Market development

Markets swayed by monetary policy

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

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

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

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

Divergent economic trends in CEE

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

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

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

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

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

Region/country	2014	2015e	2016f	2017f
Czech Republic	2.0	4.3	2.4	2.4
Hungary	3.7	2.8	2.2	2.9
Poland	3.3	3.5	3.6	3.4
Slovakia	2.5	3.6	3.5	3.5
Slovenia	3.0	2.7	2.2	2.1
Central Europe	**3.0**	**3.5**	**3.1**	**3.1**
Albania	2.0	2.7	3.5	4.0
Bosnia and Herzegovina	1.1	2.0	3.0	3.5
Bulgaria	1.5	2.7	2.1	3.0
Croatia	(0.4)	1.6	1.5	1.5
Kosovo	0.9	3.0	3.0	3.5
Romania	2.8	3.7	4.0	3.6
Serbia	(1.8)	0.5	2.5	3.0
Southeastern Europe	**1.5**	**2.8**	**3.1**	**3.2**
Russia	0.7	(3.7)	(2.0)	1.5
Belarus	1.6	(4.0)	(2.0)	1.5
Ukraine	(6.8)	(10.0)	1.5	3.0
Eastern Europe	**0.3**	**(4.1)**	**(1.8)**	**1.6**
Austria	**0.4**	**0.9**	**1.4**	**1.4**
Germany	**1.6**	**1.4**	**1.8**	**1.8**
Euro area	**0.9**	**1.5**	**1.4**	**1.7**

Currencies

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

Development of the banking sector

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

Earnings and financial performance

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

Significant events

Strategic realignment

In February 2015, RBI announced that it would review its strategy due to the significantly changed environment. Complexity and risk are to be reduced and the equity position strengthened. The fully loaded common equity tier 1 (CET1) ratio and total capital ratio are to reach at least 12 per cent and 16 per cent, respectively, by the end of 2017. To achieve these targets, the subsidiary banks in Poland and Slovenia will be sold, as will the direct bank Zuno. Moreover, RBI's presence in Asia and in the US will either be reduced or completely wound down. These units have already been grouped together in the Non-Core segment. In addition, risk-weighted assets are being reduced, particularly in Russia and in Ukraine. In Raiffeisen Bank in Hungary, the business model has been adjusted to place particular focus on the corporate customer business in the future. Despite the reduction in risk-weighted assets, RBI plans to grow in select markets.

In the 2015 financial year, RBI worked intensively on the implementation of all of these measures. Substantial headway was made in reducing risk-weighted assets in Russia and in Ukraine. The repositioning in Hungary has been largely completed and the sale of the network bank in Slovenia has been contractually agreed. The regulatory approval process is currently under way, and the closing of the transaction is expected to occur in the first half of 2016. In Asia, rescaling of the business volumes is already at an advanced stage (49 per cent reduction of risk-weighted assets compared to the previous year). In the US, the winding down of operations has begun. In Poland, preparations for the Bank's IPO have commenced. The intended sale is no longer expected to take place in 2016, due to the changed political environment. The plan to sell remains in place.

Low interest rate level

The already low interest rate level continued to weaken, not only in the euro area, but also in many markets in Central and Southeastern Europe in the reporting period. At RBI – as at other banks – the net interest margin in the credit business declined and deposit margins remained under pressure. In addition, the low discount rates in many countries negatively affected the investment options for excess liquidity. Although interest margins in CEE largely remained at a high level compared to Western European countries, the higher volatility of a number of currencies – in some cases significantly higher – weighed on net interest income.

Restatement of prior year financial results

In 2015, RBI underwent a routine examination by the Austrian Financial Reporting Enforcement Panel. The examination covered RBI's 2014 consolidated financial statements and its 2015 Semi-Annual Report. The reallocation of charges in the amount of € 124 million led to a revision of the 2014 consolidated loss to € 617 million and consequently these charges are not reflected in the 2015 consolidated financial statements. The total amount of € 124 million consists of two factors: a € 93 million goodwill impairment relating to Raiffeisen Polbank and € 34 million in costs for net provisioning for impairment losses, which also resulted in deferred tax income of € 3 million. The impact of this restatement on the regulatory capital ratios is negligible.

Regulatory changes

RBI was again confronted with regulatory changes in the past financial year. Since November 2014, the European Central Bank (ECB) has been responsible for the supervision of banks in the euro area under the Single Supervisory Mechanism (SSM). Accordingly, RBI has come under the ECB's direct supervision since the fourth quarter of 2014. The Single Resolution Mechanism (SRM) was also implemented in the euro area in 2015, which is designed to enable an orderly winding down of failing banks. In addition to drawing up resolution plans, banks must also pay contributions to finance a Single Resolution Fund (SRF), which resulted in additional expenses of € 41 million for RBI in 2015. The amount banks are required to contribute to the resolution fund is determined on the basis of business volumes and a bank-specific risk assessment. The target size of the SRF (at least 1 per cent of covered customer deposits of eligible banks in participating member states) is to be reached by 2024.

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

Currency turbulence

Exchange rates continued to fluctuate substantially in 2015. On the one hand, the US dollar appreciated by nearly 12 per cent year-on-year against the euro as a result of interest rate expectations, and the Swiss franc appreciated 11 per cent due to the abandonment of the fixed minimum exchange rate set by the Swiss National Bank. On the other hand, some CEE currencies depreciated against the euro. For example, the Russian rouble fell 10 per cent year-on-year in line with falling oil prices, while the Ukrainian hryvnia depreciated 27 per cent and the Belarusian rouble was down 29 per cent. Currency volatility not only impacted the statement of financial position and risk-weighted assets, but also triggered considerations and measures aimed at converting foreign currency loans at exchange rates that are unfavorable to banks.

Overview of the financial year

After RBI – due to a number of non-recurring effects (goodwill impairment charges in Poland and Russia, deferred taxes, implementation of the Hungarian Settlement Act) – ended a financial year with a negative consolidated result for the first time in 2014 (minus € 617 million after restatement), it returned to profitable territory in 2015. Consolidated profit amounted to € 379 million. This increase was attributable not only to the absence of the mentioned non-recurring effects, but also to an improvement in the credit risk situation in nearly all of RBI's markets. Accordingly, net provisioning for impairment losses fell 28 per cent year-on-year, or € 486 million, to € 1,264 million. The largest declines occurred in Ukraine, in Hungary and at Group head office. Continued high provisions had to be set aside for units in Asia, where business volumes were significantly reduced as planned.

The Group's financial results continued to be affected by high currency volatility in 2015. For example, the average exchange rate of the Russian rouble and of the Ukrainian hryvnia against the euro was 26 per cent and 35 per cent, respectively, below the comparable level of the previous year. In contrast, the US dollar and Swiss franc appreciated 19 per cent and 13 per cent, respectively, against the euro.

Transformation costs associated with the strategic realignment – that was decided upon in February 2015 – amounted to € 88 million.

Operating income declined 8 per cent year-on-year, or € 421 million, to € 4,929 million. This was mainly attributable to the above described sharp currency devaluations. Net interest income fell 12 per cent, or € 462 million, to € 3,327 million. In addition to the currency effect, the falling market interest rate level in Central and Southeastern Europe, as well as loan defaults occurring in the previous year in Asia, also had a negative impact on the net interest margin (calculated based on interest-bearing assets), which decreased 23 basis points to 3.00 per cent. Despite the currency effects in Eastern Europe, net fee and commission income was down by only 4 per cent, or € 67 million, to € 1,519 million. Net trading income improved € 46 million to plus € 16 million, driven by valuation gains on derivatives in Russia.

General administrative expenses dropped 4 per cent year-on-year, or € 110 million, to € 2,914 million. The decline was largely attributable to currency devaluations in Eastern Europe. Following the decision not to pay any bonuses for 2014, the release of bonus provisions in the amount of € 76 million also resulted in a decline. Expenses were increased due to transformation costs in the amount of € 34 million and due to higher expenditures for the implementation of regulatory requirements (SRF and Deposit Guarantee Scheme). The average number of staff was further reduced, down 2,304 year-on-year to 54,092. The number of business outlets decreased 161 year-on-year to 2,705.

In the course of the year, total assets fell 6 per cent, or € 7,073 million, to € 114,427 million. This was primarily the result of a 10 per cent reduction in lending to customers, which was largely attributable to a decline in loans to large corporate customers in connection with restrictive lending policies in some markets and the strategic realignment. The largest declines in total assets were posted at Group head office, in Asia, and in Russia (currency-driven).

Equity including capital attributable to non-controlling interests recorded an increase of € 323 million to € 8,501 million. Equity increased as a result of profit after tax in the amount of € 435 million; other comprehensive income had an impact of minus € 53 million. Exchange rate differences, which amounted to minus € 194 million in the reporting period (2014: minus € 1,335 million), constituted the largest item in other comprehensive income. In contrast, the capital hedge had a positive impact (€ 90 million), as did valuation changes in assets available for sale (€ 82 million).

In terms of regulatory capital, the key metrics changed as follows: Common equity tier 1 (after deductions) stood at € 7,671 million at the end of the year. The increase over the 2014 comparable level came to € 226 million. RBI's total capital pursuant to the CRR amounted to € 10.987 million, which corresponds to an increase of € 17 million compared to the 2014 year-end figure. Risk-weighted assets (total) were reduced by € 5,449 million to € 63,272 million. In addition to the reduction in credit volumes in the Non-Core segment, due to the strategic realignment, stronger declines also occurred at Group head office, and in Russia, Ukraine, and the Czech Republic. Based on total risk, the common equity tier 1 ratio (transitional) and the total capital ratio (transitional) stood at 12.1 per cent and 17.4 per cent, respectively. Excluding the transitional provisions as defined within the CRR, the common equity tier 1 ratio (fully loaded) amounted to 11.5 per cent and the total capital ratio (fully loaded) came to 16.8 per cent.

No dividends will be distributed for the 2015 financial year.

Detailed review of income statement items

in € million	2015	2014 restated	Change absolute	Change in %	2014 published
Net interest income	3,327	3,789	(462)	(12.2)%	3,789
Net fee and commission income	1,519	1,586	(67)	(4.2)%	1,586
Net trading income	16	(30)	46	–	(30)
Recurring other net operating income[1]	66	5	62	>500.0%	10
Operating income	**4,929**	**5,350**	**(421)**	**(7.9)%**	**5,355**
Staff expenses	(1,389)	(1,450)	60	(4.2)%	(1,450)
Other administrative expenses	(1,173)	(1,193)	20	(1.7)%	(1,193)
Depreciation	(351)	(381)	30	(7.8)%	(381)
General administrative expenses	**(2,914)**	**(3,024)**	**110**	**(3.6)%**	**(3,024)**
Operating result	**2,015**	**2,326**	**(312)**	**(13.4)%**	**2,332**
Net provisioning for impairment losses	(1,264)	(1,750)	486	(27.8)%	(1,716)
Other results[1]	(40)	(681)	641	(94.1)%	(593)
Profit/loss before tax	**711**	**(105)**	**816**	**–**	**23**
Income taxes	(276)	(483)	207	(42.8)%	(486)
Profit/loss after tax	**435**	**(587)**	**1,022**	**–**	**(463)**
Profit attributable to non-controlling interests	(56)	(30)	(26)	89.3%	(30)
Consolidated profit/loss	**379**	**(617)**	**996**	**–**	**(493)**

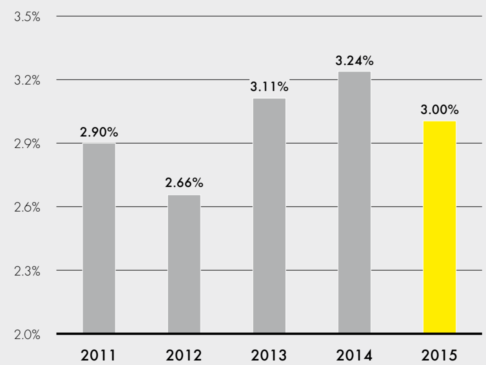
2014 figures restated (please refer to the consolidated financial statements for details).
1 Prior year figures adjusted due to changes in allocation.

Operating income

Net interest income

In 2015, net interest income declined 12 per cent, or € 462 million, to € 3,327 million. This was primarily attributable to currency devaluations in Eastern Europe, which reduced net interest income in Russia by € 188 million and in Ukraine by € 96 million. At Group head office, net interest income declined € 78 million, primarily due to lower interest rates and volumes.

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



In the Central Europe segment, net interest income fell 6 per cent, or € 40 million, to € 654 million. In Hungary, net interest income declined € 33 million as a result of reduced interest income from derivatives and the low level of market interest rates. In Slovakia, lower interest rates also led to a € 17 million reduction in net interest income, whereas in the Czech Republic, a rise in interest income from derivatives, lower interest rates in the deposit business and higher lending volumes increased net interest income by € 10 million. In the Southeastern Europe segment, net interest income fell 7 per cent, or € 55 million, to € 780 million. All countries in this segment – with the exception of Kosovo – reported declines in net interest income, which were also mainly attributable to the continuing low level of interest rates. The Eastern Europe segment – which was the main driver of the negative trend – reported a 22 per cent, or € 272 million, decline in net interest income to € 949 million. As a result of the currency devaluations, net interest income in Russia declined 23 per cent, or € 188 million, to € 647 million, and in Ukraine by 35 per cent, or € 96 million, to € 176 million. In Belarus, in contrast, net interest income increased 11 per cent, or € 13 million, to € 125 million, driven by higher interest income from securities and leasing claims. In the Non-Core segment, net interest income fell 22 per cent, or € 111 million, to € 385 million. In Poland, the continuing low level of market interest rates and repricing measures in the deposit business reduced net interest income by 18 per cent, or € 54 million, to € 253 million. In Asia, net interest income fell 38 per cent, or € 51 million, to € 84 million, due to volumes and loan defaults.

The Group's net interest margin declined 23 basis points year-on-year to 3.00 per cent, primarily as a result of the further reduction in the level of market interest rates in many countries in the Central and Southeastern Europe segments and in Poland. In the Eastern Europe segment, the interest margin fell mainly due to currency effects. In contrast, higher current income from shares in affiliated companies (up € 59 million) made a positive contribution to the development of the net interest margin.

Net fee and commission income

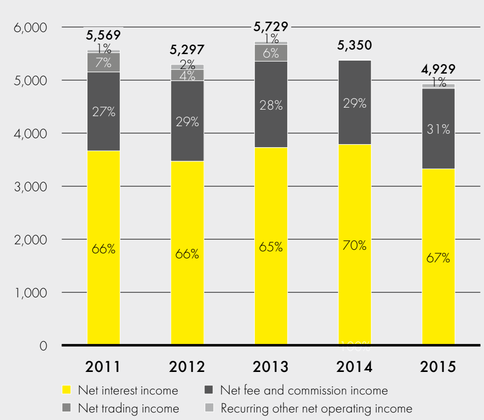
Despite the substantial currency devaluations in Eastern Europe, net fee and commission income declined 4 per cent year-on-year, or € 67 million, to € 1,519 million. Net income from the payment transfer business fell 9 per cent, or € 67 million, to € 644 million, primarily as a result of currency effects in Ukraine and Russia, as well as lower income from the credit card and giro business in Poland. Net income from the foreign currency, notes/coins and precious metals business was down 3 per cent, or € 12 million, to € 381 million, due particularly to currency and volume effects in Ukraine and Russia. Net income from the loan and guarantee business also fell – by € 11 million to € 198 million – mainly as a result of developments in Russia and at Group head office. In contrast, net income from the securities business rose 7 per cent, or € 9 million, to € 136 million, most notably in Romania. Net income from other banking services increased 14 per cent, or € 8 million, to € 64 million, primarily attributable to Poland and to Group head office. Net income from the management of investment and pension funds grew 12 per cent, or € 5 million, to € 43 million, predominantly due to developments in Croatia.

Net trading income

Net trading income rose € 46 million year-on-year to € 16 million. Interest-based business grew € 27 million to € 68 million, primarily due to valuation gains on derivatives and securities positions in Russia and the Czech Republic, whereas Group head office and Poland reported valuation losses on interest-based derivatives and lower income from securities positions. Currency-based transactions fell € 9 million to minus € 60 million. This was mainly due to a loss from a hedging transaction related to Russian rouble-denominated dividend income (minus € 70 million), net investment hedge costs of € 34 million and valuation losses at Group head office. In contrast, Belarus posted a significant increase, caused by positive effects from a strategic currency position and the discontinuation of hyperinflation accounting, which had resulted in a loss of € 29 million in the previous year. Net income from proprietary trading had also increased. Exchange-rate related valuation losses on foreign currency positions in

Development of operating income

in € million



Ukraine declined (down € 37 million). Net income from other transactions improved € 30 million, after the lower interest rate level had a negative impact on the valuation of a guarantee product in the previous year.

Recurring other net operating income

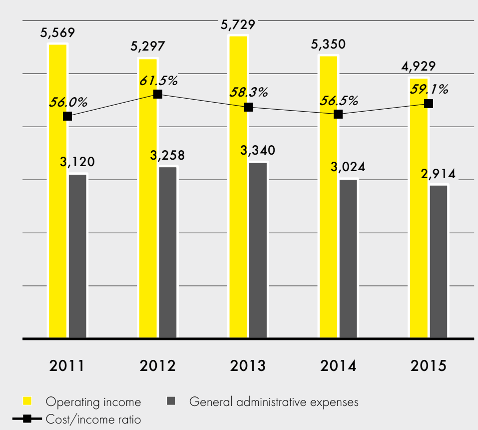
In the reporting year, recurring other net operating income increased € 62 million to € 66 million. In particular, allocations and releases of other provisions rose € 20 million, mainly caused by positive developments – primarily in Hungary (lower allocations for litigation and lower provisions for the refunding of the transaction tax). Net income from real estate leasing improved € 12 million due to higher contributions from Hungary and the Czech Republic. Net income from the disposal of fixed assets increased € 6 million, primarily due to developments in Hungary.

General administrative expenses

The Group's general administrative expenses fell 4 per cent, or € 110 million, to € 2,914 million during the reporting period, largely attributable to the development of the Russian rouble and Ukrainian hryvnia. The decline was also attributable to the release of bonus provisions totaling € 76 million, following the decision not to pay bonuses for 2014. Ukraine and Romania also reported lower general administrative expenses due to impairments in the previous year. In contrast, there were expenditures relating to the bank resolution fund of € 41 million and transformation expenses of € 34 million. The cost/income ratio deteriorated 2.6 percentage points to 59.1 per cent due to lower operating income.

Cost/income ratio performance

in € million



Staff expenses

Staff expenses, which constituted the largest item within general administrative expenses (48 per cent), declined 4 per cent in the reporting period, or € 60 million, to € 1,389 million. In Ukraine and Russia, the sharp decline in staff expenses was mainly due to currency effects; the release of bonus provisions and staff departures as a result of ongoing cost reduction programs also reduced expenses. On the other hand, there were increases in staff expenses due to higher bonus provisions and also severance payments in connection with the strategic review. The average number of staff (full-time equivalents) fell 2,304 year-on-year to 54,092. The largest declines occurred in Ukraine (down 1,186), Russia (down 412) and Hungary (down 284).

Other administrative expenses

Other administrative expenses decreased 2 per cent, or € 20 million, to € 1,173 million. The reduction in Russia (down € 68 million) and Ukraine (down € 13 million) was largely attributable to currency effects. In contrast, expenditures relating to the bank resolution fund of € 41 million, which were incurred at Group head office (€ 24 million) and in other EU countries (€ 17 million), increased expenses. Poland posted a € 15 million rise in other administrative expenses due to higher deposit insurance fees of € 27 million and contributions to a fund to protect mortgage borrowers of € 8 million, whereas legal, advisory and consulting expenses as well as IT expenses each fell by € 6 million. In Hungary, increased office space expenses of € 4 million were reported in connection with branch closures as a result of the strategic realignment. Compared to year-end 2014, the number of business outlets was down 161 to 2,705. The most significant declines in the number of business outlets occurred in Ukraine (down 93), Hungary (down 42), Russia (down 26), and Romania (down 17).

Depreciation of tangible and intangible fixed assets

Depreciation of tangible and intangible fixed assets fell 8 per cent year-on-year, or € 30 million, to € 351 million. The most significant decline occurred in Ukraine (down € 34 million) after impairments to the brand and the customer base were recognized in the previous year. Romania also posted a reduction in expenses (down € 11 million) after an impairment charge relating to a land valuation in the previous year. In Poland it was necessary to recognize an impairment of € 21 million in relation to the Polbank brand due to an adjustment of business planning caused by a deterioration of underlying conditions.

The Group invested € 347 million in fixed assets in the reporting period. Of that amount, 33 per cent (€ 114 million) was invested in own tangible assets. Investments in intangible assets – mainly related to software projects – amounted to 45 per cent. The remainder was invested in operating leasing business assets.

Net provisioning for impairment losses

Net provisioning for impairment losses declined 28 per cent year-on-year, or € 486 million, to € 1,264 million. This resulted from a € 542 million reduction in individual loan loss provisions to € 1,324 million, while net releases of portfolio-based loan loss provisions rose 3 per cent to € 50 million. Proceeds from the sale of impaired loans fell € 57 million to € 11 million, after € 68 million in the previous year, notably due to the sale of non-performing loans in Poland.

The majority of net provisioning for impairment losses in the reporting year, which totaled € 887 million, was attributable to corporate customers, while the figure for retail customers was € 407 million. Loan loss provisions for sovereigns resulted in releases of € 22 million.

The largest decline in net provisioning for impairment losses was recorded in Ukraine, where the provisioning requirement fell € 321 million year-on-year to € 212 million. On the one hand, this was due to currency effects; and on the other, to higher allocations for retail and corporate customers that were necessary in the previous year as a result of the adjustment of collateral for existing non-performing loans, as well as the political and economic situation in the Donbass region. In Hungary, the provisioning requirement for loans to retail and corporate customers declined € 73 million to € 56 million. At Group head office, net provisioning for impairment losses for large corporate customers also fell, by € 58 million to € 144 million. Likewise, the credit risk situation improved significantly in the Southeastern Europe countries, where total net provisioning for impairment losses fell € 63 million to € 191 million. The largest declines were recorded in Bulgaria (€ 20 million), Croatia (€ 14 million), Romania (€ 11 million), and Serbia (€ 11 million). At € 297 million (down € 10 million), net provisioning for impairment losses in Asia remained at a high level. Net provisioning for impairment losses in Russia rose € 11 million to € 181 million (the year-on-year rise in local currency was 43 per cent). This was due to the continuing unfavorable underlying economic conditions in Russia as well as sales of loans. Poland recorded a year-on-year rise of € 19 million because non-performing loans were sold with proceeds of € 62 million in the previous year. Without these gains, Poland would have recorded a decline of € 35 million.

The portfolio of non-performing loans fell € 548 million over the course of the year to € 8,328 million. However, currency effects resulted in a rise of € 212 million. The actual reduction in non-performing loans on a currency-adjusted basis was € 760 million. The largest declines occurred especially in Hungary (€ 539 million, predominantly as a result of the Settlement Act), Poland (€ 139 million), Bulgaria (€ 90 million), Romania (€ 77 million), Slovenia (€ 77 million), and the Czech Republic (€ 58 million). This contrasted with a rise of € 161 million in Asia. The NPL ratio increased 0.5 percentage points to 11.9 per cent during the reporting year. Non-performing loans compared to loan loss provisions amounting to € 5,935 million, resulting in an improved NPL coverage ratio of 71.3 per cent versus 67.5 per cent in the previous year.

The provisioning ratio – net provisioning for impairment losses in relation to the average volume of loans and advances to customers – fell 0.53 percentage points to 1.64 per cent.

Other results

Net income from derivatives and liabilities

Net income from derivatives and liabilities amounted to minus € 4 million, compared to € 88 million in the previous year. This reduction was primarily due to net income from changes in credit spreads for own liabilities, which fell € 169 million to minus € 3 million. In contrast, net income from the valuation of derivatives entered into for hedging purposes improved € 76 million.

Net income from financial investments

Net income from financial investments improved 10 per cent year-on-year, or € 6 million, to € 68 million. The valuation result for securities in the fair value portfolio increased € 38 million to € 76 million, primarily due to bonds in Russia. In contrast, net proceeds from the disposal of securities from the fair value portfolio fell € 30 million to € 22 million. This decline was primarily attributable to a partial repayment in the previous year of fixed-income government bonds in Ukraine (down € 53 million), a € 19 million increase in gains on sales at Group head office and a reduction of € 11 million in losses from sales in Russia. Higher impairment charges and lower proceeds from the sale of equity participations were responsible for the € 12 million decline in net income from equity participations to minus € 45 million. The sale of impaired securities held-to-maturity at Group head office increased net income by € 8 million.

Bank levies, non-recurring effects and goodwill

The expense for bank levies fell € 58 million year-on-year to € 119 million. This reduction resulted from the release of a provision formed in 2014 in connection with the payment of bank levies in Hungary (which accounted for € 43 million of the year-on-year reduction), as well as lower expenses in Slovakia (down € 7 million) and Austria (down € 8 million).

In Hungary, adjustments required in connection with the implementation of the Settlement Act (unilateral interest rate changes on consumer loans) led to the € 67 million partial release of a provision formed in the previous year. In the comparable period of the previous year, an allocation of € 251 million was made after the government's plan was announced.

In September 2015, the Croatian parliament adopted a law to enforce the conversion of loans denominated in Swiss francs at the historical rates at the time of lending. The resulting losses are to be entirely borne by the lending banks. Although RBI took immediate legal measures, a total provision of € 77 million was booked. This reduced consolidated profit by € 61 million. There was an additional expense of € 9 million relating to foreign currency loans in Serbia and Croatia, where regulations fixed installment payments at historical exchange rates.

In addition, there were goodwill impairments totaling € 7 million in relation to a subsidiary in Ukraine and in Serbia. In the previous year, goodwill impairments totaling € 399 million were recorded for subsidiaries in Poland (€ 194 million), Russia (€ 148 million), and Albania (€ 51 million).

Net income from the disposal of Group assets

The disposal of 28 subsidiaries resulted in net income of € 41 million in the reporting year, while a loss of € 10 million was recorded in the previous year as a result of the exclusion of 18 subsidiaries from the consolidation group (primarily from the sale of the trading group F.J. Elsner). Of the 28 excluded subsidiaries, 22 companies were excluded due to immateriality and six companies were sold. The companies were predominantly active in leasing, trade and financing business.

The sale of the 75 per cent stake in the Russian pension fund ZAO NPF Raiffeisen in October 2015 resulted in net income from disposal of group assets of € 86 million in the year under review. In 2015, an impairment of € 52 million was recognized in relation to assets available for sale in connection with the sale of the 99.8 per cent stake in the Slovenian subsidiary bank Raiffeisen Banka d.d. The sales contract was signed in December 2015 and closing is expected to take place in the first half of 2016.

Income taxes

Income taxes declined € 207 million year-on-year to € 276 million. The decline was predominantly the result of a non-recurring effect in the previous year related to impairments of deferred tax assets of € 196 million at Group head office and in Asia. At 39 per cent, the effective tax rate in the reporting year was significantly above the Austrian income tax rate of 25 per cent. This was largely attributable to expenses non-deductible for tax purposes mainly at Group head office and in Ukraine, the Czech Republic, Romania, Slovakia, and Russia, as well as to loss carryforwards which cannot be capitalized for tax purposes at Group head office and in Hungary.

Comparison of results with the previous quarter

in € million	Q4/2015	Q3/2015 restated	Change absolute	Change in %	Q3/2015 published
Net interest income	832	814	18	2.2%	813
Net fee and commission income	390	384	6	1.6%	384
Net trading income	29	(14)	43	–	(14)
Recurring other net operating income	18	33	(15)	(45.3)%	34
Operating income	**1,269**	**1,216**	**52**	**4.3%**	**1,216**
Staff expenses	(381)	(352)	(29)	8.3%	(352)
Other administrative expenses	(314)	(282)	(32)	11.3%	(282)
Depreciation	(118)	(79)	(39)	48.9%	(79)
General administrative expenses	**(813)**	**(713)**	**(100)**	**14.0%**	**(713)**
Operating result	**456**	**503**	**(48)**	**(9.4)%**	**503**
Net provisioning for impairment losses	(469)	(191)	(278)	145.9%	(191)
Other results	16	(59)	76	–	(155)
Profit/loss before tax	**3**	**253**	**(250)**	**(98.9)%**	**157**
Income taxes	(83)	(52)	(32)	62.0%	(52)
Profit/loss after tax	**(81)**	**201**	**(282)**	**–**	**106**
Profit attributable to non-controlling interests	(2)	(16)	14	(86.9)%	(16)
Consolidated profit/loss	**(83)**	**186**	**(268)**	**–**	**90**

Q3/2015 figures restated (please refer to the consolidated financial statements for details).

Operating income

Net interest income

Compared to the third quarter of 2015, net interest income rose 2 per cent, or € 18 million, to € 832 million in the fourth quarter. The net interest margin (calculated based on interest-bearing assets) improved 9 basis points quarter-on-quarter to 3.07 per cent. This positive development was mainly attributable to a € 65 million increase in current income from shares in affiliated companies, predominantly from a real estate holding company in Austria, which fully offset a decline in interest income from derivatives and from loans and advances to banks and customers.

Net fee and commission income

Compared to the third quarter, net fee and commission income was up 2 per cent, or € 6 million, to € 390 million. Net income from the payment transfer business posted the largest increase – up 6 per cent or € 10 million, to € 174 million – driven by higher fee and commission income from the credit card business in Russia. Net income from the sale of own and third-party products rose € 4 million to € 16 million, mainly in Poland and Hungary, but was offset by net income from other banking services. Net income from both securities trading and from the foreign currency, notes/coins and precious metals business each declined € 2 million, due to lower volumes and margins, with the strongest reductions occurring in Romania and Russia.

Net trading income

Net trading income improved € 43 million quarter-on-quarter to € 29 million. Interest-based business rose € 83 million to € 36 million, primarily driven by valuation gains on derivatives and securities positions in Poland. The € 33 million decline in net income from currency-based transactions to € 5 million was triggered by lower valuation gains on foreign currency positions, predominantly in Poland, a currency depreciation-driven decline in Belarus and costs for the capital hedge in the amount of € 9 million. This contrasted with valuation gains on foreign currency positions at Group head office. As a result of the difficult market environment, net income from equity- and index-based transactions fell € 12 million to minus € 13 million; however, this loss is covered by hedging instruments. Net income from other transactions increased as a result of a valuation gain on a guarantee product.

Recurring other net operating income

Recurring other net operating income was down € 15 million in the fourth quarter to € 18 million. Net income from the allocation and release of other provisions declined € 15 million in total, predominantly in Russia, Albania, Hungary, and Romania. Net income from the disposal of tangible and intangible fixed assets fell € 10 million, driven by declines in Hungary, Ukraine, Croatia, and Poland.

General administrative expenses

General administrative expenses amounted to € 813 million in the fourth quarter of 2015 – 14 per cent, or € 100 million, above the previous quarter's level of € 713 million.

Staff costs rose € 29 million to € 381 million in the fourth quarter of 2015. This rise was mainly due to higher wages and salaries, as well as bonus provisions, predominantly at Group head office, in Russia, Hungary, Slovakia, and Bosnia and Herzegovina; whereas staff expenses in Poland decreased owing to a release of provisions for an employee retention program.

Other administrative expenses increased € 32 million to € 314 million. This was attributable to higher deposit insurance fees in Poland and in Slovakia, contributions to a fund for the protection of mortgage borrowers in Poland, as well as higher advertising expenses in nearly all countries. This contrasted with a reduction in the contribution to the bank resolution fund at Group head office and lower legal, advisory and consultancy expenses.

Depreciation of tangible and intangible fixed assets increased € 39 million quarter-on-quarter to € 118 million, mainly attributable to a brand impairment in Poland and impairment charges relating to buildings in Ukraine, Russia and Slovakia.

Net provisioning for impairment losses

Compared to the third quarter, net provisioning for impairment losses rose € 278 million to € 469 million. This was attributable to developments in the corporate customer business, notably in Asia (increase of € 174 million) and at Group head office (increase of € 35 million). In Bulgaria and Albania, higher net provisioning for impairment losses of € 15 million was needed in each country. In addition, there were small increases in net provisioning for impairment losses in most of the other countries. Net provisioning for individual loan loss provisions increased € 274 million overall to € 502 million; whereas net releases of portfolio-based loan loss provisions remained nearly flat at € 31 million. Proceeds from the sale of impaired loans were € 6 million lower quarter-on-quarter, particularly due to devleopments in Poland.

The portfolio of non-performing loans to customers decreased € 606 million compared to the previous quarter to € 8,328 million, with a decline of € 662 million on a currency-adjusted basis. Nearly all countries posted declines: Hungary (€ 130 million), Russia (€ 118 million), Poland (€ 76 million), Asia (€ 66 million), Slovenia (€ 64 million), and Bulgaria (€ 42 million). The NPL ratio decreased from 12.2 per cent to 11.9 per cent quarter-on-quarter. The NPL coverage ratio increased 4.4 percentage points to 71.3 per cent.

Other results

Net income from derivatives and liabilities

Net income from derivatives was down € 35 million in the fourth quarter to minus € 15 million, primarily attributable to the valuation result from the change in the credit spread of own issues (down € 31 million).

Net income from financial investments

Net income from financial investments declined in the fourth quarter from € 7 million to almost zero. The € 39 million increase in impairment charges for equity participations (mainly for an Austrian real estate holding company) was largely offset by higher net proceeds from sales of securities held in the fair value portfolio (up € 26 million) and of securities held to maturity (up € 10 million) at Group head office.

Bank levies, non-recurring effects and goodwill

Bank levies remained nearly unchanged at € 26 million in the fourth quarter.

In Hungary, the implementation of the Settlement Act, adopted by the government in the previous year, resulted in the partial release of a provision formed for this purpose in the previous year of a further € 29 million, compared to a release of € 4 million booked in the third quarter.

In Croatia, the parliament passed a law in September 2015 on the compulsory conversion of Swiss franc loans at the historical rates prevailing at the time of lending. The resulting losses were entirely borne by the lending banks. This led to a non-recurring effect in the form of a provision of € 75 million in sundry operating expenses in the third quarter of 2015. This had a negative effect of € 61 million on the consolidated profit. There was a negative effect of € 2 million in the fourth quarter of 2015.

In addition, goodwill impairment charges of € 4 million for Group units in Ukraine and in Serbia were recorded in the fourth quarter of 2015.

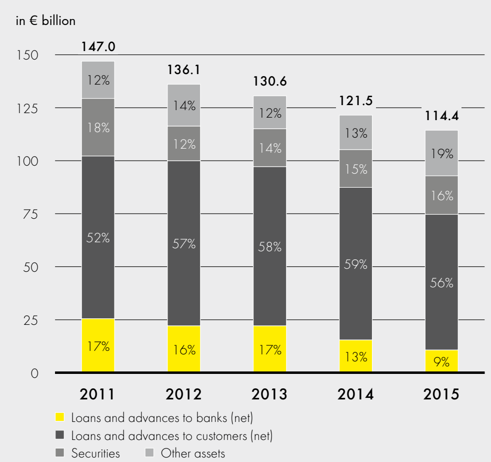
Income taxes

Income tax expense rose € 32 million quarter-on-quarter to € 83 million, primarily due to higher tax expenses in Russia and at Group head office in the fourth quarter. In contrast, the recognition of deferred tax assets in the third quarter in connection with Swiss franc loans in Croatia reduced expenses.

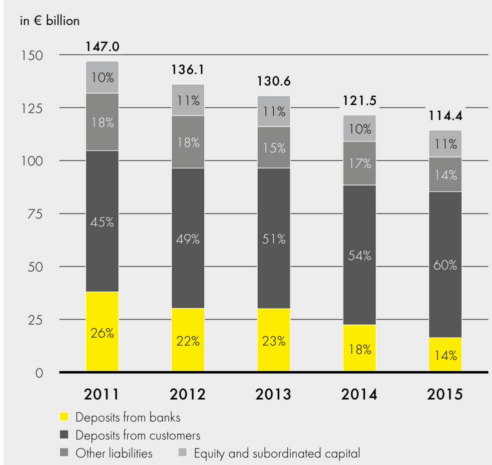
Statement of financial position

In the course of 2015, RBI's total assets declined 6 per cent, or € 7,073 million, to € 114,427 million. Currency developments – predominantly the 12 per cent appreciation of the US dollar against the euro – resulted in a rise of around € 1.5 billion. In organic terms, total assets declined by around € 8.5 billion; on balance, the effects from additions to and removals from the scope of consolidation were negligible.

Breakdown of assets



Breakdown of equity and liabilities



Assets

Loans and advances to banks before deduction of impairment losses on loans and advances (€ 120 million) fell 30 per cent, or € 4,736 million, to € 10,837 million. This was primarily attributable to a € 4,375 million decline, mainly at Group head office, in short-term receivables from money market business to € 6,547 million, in favor of a higher cash reserve. This decline included a € 3,654 million reduction in receivables from sales and repurchase agreements and securities lending to € 1,180 million.

Loans and advances to customers before deduction of impairment losses on loans and advances (€ 5,935 million) fell 10 per cent, or € 8,004 million, to € 69,921 million in the reporting period. Loans and advances to large corporate customers fell € 6,897 million to € 41,685 million, with the largest declines recorded at Group head office and in Asia, Russia (due to currency effects), and Poland. In contrast, the Czech Republic and Slovakia posted increases. Loans and advances to retail customers (private individuals and small and medium-sized enterprises) totaled € 24,635 million, a decline of € 300 million. Whereas the lending volume in Hungary declined due to the implementation of the Settlement Act, which was adopted in the previous year, it fell in Russia due to both currency effects and on an organic basis. The Czech Republic and Slovakia also reported increases in lending in the retail customer business. Loans and advances to sovereigns fell € 637 million to € 814 million, notably in Hungary.

The € 5,309 million rise in other assets was mainly the result of the € 6,443 million increase in the cash reserve to € 13,212 million, notably at Group head office and in the Czech Republic and Slovakia; offset by a € 1,636 million decline in trading derivatives, predominantly at Group head office.

Equity and liabilities

The volume of Group financing from banks (chiefly commercial banks) decreased 27 per cent, or € 6,039 million, to € 16,369 million. Long-term and short-term deposits declined, notably at Group head office and in Asia, Russia, and Poland.

Deposits from customers increased 4 per cent, or € 2,897 million, to € 68,991 million in the course of the year. In particular, deposits from retail customers and sovereigns posted increases. The € 2,718 million rise in deposits from retail customers to € 33,644 million was mainly attributable to Poland, Slovakia, the Czech Republic, Russia, and Romania. Higher deposits from sovereigns (an increase of € 563 million) were attributable to Group head office in particular. Deposits from large corporate customers declined € 645 million to € 30,644 million; the largest reductions were in Asia and in Russia, while Slovakia and the Czech Republic reported increases.

Other liabilities fell € 4,233 million to € 16,401 million. Debt securities issued fell € 3,091 million, primarily due to the reduced financing requirement. Trading liabilities declined € 1,786 million, mainly at Group head office.

Equity

Equity on the statement of financial position

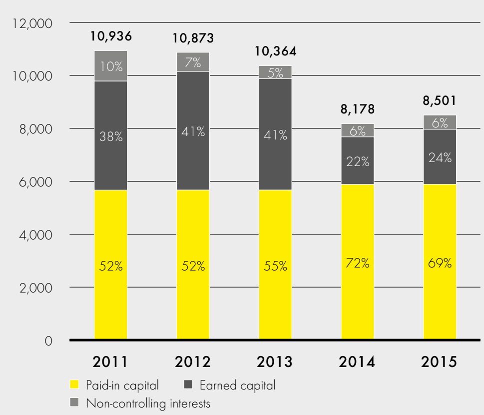
RBI's equity on the statement of financial position, consisting of consolidated equity, consolidated profit/loss and non-controlling interests, increased 4 per cent, or € 323 million, to € 8,501 million compared to year-end 2014. No dividends were paid out to RBI's shareholders for the financial year 2014.

The Group's total comprehensive income of € 329 million comprises consolidated profit of € 379 million and other comprehensive income of minus € 49 million. Exchange-rate differences represented the largest item in other comprehensive income and amounted to minus € 185 million in the reporting year (2014: minus € 1,314 million). A key driver was the devaluation of the Belarus rouble (minus € 107 million) and the Russian rouble (minus € 94 million). In contrast, the capital hedge of € 90 million and the valuation changes in assets available-for-sale of € 76 million generated a positive effect.

Capital of non-controlling interests rose € 40 million to € 535 million. On the one hand, this was due to the profit attributable to non-controlling interests of € 56 million, a capital increase of € 63 million as a result of the entry of the European Bank for Reconstruction and Development (EBRD) at Raiffeisenbank Aval JSC, and some additional smaller capital movements. On the other hand, dividends of € 51 million were paid to minority shareholders in Group units during the reporting period.

Breakdown of equity

in € million



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

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

Common equity tier 1 after deductions stood at € 7,671 million. The increase from the 2014 comparable level totaled € 227 million, mainly due to the inclusion of the net profit for 2015. In contrast, exchange rate differences, primarily the devaluation of the Belarus rouble, the Russian rouble and the Ukrainian hryvnia, had a negative impact of € 194 million on total capital. In addition, the changed transitional provisions of the CRR resulted in a decline due to deductions and the reduced allowance of minority interests. Tier 2 capital declined € 210 million compared to the previous year and totaled € 3,316 million. The decline was mainly attributable to loan loss provisions. Total capital under CRR amounted to € 10,987 million. This corresponds to an increase of € 17 million compared to the 2014 year-end figure.

Total capital stood against a total capital requirement of € 5,062 million. This declined mainly due to a reduction in the credit exposure to corporate customers; as well as – to a lesser extent – due to new securitization transactions and the decline in retail business in Hungary and Russia. The total capital requirement for credit risk amounted to € 4,117 million, the total capital requirement for position risk in bonds, equities, commodities and currencies came to € 241 million, and the total capital requirement for operational risk stood at € 704 million.

Based on total risk, the common equity tier 1 ratio (transitional) was 12.1 per cent, with a total capital ratio (transitional) of 17.4 per cent.

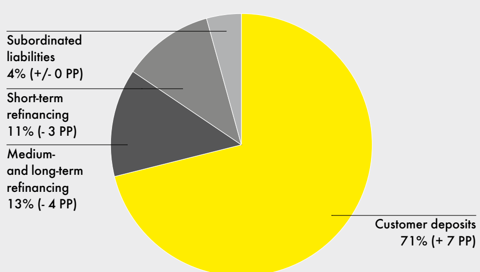
Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 11.5 per cent and the total capital ratio (fully loaded) was 16.8 per cent.

Funding

Banks essentially finance themselves using their own funds, customer deposits, as well as through various capital and interbank market instruments. Refinancing opportunities for banks in the international capital markets remained largely stable in 2015; however, access to the capital markets was more difficult for Austrian banks due to the moratorium on HETA bonds. For RBI, in particular, use of the international capital markets was limited due to the gradual implementation of the strategy review, the conflict between Ukraine and Russia, as well as the decline in the price of oil. However, this was manageable, as RBI had a lower funding requirement and other financing options.

The US Federal Reserve – after having prepared the markets for the end of its zero-interest rate policy – finally initiated the interest-rate turnaround in December 2015. However, the effects of the ECB's bond-buying programs, as well as further interest-rate cuts (increase in the negative deposit rate for commercial banks), were appreciable for the funding of banks in the euro area. As a result, the additional liquidity in the markets reduced financing costs for banks in 2015. Therefore, excess liquidity remained in the money market and government bond yields as well as risk premiums remained at a historically low level over the course of the year.

Funding structure



On the one hand, RBI's financing is based on customer deposits, which accounted for € 69.0 billion, or 71 per cent of funding, at the end of 2015; and on the other, on wholesale funding, which contributed the remaining 29 per cent or € 28.0 billion. The high proportion of customer deposits creates a stable funding basis and reduces the exposure of the Group to turbulence in the financial markets. Additional retail deposits (up € 2.7 billion) were generated in some markets, thereby further increasing stability. In other markets, such as Russia and Southeastern Europe, deposits remained stable despite some partly significant reductions in deposit interest rates. There was a slight decline of € 0.4 billion in deposits from corporate customers.

The diversification of sources for financing in wholesale funding, is achieved, on the one hand, by using local markets through the independent sale of bonds, certificates and deposits. On the other hand, long-term funding is used from sources that are less susceptible to changes on the international capital markets. This is an area in which the Group actively collaborates with supranational institutions. For example, in 2015, a securitization of Raiffeisen Leasing Poland with a volume of € 130 million was completed in cooperation with the European Investment Bank (EIB). These supranational institutions support banks that are active in Eastern Europe by providing bilateral loans and also through developing the local capital markets. RBI cooperates with these institutions not only in terms of financing, but also in other areas such as risk-sharing programs to optimize total risk-weighted assets.

For medium to long-term refinancing, RBI used instruments such as the "EUR 25,000,000,000 Debt Issuance Programme", which enables bonds to be issued in different currencies and structures. At the end of 2015, a total of € 8.4 billion in bonds were outstanding. RBI implemented its funding plan again in 2015 with primarily low-volume private placements in an amount of around € 2.2 billion with a weighted maturity of around 4 years. Of this, approximately € 0.6 billion was placed in the form of bonds, with the remaining amount raised in the form of long-term deposits.

Research and development

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

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

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

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

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

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

Control environment

An internal control system has been in place for many years at RBI, and its parent company RZB, which includes directives and instructions on key strategic issues. It incorporates:

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

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

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

Risk assessment

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

Control measures

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

Group consolidation

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

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

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

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

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

Information and communication

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

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

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

Monitoring

The Management Board and the Controlling department are responsible for ongoing internal monitoring. In addition, the department heads are responsible for monitoring their business areas, including the undertaking of regular control and plausibility checks.

Internal audits also constitute an integral part of the monitoring process. Group Audit at RZB is the area responsible for auditing. All internal auditing activities are subject to the Group Audit standards, which are based on the Austrian Financial Market Authority's minimum internal auditing requirements and international best practices. Group Audit's internal rules also apply (notably the Audit Charter).

Group Audit regularly and independently verifies compliance with the internal rules within the RZB Group units. The head of Group Audit reports directly to the Management Boards of RZB AG and RBI AG.

Capital, share, voting, and control rights

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

(1) As at 31 December 2015, the company's share capital amounts to € 893,586,065.90 and is divided into 292,979,038 voting common bearer shares. As at 31 December 2015, 557,295 of those were own shares and consequently 292,421,743 shares were outstanding at the reporting date.

(2) The Articles of Association contain no restrictions concerning voting rights or the transfer of shares. The Management Board is not aware of any restrictions arising from agreements between shareholders.

(3) RZB AG holds around 60.7 per cent of the share capital of the company indirectly through its wholly owned subsidiary Raiffeisen International Beteiligungs GmbH. The remaining shares of RBI AG are held in free float, with no direct or indirect shareholdings amounting to 10 per cent or more known to the Management Board.

The ultimate parent company is Raiffeisen-Landesbanken-Holding GmbH, holding around 82.4 per cent of the shares of RZB AG, directly and indirectly. The direct stake amounts to around 3.9 per cent and the indirect stake is approximately 78.5 per cent and held by the wholly owned subsidiary R-Landesbanken-Beteiligung GmbH.

(4) Pursuant to the company's Articles of Association, RZB AG is granted the right to delegate up to one third of the Supervisory Board members to be elected by the Annual General Meeting, as long as it holds an interest in the share capital. Beyond that, there are no special rights of control associated with holding shares.

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

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

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

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

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

The Annual General Meeting of 4 June 2014 authorized the Management Board to acquire own shares, under the provisions of § 65 (1) 4 and 8 of the AktG, during a period of 30 months from the date of the resolution (i.e. by 3 December 2016), in an amount equating to up to a maximum of 10 per cent of the company's respective share capital and, if deemed appropriate, to retire them. The authorization may be exercised in full or in part or also in several partial amounts, for one or more purposes – with the exception of securities trading – by the company, by affiliated enterprises or, for their account, by third parties. The acquisition price for repurchasing the shares may be no lower than € 1 per share and no higher than 10 per cent above the average unweighted closing price over the 10 trading days prior to exercising this authorization. The Management Board was further authorized – pursuant to § 65 (1b) of the AktG – to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public offer, to the full or partial exclusion of shareholders' subscription rights. This authorization applies for a period of five years from the date of the resolution (i.e. until 3 June 2019). Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad, or for the purpose of implementing the company's Share Incentive Program (SIP) for executives and members of the Management Boards of the company and affiliated enterprises. In addition, if convertible bonds are issued in accordance with the Annual General Meeting resolution of 26 June 2013, shareholders' subscription rights may also be excluded in order to issue (own) shares to the holders of these convertible bonds who exercise the conversion or subscription rights granted them under the terms of the convertible bonds to shares of the company. This authorization replaces the authorization to purchase and use own shares that was granted in the Annual General Meeting of 20 June 2012. No own shares have been purchased since the authorization was issued in June 2014.

The Annual General Meeting of 4 June 2014 also authorized the Management Board, under the provisions of § 65 (1) 7 of the AktG, to acquire own shares for the purpose of securities trading, which may also be conducted off market, during a period of 30 months from the date of the resolution (i.e. until 3 December 2016), of up to a maximum of 5 per cent of the company's respective share capital. The consideration for each share to be acquired must not be less than half the closing price on the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice this closing price. This authorization may be exercised in full or in part or also in several partial amounts by the company, by affiliated enterprises, or by third parties for their account.

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

- As a subsidiary of RZB, RBI AG is insured under RZB's group-wide D&O insurance. Insurance cover remains in place in the event of a merger with another legal entity of the RZB Group. In the event of a merger with a legal entity outside the RZB Group, RBI AG will no longer be covered under RZB's group-wide insurance from the date of the merger. In such cases, insurance cover only exists for claims for damages arising from breaches of obligations that occurred before the merger, which are reported to the insurance underwriter prior to any termination of RZB's group-wide D&O insurance and thereafter within the agreed notification period of five years.

- The company's SIP provides the following upon change in corporate control: "If a change in corporate control or a merger occurs during the vesting period, and the combination does not exclusively concern subsidiaries, all contingent shares will lapse without replacement at the time of acquiring the shares of RBI AG and the investor's effective power to dispose of them, or at the time of the merger. An indemnification payment will be made for these contingent shares. The indemnity sum calculated will be paid out with the next possible salary payment."

- Furthermore, the syndicate agreement concluded by RBI AG in relation to a subsidiary bank with a joint shareholder will automatically be terminated upon a change of control.

- The brand agreement concluded with RZB AG on the unrestricted use of the name and logo of Raiffeisen Bank International for an indefinite period of time in all jurisdictions in which the brand is registered now or in the future includes a right of cancellation upon a change of control.

- RBI AG is a member of the Professional Association of Raiffeisen Banks. Upon a change in control of RBI AG which results in the attainment of control by a shareholder outside of the Raiffeisen Banking Group Austria, membership of the Professional Association of Raiffeisen Banks and of the Raiffeisen Customer Deposit Guarantee Association Austria may be terminated.

- The company's refinancing agreements and agreements concerning third-party financing for subsidiaries, which are guaranteed by the company, stipulate that the lenders can demand early repayment of financing in the event of a change in control.

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

Risk management

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

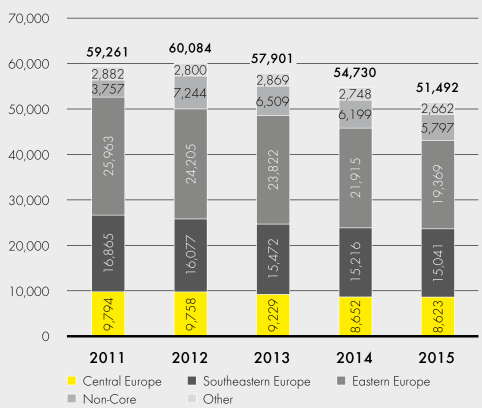
Corporate Governance

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

Human Resources

Human Resources deals with the key corporate processes for managing personnel resources within the Group, taking into account the needs of employees and corporate interests. As at 31 December 2015, RBI had 51,492 employees (full-time equivalents), 3,238 or 6 per cent fewer than at the end of 2014. The majority of this reduction is attributable to developments in Ukraine, Russia and Poland. The average age of employees remained relatively low at 36 years and women accounted for 67 per cent of the workforce. Graduates make up 73 per cent of employees, indicating a highly skilled workforce.

Development of personnel
Number of staff at year-end



New compensation structure

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

In line with the clear trend within the European banking industry, the weighting of the variable compensation components was reduced. For roles which have very little or only an indirect influence on financial results, the variable component may also be entirely dispensed. Depending on local conditions position-related fixed allowances were introduced in various forms. When determining bonuses for certain business and management roles, greater weight is placed on the financial results of the RBI Group and the respective organizational unit and less on functional components in order to encourage teamwork.

Overall, the changes make it easier for employees to estimate their income and provide a higher level of income security. For the company, it creates greater transparency and improves compensation planning.

Professional and management development

Despite higher pressure on costs, RBI again placed great value on ensuring and continually improving the professional skills of its employees during the year under review. Key areas included, for example, risk management, sales, affluent retail customer business and IT. Further development of managers also remained an important focus: The largest Group-wide training initiative to date for managers within sales was continued under the "Branch Management Academy" project. By the end of 2015, 22 per cent of all branch managers within the network had already participated in the initiative. The Group-wide "GoIT" program for top IT executives was carried out successfully for the third time. Some areas such as the corporate and retail businesses and risk management also run extremely successful rotation programs in order to exchange expert knowledge. In addition, training measures were intensified in order to meet regulatory and compliance requirements and to continue to develop the qualifications of key personnel.

Performance and talent management

The annual standard processes to identify and develop talent – with areas of emphasis adapted to the needs of the respective Group unit –were carried out again in 2015. As a result, it was again possible to fill 100 per cent of the vacant management board positions in the network banks with internal candidates during the period under review.

RBI, like many international companies, is also working on the further development of their Performance Management System. In 2015, a new model for Group Executives was developed, which will be implemented in 2016 and will serve as the basis for adjustments for all other employee groups.

Establishment of a European Works Council

In July 2015, an agreement on establishing a European Works Council was signed at RBI. This created an information and consultation platform where employee representatives and central management exchange information on transnational issues. After the formal process to elect the members of the European Works Council, it convened in Vienna at the beginning of November 2015 for its inaugural meeting and for the first exchange of information with central management.

Local initiatives in the network banks

During the last financial year, numerous local Human Resources initiatives were again launched and implemented in the network banks. Last year, many network banks focused on improving internal and external customer satisfaction. The taken measures included related workshops, management events, training courses, and surveys.

In Russia, improving customer satisfaction was defined as one of the annual targets. Similarly, Croatia launched a project on the subject of customer orientation which included a survey of all managers within the bank. These interviews were conducted by employees from an internal talent pool made up of 400 local network bank staff in order to identify the strengths and best examples of successful implementation within the bank. The project has already prompted significant changes. In Bosnia and Herzegovina, the ongoing initiative to improve customer relationships has already become an internal trademark. In 2015, managers there had several opportunities to present their units including their key areas of responsibility and expertise and their principal tasks. Interfaces with other units were also examined and solutions for mutual support and cooperation were developed. In Bulgaria, a second customer survey was carried out in 2015. The noticeably improved result demonstrated that the measures implemented – as a consequence of the first survey to improve internal communication and cooperation – are starting to produce positive effects.

Outlook

Economic prospects

Central Europe

In the CE region, GDP growth is set to moderately weaken in the Czech Republic and Hungary in 2016. In contrast, growth in 2016 should remain at the high level of 2015 in Slovakia. Together with fiscal easing in Poland (which will provide short-term growth stimulus), economic growth for the entire region ought to remain above the 3 per cent mark in 2016.

Southeastern Europe

The SEE region is expected to gradually return to solid growth. After GDP growth of 2.8 per cent in 2015, the region's economic output should again be able to reach its current potential growth rate of over 3 per cent in 2016. Romania, in particular, could remain on a solid growth trajectory with GDP growth of 4 per cent; however, its fiscal policies run the risk of excessively extending the budget deficit and increasingly overheating the economy. Serbia should be able to start following Romania's positive development in 2016 after several years of slow growth. Croatia should no longer be in a recessionary phase, but it may take some time until the growth is sustainable.

Eastern Europe

In Russia, a renewed year of recession is expected in 2016. Ukraine, which showed signs of levelling out in 2015, is likely to finally come out of recession in 2016. Belarus, as a result of its interrelation with Russia, is expected to deal with a further GDP decrease in 2016. In general, Russia, Ukraine, and Belarus, show no indications of entering a sustained economic upswing in 2016 and significant event risks still remain.

Austria

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

CEE banking sector

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

Outlook for RBI

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

Sale of Zuno to the Alfa Banking Group will not be concluded

On 1 March 2016, RBI announced that the sale of its direct bank ZUNO BANK AG to the Alfa Banking Group, as announced by RBI in September 2015, will not be concluded. ABH Holdings S.A., the Luxembourg-based parent company of the Alfa Banking Group, with which RBI had reached an agreement last year, withdrew from the contract of sale.

The effect of the transaction on RBI's regulatory capital ratios would have been negligible. The reasoning for selling Zuno was to reduce complexity and minimize overlap within the group. RBI is examining the next steps which could be either external or internal, primarily the full sale of Zuno, but also the full integration of Zuno into other RBI group entities, or partial sale.

New bank levy impacts earnings situation in Poland

On 15 January 2016, the Polish president signed the law, which had already been passed by parliament, for a bank levy on Polish banks. The bank levy will impact total assets by 0.44 per cent on an annual basis and will be collected in monthly installments from February 2016. Not included in this impact, is a base amount of PLN 4 billion (roughly equal to € 1 billion), investments in Polish government bonds and total capital.

Segment reports

Segment overview

Segmentation principles

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

This results in the following segments:

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

The segment reporting section in the consolidated financial statements contains details on the division of the segments, particularly in respect to changes made during the reporting period to the segmentation.

Segment reports

Central Europe

in € million	2015	2014	Change	Q4/2015	Q3/2015	Change
Net interest income	654	694	(5.7)%	161	165	(2.4)%
Net fee and commission income	388	377	2.9%	98	93	4.5%
Net trading income	31	15	106.9%	9	(4)	–
Recurring other net operating income	(25)	(52)	(51.5)%	(6)	1	–
Operating income	**1,048**	**1,034**	**1.4%**	**261**	**255**	**2.3%**
General administrative expenses	(636)	(624)	1.9%	(186)	(156)	18.8%
Operating result	**412**	**410**	**0.6%**	**76**	**99**	**(23.6)%**
Net provisioning for impairment losses	(133)	(222)	(40.1)%	(43)	(25)	69.7%
Other results	31	(321)	–	22	18	23.6%
Profit/loss before tax	**310**	**(133)**	**–**	**54**	**91**	**(40.6)%**
Income taxes	(66)	(67)	(1.3)%	(11)	(17)	(34.0)%
Profit/loss after tax	**244**	**(200)**	**–**	**43**	**75**	**(42.0)%**
Risk-weighted assets (total RWA)	12,910	14,475	(10.8)%	12,910	13,951	(7.5)%
Assets	26,878	25,155	6.9%	26,878	26,179	2.7%
Net interest margin (average interest-bearing assets)	2.67%	3.09%	(0.42) PP	2.52%	2.69%	(0.16) PP
Return on equity before tax	**18.3%**	**–**	**–**	**12.7%**	**21.4%**	**(8.7) PP**

After the previous year's loss, RBI returned to generating a significant level of profit before tax in Central Europe, posting an increase of € 443 million to € 310 million, particularly due to negative non-recurring effects in Hungary in the previous year (Settlement Act), as well as lower bank levies and lower net provisioning for impairment losses.

Operating income

The Central Europe segment's net interest income fell 6 per cent year-on-year, or € 40 million, to € 654 million, largely due to historically low market interest rates. This included declines in Hungary and Slovakia, as well as an increase in the Czech Republic. Net interest income in Hungary decreased € 33 million, as a result of lower interest income from derivatives and low level of market interest rates. In Slovakia, lower interest rates also reduced net interest income by € 17 million, despite an increase in volumes; whereas in the Czech Republic – which continued on its growth trajectory – higher interest income from derivatives and lower interest rates in the deposit business increased net interest income by € 10 million. The segment's net interest margin dropped 42 basis points year-on-year to 2.67 per cent, due to the continued low interest rates in all of the segment's markets.

Net fee and commission income in the segment increased 3 per cent year-on-year, or € 11 million, to € 388 million. This included a rise of 34 per cent, or € 11 million, to € 42 million in net income from the loan and guarantee business, which was primarily driven by an increase in new business in Slovakia. Net income from the foreign currency, notes/coins, and precious metals business also increased – by € 5 million to € 81 million – as a result of higher volumes in Slovakia and Hungary. Net income from other banking services and net income from the securities business each increased € 1 million. In contrast, net income from the payment transfer business fell 4 per cent, or € 7 million, to € 196 million, due to lower volumes and margins, predominantly in the Czech Republic and Hungary.

The segment's net trading income rose 107 per cent, or € 16 million, to € 31 million. This included a € 12 million year-on-year increase in net income from currency-based transactions to € 24 million, attributable to valuation gains on foreign currency positions in the Czech Republic and Hungary. Net income from interest-based transactions increased from minus € 2 million in the previous year to € 8 million, primarily as a result of gains from the valuation of securities and interest-based derivatives in the Czech Republic. In contrast, net income from other transactions fell € 6 million, primarily due to the development in Hungary.

Recurring other net operating income for the region improved 52 per cent, or € 27 million, to minus € 25 million, primarily due to a € 9 million increase in rental income in Hungary, a € 7 million increase in net income from the disposal of tangible fixed assets and a € 9 million increase in net income from the release of other provisions, especially in Hungary.

General administrative expenses

The segment's general administrative expenses rose 2 per cent year-on-year, or € 12 million, to € 636 million. The increase was mainly driven by regulatory requirements, particularly the new bank resolution funds in Slovakia (€ 8 million) and Hungary (€ 3 million). Staff expenses dropped 1 per cent, or € 3 million, largely due to lower staff levels in Hungary. Other administrative expenses not only included the contributions to the bank resolution funds, but also higher legal, advisory and consulting expenses, office space expenses, as well as IT expenses. Deposit insurance fees declined in Slovakia. Depreciation of tangible and intangible fixed assets rose 5 per cent, or € 4 million, primarily due to higher depreciation resulting from the relocation of a data center to a new building in Slovakia. The number of business outlets in the segment fell 23 to 395 during the year. This included the closure of 42 business outlets in Hungary, as part of the realignment of the business model, and the addition of 17 business outlets in Slovakia, where the Raiffeisen brand continued to be rolled out as planned. The cost/income ratio in the region increased 0.3 percentage points to 60.7 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses in the Central Europe segment declined 40 per cent year-to-year, or € 89 million, to € 133 million, compared to the previous year. This included a € 119 million decline in net allocations to individual loan loss provisions to € 117 million, while net allocations to portfolio-based loan loss provisions amounted to € 16 million, compared to a release of € 14 million in the previous year. The reduction in net provisioning for impairment losses was predominantly attributable to Hungary, where it fell € 73 million to € 56 million due to lower net provisioning for loans to retail and corporate customers. In Slovakia, net provisioning for impairment losses declined € 17 million to € 37 million and also related to both retail and corporate customers. In the Czech Republic, net provisioning for impairment losses remained unchanged year-on-year at € 41 million. Here, a significant decrease in individual loan loss provisions, due to improvements in the economic environment and the sale of a large corporate customer's fully impaired loan, was offset by higher portfolio-based loan loss provisions to reflect new default probability rates for mortgage loans.

The portfolio of non-performing loans fell € 600 million over the course of the year to € 1,331 million, primarily due to a reduction of € 527 million in Hungary, which was mostly related to retail loans following the adoption of the Settlement Act. The decline amounted to € 48 million in the Czech Republic and € 25 million in Slovakia. The proportion of non-bank non-performing loans in the Central Europe segment's loan portfolio decreased 3.3 percentage points to 7.1 per cent. The NPL coverage ratio rose 1.5 percentage points to 75.3 per cent.

Other results and taxes

The Central Europe segment's other results increased € 352 million year-on-year to € 31 million.

In the reporting period, there was a partial release of € 67 million of the provisions for liabilities and charges that were recognized in Hungary in the previous year in connection with the implementation of changes required by the Settlement Act. A provision of € 251 million was recognized in the previous year's period after the government's plan was announced; in the course of the implementation the calculations proved to be less stringent than expected. The law related to the foreign exchange margins, which can be applied to foreign currency loan disbursement and installments, as well as to unilateral rate changes on consumer loans.

The bank levies contained in the other results fell € 50 million to € 35 million. A reduction in the tax rate lowered bank levies by € 7 million in Slovakia, while the decline in Hungary was attributable to the release of € 43 million in provisions for liabilities and charges. In 2014, the provisions had been recognized following a tax audit and were released after a positive decision was taken by the tax authority.

Net income from derivatives and liabilities decreased from plus € 7 million in the previous year's period to minus € 3 million in the reporting period. This change was primarily due to net income from hedging to adjust the currency and interest rate structure in the Czech Republic.

Net income from financial investments declined € 12 million year-on-year to minus € 4 million. This included a € 2 million loss from the valuation and sale of securities from the fair value portfolio, mainly as a result of government bonds in Hungary. In the previous year, also primarily attributable to Hungary, there was a gain of € 7 million. The impairment charges of € 3 million largely related to equity participations in Hungary.

The segment's income taxes remained unchanged year-on-year at € 66 million. The tax rate was 21 per cent in the reporting period. Higher taxes, due to higher net income in the Czech Republic and Slovakia, were offset by lower taxes in Hungary.

Detailed results of individual countries in the segment:

2015 in € million	Czech Republic	Hungary	Slovakia
Net interest income	235	121	298
Net fee and commission income	103	124	162
Net trading income	12	13	6
Recurring other net operating income	13	(38)	0
Operating income	**363**	**220**	**466**
General administrative expenses	(194)	(195)	(247)
Operating result	**169**	**25**	**218**
Net provisioning for impairment losses	(41)	(56)	(37)
Other results	(1)	49	(18)
Profit/loss before tax	**127**	**19**	**164**
Income taxes	(25)	(1)	(40)
Profit/loss after tax	**102**	**18**	**124**
Risk-weighted assets (total RWA)	4,477	2,940	5,493
Assets	9,265	6,394	11,223
Loans and advances to customers	7,095	3,481	8,189
hereof corporate %	44.7%	66.3%	46.8%
hereof retail %	54.7%	29.1%	53.0%
hereof foreign currency %	14.8%	37.5%	0.6%
Deposits from customers	6,807	4,233	8,728
Loan/deposit ratio (net)	100.7%	69.5%	91.1%
Equity	946	487	995
Return on equity before tax	15.0%	4.4%	17.4%
Return on equity after tax	12.0%	4.3%	13.1%
Cost/income ratio	53.5%	88.5%	53.1%
Net interest margin (average interest-bearing assets)	2.80%	2.01%	2.95%
Employees as at reporting date	2,753	2,016	3,854
Business outlets	128	72	195
Customers	408,129	533,010	819,336

Southeastern Europe

in € million	2015	2014	Change	Q4/2015	Q3/2015	Change
Net interest income	780	835	(6.6)%	189	193	(2.3)%
Net fee and commission income	380	358	6.1%	99	103	(4.6)%
Net trading income	50	56	(11.1)%	14	11	20.1%
Recurring other net operating income	3	28	(88.4)%	(9)	4	–
Operating income	**1,214**	**1,278**	**(5.0)%**	**292**	**312**	**(6.2)%**
General administrative expenses	(681)	(689)	(1.2)%	(190)	(170)	11.4%
Operating result	**533**	**589**	**(9.5)%**	**103**	**141**	**(27.3)%**
Net provisioning for impairment losses	(191)	(254)	(24.8)%	(66)	(42)	59.2%
Other results	(82)	13	–	2	(74)	–
Profit/loss before tax	**260**	**348**	**(25.3)%**	**38**	**25**	**50.7%**
Income taxes	(33)	(52)	(37.7)%	(9)	3	–
Profit/loss after tax	**227**	**296**	**(23.2)%**	**30**	**28**	**5.2%**
Risk-weighted assets (total RWA)	13,968	13,740	1.7%	13,968	14,523	(3.8)%
Assets	22,120	21,371	3.5%	22,120	21,817	1.4%
Net interest margin (average interest-bearing assets)	3.84%	4.27%	(0.43) PP	3.66%	3.83%	(0.17) PP
Return on equity before tax	**15.0%**	**16.7%**	**(1.7) PP**	**8.9%**	**6.0%**	**2.9 PP**

In Southeastern Europe, the law on the mandatory conversion of Swiss franc loans in Croatia, as well as declining interest margins due to low market interest rates, had a negative impact profit before tax. In contrast, the marked improvement in the credit risk situation in the majority of markets had a positive effect.

Operating income

Net interest income decreased 7 per cent year-on-year, or € 55 million, to € 780 million. All countries in the segment – with the exception of Kosovo – reported a decline. The steepest decline of € 15 million was in Croatia, where besides lower loan volumes, reduced market interest rates in particular led to a fall in net interest income. Lower interest rates were also mainly responsible for the negative developments in the other countries of the region. Accordingly, the net interest margin also fell – by 43 basis points to 3.84 per cent.

Net fee and commission income increased 6 per cent year-on-year, or € 22 million, to € 380 million. Net income from the loan and guarantee business was up € 7 million to € 22 million, as a result of lower defaults of given guarantees, primarily in Romania. Net income from the foreign currency, notes/coins and precious metals business improved 9 per cent, or € 6 million, to € 81 million, mainly due to higher volumes and margins in Romania. As a result of the first-time consolidation of a business in Croatia, which focuses on private pension recipients, net income from the management of investment and pension funds increased 50 per cent to € 16 million. Net income from the securities business was positively impacted by higher income, mainly in Romania, and was also up 37 per cent to € 19 million. In contrast, net income from other banking services fell € 4 million to € 21 million, primarily due to developments in Romania.

Net trading income was down 11 per cent year-on-year, or € 6 million, to € 50 million in Southeastern Europe. Lower income in Croatia, Romania, and Bulgaria, was mainly responsible for the € 8 million decrease in interest-based business to € 20 million. Lower volumes and interest rates resulted in declines. Net income from currency-based transactions improved € 2 million to € 30 million.

Recurring other net operating income declined 88 per cent year-on-year, or € 25 million, to € 3 million. The main factors for the decrease were lower net income from non-banking activities in Romania and Croatia, as well as higher allocations to other provisions for litigation in Romania and Albania.

General administrative expenses

General administrative expenses declined 1 per cent year-on-year, or € 8 million, to € 681 million. Staff expenses increased slightly – by 2 per cent, or € 5 million, to € 301 million – largely as a result of higher salaries in Romania. In contrast, staff expenses in Bosnia and Herzegovina and Serbia fell due to staff reductions. The segment's other administrative expenses remained almost unchanged at € 305 million. While operating expenses (office space and advertising expenses) declined, Bulgaria and Croatia reported higher contributions to the bank resolution fund (€ 6 million). Depreciation of tangible and intangible fixed assets was down € 13 million, as an impairment charge was taken in relation to a property in Romania in the comparable period in 2014. The cost/income ratio increased 2.4 percentage points to 56.1 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses amounted to € 191 million, which was 25 per cent, or € 63 million, lower than in the previous year. The largest declines were reported in Bulgaria, Croatia and Romania. In Bulgaria, net provisioning for impairment losses fell € 20 million to € 32 million, after higher loan loss provisioning for corporate customers was reported in the previous year. In Croatia, increased collection activity and restructuring measures resulted in a € 14 million decline in net provisioning for impairment losses (€ 36 million), above all in the large corporate customers business. In Romania, net provisioning for impairment losses was € 11 million lower (€ 74 million), reflecting the improvement in the risk profile of retail customers. Serbia and Bosnia and Herzegovina also reported decreases, while a slight increase was reported in Albania due to two corporate customer defaults.

Non-performing loans fell € 182 million from the start of the year to € 1,587 million. The largest declines were in Bulgaria (€ 90 million) and Romania (€ 71 million). The proportion of non-performing loans to non-banks in the segment's loan portfolio dropped 1.1 percentage points to 12.1 per cent. The NPL coverage ratio increased 5.1 percentage points to 71.6 per cent.

Other results and taxes

Other results amounted to minus € 82 million in the reporting year after plus € 13 million in the previous year. Government measures in Croatia and Serbia were largely responsible for the decrease. In Croatia, this involved a consumer protection law on the fixing of rates for foreign currency loans for one year, as well as the law passed by the Croatian parliament in September 2015 on the mandatory conversion of Swiss franc-denominated loans at the historical rates prevailing at the date of the loan. Provisions totaling € 82 million were formed to take account of these laws; after deduction of taxes the negative effect on consolidated profit was € 66 million. In Serbia, a new regulation on unilateral changes in interest rates for consumer loans linked to foreign currencies resulted in a negative effect of € 4 million. In addition, the deconsolidation of a Bulgarian group unit led to a loss of € 2 million. The € 3 million decline in net income from financial investments to € 5 million was attributable to valuation losses and lower proceeds from the sale of securities in the fair value portfolio, above all in Romania. The sale of VISA shares in Romania had a positive effect of € 2 million.

The tax expense decreased 38 per cent year-on-year, or € 20 million, to € 33 million, while the tax rate fell 2 percentage points to 13 per cent. The decline was mainly due to the recognition of deferred tax assets for expenses in connection with Swiss franc loans as a result of the legislative changes in Croatia described above.

Detailed results of individual countries:

2015 in € million	Albania	Bosnia and Herzegovina	Bulgaria
Net interest income	70	66	116
Net fee and commission income	11	35	41
Net trading income	15	2	2
Recurring other net operating income	(6)	1	0
Operating income	**90**	**104**	**158**
General administrative expenses	(45)	(59)	(90)
Operating result	**45**	**45**	**69**
Net provisioning for impairment losses	(31)	(8)	(32)
Other results	1	0	(3)
Profit/loss before tax	**15**	**36**	**34**
Income taxes	(2)	(4)	(3)
Profit/loss after tax	**12**	**32**	**31**
Risk-weighted assets (total RWA)	1,725	1,484	1,775
Assets	2,120	1,947	3,440
Loans and advances to customers	835	1,173	2,083
hereof corporate %	66.1%	31.4%	41.4%
hereof retail %	33.9%	68.1%	58.0%
hereof foreign currency %	60.2%	69.8%	54.5%
Deposits from customers	1,799	1,519	2,444
Loan/deposit ratio (net)	40.8%	72.1%	78.9%
Equity	222	269	495
Return on equity before tax	7.1%	14.4%	7.3%
Return on equity after tax	6.0%	12.8%	6.6%
Cost/income ratio	49.9%	57.1%	56.7%
Net interest margin (average interest-bearing assets)	3.83%	3.61%	3.60%
Employees as at reporting date	1,349	1,311	2,546
Business outlets	91	97	149
Customers	735,743	493,192	775,879

2015 in € million	Croatia	Kosovo	Romania	Serbia
Net interest income	136	40	264	89
Net fee and commission income	68	9	179	37
Net trading income	11	0	17	4
Recurring other net operating income	18	0	(14)	4
Operating income	**232**	**49**	**447**	**133**
General administrative expenses	(130)	(26)	(257)	(73)
Operating result	**102**	**23**	**189**	**60**
Net provisioning for impairment losses	(36)	(2)	(74)	(8)
Other results	(80)	0	3	(4)
Profit/loss before tax	**(14)**	**22**	**119**	**48**
Income taxes	3	(2)	(19)	(4)
Profit/loss after tax	**(11)**	**19**	**100**	**44**
Risk-weighted assets (total RWA)	2,966	472	4,031	1,515
Assets	4,616	848	7,232	1,948
Loans and advances to customers	2,939	488	4,472	1,098
hereof corporate %	39.1%	37.7%	32.6%	50.7%
hereof retail %	57.9%	62.3%	65.1%	49.0%
hereof foreign currency %	61.1%	0.0%	43.1%	64.1%
Deposits from customers	3,191	675	5,238	1,455
Loan/deposit ratio (net)	81.4%	69.1%	79.2%	67.6%
Equity	616	128	753	463
Return on equity before tax	–	18.4%	18.0%	10.4%
Return on equity after tax	–	16.5%	15.1%	9.5%
Cost/income ratio	56.1%	53.0%	57.6%	54.7%
Net interest margin (average interest-bearing assets)	3.29%	4.91%	3.95%	4.81%
Employees as at reporting date	2,133	715	5,437	1,550
Business outlets	78	52	512	85
Customers	455,912	283,552	2,130,125	665,946

Eastern Europe

in € million	2015	2014 restated	Change	Q4/2015	Q3/2015 restated	Change
Net interest income	949	1,220	(22.3)%	220	224	(2.2)%
Net fee and commission income	404	498	(18.9)%	109	101	8.9%
Net trading income	31	(177)	–	8	32	(74.4)%
Recurring other net operating income	(22)	(9)	146.4%	(13)	0	–
Operating income	**1,361**	**1,533**	**(11.2)%**	**324**	**357**	**(9.1)%**
General administrative expenses	(563)	(773)	(27.1)%	(156)	(138)	12.6%
Operating result	**798**	**760**	**4.9%**	**169**	**219**	**(22.9)%**
Net provisioning for impairment losses	(422)	(712)	(40.8)%	(102)	(81)	25.5%
Other results	173	116	48.8%	91	9	>500.0%
Profit/loss before tax	**550**	**165**	**234.0%**	**158**	**146**	**8.0%**
Income taxes	(128)	(65)	96.6%	(36)	(30)	19.9%
Profit/loss after tax	**422**	**100**	**323.6%**	**121**	**116**	**4.9%**
Risk-weighted assets (total RWA)	11,642	12,998	(10.4)%	11,642	13,194	(11.8)%
Assets	14,179	16,486	(14.0)%	14,179	16,005	(11.4)%
Net interest margin (average interest-bearing assets)	6.14%	6.63%	(0.49) PP	6.18%	5.91%	0.27 PP
Return on equity before tax	**33.5%**	**7.2%**	**26.3 PP**	**38.1%**	**34.8%**	**3.4 PP**

The Eastern Europe segment was again affected by a high level of currency volatility in 2015, as in the previous year. The average exchange rate of the Russian rouble was 26 per cent lower year-on-year, while the Ukrainian hryvnia and the Belarus rouble were down 35 and 23 per cent year-on-year, respectively. The risk situation improved markedly in Ukraine after very high provisions for loan losses were still necessary in the previous year due to the political situation in the Donbass region. Despite the currency-related decline in net interest income, Russia posted a 16 per cent increase in profit before tax. In Belarus, profit more than doubled as a result of the good overall earnings situation, a valuation gain from a capital hedge transaction, and the discontinuation of hyperinflation accounting.

Operating income

Net interest income was down 22 per cent year-on-year, or € 272 million, to € 949 million. This was mainly due to a currency-related decrease in net interest income in Russia (down 23 per cent, or € 188 million, to € 647 million) and in Ukraine (down 35 per cent, or € 96 million, to € 176 million). In contrast, net interest income in Belarus rose 11 per cent, or € 13 million, to € 125 million, due to volume-driven higher interest income from securities and leasing claims. The segment's net interest margin declined 49 basis points year-on-year to 6.14 per cent.

Net fee and commission income fell 19 per cent year-on-year, or € 94 million, to € 404 million. Net income from the payment transfer business dropped 19 per cent, or € 43 million, to € 184 million, mainly as a result of currency movements in Ukraine and Russia. Net income from the foreign currency, notes/coins and precious metals business declined 19 per cent, or € 28 million, to € 116 million, as a result of exchange rate and volume effects, primarily in Ukraine and Russia. The € 25 million fall in net income from the loan and guarantee business to € 58 million was also primarily driven by currency effects and the exit from the automobile finance business in Russia.

Net trading income improved from minus € 177 million to plus € 31 million. Net income from currency-based transactions was up € 170 million to € 21 million. Belarus reported a considerable increase of € 69 million and was attributable to positive effects from a strategic currency position, the discontinuation of financial reporting for hyperinflationary economies, and improved net income from proprietary trading. Furthermore, valuation gains from derivative financial instruments and foreign currency positions were booked in Russia; whereas in Ukraine, valuation losses from foreign currency positions reduced by € 37 million to € 75 million. As in the previous year, these losses arose due to the currency position following the devaluation of the Ukrainian hryvnia. Net income from interest-based transactions was up € 37 million to € 9 million on the back of valuation gains on securities positions and interest-based derivatives in Russia.

Recurring other net operating income was down 146 per cent year-on-year, or € 13 million, to minus € 22 million. This was mainly due to an increase of € 10 million in provisions, primarily in Russia, as well as business outlet closures and a € 3 million drop in net income from leasing.

General administrative expenses

General administrative expenses fell 27 per cent year-on-year, or € 210 million, to € 563 million. Russia and Ukraine accounted for most of the reduction, which largely reflected the depreciation of the Russian rouble and the Ukrainian hryvna. Staff expenses in the segment decreased € 86 million as a result of the release of bonus provisions for 2014 and a 12 per cent reduction in the level of staff. Depreciation fell € 39 million after an impairment charge of € 30 million had been taken in the previous year in relation to the brand and customer base in Ukraine. The number of business outlets in the segment fell by 119 to 862; of which, 93 were in Ukraine and 26 were in Russia (where the number of outlets in the eastern part of the country was reduced). The cost/income ratio improved 9.0 percentage points to 41.4 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses fell 41 per cent year-on-year, or € 291 million, to € 422 million. In Ukraine, net provisioning for impairment losses was down € 321 million to € 212 million. The decline was to some extent currency-related, though amounted to 39 per cent in local currency, as lower provisioning requirements for loans and advances to retail and corporate customers - in particular in connection with the Donbass region - more than offset the rise in net allocations for foreign currency loans. The latter was based on the bank's voluntary offer to convert foreign currency loans into local currency at a rate below the official exchange rate and on the adjustment of loan amounts in relation to collateral held in local currency. For currency-related reasons, net provisioning for impairment losses rose by only € 11 million to € 181 million in Russia; the increase in local currency, however, was 43 per cent. The economic conditions in Russia (recession, sanctions, commodity price and currency trends) resulted in higher net provisioning for impairment losses in the retail business. Higher risk costs also resulted from new non-performing loans to large corporate customers and loan sales. In Belarus, net provisioning was up € 18 million to € 26 million as a result of increased lending to large corporate customers.

Non-performing customer loans increased € 139 million to € 1,902 million. Of that amount, € 60 million related to Russia, while Ukraine and Belarus accounted for € 55 million and € 24 million, respectively. The proportion of non-performing loans to non-banks in the segment's loan portfolio rose 4.4 percentage points year-on-year to 18.9 per cent. The NPL coverage ratio was up 3.0 percentage points to 86.4 per cent.

Other results and taxes

Other results increased € 57 million year-on-year to € 173 million. In the reporting year, the deconsolidation of the Russian pension fund business, following its sale, led to a net gain of € 86 million. Net income from derivative financial instruments fell € 30 million to minus € 3 million in the reporting year. This resulted from the valuation of interest rate swaps carried out to mitigate interest rate structure risk and changes in the market values of banking book derivatives, above all in Russia. In contrast, net income from financial investments was almost unchanged year-on-year at € 90 million. Valuation gains on securities in the fair value portfolio – mainly on bonds in Russia – rose € 46 million to € 93 million. However, net proceeds from disposals of securities in that category declined € 42 million to minus € 3 million, after positive net income of € 39 million in the previous year primarily due to the partial repayment of fixed-income government bonds in Ukraine. Net proceeds from the sale of equity participations declined € 3 million, as VISA shares were sold in Belarus in the previous year.

The tax expense increased 97 per cent, or € 63 million, to € 128 million. This was mainly due to the € 49 million reduction in deferred tax assets as a result of the tax earnings forecasts in Ukraine and a € 10 million increase in the tax expense (higher tax rate) in Belarus. The segment's tax rate amounted to 23 per cent.

Detailed results of individual countries:

2015 **in € million**	**Belarus**	**Russia**	**Ukraine**
Net interest income	125	647	176
Net fee and commission income	63	258	82
Net trading income	70	34	(75)
Recurring other net operating income	(2)	(15)	(5)
Operating income	**256**	**923**	**178**
General administrative expenses	(73)	(356)	(134)
Operating result	**184**	**568**	**44**
Net provisioning for impairment losses	(26)	(181)	(212)
Other results	(1)	97	77
Profit/loss before tax	**157**	**484**	**(91)**
Income taxes	(38)	(96)	7
Profit/loss after tax	**119**	**387**	**(85)**
Risk-weighted assets (total RWA)	1,606	7,687	2,345
Assets	1,449	10,676	2,039
Loans and advances to customers	915	6,956	2,177
hereof corporate %	72.3%	64.8%	52.6%
hereof retail %	27.7%	35.2%	47.4%
hereof foreign currency %	70.7%	46.2%	59.1%
Deposits from customers	815	7,175	1,518
Loan/deposit ratio (net)	106.1%	90.4%	66.3%
Equity	321	1,198	198
Return on equity before tax	63.0%	39.5%	–
Return on equity after tax	47.7%	31.6%	–
Cost/income ratio	28.3%	38.5%	75.4%
Net interest margin (average interest-bearing assets)	8.63%	5.42%	8.53%
Employees as at reporting date	2,086	7,635	9,639
Business outlets	97	186	578
Customers	752,363	3,001,811	2,782,366

Group Corporates

in € million	2015	2014	Change	Q4/2015	Q3/2015	Change
Net interest income	326	317	2.9%	81	73	11.0%
Net fee and commission income	74	121	(38.8)%	19	18	5.9%
Net trading income	1	7	(88.9)%	0	1	(76.6)%
Recurring other net operating income	1	0	–	0	0	80.0%
Operating income	**402**	**444**	**(9.6)%**	**100**	**92**	**9.4%**
General administrative expenses	(143)	(123)	15.8%	(47)	(37)	28.6%
Operating result	**259**	**321**	**(19.4)%**	**53**	**55**	**(3.4)%**
Net provisioning for impairment losses	(141)	(196)	(28.0)%	(34)	15	–
Other results	(15)	(5)	192.4%	(4)	(4)	(2.9)%
Profit/loss before tax	**103**	**120**	**(14.6)%**	**15**	**65**	**(76.7)%**
Income taxes	(25)	(30)	(15.8)%	(4)	(16)	(78.1)%
Profit/loss after tax	**77**	**90**	**(14.2)%**	**12**	**49**	**(76.2)%**
Risk-weighted assets (total RWA)	8,590	9,106	(5.7)%	8,590	8,445	1.7%
Assets	13,873	15,615	(11.2)%	13,873	14,162	(2.0)%
Net interest margin (average interest-bearing assets)	2.08%	1.56%	0.52 PP	2.33%	1.97%	0.36 PP
Return on equity before tax	**9.3%**	**6.9%**	**2.4 PP**	**5.6%**	**23.7%**	**(18.1) PP**

Profit before tax in the Group Corporates segment fell 15 per cent, or € 18 million, to € 103 million, mainly as a result of lower net fee and commission income and increased general administrative expenses; however, this was largely offset by lower net provisioning for impairment losses.

Operating income

Net interest income in the segment increased year-on-year by 3 per cent, or € 9 million, to € 326 million. Lower loan volumes and declining margins in new business at Group head office (Austrian and multinational corporate customers serviced from Vienna) were offset by the positive impact of the partial reclassification of net fee and commission income items as net interest income. The segment's net interest margin increased 52 basis points to 2.08 per cent.

Net fee and commission income decreased 39 per cent year-on-year, or € 47 million, to € 74 million. Aside from the abovementioned reclassification, lower fee and commission income from bond issues, real estate and project financing transactions, as well as from export and investment financing, also had a negative effect on profit, while cash management, capital markets sales, and the guarantee business, reported higher fee and commission income. In addition, customer-specific earnings components relating to equity capital markets and mergers and acquisitions were included for the first time.

Net trading income declined 89 per cent, or € 6 million, due to interest-based derivative financial instruments at Group head office.

General administrative expenses

General administrative expenses increased 16 per cent, or € 20 million, to € 143 million. Staff and other administrative expenses increased due to salary increases and the segment's proportional cost allocation. The cost/income ratio increased 7.8 percentage points to 35.5 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses declined 28 per cent year-on-year, or € 55 million, to € 141 million. Net provisioning for impairment losses in the reporting period predominantly related to individual provisions for losses on loans to large corporate customers, especially in the multinational corporate customer business. The portfolio of non-performing loans rose € 28 million over the course of the year to € 1,268 million. The proportion of non-bank non-performing loans in the segment's portfolio increased 0.7 percentage points to 9.4 per cent. The NPL coverage ratio reached 56.7 per cent compared to 50.3 per cent in the previous year.

Other results and taxes

Other results declined € 10 million to minus € 15 million due to higher expenses for bank levies.

Income tax expense posted an earnings-related decline of 16 per cent, or € 5 million, to € 25 million.

Group Markets

in € million	2015	2014	Change	Q4/2015	Q3/2015	Change
Net interest income	74	123	(39.8)%	14	16	(12.9)%
Net fee and commission income	122	111	9.8%	31	24	30.9%
Net trading income	78	101	(22.7)%	28	14	95.2%
Recurring other net operating income	14	20	(31.2)%	5	3	64.3%
Operating income	**288**	**355**	**(19.0)%**	**78**	**57**	**36.8%**
General administrative expenses	(216)	(238)	(9.3)%	(57)	(51)	12.6%
Operating result	**72**	**118**	**(38.6)%**	**21**	**6**	**235.2%**
Net provisioning for impairment losses	7	1	>500.0%	7	1	453.6%
Other results	15	(14)	–	25	(2)	–
Profit/loss before tax	**94**	**105**	**(10.2)%**	**52**	**6**	**>500.0%**
Income taxes	(23)	(24)	(6.6)%	(13)	(2)	>500.0%
Profit/loss after tax	**72**	**81**	**(11.3)%**	**40**	**4**	**>500.0%**
Risk-weighted assets (total RWA)	3,781	3,916	(3.5)%	3,781	4,370	(13.5)%
Assets	13,461	16,684	(19.3)%	13,461	14,690	(8.4)%
Net interest margin (average interest-bearing assets)	0.77%	0.98%	(0.22) PP	0.64%	0.71%	(0.07) PP
Return on equity before tax	**17.2%**	**16.1%**	**1.1 PP**	**37.8%**	**3.9%**	**33.9 PP**

Profit before tax in the Group Markets segment declined 10 per cent, or € 11 million, mainly due to lower business volumes and the difficult market environment.

Operating income

Net interest income in the Group Markets segment decreased 40 per cent, or € 49 million, to € 74 million, primarily due to the reduction in interest income from securities as a result of lower volumes. The net interest margin declined 22 basis points to 0.77 per cent.

Net fee and commission income increased 10 per cent year-on-year, or € 11 million, to € 122 million. This was mainly due to positive developments in the areas of custody and fund brokerage, capital markets institutionals business, as well as guarantee business. In addition, an increase resulted from the partial reclassification of calculative net trading income items as net fee and commission income.

Net trading income declined 23 per cent, or € 23 million, to € 78 million. The reduction was caused by lower turnover in banknote trading, currency losses following the appreciation of the Swiss franc, valuation losses on securities, and the partial reclassification of calculative net trading income items as net fee and commission income. These factors were only partially offset by the improved valuation of a guarantee product.

General administrative expenses

General administrative expenses declined 9 per cent year-on-year, or € 22 million, to € 216 million, due to the release of bonus provisions for the 2014 financial year and significantly lower security expenses. The cost/income ratio rose 8.0 percentage points year-on-year to 74.9 per cent.

Net provisioning for impairment losses

Net releases of individual loan loss provisions amounted to € 6 million in the reporting period. The volume of non-performing loans (including to banks) rose € 20 million to € 415 million. The proportion of non-performing loans in the segment's total credit exposure was 5.7 per cent.

Other results and taxes

Other results increased € 29 million year-on-year to € 15 million. This increase was attributable to a € 32 million improvement in the valuation of bonds and a € 9 million increase in income from derivative financial instruments due to interest rate developments. This contrasted with a € 12 million higher pro-rata allocation of bank levies.

The tax expense declined slightly, by 7 per cent, or € 2 million, to € 23 million.

Corporate Center

in € million	2015	2014 restated	Change	Q4/2015	Q3/2015 restated	Change
Net interest income	1,124	1,049	7.1%	338	36	>500.0%
Net fee and commission income	17	(9)	–	5	13	(57.4)%
Net trading income	(147)	(55)	168.9%	(15)	(52)	(71.8)%
Recurring other net operating income	154	134	15.0%	44	48	(7.9)%
Operating income	**1,148**	**1,119**	**2.5%**	**373**	**45**	**>500.0%**
General administrative expenses	(306)	(264)	16.0%	(49)	(83)	(41.0)%
Operating result	**842**	**856**	**(1.6)%**	**324**	**(38)**	**–**
Net provisioning for impairment losses	(23)	(10)	137.7%	(14)	(8)	73.4%
Other results	(226)	(430)	(47.4)%	(190)	(18)	>500.0%
Profit/loss before tax	**593**	**416**	**42.4%**	**121**	**(64)**	**–**
Income taxes	22	(173)	–	(3)	12	–
Profit/loss after tax	**614**	**243**	**152.5%**	**117**	**(51)**	**–**
Risk-weighted assets (total RWA)	14,777	18,622	(20.6)%	14,777	16,378	(9.8)%
Assets	27,287	31,002	(12.0)%	27,287	27,557	(1.0)%

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 improved 42 per cent, or € 177 million, year-on-year. Declines of € 180 million in income from derivatives and securities were more than offset by a reduction of € 391 million in goodwill impairments.

Operating income

Net interest income in the Corporate Center segment rose 7 per cent year-on-year, or € 75 million, to € 1,124 million. This was mainly due to € 113 million higher dividend income, primarily from a real estate holding company in Austria. This contrasted with lower interest income from the refinancing business due to falling intra-Group financing volumes. In addition to income from the predominantly short-term investment of free liquidity, interest expenses of € 76 million (2014: € 73 million) for the subordinated capital of RBI AG were also reported in this segment.

Net fee and commission income improved € 26 million year-on-year to € 17 million, predominantly as a result of the partial reclassification of expenses for guarantee fees and commissions to net interest income, where they were treated as a component of interest income.

The segment's net trading income decreased significantly – by 169 per cent year-on-year, or € 92 million, to minus € 147 million – primarily due to a loss of € 70 million from a hedging transaction for dividend income in Russian roubles.

Recurring other net operating income rose 15 per cent, or € 20 million, to € 154 million, with the majority of this income stemming from intra-Group service charges.

General administrative expenses

The segment's general administrative expenses rose 16 per cent, or € 42 million, to € 306 million, mainly due to the booking of Group head office's contribution of € 24 million to the newly-established bank resolution fund. In addition, staff expenses increased because of higher bonus provisions.

Net provisioning for impairment losses

In the reporting period, net provisioning for impairment losses for corporate customers of Group head office amounted to € 23 million, compared to € 10 million in the previous year.

Other results and taxes

The segment's other results improved € 204 million to minus € 226 million.

This was mainly attributable to a € 391 million reduction in goodwill impairment charges. Goodwill impairments for a Group unit in Ukraine and Serbia totaled € 7 million in the financial year. In the previous year, goodwill impairments totaled € 399 million (Poland € 194 million, Russia € 148 million, Albania € 51 million).

The development of net income from derivatives and liabilities was negative, declining € 91 million to minus € 3 million, as a result of the valuation of bank-book derivatives and own issues. Net income from financial investments also declined – by € 88 million – primarily due to impairments relating to various equity participations.

In contrast, the € 49 million in expenses for bank levies reported in the segment was € 30 million lower than in the comparable period of the previous year. The allocation method for the bank levy was adjusted in the reporting period.

A net loss of minus € 49 million was reported from the disposal of Group assets, mainly because of a provision for the sale of Raiffeisen Banka d.d., Maribor (€ 52 million) that was booked in the reporting period. In the previous year, minus € 11 million was posted, mainly as a result of the disposal of the trading group F.J. Elsner, Vienna.

Tax income of € 22 million was booked in the financial period, while there was a tax expense of € 173 million in the previous year's period. The decline was mainly due to the impairment of deferred tax assets that occurred in the previous year as a result of Group head office's budgeting.

Non-Core

in € million	2015	2014 restated	Change	Q4/2015	Q3/2015 restated	Change
Net interest income	385	496	(22.4)%	83	95	(12.7)%
Net fee and commission income	172	171	0.3%	44	45	(2.8)%
Net trading income	1	(1)	–	(2)	(5)	(55.7)%
Recurring other net operating income	19	6	222.7%	5	5	8.9%
Operating income	**577**	**672**	**(14.2)%**	**129**	**140**	**(7.4)%**
General administrative expenses	(462)	(433)	6.7%	(152)	(104)	46.3%
Operating result	**114**	**239**	**(52.2)%**	**(23)**	**36**	**–**
Net provisioning for impairment losses	(375)	(361)	3.9%	(227)	(52)	336.5%
Other results	(2)	(4)	(42.6)%	(1)	(1)	(2.5)%
Profit/loss before tax	**(263)**	**(126)**	**109.3%**	**(250)**	**(17)**	**>500.0%**
Income taxes	(24)	(71)	(67.1)%	(8)	(2)	359.1%
Profit/loss after tax	**(286)**	**(197)**	**45.3%**	**(258)**	**(19)**	**>500.0%**
Risk-weighted assets (total RWA)	10,611	11,829	(10.3)%	10,611	11,946	(11.2)%
Assets	18,835	21,281	(11.5)%	18,835	20,001	(5.8)%
Net interest margin (average interest-bearing assets)	2.01%	2.32%	(0.31) PP	1.85%	2.01%	(0.15) PP
Return on equity before tax	**–**	**–**	**–**	**–**	**–**	**–**

The Non-Core segment encompasses those business areas which are to be sold or reduced in line with RBI's strategic review. The loss before tax increased 109 per cent to € 263 million, largely due to a decline in operating income in Poland as a result of the planned reduction in volumes and low interest rates. In Poland, general administrative expenses rose as a result of higher deposit insurance fees and the impairment of the Polbank brand. As in the previous year, net provisioning for impairment losses remained elevated due to loans in Asia.

Operating income

Net interest income fell 22 per cent year-on-year, or € 111 million, to € 385 million. This was primarily attributable to an 18 per cent, or € 54 million, decline in net interest income in Poland to € 253 million, caused by continuing low market interest rates and repricing measures in the deposit business. In Asia, net interest income fell 38 per cent, or € 51 million, to € 84 million, due to loan defaults and a planned reduction in volumes. The net interest margin declined 31 basis points to 2.01 per cent year-on-year.

Net fee and commission income remained virtually unchanged year-on-year at € 172 million. This included a € 17 million decline in net income from the payment transfer business to € 32 million, due above all to lower income from the credit card and giro business in Poland after a change in legislation. In contrast, net income from other banking services rose € 14 million to € 2 million and was also due to developments in Poland. Likewise driven by activities in Poland, net income from the foreign currency, notes/coins, and precious metals business increased € 6 million to € 73 million, while net income from the sale of own and third party products decreased € 2 million to € 23 million.

Net trading income rose from minus € 1 million to plus € 1 million, with net income from interest-based transactions decreasing € 26 million year-on-year to € 8 million. The decrease was attributable to lower income from interest-based derivatives in Poland. Net income from currency-based transactions, in contrast, rose from minus € 35 million in the previous year to minus € 7 million, largely due to valuation gains in Poland.

Recurring other net operating income was up 223 per cent year-on-year, or € 13 million, to € 19 million, due to the release of other provisions in Slovenia, higher net income arising from non-banking activities, as well as higher net proceeds from the disposal of tangible and intangible fixed assets in Poland.

General administrative expenses

General administrative expenses increased 7 per cent year-on-year, or € 29 million, to € 462 million, with most of the increase occurring in Poland. Staff expenses were up 4 per cent, or € 7 million, to € 198 million: Declines were recorded due to the release of bonus provisions, especially in Poland, while transformation costs – particularly severance payments – resulted in an increase in Asia and the US. Other administrative expenses rose 6 per cent, or € 11 million, to € 197 million, due primarily to an increase of € 27 million in deposit insurance fees, including € 17 million for a special payment relating to the default of a Polish bank and contributions to a mortgage borrowers' support fund in Poland (€ 8 million). Depreciation of tangible and intangible fixed assets increased 21 per cent, or € 12 million, to € 67 million. This increase was caused by an impairment charge of € 21 million relating to the Polbank brand. The number of business outlets rose by 4 to 378. The cost/income ratio rose 15.7 percentage points to 80.2 per cent.

Net provisioning for impairment losses

Net provisioning for impairment losses rose 4 per cent year-on-year, or € 14 million, to € 375 million. In Asia, net provisioning for loans to large customers fell € 10 million, yet still remained high at € 297 million. Net provisioning for impairment losses in Poland rose € 19 million to € 45 million, as the proceeds from impaired loans were higher in the previous year (decline of € 54 million). Net provisioning would have been € 35 million lower year-on-year without this effect. In the US, net provisioning for impairment losses rose € 8 million to € 12 million.

The portfolio of non-performing loans rose € 35 million to € 1,903 million. While the portfolio increased by a further € 215 million to € 987 million in Asia, it declined € 129 million to € 731 million in Poland. In Slovenia, it fell € 75 million to € 134 million, due to the sale of non-performing loans. The proportion of non-performing loans to non-banks in the segment's loan portfolio increased 3.2 percentage points year-on-year to 15.4 per cent. The NPL coverage ratio rose 4.6 percentage points to 62.4 per cent.

Other results and taxes

Other results were up € 2 million year-on-year. This included a € 4 million increase in net income from financial investments in Poland and a € 2 million decline in net financial income in Asia.

Tax expense decreased 67 per cent year-on-year, or € 48 million, to € 24 million. The decline resulted predominantly from a deferred tax asset impairment of € 35 million from the previous year in Asia, as well as a lower tax expense in Poland and the US due to lower net income in the reporting year.

Detailed results of individual countries and sub-segments:

2015 in € million	Asia	Poland	Slovenia	USA
Net interest income	84	253	11	25
Net fee and commission income	11	147	8	6
Net trading income	(14)	14	0	0
Recurring other net operating income	0	15	4	1
Operating income	**82**	**429**	**22**	**32**
General administrative expenses	(52)	(343)	(19)	(23)
Operating result	**30**	**86**	**3**	**9**
Net provisioning for impairment losses	(297)	(45)	(19)	(12)
Other results	(3)	1	1	0
Profit/loss before tax	**(269)**	**42**	**(15)**	**(3)**
Income taxes	(7)	(16)	0	(1)
Profit/loss after tax	**(276)**	**25**	**(15)**	**(4)**
Risk-weighted assets (total RWA)	1,289	8,037	310	836
Assets	2,117	14,504	788	628
Loans and advances to customers	1,477	9,671	416	534
hereof corporate %	100.0%	32.3%	49.3%	100.0%
hereof retail %	0.0%	67.7%	49.2%	0.0%
hereof foreign currency %	67.3%	57.5%	5.1%	6.1%
Deposits from customers	186	8,888	436	0
Loan/deposit ratio (net)	–	103.3%	91.1%	–
Equity	–	1,481	44	38
Return on equity before tax	–	2.8%	–	–
Return on equity after tax	–	1.7%	–	–
Cost/income ratio	63.0%	80.0%	85.3%	71.2%
Net interest margin (average interest-bearing assets)	2.76%	1.84%	1.31%	3.56%
Employees as at reporting date	197	5,128	218	56
Business outlets	5	357	14	1
Customers	87	733,392	56,736	118

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