ASSOCIATION'S REPORT
1st half of 2017

according to IFRS

Condensed statement of comprehensive income

Income Statement	1-6/2017 Euro thousand	1-6/2016 Euro thousand	Changes Euro thousand	%
Interest receivable and similar income	262,570	261,564	1,006	0.38 %
Interest payable and similar expense	-52,906	-45,449	-7,457	16.41 %
Net interest income	209,665	216,115	-6,450	-2.98 %
Risk provisions	8,994	-10,697	19,692	-184.08 %
Fee and commission income	147,848	136,744	11,103	8.12 %
Fee and commission expenses	-17,807	-16,439	-1,369	8.33 %
Net fee and commission income	130,040	120,306	9,734	8.09 %
Net trading income	9,449	-2,058	11,507	< -200.00 %
General administrative expenses	-308,848	-327,863	19,015	-5.80 %
Other operating result	331	21,026	-20,695	-98.42 %
Income from financial investments	-6,566	477	-7,043	< -200.00 %
Income from companies measured at equity	-449	0	-449	100.00 %
Income from the discontinued operations	0	7,896	-7,896	-100.00 %
Result for the period before taxes	42,616	25,201	17,415	69.10 %
Income taxes	-5,049	-8,497	3,448	-40.58 %
Income taxes of the discontinued operations	0	-2,334	2,334	-100.00 %
Result for the period after taxes	37,567	14,370	23,197	161.43 %
Result attributable to shareholders of the parent company (Consolidated net result)	37,560	14,360	23,200	161.56 %
thereof from the continued operation	37,560	8,798	28,762	> 200.00 %
thereof from the discontinued operation	0	5,562	-5,562	-100.00 %
Result attributable to non-controlling interest	7	10	-3	-28.53 %
thereof from the continued operation	7	10	-3	-28.53 %
thereof from the discontinued operation	0	0	0	0.00 %

Other comprehensive income

	1-6/2017 Euro thousand	1-6/2016 Euro thousand	Changes Euro thousand	%
Result for the period after taxes	**37,567**	**14,370**	**23,197**	**161.43 %**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Revaluation obligation of defined benefit plans (IAS 19)	-2,326	-20,832	18,506	-88.84 %
Deferred taxes of revaluation IAS 19	581	5,208	-4,627	-88.84 %
Total items that will not be reclassified to profit or loss	-1,744	-15,624	13,880	-88.84 %
Items that may be reclassified to result				
Currency reserve	-1,362	51	-1,413	< -200.00 %
Available for sale reserve (including deferred taxes)				
Change in fair value	4,273	2,872	1,400	48.74 %
Net amount transferred to profit or loss	-623	1,178	-1,801	-152.87 %
Change in deferred taxes arising from untaxed reserve	0	0	0	100.00 %
Change from companies measured at equity	0	0	0	0.00 %
Total items that may be reclassified to profit or loss	**2,287**	**4,102**	**-1,815**	**-44.24 %**
Other comprehensive income total	**543**	**-11,522**	**12,065**	**-104.72 %**
Comprehensive income	**38,110**	**2,848**	**35,262**	**> 200.00 %**
Comprehensive income attributable to shareholders of the parent company	38,103	2,843	35,260	> 200.00 %
thereof from the continued operation	38,103	-2,723	40,826	< -200.00 %
thereof from the discontinued operation	0	5,566	-5,566	-100.00 %
Comprehensive income attributable to non-controlling interest	7	5	2	31.99 %
thereof from the continued operation	7	5	2	31.99 %
thereof from the discontinued operation	0	0	0	0.00 %

Condensed statement of financial position as at 30 June 2017

	30 June 2017	31 Dec 2016	Changes	
	Euro thousand	Euro thousand	Euro thousand	%
Assets				
Liquid funds	2,177,177	1,435,495	741,682	51.67 %
Loans and advances to credit institutions (gross)	653,630	642,866	10,763	1.67 %
Loans and advances to customers (gross)	19,455,258	19,385,588	69,671	0.36 %
Risk provisions (-)	-362,689	-397,752	35,062	-8.82 %
Trading assets	103,841	142,417	-38,577	-27.09 %
Financial investments	2,322,220	2,393,345	-71,125	-2.97 %
Investment property	65,570	72,755	-7,185	-9.88 %
Companies measured at equity	57,559	58,009	-449	-0.77 %
Participations	21,895	25,241	-3,346	-13.26 %
Intangible assets	1,312	2,057	-744	-36.19 %
Tangible fixed assets	454,957	467,354	-12,397	-2.65 %
Tax assets	65,297	65,566	-268	-0.41 %
Current taxes	3,005	1,954	1,051	53.80 %
Deferred taxes	62,292	63,612	-1,319	-2.07 %
Other assets	159,687	172,880	-13,194	-7.63 %
Assets held for sale	7,838	0	7,838	100.00 %
Total Assets	**25,183,552**	**24,465,822**	**717,731**	**2.93 %**
Liabilities and Equity				
Amounts owed to credit institutions	668,766	421,995	246,771	58.48 %
Amounts owed to customers	20,802,201	20,017,714	784,487	3.92 %
Debts evidenced by certificates	674,811	966,345	-291,534	-30.17 %
Trading liabilities	371,319	417,873	-46,554	-11.14 %
Provisions	303,520	282,999	20,521	7.25 %
Tax liabilities	20,262	19,712	550	2.79 %
Current taxes	10,266	9,938	327	3.30 %
Deferred taxes	9,996	9,773	223	2.28 %
Other liabilities	327,008	321,731	5,277	1.64 %
Subordinated liabilities	298,214	324,906	-26,692	-8.22 %
Total nominal value cooperative capital shares	14,691	17,389	-2,698	-15.51 %
Subscribed capital	181,338	194,890	-13,551	-6.95 %
Reserves	1,521,281	1,480,118	41,163	2.78 %
Non-controlling interest	141	151	-9	-6.08 %
Total Liabilities and Equity	**25,183,552**	**24,465,822**	**717,731**	**2.93 %**

Changes in equity and cooperative capital shares

Euro thousand	Subscribed capital [1)]	Reserves	Shareholders' equity	Non-controlling interest	Equity	Cooperative capital shares [2)]	Equity and cooperative capital shares
As at 1 January 2016	**205,385**	**1,588,857**	**1,794,242**	**144**	**1,794,386**	**23,664**	**1,818,050**
Consolidated net income		14,360	14,360	10	14,370		14,370
Revaluation obligation of defined benefit plans (IAS 19 including deferred taxes)		-15,619	-15,619	-5	-15,624		-15,624
Currency reserve		51	51	0	51		51
Available for sale reserve (including deferred taxes)		4,051	4,051	0	4,051		4,051
Comprehensive income	0	2,843	2,843	5	2,848	0	2,848
Dividends paid		-801	-801	-19	-820		-820
Changes in base amount regulation	-3,562	0	-3,562		-3,562	3,562	0
Changes scope of consolidation	-437	-35,509	-35,946	0	-35,946	-1,033	-36,979
Change in cooperative capital and participation capital	276	0	276		276	-6,705	-6,429
Change in treasury stocks	-41	0	-41		-41	41	0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation		-88	-88	0	-88		-88
As at 30 June 2016	**201,622**	**1,555,301**	**1,756,923**	**131**	**1,757,054**	**19,529**	**1,776,583**
As at 1 January 2017	**194,890**	**1,480,118**	**1,675,007**	**151**	**1,675,158**	**17,389**	**1,692,547**
Consolidated net income		37,560	37,560	7	37,567		37,567
Revaluation obligation of defined benefit plans (IAS 19 including deferred taxes)		-1,744	-1,744	0	-1,744		-1,744
Currency reserve		-1,362	-1,362	0	-1,362		-1,362
Available for sale reserve (including deferred taxes)		3,650	3,650	0	3,650		3,650
Comprehensive income	0	38,103	38,103	7	38,110	0	38,110
Dividends paid		-13,241	-13,241	-16	-13,257		-13,257
Changes in base amount regulation	1,124	0	1,124		1,124	-1,124	0
Changes scope of consolidation	-14,832	16,425	1,593	0	1,593	610	2,203
Change in cooperative capital and participation capital	0	0	0		0	-2,184	-2,184
Change in treasury stocks	157	-157	0		0	0	0
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation	0	33	33	0	33		33
As at 30 June 2017	**181,338**	**1,521,281**	**1,702,619**	**141**	**1,702,761**	**14,691**	**1,717,452**

thereof obtained in reserves:

Euro thousand	30/06/2017	30/06/2016
Currency reserve	21,678	22,069
Available for sale reserve	9,397	2,942
thereof deferred taxes	-3,140	-951
Hedging reserve	0	0
thereof deferred taxes	0	0

1) Subscribed capital incl. participation capital and cooperative capital shares, pursuant to IFRIC 2 eligible as equity.

2) Cooperative capital shares, pursuant to IFRIC 2 not eligible as equity.

Condensed Notes to the Financial Statement for the period from 1 January to 30 June 2017

1) General information and accounting principles

The information provided in this documents are selected presentations, items and key figures of the Association of Volksbanks. The Association's report is neither a half-year financial report according to the Stock Exchange Act (Börsegesetz) nor a full interim financial report according to IAS 34.

The reported values do not contain all information required for full annual financial statements and should therefore be read in conjunction with the Association's financial statements as at 31 December 2016. The accounting policies, estimates and assumptions on which these financial statements are based are the same as those used in the preparation of the Association's financial statements as at 31 December 2016.

This condensed consolidated report has not been audited or reviewed by the statutory auditor.

In accordance with IFRS, a full consolidation only can take place if a company has full authority over decisions of the associated company, in other words, it has the ability to influence returns on equity by its power of disposition (IFRS 10.6). VOLKSBANK WIEN AG (VBW) as the Association's CO has the right to issue instructions, but doesn't receive returns from the member credit institutions; therefore the CO has no control as defined by IFRS 10. The lack of an ultimate controlling parent company means that despite the CO's extensive powers to issue instructions, the consolidated accounts can only be drawn up by treating the Association of Volksbanks as a group of companies which are legally separate entities under unified control without a parent company. It was therefore necessary to define a set of rules for preparing the Association's financial statements which are based on the IFRS. Additionally to the exceptions to the application of individual IFRS described in the Association's financial statements as at 31 December 2016, the requirements of IAS 34 Interim financial reporting are not fully applied in this Association's report as at 30 June 2017. Only significant items and key figures are reported for the first half of 2017

The accounts have been prepared using the going concern assumption. The Association of Volksbanks consolidated financial statements are reported in euros, as this is the Association's functional currency. All figures are indicated in thousand of euro unless specified otherwise. The following tables may contain rounding differences.

2) Risk provisions

Risk provisions – p&l

Euro thousand	1-6/2017	1-6/2016
Allocation to risk provisions	-53,268	-57,116
Release of risk provisions	64,664	65,541
Allocation to provisions for risks	-3,455	-2,672
Release of provisions for risks	5,055	6,762
Direct write-offs of loans and advances	-8,417	-27,195
Income from loans and receivables previously written off	4,415	3,982
Risk provisions	**8,994**	**-10,697**

Risk provisions – statement of financial position

Euro thousand	Individual impairment credit institutions	Individual impairment customers	Portfolio based allowance	Total
As at 1 Jan 2016	0	370,517	68,996	439,513
Changes in the scope of consolidation	0	-4,815	-471	-5,286
Currency translation	0	-175	-79	-254
Reclassification	0	-5,993	-1,948	-7,941
Unwinding	0	-3,479	0	-3,479
Utilisation	0	-37,933	0	-37,933
Release	0	-52,069	-14,426	-66,496
Addition	0	57,505	2,280	59,785
As at 30 Jun 2016	0	323,558	54,351	377,909
As at 1 Jan 2017	0	318,327	79,424	397,752
Changes in the scope of consolidation	0	0	0	0
Currency translation	0	-489	-49	-538
Reclassification	0	0	0	0
Unwinding	0	-3,008	0	-3,008
Utilisation	0	-20,121	0	-20,121
Release	0	-55,252	-9,412	-64,664
Addition	0	51,888	1,380	53,268
As at 30 Jun 2017	**0**	**291,346**	**71,344**	**362,689**

Portfolio based allowances related nearly entirely to loans and advances to customers.

3) Own funds

The own funds of the Association of Volksbanks, calculated pursuant to CRR, can be broken down as follows:

Euro thousand	30 Jun 2017	31 Dec 2016
Common equity tier 1 capital - CET1	**1,588,618**	**1,641,690**
Additional tier 1 capital - AT1	**15,401**	**0**
Tier 1 capital (CET1 + AT1)	**1,604,018**	**1,641,690**
Tier 2 capital - T2	**347,481**	**361,714**
Total own funds - TC (T1 + T2)	**1,951,499**	**2,003,404**
Common equity tier 1 capital ratio	11.98 %	12.38 %
Tier 1 capital ratio	12.10 %	12.38 %
Equity ratio	14.72 %	15.10 %
in relation to total risk exposure amount		

The risk-weighted amounts as defined in CRR can be broken down as follows:

Euro thousand	30 Jun 2017	31 Dec 2017
Risk weighted exposure amount - credit risk	11,627,673	11,608,970
Total risk exposure amount for position, foreign exchange and commodities risks	128,457	153,424
Total risk exposure amount for operational risk (OpR)	1,442,301	1,442,301
Total risk exposure amount for credit valuation adjustment (CVA)	61,742	61,112
Total risk exposure amount	**13,260,173**	**13,265,807**

The following table shows the own funds of the Association of Volksbanks pursuant to CRR - fully loaded:

Euro thousand	30 Jun 2017	31 Dec 2016
Common equity tier 1 capital - CET1	**1,563,246**	**1,596,383**
Additional tier 1 capital - AT1	**17,003**	**17,003**
Tier 1 capital (CET1 + AT1)	**1,580,249**	**1,613,386**
Tier I capital - T2	**133,793**	**146,288**
Total own funds - TC (T1 + T2)	**1,714,042**	**1,759,674**
Common equity tier 1 capital ratio	11.79 %	12.03 %
Tier 1 capital ratio	11.92 %	12.16 %
Equity ratio	12.93 %	13.26 %
in relation to total risk exposure amount		

The risk-weighted amounts as defined in CRR can be broken down as follows:

Euro thousand	30 Jun 2017	31 Dec 2016
Risk weighted exposure amount - credit risk	11,627,673	11,608,970
Total risk exposure amount for position, foreign exchange and commodities risks	128,457	153,424
Total risk exposure amount for operational risk (OpR)	1,442,301	1,442,301
Total risk exposure amount for credit valuation adjustment (CVA)	61,742	61,112
Total risk exposure amount	**13,260,173**	**13,265,807**

4) Key figures

Euro thousand	30 Jun 2017	30 Jun 2016
Operating cost-income-ratio	87,85 %	87,91 %
Return on total assets	0,30 %	0,05 %
ROE before taxes	5,00 %	1,91 %
ROE after taxes	4,41 %	0,97 %
ROE consolidated net income	4,41 %	0,97 %
NPL ratio	4,11 %	4,16 %
Net interest margin	0,83 %	0,78 %

The operating cost-income-ratio is the ratio between operating income and operating expenses.
Operating income includes net interest income, net fee and commisson income, net trading income and if positive other operating result and income from discontinued operation.
Operating expenses include general administrative expenses and if negative other operating result and income from discontinued operation.
Other operating result and income from discontinued operation is displayed net of other taxes, deconsolidation result and valuation result according to IFRS 5.
ROE before taxes is determined as the quotient of result before taxes and the mean value of equity at the balance sheet date and the balance sheet date of the previous year.
ROE after taxes is determined as the quotient of result after taxes and the mean value of equity at the balance sheet date and the balance sheet date of the previous year.

ROE consolidated net income is determined as the quotient of result attributable to the shareholder of the parent company and the mean value of shareholder's equity at the balance sheet date and the balance sheet date of the previous year.

The NPL ratio indicates the portfolio of non-performing loans in relation to the total exposure of all loans and advances to customers.
The net interest margin shows the net interest income in relation to total assets.

Breakdown liabilities

Euro thousand	30 Jun 2017	31 Dec 2016
Amounts owed to credit institutions	668,766	421,995
Central banks	147,190	139,855
Other credit institutions	521,576	282,140
Amounts owed to customers	20,802,201	20,017,714
Saving deposits	9,358,836	9,542,930
Other deposits	11,443,365	10,474,785
Debts evidenced by certificates	674,811	966,345
Bonds	524,758	782,648
Medium-term notes	150,053	183,697

5) Economic Environment

Report on the economic situation

The Austrian economy has developed quite well in the first half of 2017, also leaving the euro zone behind overall (gross domestic product +0.5 % Q/Q in the first quarter, +0.6 % Q/Q in the second). According to the Austrian Institute of Economic Research (WIFO), both the revised quarterly growth rate for the first quarter and the first forecast of the growth rate for the second quarter amounted to 0.8 %. Accordingly, Austria's gross domestic product (GDP) was higher by 2.2 % in real terms than one year ago, although the second quarter of the current year had 2.5 working days less than last year.

All GDP components increased. Due to the fact that the dynamics of consumer spending had benefited from last year's tax reform and accordingly the basis was quite high, it decreased slightly. Nevertheless, private consumption increased by 0.3 % Q/Q in the second quarter. Government spending developed cautiously in both quarters (0.1 % Q/Q, respectively). The good dynamics in equipment and building investments (gross capital investments) was encouraging – although slackening somewhat towards the second quarter – at 1.7 % Q/Q in the first and 1.2 % Q/Q in the second quarter. Exports were the GDP component showing the strongest growth: 2 % Q/Q in the first and 2.4 % in the second quarter. Imports, while also growing strongly, lagged behind exports.

In terms of economic sectors, economic development was very balanced as well. All quarterly growth rates of the respective industrial sectors were positive. In the second quarter, they ranged from 2.2 % in the processing industry via 0.9 % Q/Q in construction and 0.7 % in retail down to 0.5 % Q/Q in tourism (accommodation and gastronomy).

In the first quarter of 2017, the recovery extended to all regions, with the West-East gradient that has been prevailing in recent years flattening somewhat.

Vorarlberg, which had always counted among the most dynamic of Austrian federal provinces in recent years, lagged behind the rest of Austria in the first quarter, in terms of material goods production and tourism, undercutting its previous year's performance. However, construction developed very positively in the region, and the already low unemployment rate decreased even further. At 5.8 % in the first quarter (national method of calculation), the rate of unemployment was the second lowest after Salzburg.

Tyrol registered an even greater reduction of the annual rate of overnight stays than its western neighbour, but was still one of the most dynamic of the federal provinces in the other segments. Here, too, the highest growth rate was found in the construction sector. The unemployment rate dropped to 6 %, reaching the third lowest value among Austrian federal provinces.

At the beginning of the year, economic development in Salzburg was rather restrained, more or less across all sectors, but the region still managed to maintain its top position in terms of unemployment (5.4 %).

Upper Austria registered positive and above-average annual growth rates in both material goods production and tourism in the first quarter. The rate of production in the construction sector was also much higher than in the comparative quarter of the previous year, but lagged behind the national average. In terms of the unemployment rate, with 6 %, Upper Austria now shares its third rank with Tyrol.

Styria registered positive growth rates across all sectors in the first quarter. Here, too, the rate of production in construction was especially dynamic, and also the number of overnight stays was markedly higher than in the comparative quarter of the previous year – contrary to the national trend. Employment showed a very positive development, but at the same time also the supply of labour increased. At 8.4 %, the rate of unemployment was mid-table within Austria.

Carinthia continues to have the highest unemployment rate after Vienna, although the development on the labour market was quite positive in the first quarter. Both material goods production (+22.4 % Y/Y) and construction (+11.9 %) showed above-average growth rates, only tourism experienced a weakening trend, with a decrease in overnight stays of 6.7 % Y/Y clearly exceeding that of the other Alpine regions.

In the first quarter, Lower Austria was the only federal province with a slight increase in unemployment, in spite of the fact that the region registered positive growth rates in all sectors. As regards the unemployment rate, moreover, the above-average increase in the supply of labour had a negative effect. The regional unemployment rate increased to 9.8 %.

At 1.8 % Y/Y, Vienna registered a rather restrained, if growing, activity in material goods production compared to the federal average. In construction and in tourism, however, growth rates were above the federal average. In spite of the continuing increase in the supply of labour, the number of unemployed persons was reduced. However, at 13.2 %, the unemployment rate remained by far the highest among the Austrian federal provinces.

In Burgenland, the construction sector in particular developed at an above-average pace. While the other economic sectors remained slightly below average, the province managed to achieve the greatest reduction in the number of unemployed persons, and the unemployment rate dropped to 8.9 % – not least due to comparatively low growth in the supply of labour.

The dynamics of residential property prices has flattened slightly. According to house price indices of Statistics Austria and Eurostat, at an annual rate of 4.8 % in the first quarter, they nevertheless remained higher than in the euro zone overall (4 %) and were also increasing again according to the quarterly rates. Within Austria, according to OeNB data, the dynamics in Vienna were below average with a slightly negative overall annual rate. In Vienna, pre-owned freehold flats recorded slight price decreases (-1.3 % Y/Y), new flats showed moderate increases (1.5 % Y/Y), and single-family houses experienced a veritable price surge (15.7 % Y/Y). Outside Vienna, the highest price increase was observed in the area of building plots for owner-occupied dwellings (18.6 % Y/Y), while the prices for single-family houses (-4.1 % Y/Y) and new freehold flats (-8 % Y/Y) were decreasing. Overall, real estate prices in Vienna remained almost the same as in the previous year (-0.1 %), while continuing to increase outside Vienna (+3.5 % Y/Y). While affordability (disposable income in relation to real estate prices) has deteriorated in recent years, it still ranged mid-table within Europe in 2016, according to OECD data.

In the first half of the year, the Austrian unemployment rate fluctuated between 5.8 % (February) and 5.2 % (June), according to the international method of calculation (Eurostat). Accordingly, it showed a decreasing trend, but remained slightly elevated in historical terms. Starting from markedly higher values, the unemployment rate registered a declining trend in the euro zone as well, falling from 9.6 % in January to 9.1 % in June.

Fluctuating between 2.0 % and 2.4 %, the Austrian inflation rate according to the Harmonised Index of Consumer Prices (HICP) slightly exceeded the target inflation rate of the European Central Bank in each of the first six months of the year. Accordingly, the inflation rates in Austria continued to be among the highest in the euro zone. In the first half of the year, the rates of price increases varied between 2.0 % (February) and 1.3 % (June) in the common currency zone.

The European Central Bank (ECB) left the key interest rate unchanged in the first half of 2017. The main refinancing rate continued to be 0.00 %, the interest rate for the prime refinancing facility 0.25 % and the deposit rate -0.40 %. The securities purchasing programme in the first quarter comprised a monthly amount of euro 80 billion and was reduced to euro 60 billion per month in the second quarter, according to plan. Moreover, in March, the last of the targeted long-term refinancing operations (TLTRO2) was carried out, reaching a volume of some euro 234 billion.

In the first half of the year, the three-month Euribor was constantly around -0.33 %. The yields of ten-year government bonds, hitherto considered safe, moved laterally within a range of approx. 30 basis points. In Austria, they fluctuated between 0.40 % and 0.72 % and in Germany between 0.16 % and 0.49 %. The economic upturn in the euro zone and the associated expectations for the extremely expansive monetary policy of the ECB to end were responsible for the fact that yields concluded the first half of the year within the upper end of the lateral range.

Future development

Against the background of the solid export boom, a basically expansive monetary policy, stable oil prices, an improved situation on the labour market, and a certain easing in fiscal policy terms, economic recovery in Austria and in the entire euro zone should be able to continue for the rest of the year. While the Purchasing Managers' Index of Austrian industry, which was calculated for Bank Austria by IHS Markit, weakened slightly in July, it remained extraordinarily strong nevertheless at 60 points. According to the economic forecast of the WIFO published in June, the Austrian economy is expected to grow by 2.4 % this year and unemployment is going to decrease slightly. This year, Austria's inflation rate is expected to reach 1.8 %.

According to the macroeconomic forecasts of the European Central Bank, published in June, economic growth in the euro zone is likely to amount to 1.9 % in the current year, and the average inflation rate will probably amount to 1.5 %. In the next two years as well, ECB economists do not expect the target inflation rate of a little under 2 % to be achieved yet. Against this background, the market expectation that has emerged towards the end of the first half of the year, to the effect that initial steps towards a normalisation of monetary policy may be taken soon, might be premature. In its most recent Financial Stability Review (May 2017), the ECB described the revaluation of bonds (as actually effected to some extent around mid-year) and increasing indebtedness (which is very dynamic, especially in China) as substantial systemic risks.

An abrupt global rise in interest rates constitutes a potential source of risk, especially for the real estate market, while for the financial industry any prolonged persistence of interest rates below zero per cent is associated with a yield risk. Another element of uncertainty are simmering protectionist tendencies that might be both a consequence of the political change in the USA and a side effect of Great Britain's exit from the EU. Also technological change in the automotive sector, possibly accelerated by the diesel scandal, involves a certain risk potential for the relevant suppliers and service providers in the medium term. Within Europe, the banking sector still counts among the risk factors to a certain extent, and last but not least, geopolitical conflicts always have the potential to cloud a basically friendly economic outlook.

Vienna, 31 August 2017