to Visa Inc. in June 2016 resulted in proceeds of € 132 million. In contrast, the valuation of securities in the fair value portfolio declined € 55 million year-on-year, mainly due to significantly lower valuation results on fixed income government bonds linked to the US dollar in Ukraine and in Russia, which were only partly offset by higher valuation results at Group head office and in Romania. The sale of securities held-to-maturity at Group head office contributed € 13 million (up € 11 million).

Bank levies and non-recurring effects

The expense for bank levies rose € 22 million year-on-year to € 115 million. The increase was primarily due to expenses of € 25 million for the newly-introduced bank levy in Poland. At Group head office expenses declined € 6 million.

The "Walkaway Law" came into force in Romania in the second quarter of 2016. The expected take-up resulted in a charge of € 39 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 RBI is of the opinion that this contravenes the Romanian constitution, relevant proceedings have been initiated.

Net income from the disposal of Group assets

In the reporting period, net income from the disposal of Group assets amounted to € 2 million. The net income from the disposal of Group assets derived from various Group units and was mainly related to deconsolidation on the grounds of immateriality and from the sale of three Group units in Slovenia, Hungary and the Czech Republic.

The sale of the Slovenian bank was completed at the end of June 2016. The negative deconsolidation effect was € 53 million. An expense of € 1 million was reported in the period under review in addition to the € 52 million reported in 2015. Also, an amount of minus € 3 million of reserves was transferred to the income statement.

The sale of a Hungarian leasing company was completed in the third quarter. This resulted in a negative deconsolidation effect of € 3 million. In addition, an amount of minus € 3 million of reserves was transferred to the income statement.

Income taxes

Income tax expense increased 38 per cent year-on-year, or € 74 million, to € 266 million. This was primarily attributable to the use of tax loss carryforwards in Poland and Croatia and also to tax expenses for prior periods at Group head office and the turnaround in Ukraine. The tax rate increased 8 percentage points to 36 per cent. This increase was also attributable to losses in Asia and to a structural tax loss at Group head office. The latter is due to tax-free foreign dividend income from Group units. As these tax losses cannot be used in the medium term, they may not be capitalized.

Comparison of results with the previous quarter

in € million	Q3/2016	Q2/2016	Change absolute	Change in %
Net interest income	732	738	(6)	(0.8)%
Net fee and commission income	378	372	5	1.5%
Net trading income	52	56	(4)	(7.7)%
Recurring other net operating income	24	13	11	83.2%
Operating income	**1,186**	**1,180**	**6**	**0.5%**
Staff expenses	(347)	(353)	6	(1.8)%
Other administrative expenses	(245)	(267)	22	(8.2)%
Depreciation	(95)	(74)	(21)	28.5%
General administrative expenses	**(687)**	**(694)**	**7**	**(1.0)%**
Operating result	**499**	**485**	**14**	**2.8%**
Net provisioning for impairment losses	(100)	(297)	197	(66.3)%
Other results	(103)	33	(136)	–
Profit/loss before tax	**296**	**221**	**75**	**33.7%**
Income taxes	(84)	(91)	8	(8.4)%
Profit/loss after tax	**212**	**130**	**82**	**63.4%**
Profit attributable to non-controlling interests	(28)	(34)	6	(16.3)%
Consolidated profit/loss	**184**	**96**	**88**	**91.6%**

Operating income

Net interest income

Compared to the second quarter of 2016, net interest income fell 1 per cent, or € 6 million, to € 732 million in the third quarter of 2016. The net interest margin (calculated based on interest-bearing assets) declined 3 basis points from the previous quarter to 2.77 per cent. The primary cause of this decrease was the € 15 million reduction in current income from shares in affiliated companies and other equity participations, which was partly offset by lower interest expenses notably for deposits from banks.

Net fee and commission income

Net fee and commission income rose 1 per cent compared to the second quarter, or € 5 million, to € 378 million. This rise was due to exchange rate movements and volume effects. Net income from the payment transfer business posted the largest increase, up 4 per cent, or € 6 million, to € 168 million – due to higher fee and commission income driven by volumes and margins in Ukraine, at Group head office, in Croatia and in Kosovo. Net income from other banking services improved € 4 million to € 13 million, due to higher income primarily in Russia. In contrast, net income from the loan and guarantee business decreased € 6 million to € 39 million, as a result of lower margins, particularly in the Czech Republic.

Net trading income

Compared to the previous quarter, net trading income declined € 4 million to € 52 million. Net income from interest-based transactions declined € 13 million to € 27 million, due to valuation losses and lower interest income from derivatives and securities positions at Group head office, as well as in Poland and Russia. Net income from currency-based transactions fell € 10 million to € 23 million, primarily due to losses from derivatives and exchange-rate related valuation losses on foreign currency positions at Group head office. This contrasted with valuation gains on foreign currency positions and from derivatives especially in Asia and Russia. Net income from equity and index-based transactions rose € 17 million as a result of higher levels of activity in securities trading and of positive valuation effects in connection with changed market conditions.

Recurring other net operating income

In the third quarter of 2016, recurring other net operating income increased € 11 million compared to the previous quarter to € 24 million, mainly due to higher net income from the allocation and release of other provisions (up € 13 million). This increase was primarily attributable to Romania (up € 11 million), where the release of other provisions related to the fixing of interest rate terms for retail loans. In the third quarter, corresponding class-action lawsuits were dismissed by the Romanian constitutional court.

General administrative expenses

At € 687 million in the third quarter of 2016, general administrative expenses were down 1 per cent, or € 7 million, on the previous quarter.

Staff expenses fell 2 per cent, or € 6 million, to € 347 million in the third quarter of 2016. Other administrative expenses were down 8 per cent, or € 22 million, to € 245 million. This was due to lower office space expenses, lower IT expenses and lower deposit insurance fees. Expenses for contributions to the bank resolution fund also declined. The majority of the contributions to the bank resolution fund were booked for the entire year in the first quarter, with adjusting entries in the second quarter.

Depreciation of tangible and intangible fixed assets rose 29 per cent, or € 21 million, from the previous quarter, to € 95 million, mainly due to an impairment charge of € 23 million for the Polbank brand.

Net provisioning for impairment losses

Compared to the previous quarter, net provisioning for impairment losses declined € 197 million to € 100 million. The decline was mainly attributable to Asia (down € 90 million), the Group Corporates segment (down € 65 million), Central Europe (down € 31 million) and Southeastern Europe (down € 23 million). Overall, individual loan loss provisioning fell € 204 million to € 110 million, while net releases of portfolio-based loan loss provisions decreased € 11 million to € 5 million. Proceeds from the sale of non-performing loans rose to € 5 million in the third quarter.

Since the start of the year, the portfolio of non-performing loans decreased by € 1,180 million to € 7,148 million. Of this decline, € 216 million was attributable to the third quarter. The organic reduction was € 235 million and was attributable, among other things, to the derecognition of uncollectible loans. The largest falls were reported in the Group Corporates segment (down € 172 million), in Ukraine (down € 95 million) and in the Czech Republic (down € 38 million). In Asia, in contrast, non-performing loans rose € 103 million. The NPL ratio declined 0.2 percentage points compared to the previous quarter to 10.2 per cent, while the NPL coverage ratio remained virtually unchanged at 72.0 per cent.

Other results

Other results fell € 136 million (from € 33 million in the second quarter of 2016) to minus € 103 million in the third quarter of 2016 .

Net income from derivatives and liabilities

Net income from derivatives and liabilities declined € 37 million compared to the previous quarter to minus € 71 million. Net income from the change in the credit spread of own issues was minus € 47 million (down € 35 million).

Net income from financial investments

Net income from financial investments was down € 151 million on the previous quarter to minus € 6 million. The decline was largely attributable to the sale of Visa Europe Ltd. shares to Visa Inc. in the second quarter (proceeds of € 132 million).

Bank levies and non-recurring effects

Bank levies amounted to € 34 million in the third quarter (second quarter: € 33 million). The expense for bank levies in the third quarter was € 9 million in Poland, € 18 million at Group head office and € 5 million in Slovakia.

The "Walkaway Law" came into force in Romania in the second quarter. The expected take-up resulted in a charge of € 43 million; in the third quarter, releases amounted to € 3 million.

Statement of financial position

Total assets declined € 588 million since the start of the year to € 113,838 million. On balance, effects from currency movements were negligible.

Assets

in € million	30/9/2016	Share	31/12/2015	Share
Loans and advances to banks (less impairment losses)	12,617	11.1%	10,717	9.4%
Loans and advances to customers (less impairment losses)	64,641	56.8%	63,986	55.9%
Financial investments	17,328	15.2%	18,225	15.9%
Other assets	19,252	16.9%	21,498	18.8%
Total assets	**113,838**	**100.0%**	**114,427**	**100.0%**

Loans and advances to banks before deduction of loan loss provisions increased 17 per cent since the start of the year, or € 1,855 million, to € 12,692 million. This was mainly attributable to the rise in short-term receivables from money market business, as well as from the giro and clearing business at Group head office, offset by a reduced cash reserve. Receivables from repurchase agreements were up € 3,020 million to € 4,200 million while receivables from securities lending transactions rose € 716 million to € 717 million.

Loans and advances to customers before deduction of loan loss provisions marginally declined to € 69,791 million, with loans to large corporate customers down 1 per cent, or € 367 million, to € 44,105 million primarily due to the sale of Raiffeisen Bank d.d., Maribor, and reductions in the US. Loans and advances to retail customers (private individuals, as well as small and medium-sized entities) grew € 383 million to € 25,018 million. This mainly resulted from the acquisition of Citibank's retail customer and credit card business in the Czech Republic, as well as from the increase in credit volumes in Slovakia and Russia (the latter exclusively currency related).

Financial investments registered a total decrease of € 897 million to € 17,328 million, primarily due to the reduction in the securities portfolio (predominantly fixed-interest securities) at Group head office and in Romania.

The € 2,246 million decline in other assets to € 19,252 million resulted from the reduction in the cash reserve (down € 2,933 million), which was offset by an increase of € 794 million in assets available for sale in accordance with IFRS 5 from the planned sale of the Polish leasing company.

Equity and liabilities

in € million	30/9/2016	Share	31/12/2015	Share
Deposits from banks	14,541	12.8%	16,369	14.3%
Deposits from customers	70,454	61.9%	68,991	60.3%
Equity and subordinated capital	13,219	11.6%	12,665	11.1%
Other liabilities	15,625	13.7%	16,401	14.3%
Total equity and liabilities	**113,838**	**100.0%**	**114,427**	**100.0%**

Deposits from customers rose 2 per cent, or € 1,463 million, to € 70,454 million, with deposits from retail customers up € 3,074 million to € 36,718 million due to the acquisition of an operational unit in the Czech Republic, higher deposits in Slovakia and currency effects in Russia. In contrast, deposits from corporate customers decreased € 1,342 million to € 32,291 million, with the largest declines occurring at Group head office, in Poland (excess liquidity) and in Slovakia. Similarly, public sector deposits – predominantly at Group head office – were down € 269 million to € 1,444 million.

Other liabilities fell € 777 million to € 15,625 million. This was mainly due to the discontinuation of the IFRS 5 presentation as a result of the decision not to sell but instead to integrate ZUNO BANK AG, as well as to the completion of the sale of the Slovenian Group unit, offset by increases primarily arising from the Polish leasing company.

The funding structure was as follows:

in € million	30/9/2016	Share	31/12/2015	Share
Customer deposits	70,454	73.3%	68,991	71.1%
Medium- and long-term refinancing	11,651	12.1%	12,945	13.3%
Short-term refinancing	9,807	10.2%	10,926	11.3%
Subordinated liabilities	4,198	4.4%	4,164	4.3%
Total	**96,110**	**100.0%**	**97,026**	**100.0%**

The ratio of customer loans to customer deposits improved 0.7 percentage points since the start of the year to 91.5 per cent. Without the Non-Core segment, it would have been at 89.3 per cent.

Equity on the statement of financial position

Equity on the statement of financial position, comprising consolidated equity, consolidated profit and non-controlling interests, increased 6 per cent versus the end of 2015, or € 521 million, to € 9,022 million. This increase was mainly attributable to total comprehensive income, whereas dividend payments to non-controlling interests resulted in a € 40 million reduction in capital.

Total comprehensive income of € 552 million comprised profit after tax of € 480 million and other comprehensive income of € 73 million. Exchange rate differences of € 156 million constituted the largest item in other comprehensive income. The key driver here was the 14 per cent appreciation of the Russian rouble (up € 191 million), whereas the Ukrainian hryvnia depreciated 9 per cent (minus € 20 million), the Belarusian rouble depreciated 6 per cent (minus € 19 million) and the Polish zloty depreciated 1 per cent (minus €20 million). The completion of the sale of Visa Europe Ltd. shares to Visa Inc. led to a transfer of the valuation result of approximately € 80 million, which was already recognized in other comprehensive income at year-end 2015, to the income statement in the reporting period. The capital hedge had a negative result of € 27 million, particularly resulting from the appreciation of the Russian rouble. The cash flow hedge increased other comprehensive income by € 2 million.

Total capital pursuant to the CRR/BWG

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

Total capital amounted to € 11,039 million as at 30 September 2016. This represents an increase of € 52 million compared to the 2015 year-end figure, largely due to positive exchange rate differences, as well as to the inclusion of the 2016 half-year results. These positive effects were offset by the application of the transitional provisions for 2016, as well as by the non-recognition of RZB Finance Jersey IV's hybrid capital. Common equity tier 1 (after deductions) was up € 144 million. Alongside the inclusion of the 2016 half-year results, exchange rate differences had a positive impact on total capital, first and foremost the appreciation of the Russian rouble at € 188 million; however, this was offset by devaluations of the Ukranian hryvna, Polish zloty and Belarusian rouble. Tier 2 capital was down € 92 million to € 3,224 million due to exchange rate movements and matured capital instruments.

Total capital compared to a total capital requirement of € 4,966 million. The total capital requirement for credit risk came to € 4,042 million, corresponding to a decline of € 74 million. This mainly resulted from the reduction in exposures, as well as from an improved Belarus rating, which however were partially offset by the appreciation of the Russian rouble. The total capital requirement for position risk in bonds, equities, commodities and currencies showed a decline of € 39 million, largely attributable to reductions in the open foreign currency position. Updated operating income data, as well as changes in the scope of consolidation, led to an increase in the total capital requirement for operational risk of € 17 million to € 722 million.

Based on total risk, the common equity tier 1 ratio (transitional) was 12.6 per cent while the total capital ratio (transitional) was 17.8 per cent.

Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 12.3 per cent and the total capital ratio (fully loaded) at 17.6 per cent.

Risk management

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

Outlook

We target a CET1 ratio (fully loaded) of at least 12 per cent and a total capital ratio (fully loaded) of at least 16 per cent by the end of 2017.

After the implementation of the strategic measures defined at the beginning of 2015, the cost base should be approximately 20 per cent below the level of 2014 (general administrative expenses 2014: € 3,024 million).

We aim for a return on equity before tax of approximately 14 per cent and a consolidated return on equity of approximately 11 per cent in the medium term.

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

We expect net provisioning for impairment losses for 2016 to be below the level of 2015 (€ 1,264 million).

General administrative expenses for 2016 should be slightly below the level of the previous year (2015: € 2,914 million).

Events after the reporting date

Romanian "Walkaway Law"

With respect to the Romanian "Walkaway Law", on 25 October 2016, the Romanian constitutional court ruled that each individual case must be brought before the competent court. The court will then decide on a case-by-case basis, whether or not the hardship principle applies, which is a prerequisite to take advantage of the law. As a result of the the constitutional court's decision, RBI expects that the vast majority of the € 43 million charge, which was booked in the second quarter of 2016, will be released in the fourth quarter. Part of the charge may be rebooked under risk costs to cover potential voluntary conversions.

RBI: Agreement on sale of Polish leasing business to PKO Leasing S.A.

On 2 November 2016, RBI reached an agreement on the sale of its leasing company – Raiffeisen Leasing Polska S.A. – with PKO Leasing S.A. The purchase price equates to around € 200 million (PLN 850 million).

The closing should still follow in 2016. The expected positive effect on RBI's consolidated result would be around € 30 million and would be booked at closing.

The transaction will have a positive effect of around 33 basis points on RBI's CET1 ratio (fully loaded). The effect would amount to around 28 basis points for the combined bank (Raiffeisen Zentralbank Österreich AG and RBI).

With the closing of the transaction, RBI's risk-weighted assets (RWA) are expected to be reduced by approximately € 1,290 million. At 30 June 2016, the tangible equity of Raiffeisen Leasing Polska amounted to € 150 million; equity incl. intangible assets totaled € 153 million.

Segment report

Segmentation principles

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

This results in the following segments:

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

Central Europe

in € million	1/1-30/9 2016	1/1-30/9 2015	Change	Q3/2016	Q2/2016	Change
Net interest income	470	494	(4.9)%	147	161	(8.9)%
Net fee and commission income	283	290	(2.5)%	95	99	(3.9)%
Net trading income	18	22	(15.4)%	5	8	(30.5)%
Recurring other net operating income	(4)	(19)	(77.2)%	(6)	(2)	172.4%
Operating income	**767**	**787**	**(2.5)%**	**242**	**266**	**(9.1)%**
General administrative expenses	(465)	(450)	3.1%	(151)	(148)	1.9%
Operating result	**303**	**337**	**(10.1)%**	**91**	**118**	**(22.8)%**
Net provisioning for impairment losses	(31)	(90)	(65.7)%	2	(29)	–
Other results	34	9	284.2%	0	49	(99.9)%
Profit/loss before tax	**305**	**256**	**19.4%**	**93**	**137**	**(32.3)%**
Income taxes	(55)	(55)	0.7%	(15)	(27)	(45.0)%
Profit/loss after tax	**250**	**201**	**24.5%**	**78**	**110**	**(29.2)%**
Risk-weighted assets (total RWA)	13,728	13,951	(1.6)%	13,728	13,241	3.7%
Assets	29,054	26,179	11.0%	29,054	28,055	3.6%
Net interest margin (average interest-bearing assets)	2.32%	2.73%	(0.40) PP	2.14%	2.40%	(0.26) PP
Return on equity before tax	**22.4%**	**20.0%**	**2.4 PP**	**20.8%**	**31.5%**	**(10.7) PP**

In Central Europe, RBI increased total assets through higher new business generation, especially in the Czech Republic and Slovakia. An additional increase (€ 669 million) resulted from the acquisition of Citibank's retail and credit card business in the Czech Republic, which included a retail loan portfolio of € 201 million. The low level of interest rates, however, continues to negatively impact operating income. Lower net provisioning for impairment losses in Hungary and Slovakia as well as income from the sale of Visa Europe Ltd. shares to Visa Inc. led to a significant improvement in profit before tax, which rose € 49 million year-on-year to € 305 million.

Operating income

Net interest income decreased 5 per cent year-on-year, or € 24 million, to € 470 million due to persistently low market interest rates. In Slovakia, net interest income declined € 15 million. Most of the € 15 million decline in Hungary was caused by the early termination of an intragroup mezzanine financing transaction. In the Czech Republic, in contrast, net interest income increased € 6 million. The net interest margin fell 40 basis points year-on-year to 2.32 per cent due to interest rate adjustments relating to assets.

Net fee and commission income declined 2 per cent year-on-year, or € 7 million, to € 283 million. Net income from the loan and guarantee business decreased – down 25 per cent, or € 8 million, to € 24 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 fell € 6 million to € 11 million, largely as a result of a market-driven decline in Slovakia. Net income from the payment transfer business declined € 5 million to € 140 million owing to lower margins, particularly in the Czech Republic, as well as regulations in Slovakia. Net income from the foreign currency, notes/coins, and precious metals business, in contrast, increased € 9 million to € 70 million as a result of improved margins primarily in the Czech Republic.

Net trading income fell 15 per cent, or € 3 million, to € 18 million. Net income from interest-based transactions decreased € 9 million year-on-year to minus € 1 million due to losses from the valuation of interest-based derivatives and lower income from securities positions in the Czech Republic and Hungary. Net income from currency-based transactions, in contrast, increased year-on-year from € 14 million to € 19 million, primarily as a result of valuation gains on derivatives and foreign currency positions in Hungary and the Czech Republic.

Recurring other net operating income improved from minus € 19 million to minus € 4 million. This improvement was driven by a € 4 million increase in sundry operating income (the sale of the card acquiring business in the Czech Republic generated € 8 million in proceeds), a € 5 million increase in net proceeds from disposal of tangible and intangible fixed assets due to the sale of real estate in Hungary, and an € 8 million decrease in sundry operating expenses, primarily in Slovakia and the Czech Republic.

General administrative expenses

The segment's general administrative expenses rose 3 per cent year-on-year, or € 14 million, to € 465 million. Staff expenses increased 15 per cent, or € 29 million, to € 232 million, mainly due to the purchase of Citibank's retail and credit card business in the Czech Republic as well as the expansion of the branch network in Slovakia and associated staff increases. The increase in the average number of staff (up 249) was attributable to the above-mentioned increases in the Czech Republic and Slovakia, whereas decreases were reported in Hungary. Other administrative expenses fell 2 per cent, or € 3 million, to € 184 million. The decline was largely driven by lower office space expenses and deposit insurance fees, while IT expenses increased. Contributions to bank resolution funds in the Czech Republic (€ 7 million), Slovakia (€ 6 million) and Hungary (€ 3 million) increased € 6 million year-on-year. Depreciation of tangible and intangible fixed assets decreased 20 per cent, or € 12 million, to € 48 million, due to an impairment charge in connection with branch closures and an impairment charge in relation to software in Hungary in the previous year's period. The number of business outlets in the segment rose 26 year-on-year to 412. This included the addition of 14 business outlets in the Czech Republic, as well as 12 business outlets in Slovakia, where the expansion of the branch network under the Raiffeisen brand continued as planned. The cost/income ratio increased 3.3 percentage points to 60.6 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses in the Central Europe segment declined 66 per cent year-on-year, or € 59 million, to € 31 million in the reporting period. The largest decrease, of € 51 million, was posted in Hungary as a result of improvements in the ratings of corporate customers and sales of non-performing loans collateralized with real estate. In Slovakia, net provisioning for impairment losses declined € 13 million to € 8 million, primarily due to sales and repayments of corporate customer loans. In the Czech Republic, net provisioning rose € 6 million to € 31 million due to one larger isolated case in the corporate customer business.

The proportion of non-bank non-performing loans in the Central Europe segment's loan portfolio decreased from 7.1 per cent at year-end to 6.7 per cent at the end of the third quarter.

Other results and taxes

The Central Europe segment's other results rose € 25 million year-on-year to € 34 million.

The increase was mainly driven by net income from financial investments, which was € 58 million higher than in the same period in the previous year. The sale of Visa Europe Ltd. shares to Visa Inc., which closed in June, generated proceeds of € 56 million, of which € 30 million was attributable to Slovakia, € 19 million to the Czech Republic and € 6 million to Hungary.

Net income from derivatives and liabilities remained unchanged year-on-year at minus € 2 million and primarily consisted of net income from hedging to adjust the currency and interest rate structure in Hungary and the Czech Republic.

In the reporting period, net income from disposal of group assets amounted to € 7 million (previous year's period: € 6 million). Most of the net income posted in 2016 stemmed from the sale of a real estate leasing project in the Czech Republic (€ 6 million). The deconsolidation of four Group units in Hungary – a Hungarian leasing company was deconsolidated following its sale – resulted in a positive balance of € 1 million.

The bank levies contained in the other results increased € 3 million to € 33 million. The increase was evenly distributed between Hungary and Slovakia.

In the previous year's period, a provision of € 38 million was released in connection with the implementation of the Settlement Act (unilateral interest rate changes on consumer loans) in Hungary.

The segment's income taxes remained unchanged year-on-year at € 55 million. The tax rate, in contrast, declined 3 percentage points from the previous year's period to 18 per cent due to the utilization of loss carryforwards in Hungary.

Detailed results of individual countries in the segment:

1/1-30/9/2016 in € million	Slovakia	Czech Republic	Hungary
Net interest income	208	184	77
Net fee and commission income	112	83	89
Net trading income	4	3	11
Recurring other net operating income	4	13	(22)
Operating income	**328**	**284**	**156**
General administrative expenses	(185)	(171)	(108)
Operating result	**143**	**112**	**47**
Net provisioning for impairment losses	(8)	(31)	8
Other results	16	25	(7)
Profit/loss before tax	**150**	**106**	**48**
Income taxes	(34)	(21)	0
Profit/loss after tax	**116**	**86**	**48**
Risk-weighted assets (total RWA)	5,363	4,901	3,464
Assets	11,158	11,550	6,552
Loans and advances to customers	8,419	7,902	3,416
hereof corporate %	44.4%	43.8%	70.5%
hereof retail %	55.5%	55.7%	27.9%
hereof foreign currency %	0.8%	15.7%	41.6%
Deposits from customers	8,733	7,995	4,418
Loan/deposit ratio (net)	94.0%	95.8%	66.0%
Equity	985	957	563
Return on equity before tax	21.2%	15.5%	12.8%
Return on equity after tax	16.4%	12.5%	12.8%
Cost/income ratio	56.5%	60.4%	69.6%
Net interest margin (average interest-bearing assets)	2.54%	2.42%	1.73%
Employees as at reporting date	3,938	3,176	1,988
Business outlets	200	140	72
Customers	846,434	607,773	542,292

Southeastern Europe

in € million	1/1-30/9 2016	1/1-30/9 2015	Change	Q3/2016	Q2/2016	Change
Net interest income	555	592	(6.2)%	183	192	(4.9)%
Net fee and commission income	291	282	3.2%	102	98	4.6%
Net trading income	44	36	21.9%	14	12	17.4%
Recurring other net operating income	14	12	16.5%	11	(1)	–
Operating income	**904**	**921**	**(1.9)%**	**310**	**300**	**3.1%**
General administrative expenses	(495)	(491)	0.8%	(161)	(165)	(2.1)%
Operating result	**409**	**431**	**(5.1)%**	**148**	**135**	**9.5%**
Net provisioning for impairment losses	(97)	(125)	(21.9)%	(26)	(48)	(47.2)%
Other results	(3)	(84)	(96.6)%	0	(1)	(90.0)%
Profit/loss before tax	**308**	**222**	**39.1%**	**123**	**86**	**42.5%**
Income taxes	(47)	(24)	95.9%	(18)	(12)	54.1%
Profit/loss after tax	**262**	**198**	**32.2%**	**104**	**74**	**40.6%**
Risk-weighted assets (total RWA)	14,253	14,523	(1.9)%	14,253	14,210	0.3%
Assets	22,182	21,817	1.7%	22,182	21,777	1.9%
Net interest margin (average interest-bearing assets)	3.57%	3.91%	(0.33) PP	3.51%	3.74%	(0.23) PP
Return on equity before tax	**21.5%**	**17.2%**	**4.3 PP**	**25.9%**	**18.8%**	**7.2 PP**

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

Operating income

Net interest income decreased 6 per cent year-on-year, or € 37 million, to € 555 million. All countries in the segment – with the exception of Bosnia and Herzegovina – reported a decline, mainly as a result of the persistently low interest rate level. The steepest decline was in Albania, which reported a drop of € 10 million, where a reduction in loan volumes also had a dampening effect. The € 8 million decrease in net interest income in Croatia also reflected a reduction in interest-bearing assets. In Romania, the lower market interest rate level led to a decline of € 7 million in net interest income. The segment's net interest margin fell 33 basis points to 3.57 per cent.

In contrast, net fee and commission income increased 3 per cent year-on-year, or € 9 million, to € 291 million. Net income from the payment transfer business was up € 6 million to € 155 million due to increased income from the credit card business, mainly in Bosnia and Herzegovina, Romania and Albania. Net income from the sale of own and third party products rose € 3 million to € 17 million, primarily in Romania. Net income from the foreign currency, notes/coins and precious metals business also increased € 3 million to € 63 million, largely as a result of higher volumes in Croatia and Romania. In contrast, net income from the securities business fell € 3 million due to lower income, mainly in Romania.

Net trading income was up 22 per cent year-on-year, or € 8 million, to € 44 million in Southeastern Europe. Higher interest income, valuation gains and gains on sale of securities positions in Croatia, Albania and Bulgaria were mainly responsible for the € 5 million increase to € 18 million reported in interest-based business. Net income from currency-based business improved € 3 million to € 26 million as a result of valuation gains on foreign currency positions mainly in Croatia, while Serbia reported valuation losses.

Recurring other net operating income increased € 2 million to € 14 million, primarily as a result of higher net income from non-banking operations (up € 2 million in Serbia).

General administrative expenses

General administrative expenses increased 1 per cent year-on-year, or € 4 million, to € 495 million. Staff expenses were up 1 per cent, or € 1 million, to € 221 million, mainly due to higher salaries in Albania and Bulgaria. The average number of staff declined by 142 to 15,069. The segment's other administrative expenses rose 2 per cent, or € 3 million, to € 219 million. The rise was largely attributable to contributions to the bank resolution funds in Bulgaria (€ 3 million), Croatia (€ 3 million) and Romania (€ 2 million). Depreciation of tangible and intangible fixed assets remained almost unchanged at € 54 million. The number of business outlets fell year-on-year by 35 to 1,037, mainly due to a reduction of outlets in Romania. The cost/income ratio increased 1.5 percentage points to 54.8 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses declined € 27 million, or 22 per cent, year-on-year to € 97 million. In Croatia, net provisioning for impairment losses of € 1 million was € 29 million lower than in the same period of the previous year. This reflected the release of loan loss provisions for corporate customers and provisions for retail customers in connection with the Swiss franc conversion. In Bulgaria, net releases of loan loss provisions totaled € 9 million in the reporting period and were largely due to the repayment of a non-performing loan by a large corporate customer; in the comparable period of 2015, a provisioning requirement of € 17 million was recognized. An improved risk situation in the corporate business in Serbia resulted in a release of € 5 million in the reporting period (decline of € 14 million). In contrast, net provisioning increased € 34 million to € 47 million in Albania due to defaults of several large corporate customers. In Romania, despite the improvement in the risk profile of retail and corporate customers, a change in the methodology employed with respect to loan loss provisioning for retail customers was responsible for the € 11 million rise to € 57 million.

The proportion of non-performing loans to non-banks in the segment's loan portfolio fell 0.9 percentage points from the end of 2015 to 11.2 per cent.

Other results and taxes

Other results were up 97 per cent, or € 81 million, to minus € 3 million. Net income from financial investments increased € 47 million year-on-year to € 49 million. This mainly reflected proceeds of € 38 million in the reporting period from the sale of Visa Europe Ltd. shares to Visa Inc. (€ 21 million in Romania, € 10 million in Croatia, and € 7 million in Bulgaria), as well as an € 8 million increase in valuation gains on securities in the fair value portfolio, primarily in Romania, Croatia and Albania.

In the second quarter of 2016, the "Walkaway Law" entered into force in Romania. This resulted in a charge of € 39 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 "Walkaway Law" was partially repealed by the Romanian constitutional court. As a result of this decision, RBI expects that the vast majority of the € 43 million charge, which was booked under other results in the second quarter of 2016, will be released in the fourth quarter. Part of the charge may be rebooked under risk costs to cover potential voluntary conversions.

In Croatia, expenses of € 80 million for governmental measures were recognized in the same period of 2015, while in the reporting period an expense of only € 8 million was incurred in connection with the conversion of Swiss franc loans. In this case as well, RBI has filed an objection under the bilateral investment protection treaties. A decision is awaited.

The tax expense nearly doubled year-on-year to € 47 million, while the tax rate was up 4 percentage points to 15 per cent. An increase in deferred taxes reflected the utilization of loss carryforwards in Croatia. The loss in Albania was not offset by any deferred tax income.

Detailed results of individual countries:

1/1-30/9/2016 in € million	Albania	Bosnia and Herzegovina	Bulgaria
Net interest income	43	50	85
Net fee and commission income	9	29	31
Net trading income	12	1	2
Recurring other net operating income	(1)	1	0
Operating income	**63**	**81**	**118**
General administrative expenses	(34)	(40)	(63)
Operating result	**29**	**41**	**55**
Net provisioning for impairment losses	(47)	(3)	9
Other results	2	(2)	7
Profit/loss before tax	**(16)**	**36**	**71**
Income taxes	0	(5)	(7)
Profit/loss after tax	**(16)**	**31**	**64**
Risk-weighted assets (total RWA)	1,500	1,549	1,773
Assets	1,932	2,003	3,342
Loans and advances to customers	799	1,187	2,130
hereof corporate %	61.8%	32.0%	41.4%
hereof retail %	38.2%	67.3%	58.1%
hereof foreign currency %	56.8%	66.1%	50.7%
Deposits from customers	1,626	1,591	2,401
Loan/deposit ratio (net)	40.7%	69.8%	83.3%
Equity	207	270	491
Return on equity before tax	–	18.8%	20.5%
Return on equity after tax	–	16.2%	18.5%
Cost/income ratio	53.4%	49.3%	53.4%
Net interest margin (average interest-bearing assets)	3.14%	3.59%	3.42%
Employees as at reporting date	1,323	1,294	2,595
Business outlets	87	98	149
Customers	749,567	448,724	642,366

1/1-30/9/2016 in € million	Kosovo	Croatia	Romania	Serbia
Net interest income	28	95	192	60
Net fee and commission income	7	50	137	28
Net trading income	1	14	13	2
Recurring other net operating income	0	13	(5)	5
Operating income	**36**	**173**	**337**	**96**
General administrative expenses	(19)	(96)	(190)	(53)
Operating result	**17**	**77**	**147**	**43**
Net provisioning for impairment losses	(3)	(1)	(57)	5
Other results	0	4	(14)	0
Profit/loss before tax	**14**	**79**	**75**	**48**
Income taxes	(2)	(16)	(11)	(5)
Profit/loss after tax	**13**	**63**	**64**	**43**
Risk-weighted assets (total RWA)	521	2,890	4,313	1,707
Assets	878	4,600	7,333	2,095
Loans and advances to customers	532	2,816	4,762	1,104
hereof corporate %	38.1%	41.3%	33.1%	49.9%
hereof retail %	61.9%	56.9%	64.7%	49.8%
hereof foreign currency %	0.0%	55.3%	39.8%	60.5%
Deposits from customers	711	3,181	5,392	1,547
Loan/deposit ratio (net)	72.3%	77.4%	82.3%	64.7%
Equity	119	679	745	499
Return on equity before tax	17.2%	16.9%	13.6%	14.1%
Return on equity after tax	15.2%	13.4%	11.5%	12.6%
Cost/income ratio	53.4%	55.7%	56.4%	55.2%
Net interest margin (average interest-bearing assets)	4.41%	3.18%	3.69%	4.24%
Employees as at reporting date	735	2,130	5,323	1,538
Business outlets	52	78	487	86
Customers	308,321	450,021	2,110,921	691,098

Eastern Europe

in € million	1/1-30/9 2016	1/1-30/9 2015[1]	Change	Q3/2016	Q2/2016	Change
Net interest income	637	729	(12.6)%	219	216	1.2%
Net fee and commission income	278	294	(5.5)%	99	93	7.1%
Net trading income	48	22	114.6%	14	13	6.7%
Recurring other net operating income	(5)	(9)	(43.6)%	(1)	(2)	(35.5)%
Operating income	**958**	**1,037**	**(7.6)%**	**331**	**320**	**3.4%**
General administrative expenses	(357)	(408)	(12.4)%	(122)	(117)	3.9%
Operating result	**601**	**629**	**(4.5)%**	**209**	**203**	**3.1%**
Net provisioning for impairment losses	(93)	(320)	(71.0)%	(13)	(13)	2.8%
Other results	13	82	(83.7)%	2	2	(27.0)%
Profit/loss before tax	**522**	**392**	**33.3%**	**198**	**192**	**2.8%**
Income taxes	(109)	(91)	20.1%	(42)	(43)	(1.4)%
Profit/loss after tax	**413**	**300**	**37.3%**	**156**	**150**	**4.0%**
Risk-weighted assets (total RWA)	11,483	13,194	(13.0)%	11,483	11,315	1.5%
Assets	14,589	16,005	(8.8)%	14,589	14,397	1.3%
Net interest margin (average interest-bearing assets)	6.60%	6.13%	0.47 PP	6.62%	6.74%	(0.12) PP
Return on equity before tax	**44.2%**	**31.2%**	**13.0 PP**	**49.6%**	**47.3%**	**2.3 PP**

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

As in the previous year, the Eastern Europe segment was again affected by a high level of currency volatility in the reporting period. The average exchange rate of the Russian rouble was 11 per cent lower year-on-year, while the Ukrainian hryvnia was down 17 per cent. On 1 July 2016, currency reform additionally came into effect in Belarus; the new Belarusian rouble (BYN) replaced the old Belarusian rouble (BYR) at an exchange rate of 1 to 10,000. In Ukraine, net trading income increased due to the more limited depreciation of the Ukrainian hryvnia than in the previous year and an improved result from foreign currency positions. Provisions for impairment losses were also considerably lower, as a result of the improvement in the risk situation, after very high provisioning was still required in the comparable period in 2015 due to the political situation in the Donbass region. Profit before tax in Ukraine therefore increased € 170 million to € 111 million. Russia reported a 7 per cent increase in profit before tax, with a volume- and margin-related decline in net interest income more than offset by lower general administrative expenses and lower net provisioning for impairment losses. In Belarus, profit fell year-on-year due to a valuation result from a foreign currency position recognized in the previous year and lower net income from proprietary trading.

Operating income

Net interest income was down 13 per cent year-on-year, or € 92 million, to € 637 million. This was mainly due to a decrease in net interest income in Russia (down 17 per cent, or € 86 million, to € 416 million), which alongside currency effects was primarily caused by a € 137 million decline in interest income from derivative financial instruments entered into for hedging purposes. This was the result of the lower interest rate level in 2016 (interbank rates were exceptionally high in Russia in the first half of 2015) as well as lower volumes of US Dollar swaps. In addition, interest income from loans and advances to customers fell as a result of volume effects. In contrast, new business in the retail segment grew considerably, mainly due to the focus on local currencies. In Ukraine, the 6 per cent, or € 8 million, decline to € 124 million was entirely currency related; in local currency, net interest income increased 13 per cent. In Belarus, net interest income rose just € 2 million to € 96 million despite better margins, as a result of currency devaluations. The segment's net interest margin improved 47 basis points year-on-year to 6.60 per cent.

Net fee and commission income fell 5 per cent year-on-year, or € 16 million, to € 278 million. Net income from foreign currency, notes/coins and precious metals business declined 11 per cent, or € 10 million, to € 79 million – mainly as a result of currency movements and lower volumes and margins in Russia, Belarus and Ukraine. Net income from the loan and guarantee business was also down € 6 million to € 39 million, primarily as a result of exchange rate effects in Russia and Ukraine.

Net trading income increased from € 22 million in the comparable period to € 48 million. Net income from currency-based business improved € 21 million to € 35 million; Ukraine reported a significant increase of € 77 million due to the more limited depreciation of the Ukrainian hryvnia and an improved open foreign currency position. In contrast, net trading income in Belarus declined due to the closure of a strategic currency position that had led to a valuation gain of € 34 million in the previous year, and valuation- and volume-related lower net income from open foreign currency positions. Net income from interest-based transactions increased € 4 million to € 12 million due to valuation gains on securities positions in Ukraine.

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

General administrative expenses

General administrative expenses fell 12 per cent year-on-year, or € 51 million, to € 357 million. Russia and Ukraine accounted for most of the reduction, which was primarily due to the depreciation of the currencies in Eastern Europe. Staff expenses in the segment decreased € 11 million. The fall was due to currency effects and an 11 per cent, or 2,267, reduction in the number of employees to 18,958, which more than offset salary increases in Russia and Ukraine. Other administrative expenses declined € 30 million. This included decreases in legal, advisory and consulting expenses, as well as in office space expenses due to branch closures. Depreciation was down € 10 million, after a € 3 million impairment charge for buildings in Ukraine and a € 2 million impairment charge for the brand, as well as a € 1 million impairment charge for intangible assets in Russia were recognized in the comparable period of 2015. The number of business outlets in the segment fell by 104 to 808. Of these, 84 were in Ukraine, and 16 were in Russia, where the number of branches was reduced due to the change of strategy in the eastern part of the country. The cost/income ratio improved 2.1 percentage points to 37.3 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses fell € 227 million year-on-year to € 92 million. In Ukraine, net provisioning for impairment losses was down € 153 million to € 1 million. This was primarily attributable to the high provisioning requirements for loans to retail and corporate customers in the comparable period of the previous year, due to the economic situation in the Donbass region and currency movements. In Russia, net provisioning for impairment losses of € 74 million was € 72 million lower year-on-year. In Belarus, the provisioning requirement amounted to € 17 million. The € 1 million decline was due to lower lending volumes and lower non-performing loan growth.

Compared to year-end 2015, the proportion of non-performing loans to non-banks in the segment's loan portfolio declined 2.5 percentage points to 16.4 per cent.

Other results and taxes

Other results were down € 69 million year-on-year to € 13 million. Net income from financial investments in particular fell € 75 million to € 10 million. Valuation gains on securities in the fair value portfolio declined € 78 million to € 10 million after positive net income of € 88 million was reported in the comparable period in 2015, mainly from the valuation of fixed income US dollar-indexed government bonds in Ukraine. In contrast, net income from derivatives improved € 7 million to € 3 million, 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 segment's tax expense rose – first and foremost as a result of the improved results in Ukraine – 20 per cent, or € 18 million, to € 109 million. The segment's tax rate was 21 per cent after 23 per cent in the same period of 2015.

Detailed results of individual countries:

1/1-30/9/2016 in € million	Belarus	Russia	Ukraine
Net interest income	96	416	124
Net fee and commission income	38	182	58
Net trading income	7	31	10
Recurring other net operating income	(1)	(3)	(2)
Operating income	**140**	**627**	**191**
General administrative expenses	(51)	(220)	(86)
Operating result	**89**	**407**	**105**
Net provisioning for impairment losses	(17)	(74)	(1)
Other results	0	6	8
Profit/loss before tax	**72**	**339**	**111**
Income taxes	(17)	(72)	(20)
Profit/loss after tax	**55**	**266**	**91**
Risk-weighted assets (total RWA)	1,346	7,956	2,173
Assets	1,434	11,306	1,845
Loans and advances to customers	878	7,508	1,840
hereof corporate %	72.3%	62.5%	56.4%
hereof retail %	27.7%	37.5%	43.6%
hereof foreign currency %	66.3%	37.6%	54.5%
Deposits from customers	834	8,007	1,411
Loan/deposit ratio (net)	98.0%	87.6%	64.6%
Equity	337	1,628	269
Return on equity before tax	35.9%	36.5%	77.5%
Return on equity after tax	27.4%	28.8%	63.5%
Cost/income ratio	36.6%	35.1%	45.0%
Net interest margin (average interest-bearing assets)	9.74%	5.64%	9.62%
Employees as at reporting date	2,021	7,698	8,750
Business outlets	93	181	533
Customers	761,969	2,396,796	2,557,057

Group Corporates

in € million	1/1-30/9 2016	1/1-30/9 2015	Change	Q3/2016	Q2/2016	Change
Net interest income	223	245	(9.1)%	72	64	12.6%
Net fee and commission income	42	55	(22.6)%	14	13	9.8%
Net trading income	6	1	>500.0%	2	1	70.6%
Recurring other net operating income	1	1	44.9%	0	1	(38.8)%
Operating income	**273**	**301**	**(9.5)%**	**89**	**79**	**12.5%**
General administrative expenses	(115)	(96)	20.1%	(40)	(40)	(0.3)%
Operating result	**158**	**206**	**(23.2)%**	**49**	**39**	**25.6%**
Net provisioning for impairment losses	(56)	(107)	(47.4)%	6	(59)	–
Other results	(1)	(11)	(91.9)%	(1)	5	–
Profit/loss before tax	**101**	**87**	**15.3%**	**54**	**(16)**	**–**
Income taxes	(24)	(22)	10.5%	(13)	5	–
Profit/loss after tax	**77**	**66**	**16.8%**	**41**	**(11)**	**–**
Risk-weighted assets (total RWA)	8,922	8,445	5.7%	8,922	8,352	6.8%
Assets	14,822	14,162	4.7%	14,822	14,602	1.5%
Net interest margin (average interest-bearing assets)	2.08%	2.02%	0.05 PP	1.99%	1.79%	0.19 PP
Return on equity before tax	**11.7%**	**10.6%**	**1.1 PP**	**18.9%**	**–**	**–**

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

Operating income

Net interest income declined 9 per cent, or € 22 million, to € 223 million. This was mainly due to lower lending volumes and declining margins in the corporate customer business (Austrian and multinational corporate customers serviced from Vienna). In addition, interest-like extraordinary income declined after exceptionally high interest-like income, especially from real estate financing, was reported in the previous year. The net interest margin in the segment increased 5 basis points to 2.08 per cent due to lower average interest-bearing assets.

Net fee and commission income declined 23 per cent, or € 12 million, to € 42 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 € 6 million in net trading income was the result of the above-mentioned reclassification.

General administrative expenses

General administrative expenses increased 20 per cent, or € 19 million, to € 115 million. Due to the pro rata cost allocation to the segment, the main increase was in staff expenses and other administrative expenses. The increase in staff expenses at Group head office resulted from the release of bonus provisions in the previous year and the modification of the salary scheme. The cost/income ratio in the segment increased 10.4 percentage points to 42.1 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses declined 47 per cent year-on-year, or € 51 million, to € 56 million. In the comparable period in the previous year, individual provisions for losses on loans to large corporate customers, especially from the Donbass region, were significantly higher. The proportion of non-bank non-performing loans in the segment's loan portfolio declined 4.4 percentage points since the beginning of the year to 5.0 per cent. This development was due to the improved risk situation and also to the derecognition of uncollectible loans.

Other results and taxes

Other results improved € 10 million to minus € 1 million. This was mainly the result of a € 14 million rise in income from financial investments, predominantly resulting from a real estate transaction. This was offset by a € 4 million increase in expenses for bank levies (€ 15 million).

Income tax expense increased € 2 million to € 24 million as a result of higher income. The tax rate was 24 per cent.

Group Markets

in € million	1/1-30/9 2016	1/1-30/9 2015	Change	Q3/2016	Q2/2016	Change
Net interest income	45	60	(25.2)%	16	13	21.9%
Net fee and commission income	83	91	(8.2)%	27	30	(12.6)%
Net trading income	87	50	73.6%	32	28	15.3%
Recurring other net operating income	7	9	(22.7)%	2	2	(8.6)%
Operating income	**222**	**210**	**5.8%**	**77**	**74**	**4.3%**
General administrative expenses	(158)	(159)	(0.3)%	(54)	(53)	2.1%
Operating result	**64**	**51**	**24.4%**	**23**	**21**	**9.6%**
Net provisioning for impairment losses	(27)	0	>500.0%	(33)	2	–
Other results	12	(10)	–	(3)	5	–
Profit/loss before tax	**49**	**42**	**17.0%**	**(12)**	**28**	**–**
Income taxes	(11)	(10)	12.1%	4	(7)	–
Profit/loss after tax	**38**	**32**	**18.6%**	**(8)**	**21**	**–**
Risk-weighted assets (total RWA)	3,249	4,370	(25.6)%	3,249	3,490	(6.9)%
Assets	14,027	14,690	(4.5)%	14,027	15,185	(7.6)%
Net interest margin (average interest-bearing assets)	0.56%	0.80%	(0.24) PP	0.58%	0.45%	0.13 PP
Return on equity before tax	**12.7%**	**9.9%**	**2.8 PP**	**–**	**19.9%**	**–**

Profit before tax in the Group Markets segment increased 17 per cent. This was mainly due to improved net trading income and net income from financial investments. In contrast, net interest income declined steeply due to lower business volumes.

Operating income

Net interest income decreased 25 per cent, or € 15 million, to € 45 million. A decline in the repo business – due to the excess liquidity in the market – and a decline in the corporate finance business because of lower volumes had a negative effect. 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 24 basis points to 0.56 per cent.

Net fee and commission income declined € 7 million year-on-year to € 83 million. Higher income from cash management and mergers & acquisitions 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, and the reclassification of income items (from the securities business with institutional customers) as net trading income. In addition, income generated by Kathrein Privatbank AG in the securities business decreased € 2 million.

Net trading income increased € 37 million to € 87 million. Increased 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 the discontinuation of business with specific customer groups, a slight increase was also reported in banknote trading as a result of improved margins.

Recurring other net operating income declined € 2 million to € 7 million due to lower sundry operating income.

General administrative expenses

General administrative expenses in the segment remained almost unchanged at € 158 million. The cost/income ratio decreased 3.0 percentage points year-on-year to 72.5 per cent.

Net provisioning for impairment losses

In connection with a financial institution's long-standing non-performing loan, net individual loan loss provisions for financial institutions totaled € 27 million in the reporting period. The proportion of non-performing loans in relation to the segment's total credit exposure was 1.3 per cent.

Other results and taxes

Other results increased € 26 million year-on-year to € 16 million. This increase was the result of an improvement in net income from financial investments, based on the sale of bonds and on valuation gains.

Due to higher income, the income tax expense increased € 1 million to € 11 million. The tax rate was 23 per cent.

Corporate Center

in € million	1/1-30/9 2016	1/1-30/9 2015	Change	Q3/2016	Q2/2016	Change
Net interest income	338	786	(57.0)%	88	233	(62.5)%
Net fee and commission income	22	12	83.5%	13	4	268.0%
Net trading income	(28)	(132)	(79.0)%	(9)	16	-
Recurring other net operating income	86	110	(21.2)%	31	39	(21.0)%
Operating income	**419**	**775**	**(46.0)%**	**123**	**293**	**(57.9)%**
General administrative expenses	(246)	(257)	(4.3)%	(68)	(78)	(13.2)%
Operating result	**173**	**518**	**(66.6)%**	**56**	**215**	**(74.1)%**
Net provisioning for impairment losses	(8)	(9)	(13.8)%	2	(23)	-
Other results	(164)	(37)	346.5%	(78)	(42)	86.5%
Profit/loss before tax	**0**	**472**	**(99.9)%**	**(21)**	**150**	**-**
Income taxes	13	25	(46.6)%	7	0	>500.0%
Profit/loss after tax	**14**	**497**	**(97.3)%**	**(14)**	**150**	**-**
Risk-weighted assets (total RWA)	14,136	16,378	(13.7)%	14,136	14,397	(1.8)%
Assets	22,249	27,557	(19.3)%	22,249	22,797	(2.4)%

This segment essentially comprises net income from Group head office's governance functions and from other Group units. As a result, its net income is generally more volatile. Profit before tax declined € 472 million year-on-year to nearly zero in the reporting period due to lower dividend income from the Central and Eastern European Group units, as well as a reduction in net income from derivatives.

Operating income

Net interest income fell 57 per cent year-on-year, or € 448 million, to € 338 million. This was mainly due to a decline of € 371 million in dividend income from the Central and Eastern European Group units, after extra dividend income was accrued in the previous year, particularly from Russia and Belarus. Interest income from intra-Group refinancing also declined due to the decreasing funding volumes.

In contrast, net fee and commission income increased € 10 million year-on-year to € 22 million. This increase resulted mainly from higher income from cash management, while net fee and commission income from the loan and guarantee business declined due to lower volumes.

Net trading income improved 79 per cent year-on-year, or € 105 million, to minus € 28 million. This was mainly due to a loss of € 70 million booked in the previous year from a hedging transaction for dividend income in Russian roubles and a currency-related decrease in valuation losses from a property company.

Recurring other net operating income fell 21 per cent, or € 23 million, to € 86 million. This decline primarily resulted from lower income from intra-Group service charges.

General administrative expenses

General administrative expenses fell 4 per cent, or € 11 million, to € 246 million due to lower other administrative expenses resulting from a reduced cost allocation.

Net provisioning for impairment losses

Net provisioning for impairment losses, mainly for corporate customers of Group head office, amounted to € 8 million in the reporting period, after a provisioning requirement of € 9 million in the comparable period in the previous year.

Other results and taxes

Other results decreased € 132 million to minus € 168 million. The development of net income from derivatives and liabilities was negative, declining € 160 million to minus € 139 million, as a result of the valuation of bank book derivatives and own issues. In contrast, net income from financial investments improved € 26 million to € 7 million, due primarily to income of € 16 million in Group head office from the sale of Visa Europe Ltd. to Visa Inc. and valuation gains from the bond portfolio.

The segment reported expenses for bank levies of € 28 million, which was € 8 million lower than in the same period in the previous year.

Net income from the disposal of Group assets amounted to minus € 4 million, after a profit of € 3 million in the comparable period in the previous year. This effect mainly resulted from the deconsolidation of several Group units on grounds of immateriality.

Tax income of € 13 million was posted in the reporting period after € 25 million in the comparable period in the previous year.

Non-Core

in € million	1/1-30/9 2016	1/1-30/9 2015[1]	Change	Q3/2016	Q2/2016	Change
Net interest income	254	302	(15.9)%	91	77	17.2%
Net fee and commission income	119	128	(7.0)%	38	42	(10.9)%
Net trading income	1	3	(59.0)%	(1)	(4)	(88.3)%
Recurring other net operating income	7	14	(51.4)%	7	(1)	-
Operating income	**381**	**447**	**(14.8)%**	**135**	**115**	**17.5%**
General administrative expenses	(321)	(310)	3.5%	(111)	(108)	3.5%
Operating result	**60**	**137**	**(56.0)%**	**23**	**7**	**237.0%**
Net provisioning for impairment losses	(187)	(148)	26.6%	(38)	(138)	(72.2)%
Other results	(8)	(2)	346.4%	(17)	16	-
Profit/loss before tax	**(135)**	**(13)**	**>500.0%**	**(32)**	**(116)**	**(72.1)%**
Income taxes	(33)	(16)	107.5%	(4)	(10)	(59.1)%
Profit/loss after tax	**(167)**	**(28)**	**490.7%**	**(36)**	**(125)**	**(71.1)%**
Risk-weighted assets (total RWA)	9,272	11,946	(22.4)%	9,272	9,672	(4.1)%
Assets	16,130	20,001	(19.4)%	16,130	16,484	(2.1)%
Net interest margin (average interest-bearing assets)	2.10%	2.05%	0.05 PP	2.31%	1.93%	0.38 PP
Return on equity before tax	**-**	**-**	**-**	**-**	**-**	**-**

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

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

When RBI acquired Polbank in 2012, it made a commitment to the Polish Financial Supervision Authority (KNF) to list the shares of Raiffeisen Bank Polska S.A. (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 Polbank to a listed Polish bank by the end of 2016. The sale will involve spinning off the banking operations without the Swiss franc portfolio, and possibly other mortgage loans. The mortgage portfolio will subsequently be transferred to a Polish branch of RBI AG. In October 2016, the KNF agreed that the deadline for determining the commercial parameters of the spin-off and sale is to be extended to the end of November 2016 (from end of September 2016). The spin-off must be completed by 30 June 2017.

The segment's profit before tax declined € 122 million to minus € 135 million. Operating income fell as a result of the planned reduction in volumes, while net provisioning for impairment losses increased, particularly in Asia. Profit was also lower due to the newly-introduced bank levy in Poland.

Operating income

Net interest income was down 16 per cent year-on-year, or € 48 million, to € 254 million. Asia reported the largest decline, with a volume-related reduction of 56 per cent, or € 41 million, to € 33 million. The € 5 million decrease in Slovenia is attributable to the sale of the Slovenian Raiffeisen bank. In contrast, in Poland, repricing measures in the deposit business increased net interest income by 3 per cent, or € 5 million, to € 196 million. The net interest margin improved 5 basis points to 2.10 per cent.

Net fee and commission income declined 7 per cent year-on-year, or € 9 million, to € 119 million. Net income from the loan and guarantee business decreased € 8 million to € 18 million due to lower volumes, particularly in Asia, Slovenia and Poland. Net income from foreign currency, notes/coins, and precious metals business posted a decline of € 3 million, as did net income from payment transfer business. In contrast, net income from the sale of own and third party products increased € 5 million to € 21 million, especially in Poland.

Net trading income decreased € 2 million to € 1 million. Net income from currency-based transactions decreased € 3 million due to valuation losses on foreign currency positions in Poland. Net income from interest-based transactions remained virtually unchanged.

Recurring other net operating income declined € 7 million to € 7 million due to losses from the disposal of tangible and intangible fixed assets in Poland (down € 5 million) and lower income from the allocation and release of other provisions.

General administrative expenses

General administrative expenses increased 4 per cent year-on-year, or € 11 million, to € 321 million. Staff expenses rose € 1 million to € 150 million. In Poland, the increase of € 6 million to € 110 million was due to higher provisions for unused vacation and employee retention programs and the release of bonus provisions in the same period of the previous year. Reductions were posted in Asia and Slovenia. The average number of staff during the reporting period fell 8 per cent year-on-year to 5,723. Other administrative expenses declined € 12 million, particularly due to lower IT and advertising expenses in Poland. An impairment of the Polbank brand increased expenses by € 26 million. The number of business outlets was reduced by 52 to 327. The reduction included 38 branches in Poland due to branch optimization, 13 branches in Slovenia due to the sale of the Group unit there and the closure of 1 branch in China. The cost/income ratio rose 14.8 percentage points to 84.2 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses rose 27 per cent year-on-year, or € 39 million, to € 187 million. The main driver of this increase was Asia, where an additional € 34 million in net provisioning for impairment losses was required to cover existing non-performing loans to corporate customers. In the US, net provisioning for impairment losses was € 35 million, also primarily for loans to corporate customers that were already in default, resulting in an increase of € 29 million. In Poland, net provisioning for impairment losses related mainly to corporate customers and amounted to € 29 million, € 10 million less than in the previous year's comparable period.

The proportion of non-bank non-performing loans in the segment's loan portfolio increased 1.2 percentage points compared to the year-end to 16.5 per cent.

Other results and taxes

The segment's other results fell € 6 million year-on-year to minus € 8 million. The decrease was primarily due to expenses of € 25 million for the newly-introduced bank levy in Poland. Net income from financial investments, in contrast, increased € 19 million primarily due to € 22 million in income from the sale of Visa Europe Ltd. shares to Visa Inc. (in Poland: € 18 million, ZUNO BANK AG: € 4 million).

Tax expense increased € 17 million year-on-year to € 33 million. The increase was mainly the result of higher deferred tax expenses in Poland. The tax rate was 24 per cent.

Detailed results of individual countries and sub-segments:

1/1-30/9/2016 in € million	Asia	Poland	USA
Net interest income	33	196	12
Net fee and commission income	4	110	3
Net trading income	(7)	8	0
Recurring other net operating income	(1)	5	0
Operating income	**30**	**319**	**15**
General administrative expenses	(36)	(243)	(12)
Operating result	**(6)**	**76**	**3**
Net provisioning for impairment losses	(123)	(29)	(35)
Other results	(1)	(13)	1
Profit/loss before tax	**(130)**	**34**	**(31)**
Income taxes	(2)	(31)	0
Profit/loss after tax	**(132)**	**4**	**(31)**
Risk-weighted assets (total RWA)	598	8,058	398
Assets	935	13,960	326
Loans and advances to customers	781	9,659	218
hereof corporate %	100.0%	31.7%	100.0%
hereof retail %	0.0%	68.1%	0.0%
hereof foreign currency %	49.8%	52.8%	1.9%
Deposits from customers	21	8,655	0
Loan/deposit ratio (net)	–	105.8%	–
Equity	–	1,619	6
Return on equity before tax	–	2.9%	–
Return on equity after tax	–	0.3%	–
Cost/income ratio	121.4%	76.2%	80.7%
Net interest margin (average interest-bearing assets)	3.08%	1.96%	3.41%
Employees as at reporting date	144	4,771	38
Business outlets	4	320	1
Customers	47	796,222	118

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

Interim consolidated financial statements

(Interim report as at 30 September 2016)

Statement of comprehensive income

Income statement

in € million	Notes	1/1-30/9/2016	1/1-30/9/2015[1]	Change
Interest income		3,040	3,730	(18.5)%
Interest expenses		(853)	(1,235)	(31.0)%
Net interest income	**[2]**	**2,187**	**2,495**	**(12.3)%**
Net provisioning for impairment losses	[3]	(503)	(795)	(36.7)%
Net interest income after provisioning		**1,684**	**1,700**	**(0.9)%**
Fee and commission income		1,462	1,467	(0.3)%
Fee and commission expense		(365)	(338)	8.1%
Net fee and commission income	**[4]**	**1,097**	**1,129**	**(2.8)%**
Net trading income	[5]	136	(12)	–
Net income from derivatives and liabilities	[6]	(133)	11	–
Net income from financial investments	[7]	166	68	141.8%
General administrative expenses	[8]	(2,100)	(2,101)	(0.1)%
Other net operating income	[9]	(107)	(94)	13.9%
Net income from disposal of group assets	[10]	2	7	(67.7)%
Profit/loss before tax		**746**	**708**	**5.3%**
Income taxes	[11]	(266)	(193)	38.2%
Profit/loss after tax		**480**	**516**	**(6.9)%**
Profit attributable to non-controlling interests		(86)	(54)	59.1%
Consolidated profit/loss		**394**	**461**	**(14.7)%**

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

Earnings per share

in €	1/1-30/9/2016	1/1-30/9/2015[1]	Change
Earnings per share	1.35	1.58	(0.23)

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

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

Other comprehensive income and total comprehensive income

in € million	Total		Group equity		Non-controlling interests	
	1/1-30/9 2016	1/1-30/9 2015[1]	1/1-30/9 2016	1/1-30/9 2015[1]	1/1-30/9 2016	1/1-30/9 2015[1]
Profit/loss after tax	**480**	**516**	**394**	**461**	**86**	**54**
Items which are not reclassified to profit and loss	**(5)**	**0**	**(5)**	**0**	**0**	**0**
Remeasurements of defined benefit plans	(6)	0	(6)	0	0	0
Deferred taxes on items which are not reclassified to profit and loss	2	0	2	0	0	0
Items that may be reclassified subsequently to profit or loss	**77**	**(38)**	**92**	**(27)**	**(15)**	**(11)**
Exchange differences	156	(68)	166	(58)	(10)	(10)
Capital hedge	(27)	65	(27)	65	0	0
Net gains (losses) on derivatives hedging fluctuating cash flows	2	(12)	3	(12)	0	0
Net gains (losses) on financial assets available-for-sale	(65)	(2)	(59)	(1)	(6)	(1)
Deferred taxes on income and expenses directly recognized in equity	11	(21)	9	(21)	2	0
Other comprehensive income	**73**	**(38)**	**87**	**(27)**	**(15)**	**(11)**
Total comprehensive income	**552**	**478**	**481**	**434**	**71**	**43**

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

The development of exchange differences was driven particularly by the appreciation of the Russian rouble by 14 per cent with a positive effect of € 191 million whereas the devaluation of the Ukrainian hryvnia by 9 per cent caused a reduction of € 20 million, the devaluation of the Belarusian rouble by 6 per cent caused a reduction of € 19 million and the devaluation of the Polish zloty by 1 per cent caused a reduction of € 20 million. In the comparable period of the previous year a negative effect of € 68 million was primarily caused by the depreciation of the Belarusian rouble and the Ukrainian hryvnia.

There was a negative result from a capital hedge of € 27 million, in particular caused by the appreciation of the Russian rouble.

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

Quarterly results

in € million	Q4/2015	Q1/2016	Q2/2016	Q3/2016
Net interest income	832	718	738	732
Net provisioning for impairment losses	(469)	(106)	(297)	(100)
Net interest income after provisioning	**363**	**612**	**440**	**632**
Net fee and commission income	390	347	372	378
Net trading income	29	28	56	52
Net income from derivatives and liabilities	(15)	(27)	(34)	(71)
Net income from financial investments	0	26	145	(6)
General administrative expenses	(813)	(718)	(694)	(687)
Other net operating income	15	(41)	(61)	(6)
Net income from disposal of group assets	34	2	(3)	4
Profit/loss before tax	**3**	**229**	**221**	**296**
Income taxes	(83)	(91)	(91)	(84)
Profit/loss after tax	**(81)**	**138**	**130**	**212**
Profit attributable to non-controlling interests	(2)	(24)	(34)	(28)
Consolidated profit/loss	**(83)**	**114**	**96**	**184**

in € million	Q4/2014	Q1/2015	Q2/2015[1]	Q3/2015[1]
Net interest income	895	820	861	814
Net provisioning for impairment losses	(667)	(260)	(343)	(191)
Net interest income after provisioning	**228**	**560**	**518**	**623**
Net fee and commission income	417	360	385	384
Net trading income	(68)	(62)	64	(14)
Net income from derivatives and liabilities	28	20	(29)	20
Net income from financial investments	(39)	64	(3)	7
General administrative expenses	(728)	(691)	(697)	(713)
Other net operating income	(445)	(63)	33	(64)
Net income from disposal of group assets	0	1	(3)	10
Profit/loss before tax	**(607)**	**188**	**267**	**253**
Income taxes	(239)	(88)	(53)	(52)
Profit/loss after tax	**(846)**	**100**	**214**	**202**
Profit attributable to non-controlling interests	4	(17)	(22)	(16)
Consolidated profit/loss	**(842)**	**83**	**192**	**186**

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

Statement of financial position

Assets in € million	Notes	30/9/2016	31/12/2015	Change
Cash reserve	[13]	10,279	13,212	(22.2)%
Loans and advances to banks	[14, 41]	12,692	10,837	17.1%
Loans and advances to customers	[15, 41]	69,791	69,921	(0.2)%
Impairment losses on loans and advances	[16]	(5,225)	(6,055)	(13.7)%
Trading assets	[17, 41]	5,239	5,814	(9.9)%
Derivatives	[18, 41]	1,581	1,574	0.5%
Financial investments	[19, 41]	15,040	15,244	(1.3)%
Intangible fixed assets	[20]	574	621	(7.5)%
Tangible fixed assets	[21]	1,393	1,473	(5.4)%
Other assets	[22, 41]	2,474	1,786	38.5%
Total assets		**113,838**	**114,427**	**(0.5)%**

Equity and liabilities in € million	Notes	30/9/2016	31/12/2015	Change
Deposits from banks	[23, 41]	14,541	16,369	(11.2)%
Deposits from customers	[24, 41]	70,454	68,991	2.1%
Debt securities issued	[25, 41]	6,917	7,502	(7.8)%
Provisions for liabilities and charges	[26, 41]	781	814	(4.1)%
Trading liabilities	[27, 41]	5,277	5,092	3.6%
Derivatives	[28, 41]	720	984	(26.8)%
Other liabilities	[29, 41]	1,929	2,010	(4.0)%
Subordinated capital	[30, 41]	4,198	4,164	0.8%
Equity	[31]	9,022	8,501	6.1%
Consolidated equity		8,084	7,588	6.5%
Consolidated profit/loss		394	379	3.9%
Non-controlling interests		543	535	1.6%
Total equity and liabilities		**113,838**	**114,427**	**(0.5)%**

Statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Total
Equity as at 1/1/2016	**892**	**4,994**	**1,702**	**379**	**535**	**8,501**
Capital increases/decreases	0	0	0	0	0	0
Transferred to retained earnings	0	0	379	(379)	0	0
Dividend payments	0	0	0	0	(40)	(40)
Total comprehensive income	0	0	87	394	71	552
Own shares/share incentive program	0	0	0	0	0	0
Other changes	0	0	31	0	(22)	8
Equity as at 30/9/2016	**892**	**4,994**	**2,199**	**394**	**543**	**9,022**

in € million	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Total
Equity as at 1/1/2015[1]	**892**	**4,991**	**2,417**	**(617)**	**495**	**8,178**
Capital increases/decreases	0	0	0	0	0	0
Transferred to retained earnings	0	0	(617)	617	0	0
Dividend payments	0	0	0	0	(51)	(51)
Total comprehensive income	0	0	(27)	461	43	478
Own shares/share incentive program	0	0	0	0	0	0
Other changes	0	2	(26)	0	2	(22)
Equity as at 30/9/2015	**892**	**4,994**	**1,747**	**461**	**489**	**8,582**

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

Statement of cash flows

in € million	1/1-30/9/2016	1/1-30/9/2015[1]
Cash and cash equivalents at the end of previous period[2]	**13,483**	**6,769**
Cash and cash equivalents from disposal of subsidiaries	(152)	0
Net cash from operating activities	(2,757)	2,371
Net cash from investing activities	(336)	1,696
Net cash from financing activities	(138)	(88)
Effect of exchange rate changes	180	(37)
Cash and cash equivalents at the end of period	**10,279**	**10,710**

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

Segment reporting

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

This results in the following segments:

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

1/1-30/9/2016 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates	Group Markets
Net interest income	470	555	637	223	45
Net fee and commission income	283	291	278	42	83
Net trading income	18	44	48	6	87
Recurring other net operating income	(4)	14	(5)	1	7
Operating income	**767**	**904**	**958**	**273**	**222**
General administrative expenses	(465)	(495)	(357)	(115)	(158)
Operating result	**303**	**409**	**601**	**158**	**64**
Net provisioning for impairment losses	(31)	(97)	(93)	(56)	(27)
Other results	34	(3)	13	(1)	12
Profit/loss before tax	**305**	**308**	**522**	**101**	**49**
Income taxes	(55)	(47)	(109)	(24)	(11)
Profit/loss after tax	**250**	**262**	**413**	**77**	**38**
Profit attributable to non-controlling interests	(45)	0	(36)	(1)	0
Profit/loss after deduction of non-controlling interests	**205**	**262**	**377**	**75**	**38**
Risk-weighted assets (credit risk)	11,466	11,832	9,199	8,278	1,651
Risk-weighted assets (total RWA)	13,728	14,253	11,483	8,922	3,249
Total capital requirement	1,098	1,140	919	714	260
Assets	29,054	22,182	14,589	14,822	14,027
Liabilities	26,549	19,171	12,353	11,735	15,652
Net interest margin (average interest-bearing assets)	2.32%	3.57%	6.60%	2.08%	0.56%
NPL ratio	6.7%	11.2%	16.4%	5.0%	2.3%
NPL coverage ratio	70.9%	74.5%	83.7%	61.1%	38.6%
Cost/income ratio	60.6%	54.8%	37.3%	42.1%	71.2%
Provisioning ratio (average loans and advances to customers)	0.21%	0.98%	1.23%	0.53%	1.45%
Average equity	1,815	1,913	1,575	1,143	514
Return on equity before tax	**22.4%**	**21.5%**	**44.2%**	**11.7%**	**12.7%**
Business outlets	412	1,037	808	1	5

1/1-30/9/2016 in € million	Corporate Center	Non-Core	Reconciliation	Total
Net interest income	338	254	(335)	2,187
Net fee and commission income	22	119	(22)	1,097
Net trading income	(28)	1	(41)	136
Recurring other net operating income	86	7	(57)	49
Operating income	**419**	**381**	**(454)**	**3,470**
General administrative expenses	(246)	(321)	57	(2,100)
Operating result	**173**	**60**	**(397)**	**1,370**
Net provisioning for impairment losses	(8)	(187)	(3)	(503)
Other results	(164)	(8)	(5)	(122)
Profit/loss before tax	**0**	**(135)**	**(405)**	**746**
Income taxes	13	(33)	0	(266)
Profit/loss after tax	**14**	**(167)**	**(405)**	**480**
Profit attributable to non-controlling interests	(3)	0	(1)	(86)
Profit/loss after deduction of non-controlling interests	**10**	**(167)**	**(405)**	**394**
Risk-weighted assets (credit risk)	12,506	7,779	(12,180)	50,530
Risk-weighted assets (total RWA)	14,136	9,272	(12,966)	62,078
Total capital requirement	1,131	742	(1,037)	4,966
Assets	22,249	16,130	(19,214)	113,838
Liabilities	17,861	14,125	(12,629)	104,817
Net interest margin (average interest-bearing assets)	–	2.10%	–	2.76%
NPL ratio	–	16.5%	–	10.2%
NPL coverage ratio	–	68.3%	–	72.0%
Cost/income ratio	58.7%	84.2%	–	60.5%
Provisioning ratio (average loans and advances to customers)	0.38%	2.21%	–	0.93%
Average equity	2,016	1,402	(1,847)	8,532
Return on equity before tax	**3.4%**	**–**	**–**	**11.7%**
Business outlets	0	327	–	2,590

1/1-30/9/2015 in € million	Central Europe	Southeastern Europe	Eastern Europe[1]	Group Corporates	Group Markets
Net interest income	494	592	729	245	60
Net fee and commission income	290	282	294	55	91
Net trading income	22	36	22	1	50
Recurring other net operating income	(19)	12	(9)	1	9
Operating income	**787**	**921**	**1,037**	**301**	**210**
General administrative expenses	(450)	(491)	(408)	(96)	(159)
Operating result	**337**	**431**	**629**	**206**	**51**
Net provisioning for impairment losses	(90)	(125)	(320)	(107)	0
Other results	9	(84)	82	(11)	(10)
Profit/loss before tax	**256**	**222**	**392**	**87**	**42**
Income taxes	(55)	(24)	(91)	(22)	(10)
Profit/loss after tax	**201**	**198**	**300**	**66**	**32**
Profit attributable to non-controlling interests	(43)	(1)	(8)	(1)	0
Profit/loss after deduction of non-controlling interests	**157**	**197**	**293**	**65**	**32**
Risk-weighted assets (credit risk)	11,819	12,028	11,257	7,623	2,393
Risk-weighted assets (total RWA)	13,951	14,523	13,194	8,445	4,370
Total capital requirement	1,116	1,162	1,056	676	350
Assets	26,179	21,817	16,005	14,162	14,690
Liabilities	23,801	18,863	14,177	10,360	17,110
Net interest margin (average interest-bearing assets)	2.73%	3.91%	6.13%	2.02%	0.80%
NPL ratio	8.1%	13.0%	18.2%	9.3%	14.4%
NPL coverage ratio	72.5%	67.8%	84.4%	53.7%	75.1%
Cost/income ratio	57.2%	53.3%	39.3%	31.7%	75.5%
Provisioning ratio (average loans and advances to customers)	0.64%	1.26%	3.48%	0.93%	0.01%
Average equity	1,705	1,722	1,673	1,096	562
Return on equity before tax	**20.0%**	**17.2%**	**31.2%**	**10.6%**	**9.9%**
Business outlets	386	1,072	912	1	4

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

1/1-30/9/2015 in € million	Corporate Center	Non-Core[1]	Reconciliation	Total[1]
Net interest income	786	302	(713)	2,495
Net fee and commission income	12	128	(23)	1,129
Net trading income	(132)	3	(14)	(12)
Recurring other net operating income	110	14	(69)	49
Operating income	**775**	**447**	**(819)**	**3,660**
General administrative expenses	(257)	(310)	69	(2,101)
Operating result	**518**	**137**	**(750)**	**1,559**
Net provisioning for impairment losses	(9)	(148)	4	(795)
Other results	(37)	(2)	(4)	(56)
Profit/loss before tax	**472**	**(13)**	**(749)**	**708**
Income taxes	25	(16)	0	(193)
Profit/loss after tax	**497**	**(28)**	**(749)**	**516**
Profit attributable to non-controlling interests	(15)	0	13	(54)
Profit/loss after deduction of non-controlling interests	**482**	**(28)**	**(736)**	**461**
Risk-weighted assets (credit risk)	15,007	10,271	(15,083)	55,316
Risk-weighted assets (total RWA)	16,378	11,946	(15,610)	67,195
Total capital requirement	1,310	956	(1,249)	5,376
Assets	27,557	20,001	(23,214)	117,197
Liabilities	22,374	17,816	(15,887)	108,615
Net interest margin (average interest-bearing assets)	–	2.05%	–	2.99%
NPL ratio	–	14.8%	–	12.2%
NPL coverage ratio	–	57.6%	–	66.8%
Cost/income ratio	33.2%	69.3%	–	57.4%
Provisioning ratio (average loans and advances to customers)	–	1.38%	–	1.35%
Average equity	2,071	1,481	(1,994)	8,317
Return on equity before tax	**30.4%**	**–**	**–**	**11.4%**
Business outlets	0	379	–	2,754

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

Notes

Principles underlying the consolidated financial statements

Principles of preparation

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

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

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

The interim report as at 30 September 2016 did not undergo either a complete audit or a review by the certified auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna.

Critical accounting judgements and key sources of estimation uncertainty

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

Application of new and revised standards

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

Standards and interpretations not yet applicable

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

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

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

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

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

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

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

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

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

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

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

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

Currencies

Rates in units per €	2016 As at 30/9	2016 Average 1/1-30/9	2015 As at 31/12	2015 Average 1/1-30/9
Albanian lek (ALL)	137.100	137.731	137.280	140.107
Belarusian rouble (BYN)	2.158	2.216	2.030	1.699
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)	7.522	7.547	7.638	7.622
Czech koruna (CZK)	27.021	27.043	27.023	27.383
Hungarian forint (HUF)	309.790	312.911	315.980	309.312
Kazakh tenge (KZT)	376.958	381.899	371.310	223.337
Malaysian Ringgit (MYR)	4.615	4.539	4.696	4.245
Polish zloty (PLN)	4.319	4.357	4.264	4.168
Romanian leu (RON)	4.454	4.489	4.524	4.436
Russian rouble (RUB)	70.514	75.841	80.674	67.633
Serbian dinar (RSD)	123.350	122.916	121.626	120.649
Singapore dollar (SGD)	1.524	1.527	1.542	1.529
Swiss franc (CHF)	1.088	1.094	1.084	1.071
Ukrainian hryvnia (UAH)	28.900	28.308	26.223	23.568
US-Dollar (USD)	1.116	1.111	1.089	1.122

Consolidated group

Number of units	Fully consolidated 30/9/2016	Fully consolidated 31/12/2015	Equity method 30/9/2016	Equity method 31/12/2015
As at beginning of period	**120**	**135**	**0**	**0**
Included for the first time in the financial period	3	15	0	0
Merged in the financial period	0	(2)	0	0
Excluded in the financial period	(12)	(28)	0	0
As at end of period	**111**	**120**	**0**	**0**

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

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

Notes to the income statement

(1) Income statement according to measurement categories

in € million	1/1-30/9/2016	1/1-30/9/2015[1]
Net income from financial assets and liabilities held-for-trading	224	99
Net income from financial assets and liabilities at fair value through profit or loss	42	327
Net income from financial assets available-for-sale	161	16
Net income from loans and advances	2,100	2,391
Net income from financial assets held-to-maturity	110	115
Net income from financial liabilities measured at acquisition cost	(853)	(1,236)
Net income from derivatives (hedging)	115	150
Net revaluations from exchange differences	(43)	0
Sundry operating income and expenses	(1,109)	(1,155)
Profit/loss before tax	**746**	**708**

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

(2) Net interest income

in € million	1/1-30/9/2016	1/1-30/9/2015[1]
Interest and interest-like income, total	**3,040**	**3,730**
Interest income	3,011	3,694
from balances at central banks	17	28
from loans and advances to banks	106	134
from loans and advances to customers	2,358	2,788
from financial investments	207	239
from leasing claims	118	130
from derivative financial instruments - economic hedge	84	224
from derivative financial instruments - hedge accounting	120	152
Current income	25	25
from shares and other variable-yield securities	0	3
from shares in affiliated companies	22	16
from other interests	3	6
Interest-like income	11	14
Negative interest from financial assets	(7)	(3)
Interest expenses and interest-like expenses, total	**(853)**	**(1,235)**
Interest expenses	(836)	(1,183)
on deposits from central banks	(12)	(49)
on deposits from banks	(122)	(149)
on deposits from customers	(465)	(700)
on debt securities issued	(114)	(146)
on subordinated capital	(123)	(140)
Interest-like expenses	(27)	(52)
Negative interest from financial liabilities	10	0
Total	**2,187**	**2,495**

1 Adaptation of previous year figures due to different allocation.

(3) Net provisioning for impairment losses

in € million	1/1-30/9/2016	1/1-30/9/2015[1]
Individual loan loss provisions	**(543)**	**(823)**
Allocation to provisions for impairment losses	(1,162)	(1,288)
Release of provisions for impairment losses	603	500
Direct write-downs	(51)	(113)
Income received on written-down claims	67	78
Portfolio-based loan loss provisions	**32**	**19**
Allocation to provisions for impairment losses	(141)	(184)
Release of provisions for impairment losses	173	202
Gains from loan termination or sale	**7**	**9**
Total	**(503)**	**(795)**

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

(4) Net fee and commission income

in € million	1/1-30/9/2016	1/1-30/9/2015
Payment transfer business	475	470
Loan and guarantee business	124	150
Securities business	99	104
Foreign currency, notes/coins, and precious metals business	286	285
Management of investment and pension funds	28	33
Sale of own and third party products	46	36
Other banking services	39	50
Total	**1,097**	**1,129**

(5) Net trading income

in € million	1/1-30/9/2016	1/1-30/9/2015[1]
Interest-based transactions	93	41
Currency-based transactions	72	(65)
Equity-/index-based transactions	(25)	11
Credit derivatives business	(3)	0
Other transactions	0	1
Total	**136**	**(12)**

1 Adaptation of previous year figures due to different allocation.

In the previous year's period the item currency-based transactions included a valuation loss from a hedging transaction related to Russian rouble-denominated dividend income amounting to € 70 million. The refinancing expenses for trading assets that are included in net trading income amounted to € 18 million (comparable period: € 17 million).

(6) Income from derivatives and liabilities

in € million	1/1-30/9/2016	1/1-30/9/2015
Net income from hedge accounting	(6)	(3)
Net income from other derivatives	(39)	(112)
Net income from liabilities designated at fair value	(88)	126
Income from repurchase of liabilities	0	(1)
Total	**(133)**	**11**

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

Net income from liabilities designated at fair value comprises a loss from changes in own credit risk amounting to € 60 million (comparable period: profit of € 20 million) and a loss from changes in market interest rates totaling € 28 million (comparable period: profit of € 106 million).

(7) Net income from financial investments

in € million	1/1-30/9/2016	1/1-30/9/2015
Net income from securities held-to-maturity	**13**	**1**
Net proceeds from sales of securities	13	1
Net income from equity participations	**136**	**(7)**
Net valuations of equity participations	(6)	(8)
Net proceeds from sales of equity participations	143	1
Net income from securities at fair value through profit and loss	**19**	**73**
Net valuations of securities	21	75
Net proceeds from sales of securities	(2)	(2)
Net income from available-for-sale securities	**(3)**	**1**
Total	**166**	**68**

Net proceeds from sales of equity participations increased by € 142 million compared to the same period of the previous year. This was primarily due to the sale of Visa Europe Ltd. shares to Visa Inc. in June 2016, which resulted in income of € 132 million. The € 80 million valuation result that had been recognized in other comprehensive income at year-end 2015 was transferred to the income statement in the reporting period.

The valuation result from securities in the same period of the previous year was mainly attributable to higher valuation gains from government bonds in Ukraine (relates to US dollar-linked securities).

(8) General administrative expenses

in € million	1/1-30/9/2016	1/1-30/9/2015
Staff expenses	(1,048)	(1,008)
Other administrative expenses	(815)	(860)
hereof operating other administrative expenses	(692)	(728)
hereof regulatory other administrative expenses	(123)	(132)
Depreciation of tangible and intangible fixed assets	(237)	(233)
Total	**(2,100)**	**(2,101)**

Staff expenses

in € million	1/1-30/9/2016	1/1-30/9/2015
Wages and salaries	(807)	(776)
Social security costs and staff-related taxes	(188)	(190)
Other voluntary social expenses	(28)	(27)
Sundry staff expenses	(24)	(14)
Total	**(1,048)**	**(1,008)**

Other administrative expenses

in € million	1/1-30/9/2016	1/1-30/9/2015
Office space expenses	(183)	(204)
IT expenses	(197)	(189)
Communication expenses	(51)	(52)
Legal, advisory and consulting expenses	(61)	(77)
Advertising, PR and promotional expenses	(64)	(65)
Office supplies	(16)	(18)
Car expenses	(11)	(13)
Security expenses	(26)	(26)
Traveling expenses	(11)	(11)
Training expenses for staff	(9)	(9)
Sundry administrative expenses	(62)	(64)
Operating other administrative expenses	**(692)**	**(728)**
Deposit insurance fees	(71)	(82)
Resolution fund	(51)	(49)
Regulatory other administrative expenses	**(123)**	**(132)**
Total	**(815)**	**(860)**

Depreciation of tangible and intangible fixed assets

in € million	1/1-30/9/2016	1/1-30/9/2015
Tangible fixed assets	(83)	(103)
Intangible fixed assets	(131)	(108)
Leased assets (operating lease)	(23)	(22)
Total	**(237)**	**(233)**

The increase in depreciation of intangible fixed assets resulted from a € 26 million impairment of the Polbank brand.

(9) Other net operating income

in € million	1/1-30/9/2016	1/1-30/9/2015[1]
Net income arising from non-banking activities	21	21
Rental income from operating lease (vehicles and equipment)	24	23
Rental income from investment property incl. operating lease (real estate)	31	35
Net proceeds from disposal of tangible and intangible fixed assets	4	6
Other taxes[2]	(56)	(60)
Net expense from allocation and release of other provisions	(11)	(1)
Sundry operating income and expenses	35	24
Recurring other net operating income	**49**	**49**
Impairment of goodwill	0	(3)
Bank levies	(115)	(93)
Profit/loss from banking business due to governmental measures	(41)	(46)
Total	**(107)**	**(94)**

1 Restated in accordance with IAS 8.41. Details are available in the 2015 Annual Report.
2 Adaptation of previous year figures due to different allocation.

The "Walkaway Law" came into force in Romania in the second quarter of 2016. The expected take-up rate resulted in a charge to profit/loss from banking business due to governmental measures of € 39 million. In the previous year's period a provision in connection with the implementation of the "Settlement Act" in Hungary of € 38 million was released and a total of € 75 million was allocated to provisions in connection with the mandatory conversion of loans denominated in Swiss francs at the historical rates at the time of lending in Croatia.

(10) Net income from disposal of group assets

In the reporting period, nine subsidiaries were excluded from the consolidated group due to immateriality. Moreover, three subsidiaries were excluded due to sale. Net income from disposal of group assets amounted to € 2 million.

Income from disposal of group assets breaks down as follows:

in € million	RBSI	Others	Total
Assets	545	133	678
Liabilities	492	103	595
Total identifiable net assets	**53**	**29**	**83**
Non-controlling interests	0	4	4
Net assets after non-controlling interests	**53**	**25**	**78**
Selling price/carrying amount	1	27	27
Effect from deconsolidations	**(53)**	**1**	**(51)**
Usage of provision for assets held for sale	52	0	52
Fair value reserve reclassified to income statement	1	0	1
FX reserve reclassified to income statement	(4)	4	1
Net income from disposal of group assets	**(3)**	**6**	**2**

RBSI: Raiffeisen Banka d.d., Maribor

(11) Income taxes

in € million	1/1-30/9/2016	1/1-30/9/2015[1]
Current income taxes	(181)	(141)
Austria	(22)	(17)
Foreign	(160)	(124)
Deferred taxes	(85)	(51)
Total	**(266)**	**(193)**

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

Deferred taxes increased due to the utilization of loss carryforwards in Poland and Croatia.

Notes to the statement of financial position

(12) Statement of financial position according to measurement categories

Assets according to measurement categories in € million	30/9/2016	31/12/2015
Cash reserve	10,279	13,212
Trading assets	6,047	6,678
Financial assets at fair value through profit or loss	3,994	5,363
Financial assets available-for-sale	4,105	3,428
Loans and advances	78,091	75,646
Financial assets held-to-maturity	6,942	6,452
Derivatives (hedging)	773	709
Other assets	3,608	2,937
Total assets	**113,838**	**114,427**

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

Equity and liabilities according to measurement categories in € million	30/9/2016	31/12/2015
Trading liabilities	5,581	5,641
Financial liabilities	96,588	97,809
Liabilities at fair value through profit and loss	1,451	1,227
Derivatives (hedging)	416	435
Provisions for liabilities and charges	781	814
Equity	9,022	8,501
Total equity and liabilities	**113,838**	**114,427**

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

(13) Cash reserve

in € million	30/9/2016	31/12/2015
Cash in hand	2,524	2,495
Balances at central banks	7,756	10,717
Total	**10,279**	**13,212**

(14) Loans and advances to banks

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

in € million	30/9/2016	31/12/2015
Austria	3,302	3,384
Foreign	9,390	7,453
Total	**12,692**	**10,837**

(15) Loans and advances to customers

in € million	30/9/2016	31/12/2015
Credit business	43,636	44,551
Money market business	4,900	2,963
Mortgage loans	17,227	16,815
Purchased loans	1,718	1,775
Leasing claims	1,809	3,170
Claims evidenced by paper	500	647
Total	**69,791**	**69,921**

The reduction in leasing claims is due to the reclassification of the Polish leasing company to assets held for sale in the third quarter, as the requirements for application of IFRS 5 were met due to the advanced status of the sale process.

in € million	30/9/2016	31/12/2015
Sovereigns	668	814
Corporate customers – large corporates	41,482	41,685
Corporate customers – mid market	2,623	2,787
Retail customers – private individuals	22,815	21,878
Retail customers – small and medium-sized entities	2,203	2,757
Total	**69,791**	**69,921**

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

in € million	30/9/2016	31/12/2015
Austria	5,243	5,297
Foreign	64,548	64,624
Total	**69,791**	**69,921**

(16) Impairment losses on loans and advances

in € million	30/9/2016	31/12/2015
Banks	74	120
Sovereigns	4	5
Corporate customers – large corporates	3,144	3,778
Corporate customers – mid market	234	289
Retail customers – private individuals	1,514	1,584
Retail customers – small and medium-sized entities	253	278
Total	**5,225**	**6,055**

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

(17) Trading assets

in € million	30/9/2016	31/12/2015
Bonds, notes and other fixed-interest securities	2,135	2,778
Shares and other variable-yield securities	153	203
Positive fair values of derivative financial instruments	2,951	2,833
Total	**5,239**	**5,814**

Pledged securities which the transferee is entitled to sell or repledge shown under trading assets amounted to € 73 million (31/12/2015: € 1,080 million).

(18) Derivatives

in € million	30/9/2016	31/12/2015
Positive fair values of derivatives in fair value hedges (IAS 39)	770	692
Positive fair values of derivatives in cash flow hedges (IAS 39)	2	1
Positive fair values of derivatives in net investment hedge (IAS 39)	0	17
Positive fair values of other derivatives	808	864
Total	**1,581**	**1,574**

(19) Financial investments

in € million	30/9/2016	31/12/2015
Bonds, notes and other fixed-interest securities	14,676	14,915
Shares and other variable-yield securities	6	6
Equity participations	358	322
Total	**15,040**	**15,244**

Pledged securities which the transferee is entitled to sell or repledge shown under financial investments amounted to € 631 million (31/12/2015: € 260 million).

(20) Intangible fixed assets

in € million	30/9/2016	31/12/2015
Software	503	531
Goodwill	42	40
Other intangible fixed assets	29	50
Total	**574**	**621**

The decline in other intangible fixed assets is attributable to a € 26 million impairment of the Polbank brand.

(21) Tangible fixed assets

in € million	30/9/2016	31/12/2015
Land and buildings used by the Group for own purpose	491	487
Other land and buildings (investment property)	451	471
Office furniture, equipment and other tangible fixed assets	219	231
Leased assets (operating lease)	233	285
Total	**1,393**	**1,473**

(22) Other assets

in € million	30/9/2016	31/12/2015
Tax assets	149	323
Current tax assets	49	59
Deferred tax assets	100	263
Receivables arising from non-banking activities	56	64
Prepayments and other deferrals	121	132
Clearing claims from securities and payment transfer business	303	134
Lease in progress	37	44
Assets held for sale (IFRS 5)	1,568	774
Inventories	73	69
Valuation fair value hedge portfolio	43	24
Any other business	124	223
Total	**2,474**	**1,786**

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

Application of IFRS 5

Due to the advanced status of the sales process with PKO Leasing S.A., Warsaw, the application criteria pursuant to IFRS 5 were met. Consequently, the companies belonging to Raiffeisen-Leasing Polska S.A., Warsaw (RLPL Group) were recognized as a disposal group in the consolidated financial statements of Raiffeisen Bank International at 30 September 2016 and reported in the balance sheet items other assets/other liabilities. According to the IFRS 5 disclosure requirements, balance sheet items (assets and liabilities) from prior periods are neither reclassified nor recognized differently. As the sales do not meet any of the criteria specified in IFRS 5.32, these are not classified as "discontinued operations". At consolidated level, the disposal groups were measured in accordance with IFRS 5 at the lower of carrying amount and fair value less disposal costs. The expected sales price for the RLPL Group is higher than the equity, which amounted to € 165 million at 30 September 2015. Other comprehensive income includes cumulative expenses of € 8 million, attributable to negative currency translation differences.

30/9/2016 in € million	RLPL Group	Others	Total
Cash reserve	0	0	0
Loans and advances to banks	31	0	31
Loans and advances to customers	1,408	0	1,408
Impairment losses on loans and advances	(64)	0	(64)
Financial investments	0	0	0
Intangible fixed assets	3	0	3
Tangible fixed assets	36	0	36
Other assets	132	21	153
External assets held	**1,546**	**21**	**1,568**
Intra-group assets	40	0	40
Total	**1,586**	**21**	**1,608**

30/9/2016 in € million	RLPL Group	Others	Total
Deposits from banks	436	0	436
Deposits from customers	9	0	9
Provisions for liabilities and charges	4	0	4
Other liabilities	328	0	328
External liabilities held	**778**	**0**	**778**
Intra-group liabilities	643	0	643
Total	**1,421**	**0**	**1,421**

RLPL: Raiffeisen-Leasing Polska S.A., Warsaw

The same period in the previous year included the disposal groups of ZUNO BANK AG, Vienna, and of Raiffeisen Bank d.d., Maribor. ZUNO BANK AG, Vienna, was reclassified again as the sales process was unsuccessful. Therefore a sale within a one-year period is not likely. Raiffeisen Bank d.d., Maribor was sold as at 30 June 2016.

31/12/2015 in € million	ZUNO	RBSI	Others	Total
Cash reserve	57	214	0	271
Loans and advances to banks	0	12	0	12
Loans and advances to customers	75	340	0	415
Impairment losses on loans and advances	(5)	(62)	0	(67)
Financial investments	3	108	0	111
Intangible fixed assets	4	0	0	4
Tangible fixed assets	1	0	0	1
Other assets	1	2	24	28
External assets held	**136**	**614**	**24**	**774**
Intra-group assets	662	35	0	697
Total	**798**	**649**	**24**	**1,447**

31/12/2015 in € million	ZUNO	RBSI	Others	Total
Deposits from banks	0	70	0	70
Deposits from customers	773	436	0	1,209
Provisions for liabilities and charges	2	3	0	5
Other liabilities	4	6	0	10
External liabilities held	**779**	**515**	**0**	**1,294**
Intra-group liabilities	20	134	0	153
Total	**798**	**649**	**0**	**1,447**

ZUNO: ZUNO BANK AG, Vienna
RBSI: Raiffeisen Banka d.d., Maribor

(23) Deposits from banks

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

in € million	30/9/2016	31/12/2015
Austria	5,356	6,004
Foreign	9,185	10,366
Total	**14,541**	**16,369**

(24) Deposits from customers

in € million	30/9/2016	31/12/2015
Sight deposits	41,918	37,488
Time deposits	25,066	28,409
Savings deposits	3,469	3,094
Total	**70,454**	**68,991**

in € million	30/9/2016	31/12/2015
Sovereigns	1,444	1,713
Corporate customers – large corporates	29,285	30,644
Corporate customers – mid market	3,006	2,990
Retail customers – private individuals	31,097	28,548
Retail customers – small and medium-sized entities	5,621	5,096
Total	**70,454**	**68,991**

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

in € million	30/9/2016	31/12/2015
Austria	6,874	7,743
Foreign	63,579	61,248
Total	**70,454**	**68,991**

(25) Debt securities issued

in € million	30/9/2016	31/12/2015
Bonds and notes issued	6,811	7,402
Money market instruments issued	103	94
Other debt securities issued	3	5
Total	**6,917**	**7,502**

(26) Provisions for liabilities and charges

in € million	30/9/2016	31/12/2015
Severance payments and other	97	90
Retirement benefits	35	30
Taxes	165	136
Current	91	78
Deferred	74	57
Contingent liabilities and commitments	125	99
Pending legal issues	81	81
Overdue vacation	52	47
Bonus payments	127	130
Restructuring	15	15
Provisions for banking business due to governmental measures	26	115
Other	56	72
Total	**781**	**814**

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

The decline of provisions for banking business due to governmental measures is due to the € 39 million charge for the "Walkaway Law" in Romania and the usage of the provision for the law in Croatia to enforce the conversion of loans denominated in Swiss francs at the historical rates at the time of lending.

Significant outstanding litigation is detailed in the 2015 Annual Report.

(27) Trading liabilities

in € million	30/9/2016	31/12/2015
Negative fair values of derivative financial instruments	**4,036**	**3,943**
Interest-based transactions	2,244	2,005
Currency-based transactions	462	784
Equity-/index-based transactions	1,222	1,024
Credit derivatives business	1	2
Other transactions	108	128
Short-selling of trading assets	**496**	**453**
Certificates issued	**745**	**695**
Total	**5,277**	**5,092**

(28) Derivatives

in € million	30/9/2016	31/12/2015
Negative fair values of derivatives in fair value hedges (IAS 39)	169	195
Negative fair values of derivatives in cash flow hedges (IAS 39)	231	240
Negative fair values of derivatives in net investment hedge (IAS 39)	16	0
Negative fair values of other derivative financial instruments	304	549
Total	**720**	**984**

(29) Other liabilities

in € million	30/9/2016	31/12/2015
Liabilities from non-banking activities	58	75
Accruals and deferred items	197	215
Liabilities from dividends	1	1
Clearing claims from securities and payment transfer business	616	168
Valuation fair value hedge portfolio	95	64
Liabilities held for sale (IFRS 5)	778	1,294
Other liabilities	185	193
Total	**1,929**	**2,010**

Due to the advanced status of the sales process, the requirements for application of IFRS 5 were met and the Polish leasing company was reclassified in the third quarter to the item liabilities held for sale.

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

(30) Subordinated capital

in € million	30/9/2016	31/12/2015
Hybrid tier 1 capital	397	397
Subordinated liabilities and supplementary capital	3,801	3,768
Total	**4,198**	**4,164**

(31) Equity

in € million	30/9/2016	31/12/2015
Consolidated equity	8,084	7,588
Subscribed capital	892	892
Capital reserves	4,994	4,994
Retained earnings	2,199	1,702
Consolidated profit/loss	394	379
Non-controlling interests	543	535
Total	**9,022**	**8,501**

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

(32) Transferred assets

The following table shows the carrying amount of transferred assets:

30/9/2016	Transferred assets			Associated liabilities		
in € million	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Loans and advances	604	320	284	714	261	453
Trading assets	35	0	35	37	0	37
Financial investments	38	0	38	37	0	37
Total	**677**	**320**	**357**	**788**	**261**	**526**

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

(33) Assets pledged as collateral and received financial assets

Significant limitations regarding the access or use of group assets:

in € million	30/9/2016 Pledged	30/9/2016 Otherwise restricted with liabilities	31/12/2015 Pledged	31/12/2015 Otherwise restricted with liabilities
Loans and advances[1]	8,114	1,483	6,733	1,983
Trading assets[2]	73	64	1,078	56
Financial investments	855	418	573	7
Total	**9,042**	**1,964**	**8,383**	**2,047**

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

The group received collateral which it is permitted to sell or repledge as long as no default occurs in the course of reverse repo transactions, securities lending, derivative or other transactions.

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

in € million	30/9/2016	31/12/2015
Securities and other financial assets accepted as collateral which can be sold or repledged	6,822	1,781
hereof which have been sold or repledged	600	308

(34) Offsetting of financial assets and liabilities

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

30/9/2016	Gross amount		Net amount	Related amounts not set-off in the statement of financial position		Net amount
in € million	of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	Financial instruments	Cash collateral received	
Derivatives (legally enforceable)	5,327	1,209	4,118	2,875	29	1,213
Reverse repurchase, securities lending & similar agreements (legally enforceable)	5,509	0	5,509	5,482	0	27
Other financial instruments (legally enforceable)	257	14	244	0	0	244
Total	**11,093**	**1,223**	**9,870**	**8,357**	**29**	**1,484**

30/9/2016	Gross amount		Net amount	Related amounts not set-off in the statement of financial position		Net amount
in € million	of recognized liabilities set-off in the statement of financial position	of recognized assets set-off in the statement of financial position	of recognized liabilities set-off in the statement of financial position	Financial instruments	Cash collateral pledged	
Derivatives	4,659	1,209	3,450	2,052	172	1,226
Repurchase, securities lending & similar agreements	402	0	402	392	0	11
Other financial instruments	88	14	74	0	0	74
Total	**5,149**	**1,223**	**3,926**	**2,443**	**172**	**1,311**

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

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

(35) Derivatives

30/9/2016	Nominal amount by maturity				Fair values	
in € million	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive	Negative
Interest rate contracts	33,546	60,510	49,486	143,543	3,640	(2,571)
Foreign exchange rate and gold contracts	40,419	9,702	1,858	51,979	818	(855)
Equity/index contracts	1,226	2,157	401	3,785	68	(1,222)
Commodities	115	114	75	304	5	(93)
Credit derivatives	771	122	50	942	1	(1)
Precious metals contracts	16	0	16	32	0	(15)
Total	**76,093**	**72,605**	**51,887**	**200,585**	**4,532**	**(4,757)**

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

(36) Fair value of financial instruments

Fair value of financial instruments reported at fair value

in € million	30/9/2016 Level I	30/9/2016 Level II	30/9/2016 Level III	31/12/2015 Level I	31/12/2015 Level II	31/12/2015 Level III
Trading assets	**2,092**	**3,941**	**14**	**2,764**	**3,890**	**24**
Positive fair values of derivatives[1]	71	3,687	1	64	3,630	2
Shares and other variable-yield securities	153	0	0	203	0	0
Bonds, notes and other fixed-interest securities	1,869	253	13	2,497	259	22
Financial assets at fair value through profit or loss	**1,718**	**2,234**	**42**	**2,225**	**3,072**	**66**
Shares and other variable-yield securities	3	0	1	3	0	1
Bonds, notes and other fixed-interest securities	1,715	2,234	41	2,222	3,072	65
Financial assets available-for-sale	**3,587**	**111**	**76**	**2,930**	**96**	**171**
Other interests[2]	1	27	0	1	0	89
Bonds, notes and other fixed-interest securities	3,586	84	74	2,929	96	79
Shares and other variable-yield securities	0	0	3	0	0	2
Derivatives (hedging)	**0**	**773**	**0**	**0**	**709**	**0**
Positive fair values of derivatives from hedge accounting	0	773	0	0	709	0

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

in € million	30/9/2016 Level I	30/9/2016 Level II	30/9/2016 Level III	31/12/2015 Level I	31/12/2015 Level II	31/12/2015 Level III
Trading liabilities	**582**	**4,992**	**7**	**525**	**5,087**	**29**
Negative fair values of derivative financial instruments[1]	171	4,169	0	162	4,309	22
Short-selling of trading assets	411	85	0	363	90	0
Certificates issued	0	738	7	0	688	7
Liabilities at fair value through profit and loss	**0**	**1,451**	**0**	**0**	**1,227**	**0**
Debt securities issued	0	1,451	0	0	1,227	0
Derivatives (hedging)	**0**	**416**	**0**	**0**	**435**	**0**
Negative fair values of derivatives from hedge accounting	0	416	0	0	435	0

1 Including other derivatives.

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

Movements between Level I and Level II

Compared to year-end, the share of financial assets classified as Level II decreased. The decrease resulted mainly from divestitures from the category "financial assets at fair value through profit and loss". Compared to year-end, Level I assets also decreased. Moreover, there was a slight shift from Level 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 can not be calculated on the basis of observable market data and 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 € million	As at 1/1/2016	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	24	0	0	10	(20)
Financial assets at fair value through profit or loss	66	0	3	4	(39)
Financial assets available-for-sale	171	0	(1)	7	(142)
Derivatives (hedging)	0	0	0	0	(2)

in € million	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 30/9/2016
Trading assets	0	0	0	0	14
Financial assets at fair value through profit or loss	8	0	0	0	42
Financial assets available-for-sale	(2)	44	0	0	76
Derivatives (hedging)	0	2	0	0	0

in € million	As at 1/1/2016	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading liabilities	29	0	0	0	(3)

in € million	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 30/9/2016
Trading liabilities	(1)	0	0	(18)	7

Qualitative information for the valuation of financial instruments in Level III

Financial assets	Type	Fair value in € million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Shares and other variable-yield securities	Closed end real estate fund	0	Net asset value	Haircuts	20 - 50%
Shares and other variable-yield securities	Shares	4	Approximation method	–	n. a.
Other interests	Shares	0	Income approach	Forecasted cash flows	-
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	121	Discounted cash flow method	Credit spread	2 - 20%
Bonds, notes and other fixed-interest securities	Asset backed securities	6	Broker estimate	Probability of default Loss severity Expected prepayment rate	n. a.
Positive fair value of banking book derivatives without hedge accounting	Forward foreign exchange contract	1	Discounted cash flow method	Interest rate	10 - 30%
Total		**132**			

Financial liabilities	Type	Fair value in € million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Negative fair value of banking book derivatives without hedge accounting	OTC options	0	Option model	Closing period Currency risk LT volatility Index category	2 - 16% 0 - 5% 0 - 3% 0 - 5%
Issued certificates for trading purposes	Certificates	7	Option model	Closing period Bid-Ask spread LT volatility Index category	0 - 3% 0 - 3% 0 - 3% 0 - 2.5%
Total		**7**			

Fair value of financial instruments not reported at fair value

30/9/2016 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve	0	10,279	0	10,279	10,279	0
Loans and advances to banks	0	9,291	3,444	12,735	12,617	118
Loans and advances to customers	0	16,998	46,990	63,988	64,641	(653)
Financial investments	5,763	1,400	293	7,456	7,272	184
Liabilities						
Deposits from banks	0	12,629	2,041	14,670	14,541	129
Deposits from customers	0	26,720	43,849	70,569	70,454	116
Debt securities issued	197	3,686	1,660	5,543	5,467	77
Subordinated capital	0	4,093	402	4,495	4,198	297

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

(37) Contingent liabilities and commitments

in € million	30/9/2016	31/12/2015
Contingent liabilities	**9,099**	**9,387**
Acceptances and endorsements	0	26
Credit guarantees	5,090	4,929
Other guarantees	2,732	2,986
Letters of credit (documentary business)	1,070	1,238
Other contingent liabilities	207	208
Commitments	**10,149**	**9,980**
Irrevocable credit lines and stand-by facilities	10,149	9,980
Up to 1 year	2,964	2,894
More than 1 year	7,185	7,086

Risk report

(38) Risks arising from financial instruments

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

Economic capital

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

Risk contribution of individual risk types to economic capital:

in € million	30/9/2016	Share	31/12/2015[1]	Share
Credit risk corporate customers	1,510	27.6%	1,596	28.5%
Credit risk retail customers	1,249	22.8%	1,200	21.4%
Operational risk	640	11.7%	639	11.4%
Macroeconomic risk	499	9.1%	499	8.9%
Credit risk sovereigns	328	6.0%	388	6.9%
FX risk capital position	254	4.6%	247	4.4%
Other tangible fixed assets	201	3.7%	216	3.9%
Market risk	181	3.3%	211	3.8%
Credit risk banks	170	3.1%	172	3.1%
Participation risk	123	2.2%	109	1.9%
Liquidity risk	27	0.5%	23	0.4%
CVA risk	27	0.5%	32	0.6%
Risk buffer	260	4.8%	267	4.8%
Total	**5,467**	**100.0%**	**5,599**	**100.0%**

1 Adaptation of previous year figures.

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

Regional allocation of economic capital according to Group unit domicile:

in € million	30/9/2016	Share	31/12/2015	Share
Central Europe	2,158	39.5%	2,268	40.5%
Southeastern Europe	1,246	22.8%	1,252	22.4%
Eastern Europe	1,032	18.9%	968	17.3%
Austria	1,012	18.5%	1,076	19.2%
Rest of World	20	0.4%	35	0.6%
Total	**5,467**	**100.0%**	**5,599**	**100.0%**

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

Credit risk

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

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

In the second quarter of 2016, the presentation of the total credit exposure was extended to include loans and advances contained in synthetic securitizations. The values for the comparable periods were adjusted accordingly.

in € million	30/9/2016	31/12/2015[2]
Cash reserve	7,756	10,717
Loans and advances to banks	12,692	10,837
Loans and advances to customers	69,791	69,921
Trading assets	5,239	5,814
Derivatives	1,581	1,574
Financial investments	14,676	14,915
Other assets	2,004	1,511
Contingent liabilities	9,099	9,387
Commitments	10,149	9,980
Revocable credit lines	15,801	15,775
Disclosure differences	7	538
Total[1]	**148,793**	**150,969**

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

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

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

Credit portfolio – Corporates

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

in € million		30/9/2016	Share	31/12/2015[1]	Share
1	Minimal risk	4,719	7.1%	3,583	5.2%
2	Excellent credit standing	6,727	10.1%	8,841	12.9%
3	Very good credit standing	9,734	14.6%	8,320	12.1%
4	Good credit standing	9,747	14.6%	10,851	15.8%
5	Sound credit standing	13,019	19.5%	11,937	17.4%
6	Acceptable credit standing	11,006	16.5%	10,541	15.3%
7	Marginal credit standing	4,431	6.6%	5,728	8.3%
8	Weak credit standing / sub-standard	1,970	3.0%	2,243	3.3%
9	Very weak credit standing / doubtful	658	1.0%	972	1.4%
10	Default	4,448	6.7%	5,622	8.2%
NR	Not rated	204	0.3%	111	0.2%
Total		**66,664**	**100.0%**	**68,750**	**100.0%**

1 Adaptation of previous year figures.

Compared to year-end 2015, the total credit exposure to corporate customers decreased € 2,086 million to € 66,664 million.

The credit exposure rated as good credit standing through to minimal risk declined € 668 million, corresponding to a share of 46.4 per cent (31/12/2015: 46.0 per cent). The proportion of exposure with marginal credit standing through to very weak/doubtful credit profiles decreased from 13.0 per cent to 10.6 per cent.

The credit exposure in rating grade 1 – minimal risk – increased due to a rating improvement of individual customers in Austria, the United Kingdom and Slovakia. The credit exposure in rating grade 3 – very good credit standing – increased € 1,414 million to € 9,734 million due to a rise in repo and swap business. The credit exposure in rating grade 4 – good credit standing – decreased € 1,104 million to € 9,747 million mainly resulting from a decline in facility and credit financing and in guarantees given and securitizations. The credit exposure in rating grade 5 – sound credit standing – rose € 1,082 million to € 13,019 million due to an increase in facility and credit financing. The decline in credit exposure in rating grade 7 – marginal credit standing – of € 1,297 million to € 4,431 million was due to a decrease in credit and facility financing. The credit exposure in rating grade 10 – default – decreased € 1,174 million to € 4,448 million mainly due to the derecognition of economically uncollectible loans.

At the end of the third quarter, the largest segment in terms of corporate customers was Group Corporates at € 22,687 million, followed by Central Europe at € 12,503 million, Southeastern Europe at € 9,559 million and Eastern Europe at € 8,886 million. The remaining exposure was allocated to Non-Core at € 6,024 million, Group Markets at € 4,409 million and Corporate Center. Compared to year-end 2015, the Non-Core segment reported the largest reduction, primarily attributable to a decline in facility and credit financing and to documentary letters of credit and guarantees given. The Corporate Center segment recorded a decline largely due to a reduction in credit financing, which was partly offset by increased facility financing. The reduction in these segments was partially offset by a rise in the Southeastern Europe segment as a result of growth in facility and credit financing.

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

in € million		30/9/2016	Share	31/12/2015[1]	Share
6.1	Excellent project risk profile – very low risk	4,539	55.2%	3,907	48.3%
6.2	Good project risk profile – low risk	1,708	20.8%	2,180	27.0%
6.3	Acceptable project risk profile – average risk	817	9.9%	676	8.4%
6.4	Poor project risk profile – high risk	301	3.7%	414	5.1%
6.5	Default	838	10.2%	895	11.1%
NR	Not rated	23	0.3%	11	0.1%
Total		**8,226**	**100.0%**	**8,084**	**100.0%**

1 Adaptation of previous year figures.

At the end of the third quarter, the credit exposure to project finance amounted to € 8,226 million. At 76.0 per cent, projects rated in the two best rating grades, excellent project risk profile – very low risk and good project risk profile – low risk, accounted for the majority of the portfolio. This mainly reflected the high level of collateralization in specialized lending transactions. The increase in credit exposure in rating grade 6.1 – excellent project risk profile – very low risk – was due to a rating improvement of individual customers in Austria, the United Kingdom 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 € million	30/9/2016	Share	31/12/2015[1]	Share
Central Europe	22,054	29.4%	22,881	29.8%
Austria	13,088	17.5%	14,407	18.8%
Western Europe	11,700	15.6%	9,384	12.2%
Eastern Europe	11,586	15.5%	11,875	15.5%
Southeastern Europe	10,969	14.6%	10,301	13.4%
Asia	1,954	2.6%	3,551	4.6%
Other	3,540	4.7%	4,436	5.8%
Total	**74,890**	**100.0%**	**76,834**	**100.0%**

1 Adaptation of previous year figures.

Compared to year-end 2015, the credit exposure declined € 1,994 million to € 74,890 million. Austria reported a € 1,319 million decrease in the third quarter to € 13,088 million, due to a reduction in facility financing. Western Europe reported a € 2,316 million increase to € 11,700 million. This was due to a rise in facility financing, swap and repo transactions in the United Kingdom, and to credit financing in Germany and France. The decline in Asia of € 1,597 million to € 1,954 million mainly resulted from a reduction in documentary letters of credit, the reduction in facility and credit financing in China, and a reduction in credit financing in Indonesia and Singapore. The decrease in the "other" category was due to credit and facility financing and to guarantees given in the US.

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

in € million	30/9/2016	Share	31/12/2015[1]	Share
Manufacturing	17,205	23.0%	17,023	22.2%
Wholesale and retail trade	15,593	20.8%	17,043	22.2%
Financial intermediation	8,605	11.5%	8,534	11.1%
Real estate	8,786	11.7%	8,644	11.3%
Construction	5,117	6.8%	5,568	7.2%
Freelance/technical services	4,218	5.6%	4,105	5.3%
Transport, storage and communication	3,464	4.6%	3,531	4.6%
Electricity, gas, steam and hot water supply	3,156	4.2%	3,734	4.9%
Other industries	8,746	11.7%	8,652	11.3%
Total	**74,890**	**100.0%**	**76,834**	**100.0%**

1 Adaptation of previous year figures.

Credit portfolio – Retail customers

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

in € million	30/9/2016	Share	31/12/2015	Share
Retail customers – private individuals	26,137	88.5%	24,619	88.4%
Retail customers – small and medium-sized entities	3,408	11.5%	3,225	11.6%
Total	**29,544**	**100.0%**	**27,844**	**100.0%**
hereof non-performing loans	2,260	7.7%	2,283	8.2%
hereof individual loan loss provision	1,576	5.3%	1,669	6.0%
hereof portfolio-based loan loss provision	206	0.7%	207	0.7%

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

30/9/2016 in € million	Central Europe	Southeastern Europe	Eastern Europe	Non-Core	Group Markets
Retail customers – private individuals	9,509	7,293	3,574	5,747	13
Retail customers – small and medium-sized entities	1,240	951	466	749	2
Total	**10,749**	**8,244**	**4,040**	**6,497**	**15**
hereof non-performing loans	512	535	777	436	0
hereof individual loan loss provision	272	356	710	255	0
hereof portfolio-based loan loss provision	89	68	32	21	0

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

Compared to year-end 2015, the total retail credit exposure increased € 1,700 million to € 29,544 million in the third quarter. The highest volume of € 10,749 million was reported in the Central Europe segment. Compared to year-end 2015, this was a rise of € 1,291 million, mainly attributable to the Czech Republic and Slovakia. Slovakia recorded an increase in loans to private individuals. In the Czech Republic, the increase was also due to a rise in loans to private individuals, and to the purchase of a loan portfolio. The second largest segment was Southeastern Europe at € 8,244 million, representing an increase of € 449 million compared to year-end 2015. This increase was due to rises in loans to private individuals in Bosnia and Herzegovina and Romania. The Eastern Europe segment reported growth of € 182 million to € 4,040 million. The credit volumes in Russia declined due to the exit from the automobile financing business; however, the appreciation of the Russian rouble led to an overall increase in retail credit exposure in Russia. This was partly offset by the reduction of loans to private individuals in Ukraine and by the devaluation of the Belarusian rouble and the Ukrainian hryvnia.

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

in € million	30/9/2016	Share	31/12/2015	Share
Mortgage loans	15,221	51.5%	14,978	53.8%
Personal loans	6,668	22.6%	5,945	21.4%
Credit cards	3,147	10.7%	2,441	8.8%
Car loans	1,045	3.5%	1,251	4.5%
Overdraft	1,665	5.6%	1,699	6.1%
SME financing	1,798	6.1%	1,529	5.5%
Total	**29,544**	**100.0%**	**27,844**	**100.0%**

Personal loans increased € 723 million to € 6,668 million since the start of the year. This was due to an increase in Bosnia and Herzegovina, Romania and Russia. Credit cards posted a rise of € 706 million, mainly attributable to the acquisition of a credit portfolio in the Czech Republic. Car loans decreased € 206 million to € 1,045 million, as no new financing in this area was undertaken as a result of a change of strategy in Russia.

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

in € million	30/9/2016	Share	31/12/2015	Share
Swiss franc	3,112	42.9%	3,585	44.8%
Euro	3,556	49.0%	3,617	45.2%
US-Dollar	580	8.0%	794	9.9%
Other foreign currencies	3	0.0%	3	0.0%
Loans in foreign currencies	**7,250**	**100.0%**	**8,000**	**100.0%**
Share of total loans	**24.5%**		**28.7%**	

The decrease in foreign currency loans denominated in Swiss francs mainly resulted from the legal regulations related to the mandatory conversion of loans at historical rates at the time of lending in Croatia. The decline in foreign currency loans denominated in US dollars was mainly attributable to Russia and Ukraine.

Credit portfolio – Banks

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

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

in € million		30/9/2016	Share	31/12/2015	Share
A1	Excellent credit standing	0	0.0%	0	0.0%
A2	Very good credit standing	2,009	9.9%	1,854	10.9%
A3	Good credit standing	2,230	11.0%	1,803	10.6%
B1	Sound credit standing	10,496	51.6%	9,295	54.7%
B2	Average credit standing	2,832	13.9%	1,115	6.6%
B3	Mediocre credit standing	1,407	6.9%	1,033	6.1%
B4	Weak credit standing	810	4.0%	1,321	7.8%
B5	Very weak credit standing	334	1.6%	277	1.6%
C	Doubtful/high default risk	112	0.6%	158	0.9%
D	Default	102	0.5%	137	0.8%
NR	Not rated	4	0.0%	3	0.0%
Total		**20,336**	**100.0%**	**16,997**	**100.0%**

The total credit exposure amounted to € 20,336 million at the end of the third quarter. Compared to year-end 2015, this was an increase of € 3,339 million.

At € 10,496 million, or 51.6 per cent, the bulk of this customer group was in the rating grade B1, which increased € 1,201 million compared to year-end 2015. This resulted mainly from repo business, but was partly offset by a reduction in money market business. The rise in the rating grades A2 to B4 was largely due to an increase in repo and swap business.

At € 14,597 million, or 71.8 per cent, the Group Markets segment accounted for the largest proportion of the portfolio relating to banks, followed by the Southeastern Europe segment at € 1,734 million or 8.5 per cent.

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

in € million	30/9/2016	Share	31/12/2015	Share
Repo	4,994	24.6%	1,157	6.8%
Loans	4,431	21.8%	4,728	27.8%
Derivatives	4,151	20.4%	3,886	22.9%
Money market	3,087	15.2%	3,067	18.0%
Bonds	2,407	11.8%	2,895	17.0%
Other	1,266	6.2%	1,263	7.4%
Total	**20,336**	**100.0%**	**16,997**	**100.0%**

Credit portfolio – Sovereigns

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

in € million		30/9/2016	Share	31/12/2015	Share
A1	Excellent credit standing	3,803	15.8%	8,323	28.4%
A2	Very good credit standing	550	2.3%	892	3.0%
A3	Good credit standing	5,463	22.7%	4,564	15.6%
B1	Sound credit standing	4,124	17.2%	4,206	14.4%
B2	Average credit standing	2,326	9.7%	3,117	10.6%
B3	Mediocre credit standing	4,735	19.7%	2,637	9.0%
B4	Weak credit standing	1,527	6.4%	4,178	14.3%
B5	Very weak credit standing	799	3.3%	721	2.5%
C	Doubtful/high default risk	693	2.9%	618	2.1%
D	Default	2	0.0%	3	0.0%
NR	Not rated	0	0.0%	34	0.1%
Total		**24,022**	**100.0%**	**29,294**	**100.0%**

Compared to year-end 2015, the credit exposure to sovereigns fell € 5,272 million to € 24,022 million. It accounted for 16.1 per cent (31/12/2015: 19.4 per cent) of the total credit exposure.

The rating grade excellent credit standing (A1 rating) showed a decrease of € 4,520 million. This resulted mainly from a reduction in deposits at the Austrian National Bank.

The intermediate rating grades, good credit standing (A3 rating) to mediocre credit standing (B3 rating), accounted for the highest share at 69.3 per cent of the total credit exposure. The high level of exposure in the intermediate rating grades was mainly due to deposits of Group units in Central and Southeastern Europe and the Non-Core segment at their local central banks. These serve to meet the respective minimum reserve requirements or are used to manage excess liquidity on a short-term basis, and are therefore inextricably linked to the business activities in these countries. Furthermore, this high exposure also derived from bonds issued by central banks and governments in Central and Southeastern Europe and in the Non-Core segment. The increase in rating grade A3 – good credit standing – was due to an increase in money market business with the Czech National Bank. The decline in rating grade B2 resulted from a decrease in the portfolio of bonds in Romania, Italy and Spain and from a reduction in the minimum reserve in Italy and Slovenia. The rise in the rating grade B3 was due to the improvement in Hungary's internal rating from B4 to B3.

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

in € million	30/9/2016	Share	31/12/2015	Share
Bonds	13,734	57.2%	14,448	49.3%
Loans	9,709	40.4%	14,089	48.1%
Derivatives	459	1.9%	719	2.5%
Other	120	0.5%	38	0.1%
Total	**24,022**	**100.0%**	**29,294**	**100.0%**

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

in € million	30/9/2016	Share	31/12/2015	Share
Hungary	2,001	25.8%	2,625	32.0%
Bulgaria	854	11.0%	943	11.5%
Croatia	940	12.1%	995	12.1%
Albania	664	8.6%	857	10.5%
Serbia	592	7.6%	504	6.1%
Bosnia and Herzegovina	481	6.2%	478	5.8%
Russia	873	11.3%	604	7.4%
Ukraine	426	5.5%	397	4.8%
Vietnam	153	2.0%	160	2.0%
Belarus	238	3.1%	211	2.6%
Other	533	6.9%	419	5.1%
Total	**7,756**	**100.0%**	**8,191**	**100.0%**

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

Compared to year-end 2015, the credit exposure to sovereigns in non-investment grade decreased € 435 million to € 7,756 million. Hungary reported a decline in money market transactions, which was partially offset by a rise in the portfolio of Republic of Hungary bonds. The reduction in Albania was mainly due to a decline in the portfolio of bonds. The decline in credit exposure to sovereigns in non-investment grade was offset by an increase in Russia. This resulted mainly from the appreciation of the rouble.

Credit risk mitigation

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

30/9/2016	Maximum credit exposure		Fair value of collateral
in € million	Net exposure	Commitments/guarantees issued	
Banks	12,617	3,362	4,592
Sovereigns	664	600	423
Corporate customers – large corporates	38,338	26,081	23,751
Corporate customers – mid market	2,388	963	1,893
Retail customers – private individuals	21,300	3,532	12,979
Retail customers – small and medium-sized entities	1,950	511	1,987
Total	**77,258**	**35,050**	**45,625**

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

Non-performing exposure (NPE)

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

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

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

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

in € million	30/9/2016	Share	31/12/2015	Share
Central Europe	69	22%	57	15%
Southeastern Europe	133	43%	119	31%
Eastern Europe	23	7%	68	18%
Group Corporates	28	9%	87	23%
Group Markets	0	0%	0	0%
Corporate Center	0	0%	0	0%
Non-Core	59	19%	53	14%
Total	**313**	**100%**	**383**	**100%**
hereof non-banks	313	100%	383	100%

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

	Refinancing		Instruments with modified time and modified conditions		NPE total	
in € million	30/9/2016	31/12/2015	30/9/2016	31/12/2015	30/9/2016	31/12/2015
Corporate customers	17	15	59	159	76	174
Retail customers	25	29	211	180	237	209
Banks	0	0	0	0	0	0
Sovereigns	0	0	0	0	0	0
Total	**43**	**44**	**270**	**339**	**313**	**383**

The decrease in non-performing exposure of € 70 million to € 313 million was primarily due to the reclassification of corporate customers to performing exposure.

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

Non-performing loans (NPL) and provisioning

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

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

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

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

in € million	As at 1/1/2016	Change in consolidated group/ Exchange differences	Additions	Disposals	As at 30/9/2016
Corporate customers	6,051	(61)	775	(1,866)	4,900
Retail customers	2,274	0	492	(518)	2,247
Sovereigns	3	(1)	0	(1)	2
Total non-banks	**8,328**	**(63)**	**1,267**	**(2,384)**	**7,148**
Banks	127	(1)	16	(54)	89
Total	**8,456**	**(64)**	**1,284**	**(2,438)**	**7,238**

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

	NPL		NPL ratio		NPL coverage ratio	
in € million	30/9/2016	31/12/2015	30/9/2016	31/12/2015	30/9/2016	31/12/2015
Corporate customers	4,900	6,051	10.2%	12.5%	69.6%	68.1%
Retail customers	2,247	2,274	8.7%	9.2%	79.8%	80.0%
Sovereigns	2	3	0.5%	0.8%	252.0%	129.8%
Total non-banks	**7,148**	**8,328**	**10.2%**	**11.9%**	**72.0%**	**71.3%**
Banks	89	127	0.5%	0.7%	83.3%	94.1%
Total	**7,238**	**8,456**	**8.8%**	**10.5%**	**72.2%**	**71.6%**

The volume of non-performing loans to non-banks decreased € 1,180 million due to the improved economic environment in many markets and the derecognition of economically uncollectible loans in the statement of financial position. The NPL ratio decreased 1.7 percentage points to 10.2 per cent.

Since the start of the year, corporate customers posted a € 1,152 million decline to € 4,900 million. The ratio of non-performing loans to credit exposure decreased 2.3 percentage points to 10.2 per cent; the NPL coverage ratio went up 1.5 percentage points to 69.6 per cent. In the retail portfolio, non-performing loans fell 1 per cent, or € 26 million, to € 2,247 million. The ratio of non-performing loans to credit exposure decreased 0.5 percentage points to 8.7 per cent; the NPL coverage ratio decreased 0.2 percentage points to 79.8 per cent. For banks, non-performing loans at the end of the third quarter amounted to € 89 million, € 38 million down on the year-end 2015; the NPL coverage ratio declined 10.7 percentage points to 83.3 per cent.

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

	NPL		NPL ratio		NPL coverage ratio	
in € million	**30/9/2016**	**31/12/2015**	**30/9/2016**	**31/12/2015**	**30/9/2016**	**31/12/2015**
Central Europe	1,334	1,331	6.1%	6.4%	70.1%	75.3%
Southeastern Europe	1,490	1,587	10.0%	10.7%	74.5%	71.6%
Eastern Europe	1,683	1,902	13.5%	15.1%	83.7%	86.4%
Group Corporates	722	1,268	4.8%	9.1%	61.1%	56.7%
Group Markets	126	415	1.3%	5.7%	73.5%	82.0%
Corporate Center	36	49	0.6%	0.6%	86.8%	78.9%
Non-Core	1,846	1,903	15.5%	14.1%	68.3%	62.4%
Total	**7,238**	**8,456**	**8.8%**	**10.5%**	**72.2%**	**71.6%**
hereof non-banks	7,148	8,328	10.2%	11.9%	72.0%	71.3%

The decline in non-performing loans in the Group Corporates segment was particularly significant, falling 43 per cent, or € 547 million, to € 722 million. This was primarily caused by the derecognition of uncollectible loans in Austria. The ratio of non-performing loans to credit exposure fell 4.3 percentage points to 4.8 per cent; the NPL coverage ratio increased 4.4 percentage points to 61.1 per cent.

In the Group Markets segment, non-performing loans declined 70 per cent, or € 289 million, to € 126 million due to derecognition of uncollectible loans. The NPL ratio fell 4.5 percentage points to 1.3 per cent; the NPL coverage ratio decreased 8.4 percentage points to 73.5 per cent.

The Eastern Europe segment recorded a decline in non-performing loans of 12 per cent, or € 219 million, to € 1,683 million, largely due to sales of non-performing loans of € 101 million in Ukraine. The ratio of non-performing loans to credit exposure decreased 1.5 percentage points to 13.5 per cent; the NPL coverage ratio decreased 2.7 percentage points to 83.7 per cent.

In Southeastern Europe, non-performing loans fell 6 per cent, or € 97 million, to € 1,490 million. Whereas declines due to sales of € 34 million were reported in Bulgaria, Croatia and Romania, non-performing loans increased in Albania. The NPL ratio fell 0.7 percentage points to 10.0 per cent; in contrast, the NPL coverage ratio increased 2.9 percentage points to 74.5 per cent.

The Non-Core segment reported a decline in non-performing loans of 3 per cent, or € 57 million, to € 1,846 million, primarily due to the sale of Raiffeisen Banka d.d., Maribor in Slovenia. The ratio of non-performing loans to credit exposure increased 1.3 percentage points compared to year-end 2015 to 15.5 per cent; the NPL coverage ratio rose 5.9 percentage points to 68.3 per cent.

In Central Europe, non-performing loans increased € 3 million to € 1,334 million, attributable to rises in the Czech Republic, while Hungary and Slovakia reported decreases. The NPL ratio decreased 0.3 percentage points to 6.1 per cent; the NPL coverage ratio declined 5.2 percentage points to 70.1 per cent.

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

in € million	As at 1/1/2016	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 30/9/2016
Individual loan loss provisions	**5,772**	**1**	**1,145**	**(603)**	**(1,237)**	**(75)**	**5,003**
Loans and advances to banks	118	0	6	(8)	(42)	(1)	73
Loans and advances to customers	5,580	0	1,062	(547)	(1,194)	(74)	4,827
Off-balance sheet obligations	73	1	77	(47)	0	0	103
Portfolio-based loan loss provisions	**382**	**1**	**141**	**(173)**	**0**	**(4)**	**347**
Loans and advances to banks	2	0	0	(1)	0	0	2
Loans and advances to customers	355	1	134	(163)	0	(5)	323
Off-balance sheet obligations	26	0	6	(9)	0	0	22
Total	**6,154**	**2**	**1,286**	**(776)**	**(1,237)**	**(79)**	**5,350**

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

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

Concentration risk

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

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

in € million	30/9/2016	Share	31/12/2015[1]	Share
Austria	**20,548**	**13.8%**	**26,731**	**17.7%**
Central Europe	**51,400**	**34.5%**	**51,179**	**33.9%**
Poland	15,908	10.7%	16,375	10.8%
Czech Republic	14,817	10.0%	12,368	8.2%
Slovakia	13,572	9.1%	13,856	9.2%
Hungary	6,717	4.5%	7,555	5.0%
Other	386	0.3%	1,024	0.7%
Other European Union	**24,182**	**16.3%**	**19,047**	**12.6%**
Germany	6,550	4.4%	6,090	4.0%
Great Britain	5,668	3.8%	4,536	3.0%
France	4,407	3.0%	2,169	1.4%
Netherlands	1,829	1.2%	1,744	1.2%
Spain	1,813	1.2%	795	0.5%
Italy	945	0.6%	1,102	0.7%
Other	2,970	2.0%	2,611	1.7%
Southeastern Europe	**25,044**	**16.8%**	**24,498**	**16.2%**
Romania	8,858	6.0%	8,902	5.9%
Croatia	4,919	3.3%	5,011	3.3%
Bulgaria	3,969	2.7%	3,906	2.6%
Serbia	2,533	1.7%	1,953	1.3%
Bosnia and Herzegovina	2,332	1.6%	2,124	1.4%
Albania	1,684	1.1%	1,912	1.3%
Other	748	0.5%	689	0.5%
Asia	**3,431**	**2.3%**	**5,282**	**3.5%**
China	875	0.6%	1,780	1.2%
Other	2,556	1.7%	3,503	2.3%
Eastern Europe	**18,653**	**12.5%**	**18,017**	**11.9%**
Russia	13,469	9.1%	12,522	8.3%
Ukraine	3,197	2.1%	3,547	2.3%
Belarus	1,455	1.0%	1,471	1.0%
Other	531	0.4%	478	0.3%
North America	**2,172**	**1.5%**	**3,058**	**2.0%**
Switzerland	**1,988**	**1.3%**	**1,931**	**1.3%**
Rest of World	**1,375**	**0.9%**	**1,225**	**0.8%**
Total	**148,793**	**100.0%**	**150,969**	**100.0%**

1 Adaptation of previous year figures.

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

Market risk

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

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

Total VaR 99% 1d in € million	VaR as at 30/9/2016	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2015
Currency risk	20	25	17	39	29
Interest rate risk	10	8	5	16	6
Credit spread risk	8	11	6	16	17
Share price risk	1	1	0	1	1
Vega risk	3	2	1	5	1
Total	31	36	27	48	33

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

Liquidity risk

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

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

in € million	30/9/2016			31/12/2015		
Maturity	1 week	1 month	1 year	1 week	1 month	1 year
Liquidity gap	19,870	20,235	22,594	21,316	19,783	23,431
Liquidity ratio	168%	151%	127%	182%	147%	127%

Limits are used in each Group unit in order to limit liquidity risk. They require a short-term positive liquidity gap based on the internal liquidity model. Limits are defined both for the scenario of normal business operations and also for stress scenarios. On the basis of RBI's defined risk appetite, each Group unit must ensure that it is able to survive for a period of at least 90 days in a severe combined market and reputational crisis scenario. This must either be ensured by means of a positive liquidity profile, or an adequate liquidity buffer. In addition, 30-day limits are set for all material currencies. In the going-concern scenario (normal business operations), in the medium term (up to one year) maturity transformation must be covered by "counterbalancing capacity". In the long term (more than one year), maturity transformation is permitted to a limited extent. The limits used by internal models are supplemented with limits on regulatory parameters (e.g. LCR). All limits must be adhered to daily.

The Group holds sizeable amounts of liquid securities and favors assets eligible in tender transactions in the lending business in order to ensure liquidity in various currencies. In the case of a liquidity shortage in the Group, contingency plans would come into force. Such prioritized action lists for handling liquidity needs exist for all major Group units.

Liquidity coverage ratio

The liquidity coverage ratio (LCR) requires that the short-term liquidity profiles of banks are resilient, in that it ensures that they have an adequate stock of unencumbered high-quality liquid assets (HQLA) which can be converted into cash to meet potential liquidity needs that might occur in a crisis for a minimum of 30 calendar days.

Since October 2015, a regulatory minimum ratio for the LCR has been applicable, which currently stands at 70 per cent and which will be raised to 100 per cent by 2018.

in € million	30/9/2016	31/12/2015
Average liquid assets	**11,865**	**17,898**
Net outflows	**7,510**	**9,902**
Inflows	11,420	10,394
Outflows	18,930	20,296
LCR	**158%**	**181%**

Compared to year-end 2015, the LCR was lower at 30 September 2016. The decline in the LCR was planned and was achieved through the reduction in the HQLA portfolio.

Additional notes

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

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

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

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

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

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

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

Total capital

in € million	30/9/2016	31/12/2015
Paid-in capital	5,886	5,886
Earned capital	2,110	1,750
Non-controlling interests	387	399
Common equity tier 1 (before deductions)	**8,383**	**8,034**
Deduction intangible fixed assets/goodwill	(503)	(326)
Deduction provision shortage for IRB positions	(49)	(20)
Deduction securitizations	(14)	(14)
Deduction deferred tax assets	0	0
Deduction loss carry forwards	(2)	(3)
Deduction insurance and other investments	0	0
Common equity tier 1 (after deductions)	**7,815**	**7,671**
Additional tier 1	90	309
Non-controlling interests	(3)	0
Deduction intangible fixed assets/goodwill	(71)	(295)
Deduction provision shortage for IRB positions	(16)	(15)
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 1	**7,815**	**7,671**
Long-term subordinated capital	3,077	3,160
Non-controlling interests	(9)	(4)
Provision excess of internal rating approach positions	156	160
Provision excess of standardized approach positions	0	0
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 2 (after deductions)	**3,224**	**3,316**
Total capital	**11,039**	**10,987**
Total capital requirement	**4,966**	**5,062**
Common equity tier 1 ratio (transitional)	12.6%	12.1%
Common equity tier 1 ratio (fully loaded)	12.3%	11.5%
Tier 1 ratio (transitional)	12.6%	12.1%
Tier 1 ratio (fully loaded)	12.4%	11.5%
Total capital ratio (transitional)	17.8%	17.4%
Total capital ratio (fully loaded)	17.6%	16.8%

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

Total capital requirement and risk-weighted assets

in € million	30/9/2016	31/12/2015
Risk-weighted assets (total RWA)	**62,078**	**63,272**
Total capital requirement for credit risk	4,042	4,117
Internal rating approach	2,300	2,327
Standardized approach	1,716	1,751
CVA risk	27	32
Basel 1 floor	0	7
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	202	241
Own funds requirement for operational risk	722	704
Total capital requirement	**4,966**	**5,062**

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

in € million	30/9/2016	31/12/2015
Risk-weighted assets according to standardized approach	**21,446**	**21,884**
Central governments and central banks	2,104	2,209
Regional governments	63	49
Public administration and non-profit organizations	17	7
Multilateral development banks	0	0
Banks	284	302
Corporate customers	8,468	8,906
Retail customers	7,534	7,448
Equity exposures	476	407
Covered bonds	0	0
Mutual funds	5	7
Securitization position	0	0
Other positions	2,496	2,551
Risk-weighted assets according to internal rating approach	**28,748**	**29,081**
Central governments and central banks	434	311
Banks	2,289	2,095
Corporate customers	21,266	22,143
Retail customers	4,413	4,141
Equity exposures	119	133
Securitization position	228	259
CVA risk	**336**	**406**
Basel 1 floor	**0**	**87**
Total	**50,530**	**51,459**

Leverage ratio

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

in € million	30/9/2016	31/12/2015
Leverage exposure	135,220	136,163
Tier 1	7,815	7,671
Leverage ratio (transitional)	**5.8%**	**5.6%**
Leverage ratio (fully loaded)	5.7%	5.4%

(40) Average number of staff

Full-time equivalents	1/1-30/9/2016	1/1-30/9/2015
Austria	2,763	2,661
Foreign	48,667	51,358
Total	**51,430**	**54,019**

(41) Related parties

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

The following tables show transactions with related companies. Parent companies are Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna and Raiffeisen-Landesbanken-Holding GmbH, Vienna which was merged into Raiffeisen Zentralbank Österreich Aktiengesellschaft at the end of September 2016. Under affiliated companies, affiliated companies that are not consolidated due to immateriality are shown.

30/9/2016 in € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	806	79	313	51
Loans and advances to customers	0	587	102	130
Trading assets	0	44	1	1
Financial investments	0	277	0	107
Other assets (incl. derivatives)	2	14	0	0
Deposits from banks	473	247	2,569	138
Deposits from customers	0	958	329	111
Debt securities issued	0	1	0	0
Provisions for liabilities and charges	0	1	0	0
Trading liabilities	0	63	6	0
Other liabilities including derivatives	1	2	1	0
Subordinated capital	67	0	0	0
Guarantees given	0	120	0	0
Guarantees received	579	218	123	36

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

1/1-30/9/2016 in € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Interest income	34	10	5	7
Interest expenses	(8)	(5)	(28)	(1)
Dividends income	0	22	0	3
Fee and commission income	0	28	6	4
Fee and commission expense	(3)	(1)	0	(1)

1/1-30/9/2015 in € million	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Interest income	22	11	4	4
Interest expenses	(7)	(10)	(18)	(1)
Dividends income	0	16	0	6
Fee and commission income	2	33	0	1
Fee and commission expense	(4)	(1)	(7)	(1)

Events after the reporting date

Romanian “Walkaway Law”

With respect to the Romanian “Walkaway Law”, on 25 October 2016, the Romanian constitutional court ruled that each individual case must be brought before the competent court. The court will then decide on a case-by-case basis, whether or not the hardship principle applies, which is a prerequisite to take advantage of the law. As a result of the the constitutional court’s decision, RBI expects that the vast majority of the € 43 million charge, which was booked in the second quarter of 2016, will be released in the fourth quarter. Part of the charge may be rebooked under risk costs to cover potential voluntary conversions.

RBI: Agreement on sale of Polish leasing business to PKO Leasing S.A.

On 2 November 2016, RBI reached an agreement on the sale of its leasing company – Raiffeisen Leasing Polska S.A. – with PKO Leasing S.A. The purchase price equates to around € 200 million (PLN 850 million).

The closing should still follow in 2016. The expected positive effect on RBI’s consolidated result would be around € 30 million and would be booked at closing.

The transaction will have a positive effect of around 33 basis points on RBI’s CET1 ratio (fully loaded). The effect would amount to around 28 basis points for the combined bank (Raiffeisen Zentralbank Österreich AG and RBI).

With the closing of the transaction, RBI’s risk-weighted assets (RWA) are expected to be reduced by approximately € 1,290 million. At 30 June 2016, the tangible equity of Raiffeisen Leasing Polska amounted to € 150 million; equity incl. intangible assets totaled € 153 million.

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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