

# Annual Financial Report 2016

# Annual Financial Report 2016: An Overview

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This is a translation from German. In case of any discrepancies between the English and German version, the German text shall prevail and be binding.

# The Company

## Key Data of Raiffeisen Centrobank AG

in € thousand / in per cent	2016	2015	Change
<b>Key ratios</b>			
Operating income	45,704	49,028	(6.8%)
Operating expenses	(37,146)	(35,992)	3.2%
Result on ordinary activities	9,632	12,284	(21.6%)
Net profit for the year	3,178	6,911	(54.0%)
Balance sheet total	2,728,234	2,524,919	8.1%
Return-on-equity before tax	9.0%	11.8%	-
Return-on-equity after tax	3.0%	6.6%	-
Cost/income ratio	81.3%	73.4%	-
<b>Bank-specific information</b>			
Core capital	105,334	101,729	3.5%
Total risk-weighted assets	437,035	532,665	(18.0%)
Surplus of own funds	70,371	59,116	19.0%
Core capital ratio	24.1%	19.1%	-
Core capital ratio/credit risk	60.7%	59.6%	-
Own funds ratio	24.1%	19.1%	-
Liquidity coverage ratio (LCR)	149.8%	192.7%	-
<b>Non-financial performance indicators</b>			
Employees at year-end	175	177	(1.1%)
Average number of employees	175	202	(13.4%)
Stock exchange memberships	12	12	0.0%
Number of newly issued warrants and certificates	3,811	2,817	35.3%

## Preface by the Chairman of the Supervisory Board



Ladies and Gentlemen,

During the 2016 financial year, the members of the Supervisory Board and its Committees were informed in a timely and comprehensive manner by the Management Board about the different business areas, risk developments and relevant business developments in Raiffeisen Centrobank AG. Information was provided verbally as well as in written form and enabled the Supervisory Board to fulfill its duty to supervise and advise the Management Board.

In the past year Raiffeisen Centrobank AG focused on the raising of its profile as a competence center for equities and certificates. This was, among other things, achieved by its successful participation in the annually organized specialist tender of the Vienna Stock Exchange in April 2016. Raiffeisen Centrobank AG successfully gained 34 of 39 specialist mandates on the prime market. More than that, during the second half of the year Raiffeisen Centrobank AG became market maker of 30 Austrian titles on XETRA Frankfurt. Furthermore, the intense planning of a branch office in Slovakia that will support sales and sales trading of certificates, has to be mentioned.

In terms of last year's business development, the picture for Raiffeisen Centrobank AG is rather ambivalent due to the difficult market environment: while Global Equity Sales was confronted with declining business, Treasury & Trading can report stable results. The multiply awarded team Structured Products could draw a very successful balance: the open interest 2016 reached a record level with € 3.4 billion. Overall, Raiffeisen Centrobank AG achieved to reach a result within budget. However, the decision to pay the Austrian bank levy at once strongly weighs on the results of 2016 which are therefore clearly lower than those of the year before.

With regards to personnel, the nomination of Valerie Brunner as Member of the Management Board as per 1 January 2016 has to be highlighted. As a Board Member she conducts, together with Wilhelm Celeda, the businesses of Raiffeisen Centrobank AG and holds the positions of Chief Risk Officer and Chief Financial Officer.

On behalf of the Supervisory Board I would like to express my sincere gratitude to the Board Members and to Raiffeisen Centrobank AG's staff for their great effort and good work in the past year.

A handwritten signature in black ink, appearing to read 'K. Breuer'.

**Klemens Breuer**  
Chairman of the Supervisory Board

## CEO Editorial



Ladies and Gentlemen,  
dear Reader,

In 2016, volatile markets, exceptional political events and – once again – the implementation of regulatory challenges on top level stood in the focus for Raiffeisen Centrobank AG. Against this backdrop, our motto was to take advantage of new opportunities to the benefit of our customers and to improve performance bolstered by our professional approach and exemplary commitment. I would like to express my sincere gratitude to all our employees for their great effort and achievements. Numerous national and international awards confirmed Raiffeisen Centrobank AG's cutting edge performance. We won the Structured Products Europe Award as best certificates issuer in CEE, we were among the top three brokers for Austrian and CEE shares in the renowned Extel Ranking, we came off as overall winner and best Austrian issuer of certificates in the ZFA Awards for the tenth consecutive year and won the trophy for the first successfully remitted FinRep Solo Reporting to the Austrian National Bank. Another highlight was the election of Heike Arbter as "Best Banker of the Year 2016 in Austria".

Our success is reflected in our business results: We maintained our leading position as major domestic market participant on the spot market and top market maker in terms of sales on the Vienna Stock Exchange. In the customer business segment, we asserted our top 3 position. In the 2016 financial year, high-end roadshow and market making activities were further expanded. In addition to 94 roadshows with Austrian and Eastern European companies, the flagship conference in Zürs and multiple special conferences in several European cities were organized. Moreover, we underpinned our leadership among Austrian certificates issuers and achieved a new record level of open interest.

Even though the 2016 result was burdened by the one-off settlement of the Austrian bank levy and did not fully live up to our expectations, we are confident that despite the challenging regulatory environment and fostered by numerous business initiatives that were launched in 2016 the financial result will be in line with our top level performance.

I wish you an interesting review of the financial year 2016 which has been outlined in the present annual report of Raiffeisen Centrobank AG.

Kind regards,

A handwritten signature in black ink, appearing to read 'Wilhelm Celeda'. The signature is fluid and cursive, written over a white background.

**Wilhelm Celeda**  
CEO of Raiffeisen Centrobank AG

# The year in review

## 1 January

Valerie Brunner becomes board member as well as CFO and CRO of Raiffeisen Centrobank AG.

## 12 February – RCB press\_talk

Representatives of the financial press in Vienna follow the invitation to a talk by guest speaker Michael Völter, chairman of the Executive Board at Vereinigung Baden-Württembergische Wertpapierbörse e.V., about new trends and recent developments on the certificate market.

## 15 March – Number 1 on the Vienna Stock Exchange

RCB is the clear winner at the call for specialists of the Vienna Stock Exchange. Since April 1 2016 the competence center for equities and certificates has worked as the leading Austrian specialist for 34 out of 39 of ATX Prime Market listed companies.

## 15 – 16 April – Invest Stuttgart

The team Structured Products represents RCB at the largest financial fair in German-speaking countries and shows which investments in the current market environment generate an attractive return.

## 19 April – Investor conference Züri

More than 120 investors and high ranking representatives of almost 70 companies visit the investor conference, organized by RCB already for the 15th time.

## 22 April – overall winner Certificates Award Austria 2016

For the 10th time in a row RCB is awarded best national issuer of certificates. The team Structured Products is the overall winner with eight awards in total.

## 12 May – EUSIPA: Heike Arbter new president

Heike Arbter, Managing Director at RCB, is unanimously appointed President of the European Structured Investment Products Association (EUSIPA).

## 24 May – Turkey Day in Warsaw

RCB is pleased to announce its Turkey Day in Warsaw, offering a unique opportunity for investors to meet the management and IR managers of a number of Turkey's listed companies in an informative meeting within a single day.

## 31 May – Börsentag Wien

RCB is represented at the Börsentag Wien, Austria's new financial fair especially for private investors and traders.

## 8 June – Premiere at Bucharest Stock Exchange (BVB)

RCB broadens its structured products range at BVB: 30 new RCB products – all of them warrants – are listed in joint cooperation with Raiffeisen Bank Romania. This guarantees completely new investment opportunities to Romanian investors for upside as well as downside markets.

## 13 June – Extel rankings

According to the Extel Ranking, RCB ranks among the top-three brokers for Austrian and Central and Eastern European equities. In the categories "Brokerage Houses in EMEA - CEE" as well as "Brokerage Houses in Austria" RCB is awarded the third place and is therefore leading Austrian broker.

## 12 September – Turkish small and midcap conference

RCB and Garanti Securities hold a Turkish Small and Midcap Conference in Warsaw, thus bringing renowned investors and niche companies in almost 70 one-on-one meetings and group presentations together.

## 26 September – press talk

High ranking representatives of Austrian financial papers follow RCB's invitation to a talk focusing on the EU and its current plans regarding investor protection. Guest speaker Thomas Wulf, Secretary General EUSIPA, gives an interesting overview on Europe's financial sector.

## 27 September – employee event / kick-off cooperation Haus Arjan

During the employee event "Let's move it", organized on a regular basis, RCB presents its new cooperation with the Caritas House Arjan in Mistelbach. Various sponsoring activities follow.

## 11 October – Number 1 in Securities Trading & Sales

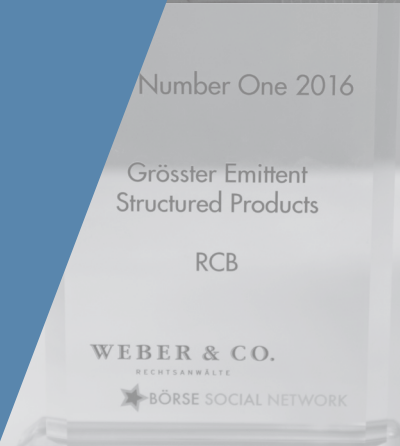
The renowned London based Wealth&Finance International Magazine elects RCB number one in Securities Trading & Sales in Austria in this year's Finance Awards.

## 20 – 21 October – GEWINN-fair

At the summit of the Austrian financial sector focusing on the topic "investing with future" RCB presents its certificates and informs about current investment opportunities.

## 29 November – Structured Products Europe Awards

For the sixth time and the third consecutive year, RCB is awarded by the leading European specialist magazine Structured Products Magazine and wins the honorable category "Best in CEE".



## Corporate Bodies

<b>Management Board</b>	Wilhelm Celeda Valerie Brunner	Chief Executive Officer Member of the Management Board
<b>Supervisory Board</b>	Klemens Breuer Member of the Management Board, Raiffeisen Bank International AG, Vienna As of 18 March 2017 Deputy Chairman of the Management Board, Raiffeisen Bank International AG, Vienna	Chairman
	Michael Höllerer Member of the Management Board, Raiffeisen Zentralbank Österreich AG, Vienna As of 18 March 2017 Plenipotentiary, Raiffeisen Bank International AG, Vienna	1st Deputy Chairman
	Hannes Mösenbacher Division Head Raiffeisen Bank International AG, Vienna As of 18 March 2017 Member of the Management Board, Raiffeisen Bank International AG, Vienna	Member
	Werner Kaltenbrunner Division Head, Raiffeisen Bank International AG, Vienna As of 18 March 2017 Head of International Equity Investments Raiffeisen Bank International AG, Vienna	Member
<b>State Commissioners</b>	Alfred Hacker Karl-Heinz Tscheppe	

Vienna, 5 April 2017  
The Management Board



**Wilhelm Celeda**  
Chief Executive Officer



**Valerie Brunner**  
Member of the Management Board

## Corporate Governance

The shares of Raiffeisen Centrobank AG are not listed on a stock exchange. As leading Austrian issuer of structured products and as one of the most important securities brokers in Vienna and other financial centers, Raiffeisen Centrobank AG orients itself towards the rules and principles of good and responsible corporate governance as set forth in the Austrian Code of Corporate Governance to the extent that these rules and principles are applicable for Raiffeisen Centrobank AG. Raiffeisen Centrobank AG has not (yet) formally undertaken to comply with the Austrian Code of Corporate Governance.

Efficient collaboration between the various bodies of the Company on a strong foundation of trust, protection of its shareholder's interests and open and transparent communication are key elements of Raiffeisen Centrobank AG's approach to good corporate governance. The following comments illustrate some aspects of Raiffeisen Centrobank AG's compliance with the Code in the reporting period (1 January to 31 December 2016).

### Management Board

The Management Board is made up of two persons and has sole responsibility to manage the Company based on concrete goals, concepts and guidelines. The Management Board pursues a future-oriented approach taking into account standards of good corporate management and the interests of the public good.

The rules of procedure for the Management Board as adopted by the Supervisory Board stipulate that meetings of the Management Board shall be held at regular intervals. The chairman of the Management Board shall convene and chair the meeting. The meetings of the Management Board focus on a mutual exchange of information and decision-making in all matters subject to approval by the Management Board. The Management Board conducts the business of the Company in accordance with the law, the bylaws of the Company and the rules of procedure. The rules of procedure for the Management contain stipulations regarding the disclosure and reporting obligations of the Management Board and formulate in concrete terms a list of business transactions that are subject to approval of the Supervisory Board.

### Rules for Proprietary Trading

The Management Board makes its decisions on the basis of the members' professional expertise and irrespective of any personal interests. Members of the Management Board disclose all material personal interests in transactions of Raiffeisen Centrobank AG to the Supervisory Board. Conflicts of interests have to be reported to Compliance; in case of transactions with related parties (=conflict of interest) the Supervisory Board is to be notified of such transactions with related parties pursuant to organisational instructions 07/2004 in their prevailing version. All transactions between Raiffeisen Centrobank AG and the members of the Management Board or parties related to them are conducted in accordance with generally accepted industry standards and are approved by the Supervisory Board in advance.

Members of the Management Board are not permitted to operate businesses or be officers in other business entities without the approval of the Supervisory Board unless these entities are in a group relationship with Raiffeisen Centrobank AG or unless Raiffeisen Centrobank AG holds an interest in these entities. Members of the Management Board are also not permitted to conduct business transactions for their own account or the account of another party or to hold a share in another company as a personally liable partner in the areas in which Raiffeisen Centrobank AG is active without the approval of the Supervisory Board.

## Supervisory Board

The Supervisory Board monitors and assists the Management Board in the management of Raiffeisen Centrobank AG, in particular with regards to decisions of fundamental importance.

The rules of procedure for the Supervisory Board and its committees formulate in concrete terms a list of business transactions that are subject to the approval of the Supervisory Board or its committees. The Supervisory Board has set up a nomination committee, risk committee, remuneration committee and an audit committee.

### Collaboration between the Supervisory Board and Management Board

A key principle of good corporate governance is open discussion between the Management Board and Supervisory Board or its committees and within these governing bodies.

The Management Board submits regular, timely and comprehensive reports to the Supervisory Board about all relevant issues of the Bank's business development, including the risk situation and risk management measures at the Bank and all material Group companies. The Chief Executive Officer immediately reports all important events to the chairman of the Supervisory Board and also reports immediately on all circumstances that are of material relevance to the profitability or liquidity of the Company.

The Management Board coordinates the strategic orientation of the Company with the Supervisory Board and discusses the status of the implementation of the strategy at regular intervals with this Board.

The Supervisory Board meets at least four times per financial year.

### Transparent Information Policy

Raiffeisen Centrobank AG attaches considerable importance to open and transparent communication with its shareholders and other stakeholders.

- Press releases, key data
- Shareholder structure
- Downloadable annual reports in PDF format
- Downloadable securities prospectuses in PDF format

### Criteria for the Independence of the Supervisory Board Members for the Purposes of the Austrian Code of Corporate Governance

A Supervisory Board member is considered to be independent when he or she is not in any business or personal relationship with the Company or its Management Board that could cause a material conflict of interests and that could therefore influence the behavior of the Board member.

**All members of the Supervisory Board of Raiffeisen Centrobank AG are independent according to the defined criteria for independence.**



## Compliance

To strengthen the 2nd Line of Defense, Legal, Compliance and Tax were separated as of 1 October 2015, and Compliance, Operational Risk and ICS (Internal Control System) were bundled in one organizational unit. This department assumes responsibility for all compliance-related tasks within Raiffeisen Centrobank AG and is subordinate to the CRO, but directly reports to the entire Management Board and the Supervisory Board. Moreover, a continuous exchange of information with RZB Group Compliance takes place. These comprehensive measures provide for an effective implementation of the high standards of statutory and regulatory demands.

Raiffeisen Centrobank AG fully applies the Standard Compliance Code that was developed by the Austrian banking industry as the basis for its business activities, in addition to relevant legal and regulatory provisions. As a subsidiary of Raiffeisen Bank International AG the provisions contained in the Code of Conduct of RZB Group (CoC) are binding for and shall be observed by all employees of Raiffeisen Centrobank AG. The CoC forms an integral part of the RZB Group Compliance Manual which outlines the principles contained in the CoC. The provisions have been implemented within Raiffeisen Centrobank AG in a binding set of rules including e.g. the Compliance and Anti-Money Laundering Manual or organizational instructions.

Core compliance-related issues in Raiffeisen Centrobank AG include procedures and measures to prevent money laundering and terrorist financing, conflicts of interest, adherence to (financial) sanctions, implementation and monitoring of regulations for employee transactions and acceptance of gifts as well as trainings for employees. Moreover, major tasks include periodic reviews of the adherence to the Execution Policy when executing customer orders and measures to prevent insider dealing and market manipulation.

In 2016, the Compliance Office of Raiffeisen Centrobank AG focused on analyzing implications of regulatory issues listed below and will concentrate on implementing these regulations:

MiFID II/MiFIR (Markets in Financial Instruments Directive II/Markets in Financial Instruments Regulation) based on MiFID I are designed to amend and tighten up standards for equity trading and investment advisory services (e.g. stricter rules for OTC transactions, comprehensive customer information requirements etc.). The date of implementation of MiFID II/MiFIR has been postponed to 3 January 2018.

PRIIP regulations (Packaged Retail and Insurance-based Investment Products/Key Information Document) extend customer information obligations for PRIIP issuers (by means of standardized KIDs – Key Information Documents). The implementation of PRIIP regulations has been postponed for a year to 1 January 2018.

By implementing MAD II/MAR (Market Abuse Directive II/Market Abuse Regulation) the European market abuse regulations was fully amended on 3 July 2016. Due diligence obligations of issuers and other operators have increased and threats of sanctions were intensified.

In the course of implementing the 4th Anti-Money Laundering Directive provisions relating to anti-money laundering and terrorist financing have been amended in their contents and tightened up (e.g. definition of beneficial owner, including domestic PEPs (Politically Exposed Persons) etc. The implementation of these directives is primarily due to the Financial-Market-Anti-Laundering-Legislation, which will enter into force on 1 January 2017.

The federal law on the implementation of the Common Reporting Standard for automatic exchange of financial account information (Common Reporting Standard, CRS) has transposed the OECD standard for automatic exchange of financial account information, including the Common Reporting Standard (CRS) and the Common Authority Agreement (CAA) model into national law. Since 1 October 2016 banks are subject to the obligation to identify the residence of its clients. The first reporting of accounts and deposits will take place until 30 June 2017.

# Management Report of Raiffeisen Centrobank AG for the 2016 Financial Year

The addition of rounded numbers using automated systems, as was done for this report, may result in minor differences in amounts. The changes indicated in per cent refer to the actual amounts and not the rounded amounts shown in this report.

All designations that are used to refer to persons in this report apply equally to both genders unless reference is being made to a specific individual.

## Economic Environment

The past year was dominated by fundamental political changes, the impact of which will be felt well beyond the 2016 financial year: the Brexit vote in Great Britain, the surprising election victory of Donald Trump in the US and the failure of the referendum on the senate reform in Italy.

There is a prominent phenomenon that has become perceptible across all countries: the surge of populist parties located left or right of “traditional” parties (who had governmental responsibility in recent years and decades), and concomitantly established parties taking at least in part populist parties’ stance on economic policy issues. In southern Eurozone countries, the focus has shifted to demand side considerations in politics to combat the high unemployment rates. This can be observed in Portugal or Italy where economic performances are below Eurozone average as well as in Spain with a 2016 GDP growth rate settling above 3 per cent and its announcement to implement new investment programs. The same counts for the demand for a more expansive fiscal policy throughout the entire Eurozone. Despite persistent political imponderables, the economic upturn in the Eurozone continued throughout 2016. Growth dynamics were moderate but likewise stood up against the backdrop of numerous downward risks. Sentiment indicators posted an increase in the past months signaling a GDP growth rate of roughly 0.4 per cent in the fourth quarter 2016, which equals the average upswing since 2013.

In Raiffeisen Centrobank AG’s core markets in Central and Eastern Europe, Russia displayed a particularly positive economic performance. Fostered by the rising oil price, Russia’s recession was flattening out. As in the Czech Republic and in Slovakia government spending is strongly dependent on inflows of EU funds, growth rates experienced a marginal slowdown compared to the previous year period. This development can be clearly attributed to the expiration of EU-programs. Hungary displayed a similar growth performance. Nevertheless, all three countries recorded GDP growth rates markedly above the 1.7 per cent EU-average (Czech Republic: 2.3 per cent; Slovakia: 3.3 per cent; Hungary: 2 per cent). With a GDP growth rate of 2.8 per cent, Poland posted the weakest growth in over two years. The main source of the weakness is lower investment appetite and lower outlays on the part of local governments and private investors. In Turkey, the July’s coup attempt and the investment breakdown took a heavy toll on the economy which faced a negative GDP growth rate in the third quarter. With merely 2 per cent increase, the rise turned out only half the 2015 result.

## Financial Markets

In 2016, the financial markets were dominated by the Brexit vote and Donald Trump’s election victory in the US as well as by uncertainties preceding these decisive events. The ECB’s decision to extend its bond purchasing program to December 2017 propped up the markets; the election of Donald Trump finally provided an additional boost to the markets at large. The markets in the CEE region benefitted from the optimistic sentiment on the established markets, whereas the emerging markets reacted with losses.

In annual comparison, the US exchanges delivered particularly strong increases: the Dow Jones Industrial (DJIA) Index gathered 13.4 per cent; the Nasdaq Composite recorded a rise of 7.5 per cent and the Standard & Poor’s 500 rose by 9.5 per cent. In addition, the FTSE and the DAX also showed substantial gains with +14.4 per cent. The Japanese Nikkei 225 and the Chinese Hong Seng CE both rose by 0.4 per cent. With an upswing of roughly 11 per cent including dividends, the Austrian leading index ATX developed more favorably than its European counterparts at the end of the 2016 financial year. The Euro STOXX 50, the European stock benchmark, posted a rise of 0.7 per cent.

## Development of Business and Earnings 2016

### Development of Earnings

With an operating income of € 45,704 thousand and operating expenses of € 37,146 thousand, an operating result of € 8,558 thousand was generated in the 2016 financial year. Under consideration of value adjustments and net proceeds in the amount of € 1,074 thousand, the result on ordinary activities came to € 9,632 thousand. The previous year result on ordinary activities in the amount of € 12,284 thousand was undercut by € 2,652 thousand or 21.6 per cent.

The operating income was down on the previous year result and fell by € 3,324 thousand to € 45,704 thousand, mainly due to the higher negative net interest result in the amount of € minus 18,584 thousand. In contrast, the net profit on financial trading activities posted an increase by € 3,877

in € thousand	2016	2015	Change
Net interest result	(18,584)	(12,555)	48.0%
Income from securities and financial investments	9,224	8,489	8.7%
Fee and commission result	(2,506)	(2,723)	(8.0%)
Net profit on financial trading activities	55,616	51,739	7.5%
Other operating income	1,954	4,078	(52.1%)
<b>Operating income</b>	<b>45,704</b>	<b>49,028</b>	<b>(6.8%)</b>
Staff expenses	(20,762)	(20,103)	3.3%
Other administrative expenses	(14,576)	(13,828)	5.4%
Depreciation	(1,353)	(1,557)	(13.1%)
Other operating expenses	(455)	(504)	(9.6%)
<b>Operating expenses</b>	<b>(37,146)</b>	<b>(35,992)</b>	<b>3.2%</b>
<b>Operating result</b>	<b>8,558</b>	<b>13,036</b>	<b>(34.4%)</b>
Value adjustments, net proceeds	1,074	(0,753)	>100%
<b>Result on ordinary activities</b>	<b>9,632</b>	<b>12,284</b>	<b>(21.6%)</b>
Taxes	(6,454)	(5,373)	20.1%
<b>Net income for the year</b>	<b>3,178</b>	<b>6,911</b>	<b>(54.0%)</b>

thousand to € 55,616 thousand compared to the previous year period. Lower interest income is mainly responsible for the higher negative net interest result. The decline in interest income is attributable to lower income from fixed-interest securities in the amount of € 1,168 thousand further to their sale or redemption. Moreover, interest and similar income from structured products recorded a volume-related decline from € 5,152 thousand to € 1,668 thousand.

Interest expenses rose mildly by € 564 thousand to € 23,899 thousand and include primarily coupon payments for structured issues. This is contrasted with a positive valuation result from tradable money market deposits and derivative financial instruments in the trading profit.

The net profit on financial trading activities accounts for the main part of the operating income and went up from € 51,739 thousand in 2015 to € 55,616 thousand in 2016. This favorable development results from the valuation and disposal of derivatives and money market deposits summing up to € 88,708 thousand (2015: € 67,429 thousand) as well as from the valuation of spot and futures positions in the amount of € 5,603 thousand (2015: € 2,840 thousand). This is contrasted with a negative result from the valuation and disposal of certificates and shares in the amount of € minus 38,695 thousand (2015: € minus 18,529 thousand).

Other operating income posted a decline by 52.1 per cent or € 2,124 thousand to € 1,954 thousand, whereas in the 2015 financial year the item had included profit generated from the disposal of business premises summing up to € 1,624 thousand.

Operating expenses came to € 37,146 thousand and were by 3.2 per cent or € 1,154 thousand above the previous year amount of € 35,992 thousand.

Staff expenses came to € 20,762 thousand and remained at the previous year level as the 2015 financial year was positively influenced by the release of a restructuring provision in the amount of € 360 thousand. Wages and salaries fell from € 16,097 thousand to € 15,418 thousand, whereas expenses for severance payments and contributions to severance funds rose to € 878 thousand (2015: income summing up to € 607 thousand).

Following a change in input tax reporting, other administrative expenses increased from € 13,828 thousand to € 14,576 thousand in the 2016 financial year. The item includes primarily expenses for information services summing up to € 3,631 thousand (2015: € 2,863 thousand), IT costs in the amount of € 2,336 thousand (2015: € 1,989 thousand) and sundry coming up to € 1,835 thousand (2015: € 2,256 thousand). Sundry include remunerations for the Management Board as well as expenses for severance payments and retirement benefits paid by Raiffeisen Bank International AG and charged to Raiffeisen Centrobank AG. In addition, other administrative expenses include the annual contribution to the resolution fund in the amount of € 687 thousand (2015: € 896 thousand).

Other operating expenses and depreciations posted a mild decline by € 49 thousand and € 204 thousand, respectively.

The cost/income ratio which had come to 73.4 per cent in 2015, increased to 81.3 per cent owing to lower operating income and higher operating expenses.

The rise in value adjustments and net proceeds is in particular due to a liquidation profit in the amount of € 1,842 thousand, resulting from the closing down of Centrottrade Chemicals AG in the 2016 financial year. The 2015 financial year was positively impacted by income from the write-up of Centrottrade Holding GmbH summing up to € 490 thousand. Contrary, the 2015 and 2016 financial years recorded expenses from net

valuations and net proceeds in securities held as other current assets. The result on ordinary activities came to € 9,632 thousand compared to € 12,284 thousand in the previous year period.

In the 2016 financial year, income taxes amounted to € 290 thousand (2015: € minus 1,340 thousand). The change is primarily attributable to a negative tax result which translated into a tax credit of the group parent in the amount of € 809 thousand (2015: € minus 110 thousand). Furthermore, the item includes an amount of € 170 thousand from the recognition of deferred tax assets pursuant to RÄG 2014 (Austrian Act on Changes in Accounting Practices). In contrast, expenses from foreign withholding tax sum up to € minus 743 thousand (2015: € minus 1,117 thousand).

The change in other taxes by € 2,711 thousand to € 6,744 thousand (2015: € 4,033 thousand) is due to expenses related to the one-off contribution to the Austrian bank levy in the amount of € 4,651 thousand in December 2016. Non-deductible input tax has no longer been included in other taxes following a change in input tax reporting as from 2016. In 2015, non-deductible input tax came to € 1,918 thousand.

The net income for the year amounted to € 3,178 thousand (2015: € 6,911 thousand).

## Balance Sheet Development

Compared to December 2015, the balance sheet total gained 8.1 per cent and rose from € 2,524,919 thousand to € 2,728,234 thousand.

On the asset side, "Cash in hand and deposits with central banks" (6.5 per cent of the balance sheet total on 31 December 2016 and 0.1 per cent on 31 December 2015) posted an increase by € 175,005 thousand to € 176,436 thousand resulting from higher deposits at Oesterreiche Nationalbank for reasons of liquidity management.

"Loans and advances to credit institutions" (79.6 per cent of the balance sheet total on 31 December 2016 and 76.9 per cent on 31 December 2015) stepped up by € 229,840 thousand to € 2,172,722 thousand. The rise is mainly due to an increase in tradable money market deposits by € 268,796 thousand to € 1,721,259 thousand. Moreover, the item includes interbank deposits (€ 245,222 thousand), unlisted bonds (€ 95,893 thousand) and collateral for the securities business and securities lendings (€ 110,298 thousand). In annual comparison, interbank deposits and unlisted bonds rose by € 41,357 thousand and € 16,194 thousand, respectively, whereas collateral for the securities and option business declined by € 56,543 thousand.

"Bonds, notes and other fixed-interest securities" (0.7 per cent of the balance sheet total on 31 December 2016 and 3.0 per cent on 31 December 2015) dropped by € 56,301 thousand to € 18,575 thousand. The decrease is primarily attributable to a decline in listed bonds that were replaced by tradable money market deposits.

"Shares and other variable-yield securities" (6.4 per cent of the balance sheet total on 31 December 2016 and 9.6 per cent on 31 December 2015) fell by € 69,257 thousand to € 173,544 thousand, mainly following the decline in foreign shares by € 48,392 thousand and the redemption of variable-yield domestic securities in the amount of € 40,952 thousand. Contrary, funds stepped up by € 18,083 thousand. Shares and funds held by Raiffeisen Centrobank AG in tandem with purchased options ("Other assets"), tradable money market deposits ("Loans and advances to credit institutions") and zero bonds ("Loans and advances to credit institutions" and "Bonds, notes and other fixed-interest securities") serve as hedges for issued certificates and warrants or are part of the Bank's market maker activities.

"Other assets" (3.7 per cent of the balance sheet total on 31 December 2016 and 2.9 per cent on 31 December 2015) increased by € 28,991 thousand in annual comparison, mainly in futures and unlisted options contracts and came up to € 102,175 thousand.

"Loans and advances to customers" (2.1 per cent of the balance sheet total on 31 December 2016 and 2.3 per cent on 31 December 2015) mildly fell by € 1,161 thousand to € 58,014 thousand.

As government bonds included in "Bonds and notes issued by public bodies" and amounting €103,177 thousand as at 31 December 2015 are no longer required for reasons of liquidity management, the item was reduced to zero.

On the equity and liabilities side "Other liabilities" (17.1 per cent of the balance sheet total on 31 December 2016 and 22.0 per cent on 31 December 2015) went down by € 90,781 thousand to € 465,858 thousand, following a decline in short sellings of trading assets by € 38,433 thousand and unlisted options by € 57,100 thousand, respectively. Short-sellings are effected in connection with the market making activities of the Bank in relation to pension plans and represent offsetting items to equity and index futures as well as to cash positions on the asset side of the balance sheet.

"Securitized liabilities" (72.0 per cent of the balance sheet total on 31 December 2016 and 64.4 per cent on 31 December 2015) recorded an increase in annual comparison by € 337,486 thousand to € 1,964,063 thousand. Due to a change in reporting effective as from 31 December 2016, the item includes certificates with option character and warrants that had formerly been recorded under "Other liabilities".

Zero bonds, structured notes and tradable money market deposits purchased from Raiffeisen Bank International AG in relation to the issuing activities in the certificates business were included in "Loans and advances to credit institutions", "Shares and other variable-yield securities" and "Bonds, notes and other fixed-interest securities" and came up to a total of € 1,790,440 thousand (2015: € 1,583,384 thousand). In addition, "Other assets" include OTC options purchased from Raiffeisen Bank International AG in the amount of € 193 thousand (31 December 2015: € 609 thousand).

"Liabilities to credit institutions" (0.5 per cent of the balance sheet total on 31 December 2016 and 0.6 per cent on 31 December 2015) posted a mild decline by € 922 thousand to € 14,167 thousand.

The decrease in "Liabilities to customers" (5.9 per cent of the balance sheet total on 31 December 2016 and 8.0 per cent on 31 December 2015) by € 40,555 thousand to € 161,158 thousand is primarily attributable to a decline in sight deposits of foreign customers.

"Provisions" (0.5 per cent of the balance sheet total on 31 December 2016 and 0.5 per cent on 31 December 2015) marginally fell from € 13,548 thousand on 31 December 2015 to € 12,929 on 31 December 2016.

"Retained earnings" (0.9 per cent of the balance sheet total on 31 December 2016 and 0.9 per cent on 31 December 2015) stepped up from € 22,463 thousand on 31 December 2015 to € 24,852 thousand on 31 December 2016. The change relates to other reserves and is attributable to an allocation from the 2015 net profit in the amount of € 2,389 thousand.

## Financial Instruments

Please refer to the notes.

## Segment Reporting

### Securities Trading & Sales and Treasury

Raiffeisen Centrobank AG is one of the largest players in equities and structured products on the Vienna Stock Exchange and holds a key position in the markets in Central and Eastern Europe.

#### Treasury & Trading

The sales volume on the Vienna Stock Exchange was down on the 2015 full year result by a modest 4 per cent, whereas leading international exchanges such as XETRA Frankfurt and NYSE Euronext recorded a decline of 16 and 15 per cent, respectively. In 2016, the sales volume on the Budapest Stock Exchange gathered roughly 6 per cent and the stock exchange in Prague posted a mild increase by roughly 1 per cent. In contrast, the Warsaw Stock Exchange suffered a decline in sales volume of roughly 11 per cent.

With a market share of 6.35 per cent on the spot market, Raiffeisen Centrobank AG is the sixth largest market participant on the Vienna Stock Exchange. In market making, the sales volume of € 1.4 billion was mildly down on the previous year result, the market share of 9.43 per cent, however, was nearly on par with the previous year level. Raiffeisen Centrobank AG was again top domestic market maker in terms of sales.

In the 2016 financial year, operating income excluding other operating income and including net valuations and net proceeds in securities held as other current assets for the Treasury & Trading business came to € 14.5 million and undercut the previous year result totaling € 15.6 million by 7 per cent.

In the specialist tender on the Vienna Stock Exchange in April 2016, Raiffeisen Centrobank AG received 34 out of 39 specialist mandates in the prime market and holds a total of 38 market maker mandates in the prime market and one mandate in the Standard Market Continuous. On the German stock exchange XETRA Frankfurt Raiffeisen Centrobank AG acts as market maker for 30 Austrian equities and on the EUREX Raiffeisen Centrobank AG provides quotes for 23 Austrian and Eastern European underlyings.

On the Warsaw Stock Exchange Raiffeisen Centrobank AG acts as market maker for 24 Polish equities and provides quotes in single stock futures for 16 selected equities and WIG20 derivatives. The number of equity market making mandates in Prague and Bucharest remained stable at a total of 11. In market making for warrants and certificates quotes for over 4,800 products on roughly 250 Austrian and international underlyings were provided.

#### Global Equity Sales

In the 2016 financial year, customer sales volume on the Vienna Stock Exchange was down on the previous year result by 19.4 per cent. Raiffeisen Centrobank AG defended its top 3 position in customers trading with a total volume of € 1.89 billion and a mild rise in market share of 10.6 per cent (2015: 10.3 per cent). The Global Equity Sales team further intensified its roadshow and marketing activities in the 2016 financial year. In addition to 94 roadshows with Austrian and Eastern European companies, the flagship conference in Zürs and five specialist conferences in London, Paris and Warsaw were organized.

Operating income excluding other operating income amounted to € 4.4 million in the 2016 financial year and was almost equal to the previous year result of € 4.5 million.

In Execution & Electronic Trading, a special tool for ETF execution was developed and successfully implemented. Moreover, smart order routing

which is of particular importance for MiFID II was improved and developed further. Moreover, the product range in algo execution was substantially expanded. These measures along with intensive customer acquisition activities translated into a stable income despite a decline in stock exchange turnover.

#### Structured Products

Both the demand for certificates and Raiffeisen Centrobank AG's issuance activity remained high. Raiffeisen Centrobank AG offered 7,832 public products and issued a total of 3,811 new certificates in the 2016 financial year. Raiffeisen Centrobank AG defended its market leadership on the Austrian certificates market. As per year-end 2016, open interest reached a record level of € 3.4 billion and rose by roughly 8 per cent compared to 31 December 2015. Sales volume remained high and contributed to a further increase in the department's profit for the 2016 financial year.

Operating income excluding other operating income came to € 20.6 million and surpassed the previous year result of € 19.3 million by 7 per cent.

In the Raiffeisen network banks in Central and Eastern Europe, 42 products were placed in the private banking and 20 products in the premium banking segment on the primary market, which underpins the strong demand for investment certificates in the retail business in Eastern Europe. Compared to the previous year period, sales volumes remained stable.

At the Certificates Awards Austria 2016, Raiffeisen Centrobank AG was elected best certificates issuer in Austria by an independent jury for the tenth consecutive year and stood out against numerous national and international competitors. In November 2016, Raiffeisen Centrobank AG won the award "Best Issuer in Central and Eastern Europe" on the occasion of the "Structured Products Europe Awards".

#### Investment Services

The department services customers of Raiffeisen network banks in Central and Eastern Europe. The major share of its business activities is carried out in cooperation with AO Raiffeisenbank in Russia. Rising demand for investments by Russian private investors translated into a positive result in the second half year. The re-alignment of the business segment that had been initiated in 2014 and the transfer of the private banking business into Kathrein Privatbank AG were successfully finalized. In the 2016 financial year, the total volume of assets under management rose by 3 per cent to € 507 million.

Operating income excluding other operating income amounted to € 1.8 million and undercut the previous year figure of € 2.0 million by 10 per cent.

#### Company Research

Unchanged to the previous year and in cooperation with analysts from the local network banks of the Raiffeisen Bank International AG Group, the Company Research team covered roughly 130 Austrian, Central and Eastern European as well as Russian companies. Raiffeisen Centrobank AG still offers the largest coverage universe in Austria. To expand the regional approach, a research cooperation with the Turkish broker Global Securities was established at the beginning of the year, providing institutional clients of Raiffeisen Centrobank AG with equity research of the Turkish partner. In the year under review, the department published and marketed more than 350 Company Updates and over 1,000 research publications including First Impressions, Company News, Equity Daily, Equity Weekly, CEE Equity Navigator, Brexit Special etc. Regular analyst roadshows and investor meetings were held in London, Paris, Zurich, Frankfurt, Dublin, Stockholm, Copenhagen, Helsinki, Prague, Tallinn, Warsaw, Budapest and Vienna.

## Financial and Non-Financial Performance Indicators

### Financial Performance Indicators

in per cent	2016	2015
Return-on-equity before tax	9.0	11.8
Return-on-equity after tax	3.0	6.6
Cost/income ratio	81.3	73.4
Own funds ratio	24.1	19.1
Core capital ratio	24.1	19.1
Liquidity coverage ratio	149.8	192.7

Compared to the previous year, equity increased whereas the result on ordinary activities declined. Consequently, the RoE before tax fell from 11.8 per cent to 9.0 per cent and correspondingly, the RoE after tax declined in 2016 compared to the previous year from 6.6 per cent to 3.0 per cent.

The cost/income ratio of 73.4 per cent in 2015 rose to 81.3 per cent, mainly due to the decline in operating income and the rise in operating expenses.

### Non-Financial Performance Indicators

	2016	2015
Employees at year-end	175	177
Average number of employees	175	202
Stock exchange memberships	12	12
Number of newly issued warrants and certificates	3,811	2,817

As per the end of December, the number of employees at Raiffeisen Centrobank AG amounted to 175, which, compared to 31 December 2015, represents a decrease of 2 employees. In annual comparison, the staff declined on average by 7 employees to 175 employees.

Stock exchange memberships came to 12 and remained unchanged to the 2015 financial year. The number of issued warrants and certificates rose to 3,811 and, compared to the previous year, stepped up by roughly 35 per cent.

## Risk Management

### Principles

Business opportunities and earnings potential are realized in Raiffeisen Centrobank AG based on active risk management by taking risk in a targeted and controlled manner. The Bank has a system of risk instruments in place for measuring and monitoring risks. In all relevant areas of risk efficient monitoring and controlling instruments are available enabling the competent bodies to react to market opportunities and specific banking business risks. Active risk management resulted in a stable and less volatile trading result, in particular against the backdrop of a year that saw several market turmoils such as the crisis in China at the start of the year, the Brexit vote in June, the US presidential elections in November and the referendum in Italy in December.

As a subsidiary of Raiffeisen Bank International AG (RBI), Raiffeisen Centrobank AG is integrated into the risk management process of the Raiffeisen Zentralbank Österreich AG Aktiengesellschaft/Raiffeisen Bank International AG Credit Institution Group, safeguarding that all major risks are identified, measured and controlled on Group-level and ensuring that transactions are concluded exclusively if particular risk/reward relations are complied with.

## Risk Governance

The Management Board of Raiffeisen Centrobank AG is responsible for all risks of the Bank as well as for implementing and developing a risk strategy. The Management Board is supported in implementing these tasks by an independent risk management unit, which is clearly separated from the front offices. Operational Risk, Internal Control System and Compliance are bundled in one department (Compliance, Operational Risk & ICS).

Unchanged to the previous year, risk management at Raiffeisen Centrobank AG is split into 2 departments as at 31 December 2016:

- Risk Management (market, credit, liquidation risks, overall bank risk management)
- Operational Risk & ICS (operational risks and Internal Control System)

The central risk management units are the Risk Management Committee (RMK), the Internal Limit Committee (ILC), the Operational Risk Management Committee (ORMK) and the Asset and Liability Committee (ALCO).

The RMK, which meets weekly, addresses all issues and regulations in the area of risk management of the Bank and its subsidiaries focusing in particular on credit risk, market risk and operational risk. Overdrafts, overdue loans and advances and necessary value adjustments are reported in due course and recommendations for the Management Board are developed. Since 21 December 2016, the RMK has been a decision-taking body, authorized to approve risk-related principles, procedures, measures, processes and parameters.

The ILC, which meets every second week, decides within its competency (depending on type and amount of the limit) on counterparty, country and market risk limits. Large exposures require the approval of the Supervisory Board. Once a year, the aggregate of large exposures is reported to the Supervisory Board.

The ORMK, which meets once a quarter, establishes an appropriate framework for operational risk management and defines and approves an adequate risk strategy. Moreover, risk assessments, scenario analyses and risk indicators are discussed and approved and material events of default and resulting measures to be taken are analyzed.

The ALCO, which meets once a month, continuously evaluates the macro-economic environment and controls and assesses interest rate risk, liquidity risk and balance sheet structural risk.

## Risk Management System at Raiffeisen Centrobank AG

Raiffeisen Centrobank AG employs a comprehensive risk management system taking into account all legal, business and regulatory requirements. The applied processes and models are subject to ongoing review and further development. The key components of the risk management systems are compliant with regulatory capital requirements pursuant to Basel III, limiting specific banking risks and providing adequate risk coverage sums as well as permanent supervision and control of litigation risks within a comprehensive Internal Control System.

### 1. Capital requirements to limit market risk, credit risk and operational risk

To secure capital adequacy for credit risk, market risk and operational risk pursuant to Basel III, Raiffeisen Centrobank AG applies the standard approach. To calculate option-related non-linear risks the scenario matrix method is employed.

For regulatory capital requirements please refer to the notes (page 38)

### 2. Identification and limiting specific banking business risks (ICAAP)

As a subordinate company of RZB/RBI, Raiffeisen Centrobank AG is integrated into the ICAAP of RZB/RBI on a consolidated basis. The risk-bearing capacity analysis is prepared by RZB/RBI on a monthly basis for both the going concern scenario (VaR with a confidence level of 95 per cent) and the target rating perspective (VaR with a confidence level of 99.92 per cent) is provided to Raiffeisen Centrobank AG and supports the Management Board in managing the overall bank risk.

### 3. Internal Control System

Raiffeisen Centrobank AG has implemented a company-wide modern Internal Control System that meets the requirements of RZB/RBI group standards. All banking processes and immanent risks are documented and respective controls are set up and reviewed. Process descriptions, risks and monitoring are reviewed semi-annually and are continuously optimized.

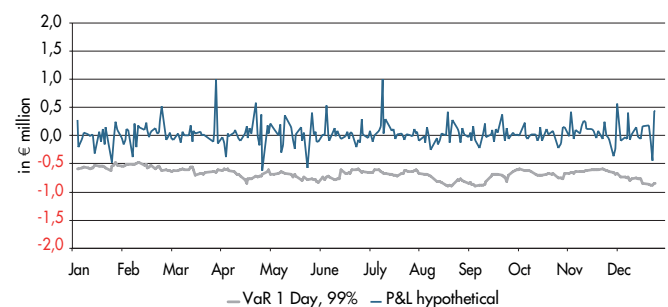
## Major Risks

### Market risk

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from changes in market prices (equity and commodity prices, changes in interest rates and exchange rates).

As the main focus of the business activities of Raiffeisen Centrobank AG is on securities trading and the issue of equity-index based derivatives and structured products, the top priority of Raiffeisen Centrobank AG is to counteract market risk. Raiffeisen Centrobank AG measures, monitors and manages all market risks by setting a variety of limits that are reviewed on an annual basis and are submitted to the Raiffeisen Centrobank AG ILC, Raiffeisen Bank International AG MACO (Market Risk Committee) and the Supervisory Board of Raiffeisen Centrobank AG for approval. All market risk positions are compared with the respective limits in a mostly automated process. Limit overdrafts are handled in an escalation process. Currently, over 15,000 limits in roughly 25 categories are monitored, the majority accounts for limits for single shares.

In market risk management, the Value-at-Risk (VaR) is employed, which furnishes forecasts on potential losses in adverse scenarios under normal market conditions and contrasts them with a particular limit. On the basis of the variance-covariance model, the VaR for equity and product-specific positions is calculated daily with a confidence interval of 99 per cent and a retention period of one day. On 31 December 2016 the VaR amounted to € 843 thousand (31 December 2015: € 620 thousand):



The above chart depicts the performance of VaR and hypothetical P&L (profit and loss that would have occurred in a constant portfolio and actually recorded market movements) in the 2016 financial year. In the period under review, backtesting revealed no VaR exceedance which underlines the conservative parametrization of the VaR.

In addition to VaR, Raiffeisen Centrobank AG uses regulatory and management-defined stress tests to evaluate market risk. Stress tests simulate the performance of the portfolio under abnormal market situations and atypical price movements.

### Credit risk

Credit risk represents the default risk that arises from the inability of a customer to fulfil contractually agreed financial obligations, when services have been rendered (e.g. liquidity, securities, advisory services) or when unrealized profits from pending business transactions can no longer be recovered (counterparty default risk).

The major credit risks of Raiffeisen Centrobank AG result from positions of purchased debt instruments, tradable money market deposits and OTC options serving primarily to hedge issued certificates and structured products as well as from margin positions relating to OTC and stock exchange transactions. This affects primarily members of the RZB/RBI Credit Institution Group and to a limited extent other financial institutions. The traditional credit and loan business (lombard loans, other loans to private and corporate customers) is of immaterial significance for Raiffeisen Centrobank AG due to the limited business volume and the company's strategic orientation.

Credit risk management is based on counterparty-related nominal limits which are comprehensively monitored by the Internal Control System for credit risks. The limits are approved - depending on type and size - by the respective hierarchical competence authority scheme. Credit decisions are taken depending on the assessment of the counterparty risk taking into account the rating and applicable credit risk mitigating measures like financial collaterals (e.g. cash or securities collateral). In the Group-wide default and rating data base customers are registered and evaluated and events of default are documented. The whole lending decision corresponds to regulatory requirements and RZB/RBI Group Directives.

### Operational risk

Operational risk is defined as the risk of unexpected losses resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk. This risk category is managed on the basis of the results of regular Bank-wide self-assessments, standardized key risk indicators, scenario analyses and Group-internal historical data.

Events of default in operational risk are registered in the Group-wide data basis ORCA (Operational Risk Controlling Application) and are recognized separately by business segment and type of event. Measures taken are also documented and linked with the event of default.

### Liquidity risk

Liquidity risk is calculated based on a liquidity model developed in cooperation with Raiffeisen Bank International AG. Daily balance sheet items of Raiffeisen Centrobank AG are separated by maturity bands and currencies, their inflows and outflows are modeled based on pre-defined factors. The liquidity requirement in different maturity bands is limited by means of regulatory limits as well as by limits determined by RBI.

Moreover, regular liquidity stress tests are carried out and the time-to-wall in the stress scenario is monitored in different currencies. Inflows need to surpass outflows for a period of at least 30 days in a crisis scenario (market crisis, name crisis and scenario of both).

The liquidity coverage ratio (LCR) serves to measure the Bank's liquidity supply in a defined stress scenario (combination of market and name crisis). As of 31 December 2016, the LCR came to 149.8 per cent (31 December 2015: 192.7 per cent). Since January 2016, a minimum rate of 70 per cent on single-institution level has been mandatory.

All key performance indicators confirmed the adequate liquidity supply of Raiffeisen Centrobank AG in the 2016 financial year.

## Risk Situation

As a subordinate company, Raiffeisen Centrobank AG is integrated into the ICAAP of RZB/RBI on a consolidated basis. Raiffeisen Centrobank AG is provided with monthly ICAAP reports including a going concern perspective with a confidence interval of 95 per cent and a target rating perspective with a confidence interval of 99.92 per cent.

The following tables depict the VaR per risk category as of 31 December 2016 and 31 December 2015, respectively:

Going concern perspective (VaR in € million)	31/12/2016	31/12/2015	Change
Credit risk non-retail	2.9	3.4	(3.6%)
Market risk	2.4	1.7	39.1%
Operational risk	1.3	1.3	1.5%
Equity participation risk	1.1	0.9	25.7%
CVA risk	0.5	0.6	(10.7%)
<b>Total</b>	<b>8.3</b>	<b>7.8</b>	<b>6.3%</b>

Target rating perspective (VaR in € million)	31/12/2016	31/12/2015	Change
Credit risk non-retail	6.8	7.8	(12.5%)
Market risk	9.6	6.9	39.5%
Operational risk	8.8	8.7	1.5%
Other risks	8.1	8.0	0.9%
<b>Total</b>	<b>33.3</b>	<b>31.4</b>	<b>6.2%</b>

The key data in both scenarios were stable on overall bank level.

Following a substantial reduction in 2015 (roughly minus 40 per cent), the credit risk further declined mainly due to the implementation of contractual netting in relation to the OTC business in the ICAAP and a further decrease in the loan portfolio.

Compared to the year-end 2015, market risk increased by roughly 40 per cent following a rise in the equity VaR by roughly 40 per cent. In absolute figures, the increase is comparatively moderate and still at a low level.



A rating downgrade of Centrotech Chemicals AG following the discontinuation of the operative business translated into a negative effect on the equity participation risk. In the 2016 financial year, Centrotech Chemicals AG was in liquidation and was closed down in February 2017.

Operational risk is calculated by RZB/RBI on a consolidated basis by means of the Advanced Measurement Approach (AMA) and distributed to a significant part of the Group.

## Internal Control System as Relevant for the Accounting System

Raiffeisen Centrobank AG and its governing bodies are committed to ensuring balanced and complete financial reporting. A fundamental requirement in this is compliance with all relevant legal regulations. In connection with the accounting process, the Management Board is responsible for designing and installing an internal control and risk management system that meets the requirements of the Company. The object of this internal control system is to support the management by making certain that effective internal controls are applied to the accounting process and that these controls are enhanced whenever appropriate. The control system is designed to assure compliance with guidelines and regulations, as well as to create optimal conditions for specific control measures. An internal control system has already existed at Raiffeisen Centrobank AG for years in the form of directives and instructions for strategically important subject areas. The financial statements are prepared on the basis of the pertinent Austrian laws, above all the Austrian Banking Act (BWG) in connection with EU Regulation Nr. 575/2013 (Capital Requirements Regulation "CRR") and the Austrian Commercial Code (UGB) as amended by the RÄG 2014. The department "Finance" is responsible for the Bank's accounting system and is directly subordinated to the Management Board. The department is responsible for dealing with all accounting issues and has the authority to provide for safeguarding the application of uniform standards. Organizational instructions and guidelines, which are comprised in a manual, have been set up for support.

Accounting according to the Austrian Banking Act and Austrian Commercial Code is effected via a central IT system applying the PAGORO/400 system, which is protected by the restricted assignment of access authorizations. The table of accounts is tailored to the Bank's individual requirements. Transactions are registered both automatically and manually. Accounting vouchers are then filed systematically and chronologically. Monthly balance sheets are created and passed on to the Management Board and the senior management by means of a standardized financial reporting system. At least once per quarter the Supervisory Board is informed in the course of the Supervisory Board meetings of the current course of business including the Bank's operative planning and medium-term strategy.

The Management Board evaluates and monitors material risks in connection with the accounting process. In this, the focus is placed on the risks that are typically found to be material. The annual evaluation of the internal control measures applied by each of the responsible units is based on a risk-oriented approach. The risk of faulty financial reporting is assessed on the basis of a number of different criteria. For example, complex accounting principles can increase the risk of errors. Different principles for the measurement of assets and complex or changing business conditions can also cause substantial errors in the financial reporting.

Estimates must regularly be made during the preparation of the financial statements. In all of these cases, there is an inherent risk that the actual de-

velopments may deviate from these estimates. This especially applies to the parameters in valuation models that are used to determine the fair values of financial instruments for which there is no current price quotation as well as to social capital, the outcome of legal disputes, the collectability of loans and advances, and the impairment of equity participations and inventories. In some cases, external experts are involved or publicly available information sources are used to minimize the risk of incorrect estimates. In addition to the Management Board, the general control framework also includes senior management (the department heads). All control measures are applied to the daily business processes to ensure that potential errors or deviations in the financial reporting are prevented or discovered and corrected. The control measures that are applied at regular intervals range from the review of the periodic results by the management to the specific reconciliation and coordination of accounts and the analysis and further optimization of accounting processes. The Internal Audit department is also involved in the monitoring process. Its activities are based on the Austrian Financial Market Authority's minimum standards for internal auditing and international best practices. The Internal Audit department reports directly to the Management Board.

"Controlling" (part of the "Finance" department) is responsible for preparing the notes to the annual financial statements set up according to the Austrian Banking Act and the Austrian Commercial Code. In addition, a management report is drawn up which explains the results in line with statutory requirements. The annual financial statements and the management report are forwarded to and reviewed by the Audit Committee of the Supervisory Board and are then presented to the Supervisory Board for its approval. The annual financial statements are published on the Company's website, the Official Gazette to the Wiener Zeitung, and are also filed with the Austrian Company Register. Key employees and the Management Board review the annual financial statements prior to their distribution to the Supervisory Board. Moreover, analyses of the annual financial statements are prepared especially for the senior management.

## Human Resources

As of the end of December 2016, Raiffeisen Centrobank AG had 175 employees, which compared to 31 December 2015 represents a decrease by 2 employees. In the 2016 financial year, Raiffeisen Centrobank AG employed an average of 175 employees. Fluctuation-related vacancies were filled primarily in key functions. In the reporting period, the fluctuation rate amounted to 9.6 per cent.

### Remuneration management

Regulatory provisions on remuneration management were complied with and applied subject to Raiffeisen Centrobank AG's remuneration policy. In addition, the implementation of the EBA guidelines on sound remuneration practices entering into force on 1 January 2017 was prepared.

### Employee survey

In October 2016, the first Raiffeisen Centrobank AG employee survey was carried out. The overall response rate was 82 per cent. The results are addressed by interdisciplinary group workshops as a basis to develop further improvement measures.

### Diversity

Recently, the initiative "Diversity 2020" was launched. The diversity initiative focuses on the empowerment of women. In particular, it aims to increase the number of women in top management positions in RZB and RBI to 35 per cent until 2024. An internal RZB/RBI diversity committee has been formed to address and deal with the multitude of perspectives of this

issue. Valerie Brunner, Member of the Management Board of Raiffeisen Centrobank AG, has been appointed to the Committee. The Committee members act as Diversity Ambassadors who promote the topic within their professional environment and participate in developing further improvement measures.

As of 31 December 2016, Raiffeisen Centrobank AG once again achieved the target rate of 35 per cent for the under-represented gender in Supervisory Board, Management Board and senior management functions (B-1 and B-2).

## Outlook for 2017

With a growth rate of 2.4 per cent, the US economy is expected to clearly accelerate in 2017. At the report's creation date, no statement can yet be made about the direct economic impact of the Trump administration's projected legislation, however, positive effects should come forward. The trend in the USA towards an extremely expansionary fiscal policy and surging budget deficits provides a boost for the markets. Inflation rates will move upwards on the back of significantly growing commodity and energy prices. In the USA, interest rates will rise, but at a slower pace than in the past. The more rapidly interest rates are adjusted, the more slowly yields will rise over the long run. This will also impact long-end European bonds.

At the creation date of this report, the relevant leading indicators such as the purchasing managers' index (PMI) point towards a sound recovery of the Eurozone and the CEE region. The favorable outlook is shored up by the assumption of a barely noticeable disruptive effect of the Brexit on the Eurozone, which is projected to post a rise in real GDP of 1.9 per cent. Central Europe should see a rise of 3.1 per cent, South Eastern Europe 3.7 per cent and Eastern Europe 1.0 per cent, respectively. Albania stands out with a rise of 4.0 per cent, Romania with 4.2 per cent and Slovakia with 3.3 per cent. Russia will return to modest growth with 1.0 per cent. Driven by domestic demand, the economy in Austria is anticipated to continue its moderate upward trend with a GDP growth rate of 1.7 per cent in 2017 and, against the backdrop of rising foreign trade, 1.5 per cent in 2018. This is only a short breather, however, because the growth in the number of jobs is not expected to be sufficient to absorb the increase in the potential workforce for a number of different reasons (migration from EU member states, labor market access for asylum seekers, a higher participation rate among women and elderly persons).

Profit expectations for the equity markets are ambitious. The persistently high liquidity supply from central banks as well the solid economic development provide a supportive environment for the equity markets. Equal to the established markets, CEE markets should see a friendly first half year 2017. Growth projections and profits along with continued support from expansive monetary policy should drive stock prices upward. In 2017, the ATX is expected to carry over its strong performance from 2016, whereas the first half year should see a more favorable development trailing off over the course of the year. A further pickup of the European economy, the sound economic outlook for the CEE region, and positive ramifications of a strong US dollar on Austrian exporting companies back Raiffeisen Centrobank's estimate of a price upswing in the first half year 2017.

Against the backdrop of robust growth estimates for the global equity markets as well as for its core markets in Austria and the CEE region, Raiffeisen Centrobank AG expects its business segments Treasury & Trading, Structured Products, Investment Services, Global Equity Sales and Company Research to deliver a sound performance. From an operating perspective, the main priority will be on sustained development of both existing and new

business activities in tandem with strict cost discipline and further efficiency enhancement. For the second quarter 2017, the Equity Capital Markets business of Raiffeisen Bank International AG and Raiffeisen Centrobank AG is to be consolidated within Raiffeisen Centrobank AG with the purpose of focusing increasingly on acquiring and executing equity capital market transactions and further expanding the Global Equity Sales business. In 2017, several additional initiatives are planned in the Structured Products business including the development of digital distribution channels in the retail segment for a wider investor audience and the establishment of a branch in Slovakia in the second quarter to stimulate the sale and boost the popularity of structured products in one of the Bank's core markets. Taxes not based on income including the Austrian bank levy, supervisory fees and the contribution to the EU resolution fund in conjunction with the implementation of regulatory requirements will constitute a foreseeable burden for Raiffeisen Centrobank AG. As the competence center for equities and certificates, Raiffeisen Centrobank AG is ready to face the opportunities unfolding in the course of the 2017 financial year and expects a rise in the net profit compared to the 2016 result.

## Research and Development

Raiffeisen Centrobank AG with its core area of business focusing on equities and structured products does not engage in research and development.

Vienna, 5 April 2017  
The Management Board



Wilhelm Celeda  
Chief Executive Officer



Valerie Brunner  
Member of the Management Board

## Statement of Legal Representatives pursuant to §82 Stock Exchange Act

We confirm to the best of our knowledge that the annual financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of Raiffeisen Centrobank AG as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties the Company faces.

Vienna, 5 April 2017  
The Management Board



Wilhelm Celeda  
Chief Executive Officer



Valerie Brunner  
Member of the Management Board

# Financial Statements of Raiffeisen Centrobank AG as at 31 December 2016 according to the Austrian Banking Act

The addition of rounded numbers using automated systems, as was done for this report, may result in minor differences in amounts.

The changes indicated in per cent refer to the actual amounts and not the rounded amounts shown in this report.

## Balance Sheet as at December 31, 2016

Assets	31/12/2016 in €	31/12/2016 in €	31/12/2015 in € thousand	31/12/2015 in € thousand
1. Cash in hand and deposits with central banks		176,435,817.22		1,430
2. Bonds and notes issued by public bodies eligible for refinancing with central banks bonds and notes issued by public bodies and similar securities		0.00		103,177
3. Loans and advances to credit institutions				
a) repayable on demand	125,618,422.53		219,642	
b) other loans and advances	2,047,103,440.76	2,172,721,863.29	1,723,240	1,942,882
4. Loans and advances to customers		58,013,564.84		59,174
5. Bonds, notes and other fixed-interest securities				
a) issued by public bodies	9,829,244.12		9,788	
b) issued by other borrowers	8,745,624.30	18,574,868.42	65,088	74,876
6. Shares and other variable-yield securities		173,544,496.93		242,802
7. Equity participations		5,138,499.88		5,137
8. Shares in affiliated companies		8,474,754.91		8,475
9. Intangible fixed assets		125,464.01		134
10. Tangible fixed assets		11,522,399.95		12,535
thereof land and buildings used by the credit institution for own purposes: € 9,779,295.92 previous year: € 10,031 thousand				
11. Other assets		102,175,371.72		73,184
12. Prepayments and other deferrals		1,336,770.73		1,113
13. Deferred tax assets		170,490.83		0
<b>Total assets</b>		<b>2,728,234,362.73</b>		<b>2,524,919</b>
<b>Off-balance sheet items</b>				
1. Foreign assets		301,300,265.82		540,019

<b>Equity and liabilities</b>	<b>31/12/2016</b>	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>31/12/2015</b>
	<b>in €</b>	<b>in €</b>	<b>in € thousand</b>	<b>in € thousand</b>
1. Liabilities to credit institutions				
a) repayable on demand	7,441,720.18		13,213	
b) with agreed maturity dates or periods of notice	6,725,023.71	14,166,432.89	1,876	15,089
2. Liabilities to customers				
a) repayable on demand	120,549,802.46		179,936	
b) with agreed maturity dates or periods of notice	40,608,680.90	161,158,483.36	21,778	201,714
3. Securitised liabilities				
a) issued securitised liabilities	905,292,188.10		791,233	
b) other securitised liabilities	1,058,771,231.93	1,964,063,420.03	835,344 <sup>1</sup>	1,626,577 <sup>1</sup>
4. Other liabilities		465,857,529.15		556,639 <sup>1</sup>
5. Accruals and deferred items		240,526.87		126
6. Provisions				
a) for severance payments	4,037,124.00		3,884	
b) other provisions	8,891,868.91	12,928,992.91	9,664	13,548
7. Subscribed capital		47,598,850.00		47,599
8. Capital reserves				
a) committed	6,651,420.71		6,651	
b) uncommitted	14,000,000.00	20,651,420.71	14,000	20,651
9. Retained earnings				
a) legal reserve	1,030,936.83		1,031	
b) other reserves	23,820,697.77	24,851,634.60	21,432	22,463
10. Liability reserve pursuant to Article 57 para 5 Austrian Banking Act <sup>1</sup>		13,538,860.00		13,539
11. Net profit for the year		3,177,901.21		6,974
<b>Total equity and liabilities</b>		<b>2,728,234,362.73</b>		<b>2,524,919</b>
<b>Off-balance sheet items</b>				
1. Contingent liabilities		0.07		0
2. Commitments arising from fiduciary business transactions		7,091,121.47		7,091
3. Eligible own funds pursuant to Part 2 of Regulation (EU) No 575/2013		105,333,909.92		101,730
4. Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013 (Total risk-weighted assets)		437,034,817.82		532,664
hereof: capital requirements pursuant to Article 92 para 1 lit (a) to (c) of Regulation (EU) No 575/2013				
hereof: capital requirements pursuant to Article 92 para 1 lit (a)		24.10%		19.10%
hereof: capital requirements pursuant to Article 92 para 1 lit (b)		24.10%		19.10%
hereof: capital requirements pursuant to Article 92 para 1 lit (c)		24.10%		19.10%
5. Foreign equity and liabilities		344,875,146.71		445,215

<sup>1</sup> Adjustment of previous year data subject to a change in reporting

# Income Statement for the 2016 Financial Year

	2016 in €	2016 in €	2015 in € thousand	2015 in € thousand
1. Interest and interest-like income		5,314,893.08		10,779
thereof fixed-interest securities	1,167,688.93		2,305	
2. Interest and interest-like expenses		(23,898,746.21)		(23,334)
<b>I. Net interest result</b>		<b>(18,583,853.13)</b>		<b>(12,555)</b>
3. Income from securities and financial investments				
a) Income from shares, share rights and other variable-yield securities	7,343,715.13		7,469	
b) Income from shares in affiliated companies	1,880,000.00	9,223,715.13	1,020	8,489
4. Fee and commission income		9,664,232.75		10,516
5. Fee and commission expenses		(12,170,130.60)		(13,239)
6. Net profit on financial trading activities		55,616,028.75		51,739
7. Other operating income		1,954,108.48		4,078
<b>II. Operating income</b>		<b>45,704,101.38</b>		<b>49,028</b>
8. General administrative expenses		(35,338,114.50)		(33,931)
a) staff expenses				
aa) wages and salaries	(15,417,534.73)		(16,097)	
bb) expenses for statutory social contributions and compulsory contributions related to wages and salaries	(3,570,607.00)		(3,686)	
cc) other social expenses	(362,607.48)		(370)	
dd) expenses for pensions and assistance	(366,465.15)		(390) <sup>1</sup>	
ee) provisions for severance payments and contributions to severance funds	(1,045,160.89)		(440) <sup>1</sup>	
		(20,762,375.25)		(20,103)
b) other administrative expenses	(14,575,739.25)		(13,828)	
9. Value adjustments on asset items 9 and 10		(1,352,764.95)		(1,557)
10. Other operating expenses		(455,381.36)		(504)
<b>III. Operating expenses</b>		<b>(37,146,260.81)</b>		<b>(35,992)</b>
<b>IV. Operating result</b>		<b>8,557,840.57</b>		<b>13,036</b>
11. Loan loss provisions and expenditures arising from the valuation of loans and advances and disposal of securities held as other current assets		(692,061.50)		(1,252)
12. Income arising from the valuation and disposal of loans and advances and of securities held as other current assets		107,963.93		88
13. Expenditures arising from the valuation of equity participations held as financial investments		(183,962.33)		(81)
14. Income arising from the valuation and disposal of shares in affiliated companies and equity participations held as financial investments		1,841,987.06		493
<b>V. Result on ordinary activities</b>		<b>9,631,767.73</b>		<b>12,284</b>
15. Income taxes thereof tax credit (+) or passed on (-) from parent company € 809,010.63 (previous year: € (110) thousand)		290,295.08		(1,340)
16. Other taxes unless included in item 15		(6,744,161.60)		(4,033)
<b>VI. Net income for the year</b>		<b>3,177,901.21</b>		<b>6,911</b>
17. Changes in net assets through transfer		0.00		(5,068)
18. Changes in reserves		0.00		5,068
<b>VII. Profit for the year</b>		<b>3,177,901.21</b>		<b>6,911</b>
19. Profit carried forward		0.00		63
<b>VIII. Net profit for the year</b>		<b>3,177,901.21</b>		<b>6,974</b>

<sup>1</sup> Adjustment of previous year data subject to a change in reporting

## Development of Fixed Assets in the 2016 Financial Year

Amounts in €	Cost of acquisition Balance as at 1/1/2016	Cost of acquisition Additions	Cost of acquisition Disposals	Cost of acquisition Balance as at 31/12/2016	Accumulated depr. Balance as at 1/1/2016
<b>I. Intangible fixed assets</b>					
Software licenses	1,886,695.35	81,902.12	0.00	1,968,597.47	1,752,375.35
<b>II. Tangible fixed assets</b>					
1. Land and buildings used by the credit institution for own purposes thereof value of property: € 2,637,765.92; previous year: € 2,638 thousand	12,694,367.11	0.00	0.00	12,694,367.11	2,663,655.19
2. Office furniture and equipment	13,011,026.55	249,002.15	26,122.80	13,233,905.90	10,506,333.83
	<b>25,705,393.66</b>	<b>249,002.15</b>	<b>26,122.80</b>	<b>25,928,273.01</b>	<b>13,169,989.02</b>
<b>III. Financial investments</b>					
1. Shares in affiliated companies thereof in credit institutions: € 0.00	8,474,754.91	0.00	0.00	8,474,754.91	0.00
2. Equity participations thereof credit institutions: € 0.00	5,156,700.61	1,129.21	0.00	5,157,829.82	19,329.94
	<b>13,631,455.52</b>	<b>1,129.21</b>	<b>0.00</b>	<b>13,632,584.73</b>	<b>19,329.94</b>
<b>Total</b>	<b>41,223,544.53</b>	<b>332,033.48</b>	<b>26,122.80</b>	<b>41,529,455.21</b>	<b>14,941,694.31</b>

Accumulated depr. Additions / Depreciation	Accumulated depr. Write-up	Accumulated depr. Disposals	Accumulated depr. 31/12/2016	Carrying amount 31/12/2016	Carrying amount 31/12/2015
90,758.12	0.00	0.00	1,843,133.47	125,464.00	134,320.00
251,416.00	0.00	0.00	2,915,071.19	9,779,295.92	10,030,711.92
1,010,590.83	0.00	26,122.80	11,490,801.86	1,743,104.04	2,504,692.72
<b>1,262,006.83</b>	<b>0.00</b>	<b>26,122.80</b>	<b>14,405,873.05</b>	<b>11,522,399.96</b>	<b>12,535,404.64</b>
0.00	0.00	0.00	0.00	8,474,754.91	8,474,754.91
0.00	0.00	0.00	19,329.94	5,138,499.88	5,137,370.67
<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>19,329.94</b>	<b>13,613,254.79</b>	<b>13,612,125.58</b>
<b>1,352,764.95</b>	<b>0.00</b>	<b>26,122.80</b>	<b>16,268,336.46</b>	<b>25,261,118.75</b>	<b>26,281,850.22</b>



# Financial Statements as at 31 December 2016

## Notes

### A. Accounting Policies

#### General principles

The financial statements of Raiffeisen Centrobank AG for the 2016 financial year have been prepared in accordance with the general accounting principles stipulated in the Austrian Commercial Code as amended in the Austrian Act on Changes in Accounting Practices (RÄG 2014) and the specific sectoral regulations as specified by the Austrian Banking Act. In accordance with the principles of proper accounting, and taking into account standard practice as described in Section 222 (2) of the Austrian Commercial Code, the annual financial statements give a true and fair view of the company's net assets, financial position and earnings.

The valuation of assets and equity and liabilities is based on the principle of individual valuation assuming a going concern perspective. The principle of prudence is applied, taking account of the specific characteristics of the banking business.

The balance sheet and the income statement have been structured according to Appendix 2 of the forms contained in Article 43 Austrian Banking Act. Special regulations as stipulated by the RÄG have been taken into account.

Further to the application of the RÄG, deferred tax assets were reported for the first time. Deferred tax assets are calculated pursuant to Article 198 para 9 and 10 of the Austrian Commercial Code following a balance sheet oriented approach without discounting. Existing long-term provisions were discounted at market interest rates. Further to the application of the RÄG, balance sheet and income statement items are comparable only to a limited extent with previous year figures.

No changes in the accounting and valuation methods have been made compared to the 2015 financial statements (see the website of Raiffeisen Centrobank AG <https://www.rcb.at/en/news-info/annual-reports>), except for the above changes relating to the application of the RÄG and accounting policies have been consistently applied.

#### Foreign currency translation

Assets and liabilities denominated in foreign currencies are reported at the middle rates of exchanges fixed by the European Central Bank on the balance sheet date. Amounts denominated in currencies for which the European Central Bank published no rates are converted at the middle rates of exchange published by Raiffeisen Bank International AG on the balance sheet date.

Forward foreign exchange contracts are capitalized at the forward exchange rates. Any differences in rates resulting from currency conversion are reported as a profit or loss in the income statement.

#### Trading portfolio – valuation of securities, futures and options

A daily market price system is applied for the valuation of securities held for trading purposes or as other current assets. In terms of securities held for trading purposes or as other current assets,

the company's portfolio of shares in publicly listed companies as well as fixed-interest securities is reported at the share price prevailing on the balance sheet date. If no quotes or share prices are available the value is determined by means of valuation models.

Bonds held by the company for trading purposes are valued at quotes provided by other credit institutions, brokers or at Reuters quotes, in case stock exchange quotes are not available or are not conclusive. If such quotes are not available, prices are calculated internally on the basis of the net present value method. This method is based on an interest rate curve comprised of money market, futures and swap rates as well as spreads.

Certificates acquired based on an equity-based or index-based performance are valued with the share prices prevailing on the balance sheet date, and if no share prices are available, with the assistance of valuation models to illustrate stochastic development processes.

Derivatives are reported in the balance sheet at fair value, which equals the market price or a synthetic value. Adjustments in value are recognized through profit or loss in the income statement. The synthetic values are determined according to the Bank's own evaluation methods, which are examined and approved by risk management and which are based on recognized option-theoretical models.

For plain vanilla options (American and European style), the Black-Scholes model and the binomial pricing model according to Cox-Ross-Rubinstein are applied. The Curran approximation is applied to Asian options, whereas barrier options use Heynen-Kat and spread options rely on the Kirk model.

Options on securities of publicly listed companies and options on security indices (i.e. purchased and sold calls and puts, primarily EUREX options) as well as futures held for trading purposes are valued according to the market prices prevailing on the balance sheet date. Value adjustments were made to take temporal differences into account.

OTC options are primarily valued at tradable prices quoted by the counterparty. Options for which no tradable prices are available are valued by adequate models. For plain vanilla options (American and European style), the Black-Scholes model and the binomial pricing model according to Cox-Ross-Rubinstein are applied. The Curran approximation is applied to Asian options, whereas barrier options use the Heynen-Kat model.

#### Banking book – valuation of derivatives

The derivatives volume in the banking book relates on the one hand to an OTC product to hedge interest rate risks and on the other hand to FX forwards to hedge foreign currency risks. They are valued at fair value relying on observable market parameters.

#### Loans and advances to credit institutions and customers

Loans and advances to credit institutions and customers are shown at their nominal value. Individual loan loss provisions are made in the case of an identifiable recognizable risk of default on the part of borrowers.

#### Equity participations and shares in affiliated companies

Equity participations and shares in affiliated companies are valued at cost unless permanent losses or decreased equity require a non-scheduled depreciation of the fair value (subjective or objectified company value). In case, reasons for impairment are no longer applicable, a write-up to the cost of acquisition is carried out.

### Intangible and tangible fixed assets

The valuation of intangible and tangible fixed assets (i.e. land and buildings, office furniture and equipment as well as other tangible fixed assets) is carried out at the cost of acquisition less their scheduled, linear depreciation.

Depreciation rates applied are 33.3 per cent and 14.3 per cent p.a. for intangible fixed assets, 2.5 per cent and 10.0 per cent p.a. for immovable fixed assets, and 10 per cent – 33 per cent for movable fixed assets. A full year's depreciation is taken in the case of additions made during the first half of the financial year, whereas half-year depreciation applies to additions in the second half of the financial year. Low value assets (cost of acquisition per item less than € 0.4 thousand) are fully depreciated in the year of acquisition.

### Liabilities to credit institutions and customers

Liabilities to credit institutions and customers are reported at the amount of repayment, taking into consideration the principle of financial prudence.

### Securitized liabilities

Securitized liabilities are measured at fair value which equals the present value method, or the common option value methods for the option component. Securitized liabilities include capital guaranteed structured products, whose rate of interest depends on the equity price or equity index performance, reverse convertible bonds and certificates with option character (turbo, discount, open-end and bonus certificates) and warrants.

### Provisions for severance payments

The provisions for severance payments are designed to fulfill legal demands, as well as those arising from individual or collective contractual agreements. Provisions are calculated in accordance with the guidelines specified by IAS 19, applying the Projected Unit Credit Method and assuming a calculatory interest rate of 1.60 per cent (31/12/2015: 2.00 per cent), as well as an unchanged annual salary increase amounting to 2.7 per cent (31/12/2015: 3.00 per cent). The AVÖ (Austrian actuaries' association) 2008-P-basis for calculating retirement pension insurances – Pagler & Pagler for salaried employees was taken as biometric basis for calculation.

The underlying presumption is a decreasing fluctuation rate in connection with the earliest possible retirement date, at the age of 60 for women and 65 for men, taking into account the changes to Austria's General Social Security Law in accordance to the Budgetary Amendment 2003. The premium reserve amounts to 78.3 per cent (31/12/2015: 75.7 per cent) of the statistical termination benefit obligations on the balance sheet date.

### Other provisions

Other provisions have been made according to expected demands. They comprise identifiable risks and liabilities, the extent of which has not yet been determined. Subject to the provisions of the RÄG, long-term provisions were discounted as from the financial year 2016. The interest rate amounts to 1.6 per cent.

## B. Notes to Balance Sheet Items

### I. Cash in hand and deposits with central banks

The balance sheet item A 1, which encompasses cash in hand and deposits with the Austrian National Bank, is reported at € 176,436 thousand (31/12/2015: € 1,430 thousand). Prevailing regulations pertaining to liquidity and minimum reserves were observed.

## II. Loans and advances

### II.1. Classification of loans and advances and securities positions according to their term to maturity

31/12/2016 in € thousand	repayable on demand	0-3 months	3-12 months	1-5 years	>5 years	Total
Bonds and notes issued by public bodies	0	0	0	0	0	0
Loans and advances to credit institutions	125,618	204,058	343,690	1,299,924	199,431	2,172,722
Loans and advances to customers	35,209	565	8,812	6,467	6,960	58,014
Bonds, notes and other fixed-interest securities	0	7,580	2,250	8,363	382	18,575
Shares and other variable-yield securities	151,083	21,461	1,001	0	0	173,544
Other assets	41,200	418	2,273	53,420	4,865	102,175
	<b>353,110</b>	<b>234,082</b>	<b>358,026</b>	<b>1,368,174</b>	<b>211,638</b>	<b>2,525,030</b>

### Comparative figures as at 31/12/2015

31/12/2015 <sup>1</sup> in € thousand	repayable on demand	0-3 months	3-12 months	1-5 years	>5 years	Total
Bonds and notes issued by public bodies	0	0	377	102,800	0	103,177
Loans and advances to credit institutions	219,642	241,476	233,283	1,041,595	206,886	1,942,882
Loans and advances to customers	33,562	2,010	0	16,046	7,556	59,174
Bonds, notes and other fixed-interest securities	73	7,327	59,406	8,070	0	74,876
Shares and other variable-yield securities	179,388	31,314	9,743	22,357	0	242,802
Other assets	31,386	948	2,422	34,888	3,539	73,184
	<b>464,050</b>	<b>283,075</b>	<b>305,231</b>	<b>1,225,756</b>	<b>217,980</b>	<b>2,496,094</b>

<sup>1</sup> Adjustment of previous year data according to the table as at 31/12/2016

## II.2. Loans and advances to affiliated companies and equity participations

31/12/2016 in € thousand	Loans and advances to affiliated companies (direct/indirect >50%)	Loans and advances to equity participations in which Raiffeisen Centrobank has a direct shareholding (<50%)
Loans and advances to credit institutions	1,878,452	0
Loans and advances to customers	4,652	514
Bonds, notes and other fixed-interest securities	8,363	0
Shares and other variable-yield securities	22,506	0
Other assets	1,926	8
	<b>1,915,899</b>	<b>522</b>

### Comparative figures as at 31/12/2015

31/12/2015 in € thousand	Loans and advances to affiliated companies (direct/indirect >50 %)	Loans and advances to equity participations in which Raiffeisen Centrobank has a direct shareholding (<50%)
Loans and advances to credit institutions	1,679,793	0
Loans and advances to customers	4,525	514
Bonds, notes and other fixed-interest securities	54,600	0
Shares and other variable-yield securities	48,449	0
Other assets	914	8
	<b>1,788,281</b>	<b>522</b>

## III. Securities

### Figures supplied pursuant to Article 64 para 1 no 10 and 11 Austrian Banking Act

31/12/2016 in € thousand	Unlisted	Listed	Total	Valued at market price
Bonds and notes issued by public bodies, A 2	0	0	0	0
Bonds, notes and other fixed-interest securities, A 5	0	18,575	18,575	18,575
Shares and other variable-yield securities, A 6	48,215	125,330	173,544	173,544
Equity participations, A 7	5,139	0	5,139	x
Shares in affiliated companies, A 8	8,475	0	8,475	x

### Comparative figures as at 31/12/2015

31/12/2015 in € thousand	Unlisted	Listed	Total	Valued at market price
Bonds and notes issued by public bodies, A 2	0	103,177	103,177	103,177
Bonds, notes and other fixed-interest securities, A 5	0	74,876	74,876	74,876
Shares and other variable-yield securities, A 6	61,524	181,278	242,802	242,802
Equity participations, A 7	5,137	0	5,137	x
Shares in affiliated companies, A 8	8,475	0	8,475	x

As at 31/12/2016 balance sheet item A 5 includes fixed-interest securities amounting to € 18,575 thousand (31/12/2015 balance sheet item A 2 and A 5: € 178,052 thousand) of which € 9,829 thousand (31/12/2015: € 67,110 thousand) will fall due in the forthcoming year.

As at 31/12/2016 balance sheet item A 5 includes securities classified as current assets amounting to € 9,829 thousand (31/12/2015 balance sheet items A 2 and A 5: € 52,558 thousand) and securities of the trading book in the amount of € 8,746 thousand (31/12/2015 balance sheet items A 2 and A 5: € 125,495 thousand).

The fair value of securities of the trading book and securities held as other current assets (excluding hedge positions) exceeded the acquisition costs by € 141 thousand as at 31/12/2016 (31/12/2015: € 78 thousand).

#### IV. Equity participations and shares in affiliated companies

The following list contains information on companies in which the Bank directly held a minimum of 20 per cent shareholding on the balance sheet date:

##### Figures as at 31/12/2016

in € thousand			
Name Domicile	Shareholding in %	Equity	Annual results 2016
1 Centrotrade Holding GmbH, Vienna	100	3,968	(21) <sup>1</sup>
2 Centrotrade Chemicals AG, Zug - in liquidation	100	4,575 <sup>2</sup>	(83) <sup>3</sup>
3 Syrena Immobilien Holding AG, Spittal/Drau	21	29,046	(270)

<sup>1</sup> unaudited figures

<sup>2</sup> liquidation balance sheet as at 30 September 2016

<sup>3</sup> loss for the period until preparation of the liquidation balance sheet (30 September 2016)

Centrotrade Chemicals AG has been in liquidation since November 2015 as the sales process was not successful. In February 2017, the company was closed down.

Since the sale of the commodity trading subsidiaries, Centrotrade Holding GmbH has not performed any operational activities.

##### Comparative figures as at 31/12/2015

in € thousand			
Name Domicile	Shareholding in %	Equity	Annual results 2015
1 Centrotrade Holding GmbH, Vienna	100	5,869	2,147
2 Centrotrade Chemicals AG, Zug - in liquidation	100	6,693	(1,478)
3 Syrena Immobilien Holding AG, Spittal/Drau	21	29,315	(298)

#### V. Fixed assets

The composition and development of fixed assets is contained in the table outlining the development of fixed assets.

#### VI. Other assets

Balance sheet item A 11 "Other assets" amounting to € 102,175 thousand (31/12/2015: € 73,184 thousand) primarily refers to purchase contracts from trading in derivative financial instruments reported at fair value as at 31/12/2016:

31/12/2016			
in € thousand			
	Unlisted	Listed	Total
<b>Positive fair values from derivative transactions</b>			
Foreign currency transaction	554	0	554
Equity/index-based transaction	58,643	36,365	95,009
Commodity/precious metal transactions	1,651	1,467	3,118
	<b>60,849</b>	<b>37,832</b>	<b>98,681</b>

## Comparative figures as at 31/12/2015

31/12/2015 <sup>1</sup> in € thousand	Unlisted	Listed	Total
<b>Positive fair values from derivative transactions</b>			
Foreign currency transaction	106	0	106
Equity/index-based transaction	41,092	29,098	70,190
Commodity/precious metal transactions	182	260	442
	<b>41,379</b>	<b>29,358</b>	<b>70,737</b>

<sup>1</sup> Adjustment of previous year data according to the table as at 31/12/2016

In addition, loans and advances to foreign tax authorities in the amount of € 1,067 thousand (31/12/2015: € 1,585 thousand), and settlement of Group charges in the amount of € 1,730 thousand (31/12/2015: € 305 thousand) are included.

## VII. Deferred tax assets

Pursuant to the application of the RÄG, deferred tax asset as at 31/12/2016 amounted to € 170 thousand.

Balance sheet items	Deferred tax assets	Deferred tax liabilities
Share and other variable-yield securities	0	(141)
Shares in affiliated companies	8	
Prepayments and other deferrals	14	
Provisions for severance payments	1,422	
Other provisions	61	
<b>Total</b>	<b>1,505</b>	<b>(141)</b>
<b>Balance</b>	<b>1,364</b>	
Deferred tax assets as at 31/12/2016 (12.5%)	170	

Deferred tax assets are recognized at a tax rate of 12.5 per cent as, based on the prevailing group assessment agreement, this percentage will provide for a tax relief in the future. Any tax relief beyond this rate cannot be assessed by the Group member as no influence can be exerted on the amount of untaxable portion of the taxable profit on Group level.

## VIII. Liabilities

### VIII.1. Classification of liabilities according to their term to maturity

31/12/2016 in € thousand	repayable on demand	0-3 months	3-12 months	1-5 years	>5 years	Total
Liabilities to credit institutions	7,442	6,725	0	0	0	14,167
Liabilities to customers	120,550	0	22,955	17,653	0	161,158
Securitized liabilities	0	78,341	211,957	1,307,803	365,962	1,964,063
Other liabilities	281,751	53,570	19,084	78,706	32,764	465,858
	<b>409,743</b>	<b>138,637</b>	<b>253,997</b>	<b>1,404,162</b>	<b>398,709</b>	<b>2,605,246</b>

## Comparative figures as at 31/12/2015

31/12/2015 in € thousand	repayable on demand	0-3 months	3-12 months	1-5 years	>5 years	Total
Liabilities to credit institutions	13,213	1,875	0	0	0	15,089
Liabilities to customers	179,935	0	21,778	0	0	201,714
Securitized liabilities <sup>1</sup>	0	65,173	231,112	1,009,929	320,377	1,626,577
Other liabilities <sup>1</sup>	320,192	57,009	32,283	113,793	33,363	556,639
	<b>513,340</b>	<b>124,057</b>	<b>285,172</b>	<b>1,123,708</b>	<b>353,740</b>	<b>2,400,019</b>

<sup>1</sup> Adjustment of previous year data subject to a change in reporting (for details see page 30)

## VIII.2. Liabilities to affiliated companies and equity participations

31/12/2016 in € thousand	Liabilities to affiliated companies (direct/indirect >50 %)	Liabilities to equity participations in which Raiffeisen Centrobank has a direct shareholding (<50%)
Liabilities to credit institutions	4,122	0
Liabilities to customers	8,524	0
Other liabilities	17,792	0
	<b>30,438</b>	<b>0</b>

### Comparative figures as at 31/12/2015

31/12/2015 in € thousand	Liabilities to affiliated companies (direct/indirect >50 %)	Liabilities to equity participations in which Raiffeisen Centrobank has a direct shareholding (< 50%)
Liabilities to credit institutions	1,489	0
Liabilities to customers	7,482	500
Other liabilities	18,278	0
	<b>27,248</b>	<b>500</b>

## VIII.3. Securitized liabilities

The balance sheet item P 3 "Securitized liabilities" includes issued certificates and warrants (mainly own issues) totaling € 1,964,063 thousand (31/12/2015: € 1,626,577 thousand), held for trading and of which € 290,299 thousand (31/12/2015: € 296,285 thousand) will fall due in the course of 2016. Following a change in reporting as at 31/12/2016, the item includes capital guaranteed certificates in the amount of € 727,889 thousand (31/12/2015: € 694,859 thousand), reverse convertible bonds totaling € 177,403 thousand (31/12/2015: € 96,374 thousand) and certificates with option character summing up to € 1,053,009 thousand (31/12/2015: € 832,130 thousand) as well as warrants coming up to € 5,762 thousand (31/12/2015: € 3,214 thousand).

## VIII.4. Other liabilities

The balance sheet item P 4 "Other liabilities" amounting to € 465,858 thousand (31/12/2015: € 556,639 thousand) primarily refers to liabilities reported at fair value as well as premiums received from trading in securities and derivative financial instruments.

in € thousand	31/12/2016	31/12/2015
<b>Negative fair values of derivative financial instruments</b>	<b>178,379</b>	<b>234,557<sup>1</sup></b>
from OTC options	137,783	194,883
from trading in EUREX options	35,256	25,323
from trading in other options	5,340	14,352
<b>Short-selling of trading assets</b>	<b>281,737</b>	<b>320,171</b>
	<b>460,116</b>	<b>554,728</b>

<sup>1</sup> Adjustment of previous year data subject to a change in reporting

"Other liabilities" as at 31/12/2016 include a liability relating to a one-off contribution to the Austrian bank levy in the amount of € 4,651 thousand as well as liabilities relating to payroll accounting summing up to € 560 thousand (31/12/2015: € 574 thousand).

## IX. Share capital and reserves

The **share capital** remained unchanged and is comprised of 655,000 no-par-value shares.

The shares in Raiffeisen Centrobank AG are owned by the following companies:

	%	Shares
RBI IB Beteiligungs GmbH, Wien	100.00	654,999
Lexus Services Holding GmbH, Wien	0.00	1
	<b>100.00</b>	<b>655,000</b>

**Capital reserves** amounted to € 20,651 thousand as at 31/12/2016 and remained unchanged to the previous year (31/12/2015: € 20,651 thousand).

**Retained earnings** include legal reserve in the amount of € 1,031 thousand (31/12/2015: € 1,031 thousand) and other reserves summing up to € 23,821 thousand (31/12/2015: € 21,432 thousand).

**Liability reserve** pursuant to § 57 para 5 Austrian Banking Act remained unchanged to the previous year, totaling € 13,539 thousand.

#### IX. Provisions

Provisions break down as follows:

in € thousand	31/12/2016	31/12/2015
Provisions for severance payments	4,037	3,884
Other provisions	8,892	9,664
Provisions for bonus payments	1,275	1,697
Provisions for litigation risks	4,078	4,213
Provisions for overdue vacation	1,093	1,111
Legal, auditing and consulting expenses	351	420
Provisions for the Securities Trading & Sales Department	357	404
Provisions for outstanding invoices	888	478
Provisions for charged Management Board expenses	771	1,213
Provisions for management fees	2	45
Sundry	76	83
<b>Total</b>	<b>12,929</b>	<b>13,548</b>

#### XI. Obligations arising from the use of tangible fixed assets not recognized in the balance sheet

The rental and leasing expenses during the period under review amounted to € 422 thousand (2015: € 516 thousand), thereof € 133 thousand (2015: € 185 thousand) to affiliated companies. For the 2017 financial year, rental and leasing expenses are expected to total € 412 thousand and € 1,900 thousand for the 2017-2021 financial years, of which the rental and leasing expenses to affiliated companies will total € 100 thousand and € 284 thousand, respectively.

#### XII. Supplementary data

##### Assets and liabilities in foreign currencies

The following amounts are contained in the balance sheet in foreign currencies:

in € thousand	31/12/2016	31/12/2015
Assets	844,619	753,647
Liabilities	748,559	638,425

##### Volume of the securities trading book

As at the balance sheet date the securities trading book was made up as follows:

in € thousand	31/12/2016	31/12/2015
Securities	2,636,145	3,055,796
Other financial instruments	5,568,351	4,227,249
<b>Total</b>	<b>8,204,497</b>	<b>7,283,045</b>

### Unsettled forward and option contracts

At the balance sheet date, the following forward and options transactions (banking and trading book) had not yet been settled:

in € thousand	31/12/2016	31/12/2015
<b>Purchase contracts (notional amount)</b>		
Options on interest-rate instruments	200	200
Forward exchange contracts/gold contracts	62,476	63,749
Futures in asset values	1,305	1,990
Index future contracts	384,703	407,119
Options on asset values and equity/index-based options	869,045	817,047
Precious metals and commodity future contracts	87,833	55,524
Precious metals and commodity options	33,063	26,492
Other forward transactions, future contracts, options and similar transactions	0	19,000

in € thousand	31/12/2016	31/12/2015 <sup>1</sup>
<b>Sales contracts (notional amount)</b>		
Interest rate futures	0	59,100
Forward exchange contracts/gold contracts	22,757	46,133
Futures in asset values	394	573
Index future contracts	25,173	26,679
Options on asset values and equity/index-based options	1,805,414	1,638,778
Precious metals and commodity options	23,476	82,411

<sup>1</sup> Adjustment of previous year data subject to a change in reporting

### Securities trading book

A securities trading book is maintained. On the balance sheet date the trading volume at fair values (positive and negative fair values offset) estimated pursuant to internal risk calculation amounts to:

in € thousand	31/12/2016	31/12/2015
Shares/mutual funds	(130,429)	(143,442)
Listed options	(1,828)	10,172
Futures	472,288	366,154
Warrants/certificates	(1,061,052)	(821,096)
OTC options	(77,389)	(161,775)
Purchased bonds	1,900,806	1,742,125
Issued guarantee bonds	(913,514)	(793,597)
<b>Total</b>	<b>188,883</b>	<b>198,541</b>

### Data on transactions with derivative financial instruments

Stock market trading in derivative financial instruments focuses on equities and equity/index-based futures and options. The financial instruments issued by Raiffeisen Centrobank AG can be classified as warrants, certificates mainly on equities and equity indices (turbo, discount, bonus and open-end certificates), and guarantee bonds with a payment structure related to equity or equity indices.

Equities held by Raiffeisen Centrobank AG represent, together with purchased options, tradable money market deposits and zero bonds depicted in other balance sheet items, the hedge positions to issued certificates and warrants and are part of the Bank's market maker activities.



Volumes of derivative financial transactions for 2016 are as follows:

in € thousand 31/12/2016	Notional amount		Positive fair value		Negative fair value	
	Banking book	Trading book	Banking book	Trading book	Banking book	Trading book
<b>1. Interest rate contracts</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>1.1. OTC products</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Options on interest-rate instruments	200	0	0	0	0	0
<b>1.2. Products traded on stock exchange</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest rate futures	0	0	0	0	0	0
<b>2. Foreign exchange contracts</b>	<b>44,099</b>	<b>41,134</b>	<b>3</b>	<b>551</b>	<b>90</b>	<b>1,247</b>
<b>2.1. OTC products</b>	<b>44,099</b>	<b>20,044</b>	<b>3</b>	<b>551</b>	<b>90</b>	<b>0</b>
Forward foreign exchange contracts	44,099	0	3	0	90	0
Currency options	0	94	0	59	0	0
Gold contracts	0	19,950	0	492	0	0
<b>2.2. Products traded on stock exchange</b>	<b>0</b>	<b>21,090</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,247</b>
Forward foreign exchange contracts	0	21,090	0	0	0	1,247
Currency futures/gold contracts	0	0	0	0	0	0
<b>3. Equity contracts</b>	<b>0</b>	<b>3,086,034</b>	<b>0</b>	<b>95,008</b>	<b>0</b>	<b>169,009</b>
<b>3.1. OTC products</b>	<b>0</b>	<b>2,375,889</b>	<b>0</b>	<b>58,643</b>	<b>0</b>	<b>131,085</b>
Equity/index-based options – purchased	0	768,524	0	49,701	0	0
Equity/index-based options – sold	0	1,607,365	0	8,942	0	131,085
Other equity-based contracts	0	0	0	0	0	0
<b>3.2. Products traded on stock exchange</b>	<b>0</b>	<b>710,145</b>	<b>0</b>	<b>36,365</b>	<b>0</b>	<b>37,925</b>
Share and other equity/index-based options and future contracts	0	710,145	0	36,365	0	37,925
<b>4. Commodities/precious metals</b>	<b>0</b>	<b>144,372</b>	<b>0</b>	<b>3,119</b>	<b>0</b>	<b>8,032</b>
<b>4.1. OTC products</b>	<b>0</b>	<b>53,855</b>	<b>0</b>	<b>1,651</b>	<b>0</b>	<b>6,608</b>
Commodity and precious metal options	0	53,855	0	1,651	0	6,608
<b>4.2. Products traded on stock exchange</b>	<b>0</b>	<b>90,516</b>	<b>0</b>	<b>1,467</b>	<b>0</b>	<b>1,424</b>
Other commodity and precious metal future contracts	0	90,516		1,467	0	1,424
<b>Total OTC products</b>	<b>44,299</b>	<b>2,449,788</b>	<b>3</b>	<b>60,846</b>	<b>90</b>	<b>137,693</b>
<b>Total stock exchange traded products</b>	<b>0</b>	<b>821,752</b>	<b>0</b>	<b>37,832</b>	<b>0</b>	<b>40,596</b>
<b>Total</b>	<b>44,299</b>	<b>3,271,540</b>	<b>3</b>	<b>98,678</b>	<b>90</b>	<b>178,289</b>

Volumes of derivative financial transactions for 2015 are as follows:

in € thousand 31/12/2015 <sup>1</sup>	Notional amount		Positive fair value		Negative fair value	
	Banking book	Trading book	Banking book	Trading book	Banking book	Trading book
<b>1. Interest rate contracts</b>	<b>200</b>	<b>59,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>57</b>
<b>1.1. OTC products</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Options on interest-rate instruments	200	0	0	0	0	0
<b>1.2. Products traded on stock exchange</b>	<b>0</b>	<b>59,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>57</b>
Interest rate futures	0	59,100	0	0	0	57
<b>2. Foreign exchange contracts</b>	<b>92,237</b>	<b>17,645</b>	<b>0</b>	<b>106</b>	<b>30</b>	<b>146</b>
<b>2.1. OTC products</b>	<b>92,237</b>	<b>3,107</b>	<b>0</b>	<b>106</b>	<b>30</b>	<b>0</b>
Forward foreign exchange contracts	92,237	0	0	0	30	0
Currency options	0	123	0	59	0	0
Gold contracts	0	2,984	0	47	0	0
<b>2.2. Products traded on stock exchange</b>	<b>0</b>	<b>14,539</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>146</b>
Forward foreign exchange contracts	0	14,485	0	0	0	146
Currency futures/gold contracts	0	54	0	0	0	0
<b>3. Equity contracts</b>	<b>0</b>	<b>2,911,186</b>	<b>0</b>	<b>70,190</b>	<b>0</b>	<b>195,592</b>
<b>3.1. OTC products</b>	<b>0</b>	<b>2,084,858</b>	<b>0</b>	<b>41,092</b>	<b>0</b>	<b>160,380</b>
Equity/index-based options – purchased	0	708,076	0	41,019	0	0
Equity/index-based options – sold	0	1,357,782	0	0	0	160,380
Other equity-based contracts	0	19,000	0	73	0	0
<b>3.2. Products traded on stock exchange</b>	<b>0</b>	<b>826,328</b>	<b>0</b>	<b>29,098</b>	<b>0</b>	<b>35,212</b>
Share and other equity/index-based options and future contracts	0	826,328	0	29,098	0	35,212
<b>4. Commodities/precious metals</b>	<b>0</b>	<b>164,427</b>	<b>0</b>	<b>442</b>	<b>0</b>	<b>38,732</b>
<b>4.1. OTC products</b>	<b>0</b>	<b>108,901</b>	<b>0</b>	<b>182</b>	<b>0</b>	<b>34,473</b>
Commodity and precious metal options	0	108,901	0	182	0	34,473
<b>4.2. Products traded on stock exchange</b>	<b>0</b>	<b>55,525</b>	<b>0</b>	<b>260</b>	<b>0</b>	<b>4,259</b>
Other commodity and precious metal future contracts	0	55,525	0	260	0	4,259
<b>Total OTC products</b>	<b>92,437</b>	<b>2,196,866</b>	<b>0</b>	<b>41,379</b>	<b>30</b>	<b>194,853</b>
<b>Total stock exchange traded products</b>	<b>0</b>	<b>955,492</b>	<b>0</b>	<b>29,358</b>	<b>0</b>	<b>39,674</b>
<b>Total</b>	<b>92,437</b>	<b>3,152,358</b>	<b>0</b>	<b>70,737</b>	<b>30</b>	<b>234,527</b>

<sup>1</sup> Adjustment of previous year data subject to a change in reporting

## C. Notes to the Income Statement

### I. Interest and similar income

in € thousand	2016	2015
from liabilities to credit institutions	1,471	1,347
from liabilities to customers	1,008	1,975
from fixed-interest securities	1,168	2,305
from structured products	1,668	5,152
	<b>5,315</b>	<b>10,779</b>

### II. Interest and similar expenses

in € thousand	2016	2015
for liabilities to credit institutions	(2,141)	(1,683)
for liabilities to customers	(228)	(158)
for securitized liabilities	(21,530)	(21,494)
	<b>(23,899)</b>	<b>(23,335)</b>

Net interest result in the amount of € 18,584 thousand was negative both in 2016 and 2015 (€ 12,556 thousand) and is comprised of interest income summing up to € 5,315 thousand (2015: € 10,779 thousand) and interest expenses totaling € 23,899 thousand (2015: € 23,335 thousand).

Compared to the previous year, interest income posted a decline following lower income from fixed-interest securities in the amount of € 1,168 thousand further to their sale or redemption. Interest and similar income from structured products recorded a volume-related decrease from € 5,152 thousand to € 1,668 thousand.

Interest expenses rose mildly by € 564 thousand to € 23,899 thousand and include mainly coupon payments for structured products. This is contrasted with a positive valuation result from tradable money market deposits and derivative financial instruments in the trading profit. The liquidity derived from issues is primarily invested into tradable money market deposits without current coupons which are included in the trading book. The result from tradable money market deposits included in the trading book is shown in "Net profit on financial trading activities".

Due to the persistently low interest rate environment, item "Net interest result" included expenses resulting from negative interest for loans and advances in the amount of € 750 thousand (2015: € 104 thousand). Contrary, the item includes income in the amount of € 78 thousand (2015: € 16 thousand) stemming from negative interest for liabilities.

### III. Fee and commission income

in € thousand	2016	2015
from securities business	9,281	10,358
from ECM transactions	150	0
from credit business	0	57
from payment transactions	233	101
from other banking services	1	0
	<b>9,664</b>	<b>10,516</b>

#### IV. Fee and commission expenses

in € thousand	2016	2015
from securities business	(11,854)	(13,028)
from ECM transactions	(27)	0
from payment transactions	(287)	(192)
from other banking services	(2)	(19)
	<b>(12,170)</b>	<b>(13,239)</b>

The negative fee and commission result summing up to € 2,506 thousand (2015: € 2,723 thousand) is comprised of fee and commission income totaling € 9,664 thousand (2015: € 10,516 thousand) and fee and commission expenses in the amount of € 12,170 thousand (2015: € 13,239 thousand).

#### V. Net profit on financial trading activities

The net profit on financial trading activities accounts for the major share of the operating income and went up from € 51,739 thousand in 2015 to € 55,616 thousand in 2016. This favorable development results from the valuation and disposal of derivatives and money market deposits held for hedging purposes summing up to € 88,708 thousand (2015: € 67,429 thousand) as well as from the valuation of spot and futures positions in the amount of € 5,603 thousand (2015: € 2,840 thousand). This is contrasted with a negative result from the valuation and disposal of certificates and shares in the amount of € minus 38,695 thousand (2015: € minus 18,529 thousand).

#### VI. Other operating income

The item includes mainly income from the release of provisions in the amount of € 657 thousand (2015: € 794 thousand) and comprises € 319 thousand related to the discount of long-term provisions subject to the RÄG. In addition, the item includes income from the charge of internal expenses to Raiffeisen Bank International AG summing up to € 833 thousand in the 2016 financial year (2015: € 730 thousand). In the 2015 financial year, the item included income derived from the sale of business premises coming up to € 1,624 thousand.

#### VII. Other administrative expenses

in € thousand	2016	2015
Office space expenses (maintenance, operation, administration, insurance)	(1,202)	(1,095)
Office supplies, printed matter, literature	(252)	(262)
IT costs	(2,336)	(1,989)
Communication costs	(928)	(960)
Information services	(3,631)	(2,863)
Car expenses and travelling expenses	(586)	(587)
Advertising and promotional expenses	(1,003)	(816)
Legal, advisory and consultancy services	(1,345)	(1,216)
Contributions to associations	(771)	(889)
Resolution fund	(687)	(896)
Sundry	(1,835)	(2,256)
	<b>(14,576)</b>	<b>(13,828)</b>

#### VIII. Other operating expenses

"Other operating expenses" in the amount of € 455 thousand (2015: € 504 thousand) primarily relates to expenses charged in the amount of € 437 thousand (2015: € 467 thousand).

#### IX. Net valuations and net proceeds

In the 2016 financial year, net valuations and net proceeds amounted to € 1,074 thousand (2015: € minus 753 thousand). This primarily comprises the profit from the liquidation of Centrotech Chemicals AG totaling € 1,842 thousand (2015: income derived from the appreciation of Centrotech Holding GmbH by € 490). Contrary, expenses from net valuations and disposal of securities held as other current assets in 2016 and 2015 are included.

## X. Income taxes and other taxes

Income taxes are as follows:

in € thousand	2016	2015
Tax credit/Group taxation	809	(110)
Taxes for former periods (settlement of Group charge)	54	(113)
Not recognized as foreign withholding tax	(743)	(1,117)
<b>Current income taxes</b>	<b>120</b>	<b>(1,340)</b>
Deferred income taxes	170	0
	<b>290</b>	<b>(1,340)</b>

The change in "Income taxes" is in particular attributable to a negative tax result translating into a tax credit from the group parent summing up to € 809 thousand (2015: € minus 110 thousand). In addition, the item includes income in the amount of € 170 derived from capitalization of deferred taxes pursuant to the RÄG. In contrast, the item includes expenses relating to foreign withholding tax totaling € minus 743 thousand (2015: € minus 1,117 thousand).

As at 31/12/2016, "Other taxes" amounted to € 6,744 thousand (2015: € 4,033 thousand). The item includes in particular the one-off contribution to the Austrian bank levy coming up to € 4,651 thousand that was effected in December 2016. Moreover, the item reflects a change in the reporting of non-deductible input tax that had been included in the 2015 financial year.

## XI. Deferred taxes

As at 31/12/2016 deferred tax assets came to € 170 thousand pursuant to the application of the RÄG. In the 2015 financial year, the bank did not exercise its right to capitalize deferred taxes summing up to € 395 thousand.

## XII. Expenses for auditing the financial statements

Expenses for auditing the financial statements are contained in legal, advisory and consultancy services. Thereof € 110 thousand are attributable to the auditor (2015: € 180 thousand) and € 20 thousand to other consultancy services (2015: € 20 thousand).

## D. Other Disclosures

### Contingent liabilities

In accordance with Article 93 Austrian Banking Act, the Bank is legally obliged to provide for proportionate deposit insurance as part of its membership in a professional association. Raiffeisen Centrobank AG is a member of the Fachverband der Raiffeisenbanken (professional association of the Raiffeisen Banking Group). This also entails an affiliation with Österreichische Raiffeisen Einlagensicherung reg. GenmbH., Vienna (the deposit insurance arm of the Raiffeisen Banking Group, registered as a limited liability company). In the financial year the theoretical claim on this insurance is limited to a rate of 1.5 per cent of the assessment basis in accordance with Article 22 para 2 Austrian Banking Act at the balance sheet date, plus the weighted items of the securities trading book, also in accordance with part 3 CRR. These contingent liabilities are reported at a market value of € 0.07.

### Other contractual bank guarantee obligations

The following assets were pledged as security for obligations as at 31/12/2016:

#### Item A 3 Loans and advances to credit institutions

€ 462,533 thousand (31/12/2015: € 171,037 thousand)

Collateral deposited with banks for the securities and options business and securities lendings

#### Item A 4 Loans and advances to customers

€ 8,309 thousand (31/12/2015: € 40,763 thousand)

Collateral deposited with stock exchanges and other financial institutions for the securities and option business

#### Item A 5 Bonds, notes and other fixed-interest securities

€ 9,829 thousand (31/12/2016: € 62,101 thousand)

Collateral deposited with banks for the securities and options business

### Letters of comfort

As at the balance sheet date Raiffeisen Centrobank AG did not issue any letters of comfort.

### Commitments arising from fiduciary business

Commitments arising from fiduciary business transactions not included in the balance sheet refer to one equity participation held in trust in the amount of € 7,091 thousand in both years 2016 and 2015.

## Own funds

The own funds pursuant to part 2 CRR are comprised of the following:

in € thousand	2016	2015
Capital paid-in	47,599	47,599
Earned capital	59,042	56,653
<b>Core capital (tier 1 capital) before deductions</b>	<b>106,641</b>	<b>104,252</b>
Intangible fixed assets	(126)	(134)
Prudent valuation	(1,181)	(2,388)
<b>Core capital (tier 1 capital) after deductions</b>	<b>105,334</b>	<b>101,729</b>
Supplementary own funds	0	0
<b>Core capital</b>	<b>105,334</b>	<b>101,729</b>
<b>Supplementary capital</b>	<b>0</b>	<b>0</b>
<b>Supplementary own funds (after deductions)</b>	<b>0</b>	<b>0</b>
<b>Total own funds</b>	<b>105,334</b>	<b>101,729</b>
<b>Total risk-weighted assets</b>	<b>437,035</b>	<b>532,665</b>
Core capital ratio, credit risk	60.7%	59.6%
Core capital ratio, total	24.1%	19.1%
Own funds ratio	24.1%	19.1%

Own funds requirements pursuant to para 92 Regulation (EU) No 575/2013 (total risk-weighted assets) break down as follows:

in € thousand	2016	2015
Risk-weighted assets (credit risk)	173,414	170,734
Standard approach	161,501	156,968
CVA (credit value adjustment) risk	11,913	13,766
Risk-weighted assets (position risk in bonds, equities, commodities and foreign currencies)	149,035	230,247
Risk-weighted assets (operational risk)	1	0
Risk-weighted assets (settlement and delivery risks)	114,585	131,683
<b>Total risk-weighted assets</b>	<b>437,035</b>	<b>532,665</b>

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

in € thousand	2016	2015
<b>Risk-weighted assets according to standard approach</b>	<b>161,501</b>	<b>156,968</b>
Central governments and central banks	453	495
Public bodies	0	0
Institutions	81,458	68,391
Corporates	52,369	60,157
Equity participations	13,613	13,612
Positions with particularly high risk	0	0
Other positions	13,608	14,312
<b>CVA risk</b>	<b>11,913</b>	<b>13,766</b>
<b>Total</b>	<b>173,414</b>	<b>170,734</b>

## Number of staff

	31/12/2016	Annual average	31/12/2015	Annual average
Salaried employees	175	175	177	202
thereof part-time	32	28	25	26
Wage employees	0	0	0	0
thereof part-time	0	0	0	0
<b>Total</b>	<b>175</b>	<b>175</b>	<b>177</b>	<b>202</b>

### Advances and loans to members of the Management Board and Supervisory Board

At the balance sheet date no advances and loans had been granted to members of the Management Board. No advances, loans or guarantees had been granted to members of the Supervisory Board.

### Expenses for severance payments and retirement benefits

Expenses for severance payments and retirement benefits (including contributions to pension funds and staff retirement benefit plans, as well as provisions for severance payments) for the Management Board (included in "Other administrative expenses") and the staff amounted to € 1,592 thousand (2015: € 30 thousand). Payments to employee pension funds totaled € 168 thousand (2015: € 167 thousand).

No break-down pursuant to § 239 para 1 no 3 according to § 242 para 4 is provided.

In 2015, expenses for severance payments saw a positive effect from the release of a restructuring provision in the amount of € 360 thousand.

### Remuneration for members of the Management Board and Supervisory Board

No break-down pursuant to § 239 para 1 no 4 according to § 242 para 4 is provided.

In 2016, attending fees in the amount of € 75 thousand were paid to members of the Supervisory Board (2015: € 75 thousand).

Remunerations and expenses on severance payments and retirement benefits for members of the Management Board were borne by Raiffeisen Bank International AG (an affiliated company) and were charged to Raiffeisen Centrobank AG (included in "Other administrative expenses").

### Group relations

The company is an affiliated company of Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna, and is integrated in its consolidated financial statements, as well as in the consolidated financial statements of Raiffeisen Bank International AG, Vienna which provides the consolidated financial statements for the least number of companies required. The consolidated financial statements are available at the Commercial Court in Vienna and the respective parent company.

Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna, (transferring company) was merged with Raiffeisen Bank International AG, Vienna, (acquiring company) on 18 March 2017. As a result Raiffeisen Bank International AG, Vienna is the ultimate holding company of the Group.

Since December 17, 2008, the company has been a member of the corporate group Raiffeisen Zentralbank Österreich Aktiengesellschaft (now Raiffeisen Bank International AG) pursuant to Article 9 Austrian Corporation Tax Act. The application submitted by the company to become a group member of the corporate group RZB as of the business year 2008 pursuant to Article 9 Austrian Corporation Tax Act was notified to the financial authorities on 19 December 2008 and was approved by notice on 22 April 2009.

The taxable results of the members of the group are attributed to the parent company. Any tax adjustments between the parent company and the individual members of the corporate group are regulated in the form of a tax allocation agreement.

## Members of the Management Board, the Supervisory Board and State Commissioners

<b>Management Board</b>	Wilhelm Celeda Valerie Brunner	Chief Executive Officer Member of the Management Board
<b>Supervisory Board</b>	Klemens Breuer Member of the Management Board, Raiffeisen Bank International AG, Vienna As of 18 March 2017 Deputy Chairman of the Management Board, Raiffeisen Bank International AG, Vienna	Chairman
	Michael Höllerer Member of the Management Board, Raiffeisen Zentralbank Österreich AG, Vienna As of 18 March 2017 Plenipotentiary, Raiffeisen Bank International AG, Vienna	1st Deputy Chairman
	Hannes Mösenbacher Division Head Raiffeisen Bank International AG, Vienna As of 18 March 2017 Member of the Management Board, Raiffeisen Bank International AG, Vienna	Member
	Werner Kaltenbrunner Division Head, Raiffeisen Bank International AG, Vienna As of 18 March 2017 Head of International Equity Investments Raiffeisen Bank International AG, Vienna	Member
<b>State Commissioners</b>	Alfred Hacker Karl-Heinz Tscheppe	

### Significant Events after the Balance Sheet Date

There were no significant events after the balance sheet date.

Vienna, 5 April 2017  
The Management Board



**Wilhelm Celeda**  
Chief Executive Officer



**Valerie Brunner**  
Member of the Management Board

### Distribution of the Profit 2016

The Management Board of Raiffeisen Centrobank AG recommends to the Supervisory Board that no dividend per share shall be distributed from the net profit as at 31 December 2016. The Management Board further recommends to allocate the amount of € 3,177,901.21 to other reserves.

Vienna, 5 April 2017  
The Management Board



**Wilhelm Celeda**  
Chief Executive Officer



**Valerie Brunner**  
Member of the Management



# Auditor's Report

## Report on the Financial Statements Audit Opinion

We have audited the financial statements of

Raiffeisen Centrobank AG,  
Vienna, Austria,

that comprise the statement of financial position as of 31 December 2016, the income statement for the year then ended, and the notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2016, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles, and other legal requirements (Austrian Banking Act).

### Basis for Our Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the Company within the meaning of Austrian commercial law and professional regulations, and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the audit committee, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

### Issuance of certificates and warrants and dynamic hedging

#### The Financial Statement Risk

The issuance of certificates and warrants with a total volume of roughly EUR 2 billion, i.e. roughly 72 per cent of the balance sheet total as well as continual adjustments of hedging positions (dynamic hedging) connected to this activity represent the major business activities of Raiffeisen Centrobank AG.

The Management Board describes the process of valuating assets-related and equity and liabilities-related products under "Accounting Policies" within the notes.

RCB calculates prices for issued certificates, warrants and structured products based on internal valuation models. Market price risks and interest rate risks resulting from the issue of certificates are hedged dynamically. Structured products issued on the equity and liabilities side are replicated by counter-positions on the assets side. Hedging positions are continually adjusted to market conditions. Financial products without tradable prices are reported in the balance sheet at fair value which is determined by valuation models or, in individual cases, by external (indicative) quotes of brokers or other credit institutions. Following the principle of prudent valuation, value adjustments are made in the determination of the fair value of particular financial products.

The risk to the financial statements results from discretionary assumptions and parameters applied in the internal models and thus potential misjudgment for the valuation of financial instruments reported at fair value without tradable prices and observable market data. The same applies to the determination of the fair value based on external (indicative) pricing methods and value adjustments.

#### Our Response

We tested the entire processes of evaluation (in particular parameters, volatility and bid prices), reconciliation of despositories and adjustment of general ledger and sub-ledger. In addition, we assessed the implementation of risk management in the trading book, in particular limit reviews, market conformity check and product introduction. We tested significant key controls in respect to their design, implementation and operating effectiveness. Our internal valuation specialists assessed the appropriateness of the fair values as determined by the Bank as well as of the valuation models, value adjustments and the underlying parameters applied. We compared the parameters with market data on a sample basis and verified whether they represented adequate input factors. Further, we analysed the results of the Bank's backtesting of value adjustment assumptions and critically assessed if the value adjustments were appropriate to determine the fair value. In addition, we assessed whether external (indicative) quotes were adequate to be used as fair values based on the inquiries of the responsible employees and the inspection of documents provided to us. Based on a sample, we tested whether the underlying assumptions for the calculation were conclusive and recalculated the fair value.

Further, we assessed whether the disclosures in the notes regarding the valuation methods were appropriate and complete.

### Management's Responsibility and Responsibility of the Audit Committee for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal requirements (Austrian Banking Act) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company's ability to continue as a going concern, and, where appropriate, to disclose matters that are relevant to the Company's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Company or closure of operations is planned or cases in which such measures appear unavoidable.

The audit committee is responsible for the oversight of the financial reporting process of the Company.

## Auditors' Responsibility

Our aim is to obtain reasonable assurance about whether the financial statements taken as a whole, are free of material – intentional or unintentional – misstatements and to issue an audit report containing our audit opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if they could, individually or as a whole, be expected to influence the economic decisions of users based on the financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements – intentional or unintentional – in the financial statements, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.
- We consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.
- We assess the overall presentation, structure and content of the financial statements including the notes as well as whether the financial statements give a true and fair view of the underlying business transactions and events.
- We communicate to the audit committee the scope and timing of our audit as well as significant findings including significant deficiencies in internal control that we identify in the course of our audit.
- We report to the audit committee that we have complied with the relevant professional requirements in respect of our independence and that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, related measures taken to ensure our independence.
- From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

## Report on Other Legal Requirements

### Management Report

In accordance with Austrian Generally Accepted Accounting Principles the management report is to be audited as to whether it is consistent with the financial statements and as to whether it has been prepared in accordance with legal requirements.

The legal representatives of the Company are responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles and other legal requirements (Austrian Banking Act).

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

### Opinion

In our opinion, the management report has been prepared in accordance with legal requirements and is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

### Statement

Based on our knowledge gained in the course of the audit of the financial statements and the understanding of the Company and its environment, we did not note any material misstatements in the management report.

### Other Information

The legal representatives of the Company are responsible for the other information. Other information comprises all information provided in the annual report, with the exception of the financial statements, the management report and the auditor's report thereon.

Our opinion on the financial statements does not cover other information, and we will not provide any assurance on it.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether it contains any material inconsistencies with the financial statements and our knowledge gained during our audit, or any apparent material misstatement of fact. If on the basis of our work performed, we conclude that there is a material misstatement of fact in the other information, we must report that fact. We have nothing to report with this regard.

### Auditor in Charge

The auditor in charge is Mr. Wilhelm Kovsca.

Vienna, 5 April 2017

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

**Wilhelm Kovsca**  
Austrian Chartered Accountant

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