Raiffeisen Bank International

Third Quarter Report 2018

Survey of key data

Raiffeisen Bank International (RBI)

Monetary values in € million	2018	2017	Change
Income statement	**1/1-30/9**	**1/1-30/9**	
Net interest income	2,519	2,407	4.6%
Net fee and commission income	1,325	1,271	4.2%
Net trading income and fair value result	20	27	(24.8)%
General administrative expenses	(2,228)	(2,213)	0.7%
Impairment losses on financial assets	56	(191)	-
Profit/loss before tax	1,587	1,301	22.0%
Profit/loss after tax	1,271	1,012	25.7%
Consolidated profit/loss	1,173	910	28.9%
Statement of financial position	**30/9**	**31/12**	
Loans to banks	9,655	10,741	(10.1)%
Loans to customers	80,056	77,745	3.0%
Deposits from banks	25,948	22,378	16.0%
Deposits from customers	82,356	84,974	(3.1)%
Equity	12,331	11,241	9.7%
Total assets	146,177	135,146	8.2%
Key ratios	**1/1-30/9**	**1/1-30/9**	
Return on equity before tax	19.6%	17.5%	2.1 PP
Return on equity after tax	15.4%	13.6%	1.8 PP
Consolidated return on equity	14.4%	13.3%	1.1 PP
Cost/income ratio	55.7%	57.9%	(2.2) PP
Return on assets before tax	1.64%	1.35%	0.30 PP
Net interest margin (average interest-bearing assets)	2.49%	2.45%	0.05 PP
Provisioning ratio (average loans and advances to customers)	(0.10)%	0.33%	(0.43) PP
Bank-specific information	**30/9**	**31/12**	
NPL ratio	4.4%	5.7%	(1.2) PP
NPE ratio	3.0%	4.0%	(1.0) PP
NPL coverage ratio	75.0%	67.0%	7.9 PP
NPE coverage ratio	61.4%	56.1%	5.2 PP
Risk-weighted assets (total RWA)	76,227	71,902	6.0%
Common equity tier 1 ratio (transitional)	12.3%	12.9%	(0.6) PP
Common equity tier 1 ratio (fully loaded)	12.3%	12.7%	(0.4) PP
Total capital ratio (transitional)	17.1%	17.9%	(0.8) PP
Total capital ratio (fully loaded)	17.0%	17.8%	(0.9) PP
Stock data	**1/1-30/9**	**1/1-30/9**	
Earnings per share in €	3.43	2.74	25.1%
Closing price in € (30/9)	24.80	28.36	(12.5)%
High (closing prices) in €	35.32	28.67	23.2%
Low (closing prices) in €	23.72	17.67	34.3%
Number of shares in million (30/9)	328.94	328.94	0.0%
Market capitalization in € million (30/9)	8,158	9,327	(12.5)%
Resources	**30/9**	**31/12**	
Employees as at reporting date (full-time equivalents)	50,416	49,700	1.4%
Business outlets	2,405	2,409	(0.2)%
Customers in million	16.7	16.5	1.0%

On 1 January 2018, the new accounting standard for financial instruments (IFRS 9) took effect. In addition to the adoption of IFRS 9, RBI has also changed the presentation of its statement of financial position, which is now aligned with the financial reporting standards (FINREP) issued by the European Banking Authority (EBA). With the adoption of the standards, it was also necessary to adjust the figures of the comparable period and comparable reporting date.

Content

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

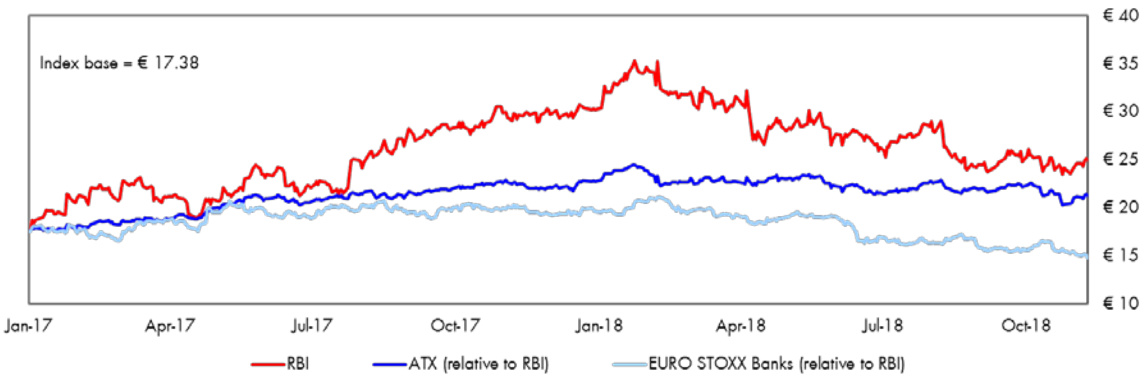
Adding and subtracting rounded amounts in tables and charts may lead to minor discrepancies. Changes in tables are not based on rounded amounts.

RBI in the capital markets

Performance of RBI stock

Following the announcement of new US sanctions against Russia in the first half of August and a general reluctance to invest in emerging markets, RBI's stock declined 6 per cent in the third quarter and closed at € 24.80 on 30 September 2018. The EURO STOXX Banks index retreated 4 per cent during the same period. In contrast, the Austrian stock index (ATX) advanced 3 per cent. The weaker performance of banking securities was primarily driven by turbulence surrounding the Turkish lira, as well as significantly wider spreads on Italian government bonds, which in turn fueled concerns over a renewed flare-up of the euro crisis. Other factors which continued to drive the market included the stalled Brexit negotiations, as well as US trade policy concerning the introduction and announcement of new trade barriers and protective tariffs. During the period from the end of the quarter and the editorial deadline of this report on 9 November, the volatile market environment continued to strongly fluctuate and RBI shares closed almost unchanged at € 24.95.

Price performance since 1 January 2017 compared to ATX and EURO STOXX Banks



Active capital market communication

On 9 August 2018, RBI published its figures for the first half of 2018. Some 200 institutional investors and international analysts participated in the subsequent conference call.

The Conference calls and Investor Presentation are available online under www.rbinternational.com → Investor Relations → Presentations & Webcasts.

In the third quarter, RBI offered interested investors an opportunity to obtain detailed information first-hand at roadshows and conferences in Barcelona, Boston, Budapest, London, Madrid, and New York. A meeting with debt analysts and the annual meeting with equity analysts both took place in London in late September. RBI also participated at one of the largest international bank conferences in London, which was followed by further individual and group presentations. The focus of discussions was on the possible impact of Russian sanctions on business trends and the sale of the core banking operations of the Polish subsidiary bank. For the latter, questions included how the freed up capital from the sale would be used and whether it would lead to a higher dividend distribution or be invested in future growth.

At the end of the third quarter 2018, a total of 20 equity analysts and 21 debt analysts provided investment recommendations on RBI. Consequently, RBI remained the Austrian company with the largest number of analyst teams regularly reporting on it.

Stock data and details

RBI's stock has been listed on the Vienna Stock Exchange since 25 April 2005. At the end of the third quarter of 2018, the regional Raiffeisen banks held approximately 58.8 per cent of RBI shares, with the remaining shares in free float.

Share price as at 30 September 2018	€ 24.80
High/low (closing price) in the third quarter 2018	€ 29.00/€ 23.72
Earnings per share from 1 January to 30 September 2018	€ 3.43
Book value per share as at 30 September 2018	€ 32.02
Market capitalization as at 30 September 2018	€ 8.2 billion
Average daily trading volume in the third quarter of 2018	410,734 shares
Stock exchange turnover in the third quarter of 2018	€ 683 million
Free float as at 30 September 2018	Approximately 41.2%
ISIN	AT0000606306
Ticker symbols	RBI (Vienna Stock Exchange)
	RBI AV (Bloomberg)
	RBIV.VI (Reuters)
Market segment	Prime Market
Number of shares issues as at 30 September 2018	328,939,621

Rating details

Rating	Moody's Investors Service	Standard & Poor's
Long-term	A3	BBB+
Outlook	stable	positive
Short-term	P- 2	A- 2
Subordinated (Tier 2)	Baa3	BBB-
Additional Tier 1	Ba3(hyb)	BB
Junior Subordinated (Legacy Tier 1)	Ba3	BB+

Financial calendar 2019

30 January 2019	Start of Quiet Period
06 February 2019	Preliminary Results 2018
13 February 2019	Start of Quiet Period
13 March 2019	Annual Report 2018, Conference Call
14 March 2019	RBI Investor Presentation, London
01 May 2019	Start of Quiet Period
15 May 2019	First Quarter Report, Conference Call
03 June 2019	Record Date Annual General Meeting
13 June 2019	Annual General Meeting
19 June 2019	Ex-Dividend Date
21 June 2019	Record Date Dividends
24 June 2019	Dividend Payment Date
25 July 2019	Start of Quiet Period
08 August 2019	Semi-Annual Report, Conference Call
31 October 2019	Start of Quiet Period
14 November 2019	Third Quarter Report, Conference Call

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Group management report

Market development

The pace of growth in the euro area slowed appreciably in the first three quarters of 2018 versus 2017, mainly due to the absence of support from net exports. Growth should continue to be primarily driven by domestic demand going forward and therewith remain relatively robust. The numerous political uncertainties might dampen sentiment, but are not undermining the recovery overall. The economic output of the euro area in 2018 and 2019 is therefore expected to increase above the long-term average level of 1.3 per cent.

The inflation rate rose significantly until mid-year, and until October 2018 was even slightly above the target level of the European Central Bank (ECB). The rise in inflation was triggered by a surge in energy prices. On the basis of the oil price forecast, however, the effect from energy prices and resulting higher inflation rate will start to fade again in the months ahead and subsequently come to a complete halt during 2019. Inflation is therefore expected to ease back below the 2 per cent level by the end of 2018 and, should hover for the most part between 1.5 per cent and 2.0 per cent in 2019.

The ECB's net monthly bond purchases averaged € 30 billion from January to September 2018, and will be reduced to € 15 billion from October to end-December 2018. While the central bank intends to end its bond purchases by the end of the year, its key interest rates will likely remain unchanged until the summer of 2019 and beyond. In contrast, the US central bank signaled that it aims to deliver additional key rate hikes in the coming quarters.

Austrian economic growth continued its broad-based upturn in the first three quarters of 2018, despite a slowdown. Nevertheless, Austria's growth cycle is likely to have already peaked at the end of 2017. Thanks to the very positive winter period (Q4 2017/Q1 2018), however, it seems realistic that the GDP growth rate in 2018 will be as high as in the previous year overall (2.6 per cent). The slowdown in quarterly GDP growth rates should not be reflected in a lower annual growth rate until 2019 (1.7 per cent), with economic growth in 2018 and 2019 driven both by domestic demand and to a lesser extent by foreign trade.

The economies of the Central European region (CE) grew nearly as dynamically in the second quarter of 2018 as they did in the first three months of the year. Real GDP growth in the CE region in the second quarter was roughly on a par with its level at the beginning of the year, notwithstanding the declining leading indicators in recent months. Nonetheless, it is safe to assume that the economic cycle in the CE region has also already passed its peak. Despite this, real GDP growth for the region should come in at 4.2 per cent for full-year 2018, only marginally lower than the previous year's level (4.4 per cent), with Poland anticipated to record the highest growth rate of all CE countries (4.8 per cent). For 2019, GDP growth in the CE region is expected to be back below 4 per cent (3.6 per cent). Inflation should average slightly above 2 per cent for 2018, as it was in the previous year (2.1 per cent), and is expected to increase moderately in 2019 and 2020 (roughly 2.6 per cent for each year) in view of fully utilized production capacity.

GDP growth in Southeastern Europe (SEE) should come in lower again in 2018, at 3.4 per cent, down from 5.1 per cent in 2017. The economic indicators in the region's smaller markets showed a positive trend in the first two quarters. However, Romania (the largest SEE market) will be unable to match its exceptional performance of last year. While Romania experienced unexpected decreases both in private consumption and in gross fixed capital formation in the first half of 2018, precisely these factors were the drivers of growth in the remaining SEE countries. These differences should even out again in 2019, however, with the region's GDP growth expected to decline further to 3.3 per cent. Fiscal policy in Romania poses the greatest macroeconomic risk on this front. In contrast, it is worth highlighting the economic trend in Bosnia and Herzegovina, where investment spending accelerated in the run-up to the general elections due to an increase in the number of infrastructure projects.

In Eastern Europe (EE), despite renewed risks of US sanctions against Russia, economic conditions continued to improve in the first half of 2018. Economic growth in Ukraine and Belarus expanded to over 3 per cent during this period. The Russian economy in turn benefited from robust oil prices, which received a further significant boost at the beginning of the second half of the year. As a result, economic growth ranging between 1.5 per cent and 2 per cent is within reach for Russia in 2018 and 2019 – and this alongside surpluses in the national budget. However, the continued threat of US sanctions and a renewed rise in inflation harbor further risks for the Russian ruble and Russian financial stocks, as well as for the overall economic outlook. Moreover, inflation has put an end to any additional Russian key rate cuts in the current climate. In this respect, the Russian central bank has also already reversed course, having delivered a first key rate hike in September. Due to high debt repayments, Ukraine will continue to cooperate with the International Monetary Fund (IMF) next year. An agreement was reached for a support programme with a duration of 14 months.

In addition, parliamentary and presidential elections scheduled for 2019 stand to heighten the political risks in Ukraine. Hence, growth in Ukraine could drop back to below the 3 per cent level in 2019.

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

Region/country	2017	2018e	2019f	2020f
Czech Republic	4.5	3.1	3.0	2.5
Hungary	4.1	4.2	3.4	2.2
Poland	4.6	4.8	3.9	3.1
Slovakia	3.4	4.0	4.0	2.8
Slovenia	4.9	4.0	2.6	2.0
Central Europe	**4.4**	**4.2**	**3.6**	**2.8**
Albania	3.8	4.0	3.8	2.2
Bosnia and Herzegovina	3.2	3.0	3.0	2.5
Bulgaria	3.8	3.5	3.2	2.5
Croatia	2.9	2.6	2.5	2.0
Kosovo	4.5	4.2	4.0	3.0
Romania	7.0	3.5	3.5	3.0
Serbia	1.9	4.0	3.5	3.5
Southeastern Europe	**5.1**	**3.4**	**3.3**	**2.8**
Belarus	2.4	3.5	2.5	2.0
Russia	1.5	1.5	1.5	1.5
Ukraine	2.5	3.5	2.5	3.0
Eastern Europe	**1.6**	**1.7**	**1.6**	**1.6**
Austria	**2.6**	**2.6**	**1.7**	**1.4**
Germany	**2.5**	**1.7**	**1.6**	**1.0**
Euro area	**2.5**	**2.0**	**1.7**	**1.3**

Source: Raiffeisen Research – the above values are based on research analysts' estimates at the end of November 2018.

Significant events in the reporting period

Adoption of IFRS 9

On 1 January 2018, the new accounting standard for financial instruments (IFRS 9) took effect. This replaces the previous accounting standard, IAS 39 (Financial Instruments: Recognition and Measurement). The regulations set out in the new standard are primarily reflected in the loan loss provisions, as they apply to impairment losses on financial assets valued at amortized cost or at fair value recognized directly in equity. Under IFRS 9, the impairment requirements also apply to credit commitments and financial guarantees off the statement of financial position. The model used to determine impairment losses changes from a historically oriented model under IAS 39 (incurred losses) to a future oriented model under IFRS 9 (expected losses). The new rules on valuation are by contrast of lesser significance. In total, € 290 million of loans must be accounted for at market value, representing 0.4 per cent of the volume of financial instruments.

The adoption resulted in an adjustment of minus € 170 million to equity on 1 January 2018; the effect on the CET1 ratio (fully loaded) amounted to around 19 basis points. Loan loss provisions increased € 285 million. The adoption had a positive impact on classification and valuation of € 81 million.

In addition to the adoption of IFRS 9, RBI also changed the presentation of its balance sheet, which is now aligned with the financial reporting standards (FINREP) issued by the European Banking Authority (EBA). With the adoption of the standards, it was also necessary to adjust the figures comparable period and comparable reporting date. The changes are described in more detail in the notes, in the chapter on principles underlying the consolidated financial statements, under changes in the presentation of financial statements.

Sale of RBI's Polish subsidiary's core banking operations to BGZ BNP

In April 2018, RBI signed a contract to sell the core banking operations of Raiffeisen Bank Polska S.A. by way of demerger to Bank BGZ BNP Paribas S.A., a subsidiary of BNP Paribas S.A. (BNP). Following receipt of the regulatory approvals in particular, and eventual demerger, the transaction closed on 31 October 2018.

The sales price was PLN 3,250 million (around € 760 million), equating to a price/tangible book value multiple of around 0.95 times. This is based on core banking operations equity of approximately € 877 million at the time of closing. The sale results in a positive impact of around 85 basis points on RBI Group's CET1 ratio (fully loaded). Under the terms of the agreement with the buyer, total assets of approximately € 9.3 billion and total risk-weighted assets of approximately € 4.9 billion have been allocated to the core banking operations.

The direct impact of the sale on RBI Group's consolidated profit is expected to amount to minus € 121 million, already recognized in the income statement in the second quarter of 2018. The amount may change following the audited closing statement of financial position. Additional equity neutral effects from the disposal after closing amount to around minus € 38 million and are primarily due to already realized currency effects.

RBI has transferred the remaining Raiffeisen Bank Polska S.A. operations, mainly comprising the foreign currency retail mortgage loan portfolio, to a Polish branch of RBI AG. The branch has total assets of approximately € 3.3 billion at its disposal.

In this financial report, as at 30 September 2018, the core banking operations of Raiffeisen Bank Polska S.A. have been shown in accordance with IFRS 5 as a disposal group and reported under other assets and other liabilities on the statement of financial position. In accordance with IFRS 5 disclosure requirements, the statement of financial position items (assets and liabilities) relating to the aforementioned disposal group have not been reclassified for prior periods. As the sale does not meet any of the criteria set out in IFRS 5.32, it is not classified as a discontinued operation.

Placement of additional tier 1 capital (AT1)

RBI placed a perpetual AT1 capital issue in an amount of € 500 million and with a value date of 24 January 2018. The issue has a discretionary coupon of 4.5 per cent p.a. until mid-June 2025, after which it will be reset. The AT1 is classified as equity under IFRS due to the terms and conditions of the issue. As a result of this issue, together with the € 650 million AT1 capital placed in July 2017, RBI has now completed its planned AT1 issuance program.

Green bond issuance

On 28 June, RBI issued the first benchmark-sized green bond from an Austrian bank. The bond has a notional amount of € 500 million, a maturity of three years, and carries a coupon of mid-swap plus 40 basis points. The offering was significantly oversubscribed, with an order book of € 1.3 billion. The issuance forms part of RBI's ongoing strategy - which it has been putting into effect for many years - to pursue sustainable business activities. The proceeds from the green bond will be used to finance sustainable projects across the entire RBI network. The allocation of funds follows a clearly defined selection and evaluation process. Ongoing reporting also ensures that after the investment is made the criteria have been fulfilled and assesses the contribution to improved sustainability.

Earnings and financial performance

The positive developments in the 2018 financial year are still continuing after three quarters. While the favorable economic conditions are stimulating loan growth in most markets, the situation with respect to banking business risks is also unusual in 2018. Among other things, this was reflected by the fact that in the first nine months of 2018, active risk management at RBI enabled the sale of a significant number of loans at a net profit and recognition of an overall net release under impairment losses on financial assets of € 56 million (compared to a net allocation of € 191 million in the previous year). The operating result also improved further compared to the prior year (up 10 per cent or € 167 million), primarily due to higher interest, fee and commission income.

The loss of around € 121 million included in the other result due to the sale of the core banking operations of Raiffeisen Bank Polska constituted a significant one-off effect. In accordance with IFRS 5, the portfolio has been classified as held for sale and the corresponding assets and liabilities will be recognized in other assets/other liabilities until the closing of the transaction.

In the first nine months of 2018, consolidated profit was € 1,173 million; which represented a 29 per cent, or € 263 million, improvement year-on-year.

in € million	1/1-30/9/2018	1/1-30/9/2017	Change	
Net interest income	2,519	2,407	112	4.6%
Dividend income	60	30	31	103.3%
Net fee and commission income	1,325	1,271	53	4.2%
Net trading income and fair value result	20	27	(7)	(24.8)%
Net gains/losses from hedge accounting	0	7	(7)	-
Other net operating income	79	79	0	0.3%
Operating income	**4,003**	**3,821**	**182**	**4.8%**
Staff expenses	(1,164)	(1,145)	(19)	1.6%
Other administrative expenses	(853)	(843)	(10)	1.2%
Depreciation	(211)	(225)	14	(6.1)%
General administrative expenses	**(2,228)**	**(2,213)**	**(16)**	**0.7%**
Operating result	**1,775**	**1,608**	**167**	**10.4%**
Other result	(87)	31	(118)	-
Levies and special governmental measures	(157)	(147)	(10)	7.0%
Impairment losses on financial assets	56	(191)	247	-
Profit/loss before tax	**1,587**	**1,301**	**286**	**22.0%**
Income taxes	(316)	(290)	(26)	9.0%
Profit/loss after tax	**1,271**	**1,012**	**260**	**25.7%**
Profit attributable to non-controlling interests	(99)	(102)	3	(3.2)%
Consolidated profit/loss	**1,173**	**910**	**263**	**28.9%**

Operating income was up 5 per cent year-on-year, or € 182 million, to € 4,003 million. Net interest income rose 5 per cent to € 2,519 million, driven by the 3 per cent increase in the Group's interest-bearing assets. The net interest margin also increased 5 basis points to 2.49 per cent. The improvement in the net interest margin was mainly attributable to the positive development of margins in Romania, the Czech Republic and Ukraine. Despite significant depreciation of Eastern European currencies, net fee and commission income also increased € 53 million year-on-year to € 1,325 million.

General administrative expenses showed a small € 16 million year-on-year increase to € 2,228 million. Currency developments resulted in a € 45 million reduction. The average number of employees (full-time equivalents) increased year-on-year by 162 to 50,204. Staff expenses rose € 19 million to € 1,164 million, mainly due to salary adjustments. Other administrative expenses increased € 10 million year-on-year, primarily due to IT services purchased at RBI AG and higher deposit insurance fees in Russia, Romania and Poland. The number of business outlets decreased slightly by 5 year-on-year to 2,405; the largest decline occurred in Romania (down 28), while Bulgaria reported the largest increase (up 10). Depreciation of tangible and intangible fixed assets fell 6 per cent, or € 14 million, with the most significant declines in Russia (due to adjustments to the useful life of software) and in Croatia.

The expense for levies and special governmental measures rose € 10 million year-on-year to € 157 million. This change mainly resulted from a release of provisions totaling € 22 million in the previous year in connection with the "Walkaway Law" in Romania. In contrast, contributions to the resolution fund, which (like the majority of the bank levies) have to be recognized in full at the start of the year, fell € 10 million primarily due to lower contributions in Romania and at RBI AG.

There was a net release under impairment losses on financial assets of € 56 million in the reporting period, whereas impairment losses on financial assets of € 191 million were required in the same period of last year. This positive development was driven by a good macroeconomic environment with regard to inflows and the facilitation of successful recoveries totaling € 416 million. The most significant changes to risk costs occurred in the Group Corporates & Markets segment (down € 137 million), in Romania (down € 54 million), and in Croatia (down € 43 million). The improvement in the NPL ratio also continued; since the start of the year it fell 1.2 percentage points and stood at 4.4 per cent at the end of September. Nevertheless, the NPL coverage ratio rose a further 7.9 percentage points to 75.0 per cent, primarily due to sales of highly collateralized loans and the first-time application of IFRS 9.

Quarterly results

in € million	**Q3/2017**	**Q4/2017**	**Q1/2018**	**Q2/2018**	**Q3/2018**
Net interest income	814	818	829	834	856
Dividend income	6	5	9	48	3
Net fee and commission income	429	446	410	460	455
Net trading income and fair value result	(1)	10	(1)	18	4
Net gains/losses from hedge accounting	3	(23)	(1)	(1)	1
Other net operating income	19	21	45	20	14
Operating income	**1,270**	**1,278**	**1,291**	**1,379**	**1,334**
Staff expenses	(365)	(409)	(384)	(396)	(383)
Other administrative expenses	(271)	(315)	(286)	(287)	(280)
Depreciation	(74)	(75)	(70)	(71)	(71)
General administrative expenses	**(710)**	**(798)**	**(740)**	**(754)**	**(734)**
Operating result	**560**	**479**	**551**	**625**	**600**
Other result	(1)	(31)	27	(121)	7
Levies and special governmental measures	(16)	(17)	(132)	(8)	(16)
Impairment losses on financial assets	(91)	(121)	83	0	(28)
Profit/loss before tax	**453**	**311**	**529**	**496**	**563**
Income taxes	(97)	(77)	(98)	(106)	(111)
Profit/loss after tax	**356**	**234**	**430**	**389**	**452**
Profit attributable to non-controlling interests	(33)	(28)	(31)	(33)	(35)
Consolidated profit/loss	**322**	**206**	**399**	**357**	**417**

Development of third quarter 2018 compared to second quarter 2018

Operating income

Net interest income increased 3 per cent, or € 22 million, to € 856 million, due to a € 10 million rise in Russia (higher interest income primarily as a result of higher investments in public sector bonds in the third quarter and an increase in customer loan volumes), a volume and margin-related increase of € 8 million in Romania, and a € 5 million increase in the Czech Republic (higher customer loan volumes). The net interest margin rose 3 basis points to 2.51 per cent.

Dividend income decreased € 45 million to € 3 million, as the majority of payment dates fall in the second quarter due to the timing of the respective shareholder meetings at which the corresponding resolutions are passed.

Compared to the second quarter of 2018, net fee and commission income declined 1 per cent, or € 4 million, to € 455 million. The reduction was mainly a result of higher seasonally-related revenues in clearing, settlement and payment services in the second quarter in almost all countries. Fee and commission income also declined at RBI AG, primarily due to a capital market transaction in the previous quarter.

Net trading income was down € 14 million quarter-on-quarter to € 4 million, mainly as a result of valuation losses on loans in the category mandatorily fair value through profit/loss. This contrasted with higher valuation gains from derivatives.

Other net operating income fell quarter-on-quarter from € 20 million to € 14 million. The decline was primarily attributable to the release of a provision for litigation at RBI AG in the second quarter.

General administrative expenses

Staff expenses decreased € 13 million to € 383 million in the third quarter of 2018, mainly due to retroactive collectively agreed contractual salary adjustments paid out in the second quarter of 2018 for the first half of the year, and to releases of provisions for overdue vacations in the third quarter. Other administrative expenses fell € 6 million to € 280 million, due to legal, advisory and consulting expenses incurred in the second quarter for the sale of the Polish core banking operations.

Other result

In the third quarter of 2018, the other result amounted to € 7 million compared to a negative other result of minus € 121 million in the second quarter. This was due to two main factors: the expected € 121 million loss from the sale of the core banking operations of Raiffeisen Bank Polska was recognized in the second quarter. A goodwill impairment of € 8 million was also recognized in connection with the initial consolidation of a Hungarian real estate company.

Levies and special governmental measures

Levies and expenses from special governmental measures increased € 8 million compared to the second quarter to € 16 million. In the previous quarter, releases totaling € 8 million were recognized for contributions to the resolution fund due to lower regulatory requirements, primarily at RBI AG and in Poland.

Impairment losses on financial assets

In the third quarter of 2018, impairment losses on financial assets amounted to € 28 million, whereas in the previous quarter no net impairment losses on financial assets were reported. In Poland, net impairment losses amounted to € 30 million, mainly for mortgages granted to households (up € 8 million). The largest changes were posted in the Group Corporates & Markets segment, where net releases amounted to € 6 million in the third quarter compared to a significantly higher amount of € 52 million in the previous quarter due to releases of impairment losses relating to several large corporate customers. In Romania, net releases in the third quarter amounted to € 1 million compared to impairment losses of € 17 million in the previous quarter mainly resulting from the calibration of risk parameters for retail products.

Income taxes

Income taxes increased € 5 million to € 111 million due to higher earnings, while the tax rate declined 2 percentage points to 20 per cent.

Consolidated profit

Consolidated profit improved € 60 million to € 417 million after the expected loss from the sale of the core banking operations of Raiffeisen Bank Polska posted in the second quarter reduced consolidated profit by € 121 million. This contrasted with a € 25 million reduction in the operating result and a € 28 million increase in impairment losses on financial assets in the third quarter.

Statement of financial position

Since the start of the year, RBI's total assets rose 8 per cent, or € 11,030 million, to € 146,177 million. Currency movements – predominantly the depreciation of the Russian ruble by 9 per cent, of the Hungarian forint by 4 per cent, and of the Polish zloty by 2 per cent, countered by the 4 per cent appreciation of the US dollar and 3 per cent appreciation of the Ukrainian hryvnia – had a negative effect of € 669 million.

Assets

in € million	30/9/2018	31/12/2017	Change	
Loans to banks	9,655	10,741	(1,086)	(10.1)%
Loans to customers	80,056	77,745	2,311	3.0%
Securities	19,769	21,967	(2,198)	(10.0)%
Cash and other assets	36,697	24,694	12,003	48.6%
Total	**146,177**	**135,146**	**11,030**	**8.2%**

The decline in loans to banks of 10 per cent, or € 1,086 million, to € 9,655 million, was mainly due to lower loans to the Czech and Hungarian central banks.

Loans to customers were up 3 per cent, or € 2,311 million, to € 80,056 million, despite the IFRS 5 reclassification of two Group units (assets held for sale, comprising the core banking operations of Raiffeisen Bank Polska and Raiffeisen Pension Insurance). Without the IFRS 5 reclassification, loans to customers would have risen 9 per cent or € 6,611 million. A significant increase was recorded at RBI AG (up € 3,602 million, or 20 per cent, mainly due to drawn loan commitments and repurchase agreements). In addition, loans to households and non-financial corporations increased particularly in the Czech Republic (up € 843 million or 8 per cent), Romania (up € 641 million or 13 per cent) and Russia (up € 637 million or 8 per cent). In Slovakia, the increase of € 612 million, or 7 per cent, was mainly in mortgage loans to households. In Central, Southeastern and Eastern Europe, loans to households were up € 1,786 million and loans to non-financial corporations were up € 1,684 million.

The decline in securities is largely attributable to the IFRS 5 reclassification of the core banking operations of Raiffeisen Bank Polska (down € 3,091 million). This contrasted with increases in Russian government bonds of € 1,148 million.

Since the beginning of the year, cash balances increased € 4,984 million to € 21,890 million – primarily at RBI AG as a result of deposits at the Austrian National Bank and repurchase agreements. Other assets were up € 7,019 million to € 14,807 million, largely due to the sale and associated IFRS 5 reclassification of the core banking operations of Raiffeisen Bank Polska of € 7,911 million.

Liabilities

in € million	30/9/2018	31/12/2017	Change	
Deposits from banks	25,948	22,378	3,571	16.0%
Deposits from customers	82,356	84,974	(2,618)	(3.1)%
Debt securities issued and other liabilities	25,540	16,553	8,987	54.3%
Equity	12,331	11,241	1,090	9.7%
Total	**146,177**	**135,146**	**11,030**	**8.2%**

The volume of Group financing from banks, which primarily consists of short-term refinancing at RBI AG, rose 16 per cent, or € 3,571 million, to € 25,948 million.

The decline in deposits from customers mainly resulted from the IFRS 5 reclassification of the core banking operations of Raiffeisen Bank Polska (€ 8,093 million). Without the reclassification, deposits from customers would have risen 6 per cent or € 5,476 million. The largest increases came from RBI AG (up € 3,048 million, or 21 per cent, mainly due to short-term deposits), Russia (up € 1,107 million, or 12 per cent, mainly due to short-term deposits from non-financial corporations and households), Romania (up € 516 million or 8 per cent), and Slovakia (up € 366 million or 4 per cent).

The increase in debt securities issued and other liabilities largely resulted from the IFRS 5 reclassification of the core banking operations of Raiffeisen Bank Polska (€ 8,333 million).

For information relating to funding, please refer to note (40) Risks arising from financial instruments, in the risk report section of the interim consolidated financial statements.

Equity on the statement of financial position

RBI's equity including capital attributable to non-controlling interests (after consideration of IFRS 9 application effect of minus € 170 million), rose by € 1,260 million to € 12,331 million; of which € 497 million was attributable to capital transactions, € 1,088 million to total comprehensive income for the period, and minus € 310 million to dividend payments.

RBI successfully placed € 500 million of additional perpetual tier 1 capital (AT1) at the beginning of the year, thereby increasing capital by € 497 million after deduction of issuance costs and discount. According to IFRS, the AT1 is classified as equity due to the terms and conditions of the issue.

After RBI did not distribute dividends to shareholders for the 2014 to 2016 financial years in order to strengthen its capital base, the Annual General Meeting in June 2018 approved payment of a dividend of € 0.62 per share for 2017. This amounted to a total dividend payout of € 204 million. A total of € 78 million was also paid out to non-controlling interests in Group companies. Dividend payments of € 29 million were made on AT1 capital.

Total comprehensive income of € 1,088 million comprises profit after tax of € 1,271 million and other comprehensive income of minus € 183 million. The effect of currency translation in the Group was minus € 220 million, representing the largest driver of other comprehensive income. The strongest currency effects were related to the depreciation of the Russian ruble (minus € 160 million) and of the Polish zloty (minus € 37 million). This was offset by a positive contribution of € 30 million from the partial hedge of net investments in Russia and Poland.

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

As at 30 September 2018, RBI's common equity tier 1 capital (CET1) after deductions amounted to € 9,404 million, representing an increase of € 138 million compared to the 2017 year-end figure. A material factor behind the improvement was the inclusion of the interim profit for the first half of 2018 in regulatory capital. CET1 was negatively impacted through the introduction of the new accounting standard IFRS 9 on 1 January 2018 and foreign exchange effects directly booked in equity. Tier 1 capital after deductions increased € 760 million to € 10,599 million, particularly as a result of the placement of € 500 million of perpetual additional tier 1 capital in January 2018. In contrast, tier 2 capital declined € 629 million to € 2,424 million due to early repayments and matured capital instruments. RBI's total capital amounted to € 13,022 million, representing an increase of € 130 million compared to the 2017 year-end figure.

The risk weighted assets (total RWA) reached € 76,227 million on 30 September 2018. The major factor for the € 4,325 million increase was new loan business, as well as general business developments in Russia, Romania, Czech Republic, Slovakia, and Bulgaria. As a result of currency hedging in connection with the sale of the Polish subsidiary, there was a temporary increase of market risk RWAs. This resulted in a CET1 ratio (fully loaded) of 12.3 per cent, which is a reduction of 0.4 percent points compared to year end 2017.

Risk management

For further information on risk management, please refer to note (40) Risks arising from financial instruments, in the risk report section of the interim consolidated financial statements.

Events after the reporting date

Sale of the core banking operations of RBI subsidiary Raiffeisen Bank Polska to BGZ BNP closed

As agreed upon in April 2018, the sale of the core banking operations of Raiffeisen Bank Polska S.A. by way of demerger to Bank BGZ BNP Paribas S.A., a subsidiary of BNP Paribas S.A., was closed on 31 October 2018 following receipt of the regulatory approvals.

For further information regarding the transaction, please see the significant events in the reporting period chapter.

Outlook

We will pursue loan growth with an average yearly percentage increase in the mid-single digit area.

Impairment losses on financial assets (risk costs) in 2018 are expected to be below the 2017 level.

We anticipate that the NPL ratio will further reduce in the medium term.

We aim to achieve a cost/income ratio of below 55 per cent in the medium term.

In the coming years we target a consolidated return on equity of approximately 11 per cent.

We target a CET1 ratio of around 13 per cent post dividend in the medium term.

Based on this target, we intend to distribute between 20 and 50 per cent (dividend payout ratio) of the consolidated profit.

Segment report

Segmentation principles

Segment reporting at RBI is based on the current organizational structure pursuant to IFRS 8. A cash generating unit within the Group is a country. The Group's markets are thereby consolidated into regional segments comprising countries with comparable economic profiles and similar long-term economic growth expectations.

This results in the following segments:

- Central Europe: Czech Republic, Hungary, Poland, Slovakia, and Slovenia
- Southeastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, and Serbia
- Eastern Europe: Belarus, Russia and Ukraine
- Group Corporates & Markets: operating business booked in Austria – Austrian and international corporate customers, Markets, Financial Institutions & Sovereigns, business with the Raiffeisen Banking Group (RBG) and specialized financial institution subsidiaries, e.g. Raiffeisen Centrobank AG, Kathrein Privatbank Aktiengesellschaft, Raiffeisen Leasing Group, Raiffeisen Factor Bank AG, Raiffeisen Bausparkasse Österreich Gesellschaft mbH and Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung
- Corporate Center: central control functions in RBI AG (e.g. Treasury), other Group units and minority interests (including UNIQA Insurance Group AG and LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG)

Central Europe

in € million	1/1-30/9 2018	1/1-30/9 2017	Change	Q3/2018	Q2/2018	Change
Net interest income	743	708	5.0%	250	246	1.6%
Dividend income	6	5	32.9%	0	6	(98.8)%
Net fee and commission income	424	411	3.2%	141	147	(3.6)%
Net trading income and fair value result	37	38	(2.5)%	23	1	>500.0%
Net gains/losses from hedge accounting	(13)	2	–	0	(13)	(97.8)%
Other net operating income	(16)	19	–	0	(10)	(95.3)%
Operating income	**1,181**	**1,183**	**(0.2)%**	**414**	**376**	**10.1%**
General administrative expenses	(649)	(652)	(0.3)%	(213)	(216)	(1.8)%
Operating result	**531**	**532**	**0.0%**	**201**	**159**	**26.3%**
Other result	(9)	1	–	1	(10)	–
Levies and special governmental measures	(76)	(78)	(1.9)%	(12)	(9)	42.7%
Impairment losses on financial assets	(40)	(49)	(17.1)%	(28)	(27)	2.6%
Profit/loss before tax	**406**	**406**	**0.0%**	**162**	**113**	**43.0%**
Income taxes	(92)	(68)	34.6%	(33)	(27)	21.1%
Profit/loss after tax	**313**	**337**	**(7.1)%**	**129**	**86**	**50.0%**

The segment's profit after tax fell € 24 million year-on-year to € 313 million. This was mainly due to a € 35 million decline in net income in Hungary resulting from a reduction of € 29 million in net releases of loan loss provisions and the deconsolidation of a real estate fund (negative impact of € 6 million). In Poland, profit after tax was also down € 7 million. While loan loss provisioning was lower, one-off effects (termination of the existing portfolio cash flow hedges and a tax effect in the same period of the previous year) led to a decrease in profit after tax.

Operating income

Net interest income increased 5 per cent year-on-year, or € 35 million, to € 743 million. This mainly reflected the positive performance in the Czech Republic, where higher market interest rates and increased customer loan volumes in particular led to a rise of € 42 million in net interest income. In Slovakia, net interest income was up € 9 million on higher customer loan volumes. In contrast, net interest income in Poland fell € 11 million as a result of lower volumes. In Hungary, lower interest rates led to a € 5 million decrease in net interest income. The segment's net interest margin improved 15 basis points to 2.27 per cent, which was due mainly to the positive trend in the Czech Republic.

Net fee and commission income was up € 13 million year-on-year to € 424 million. The Czech Republic reported a € 6 million increase to € 102 million, primarily as a result of lower expenses in the credit card business. In Slovakia, net fee and commission income also increased € 5 million to € 122 million, which was attributable for the most part to improved margins in the custody business.

Net trading income and fair value result fell € 1 million year-on-year to € 37 million. The Czech Republic reported a drop of € 21 million due to income earned in the previous year in connection with the removal of the minimum Czech koruna exchange rate. In contrast, the result in Poland improved € 10 million, which was mainly attributable to currency translation. In Hungary and Slovakia, the net trading income and fair value result was up € 7 million and € 3 million respectively, due to valuation gains and higher income from derivative financial instruments.

Net gains from hedge accounting declined € 16 million year-on-year, mainly due to developments in Poland. The sale of the core banking operations of Raiffeisen Bank Polska S.A. resulted in termination of the existing portfolio cash flow hedges in the second quarter of 2018. These had hedged cash flow fluctuations from foreign currency loans and deposits in local currency by means of foreign currency interest rate swaps. The termination had a neutral effect on capital, but resulted in the reclassification through profit and loss of the cash flow hedge reserve of minus € 13 million recognized in other comprehensive income in previous periods.

Other net operating income declined € 35 million to minus € 16 million. The decrease of € 13 million of the result in Slovakia was largely due to increased allocations to provisions for litigation. In addition, income of € 6 million was no longer included following the deconsolidation of a real estate fund in Hungary. The Czech Republic reported a reduction of € 9 million, which reflected the sale of bonds and loans in the previous year. The decrease of € 4 million in Poland was attributable to gains from the sale of loans in the same period in the previous year.

General administrative expenses

General administrative expenses decreased slightly, by € 2 million year-on-year to € 649 million. Staff expenses were up € 11 million due to salary adjustments in Slovakia and special payments in Poland, while office space expenses fell € 6 million as a result of the conversion of business outlets to a franchise model in Poland. IT expenses were down € 5 million, primarily in Hungary and Slovakia.

The average number of employees in the segment declined 283 to 13,320. The largest decrease was in Poland (down 364 due to restructuring).

The number of business outlets in the segment remained constant at 628. The cost/income ratio decreased marginally, by 0.1 percentage point to 55.0 per cent.

Other result

The segment's other result decreased € 10 million to minus € 9 million, largely due to an impairment of goodwill arising from the first-time consolidation of a Hungarian real estate company.

Levies and special governmental measures

Levies and expenses from special governmental measures fell € 2 million year-on-year to € 76 million. Bank levies were down € 1 million to € 50 million, largely as a result of lower expenses in Poland. In Hungary, the € 13 million expense for the bank levy was booked in the first quarter for the entire year, as in the previous year. Contributions to the resolution fund, which have to be recognized in full at the start of the year, also decreased € 1 million to € 26 million. Contributions declined the most in Poland and Slovakia, while the Czech Republic reported an increase.

Impairment losses on financial assets

In the reporting period, impairment losses on financial assets decreased € 8 million to € 40 million. The largest change was reported in Hungary, where net releases of loan loss provisions were down € 29 million year-on-year to € 19 million. In the corresponding period of the previous year, successful collection activity and increased mortgage loan collateral valuations resulted in a significantly higher net release in Hungary. In Poland, impairments amounted to € 42 million, a decline of € 26 million year-on-year, which largely reflected an adjustment to household mortgage risk parameters. In the Czech Republic, impairment losses remained at a very moderate level of € 13 million (down € 6 million). In Slovakia, risk costs fell to € 5 million from the already very low level of € 10 million in the same period of the previous year.

The proportion of non-bank non-performing loans in the Central Europe segment's loan portfolio was 3.9 per cent on 30 September 2018 (down 1.3 percentage points year-on-year). The NPL coverage ratio improved 8.8 percentage points year-on-year to 76.2 per cent, mainly as a result of the adoption of IFRS 9.

Income taxes

The segment's income taxes rose € 24 million year-on-year to € 92 million. The tax rate was 23 per cent, which was 6 percentage points higher than in the previous year. Poland (up € 16 million) and Hungary (up € 4 million) were mainly responsible for the increase in taxes. The main reasons for the rise in Poland were the improvement in net income and the positive one-off effect in the same period of the previous year due to local depreciation of intangible fixed assets.

Detailed results of individual countries:

in € million	Poland 1/1-30/9 2018	Poland 1/1-30/9 2017	Slovakia 1/1-30/9 2018	Slovakia 1/1-30/9 2017
Net interest income	183	194	214	206
Dividend income	3	2	0	0
Net fee and commission income	102	103	122	117
Net trading income and fair value result	17	7	6	3
Net gains/losses from hedge accounting	(13)	0	0	1
Other net operating income	5	9	(3)	10
Operating income	**298**	**315**	**339**	**336**
General administrative expenses	(174)	(174)	(182)	(179)
Operating result	**124**	**141**	**157**	**157**
Other result	(4)	0	4	5
Levies and special governmental measures	(30)	(35)	(21)	(20)
Impairment losses on financial assets	(42)	(68)	(5)	(10)
Profit/loss before tax	**48**	**38**	**136**	**131**
Income taxes	(27)	(11)	(28)	(26)
Profit/loss after tax	**21**	**28**	**108**	**105**
Return on equity before tax	4.5%	3.5%	16.9%	16.4%
Return on equity after tax	2.0%	2.5%	13.4%	13.1%
Net interest margin (average interest-bearing assets)	2.24%	2.27%	2.32%	2.40%
Cost/income ratio	58.2%	55.2%	53.6%	53.3%
Loan/deposit ratio	–	107.4%	101.1%	103.0%
Provisioning ratio (average loans and advances to customers)	0.73%	1.15%	0.06%	0.16%
NPL ratio	10.9%	8.4%	2.4%	3.1%
NPL coverage ratio	59.2%	60.9%	84.2%	74.4%
Assets	11,304	11,359	12,827	12,038
Liabilities	9,888	9,869	11,609	10,972
Risk-weighted assets (total RWA)	9,078	6,542	6,079	5,622
Equity	1,416	1,490	1,218	1,066
Loans to customers	3,215	7,800	9,970	9,197
Deposits from customers	0	7,727	10,402	9,535
Business outlets	233	237	190	188
Employees as at reporting date (full-time equivalents)	3,684	3,935	3,963	3,882
Customers in million	0.8	0.8	0.9	0.9

in € million	Czech Republic 1/1-30/9 2018	Czech Republic 1/1-30/9 2017	Hungary 1/1-30/9 2018	Hungary 1/1-30/9 2017
Net interest income	246	204	99	104
Dividend income	1	1	2	1
Net fee and commission income	102	96	98	96
Net trading income and fair value result	4	25	10	3
Net gains/losses from hedge accounting	0	1	0	1
Other net operating income	13	22	(34)	(24)
Operating income	**367**	**349**	**175**	**181**
General administrative expenses	(188)	(182)	(106)	(115)
Operating result	**180**	**167**	**69**	**66**
Other result	0	0	(8)	(4)
Levies and special governmental measures	(10)	(9)	(16)	(14)
Impairment losses on financial assets	(13)	(19)	19	48
Profit/loss before tax	**157**	**140**	**64**	**96**
Income taxes	(31)	(28)	(7)	(3)
Profit/loss after tax	**126**	**112**	**57**	**93**
Return on equity before tax	17.5%	16.5%	14.0%	21.0%
Return on equity after tax	14.1%	13.2%	12.5%	20.4%
Net interest margin (average interest-bearing assets)	2.06%	1.72%	1.93%	2.09%
Cost/income ratio	51.1%	52.1%	60.4%	63.8%
Loan/deposit ratio	91.0%	87.2%	66.7%	68.1%
Provisioning ratio (average loans and advances to customers)	0.16%	0.26%	(0.81)%	(2.31)%
NPL ratio	2.1%	3.0%	6.3%	9.3%
NPL coverage ratio	95.2%	80.7%	82.6%	67.3%
Assets	16,459	16,411	7,150	7,098
Liabilities	15,179	15,160	6,520	6,435
Risk-weighted assets (total RWA)	7,064	6,437	3,361	3,400
Equity	1,280	1,251	630	663
Loans to customers	10,982	9,995	3,251	2,890
Deposits from customers	12,255	11,981	5,281	4,911
Business outlets	133	131	71	71
Employees as at reporting date (full-time equivalents)	3,394	3,307	2,083	1,968
Customers in million	1.1	1.2	0.5	0.5

Southeastern Europe

in € million	1/1-30/9 2018	1/1-30/9 2017	Change	Q3/2018	Q2/2018	Change
Net interest income	598	546	9.5%	209	198	5.7%
Dividend income	9	6	52.8%	2	5	(69.8)%
Net fee and commission income	314	298	5.5%	113	108	4.8%
Net trading income and fair value result	25	21	18.3%	9	7	29.1%
Net gains/losses from hedge accounting	0	0	–	0	0	(67.6)%
Other net operating income	24	24	1.9%	3	8	(67.8)%
Operating income	**969**	**894**	**8.4%**	**336**	**326**	**2.9%**
General administrative expenses	(507)	(495)	2.4%	(170)	(167)	1.9%
Operating result	**462**	**399**	**15.9%**	**165**	**159**	**3.8%**
Other result	0	0	(71.8)%	1	(1)	–
Levies and special governmental measures	(11)	6	–	0	0	(69.1)%
Impairment losses on financial assets	(4)	(94)	(95.8)%	(9)	(9)	(7.7)%
Profit/loss before tax	**448**	**311**	**44.2%**	**157**	**149**	**5.8%**
Income taxes	(64)	(46)	38.6%	(23)	(20)	14.0%
Profit/loss after tax	**384**	**265**	**45.1%**	**134**	**128**	**4.5%**

The year-on-year rise in the segment's profit after tax of 45 per cent, or € 119 million, was driven by positive developments in the risk situation, especially in Romania and Croatia, and by a 16 per cent improvement in the operating result.

Operating income

Net interest income rose 10 per cent year-on-year, or € 52 million, to € 598 million. The strongest growth was seen in Romania, with an increase of € 54 million, due to higher market interest rates resulting in a considerably higher interest margin (up 59 basis points), along with growth in lending to households and non-financial corporations. In Serbia, net interest income was up € 3 million, which mainly reflected currency effects. Croatia reported the steepest decline of € 5 million, due to lower interest rates. In Albania, net interest income was down € 1 million due to lower volumes. Net interest income only slightly changed in all other countries in the segment. The improvement of 11 basis points in the segment's net interest margin to 3.56 per cent was primarily attributable to the positive interest rate environment in Romania.

Dividend income was up € 3 million, largely driven by higher income in Albania.

Net fee and commission income increased 5 per cent, or € 16 million, to € 314 million. The largest increase was reported in Romania (up € 13 million), due to higher volumes and margins in clearing, settlement and payment services, as well as in the credit card business. In Serbia, net fee and commission income rose € 3 million, primarily driven by higher fee and commission income in clearing, settlement and payment services.

Net trading income and the fair value result increased by € 4 million year-on-year to € 25 million. Decreases due to currency translation were more than offset by higher income from derivatives and loans and advances in Croatia, Romania and Serbia.

The segment's other net operating income remained constant at € 24 million. While Serbia reported an increase of € 4 million, mainly arising from the derecognition of financial assets and liabilities, Croatia reported a decrease of € 5 million due to a reduction in the operating lease portfolio.

General administrative expenses

General administrative expenses increased 2 per cent, or € 12 million, year-on-year to € 507 million. Staff expenses were up 2 per cent to € 228 million. The average number of employees fell 137 to 14,771, primarily as a result of developments in Romania (down 88) and Croatia (down 58). Other administrative expenses were up 5 per cent, or € 10 million, to € 221 million and mainly reflected a rise in IT expenses, deposit insurance fees, and legal, advisory and consulting expenses in Romania, Croatia and Bulgaria.

The number of business outlets fell by 10 year-on-year to 974, largely due to closures in Romania. The cost/income ratio improved from 55.4 to 52.3 per cent.

Levies and special governmental measures

Levies and expenses from special governmental measures were up € 17 million year-on-year to € 11 million. In 2018, no expenses from special governmental measures were reported, while in the previous year provisions of € 21 million in connection with the "Walkaway Law" in Romania were released. The contributions to the resolution fund, which have to be recognized in full at the start of the year, fell € 4 million to € 11 million, mainly as a result of a lower contribution in Romania.

Impairment losses on financial assets

In the reporting period, impairment losses on financial assets of € 4 million were recognized for the segment compared to € 94 million booked in the corresponding period of the previous year.

The positive trend in the risk situation in Romania and Croatia was mainly responsible for the steep decline. In Romania, the impairment requirement was € 54 million lower; whereas in the comparable prior year period, it amounted to € 67 million largely as a result of the voluntary conversion of Swiss franc loans and impairments for non-financial corporations. In Croatia, risk costs also improved considerably. In the reporting period, impairments of € 2 million were recognized, while corporate customer defaults led to impairments of € 45 million in the comparable period in the previous year. In addition, in Bulgaria there was a net release of € 5 million in the reporting period. In the comparable period in the previous year, a step-up in collection activity and the termination of a large corporate customer's non-performing loan resulted in a net release of € 14 million. In Serbia, impairments of € 1 million were recognized, whereas in the same period in the previous year recoveries from impaired loans led to a net release of € 8 million. In contrast, net releases of loan loss provisions amounted to € 10 million in Albania, € 6 million higher than in the same period in the previous year, mainly due to the restructuring of a loan to a large corporate customer.

The proportion of non-bank non-performing loans in the segment's loan portfolio was 6.3 per cent (down 3.1 percentage points year-on-year) on 30 September 2018. The NPL coverage ratio was 85.1 per cent (up 7.3 percentage points year-on-year following the introduction of IFRS 9).

Income taxes

Income taxes were up € 18 million year-on-year to € 64 million, primarily due to a marked improvement in profit in Romania, which led to a rise of € 15 million in income taxes. The tax rate fell 1 percentage point to 14 per cent.

Detailed results of individual countries:

	Albania		Bosnia and Herzegovina		Bulgaria	
in € million	**1/1-30/9 2018**	**1/1-30/9 2017**	**1/1-30/9 2018**	**1/1-30/9 2017**	**1/1-30/9 2018**	**1/1-30/9 2017**
Net interest income	41	42	50	50	76	77
Dividend income	1	0	1	1	4	4
Net fee and commission income	13	11	30	29	35	34
Net trading income and fair value result	(1)	(1)	0	0	3	2
Net gains/losses from hedge accounting	0	0	0	0	0	0
Other net operating income	0	1	1	0	3	2
Operating income	**53**	**53**	**82**	**80**	**121**	**118**
General administrative expenses	(32)	(31)	(40)	(39)	(66)	(63)
Operating result	**21**	**22**	**43**	**42**	**55**	**56**
Other result	0	0	0	0	0	0
Levies and special governmental measures	(1)	0	0	0	(4)	(4)
Impairment losses on financial assets	10	4	(2)	(5)	5	14
Profit/loss before tax	**31**	**26**	**41**	**36**	**56**	**66**
Income taxes	(4)	0	(4)	(5)	(5)	(6)
Profit/loss after tax	**27**	**26**	**36**	**32**	**51**	**60**
Return on equity before tax	19.5%	18.1%	20.2%	19.0%	17.2%	20.0%
Return on equity after tax	16.8%	18.0%	18.1%	16.6%	15.6%	18.1%
Net interest margin (average interest-bearing assets)	3.08%	3.05%	3.46%	3.60%	2.79%	3.08%
Cost/income ratio	60.2%	58.7%	48.3%	48.2%	54.7%	52.9%
Loan/deposit ratio	46.6%	44.2%	75.5%	72.8%	85.0%	85.0%
Provisioning ratio (average loans and advances to customers)	(2.02)%	(0.86)%	0.21%	0.62%	(0.31)%	(0.88)%
NPL ratio	14.8%	17.9%	6.4%	7.3%	3.1%	5.2%
NPL coverage ratio	79.8%	79.4%	96.8%	85.0%	106.5%	81.9%
Assets	1,775	1,838	2,208	2,090	3,974	3,606
Liabilities	1,548	1,622	1,921	1,817	3,522	3,143
Risk-weighted assets (total RWA)	1,330	1,395	1,716	1,659	2,020	1,794
Equity	226	216	288	273	452	463
Loans to customers	683	661	1,242	1,156	2,515	2,227
Deposits from customers	1,495	1,519	1,764	1,681	3,003	2,647
Business outlets	78	78	102	98	147	137
Employees as at reporting date (full-time equivalents)	1,237	1,222	1,328	1,278	2,568	2,580
Customers in million	0.5	0.5	0.4	0.4	0.6	0.6

in € million	Croatia 1/1-30/9 2018	Croatia 1/1-30/9 2017	Romania 1/1-30/9 2018	Romania 1/1-30/9 2017	Serbia 1/1-30/9 2018	Serbia 1/1-30/9 2017
Net interest income	91	96	246	192	63	60
Dividend income	0	0	2	1	0	0
Net fee and commission income	54	55	140	128	34	30
Net trading income and fair value result	2	4	16	12	6	4
Net gains/losses from hedge accounting	0	0	0	0	0	0
Other net operating income	8	13	3	3	8	4
Operating income	**156**	**168**	**407**	**336**	**111**	**99**
General administrative expenses	(91)	(96)	(202)	(193)	(57)	(54)
Operating result	**65**	**72**	**205**	**143**	**53**	**45**
Other result	0	0	0	0	0	0
Levies and special governmental measures	(3)	(3)	(3)	13	0	0
Impairment losses on financial assets	(2)	(45)	(14)	(67)	(1)	8
Profit/loss before tax	**60**	**23**	**188**	**89**	**53**	**53**
Income taxes	(11)	(11)	(30)	(15)	(7)	(7)
Profit/loss after tax	**50**	**12**	**158**	**74**	**46**	**46**
Return on equity before tax	13.2%	4.7%	33.1%	16.3%	14.8%	14.8%
Return on equity after tax	10.8%	2.4%	27.8%	13.6%	12.8%	12.9%
Net interest margin (average interest-bearing assets)	2.89%	3.13%	4.15%	3.56%	4.01%	4.21%
Cost/income ratio	58.2%	57.4%	49.6%	57.4%	51.6%	54.5%
Loan/deposit ratio	68.3%	73.9%	77.1%	74.5%	73.0%	80.0%
Provisioning ratio (average loans and advances to customers)	0.12%	2.47%	0.37%	1.99%	0.08%	(0.91)%
NPL ratio	12.5%	17.6%	4.5%	7.6%	3.6%	5.2%
NPL coverage ratio	81.6%	78.1%	80.2%	73.7%	94.3%	79.7%
Assets	4,885	4,482	8,789	7,795	2,433	2,239
Liabilities	4,254	3,845	7,902	7,018	1,940	1,749
Risk-weighted assets (total RWA)	2,772	2,791	4,977	4,616	1,788	1,663
Equity	631	637	887	777	493	490
Loans to customers	2,350	2,343	5,445	4,656	1,287	1,213
Deposits from customers	3,711	3,335	7,003	6,172	1,814	1,636
Business outlets	78	75	432	460	89	88
Employees as at reporting date (full-time equivalents)	2,014	2,110	5,183	5,372	1,540	1,520
Customers in million	0.5	0.5	2.2	2.3	0.8	0.7

Eastern Europe

in € million	1/1-30/9 2018	1/1-30/9 2017	Change	Q3/2018	Q2/2018	Change
Net interest income	759	731	3.8%	261	250	4.5%
Dividend income	1	4	(68.7)%	0	1	–
Net fee and commission income	334	343	(2.5)%	118	111	6.1%
Net trading income and fair value result	16	43	(62.8)%	6	4	62.7%
Net gains/losses from hedge accounting	0	0	–	0	0	–
Other net operating income	7	(5)	–	2	(3)	–
Operating income	**1,117**	**1,115**	**0.2%**	**388**	**363**	**6.7%**
General administrative expenses	(450)	(443)	1.6%	(150)	(151)	(1.0)%
Operating result	**667**	**672**	**(0.7)%**	**238**	**212**	**12.1%**
Other result	(2)	1	–	(1)	(1)	107.2%
Levies and special governmental measures	0	0	–	0	0	–
Impairment losses on financial assets	25	19	36.5%	0	(7)	–
Profit/loss before tax	**690**	**691**	**(0.1)%**	**237**	**205**	**15.7%**
Income taxes	(147)	(147)	0.5%	(51)	(45)	14.5%
Profit/loss after tax	**543**	**544**	**(0.3)%**	**186**	**160**	**16.0%**

The segment's profit after tax remained virtually unchanged compared to the previous year despite significant depreciation of Eastern European currencies. Net interest income increased while net trading income and fair value result declined.

As in the previous year, the Eastern Europe segment was affected by a high level of currency volatility in the reporting period. The average exchange rate of both the Belarusian ruble and the Russian ruble declined 11 per cent year-on-year, while the average exchange rate of the Ukrainian hryvnia fell 9 per cent. Compared to the start of 2018, the exchange rate of the Russian ruble was down 9 per cent and that of the Belarusian ruble down 3 per cent, while the exchange rate for the Ukrainian hryvnia was up 3 per cent.

Operating income

Net interest income in Eastern Europe was up 4 per cent, or € 28 million, year-on-year to € 759 million. Ukraine reported the strongest growth with a rise of € 23 million, due to higher interest rates and an increase in the volume of loans to non-financial corporations. Despite the depreciation of the Russian ruble, net interest income in Russia was up € 22 million, largely as a result of lower interest expenses for customer deposits. In contrast, net interest income in Belarus fell € 17 million year-on-year due to lower market interest rates. Despite the positive developments in Ukraine, the segment's net interest margin declined 3 basis points year-on-year to 6.56 per cent as a consequence of lower margins in Belarus.

Net fee and commission income was down 2 per cent, or € 9 million, to € 334 million. In Russia, net fee and commission income decreased € 4 million to € 231 million due to exchange rate developments. Belarus also reported a currency-related reduction of € 3 million to € 36 million.

Net trading income and fair value result declined from € 43 million in the same period of the previous year to € 16 million in the reporting period. Russia posted a decline of € 26 million, which mainly reflected a lower valuation result from bonds.

Other net operating income increased € 12 million to € 7 million, as a result of the release of provisions for litigation in Russia.

General administrative expenses

General administrative expenses increased 2 per cent year-on-year, or € 7 million, to € 450 million. The increase was largely absorbed by currency depreciation. The average headcount rose 3 per cent from 17,845 to 18,326 staff members, mainly due to Russia (increase of 645 to 8,533 employees). Staff expenses increased 5 per cent, or € 11 million, to € 240 million due to salary adjustments in Russia and Ukraine. Other administrative expenses in the segment rose slightly by 2 per cent, or € 4 million, to € 163 million. They were up 6 per cent in Russia as a result of an increase in deposit insurance fees and higher IT expenses for developing new IT applications, however decreased 3 per cent in Ukraine, mainly due to lower communication and office space expenses. Depreciation declined by 14 per cent, or € 8 million, to € 48 million, primarily as a result of an adjustment to the useful life of software in Russia. The cost/income ratio rose from 39.8 to 40.3 per cent.

Impairment losses on financial assets

In the reporting period, a net release of loan loss provisions of € 25 million was recognized, compared to € 19 million in the same period of the previous year. There was an impairment of € 2 million in Russia, versus impairments of € 20 million in the comparable prior year period. Sales of non-performing loans to non-financial corporations played a significant role in the positive trend. The decrease in the net release of loan loss provisions in Ukraine from € 42 million in the same period of the previous year to € 19 million in the reporting period reflected lower sales of non-performing loans. An improved macroeconomic environment and loan sales were responsible for the net release of € 8 million in Belarus (impairments of € 3 million in the prior year period).

The proportion of non-bank non-performing loans in the segment's loan portfolio amounted to 5.6 per cent on 30 September 2018 (down 4.0 percentage points year-on-year). The NPL coverage ratio was 74.6 per cent (down 7.1 percentage points year-on-year due to loan sales).

Income taxes

The segment's tax expense remained steady at € 147 million and the tax rate was unchanged at 21 per cent.

Detailed results of individual countries:

in € million	Belarus 1/1-30/9 2018	Belarus 1/1-30/9 2017	Russia 1/1-30/9 2018	Russia 1/1-30/9 2017	Ukraine 1/1-30/9 2018	Ukraine 1/1-30/9 2017
Net interest income	68	85	528	506	163	140
Dividend income	0	0	1	3	0	0
Net fee and commission income	36	39	231	234	67	69
Net trading income and fair value result	4	3	8	34	4	6
Net gains/losses from hedge accounting	0	0	0	0	0	0
Other net operating income	(1)	(2)	7	(7)	1	3
Operating income	**107**	**126**	**774**	**771**	**235**	**218**
General administrative expenses	(52)	(56)	(303)	(296)	(95)	(92)
Operating result	**55**	**70**	**471**	**476**	**141**	**126**
Other result	0	0	0	0	(2)	1
Levies and special governmental measures	0	0	0	0	0	0
Impairment losses on financial assets	8	(3)	(2)	(20)	19	42
Profit/loss before tax	**63**	**66**	**470**	**456**	**158**	**169**
Income taxes	(17)	(17)	(102)	(99)	(28)	(30)
Profit/loss after tax	**45**	**49**	**368**	**357**	**130**	**139**
Return on equity before tax	26.8%	26.4%	40.4%	35.9%	85.3%	103.7%
Return on equity after tax	19.5%	19.5%	31.6%	28.1%	70.0%	85.0%
Net interest margin (average interest-bearing assets)	6.31%	8.65%	5.82%	5.78%	11.47%	10.34%
Cost/income ratio	48.8%	44.6%	39.1%	38.3%	40.3%	42.1%
Loan/deposit ratio	86.6%	99.3%	84.3%	85.6%	86.4%	72.4%
Provisioning ratio (average loans and advances to customers)	(1.29)%	0.51%	0.03%	0.34%	(2.13)%	(5.34)%
NPL ratio	4.7%	7.7%	4.1%	4.7%	14.5%	33.3%
NPL coverage ratio	94.7%	81.8%	69.0%	69.9%	78.8%	89.3%
Assets	1,712	1,441	13,209	11,904	2,219	2,039
Liabilities	1,384	1,135	11,395	10,106	1,919	1,771
Risk-weighted assets (total RWA)	1,537	1,335	8,326	8,208	2,076	1,793
Equity	329	306	1,814	1,799	301	268
Loans to customers	1,017	882	8,587	7,430	1,439	1,162
Deposits from customers	1,191	902	10,307	8,787	1,687	1,617
Business outlets	87	90	191	184	501	499
Employees as at reporting date (full-time equivalents)	1,856	1,919	8,890	7,966	7,920	7,939
Customers in million	0.8	0.8	2.7	2.4	2.5	2.6

Group Corporates & Markets

in € million	1/1-30/9 2018	1/1-30/9 2017	Change	Q3/2018	Q2/2018	Change
Net interest income	405	439	(7.7)%	128	145	(11.8)%
Dividend income	23	15	52.4%	1	19	(93.2)%
Net fee and commission income	266	235	13.0%	90	97	(6.7)%
Net trading income and fair value result	42	59	(29.3)%	18	6	196.1%
Net gains/losses from hedge accounting	0	(1)	–	0	0	32.3%
Other net operating income	106	67	59.6%	19	25	(25.5)%
Operating income	**842**	**814**	**3.4%**	**256**	**292**	**(12.2)%**
General administrative expenses	(478)	(474)	0.8%	(158)	(160)	(1.1)%
Operating result	**364**	**340**	**7.0%**	**98**	**132**	**(25.8)%**
Other result	(4)	(7)	(40.3)%	0	(4)	–
Levies and special governmental measures	(16)	(17)	(3.7)%	(5)	(5)	7.2%
Impairment losses on financial assets	84	(53)	–	6	52	(89.2)%
Profit/loss before tax	**427**	**264**	**62.0%**	**98**	**175**	**(43.7)%**
Income taxes	(89)	(48)	84.9%	(24)	(33)	(26.7)%
Profit/loss after tax	**338**	**215**	**56.9%**	**74**	**142**	**(47.6)%**

The strong increase in net income in the Group Corporates & Markets segment was mainly due to the positive development in terms of risk costs. Net releases of loan loss provisions of € 84 million were booked in the reporting period, following impairment losses of € 53 million booked in the same period of the previous year, due to defaults on the part of several large corporate customers. The releases were mainly attributable to profitable sales of non-performing loans.

The Group Corporates & Markets segment encompasses RBI's operating business booked in Austria. The contributions to profit come from RBI AG's corporate customer and markets business, with further significant contributions from the Austrian specialized financial institution subsidiaries. The following table shows the main profit contributions by sub-segment:

in € million	1/1-30/9 2018	1/1-30/9 2017	Change	Q3/2018	Q2/2018	Change
Corporates Vienna	134	68	98.2%	22	74	(70.7)%
Markets Vienna	108	59	82.1%	24	22	11.9%
Specialized financial institution subsidiaries and other	97	89	8.7%	28	46	(38.4)%
Group Corporates & Markets	**338**	**215**	**56.9%**	**74**	**142**	**(47.6)%**

Operating income

Net interest income declined 8 per cent year-on-year, or € 34 million, to € 405 million, due to margin reductions in the corporate customer business and system adjustments in connection with the introduction of IFRS 9, which entailed a change in the allocation of interest components. The segment's net interest margin continues to be impacted by the weak interest rate environment, and posted a 9 basis point reduction to 1.29 per cent in the reporting period.

Dividend income increased € 8 million to € 23 million, mainly due to a dividend payment from an unconsolidated leasing company.

Net fee and commission income increased 13 per cent, or € 31 million, to € 266 million. Higher fee and commission income was primarily reported in clearing, settlement and payment services and in the institutional investor business, as well as from structured issues of own bonds. Fee and commission income rose at Raiffeisen Bausparkasse due to a change in reporting connected with brokerage expenses. The increase was also attributable to a change in the allocation of fee and commission income due to the aforementioned changes as part of system adjustments in connection with the introduction of IFRS 9.

Net trading income and fair value result was down € 17 million year-on-year to € 42 million. Valuation losses on derivatives and on loans carried at fair value as well as from currency translation were partly offset by increases in banknote and securities trading.

Other net operating income improved € 40 million to € 106 million. RBI AG reported income of € 25 million from the release of a provision in connection with the termination of a long-standing legal dispute with an Icelandic bank. A further € 11 million came from the sale of registered bonds. Raiffeisen Leasing reported a € 4 million increase in income as a result of property sales.

General administrative expenses

The segment's general administrative expenses rose 1 per cent, or € 4 million, to € 478 million. The € 9 million increase in IT expenses contrasted with a € 5 million decline from the disposal of a Group unit. The segment's cost/income ratio improved 1.4 percentage points to 56.8 per cent.

Other result

In the reporting period, the other result amounted to minus € 4 million (down € 3 million). In the previous year's period, impairment charges of € 13 million were posted in relation to buildings in the Raiffeisen Immobilienfonds portfolio. This contrasted with higher impairment charges and lower net income from subsidiaries and associated companies in the reporting period, as well as higher negative results from the disposal of Group assets.

Impairment losses on financial assets

Net releases of loan loss provisions amounted to € 84 million in the reporting period, compared to impairment losses of € 53 million in the same period in the previous year due to the default of several large corporate customers. At RBI AG, aside from the restructuring and sale of non-performing loans, loan loss provisions were released for an Icelandic bank and several large corporate customers.

The share of non-bank non-performing loans in the segment's loan portfolio was 3.6 per cent on 30 September 2018. The NPL coverage ratio stood at 64.4 per cent.

Income taxes

Income tax expense increased € 41 million to € 89 million mainly due to higher net income.

Corporate Center

in € million	1/1-30/9 2018	1/1-30/9 2017	Change	Q3/2018	Q2/2018	Change
Net interest income	(21)	(50)	(59.3)%	(2)	(18)	(85.8)%
Dividend income	729	928	(21.4)%	31	688	(95.4)%
Net fee and commission income	(8)	(7)	6.9%	(7)	1	–
Net trading income and fair value result	(91)	(109)	(16.6)%	(55)	0	>500.0%
Net gains/losses from hedge accounting	13	7	80.5%	2	10	(77.6)%
Other net operating income	50	60	(17.0)%	24	30	(18.5)%
Operating income	**673**	**828**	**(18.8)%**	**(6)**	**712**	**–**
General administrative expenses	(236)	(233)	0.9%	(77)	(90)	(14.3)%
Operating result	**437**	**595**	**(26.5)%**	**(83)**	**622**	**–**
Other result	(65)	13	–	6	(98)	–
Levies and special governmental measures	(54)	(58)	(7.1)%	1	5	(79.3)%
Impairment losses on financial assets	(5)	(2)	119.3%	0	(3)	(88.8)%
Profit/loss before tax	**313**	**548**	**(42.9)%**	**(75)**	**526**	**–**
Income taxes	77	20	287.0%	21	19	8.8%
Profit/loss after tax	**390**	**568**	**(31.3)%**	**(55)**	**544**	**–**

This segment essentially comprises net income from Group head office's governance functions and other Group units. Therefore, its results are generally more volatile. Profit after tax fell € 178 million or 31 per cent, reflecting a reduction of € 199 million in intra-Group dividend income and the recognition of the expected loss of € 121 million from the sale of the core banking operations of Raiffeisen Bank Polska.

Operating income

The segment's net interest income improved € 30 million year-on-year to minus € 21 million. Lower refinancing costs were mainly responsible for this positive development.

Dividend income, which comes mainly from Group units belonging to other segments and which is therefore of an intra-Group nature, decreased € 199 million to € 729 million.

Net fee and commission income remained almost unchanged year-on-year.

Net trading income and fair value result increased € 18 million year-on-year to minus € 91 million, mainly due to the improvement in the capital hedge result.

The net gain from hedge accounting increased € 6 million year-on-year to € 13 million. Changes in the market value of hedged positions exceeded those of hedging instruments by € 13 million, compared to approximately € 6 million in the prior year period.

Other net operating income decreased € 10 million to € 50 million. The main drivers were allocations to provisions in connection with litigation involving RBI AG and lower income from intra-Group service charges.

General administrative expenses

The segment's general administrative expenses were up 1 per cent, or € 2 million, to € 236 million, mainly as a result of an increase in IT expenses offset by a reduction arising from the deconsolidation of a company in the same period of the previous year.

Other result

The other result of minus € 65 million in the reporting period, compared to a positive result of € 13 million in the corresponding period of the previous year. The main reason for the change was the recognition in the reporting period of the expected loss of € 121 million from the sale of the core banking operations of Raiffeisen Bank Polska. In contrast, impairments of equity investments were lower in the reporting period.

Levies and special governmental measures

The levies and expenses from special governmental measures reported in the segment declined € 4 million to € 54 million. At € 46 million, the expenses for bank levies remained almost unchanged compared to the same period in the previous year. In contrast, the RBI AG contributions to the resolution fund allocated to the segment decreased € 5 million to € 8 million. In accordance with accounting standards, the expenses for bank levies for the entire year were booked in the first quarter. The one-off payment (€ 163 million) that is stipulated by law is spread over a four-year period and allocated to the Corporate Center segment: of that amount, € 41 million was booked in the reporting period.

Income taxes

Tax income of € 77 million was posted in the reporting period, compared to € 20 million in the same period of the previous year.

Interim consolidated financial statements

(Interim report as at 30 September 2018)

Company

Raiffeisen Bank International AG (RBI AG) is registered in the commercial register of the Commercial Court of Vienna under FN 122.119m. Its address is Am Stadtpark 9, 1030 Vienna.

RBI's home market consists of Austria, where it does business as a leading commercial and investment bank, as well as Central and Eastern Europe (CEE). Subsidiary banks cover 14 markets in the region. The Group also contains many other financial service companies specializing in sectors such as leasing, asset management and M&A. All told, RBI's more than 50,000 employees serve 16.7 million clients at more than 2,400 business outlets located mostly in CEE.

Since the company's shares are traded on a regulated market as defined in sec. 1 para. 2 of the Austrian Stock Market Act (BörseG) (prime market of the Vienna Stock Exchange) and numerous RBI AG issues are listed on a regulated market in the EU, RBI AG is required by sec. 59a of the Austrian Banking Act (BWG) to prepare consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs). The eight regional Raiffeisen banks are core shareholders that collectively hold approximately 58.8 per cent of the shares, with the remaining shares in free float.

As a credit institution within the meaning of sec. 1 of the Austrian Banking Act, RBI AG is subject to regulatory supervision by the Financial Market Authority located at Otto-Wagner-Platz 5, A-1090 Vienna (www.fma.gv.at) and the European Central Bank located at Sonnemannstraße 22, D-60314 Frankfurt am Main (www.bankingsupervision.europa.eu).

The interim report as at 30 September 2018 underwent neither a full audit nor a review by the certified auditor.

Material changes

The provisions of the new accounting standard for financial instruments (IFRS 9) took effect on 1 January 2018. In addition to the introduction of IFRS 9, RBI has also made changes to the presentation of the statement of financial position. It is now based on the requirements for the reporting of financial information (FinRep) issued by the European Banking Authority (EBA). The change also made it necessary to adapt the figures of the comparable period and the comparable reporting date. This change firstly improves comparability while also enabling more efficient processing of financial statements in accordance with commercial law and regulatory requirements.

The changes are explained in greater detail in the notes in the section entitled, principles underlying the consolidated financial statements, under changes in the presentation of the financial statements and IFRS 9 transition.

Statement of comprehensive income

Income statement

in € million	Notes	1/1-30/9/2018	1/1-30/9/2017
Net interest income	[1]	2,519	2,407
Dividend income	[2]	60	30
Net fee and commission income	[3]	1,325	1,271
Net trading income and fair value result	[4]	20	27
Net gains/losses from hedge accounting	[5]	0	7
Other net operating income	[6]	79	79
Operating income		**4,003**	**3,821**
Staff expenses		(1,164)	(1,145)
Other administrative expenses		(853)	(843)
Depreciation		(211)	(225)
General administrative expenses	**[7]**	**(2,228)**	**(2,213)**
Operating result		**1,775**	**1,608**
Other result	[8]	(87)	31
Levies and special governmental measures	[9]	(157)	(147)
Impairment losses on financial assets	[10]	56	(191)
Profit/loss before tax		**1,587**	**1,301**
Income taxes	[11]	(316)	(290)
Profit/loss after tax		**1,271**	**1,012**
Profit attributable to non-controlling interests		(99)	(102)
Consolidated profit/loss		**1,173**	**910**

Earnings per share

in € million	1/1-30/9/2018	1/1-30/9/2017
Consolidated profit/loss	1,173	910
Dividend claim on additional tier 1	(46)	(9)
Profit/loss attributable to ordinary shares	**1,127**	**900**
Average number of ordinary shares outstanding in million	329	328
Earnings per share in €	**3.43**	**2.74**

As there were no conversion rights or options outstanding, a dilution of earnings per share did not occur. The dividend on additional tier 1 capital is calculated; the effective payment is based on the decision of the Board at the respective payment date.

Other comprehensive income and total comprehensive income

in € million	1/1-30/9/2018	1/1-30/9/2017
Profit/loss after tax	**1,271**	**1,012**
Items which are not reclassified to profit or loss	**19**	**(115)**
Remeasurements of defined benefit plans	(10)	3
Fair value changes of equity instruments - fair value through other comprehensive income	20	0
Fair value changes due to changes in credit risk of financial liabilities - designated fair value through profit/loss	10	(116)
Share of other comprehensive income from companies valued at equity	0	(2)
Deferred taxes on items which are not reclassified to profit or loss	(2)	0
Items that may be reclassified subsequently to profit or loss	**(202)**	**(74)**
Hedge of net investments in foreign operations	30	(3)
Exchange differences	(220)	(88)
Adaptions to the cash flow hedge reserve	16	12
Fair value changes of financial assets - fair value through other comprehensive income	(17)	13
Share of other comprehensive income from companies valued at equity	(9)	(21)
Other items	1	0
Deferred taxes on items which may be reclassified to profit or loss	(2)	13
Other comprehensive income	**(183)**	**(189)**
Total comprehensive income	**1,088**	**823**
Profit attributable to non-controlling interests	(101)	(105)
hereof income statement	(99)	(102)
hereof other comprehensive income	(3)	(3)
Profit/loss attributable to owners of the parent	**987**	**718**

In 2017, RBI elected to adopt on an early basis the requirements of IFRS 9.7.1.2 regarding the presentation of gains and losses on financial liabilities designated at fair value through profit or loss. IFRS 9 requires changes in the fair value of these designated liabilities caused by a change in the default risk of RBI to be booked in other comprehensive income. Under IAS 39, these changes were reported in the income statement. Minus € 116 million were recognized directly in other comprehensive income in the comparative period; the effect amounted to € 10 million in the reporting period. With the adoption of IFRS 9, liabilities designated at fair value were reclassified as financial liabilities - amortized cost with a carrying amount of € 448 million. This resulted in a significant decline in fair value changes caused by changes in credit risk on financial liabilities. The difference between the current fair value of these designated liabilities and the amounts contractually required to be paid at maturity was € 431 million at the time of reclassification. There have been no significant transfers within equity or derecognition of liabilities designated at fair value in the reporting period.

Currency developments resulted in a negative effect of € 220 million since the start of the year. The Russian ruble depreciated 9 per cent, resulting in a negative effect of € 160 million, while the Polish zloty depreciated 2 per cent, resulting in a negative effect of € 37 million and the Hungarian forint depreciated 4 per cent resulting in a negative effect of € 28 million.

Statement of financial position

Assets in € million	Notes	30/9/2018	31/12/2017
Cash, cash balances at central banks and other demand deposits	[12]	21,890	16,905
Financial assets - amortized cost	[13]	97,266	96,307
Financial assets - fair value through other comprehensive income	[14]	5,390	6,589
Non-trading financial assets - mandatorily fair value through profit/loss	[15]	485	-
Financial assets - designated fair value through profit/loss	[16]	4,289	5,370
Financial assets - held for trading	[17]	4,179	4,622
Hedge accounting	[18]	461	597
Investments in subsidiaries, joint ventures and associates	[19]	958	923
Tangible fixed assets	[20]	1,354	1,540
Intangible fixed assets	[21]	670	721
Current tax assets	[22]	167	189
Deferred tax assets	[22]	123	114
Other assets	[23]	8,945	1,268
Total		**146,177**	**135,146**

Equity and liabilities in € million	Notes	30/9/2018	31/12/2017
Financial liabilities - amortized cost	[24]	116,430	114,794
Financial liabilities - designated fair value through profit/loss	[25]	1,919	2,509
Financial liabilities - held for trading	[26]	5,002	4,414
Hedge accounting	[27]	111	265
Provisions for liabilities and charges	[28]	819	872
Current tax liabilities	[29]	69	75
Deferred tax liabilities	[29]	77	63
Other liabilities	[30]	9,418	913
Equity	[31]	12,331	11,241
Consolidated equity		10,532	9,937
Non-controlling interests		666	660
Additional tier 1		1,133	645
Total		**146,177**	**135,146**

The growth in cash, cash balances at central banks and other demand deposits was primarily attributable to an increase in deposits at the Austrian National Bank at RBI AG.

The increase in other assets/other liabilities was largely due to the presentation in accordance with IFRS 5 of the core banking business of Raiffeisen Bank Polska S. A , Warsaw. This required the corresponding assets and liabilities to be recognized in the subitems non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale. For further details please refer to the notes (23) Other assets.

Statement of changes in equity

in € million	Subscribed capital	Capital reserves	Retained earnings	Cumulative other comprehensive income	Consolidated equity	Non-controlling interests	Additional tier 1	Total
Equity as at 31/12/2017	**1,002**	**4,992**	**6,496**	**(2,553)**	**9,937**	**660**	**645**	**11,241**
Impact of adopting IFRS 9	0	0	(223)	60	(163)	(7)	0	(170)
Equity as at 1/1/2018	**1,002**	**4,992**	**6,273**	**(2,492)**	**9,774**	**653**	**645**	**11,071**
Capital increases/ decreases	0	0	0	0	0	0	497	497
Allocation dividend - AT1	0	0	(29)	0	(29)	0	29	0
Dividend payments	0	0	(204)	0	(204)	(78)	(29)	(310)
Own shares	0	0	3	0	3	0	(9)	(6)
Other changes	0	0	1	0	1	(10)	0	(9)
Total comprehensive income	0	0	1,173	(186)	987	101	0	1,088
Equity as at 30/9/2018	**1,002**	**4,992**	**7,216**	**(2,678)**	**10,532**	**666**	**1,133**	**12,331**

The provisions of the new accounting standard for financial instruments (IFRS 9) took effect on 1 January 2018. The changeover effect reduced equity by minus € 170 million. More details on the changeover are available in the notes in the section entitled, Principles underlying the consolidated financial statements, under IFRS 9 transition.

RBI placed another issue of perpetual additional tier 1 capital (AT1) with a volume of € 500 million on 24 January 2018. According to IFRS 32, the additional tier 1 capital is classified as equity due to the terms of issue. Taking into account the issuance costs and the discount, this increased equity by € 497 million.

in € million	Subscribed capital	Capital reserves	Retained earnings	Cumulative other comprehensive income	Consolidated equity	Non-controlling interests	Additional tier 1	Total
Equity as at 1/1/2017	**1,002**	**4,994**	**5,455**	**(2,354)**	**9,096**	**655**	**0**	**9,752**
Capital increases/ decreases	0	0	0	0	0	0	645	645
Dividend payments	0	0	0	0	0	(90)	0	(90)
Own shares	0	(2)	2	0	0	0	0	0
Other changes	0	0	(42)	0	(42)	(33)	0	(75)
Total comprehensive income	0	0	910	(192)	718	105	0	823
Equity as at 30/9/2017	**1,002**	**4,992**	**6,324**	**(2,546)**	**9,772**	**637**	**645**	**11,055**

Statement of cash flows

in € million	Notes	1/1-30/9/2018	1/1-30/9/2017
Cash, cash balances at central banks and other demand deposits as at 1/1	**[12]**	**16,905**	**16,839**
Operating activities:			
Profit/loss before tax		1,587	1,301
Adjustments for the reconciliation of profit/loss after tax to the cash flow from operating activities:			
Write-downs/write-ups of tangible fixed assets and financial investments	[7, 8, 10]	385	–
Net provisioning for liabilities and charges and impairment losses	[6]	(78)	–
Gains/losses from disposal of tangible fixed assets and financial investments	[8]	(27)	–
Gains/losses from companies valued at equity	[8]	(39)	–
Net of net interest income and dividend income	[1, 2]	(2,579)	–
Interest received		3,068	–
Interest paid		(883)	–
Dividends received		91	–
Income taxes paid		(77)	–
Other adjustments (net)		571	–
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:			
Financial assets - amortized cost	[13]	(6,048)	–
Financial assets - fair value through other comprehensive income	[14]	(730)	–
Non-trading financial assets - mandatorily fair value through profit/loss	[15]	(501)	–
Financial assets - designated fair value through profit/loss	[16]	218	–
Financial assets - held for trading	[17]	(234)	–
Positive fair values from hedge accounting	[18]	1	–
Tax assets	[22]	(37)	–
Other assets	[23]	(43)	–
Financial liabilities - amortized cost	[24]	11,128	–
Financial liabilities - designated fair value through profit/loss	[25]	(546)	–
Financial liabilities - held for trading	[26]	644	–
Provisions for liabilities and charges	[28]	(145)	–
Tax liabilities	[29]	(179)	–
Other liabilities	[30]	(92)	–
Net cash from operating activities		**5,455**	**(1,606)**

in € million	Notes	1/1-30/9/2018	1/1-30/9/2017
Investing activities:			
Payments for purchase of:			
Investment securities and shares	[13, 14, 15, 16, 17, 19]	(3,178)	(2,449)
Tangible and intangible fixed assets	[20, 21]	(177)	(256)
Subsidiaries		(8)	0
Proceeds from sale of:			
Investment securities and shares	[13, 14, 15, 16, 17, 19]	2,618	3,289
Tangible and intangible fixed assets	[20, 21]	121	132
Subsidiaries		0	3
Net cash from investing activities		**(623)**	**720**
Cash and cash equivalents from disposal of subsidiaries		0	(49)
Financing activities:			
Capital increases	[31]	497	645
Inflows/outflows of subordinated capital		(522)	(85)
Dividend payments	[31]	(6)	(90)
Changes in non-controlling interests	[31]	0	28
Net cash from financing activities		**(31)**	**498**
Effect of exchange rate changes		183	(110)
Cash, cash balances at central banks and other demand deposits as at 30/9	**[12]**	**21,890**	**16,292**

Due to economic reasons there are no details available for net cash from operating activites in the comparative period.

The capital increases in the area of financing activities are attributable to the placement of additional tier 1 capital (AT1) with undefined maturity in the volume of € 500 million by RBI.

Segment reporting

As a rule, internal management reporting at RBI is based on the current organizational structure. This matrix structure means that each member of the Management Board is responsible both for individual countries and for specific business activities (country and functional responsibility model). A cash generating unit within the Group is a country. The presentation of the countries includes not only subsidiary banks, but all operating units of RBI in the respective countries (such as leasing companies). Accordingly, the RBI management bodies – Management Board and Supervisory Board – make key decisions that determine the resources allocated to any given segment based on its financial strength and profitability, which is why these reporting criteria are an essential component in the decision-making process. Thus, the division into segments was also undertaken in accordance with IFRS 8. The reconciliation contains mainly the amounts resulting from the elimination of intra-group results and consolidation between the segments.

This results in the following segments:

- Central Europe: Czech Republic, Hungary, Poland, Slovakia, and Slovenia
- Southeastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, and Serbia
- Eastern Europe: Belarus, Russia and Ukraine
- Group Corporates & Markets: operating business booked in Austria – Austrian and international corporate customers, Markets, Financial Institutions & Sovereigns, business with the Raiffeisen Banking Group (RBG) and specialized financial institution subsidiaries, e.g. Raiffeisen Centrobank AG, Kathrein Privatbank Aktiengesellschaft, Raiffeisen Leasing Group, Raiffeisen Factor Bank AG, Raiffeisen Bausparkasse Österreich Gesellschaft mbH and Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung
- Corporate Center: central control functions in RBI AG (e.g. Group Treasury), other Group units and minority interests (including UNIQA Insurance Group AG and LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG)

1/1-30/9/2018 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	743	598	759	405
Dividend income	6	9	1	23
Net fee and commission income	424	314	334	266
Net trading income and fair value result	37	25	16	42
Net gains/losses from hedge accounting	(13)	0	0	0
Other net operating income	(16)	24	7	106
Operating income	**1,181**	**969**	**1,117**	**842**
General administrative expenses	(649)	(507)	(450)	(478)
Operating result	**531**	**462**	**667**	**364**
Other result	(9)	0	(2)	(4)
Levies and special governmental measures	(76)	(11)	0	(16)
Impairment losses on financial assets	(40)	(4)	25	84
Profit/loss before tax	**406**	**448**	**690**	**427**
Income taxes	(92)	(64)	(147)	(89)
Profit/loss after tax	**313**	**384**	**543**	**338**
Profit attributable to non-controlling interests	(46)	0	(42)	(4)
Consolidated profit/loss	**268**	**384**	**501**	**334**
Return on equity before tax	13.4%	24.6%	48.3%	16.9%
Return on equity after tax	10.3%	21.1%	38.0%	13.4%
Net interest margin (average interest-bearing assets)	2.27%	3.56%	6.56%	1.29%
Cost/income ratio	55.0%	52.3%	40.3%	56.8%
Loan/deposit ratio	103.0%	74.2%	84.8%	163.4%
Provisioning ratio (average loans and advances to customers)	0.18%	0.04%	(0.36)%	(1.14)%
NPL ratio	3.9%	6.3%	5.6%	3.6%
NPL coverage ratio	76.2%	85.1%	74.6%	64.4%
Assets	46,951	24,956	17,137	46,021
Liabilities	42,417	21,854	14,694	47,955
Risk-weighted assets (total RWA)	25,666	15,221	11,939	22,606
Average equity	4,038	2,428	1,905	3,367
Loans to customers	27,447	14,122	11,042	25,970
Deposits from customers	27,938	19,473	13,185	22,097
Business outlets	628	974	779	24
Employees as at reporting date (full-time equivalents)	13,136	14,687	18,666	2,838
Customers in million	3.4	5.3	5.9	2.1

1/1-30/9/2018 in € million	Corporate Center	Reconciliation	Total
Net interest income	(21)	35	2,519
Dividend income	729	(708)	60
Net fee and commission income	(8)	(6)	1,325
Net trading income and fair value result	(91)	(9)	20
Net gains/losses from hedge accounting	13	0	0
Other net operating income	50	(92)	79
Operating income	**673**	**(779)**	**4,003**
General administrative expenses	(236)	92	(2,228)
Operating result	**437**	**(687)**	**1,775**
Other result	(65)	(6)	(87)
Levies and special governmental measures	(54)	0	(157)
Impairment losses on financial assets	(5)	(4)	56
Profit/loss before tax	**313**	**(697)**	**1,587**
Income taxes	77	0	(316)
Profit/loss after tax	**390**	**(697)**	**1,271**
Profit attributable to non-controlling interests	0	(7)	(99)
Consolidated profit/loss	**390**	**(704)**	**1,173**
Return on equity before tax	–	–	19.6%
Return on equity after tax	–	–	15.4%
Net interest margin (average interest-bearing assets)	–	–	2.49%
Cost/income ratio	–	–	55.7%
Loan/deposit ratio	–	–	98.1%
Provisioning ratio (average loans and advances to customers)	–	–	(0.10)%
NPL ratio	–	–	4.4%
NPL coverage ratio	–	–	75.0%
Assets	34,186	(23,076)	146,177
Liabilities	22,987	(16,062)	133,845
Risk-weighted assets (total RWA)	16,209	(15,413)	76,227
Average equity	2,443	(2,254)	11,926
Loans to customers	4,143	(2,669)	80,056
Deposits from customers	3,612	(3,948)	82,356
Business outlets	–	–	2,405
Employees as at reporting date (full-time equivalents)	1,089	–	50,416
Customers in million	0.0	–	16.7

1/1-30/9/2017 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	708	546	731	439
Dividend income	5	6	4	15
Net fee and commission income	411	298	343	235
Net trading income and fair value result	38	21	43	59
Net gains/losses from hedge accounting	2	0	0	(1)
Other net operating income	19	24	(5)	67
Operating income	**1,183**	**894**	**1,115**	**814**
General administrative expenses	(652)	(495)	(443)	(474)
Operating result	**532**	**399**	**672**	**340**
Other result	1	0	1	(7)
Levies and special governmental measures	(78)	6	0	(17)
Impairment losses on financial assets	(49)	(94)	19	(53)
Profit/loss before tax	**406**	**311**	**691**	**264**
Income taxes	(68)	(46)	(147)	(48)
Profit/loss after tax	**337**	**265**	**544**	**215**
Profit attributable to non-controlling interests	(45)	0	(49)	2
Consolidated profit/loss	**292**	**265**	**495**	**218**
Return on equity before tax	19.1%	19.4%	52.6%	12.1%
Return on equity after tax	15.9%	16.5%	41.4%	9.9%
Net interest margin (average interest-bearing assets)	2.12%	3.45%	6.60%	1.39%
Cost/income ratio	55.1%	55.4%	39.8%	58.2%
Loan/deposit ratio	93.9%	73.6%	84.8%	144.9%
Provisioning ratio (average loans and advances to customers)	0.22%	1.00%	(0.25)%	0.27%
NPL ratio	5.2%	9.4%	9.5%	5.7%
NPL coverage ratio	67.4%	77.8%	81.6%	56.1%
Assets	46,128	22,962	15,383	43,351
Liabilities	41,663	19,983	13,010	46,416
Risk-weighted assets (total RWA)	22,096	14,508	11,336	20,209
Average equity	2,829	2,134	1,751	2,912
Loans to customers	29,919	12,798	9,474	25,170
Deposits from customers	34,154	17,723	11,306	23,110
Business outlets	628	984	773	25
Employees as at reporting date (full-time equivalents)	13,105	14,809	17,824	2,696
Customers in million	3.4	5.4	5.7	2.0

1/1-30/9/2017 in € million	Corporate Center	Reconciliation	Total
Net interest income	(50)	34	2,407
Dividend income	928	(927)	30
Net fee and commission income	(7)	(8)	1,271
Net trading income and fair value result	(109)	(26)	27
Net gains/losses from hedge accounting	7	(2)	7
Other net operating income	60	(85)	79
Operating income	**828**	**(1,014)**	**3,821**
General administrative expenses	(233)	85	(2,213)
Operating result	**595**	**(929)**	**1,608**
Other result	13	23	31
Levies and special governmental measures	(58)	0	(147)
Impairment losses on financial assets	(2)	(12)	(191)
Profit/loss before tax	**548**	**(918)**	**1,301**
Income taxes	20	0	(290)
Profit/loss after tax	**568**	**(918)**	**1,012**
Profit attributable to non-controlling interests	0	(9)	(102)
Consolidated profit/loss	**568**	**(927)**	**910**
Return on equity before tax	–	–	17.5%
Return on equity after tax	–	–	13.6%
Net interest margin (average interest-bearing assets)	–	–	2.45%
Cost/income ratio	–	–	57.9%
Loan/deposit ratio	–	–	97.1%
Provisioning ratio (average loans and advances to customers)	–	–	0.33%
NPL ratio	–	–	6.7%
NPL coverage ratio	–	–	69.4%
Assets	34,943	(22,803)	139,963
Liabilities	23,735	(15,898)	128,908
Risk-weighted assets (total RWA)	13,856	(12,335)	69,670
Average equity	2,226	(1,953)	9,899
Loans to customers	1,158	(1,872)	76,648
Deposits from customers	527	(2,928)	83,892
Business outlets	–	–	2,410
Employees as at reporting date (full-time equivalents)	1,011	–	49,445
Customers in million	0.0	–	16.5

Notes

Principles underlying the consolidated financial statements

Principles of preparation

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

The provisions of the new accounting standard for financial instruments (IFRS 9) took effect on 1 January 2018. This chapter contains further details on the first-time application of IFRS 9. The adjustments and the consequences of the new provisions are outlined in the chapter IFRS 9 transition.

In addition to the introduction of IFRS 9, RBI has also made changes to the presentation of the statement of financial position. It is now closely based on the requirements for the reporting of financial information (FinRep) issued by the European Banking Authority (EBA). The change also made it necessary to adapt the comparable period and the comparable reporting date. The changes are explained in more detail in the chapter changes in the presentation of the financial statements.

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

Critical accounting judgments and key sources of estimation uncertainty

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

Application of new and revised standards

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

IFRS 9 contains requirements for recognition, measurement and derecognition, and also for hedge accounting. The key requirements of IFRS 9 can be summarized as follows:

According to IFRS 9, all financial assets are measured either at amortized cost or at fair value. Debt instruments which are held within the framework of a business model whose objective is to collect the contractual cash flows and whose contractual cash flows consist of solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost in the subsequent periods. All other instruments must be measured at fair value through profit or loss.

IFRS 9 also contains an option, which cannot subsequently be revoked, to recognize subsequent changes in the fair value of an equity investment (which is not held for trading) in other comprehensive income, with only dividend income recognized in profit or loss.

According to IFRS 9, the rules for impairment are applicable for financial assets measured at amortized cost or at fair value through other comprehensive income. In accordance with IFRS 9, the impairment rules are also applicable to loan commitments off the statement of financial position and financial guarantees. The model for the risk assessment changes from a historic-oriented model in accordance with IAS 39 (incurred loss model) to a future-oriented model in accordance with IFRS 9 (expected loss model).

For subsequent measurement of financial assets measured at amortized cost, IFRS 9 provides for three stages which determine the expected amount of losses to be recognized and the recognition of interest. The Stage 1 requires, at the time of initial recognition, the recognition of twelve-month expected credit losses. If there is a significant increase in the credit risk, the loss allowance must be increased up to the amount of the expected full lifetime loss (Stage 2). When there is an objective indication of an impairment, the interest in Stage 3 must be recognized on the basis of the net carrying amount.

IFRS 9 grants accounting options for hedge accounting. In 2018, RBI continues to apply the provisions on hedge accounting pursuant to IAS 39 while, however, taking into account the changes in the disclosures in the notes pursuant to IFRS 7.

With regard to the changed principles for the recognition and measurement of financial instruments, please refer to the chapter IFRS 9 Financial instruments (entry into force 1 January 2018) in the 2017 consolidated financial statements (see Annual Report 2017, page 235 ff).

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

For all contracts with customers, the accounting standard specifies how and when income is recognized, based on a five-step model, but does not have any consequences for the recognition of income arising in connection with financial instruments within the scope of IFRS 9. IFRS 15 replaces several other IFRS standards such as IAS 18 (Revenue), IAS 11 (Construction Contracts) and interpretations, which determine the timing of recognition under IFRS. The standard also requires entities to provide users of financial statements with more informative, relevant disclosures in the notes. In 2016 the IASB published clarifications on IFRS 15. These changes address three of the five identified topics (performance obligation identification, principal/agent considerations and licenses) and aim to facilitate transition for modified and completed contracts. As the focus of IFRS 15 is not on accounting for revenue from financial instruments and leases, its first-time application will not have a material impact on the consolidated financial statements of RBI.

Amendments to IFRS 4 (Insurance contracts; entry into force 1 January 2018)

The amendments aim to mitigate the consequences resulting from different first-time effective dates for the application of IFRS 9 and the successor standard to IFRS 4, especially for companies whose activities are predominantly connected with insurance. Two optional approaches are being introduced which can be used by insurers if certain requirements are met: the overlay approach and the deferral approach. The application of these amendments will not have any impact on the consolidated financial statements of RBI.

Standards and interpretations not yet applicable

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

For lessees, the new standard establishes an accounting model which does not distinguish between financial leasing and operating leasing. In future, most lease agreements will have to be recognized in the statement of financial position. The standard requires lessees to recognize assets and liabilities in the statement of financial position for all leases of more than twelve months, unless the underlying asset has a low value. The lessee recognizes an asset which represents its right to use the underlying asset.

It also recognizes a lease liability which represents its liability to effect the lease payments. For lessors, the rules under IAS 17 (Leases) remain largely valid, meaning that in future it will still be necessary to distinguish between financial and operating leasing with corresponding different accounting consequences. In addition, the standard also requires entities to provide users of financial statements with more informative, relevant disclosures in the notes. In 2017, RBI launched a group-wide preliminary study to analyze the impact of IFRS 16 on existing leases. In the context of this preliminary study, contracts (rental and leasing contracts) were analyzed on the basis of the extent to which the existing lease agreements were to be recorded as rights of use and lease liabilities on the statement of financial position, and on the other hand, Group-wide accounting guidelines were drafted. The analysis has shown that as of 1 January 2019, usage rights and leasing liabilities of around € 500 million are expected to be recognized. An effect on equity is not expected. In 2018 the requirements are being implemented within the framework of local implementation projects.

Changes in the presentation of the financial statements

In addition to the first-time application of IFRS 9, RBI has also made changes in the presentation of the financial statements. The presentation of the financial statements is now closely based on the requirements for the reporting of financial information (FinRep) issued by the European Banking Authority (EBA) and enables greater transparency and comparability. The changes mainly relate to the presentation of financial instruments. The items in the consolidated statement of financial position and the consolidated income statement and also in the relevant items in the notes reflect the new accounting categories pursuant to IFRS 9.

The change also made it necessary to adapt the comparable period and the comparable reporting date. The following tables show the transition for the categories recognized at the end of 2017 into the new accounting format. The explanatory notes and consequences in relation to IFRS 9 are shown separately for each measurement category in the next chapter and are already based on the adapted figures.

The column headings represent the previous items on the statement of financial position, while the line headers reflect the new presentation of the statement of financial position:

Assets in € million	Cash reserve	Loans to banks	Loans to customers	Impairment losses on loans and advances	Trading assets	Derivatives
Cash, cash balances at central banks and other demand deposits	13,330	3,576	0	0	0	0
Financial assets - amortized cost	0	10,783	81,220	(3,102)	0	0
Financial assets - fair value through other comprehensive income	0	0	0	0	0	0
Non-trading financial assets - mandatorily fair value through profit/loss	–	–	–	–	–	–
Financial assets - designated fair value through profit/loss	0	0	13	0	0	0
Financial assets - held for trading	0	0	0	0	3,942	415
Hedge accounting	0	0	0	0	0	522
Investments in subsidiaries, joint ventures and associates	0	0	0	0	0	0
Tangible fixed assets	0	0	0	0	0	0
Intangible fixed assets	0	0	0	0	0	0
Current tax assets	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0
Other assets	0	0	0	0	0	0
Total	**13,330**	**14,358**	**81,232**	**(3,102)**	**3,942**	**937**

Equity and liabilities in € million	Deposits from banks	Deposits from customers	Debt securities issued	Provisions for liabilities and charges	Trading liabilities
Financial liabilities - amortized cost	21,675	84,831	4,765	0	0
Financial liabilities - designated fair value through profit/loss	617	0	1,120	0	0
Financial liabilities - held for trading	0	0	0	0	4,257
Hedge accounting	0	0	0	0	0
Provisions for liabilities and charges	0	0	0	872	0
Current tax liabilities	0	0	0	75	0
Deferred tax liabilities	0	0	0	63	0
Other liabilities	0	0	0	0	0
Equity	0	0	0	0	0
Total	**22,291**	**84,831**	**5,885**	**1,010**	**4,257**

Assets in € million	Financial investments	Investments in associates	Intangible fixed assets	Tangible fixed assets	Other assets	Total assets
Cash, cash balances at central banks and other demand deposits	0	0	0	0	0	16,905
Financial assets - amortized cost	7,221	0	0	0	186	96,307
Financial assets - fair value through other comprehensive income	6,589	0	0	0	0	6,589
Non-trading financial assets - mandatorily fair value through profit/loss	–	–	–	–	–	–
Financial assets - designated fair value through profit/loss	5,357	0	0	0	0	5,370
Financial assets - held for trading	266	0	0	0	0	4,622
Hedge accounting	0	0	0	0	75	597
Investments in subsidiaries, joint ventures and associates	194	729	0	0	0	923
Tangible fixed assets	0	0	0	1,540	0	1,540
Intangible fixed assets	0	0	721	0	0	721
Current tax assets	0	0	0	0	189	189
Deferred tax assets	0	0	0	0	114	114
Other assets	0	0	0	0	1,268	1,268
Total	**19,628**	**729**	**721**	**1,540**	**1,832**	**135,146**

Equity and liabilities in € million	Derivatives	Other liabilities	Subordinated capital	Equity	Total equity and liabilites
Financial liabilities - amortized cost	0	507	3,016	0	114,794
Financial liabilities - designated fair value through profit/loss	0	0	772	0	2,509
Financial liabilities - held for trading	158	0	0	0	4,414
Hedge accounting	205	60	0	0	265
Provisions for liabilities and charges	0	0	0	0	872
Current tax liabilities	0	0	0	0	75
Deferred tax liabilities	0	0	0	0	63
Other liabilities	0	913	0	0	913
Equity	0	0	0	11,241	11,241
Total	**362**	**1,480**	**3,788**	**11,241**	**135,146**

IFRS 9 Transition

This chapter contains an analysis showing the transition from the figures presented in the annual report 2017 to those in accordance with IFRS 9 for the first-time application as at 1 January 2018. The transition provisions for IFRS 9 do not require any retroactive application to earlier reporting periods; consequently, the effect of the first-time application is reflected in the equity of the opening balance for the 2018 financial year. Due to the adaptation of various parameters based on new historical information, the transition effect was recalculated, resulting in an effect of minus € 40 million after taxes compared to the figure published in the first quarter. The transition effect recognized in equity was therefore minus € 170 million.

The following table gives an overview of the consequences of the change in assets for classification and measurement, taking into account impairments for items on and off the statement of financial position which are affected by IFRS 9, from IAS 39 as at 31 December 2017 to IFRS 9 as at 1 January 2018.

Overview - IFRS 9 Transition

Assets in € million	**IAS 39 Carrying amount 31/12/2017**	**Reclassifications**	**Remeasurements**	**IFRS 9 Carrying amount 1/1/2018**
Financial assets - amortized cost	96,307	(55)	(255)	95,998
Financial assets - fair value through other comprehensive income	6,589	368	3	6,961
Non-trading financial assets - mandatorily fair value through profit/loss	-	563	7	571
Financial assets - designated fair value through profit/loss	5,370	(854)	0	4,516
Financial assets - held for trading	4,622	(24)	0	4,598
Deferred taxes	114	0	35	149
Total	**113,003**	**0**	**(210)**	**112,793**

Equity and liabilities in € million	**IAS 39 Carrying amount 31/12/2017**	**Reclassifications**	**Remeasurements**	**IFRS 9 Carrying amount 1/1/2018**
Financial liabilities - amortized cost	114,794	448	0	115,242
Financial liabilities - designated fair value through profit/loss	2,509	(448)	(70)	1,991
Financial liabilities - held for trading	4,414	0	0	4,414
Provisions for loan commitments, financial guarantees and other commitments given	119	0	30	149
Liabilities	**121,836**	**0**	**(40)**	**121,796**
Equity	**11,241**	**0**	**(170)**	**11,071**
Total	**133,077**	**0**	**(210)**	**132,867**

Transition financial assets – amortized cost

The reclassification of € 314 million relates to subtractions of loans and advances to customers that do not have contractual cash flows that are solely payments of principal and interest and thus have to mandatorily be measured at fair value. In addition, debt instruments which are also to be allocated to this measurement category had additions from financial assets - fair value through other comprehensive income (€ 160 million) and to a lesser extent from other measurement categories where the underlying business model and the structure of the debt instruments necessitated presentation in the category amortized cost.

in € million	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018	Retained earnings 1/1/2018	Cumulative other compre-hensive income 1/1/2018
Debt instruments	**7,835**	**259**	**(14)**	**8,080**	**(11)**	**(3)**
Additions from financial assets - held for trading	–	59	(6)	–	(6)	–
Additions from financial assets - designated fair value through profit/loss	–	77	(2)	–	(2)	–
Additions from financial assets - fair value through other comprehensive income	–	160	(3)	–	0	(3)
Required subtractions to non-trading financial assets - mandatorily fair value through profit/loss	–	(20)	0	–	–	–
Elected subtractions to financial assets - fair value through other comprehensive income	–	(16)	0	–	–	–
Loans and advances	**88,473**	**(314)**	**(242)**	**87,917**	**(242)**	**–**
Required subtractions to non-trading financial assets - mandatorily fair value through profit/loss	–	(314)	0	–	–	–
Total	**96,307**	**(55)**	**(255)**	**95,998**	**(252)**	**(3)**

Transition financial assets – fair value through other comprehensive income

A financial asset is subsequently measured at fair value through other comprehensive income (FVOCI) if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In addition, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This category mainly includes securities from the liquidity reserve and equity instruments that were allocated to the measurement category financial assets - available for sale under IAS 39.

in € million	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018	Retained earnings 1/1/2018	Cumulative other compre-hensive income 1/1/2018
Equity instruments	**298**	**1**	**3**	**302**	**0**	**3**
Additions from financial assets - designated fair value through profit/loss	–	1	0	–	0	0
Additions from financial assets - fair value through other comprehensive income	–	0	0	–	–	3
Debt instruments	**6,292**	**367**	**0**	**6,659**	**(3)**	**3**
Additions from financial assets - designated fair value through profit/loss	–	522	0	–	(3)	3
Additions from financial assets - held to maturity	–	16	0	–	0	0
Elected subtractions to financial assets - amortized cost	–	(160)	–	–	–	–
Elected subtractions to Financial assets - designated fair value through profit/loss	–	(11)	–	–	–	–
Loans and advances	**0**	**0**	**0**	**0**	**0**	**0**
Total	**6,589**	**368**	**3**	**6,961**	**(3)**	**7**

Transition non-trading financial assets – mandatorily fair value through profit/loss

Financial assets which are not held for trading, which additionally do not meet the criteria for classification as assets and are subsequently to be measured at amortized cost or at FVOCI are classified as assets which are subsequently to be measured at fair value through profit/loss. This measurement category includes largely additions of loans and advances to customers that do not have contractual cash flows that are solely payments of principal and interest and thus have to mandatorily be measured at fair value (€ 302 million). Affected are loans and other debt instruments which include non-SPPI incongruent interest components and did not pass the required quantitative test (see also chapter IFRS 9 Financial Instruments, entry into force on 1 January 2018, in the consolidated financial statements for 2017 (see Annual Report 2017, page 235 ff)). The resulting elected or required reclassifications in the form of additions and subtractions from the former IAS 39 measurement categories are shown in the table below.

in € million	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018	Retained earnings 1/1/2018	Cumulative other compre-hensive income 1/1/2018
Equity instruments	**–**	**78**	**–**	**78**	**–**	**–**
Additions from financial assets - designated fair value through profit/loss	–	78	–	–	–	–
Debt instruments	**–**	**184**	**1**	**184**	**1**	**–**
Additions from financial assets - designated fair value through profit/loss	–	151	–	–	–	–
Additions from financial assets - loans and receivables	–	12	0	–	0	–
Additions from financial assets - held to maturity	–	20	1	–	1	–
Loans and advances	**–**	**302**	**7**	**308**	**7**	**–**
Additions from financial assets - loans and receivables	–	302	7	–	7	–
Total	**–**	**563**	**7**	**571**	**7**	**–**

Transition financial assets – designated fair value through profit/loss

Because of cancellations of equity instruments and debt instruments designated at fair value under IAS 39, subtractions from financial assets - designated fair value through profit/loss which were required or voluntary pursuant to IFRS 9 had to be reversed. Essentially, debt instruments of € 752 million and equity instruments of € 101 million were reclassified from financial assets - designated fair value through profit/loss. The resulting discretionary or required reclassifications in the form of additions and subtractions from the former IAS 39 measurement categories are shown in the table below.

in € million	IAS 39 Carrying amount 31/12/2017	Reclassi-fications	Remeasure-ments	IFRS 9 Carrying amount 1/1/2018	Retained earnings 1/1/2018	Cumulative other compre-hensive income 1/1/2018
Equity instruments	**101**	**(101)**	**–**	**0**	**0**	**0**
Required subtractions to non-trading financial assets - held for trading	–	(22)	–	–	–	–
Elected subtractions to financial assets - fair value through other comprehensive income	–	(1)	–	–	–	–
Elected subtractions to non-trading financial assets - mandatorily fair value through profit/loss	–	(78)	–	–	–	–
Debt instruments	**5,255**	**(752)**	**–**	**4,503**	**1**	**(1)**
Additions from financial assets - fair value through other comprehensive income	–	11	–	–	1	(1)
Required subtractions to financial assets - held for trading	–	(13)	–	–	–	–
Required subtractions to financial assets - fair value through other comprehensive income	–	(385)	–	–	–	–
Elected subtractions to non-trading financial assets - mandatorily fair value through profit/loss	–	(151)	–	–	–	–
Elected subtractions to financial assets - fair value through other comprehensive income	–	(136)	–	–	–	–
Elected subtractions to financial assets - amortized cost	–	(77)	–	–	–	–
Loans and advances	**14**	**0**	**0**	**14**	**0**	**0**
Total	**5,370**	**(854)**	**0**	**4,516**	**1**	**(1)**

Transition financial assets – held for trading

Additions to financial assets – held for trading amounting to € 13 million are made largely from financial assets which, according to IAS 39 were voluntarily measured as designated at fair value. However, these options are limited under IFRS 9 because a financial asset can only be measured as designated at fair value through profit/loss if doing so prevents or significantly reduces a measurement or recognition inconsistency – i.e. an accounting mismatch. Where this condition was not met, the Group was, in many cases, required to reclassify equities and debt instruments under financial assets held for trading.

Subtractions, due to reclassifications from assets held for trading into the measurement category financial assets - amortized cost, amounting to € 59 million were made where the two conditions were fulfilled that the asset is held within a business model whose objective is achieved by managing assets in order to collect contractual cash flows and where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

in € million	IAS 39 Carrying amount 31/12/2017	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1/1/2018	Retained earnings 1/1/2018	Cumulative other comprehensive income 1/1/2018
Derivatives	**2,138**	**0**	**0**	**2,138**	**0**	**0**
Equity instruments	**246**	**22**	**0**	**267**	**0**	**0**
Additions from financial assets - designated fair value through profit/loss	–	22	0	–	–	–
Debt instruments	**2,238**	**(46)**	**0**	**2,193**	**0**	**0**
Additions from financial assets - designated fair value through profit/loss	–	13	0	–	–	–
Subtractions to financial assets - amortized cost	–	(59)	0	–	–	–
Loans and advances	**–**	**0**	**0**	**–**	**0**	**–**
Total	**4,622**	**(24)**	**0**	**4,598**	**0**	**0**

Transition financial liabilities – designated fair value through profit/loss

A financial liability can be irrevocably designated as at fair value through profit or loss if doing so prevents or significantly reduces a measurement or recognition inconsistency – i.e. an accounting mismatch. These inconsistencies arise from measuring assets or liabilities, or recognizing the gains and losses on them, on a different basis. If a financial liability contains one or more embedded derivatives (structured financial liabilities), then according to IFRS 9, the entire financial liability may, at the time of initial recognition, be irrevocably classified as designated at fair value through profit/loss, if certain conditions are met. Reclassifications amounting to minus € 448 million and remeasurements (minus € 70 million) of financial liabilities – designated fair value through profit/loss into the measurement category financial liabilities - amortized cost had to be reversed due to cancellations of deposits and debt instruments previously designated at fair value.

in € million	IAS 39 Carrying amount 31/12/2017	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1/1/2018	Retained earnings 1/1/2018	Cumulative other comprehensive income 1/1/2018
Deposits	**617**	**(71)**	**(15)**	**531**	**12**	**3**
Elected subtractions to financial liabilities - amortized cost	–	(71)	(15)	–	12	3
Debt securities	**1,892**	**(377)**	**(55)**	**1,460**	**(2)**	**57**
Additions from financial liabilities - amortized cost	–	11	0	–	0	0
Elected subtractions to financial liabilities - amortized cost	–	(388)	(55)	–	(2)	57
Other financial liabilities	**–**	**0**	**0**	**–**	**0**	**0**
Total	**2,509**	**(448)**	**(70)**	**1,991**	**10**	**60**

Transition impairments

Remeasurements due to the change from a historic-oriented risk assessment model pursuant to IAS 39 (incurred loss model) to a future-oriented model in accordance with IFRS 9 (expected loss model) were necessary for financial assets measured at amortized cost or at fair value through other comprehensive income, and also for impairment losses for loan commitments off the statement of financial position and financial guarantees.

The column reclassification relates to changes in impairment due to differences in the scope of the impairment requirements in IFRS 9 compared to IAS 39. The decrease in impairment losses of € 20 million due to reclassifications is on the one hand due to reversals of impairment on loans and receivables (€ 23 million) which have to be measured at fair value in accordance with IFRS 9 and on the other hand to debt instruments of the available for sale category measured at fair value through other comprehensive income according to IFRS 9.

The column remeasurements relates to changes in impairment due to changes in the methods used to determine the impairment allowances for financial assets that were already under IAS 39 for financial assets and under IAS 37 for credit risks off the statement of the financial position within the scope of the impairment requirements.

In addition, the increase in impairments in the column remeasurements includes effects not affecting equity resulting from the first-time application of IFRS 9. This relates on the one hand to a reduction in loan loss provisions which at the time of transition to IFRS 9 had been retrospectively identified as purchased or originated credit impaired financial assets (POCI) and on the other hand to an increase in risk provisioning for already defaulted receivables, which concerns interest receivables which were recognized off the statement of the financial position until 31 December 2017 and which are recognized as part of the gross carrying amount from 1 January 2018.

in € million	IAS 39 Carrying amount 31/12/2017	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1/1/2018
Financial assets - amortized cost	**3,102**	**(23)**	**238**	**3,317**
hereof debt instruments	0	0	2	3
hereof loans and advances	3,102	(23)	236	3,315
Financial assets - fair value through other comprehensive income	**–**	**3**	**1**	**4**
hereof debt instruments	–	3	1	4
hereof loans and advances	–	0	0	0
Off balance sheet items	**119**	**–**	**30**	**149**
hereof loan commitments given	27	–	27	54
hereof financial guarantees given	84	–	(0)	84
hereof other commitments given	8	–	3	11
Total	**3,221**	**(20)**	**269**	**3,470**

Currencies

	2018		2017	
	As at	Average	As at	Average
Rates in units per €	**30/9**	**1/1-30/9**	**31/12**	**1/1-30/9**
Albanian lek (ALL)	126.240	128.722	132.980	134.427
Belarusian ruble (BYN)	2.446	2.390	2.364	2.134
Bosnian marka (BAM)	1.956	1.956	1.956	1.956
Bulgarian lev (BGN)	1.956	1.956	1.956	1.956
Croatian kuna (HRK)	7.435	7.421	7.440	7.453
Czech koruna (CZK)	25.731	25.607	25.535	26.580
Hungarian forint (HUF)	324.370	318.030	310.330	308.681
Polish zloty (PLN)	4.277	4.247	4.177	4.271
Romanian leu (RON)	4.664	4.654	4.659	4.552
Russian ruble (RUB)	76.142	72.925	69.392	65.199
Serbian dinar (RSD)	118.290	118.199	118.440	121.903
Ukrainian hryvnia (UAH)	32.712	32.334	33.727	29.573
US dollar (USD)	1.158	1.194	1.199	1.115

Consolidated group

	Fully consolidated	
Number of units	**30/9/2018**	**31/12/2017**
As at beginning of period	**236**	**106**
Included in the course of merger	0	175
Included for the first time in the financial period	7	4
Merged in the financial period	(1)	0
Excluded in the financial period	(15)	(49)
As at end of period	**227**	**236**

The companies which were included for the first time are mainly engaged in leasing activities. In addition, one real estate company in Hungary was included for the first time in the second quarter. In the reporting period, 14 companies – especially leasing units – were excluded from the consolidated group on grounds of immateriality, one company was sold. In the reporting period, Valida Industrie Pensionskasse AG, Vienna, was merged into Valida Pension AG, Vienna.

Notes to the income statement

(1) Net interest income

in € million	1/1-30/9/2018	1/1-30/9/2017
Interest income	**3,564**	**3,510**
Financial assets - held for trading	281	276
Non-trading financial assets - mandatorily fair value through profit/loss	20	0
Financial assets - designated fair value through profit/loss	59	116
Financial assets - fair value through other comprehensive income	88	25
Financial assets - amortized cost	2,944	2,873
Derivatives – hedge accounting, interest rate risk	114	140
Other assets	20	55
Interest income on financial liabilities	38	25
Interest expenses	**(1,045)**	**(1,103)**
Financial liabilities - held for trading	(252)	(211)
Financial liabilities - designated fair value through profit/loss	(47)	(68)
Financial liabilities - amortized cost	(673)	(754)
Derivatives – hedge accounting, interest rate risk	(24)	(11)
Other liabilities	(10)	(19)
Interest expenses on financial assets	(38)	(39)
Total	**2,519**	**2,407**

Net interest income includes interest income and interest expenses from mark-to-market items amounting to € 147 million.

in € million	1/1-30/9/2018	1/1-30/9/2017
Net interest income	2,519	2,407
Average interest-bearing assets	134,802	131,237
Net interest margin in per cent	**2.49%**	**2.45%**

The rise in net interest income was primarily the result of increases in Romania (increase of € 54 million due to higher interest rates and larger volumes), the Czech Republic (increase of € 42 million due in large part to higher market interest rates and larger customer loan volumes), and in Ukraine (increase of € 23 million due to higher interest rates and larger volumes of loans to non-financial corporations). The positive development of net interest income in Russia was offset by the depreciation of the Russian ruble.

The improvement in the net interest margin was driven in some measure by healthy margin growth in Romania and the Czech Republic, but above all by Ukraine as a result of the positive development of loans to non-financial corporations.

(2) Dividend income

in € million	1/1-30/9/2018	1/1-30/9/2017
Non-trading financial assets - mandatorily fair value through profit/loss	1	1
Financial assets - fair value through other comprehensive income	14	15
Investments in subsidiaries, joint ventures and associates	45	14
Total	**60**	**30**

This increase is generated predominatly from dividend income from subsidiaries not fully consolidated (primarily real estate companies and insurance brokers).

(3) Net fee and commission income

in € million	1/1-30/9/2018	1/1-30/9/2017
Clearing, settlement and payment services	434	409
Loan and guarantee business	139	121
Securities	77	88
Asset management	192	188
Custody	88	94
Customer resources distributed but not managed	56	50
Other	339	323
Total	**1,325**	**1,271**
Fee and commission income	1,885	1,808
Fee and commission expenses	(560)	(536)

Net fee and commission income increased € 53 million to € 1,325 million despite significant depreciation among Eastern European currencies compared to the same period in the previous year. Net income from clearing, settlement and payment services was up € 25 million, increasing most in Poland and Russia. Net income from the loan and guarantee business went up € 19 million, above all at RBI AG. This was partly the result of modifications on the grounds of system adjustments following the introduction of IFRS 9 due to a changed allocation of commission income. Other net fee and commission income increased € 17 million primarily at Raiffeisen Bausparkasse because of a changed disclosure in connection with brokerage expenses and in Romania due to the higher income from foreign exchange and notes and coins resulting from larger business volumes.

(4) Net trading income and fair value result

in € million	1/1-30/9/2018	1/1-30/9/2017
Net gains/losses on financial assets and liabilities - held for trading	**(260)**	**176**
Derivatives	(210)	182
Equity instruments	(18)	(21)
Debt securities	(32)	14
Loans and advances	5	5
Short positions	3	(1)
Deposits	(10)	(7)
Debt securities issued	(1)	0
Other financial liabilities	2	2
Net gains/losses on non-trading financial assets - mandatorily at fair value through profit/loss	**(16)**	**–**
Equity instruments	(1)	–
Debt securities	(5)	–
Loans and advances	(11)	–
Net gain/losses on financial assets and liabilities - designated fair value through profit/loss	**0**	**(21)**
Debt securities	(31)	(68)
Deposits	10	9
Debt securities issued	20	38
Exchange differences, net	**297**	**(129)**
Total	**20**	**27**

Net trading income was down € 7 million year-on-year. While net gains on derivatives of € 182 million were reported in the comparable period, net losses of € 210 million were booked in the first three quarters of 2018. This was primarily based on valuation changes from foreign exchange derivatives at RBI AG and in Russia and Poland. In the first three quarters of 2018, € 121 million in losses from derivatives were reported in connection with economic hedges (comparable period: gains of € 213 million).

The net gains from currency translation of € 297 million (comparable period: losses of € 129 million) were primarily attributable to exchange rate developments in Russia and Poland and positions in US dollars and Swiss francs held at RBI AG. These results are offset partly by opposite valuations of the foreign exchange derivatives that are held in the derivatives position for economic hedge purposes.

The change in net income from debt securities held for trading of € 46 million to minus € 32 million was mainly due to valuation losses at RBI AG and in Russia.

The changes of € 37 million in debt securities – designated fair value through profit/loss and minus € 18 million in debt securities issued – designated fair value profit/loss were primarily caused by interest-rate-induced valuation changes at RBI AG. These changes are partly offset by opposite valuations of derivatives held for economic hedge purposes in the position net gains/losses on financial assets and liabilities - held for trading.

(5) Net gains/losses from hedge accounting

in € million	1/1-30/9/2018	1/1-30/9/2017
Fair value changes of the hedging instruments	(18)	(76)
Fair value changes of the hedged items attributable to the hedged risk	31	83
Ineffectiveness of cash flow hedge recognized in profit or loss	(13)	0
Total	**0**	**7**

Net gains/losses from hedge accounting decreased year-on-year mainly due to the results in Poland and at RBI AG.

The sale of the core banking business of Raiffeisen Bank Polska S.A. resulted in the termination of the existing portfolio cash flow hedges in the second quarter of 2018. These hedged the cash flow fluctuations from foreign currency loans and deposits in local currency by means of foreign currency interest rate swaps. The termination had a neutral effect on capital, but resulted in the reclassification through profit or loss of the cash flow hedge reserve of minus € 13 million recognized in other comprehensive income in previous periods.

Up to the end of September 2018, the fair value changes of hedging positions at RBI AG exceeded those of hedging instruments by € 13 million; in the comparable period of 2017, the figure was € 6 million.

(6) Other net operating income

in € million	1/1-30/9/2018	1/1-30/9/2017
Gains/losses on derecognition of financial assets and liabilities - not measured at fair value through profit/loss	23	34
Gains/losses on derecognition of non-financial assets held for sale	2	(5)
Net income arising from non-banking activities	25	24
Net income from additional leasing services	2	3
Net income from insurance contracts	(2)	(3)
Net rental income from investment property incl. operating lease (real estate)	43	60
Net expense from allocation and release of other provisions	22	8
Other taxes	(47)	(48)
Sundry operating income/expenses	11	5
Total	**79**	**79**

Other net operating income remained constant at € 79 million. Net expense from allocations and release of other provisions included a net release of € 14 million, mainly in connection with litigation involving RBI AG and in Russia. RBI AG reported a gain of € 25 million from the release of a provision in connection with the termination of protracted litigation with an Icelandic bank. However, small allocations were made to provisions in connection with other court cases. In contrast, rental income from investment property including operating lease fell €17 million to € 43 million. Of that amount, € 10 million related to Hungary due to the deconsolidation of a real estate fund and € 8 million to Croatia due to lower revenues from operating lease.

(7) General administrative expenses

in € million	1/1-30/9/2018	1/1-30/9/2017
Staff expenses	(1,164)	(1,145)
Other administrative expenses	(853)	(843)
Depreciation of tangible and intangible fixed assets	(211)	(225)
Total	**(2,228)**	**(2,213)**

In the reporting period, the Belarusian ruble, the Russian ruble and the Ukrainian hryvnia depreciated 11, 11 and 9 per cent respectively year-on-year on the basis of average exchange rates. In contrast, the Czech koruna appreciated 4 per cent. The currency movements led to a reduction of € 45 million in general administrative expenses.

Staff expenses

in € million	1/1-30/9/2018	1/1-30/9/2017
Wages and salaries	(917)	(886)
Social security costs and staff-related taxes	(198)	(208)
Other voluntary social expenses	(29)	(29)
Sundry staff expenses	(20)	(22)
Total	**(1,164)**	**(1,145)**

Staff expenses increased 2 per cent to € 1,164 million. Currency effects reduced expenses. In contrast, salary adjustments and higher bonuses increased staff expenses, mainly in Russia, Ukraine and Slovakia. A change in the law in Romania also resulted in a neutral shift between the items wages and salaries and social security costs and staff-related taxes. The average headcount increased 162 full-time equivalents year-on-year to 50,204 employees.

Other administrative expenses

in € million	1/1-30/9/2018	1/1-30/9/2017
Office space expenses	(158)	(170)
IT expenses	(246)	(227)
Legal, advisory and consulting expenses	(78)	(79)
Advertising, PR and promotional expenses	(86)	(88)
Communication expenses	(45)	(49)
Office supplies	(17)	(18)
Car expenses	(11)	(11)
Deposit insurance fees	(76)	(66)
Security expenses	(37)	(34)
Traveling expenses	(13)	(12)
Training expenses for staff	(13)	(10)
Sundry administrative expenses	(74)	(78)
Total	**(853)**	**(843)**

Other administrative expenses increased slightly to € 853 million. They rose due to increased deposit insurance fees of € 10 million in Russia, Romania, Poland and in the Group Corporates & Markets segment and higher IT expenses (up € 19 million), primarily for acquired IT services in Group head office. In contrast, office space expenses fell € 12 million, mainly due to conversion of business outlets to a franchise model in Poland.

Depreciation of tangible and intangible fixed assets

in € million	1/1-30/9/2018	1/1-30/9/2017
Tangible fixed assets	(102)	(115)
Intangible fixed assets	(109)	(110)
Total	**(211)**	**(225)**

Depreciation of tangible and intangible fixed assets fell 6 per cent or € 14 million. The biggest decreases were reported in Russia in connection with an adjustment to the useful life of software, in Croatia due to the reduction in the operating lease portfolio, and in Hungary and Slovakia due to increased IT depreciation in the same period of the previous year.

(8) Other result

in € million	1/1-30/9/2018	1/1-30/9/2017
Impairment or reversal of impairment on investments in subsidiaries, joint ventures and associates	**(6)**	**(3)**
Impairment on non-financial assets	**(12)**	**(13)**
Goodwill	(8)	0
Other	(4)	(13)
Current income from investments in subsidiaries, joint ventures and associates	**56**	**48**
Result from non-current assets and disposal groups classified as held for sale and deconsolidation	**(125)**	**0**
Net income from non-current assets and disposal groups classified as held for sale	119	3
Result of deconsolidations	(6)	(4)
Total	**(87)**	**31**

In the reporting period, the item net income from non-current assets and disposal groups classified as held for sale included an expected loss from the sale of the core banking operations of Raiffeisen Bank Polska S.A., Warsaw, in the amount of € 121 million. Impairments of € 87 million were recognized for non-current assets in the disposal group in accordance with IFRS 5. In addition, a provision of € 34 million was recognized for onerous contracts pursuant to IAS 37 as the contractual obligation already existed. Details can be found under (23) Other assets.

During the initial consolidation of a Hungarian real estate company, the resulting goodwill of € 8 million was fully impaired. Impairment losses on other non-financial assets were lower in the reporting period, after impairment losses on buildings in the portfolio of Raiffeisen Immobilienfonds amounting to € 13 million had been booked in the same period of the previous year.The result of deconsolidations amounted to minus € 6 million and pertained to € 17 million in net assets. In the reporting period, 14 companies who mainly did leasing business were excluded from the consolidated group on the grounds of immateriality; one subsidiary was sold.

(9) Levies and special governmental measures

in € million	1/1-30/9/2018	1/1-30/9/2017
Bank levies	(103)	(104)
Profit/loss from banking business due to governmental measures	0	22
Resolution fund	(54)	(64)
Total	**(157)**	**(147)**

Part of the expense for bank levies was already booked in the first quarter for the entire year. This affects RBI AG with a one-off payment of € 41 million and Hungary (€ 13 million).

No charges were incurred under the item profit/loss from banking business due to governmental measures while in the previous year provisions of € 22 million were released in connection with the so-called Walkaway Law in Romania.

The contributions to the resolution fund, which requires to be booked entirely at the beginning of the year, declined € 10 million to € 54 million due to lower contributions in Romania, at RBI AG, in Poland and in Slovakia, while the Czech Republic reported an increase here.

(10) Impairment losses on financial assets

in € million	1/1-30/9/2018	1/1-30/9/2017
Loans and advances	15	(192)
Debt securities	2	0
Loan commitments, financial guarantees and other commitments given	39	1
Total	**56**	**(191)**
hereof financial assets - amortized cost	16	(192)

Impairment losses on financial assets amounted to € 191 million in the same period of the previous year compared to a net release of € 56 million in the reporting period. The largest changes occurred at RBI AG (€ 142 million), in Romania (€ 54 million), Croatia (€ 43 million), Poland (€ 26 million), Russia (€ 19 million) and Hungary (minus € 29 million).

The improved macroeconomic environment led in many markets to repayments and sales of non-performing loans worth € 416 million, resulting in a positive effect of € 95 million. At RBI AG, € 25 million related to off balance sheet exposures were released due to a positive court ruling in connection with the insolvency of an Icelandic bank. In Croatia the situation improved after impairments were made in the same period in the previous year due to the default of a large corporate customer. In Romania, impairments declined € 54 million in the reporting period whereas impairments of € 67 million were necessary in the same period of the previous year mainly in connection with the voluntary conversion of loans in Swiss francs.

(11) Income taxes

in € million	1/1-30/9/2018	1/1-30/9/2017
Current income taxes	(297)	(239)
Austria	(11)	(29)
Foreign	(286)	(210)
Deferred taxes	(18)	(50)
Total	**(316)**	**(290)**

Higher profits in Romania, the Czech Republic and Russia are behind the increase in tax expenses. There was also a positive one-off effect in the previous year's period due to depreciation of intangible fixed assets in Poland, which was only local. This was countered by the effects of the rise in RBI Group tax allocation against non-consolidated Group members (increase of € 10 million) and a reduction of € 11 million in withholding tax at RBI AG due to lower dividend income.

The effective tax rate improved 2.4 percentage points to 19.9 per cent. This was primarily the result of an improved contribution to earnings by RBI AG.

Notes to the statement of financial position

(12) Cash, cash balances at central banks and other demand deposits

in € million	30/9/2018	31/12/2017
Cash in hand	4,178	3,600
Balances at central banks	13,353	9,729
Other demand deposits at banks	4,358	3,576
Total	**21,890**	**16,905**

The increase in balances at central banks resulted mainly from the increase in deposits at Oesterreichische Nationalbank at RBI AG.

(13) Financial assets - amortized cost

	30/9/2018			31/12/2017
in € million	Gross carrying amount	Accumulated impairment	Carrying amount	Carrying amount
Debt securities	**7,848**	**(2)**	**7,845**	**7,835**
Central banks	147	(1)	146	81
General governments	5,846	(1)	5,845	5,660
Banks	1,012	0	1,012	1,258
Other financial corporations	493	(1)	492	501
Non-financial corporations	350	0	350	336
Loans and advances	**92,151**	**(2,730)**	**89,421**	**88,473**
Central banks	4,576	0	4,576	5,345
General governments	1,264	(1)	1,263	863
Banks	5,088	(11)	5,077	5,396
Other financial corporations	7,445	(83)	7,362	4,379
Non-financial corporations	41,951	(1,494)	40,456	42,275
Households	31,828	(1,141)	30,686	30,215
Total	**99,999**	**(2,732)**	**97,266**	**96,307**

The carrying amount of financial assets – amortized cost increased € 959 million compared to year-end 2017. There was a reduction compared to the value at year-end due to the reclassification of the disposal group of the core banking operations of Raiffeisen Bank Polska S.A., Warsaw, according to IFRS 5 in the amount of € 5,174 million to other assets. Details are shown under (23) Other assets.

Excluding that effect, the increase would have been € 6,106 million. The rise was mainly due to drawn credit lines and repurchase transactions in RBI AG. In addition, there was an increase of € 1,616 million in households, mostly in Slovakia, Russia and the Czech Republic. An increase of € 1,296 million in loans and advances to non-financial corporations was also reported, mainly in Romania, Ukraine and the Czech Republic.

(14) Financial assets - fair value through other comprehensive income

in € million	30/9/2018 Gross carrying amount	Accumulated impairment	Carrying amount	31/12/2017 Carrying amount
Equity instruments	**280**	**-**	**280**	**298**
Banks	23	-	23	22
Other financial corporations	158	-	158	191
Non-financial corporations	98	-	98	85
Debt securities	**5,112**	**(2)**	**5,110**	**6,292**
Central banks	533	0	533	0
General governments	3,130	(2)	3,128	3,914
Banks	1,143	0	1,143	1,898
Other financial corporations	166	0	166	359
Non-financial corporations	139	0	139	120
Loans and advances	**33**	**(33)**	**0**	**0**
Non-financial corporations	33	(33)	0	0
Total	**5,424**	**(35)**	**5,390**	**6,589**

The carrying amount of financial assets – fair value through other comprehensive income decreased € 1,200 million compared to year-end 2017. The change was mainly attributable to the reclassification of the disposal group of the core banking operations of Raiffeisen Bank Polska S. A., Warsaw, according to IFRS 5 in the amount of € 2,122 million to other assets. Details are shown under (23) Other assets. The effect from the IFRS 5 reclassification was partly offset by the purchase of bonds from the Russian central bank by AO Raiffeisenbank, Moscow.

(15) Non-trading financial assets - mandatorily fair value through profit/loss

in € million	30/9/2018	31/12/2017
Equity instruments	**104**	**–**
Banks	1	–
Other financial corporations	1	–
Non-financial corporations	102	–
Debt securities	**91**	**–**
General governments	74	–
Banks	5	–
Other financial corporations	12	–
Loans and advances	**290**	**–**
General governments	4	–
Banks	2	–
Other financial corporations	3	–
Non-financial corporations	164	–
Households	118	–
Total	**485**	**–**

Equity instruments recognized at fair value through profit and loss were reported under financial assets – designated fair value through profit/loss at year-end 2017. In the current financial year, these equity instruments are reported in the new IFRS 9 measurement category non-trading financial assets – mandatorily fair value through profit/loss.

(16) Financial assets - designated fair value through profit/loss

in € million	30/9/2018	31/12/2017
Equity instruments	**0**	**101**
Other financial corporations	0	101
Debt securities	**4,289**	**5,255**
Central banks	795	0
General governments	3,007	4,351
Banks	352	671
Other financial corporations	4	192
Non-financial corporations	132	41
Loans and advances	**0**	**14**
Non-financial corporations	0	14
Total	**4,289**	**5,370**

The steep decrease in financial assets - designated fair value through profit/loss was based on changed allocation decisions at RBI AG and on the maturity of several bonds in Romania. In contrast, holdings of Russian government and central bank bonds at AO Raiffeisenbank, Moscow, increased € 699 million.

(17) Financial assets - held for trading

in € million	30/9/2018	31/12/2017
Derivatives	**1,850**	**2,138**
Interest rate contracts	1,061	1,349
Equity contracts	146	124
Foreign exchange rate and gold contracts	637	661
Commodities	4	3
Other	0	1
Equity instruments	**247**	**246**
Banks	38	46
Other financial corporations	74	76
Non-financial corporations	135	123
Debt securities	**2,082**	**2,238**
General governments	1,057	913
Banks	610	806
Other financial corporations	251	268
Non-financial corporations	164	251
Total	**4,179**	**4,622**

Securities under financial assets – held for trading provided as collateral, which the recipient is entitled to sell or pledge, amounted to € 453 million (31/12/2017: € 403 million).

Details to derivatives are shown under (39) Derivative financial instruments.

(18) Hedge accounting

in € million	30/9/2018	31/12/2017
Positive fair values of derivatives in micro fair value hedge	**373**	**374**
Interest rate contracts	351	373
Foreign exchange rate and gold contracts	23	1
Positive fair values of derivatives in micro cash flow hedge	**4**	**1**
Interest rate contracts	4	1
Positive fair values of derivatives in portfolio hedge	**171**	**147**
Cash flow hedge	1	24
Fair value hedge	171	122
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**(88)**	**75**
Total	**461**	**597**

(19) Investments in subsidiaries, joint ventures and associates

in € million	30/9/2018	31/12/2017
Interest in affiliated companies	193	194
Investments in associates	765	729
Total	**958**	**923**

Investments in associates broke down as follows:

in € million	Share in % 30/9/2018	Carrying amount 30/9/2018	Carrying amount 31/12/2017
card complete Service Bank AG, Vienna (AT)	25.0%	14	19
EMCOM Beteiligungs GmbH, Vienna (AT)	33.6%	7	0
LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)	33.1%	204	205
NOTARTREUHANDBANK AG, Vienna (AT)	26.0%	9	8
Österreichische Hotel- und Tourismusbank Ges.m.b.H., Vienna (AT)	31.3%	10	10
Österreichische Kontrollbank AG, Vienna (AT)	8.1%	57	56
Prva stavebna sporitelna a.s., Bratislava (SK)	32.5%	65	65
Raiffeisen Informatik GmbH, Vienna (AT)	47.6%	41	34
Raiffeisen-Leasing Management GmbH, Vienna (AT)	50.0%	13	0
UNIQA Insurance Group AG, Vienna (AT)	10.9%	335	334
Posojilnica Bank eGen, Klagenfurt (AT)[1]	61.5%	11	0
Total		**765**	**729**

1 Share of voting rights amounts to 49 per cent

(20) Tangible fixed assets

in € million	30/9/2018	31/12/2017
Land and buildings used by the group for own purpose	550	585
Other land and buildings (investment property)	274	373
Office furniture, equipment and other tangible fixed assets	240	254
Leased assets (operating lease)	291	328
Total	**1,354**	**1,540**

The decline in other land and buildings (investment property) is partly due to the reclassification of real estate to non-current assets and disposal groups classified as held for sale.

(21) Intangible fixed assets

in € million	30/9/2018	31/12/2017
Software	537	594
Goodwill	96	96
Brand	8	8
Customer relationships	8	13
Other intangible fixed assets	21	10
Total	**670**	**721**

In the reporting period, € 120 million was invested in software. The decline in intangible fixed assets was mainly attributable to the reclassification of the disposal group of the core banking operations of Raiffeisen Bank Polska S.A, Warsaw, according to IFRS 5 in the amount of € 68 million to other assets. Details are shown under (23) Other assets.

(22) Tax assets

in € million	30/9/2018	31/12/2017
Current tax assets	167	189
Deferred tax assets	123	114
Temporary tax claims	112	107
Loss carry forwards	11	7
Total	**290**	**304**

(23) Other assets

in € million	30/9/2018	31/12/2017
Prepayments and other deferrals	244	233
Lease in progress	47	36
Merchandise inventory and suspense accounts for services rendered not yet charged out	194	119
Non-current assets and disposal groups classified as held for sale	8,041	123
Other assets	418	757
Total	**8,945**	**1,268**

Merchandise inventory and suspense accounts for services rendered not yet charged out included property under construction or not yet sold of Raiffeisen Leasing Group in Austria and Italy of € 121 million.

Application of IFRS 5

Non-current assets and disposal groups classified as held for sale mainly consisted of the disposal groups of the core banking business of Raiffeisen Bank Polska S.A., Warsaw, and of Raiffeisen Pension Insurance d.d., Zagreb.

In April 2018, a contract was signed to sell the core banking business of Raiffeisen Bank Polska S.A. by way of demerger to Bank BGZ BNP Paribas S.A., a subsidiary of BNP Paribas S.A. (BNP). This transaction was completed at the end of October after obtaining the regulatory approvals, signing the closing agreement and finally conducting the demerger. Liquid funds of € 1.2 billion were accumulated between the end of September 2018 and the closing date. The core business consists of the entire operational banking business of Raiffeisen Bank Polska S.A., except for all the foreign-currency loans from retail business. Several corporate customer loans also stayed with Raiffeisen Bank Polska S.A. The allocation of equity capital was established in the purchase agreement based on a fixed amount of CET1 capital attributable to the core banking business. Total assets from the core banking business of around € 9.3 billion and risk-weighted assets of around € 4.9 billion were transferred at the closing.

The core banking business of Raiffeisen Bank Polska S.A. was recognized as a disposal group according to IFRS 5 in the financial statements as at 30 September 2018 and reported in other assets or other liabilities. According to the disclosure requirements of IFRS 5, the statement of financial position items (assets and liabilities) of the above disposal group from previous periods are not reclassified. As the sale meets none of the criteria set out in IFRS 5.32, these were not classified as discontinued operations.

On a consolidated level, the disposal group was measured pursuant to IFRS 5 at the lower of carrying value and fair value less costs to sell. As the sale agreement was signed before the end of the second quarter, the agreed price was taken as the fair value of the disposal group. The agreed price is PLN 3,250 million, equivalent to about € 760 million, and is lower than the allocated net assets of the disposal group, which amounted to € 877 million as at 30 September 2018. The direct impact of the sale on consolidated profit is about € 121 million, excluding potential effects from deconsolidation. In addition, the final calculation is subject to contractual provisions (including review of the submitted financial figures).

The resultant impairment loss was initially allocated to non-current assets in the disposal group under IFRS 5. In addition, a provision was formed for onerous contracts under IAS 37 in the second quarter of 2018 since the contractual obligation was already in existence at that time.

The impairment loss of non-financial assets and the formation of the provision were also recognized in the other result.

in € million	30/9/2018
Impairment losses on tangible fixed assets	(19)
Impairment losses on intangible fixed assets	(68)
Allocation to provisions for an onerous contract	(34)
Total	**(121)**

The carrying amounts of the assets and liabilities held for sale as at 30 September 2018 were as follows:

Non-current assets and disposal groups classified as held for sale in € million	RBPL core banking business	Other	Total
Cash, cash balances at central banks and other demand deposits	346	1	347
Financial assets - amortized cost	5,174	16	5,189
Financial assets - fair value through other comprehensive income	2,122	4	2,127
Non-trading financial assets - mandatorily fair value through profit/loss	6	0	6
Financial assets - designated fair value through profit/loss	0	44	44
Financial assets - held for trading	204	4	208
Hedge accounting	0	0	0
Investments in subsidiaries, joint ventures and associates	4	0	4
Tangible fixed assets	0	0	0
Intangible fixed assets	0	0	0
Current tax assets	0	0	0
Deferred tax assets	20	0	20
Other assets	35	61	96
Total	**7,911**	**130**	**8,041**

Liabilities included in disposal groups classified as held for sale in € million	RBPL core banking business	Other	Total
Financial liabilities - amortized cost	8,191	68	8,259
Financial liabilities - designated fair value through profit/loss	0	0	0
Financial liabilities - held for trading	29	0	29
Hedge accounting	0	0	0
Provisions for liabilities and charges	52	0	52
Current tax liabilities	0	0	0
Deferred tax liabilities	0	0	0
Other liabilities	60	0	60
Total	**8,333**	**68**	**8,400**

RBPL: Raiffeisen Bank Polska S. A.,Warsaw

(24) Financial liabilities - amortized cost

The following table provides a breakdown of deposits from banks and customers by product and a breakdown of debt securities issued:

in € million	30/9/2018	31/12/2017
Deposits from banks	**25,922**	**22,268**
Current accounts/overnight deposits/redeemable at notice	11,562	10,022
Deposits with agreed maturity	11,966	11,908
Repurchase agreements	2,394	338
Deposits from customers	**81,937**	**84,467**
Current accounts/overnight deposits/redeemable at notice	56,302	57,019
Deposits with agreed maturity	24,214	27,413
Repurchase agreements	1,422	35
Debt securities issued	**8,203**	**7,544**
Covered bonds	766	917
Hybrid contracts	4	4
Other debt securities issued	7,433	6,623
hereof convertible compound financial instruments	1,372	1,553
hereof non-convertible	6,061	5,070
Other financial liabilities	**368**	**515**
Total	**116,430**	**114,794**
hereof subordinated financial liabilities	2,766	3,016

The total change in financial liabilities – amortized cost was due to the reclassification of the disposal group of Raiffeisen Bank Polska S.A., Warsaw, according to IFRS 5 in the amount of € 8,191 million to other liabilities (details are shown under (23) Other assets) and to growth in deposits redeemable at notice and those of a short-term nature from banks.

While the IFRS 5 reclassification was responsible for much of the decrease in deposits with agreed maturity from customers (€ 2,182 million), the reclassification-related decline in current accounts/overnight deposits/redeemable at notice from customers (€ 5,911 million) was partly offset by increases in Austria, Russia, Croatia and Slovakia.

Almost all of the increase in repurchase agreements is attributable to RBI AG. Raiffeisen Wohnbaubank Aktiengesellschaft redeemed other convertible debt securities in the amount of € 143 million. The increase in non-convertible debt securities issued is partly the result of reclassifying the securities held by RBI AG from the measurement category designated fair value through profit/loss (reduction) to the measurement category amortized cost (addition) as required by IFRS 9, and partly the result of RBI AG issuing new securities for € 575 million.

The following table provides a breakdown of deposits from banks and customers by assets classes:

in € million	30/9/2018	31/12/2017
Central banks	2,004	1,857
General governments	2,102	1,896
Banks	23,918	20,411
Other financial corporations	10,268	6,817
Non-financial corporations	27,030	31,151
Households	42,538	44,602
Total	**107,859**	**106,735**

In the Central Europe segment, surplus liquidity from the first quarter was used to optimize the refinancing structure, which, along with the reclassification of the core banking business of Raiffeisen Bank Polska S. A., Warsaw, according to IFRS 5, accounted for some of the decrease in liabilities to non-financial corporations. The increase in liabilities to banks is almost exclusively the result of RBI AG's repurchase agreements. The change in position Households includes an effect of the reclassification of the core banking business of Raiffeisen Bank Polska S. A., Warsaw, according to IFRS 5 of € 4,159 million.

(25) Financial liabilities - designated fair value through profit/loss

in € million	30/9/2018	31/12/2017
Deposits from banks	**27**	**109**
Deposits with agreed maturity	27	109
Deposits from customers	**419**	**507**
Deposits with agreed maturity	419	507
Debt securities issued	**1,473**	**1,892**
Other debt securities issued	1,473	1,892
hereof convertible compound financial instruments	10	0
hereof non-convertible	1,463	1,892
Total	**1,919**	**2,509**
hereof subordinated financial liabilities	444	772

The reduction in financial liabilities – designated fair value through profit/loss compared to year-end 2017 was largely due to a decrease in debt securities issued. This was attributable to a reclassification necessitated by IFRS 9 from the measurement category designated at fair value through profit/loss (reduction) to the measurement category at amortized cost (addition) at RBI AG.

(26) Financial liabilities - held for trading

in € million	30/9/2018	31/12/2017
Derivatives	**1,743**	**1,726**
Interest rate contracts	838	1,002
Equity contracts	177	119
Foreign exchange rate and gold contracts	635	495
Credit contracts	5	5
Commodities	1	4
Other	88	101
Short positions	**446**	**344**
Equity instruments	161	216
Debt securities	285	128
Debt securities issued	**2,814**	**2,345**
Certificates of deposits	2,814	2,345
Total	**5,002**	**4,414**

Details to derivatives are shown under (39) Derivative financial instruments.

(27) Hedge accounting

in € million	30/9/2018	31/12/2017
Negative fair values of derivatives in micro fair value hedge	**28**	**28**
Interest rate contracts	27	28
Negative fair values of derivatives in micro cash flow hedge	**9**	**0**
Interest rate contracts	9	0
Negative fair values of derivatives in net investment hedge	**17**	**10**
Negative fair values of derivatives in portfolio hedge	**172**	**166**
Cash flow hedge	11	62
Fair value hedge	161	105
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**(114)**	**60**
Total	**111**	**265**

(28) Provisions for liabilities and charges

in € million	30/9/2018	31/12/2017
Pensions and other post employment defined benefit obligations	168	165
Other long-term employee benefits	37	33
Restructuring	2	18
Pending legal issues and tax litigation	88	129
Commitments and guarantees given	100	119
Onerous contracts	101	66
Bonus payments	151	169
Termination benefits	1	3
Provisions for overdue vacations	45	52
Other provisions	126	119
Total	**819**	**872**

The decrease in provisions for pending legal issues resulted mainly from releases at RBI AG. Following a final court decision in RBI's favor against an Icelandic bank in March 2018, there was a positive effect totaling € 50 million (€ 25 million recognized in pending legal issues and tax litigation and € 25 million recognized under commitments and guarantees given). The case relates to a lawsuit brought against RBI by the insolvency administrator in 2012.

Onerous contracts include a provision for the expected loss from the sale of the core banking business of Raiffeisen Bank Polska, S.A., Warsaw, in the amount of € 34 million. Details are shown under (23) Other assets.

Other provisions mainly consist of provisions relating to the bank resolution fund and bank levies.

(29) Tax liabilities

in € million	30/9/2018	31/12/2017
Current tax liabilities	69	75
Deferred tax liabilities	77	63
Total	**146**	**138**

(30) Other liabilities

in € million	30/9/2018	31/12/2017
Deferred income and accrued expenses	297	267
Sundry liabilities	721	584
Liabilities included in disposal groups classified as held for sale	8,400	62
Total	**9,418**	**913**

The increase in liabilities included in disposal groups classified as held for sale was mainly due to the IFRS 5 presentation of the core banking business of Raiffeisen Bank Polska S. A., Warsaw. Details are shown under (23) Other assets.

(31) Equity

in € million	30/9/2018	31/12/2017
Consolidated equity	10,532	9,937
Subscribed capital	1,002	1,002
Capital reserves	4,992	4,992
Retained earnings	7,216	6,496
hereof consolidated profit/loss	1,173	1,116
Cumulative other comprehensive income	(2,678)	(2,553)
Non-controlling interests	666	660
Additional tier 1	1,133	645
Total	**12,331**	**11,241**

As at 30 September 2018, subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 1,003 million. After deduction of 322,204 own shares, the stated subscribed capital totaled € 1,002 million.

With 24 January 2018 as the settlement date, RBI placed € 500 million of perpetual additional tier 1 capital (AT1). The issue has a discretionary coupon of 4.5 per cent p.a. until mid-June 2025, which will be reset thereafter. The additional tier 1 capital is classified as equity under IFRS 32 on the basis of the issuance terms and conditions. Equity increased € 497 million after deduction of issuance costs and the discount. The total additional tier 1 capital amounted to € 1,133 million as at 30 September 2018 after deduction of own shares of € 9 million.

Notes to financial instruments

(32) Fair value of financial instruments

Fair value of financial instruments reported at fair value

Assets	2018			2017		
in € million	Level I	Level II	Level III	Level I	Level II	Level III
Financial assets - held for trading	**2,013**	**2,162**	**4**	**2,047**	**1,870**	**25**
Derivatives	25	1,824	0	128	1,595	1
Equity instruments	247	0	0	243	0	0
Debt securities	1,741	338	3	1,676	275	24
Non-trading financial assets - mandatorily fair value through profit/loss	**150**	**39**	**296**	**–**	**–**	**–**
Equity instruments	103	0	1	–	–	–
Debt securities	47	39	5	–	–	–
Loans and advances	0	0	290	–	–	–
Financial assets - designated fair value through profit/loss	**4,188**	**60**	**41**	**5,290**	**324**	**11**
Equity instruments	0	0	0	102	0	1
Debt securities	4,188	60	41	5,188	324	10
Financial assets - fair value through other comprehensive income	**4,527**	**620**	**242**	**4,938**	**1,307**	**238**
Equity instruments	80	32	167	92	41	62
Debt securities	4,447	588	75	4,846	1,266	176
Loans and advances	0	0	0	0	0	0
Hedge accounting	**0**	**549**	**0**	**0**	**522**	**0**
Banking book derivatives - without hedge accounting	**0**	**0**	**0**	**0**	**415**	**0**

Liabilities	2018			2017		
in € million	Level I	Level II	Level III	Level I	Level II	Level III
Financial liabilities - held for trading	**448**	**4,553**	**0**	**413**	**3,843**	**1**
Derivatives	31	1,711	0	114	1,454	0
Short positions	417	28	0	298	45	0
Debt securities issued	0	2,814	0	0	2,344	1
Financial liabilities - designated fair value through profit/loss	**0**	**1,919**	**0**	**0**	**2,522**	**0**
Deposits	0	446	0	0	772	0
Debt securities issued	0	1,473	0	0	1,133	0
Other financial liabilities	0	0	0	0	617	0
Hedge accounting	**0**	**226**	**0**	**0**	**205**	**0**
Banking book derivatives - without hedge accounting	**0**	**0**	**0**	**0**	**157**	**0**

Fair value hierarchy

Level I

Level I measurement parameters are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the valuation date (IFRS 13.76).

Level II

Level II financial instruments are financial instruments determined using valuation techniques based on observable market data, the fair value of which can be determined from similar financial instruments traded on active markets or valuation techniques whose input parameters are directly or indirectly observable (IFRS 13.81 ff).

The share of financial assets classified both as Level I and as Level II decreased compared to year-end 2017, mainly due to the IFRS 5 reclassification of the disposal group of the core banking business of Raiffeisen Bank Polska S.A, Warsaw. Details are shown under (23) Other assets.

Level III

Level III inputs are input factors which are unobservable for the asset or liability (IFRS 13.86). The fair value is calculated using the valuation method.

Movements between Level I and Level II

Since for the current financial year the information is provided based on IFRS 9, but for 2017 still in accordance with IAS 39, the movements between the periods are only indirectly comparable.

The decrease resulted largely from disposals from the individual categories. Moreover, there was a slight shift from Level I to Level II in the category financial assets – held for trading. This was due to the fact that directly quoted market prices for these financial instruments were available at the reporting date.

Movements in Level III of financial instruments at fair value

The following tables show the changes in the fair value of financial instruments whose fair value cannot be calculated on the basis of observable market data and are therefore subject to other measurement models. Financial instruments in this category have a value component which is unobservable directly or indirectly on the market and which has a material impact on the fair value. Due to the move to IFRS 9, substantial additions were shown in various categories in the opening balance as at 1 January 2018. The reductions shown in the column changes in consolidated group and IFRS 5 mainly relate to the reclassification of the disposal group of the core banking business of Raiffeisen Bank Polska S.A., Warsaw, in accordance with IFRS 5. For details, refer to (23) Other assets.

Assets in € million	As at 1/1/2018	Change in consolidated group and IFRS 5	Exchange differences	Additions	Disposals
Financial assets - held for trading	125	(122)	0	0	0
Non-trading financial assets - mandatorily fair value through profit/loss	329	0	(1)	44	(50)
Financial assets - designated fair value through profit/loss	8	0	0	41	(8)
Financial assets - fair value through other comprehensive income	276	(1)	(2)	12	(55)

in € million	Gain/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 30/9/2018
Financial assets - held for trading	0	0	0	0	4
Non-trading financial assets - mandatorily fair value through profit/loss	(26)	0	0	0	296
Financial assets - designated fair value through profit/loss	0	0	0	0	41
Financial assets - fair value through other comprehensive income	6	5	1	0	242

Liabilities in € million	As at 1/1/2018	Change in consolidated group and IFRS 5	Exchange differences	Additions	Disposals
Financial liabilities - held for trading	1	0	0	0	0

in € million	Gain/loss in P/L	Gain/loss in other comprehensive income	Transfer to Level III	Transfer from Level III	As at 30/9/2018
Financial liabilities - held for trading	0	0	0	(1)	0

Qualitative information for the valuation of financial instruments in Level III

Financial assets	Type	Fair value in € million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Shares and other variable-yield securities	Closed end real estate fund	0	Net asset value	Haircuts	45-90%
Shares and other variable-yield securities	Shares, floating rate notes	168	Cost of aquisition, DCF method	Realization rate Credit spread	10-40% 0.5-50%
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	124	DCF method	Credit spread	0.5-50%
Bonds, notes and other fixed-interest securities	Asset-backed securities	0	DCF method	Realization rate Credit spread	10-24% 0.5-50%
Positive fair values of banking book derivatives without hedge accounting	Forward foreign exchange contracts	0	Net present value method Internal model	Interest rate PD LGD	10-30% 0.25-100% 35-65%
Loans and advances	Credit	290	Retail: Discounted cash flows (incl. prepayment option, withdrawal option etc.) Non Retail: Discounted cash flows/Financial option pricing : Black-Scholes model	Discount spread Prepayment rates Withdrawal rates Funding curves (for liquidity costs) Credit spread range (CDS curves)	1.5-3.45% (over all currencies) (0.01726)-1.04509% over all funding costs (expressed in all currencies) 0.15-7.85%
Total		**583**			

Financial liabilities	Type	Fair value in € million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Negative fair values of banking book derivatives without hedge accounting	OTC options	0	Option model Net present value method	Closing period Currency risk LT volatility Index category Net interest rate	2-5% 0-5% 0-3% 0-5% 6-30%
Issued certificates for trading purposes	Certificates	0	Option model (Curran)	Closing period Bid-Ask spread LT volatility Index category	0-3% 0-3% 0-3% 0-2.5%
Total		**0**			

Fair value of financial instruments not reported at fair value

The financial instruments in the following table are not managed on a fair value basis and are therefore not measured at fair value in the statement of financial position. For these instruments the fair value is calculated only for the purposes of providing information in the notes, and has no impact on the consolidated statement of financial position or on the consolidated income statement.

30/9/2018 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash and cash equivalents	0	21,890	0	21,890	21,890	0
Debt securities	5,386	1,241	1,287	7,914	7,845	69
Loans and advances	0	0	90,119	90,119	89,418	701
Investment securities - amortized cost	0	0	162	162	162	0
Liabilities						
Deposits	0	0	106,892	106,892	107,859	(967)
Debt securities issued	0	8,092	505	8,597	8,203	394
Other financial liabilities	0	0	295	295	363	(69)

With the introduction of IFRS 9, the calculation of the fair value of receivables and liabilities not reported at fair value was reclassified and among other things, input factors are also used in the models which are not observable on the market, but which have a significant influence on the calculated value.

31/12/2017 in € million	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash and cash equivalents	0	13,330	0	13,330	13,330	0
Loans to banks	0	8,306	6,125	14,431	14,347	84
Loans to customers	0	16,938	59,768	76,706	78,141	(1,435)
Financial investments	5,589	1,829	884	8,302	8,254	47
Liabilities						
Deposits from banks	0	19,494	2,220	21,714	21,675	39
Deposits from customers	0	27,860	57,013	84,873	84,831	42
Debt securities issued	113	3,747	1,042	4,902	4,752	150
Subordinated capital	0	3,007	96	3,102	3,016	86

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

(33) Collateral and maximum exposure to credit risk

RBI employs a range of policies to mitigate credit risk, the most common of which is the acceptance of collateral for loans and advances provided. The eligibility of collateral is defined on a RBI Group basis to ensure uniform standards of collateral evaluation. A valuation of collateral is performed during the credit approval process. This is then reviewed periodically using various validation processes. The main types of collateral which are accepted in RBI Group are residential and commercial real estate collateral, financial collateral, guarantees and moveable goods. Long-term financing is generally secured and revolving credit facilities are generally unsecured. Debt securities are mainly unsecured, and derivatives can be secured by cash or master netting agreements.

RBI Group's policies regarding obtaining collateral have not been significantly changed during the reporting period; however, they are updated on a yearly basis.

The proportion of loans at fair value or instruments valued at amortized cost with no expected credit losses due to high collateral values is insignificant.

The reclassification of the disposal group of the core banking business of Raiffeisen Bank Polska S.A., Warsaw, resulted in changes of minus € 4,433 million for the maximum credit risk volume (only on-balance) and minus € 830 million for the fair values of the collateral.

It should be noted that the collateral values shown in the tables are capped at the maximum value of the gross carrying amount of the financial asset. The following table shows financial assets at amortized cost and at fair value through other comprehensive income (debt securities) subject to impairment:

30/9/2018 in € million	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Banks and general governments	10,944	2,311	8,632
Other financial corporations	7,447	3,619	3,828
Non-financial corporations	42,146	20,696	21,450
Households	31,946	20,314	11,632
Commitments/guarantees issued	41,970	7,743	34,227
Total	**134,452**	**54,683**	**79,770**

31/12/2017 in € million	Maximum exposure to credit risk	Fair value of collateral	Credit risk exposure net of collateral
Banks and general governments	11,561	3,552	8,009
Other financial corporations	4,324	1,758	2,566
Non-financial corporations	44,305	20,457	23,848
Households	31,350	19,621	11,729
Commitments/guarantees issued	41,209	6,485	34,724
Total	**132,749**	**51,874**	**80,875**

(34) Expected credit losses

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of the money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and payment behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit losses, inter alia:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of expected credit losses
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

For RBI, credit risk comes from the risk of suffering financial loss should any of RBI's customers, clients or market counterparties fail to fulfil their contractual obligations. Credit risk arises mainly from interbank, commercial and consumer loans, and loan commitments arising from such lending activities, but can also arise from financial guarantees given, such as, credit guarantees, letters of credit, and acceptances.

RBI is also exposed to other credit risks arising from investments in debt securities and from its trading activities (trading credit risks) including trade in non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

The estimation of the credit risk for risk management purposes is complex and requires the use of models, as the risk varies with changes in market conditions, expected cash flows and the passage of time. The assessment of the credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated default ratios and the default correlations between counterparties. RBI measures credit risks using the probability of default (PD), exposure at default (EAD) and loss given default (LGD). This is the predominant approach used for the purposes of measuring expected credit losses under IFRS 9.

IFRS 9 prescribes a three-stage model for impairment based on changes in credit quality from the point of initial recognition. Under this model, a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. If the financial instrument is deemed credit-impaired, it is then moved to Stage 3.

Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next twelve months. Instruments in Stages 2 or 3 have their expected credit losses measured based on expected credit losses on a lifetime basis. According to IFRS 9, when measuring expected credit losses it is necessary to consider forward-looking information. Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their expected credit loss is always measured on a lifetime basis (Stage 3).

Significant increase in credit risk

RBI Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

RBI uses quantitative criteria as the primary indicators of a significant increase in credit risk for all material portfolios. For quantitative staging, RBI Group compares the lifetime PD curve at the valuation date with the forward lifetime PD curve at the date of initial recognition. For the estimation of the lifetime PD curve at the date of initial recognition, assumptions are made about the structure of the PD curve. In the case of highly rated financial instruments, it is assumed that the PD curve will deteriorate over time. Conversely, for low-rated financial instruments, it is assumed that the PD curve will improve over time. The degree of improvement or deterioration will depend on the level of the initial rating. In order to make the two curves comparable the PDs are scaled down to annualized PDs. In general, a significant increase in credit risk is considered to have occurred with a relative increase in the PD of up to 250 per cent, although this amount can be lower due to several limiting factors such as closeness to maturity and portfolios of products.

With regard to the threshold at which a financial instrument must be transferred to Stage 2, RBI has decided on the aforementioned threshold because no accepted market standard currently exists. However, it is not possible to rule out the possibility that a market practice will become established which provides for a lower threshold for certain markets.

RBI uses qualitative criteria as a secondary indicator of a significant increase in credit risk for all material portfolios. A movement to Stage 2 takes place when the criteria below are met.

For sovereign, bank, corporate and project finance portfolios, if the borrower meets one or more of the following criteria:

- External market indicators
- Changes in contract terms
- Changes to management approach
- Expert judgement.

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a quarterly basis at an individual transaction level for all non-retail portfolios – corporates, credit institutions and public sector – held by RBI.

For private individual portfolios, if the borrower meets one or more of the following criteria:

- Forbearance, which the lender permits the borrower for economic or contractual reasons when the borrower is experiencing economic difficulties, but would not otherwise grant,
- Expert judgement.

The assessment of significant increase in credit risk incorporates forward-looking information and is performed on a monthly basis at an individual transaction level for all retail portfolios held by RBI.

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days overdue on its contractual payments. In a few limited cases, the presumption that financial assets which are more than 30 days overdue should be moved to Stage 2 is rebutted.

RBI has not used the low credit risk exemption for any lending business; however, it selectively uses the low credit risk exemption for debt securities.

Forward looking information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. RBI Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the probability of default, loss given default and exposure at default vary by category type. Expert judgment has also been applied in this process. Forecasts of these economic variables (the base economic scenario) are provided by Raiffeisen Research on a quarterly basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long-term average rate or a long-term average growth rate until maturity. The impact of these economic variables on the probability of default, loss given default and exposure at default has been determined by performing statistical regression to understand the impact changes in these variables have had historically on default rates and on the components of loss given default and exposure at default.

In addition to the base economic scenario, Raiffeisen Research also provides a best-case and worst-case scenario along with scenario weightings to ensure non-linearities are captured. RBI Group has concluded that three or fewer scenarios appropriately captured non-linearity. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit loss (ECL) model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. RBI Group considers these forecasts to represent its best estimate of the future outcomes and cover any potential non-linearities and asymmetries within RBI Group’s different portfolios.

The most significant assumptions used for the expected credit loss estimates at quarter end are shown below:

Real GDP	Scenario	2018	2019	2020
Austria	Optimistic	3.3%	2.7%	2.1%
	Base	3.0%	1.9%	1.2%
	Pessimistic	2.7%	1.1%	0.3%
Russia	Optimistic	1.9%	2.5%	2.7%
	Base	1.5%	1.5%	1.5%
	Pessimistic	0.7%	(0.5)%	(0.9)%
Poland	Optimistic	4.9%	4.7%	3.6%
	Base	4.6%	3.9%	2.7%
	Pessimistic	4.3%	3.1%	1.8%
Romania	Optimistic	4.9%	5.2%	5.1%
	Base	4.2%	3.5%	3.0%
	Pessimistic	3.5%	1.8%	0.9%
Slovakia	Optimistic	4.6%	5.5%	4.6%
	Base	4.0%	4.0%	2.8%
	Pessimistic	3.4%	2.5%	1.0%
Czech Republic	Optimistic	4.0%	4.5%	4.1%
	Base	3.5%	3.2%	2.5%
	Pessimistic	2.9%	1.9%	0.9%

Unemployment	Scenario	2018	2019	2020
Austria	Optimistic	4.8%	4.5%	4.9%
	Base	4.9%	4.8%	5.2%
	Pessimistic	5.1%	5.2%	5.7%
Russia	Optimistic	4.7%	4.3%	4.2%
	Base	5.0%	5.0%	5.0%
	Pessimistic	5.4%	6.1%	6.3%
Poland	Optimistic	5.3%	3.1%	2.2%
	Base	6.0%	4.9%	4.3%
	Pessimistic	7.1%	7.6%	7.5%
Romania	Optimistic	4.2%	3.9%	4.0%
	Base	4.4%	4.3%	4.5%
	Pessimistic	4.6%	4.9%	5.2%
Slovakia	Optimistic	5.9%	4.3%	3.9%
	Base	6.5%	5.8%	5.7%
	Pessimistic	7.4%	8.1%	8.5%
Czech Republic	Optimistic	2.9%	2.6%	2.9%
	Base	3.2%	3.3%	3.7%
	Pessimistic	3.6%	4.3%	4.9%

Lifetime Bond Rate	Scenario	2018	2019	2020
Austria	Optimistic	0.5%	0.5%	0.7%
	Base	0.8%	1.2%	1.6%
	Pessimistic	1.0%	1.9%	2.4%
Russia	Optimistic	7.5%	7.6%	7.4%
	Base	7.7%	7.9%	7.8%
	Pessimistic	8.0%	8.8%	8.9%
Poland	Optimistic	3.1%	3.1%	3.5%
	Base	3.2%	3.4%	3.8%
	Pessimistic	3.5%	4.0%	4.6%
Romania	Optimistic	4.6%	4.6%	4.4%
	Base	4.8%	5.1%	5.1%
	Pessimistic	5.2%	6.2%	6.3%
Slovakia	Optimistic	0.6%	0.7%	0.9%
	Base	0.9%	1.5%	1.8%
	Pessimistic	1.2%	2.2%	2.7%
Czech Republic	Optimistic	2.0%	2.1%	2.3%
	Base	2.2%	2.5%	2.8%
	Pessimistic	2.5%	3.4%	3.8%

The weightings assigned to each scenario at quarter end are as follows: 25 per cent optimistic, 50 per cent base and 25 per cent pessimistic scenarios.

Gross exposure by impairment models

The following table shows the gross exposure according to the relevant stages for expected credit losses and asset classes:

in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Central banks	5,256	0	0	5,256
General governments	9,567	672	0	10,239
Banks	7,147	85	11	7,243
Other financial corporations	7,820	173	111	8,104
Non-financial corporations	37,143	3,045	2,284	42,473
Households	26,407	4,218	1,203	31,828
Total	**93,340**	**8,194**	**3,610**	**105,143**

Development of impairment on loans, bonds and loan commitments, financial guarantees and other commitments given

in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1/1/2018	**188**	**370**	**2,911**	**3,470**
Increases due to origination and acquisition	85	25	93	202
Decreases due to derecognition	(39)	(37)	(292)	(368)
Changes due to change in credit risk (net)	(36)	(6)	163	120
Decrease in allowance account due to write-offs	(3)	(6)	(252)	(261)
Changes due to model/risk parameters	0	1	20	21
Non-current assets and disposal groups classified as held for sale	(20)	(49)	(210)	(279)
Foreign exchange and other	(9)	(16)	(13)	(39)
As at 30/9/2018	**166**	**280**	**2,419**	**2,866**

The situation as at 1 January 2018 already takes into account the reconciliation effect due to the introduction of IFRS 9 amounting to € 269 million. The change in the reporting period totalled € 604 million, largely due to the reclassification of loan loss provisions of the disposal group of the core banking business of Raiffeisen Bank Polska S.A., Warsaw, in the amount of € 270 million to other asssets. In addition, recoveries and sales of non-performing loans in the amount of € 416 million particularly at RBI AG as well as in Croatia, Romania and Russia contributed to the positive development.

Impairment losses are mainly to be assigned to Stage 3 and result from loans to non-financial corporations and households mainly in Central and Southeastern Europe.

The following table shows the breakdown according to counterparties of impairment losses in accordance with IFRS 9 stages of impairment:

30/9/2018 in € million	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and advances	**141**	**267**	**2,355**	**2,763**
General governments	0	0	0	1
Banks	11	0	10	22
Other financial corporations	3	6	73	83
Non-financial corporations	58	55	1,403	1,516
Households	68	204	868	1,141
Debt securities	**4**	**0**	**0**	**4**
Central banks	1	0	0	1
General governments	2	0	0	2
Loan commitments, financial guarantees and other commitments given	**21**	**13**	**65**	**98**
Total	**166**	**280**	**2,419**	**2,866**

Due to the implementation of IFRS 9 it is not possible to make a direct comparison with the previous year. The following table shows the development of impairment losses on loans and provisions for liabilities off the statement of financial position in the comparable period:

in € million	As at 1/1/2017	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	30/9/2017
Individual loan loss provisions	4,697	239	707	(507)	(1,463)	(148)	3,526
Portfolio-based loan loss provisions	381	23	143	(159)	0	(12)	376
Total	**5,078**	**262**	**850**	**(665)**	**(1,463)**	**(160)**	**3,903**

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

The following table shows the breakdown of loan loss provisions according to asset classes as at the reporting date of the previous year:

in € million	31/12/2017
Individual loan loss provisions	**2,865**
Banks	45
Other financial corporations	73
Non-financial corporations	1,774
Households	973
Portfolio-based loan loss provisions	**356**
Banks	1
Other financial corporations	6
Non-financial corporations	152
Households	196
Total	**3,221**

(35) Past due status

RBI uses the 30 days overdue status and other qualitative indicators as criteria to determine a significant increase in credit risk for less than one fifth of loans to households.

30/9/2018	Carrying amount								
	Assets without significant increase in credit risk since initial recognition (Stage 1)			Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Credit-impaired assets (Stage 3)		
in € million	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days	≤ 30 days	> 30 days	> 90 days
Loans and advances to households	654	3	0	502	147	1	42	33	163

(36) Transferred assets

The following table shows the carrying amounts of financial assets which have been transferred but not derecognized:

30/9/2018	Transferred assets			Associated liabilities		
in € million	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Financial assets - held for trading	405	0	405	404	0	404
Financial assets - designated fair value through profit/loss	1,944	0	1,944	1,944	0	1,944
Financial assets - fair value through other comprehensive income	245	0	245	243	0	243
Financial assets - amortized cost	1,107	0	1,107	1,099	0	1,099
Total	**3,701**	**0**	**3,701**	**3,690**	**0**	**3,690**

31/12/2017	Transferred assets			Associated liabilities		
in € million	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Financial assets - held for trading	252	0	252	252	0	252
Financial assets - fair value through other comprehensive income	24	0	24	21	0	21
Financial assets - amortized cost	63	0	63	55	0	55
Total	**338**	**0**	**338**	**328**	**0**	**328**

(37) Assets pledged as collateral and received financial assets

Significant restrictions regarding the access or use of assets:

	30/9/2018		31/12/2017	
in € million	Pledged	Otherwise restricted with liabilities	Pledged	Otherwise restricted with liabilities
Financial assets - held for trading	453	0	704	0
Non-trading financial assets - mandatorily fair value through profit/loss	1	0	-	-
Financial assets - designated fair value through profit/loss	1,956	0	0	0
Financial assets - fair value through other comprehensive income	372	5	255	55
Financial assets - amortized cost	8,477	748	7,479	876
Total	**11,259**	**754**	**8,438**	**932**

The Group received collaterals which can be sold or repledged if no default occurs within the framework of reverse repurchase agreements, securities lending business, derivative and other transactions.

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

in € million	30/9/2018	31/12/2017
Securities and other financial assets accepted as collateral which can be sold or repledged	10,159	9,931
hereof which have been sold or repledged	1,887	1,463

(38) Offsetting of financial assets and liabilities

The table below shows the gross and net amounts of financial assets, liabilities and cash balances that are offset in the Group's statement of financial position or are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in the statement of financial position or not.

In general, master netting arrangements or similar agreements in which several transactions are involved do not meet the criterion to be offset in the statement of financial position. This is because the right of set off is enforceable only in the event of a default or similar event. In addition, the Group and its counterparties do not intend to settle on a net basis.

The Group receives and gives collaterals in the form of cash and other financial instruments for repurchase and reverse repurchase agreements, and securities borrowing and lending agreements.

30/9/2018	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € million	recognized financial assets	recognized financial liabilities set-off	recognized financial assets	Financial instruments	Cash collateral received	
Derivatives (enforceable)	3,002	965	2,037	1,254	112	671
Repurchase, securities lending & similar agreements (legally enforceable)	8,808	0	8,808	8,740	0	67
Total	**11,810**	**965**	**10,845**	**9,994**	**112**	**738**

30/9/2018	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € million	recognized financial liabilities	recognized financial assets set-off	recognized financial liabilities	Financial instruments	Cash collateral received	
Derivatives (enforceable)	2,490	965	1,525	503	127	895
Reverse repurchase, securities lending & similar agreements (legally enforceable)	3,790	0	3,790	3,753	0	37
Total	**6,280**	**965**	**5,315**	**4,255**	**127**	**933**

31/12/2017	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € million	recognized financial assets	recognized financial liabilities set-off	recognized financial assets	Financial instruments	Cash collateral received	
Derivatives (enforceable)	3,528	915	2,613	1,923	57	633
Repurchase, securities lending & similar agreements (legally enforceable)	8,164	0	8,164	7,816	0	348
Total	**11,691**	**915**	**10,776**	**9,739**	**57**	**980**

31/12/2017	Gross amount		Net amount	Amounts from global netting agreements		Net amount
in € million	recognized financial liabilities	recognized financial assets set-off	recognized financial liabilities	Financial instruments	Cash collateral received	
Derivatives (enforceable)	2,776	915	1,861	592	43	1,226
Reverse repurchase, securities lending & similar agreements (legally enforceable)	298	0	298	291	0	6
Total	**3,074**	**915**	**2,159**	**883**	**43**	**1,233**

(39) Derivative financial instruments

The following table shows an analysis of the counterparty credit exposures arising from derivative transactions which are mostly OTC. Counterparty credit risk can be minimized by the use of settlement houses and the use of collateral in most cases.

30/9/2018	Nominal amount	Fair values	
in € million		Positive	Negative
Trading book	**171,339**	**1,763**	**(1,679)**
Interest rate contracts	120,784	1,050	(834)
Equity contracts	3,970	146	(176)
Foreign exchange rate and gold contracts	45,033	561	(579)
Credit contracts	94	0	(1)
Commodities	140	4	(1)
Other	1,317	0	(88)
Banking book	**28,665**	**87**	**(64)**
Interest rate contracts	22,936	11	(4)
Foreign exchange rate and gold contracts	5,596	76	(56)
Credit contracts	134	0	(4)
Hedging instruments	**22,426**	**549**	**(226)**
Interest rate contracts	21,011	526	(209)
Foreign exchange rate and gold contracts	1,415	23	(17)
Total	**222,430**	**2,398**	**(1,968)**
OTC products	214,403	2,362	(1,838)
Products traded on stock exchange	6,342	31	(37)

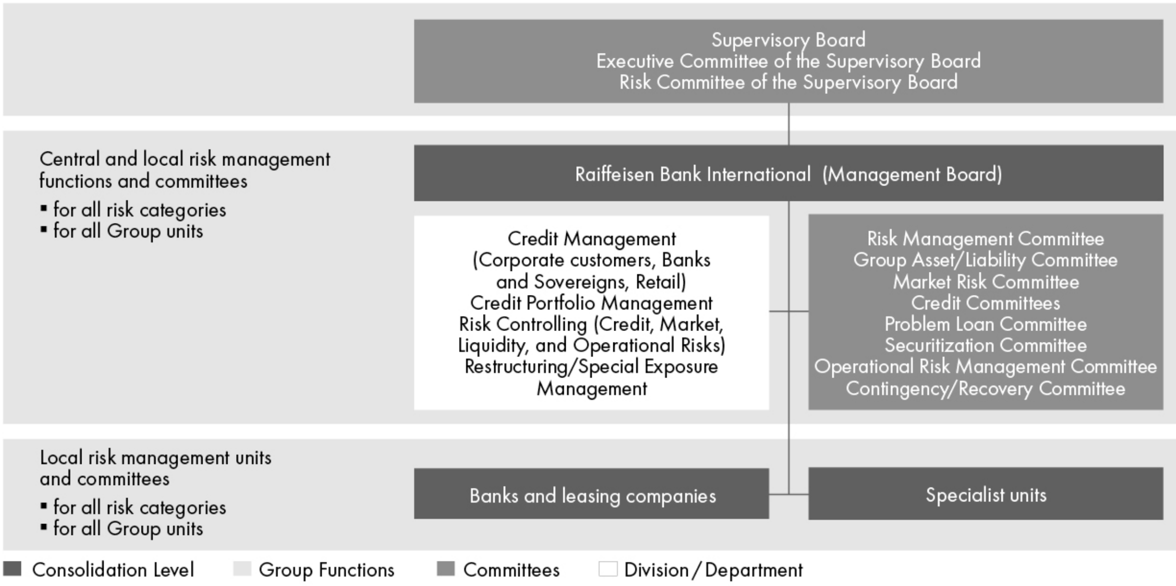
31/12/2017	Nominal amount	Fair values	
in € million		Positive	Negative
Interest rate contracts	145,042	1,846	(1,237)
Foreign exchange rate and gold contracts	46,185	687	(566)
Equity/index contracts	3,439	124	(119)
Commodities	160	3	(4)
Credit derivatives	232	0	(5)
Precious metals contracts	23	0	0
Total	**195,081**	**2,660**	**(1,931)**
OTC products	192,141	2,637	(1,893)
Products traded on stock exchange	2,525	20	(29)

Risk report

(40) Risks arising from financial instruments

Active risk management is a core competency of the Group. In order to effectively identify, measure, and manage risks the Group continues to develop its comprehensive risk management system. Risk management is an integral part of overall bank management. In particular, in addition to legal and regulatory requirements, it takes into account the nature, scale and complexity of the business activities and the resulting risks. The principles and organization of risk management are disclosed in the relevant sections of the 2017 Annual Report, pages 146 ff.

Organization of risk management



Economic capital

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

Risk contribution of individual risk types to economic capital:

in € million	30/9/2018	Share	31/12/2017	Share
Credit risk corporate customers	1,505	25.1%	1,452	24.5%
Credit risk retail customers	1,335	22.2%	1,436	24.2%
Macroeconomic risk	607	10.1%	487	8.2%
Operational risk	528	8.8%	529	8.9%
Credit risk sovereigns	458	7.6%	387	6.5%
Market risk	418	7.0%	440	7.4%
Participation risk	315	5.2%	310	5.2%
Risk buffer	286	4.8%	282	4.8%
Owned property risk	238	4.0%	222	3.8%
FX risk capital position	158	2.6%	209	3.5%
Credit risk banks	140	2.3%	153	2.6%
CVA risk	18	0.3%	20	0.3%
Liquidity risk	0	0.0%	2	0.0%
Total	**6,005**	**100.0%**	**5,928**	**100.0%**

Regional allocation of economic capital according to Group unit domicile:

in € million	30/9/2018	Share	31/12/2017	Share
Central Europe	1,947	32.4%	1,930	32.6%
Austria	1,669	27.8%	1,647	27.8%
Southeastern Europe	1,241	20.7%	1,228	20.7%
Eastern Europe	1,144	19.0%	1,123	18.9%
Rest of World	5	0.1%	1	0.0%
Total	**6,005**	**100.0%**	**5,928**	**100.0%**

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

Credit risk

Credit risk is the largest risk for the Group's business. Credit risk is the risk of suffering financial loss, should any of the Group's customers and counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from loans and advances to banks, loans and advances to customers, commitments and financial guarantees given. The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from trading activities, derivatives, settlement and reverse repo agreements.

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

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

in € million	30/9/2018	31/12/2017
Cash, cash balances at central banks and other demand deposits	17,712	13,305
Financial assets - amortised cost	99,999	99,410
Financial assets - fair value through other comprehensive income	5,144	6,589
Non-trading financial assets - mandatorily at fair value through profit / loss	485	0
Financial assets - designated fair value through profit/loss	4,289	5,370
Financial assets - held for trading	4,179	4,622
Hedge accounting	461	597
Current tax assets	167	189
Deferred tax assets	123	114
Other assets	8,703	1,113
Contingent liabilities	10,641	9,917
Commitments	13,261	10,898
Revocable credit lines	19,234	19,800
Disclosure differences	(1,916)	(2,007)
Credit exposure[1]	**182,482**	**169,917**

1 Items on the statement of financial position contain only credit risk amounts

The increase in other assets resulted from the reclassification of the disposal group of the core banking operations of Raiffeisen Bank Polska S.A., Warsaw, according to IFRS 5.

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

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

The following table shows total credit exposure by asset classes:

in € million	30/9/2018	31/12/2017
Corporate customers	78,695	72,025
Project finance	7,906	8,327
Retail customers	39,935	37,868
Banks	18,503	18,645
Sovereigns	37,444	33,052
Total	**182,482**	**169,917**

Credit portfolio – Corporates

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

in € million		30/9/2018	Share	31/12/2017	Share
1	Minimal risk	5,395	6.9%	5,035	7.0%
2	Excellent credit standing	10,782	13.7%	8,970	12.5%
3	Very good credit standing	11,104	14.1%	8,447	11.7%
4	Good credit standing	11,011	14.0%	12,205	16.9%
5	Sound credit standing	16,609	21.1%	15,205	21.1%
6	Acceptable credit standing	14,857	18.9%	12,895	17.9%
7	Marginal credit standing	4,768	6.1%	4,699	6.5%
8	Weak credit standing / sub-standard	1,467	1.9%	1,300	1.8%
9	Very weak credit standing / doubtful	394	0.5%	579	0.8%
10	Default	2,099	2.7%	2,581	3.6%
NR	Not rated	210	0.3%	109	0.2%
Total		**78,695**	**100.0%**	**72,025**	**100.0%**

The total credit exposure to corporate customers rose € 6,670 million compared to year-end 2017 to € 78,695 million.

The credit exposure rated as good credit standing through to minimal risk increased € 3,635 million, corresponding to a share of 48.7 per cent (31/12/2017: 48.1 per cent).

The € 1,812 million increase in rating grade 2 to € 10,782 million was due to growth in the repo business, facility financing and guarantees issued at RBI AG. The increase was enhanced by the growth in facility financing and guarantees issued in Russia (despite the depreciation of the Russian ruble). Rating grade 3 rose € 2,657 million to € 11,104 million, which was attributable to bonds and facility financing in Poland, Great Britain and North America (partially due to the appreciation of the US dollar). In addition, credit financing and money market business increased in Austria, Hungary, Switzerland, the Czech Republic and Russia (despite the depreciation of the Russian ruble). In addition, the rating improvement of two customers from rating grade 4 also contributed to the increase. The € 1,194 million decrease in rating grade 4 to € 11,011 million was firstly due to deterioration of a customer rating in Singapore to rating grade 5 and also to rating improvements of two customers to rating grade 3, and secondly to a decline in the portfolio of bonds and facility financing. Rating grade 5 posted a € 1,404 million increase to € 16,609 million, driven by credit and facility financing and guarantees issued. The € 1,962 million increase in rating grade 6 to € 14,857 million mainly resulted from deposits, documentary credits in Singapore, guarantees issued and credit financing in

Russia. Repo business also increased due to Cyprus and Russia. Cyprus reported an increase in exposure and also a rating improvement of one customer from rating grade 7. The increase in Russia was due to a rating improvement from rating grade 8. Rating grade 10 recorded a decrease of € 482 million to € 2,099 million, mainly due to credit financing.

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

in € million		30/9/2018	Share	31/12/2017	Share
6.1	Excellent project risk profile – very low risk	5,378	68.0%	4,922	59.1%
6.2	Good project risk profile – low risk	1,648	20.8%	1,948	23.4%
6.3	Acceptable project risk profile – average risk	194	2.4%	517	6.2%
6.4	Poor project risk profile – high risk	142	1.8%	219	2.6%
6.5	Default	492	6.2%	605	7.3%
NR	Not rated	52	0.7%	115	1.4%
Total		**7,906**	**100.0%**	**8,327**	**100.0%**

Credit exposure to project finance declined € 421 million to € 7,906 million as of 30 September 2018. The € 456 million increase in rating grade 6.1 to € 5,378 million was due to a rating reclassification of an Austrian customer that was previously not rated and to project financing in Romania. In addition, rating improvements of individual customers in Slovakia and Hungary from rating grade 6.2, and also an increase in credit exposure resulted in an increase. The 6.2 rating grade declined € 300 million to € 1,648 million, mainly due to expired project financing in Poland, Serbia and Germany, and to rating improvements of individual Russian, Slovakian and Hungarian customers. Expired project financing in Russia resulted in a € 323 million decline in rating grade 6.3 to € 194 million. The € 113 million decline in rating grade 6.5 to € 492 million was attributable to Poland, Romania, Hungary and Slovakia.

At 88.8 per cent, the rating grades excellent project risk profile – very low risk and good project risk profile – low risk accounted for the majority of the portfolio. This mainly reflected the high level of collateralization in specialized lending transactions.

The following table provides a breakdown by country of risk of the total credit exposure for corporate customers and project finance structured by regions:

in € million	30/9/2018	Share	31/12/2017[1]	Share
Central Europe	23,437	27.1%	22,579	28.1%
Austria	17,984	20.8%	16,709	20.8%
Western Europe	16,459	19.0%	14,163	17.6%
Eastern Europe	13,209	15.3%	12,445	15.5%
Southeastern Europe	12,478	14.4%	11,675	14.5%
Asia	1,533	1.8%	1,302	1.6%
Other	1,500	1.7%	1,478	1.8%
Total	**86,601**	**100.0%**	**80,352**	**100.0%**

1 Adaptation of previous year figures

Credit exposure stood at € 86,601 million, € 6,249 million higher than at year-end 2017. The € 858 million increase in Central Europe to € 23,437 million resulted from credit and facility financing, and from an increase in overdraft facilities in the Czech Republic and Hungary. The increase was partially offset by a decline in overdraft facilities in Poland. Austria recorded a € 1,275 million increase to € 17,984 million due to repo business. The increase in Western and Eastern Europe was mainly due to facility and credit financing, and to guarantees issued. The portfolio of bonds increased in Western Europe and declined in Eastern Europe. The € 803 million rise in Southeastern Europe to € 12,478 million was due to facility and credit financing.

Asia recorded a € 231 million increase to € 1,533 million, which was driven by documentary credits, facility financing and guarantees issued.

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

in € million	30/9/2018	Share	31/12/2017	Share
Manufacturing	17,398	20.1%	16,677	20.8%
Wholesale and retail trade	18,253	21.1%	16,829	20.9%
Financial intermediation	12,592	14.5%	10,268	12.8%
Real estate	9,353	10.8%	9,918	12.3%
Construction	5,644	6.5%	5,540	6.9%
Freelance/technical services	6,284	7.3%	5,590	7.0%
Transport, storage and communication	3,582	4.1%	3,365	4.2%
Electricity, gas, steam and hot water supply	3,207	3.7%	2,907	3.6%
Other industries	10,288	11.9%	9,258	11.5%
Total	**86,601**	**100.0%**	**80,352**	**100.0%**

Credit portfolio – Retail customers

Retail customers are subdivided into private individuals and small and medium-sized entities (SMEs). For retail customers a two-fold scoring system is used, consisting of the initial and ad-hoc scoring based on customer data and of the behavioral scoring based on account data. The table below shows the Group's credit exposure to retail customers:

in € million	30/9/2018	Share	31/12/2017	Share
Retail customers – private individuals	36,670	91.8%	34,827	92.0%
Retail customers – small and medium-sized entities	3,264	8.2%	3,041	8.0%
Total	**39,935**	**100.0%**	**37,868**	**100.0%**
hereof non-performing loans[1]	1,587	4.0%	1,641	4.3%

1 including non-current assets and disposal groups classified as held for sale of Raiffeisen Bank Polska, Warsaw, in the amount of € 70 million

The following table shows the total credit exposure to retail customers according to internal ratings:

in € million		30/9/2018	Share	31/12/2017	Share
0.5	Minimal risk	10,456	26.2%	10,250	27.1%
1.0	Excellent credit standing	8,961	22.4%	4,973	13.1%
1.5	Very good credit standing	5,921	14.8%	4,101	10.8%
2.0	Good credit standing	4,090	10.2%	3,231	8.5%
2.5	Sound credit standing	2,587	6.5%	2,384	6.3%
3.0	Acceptable credit standing	1,411	3.5%	1,436	3.8%
3.5	Marginal credit standing	730	1.8%	816	2.2%
4.0	Weak credit standing / sub-standard	374	0.9%	368	1.0%
4.5	Very weak credit standing / doubtful	352	0.9%	321	0.8%
5.0	Default	1,579	4.0%	1,555	4.1%
NR	Not rated	3,474	8.7%	8,434	22.3%
Total		**39,935**	**100.0%**	**37,868**	**100.0%**

The credit exposure to retail customers increased € 2,067 million compared to year-end 2017, to € 39,935 million. The increase in rating grades 1.0, 1.5, 2.0, 2.5 was mainly based on reclassification due to new rating information for building society business in Austria and the Czech Republic which was not available for year end 2017.

The total credit exposure to retail customers breaks down by segments as follows:

30/9/2018 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	18,747	8,483	4,524	4,917
Retail customers – small and medium-sized entities	1,669	755	403	438
Total	**20,416**	**9,238**	**4,926**	**5,354**
hereof non-performing loans	831	449	282	24

31/12/2017 in € million	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	17,868	7,909	4,096	4,953
Retail customers – small and medium-sized entities	1,560	691	358	433
Total	**19,429**	**8,600**	**4,454**	**5,385**
hereof non-performing loans	859	478	281	22

The increase in retail resulted from Central Europe, Southeastern Europe and Eastern Europe. Central Europe reported a rise of € 987 million to € 20,416 million in the Czech Republic and Slovakia, due to personal and mortgage loans. The increase in Central Europe was however partially offset by a reduction in Poland due to mortgage loans, overdrafts and a depreciation of the Polish zloty. Southeastern Europe reported a € 638 million increase to € 9,238 million, mainly in Bulgaria and Romania. Mortgage and personal loans and SME financing resulted in an increase in Bulgaria. In Romania, personal loans, credit cards and overdrafts increased. The € 472 million increase in Eastern Europe to € 4,926 million resulted from mortgage loans and personal loans in Russia, despite the depreciation of the Russian ruble.

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

in € million	30/9/2018	Share	31/12/2017	Share
Mortgage loans	23,225	58.2%	22,228	58.7%
Personal loans	9,038	22.6%	8,317	22.0%
Credit cards	3,354	8.4%	3,273	8.6%
SME financing	2,067	5.2%	1,866	4.9%
Overdraft	1,803	4.5%	1,751	4.6%
Car loans	448	1.1%	433	1.1%
Total	**39,935**	**100.0%**	**37,868**	**100.0%**

The € 997 million increase in mortgage loans and the € 721 million increase in personal loans resulted primarily from the Czech Republic, Russia, Romania and Slovakia. The € 201 million increase in SME financing was attributable to Bulgaria, the Czech Republic, Hungary, Romania, Slovakia and Ukraine.

Credit portfolio – Banks

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

in € million		30/9/2018	Share	31/12/2017	Share
1	Minimal risk	3,420	18.5%	3,455	18.5%
2	Excellent credit standing	5,156	27.9%	2,602	14.0%
3	Very good credit standing	7,452	40.3%	9,975	53.5%
4	Good credit standing	1,323	7.2%	1,221	6.5%
5	Sound credit standing	569	3.1%	676	3.6%
6	Acceptable credit standing	352	1.9%	243	1.3%
7	Marginal credit standing	65	0.4%	201	1.1%
8	Weak credit standing / sub-standard	151	0.8%	245	1.3%
9	Very weak credit standing / doubtful	0	0.0%	4	0.0%
10	Default	11	0.1%	11	0.1%
NR	Not rated	2	0.0%	11	0.1%
Total		**18,503**	**100.0%**	**18,645**	**100.0%**

The total credit exposure amounted to € 18,503 million. Compared to year-end 2017, this was a reduction of € 142 million.

Shifts in rating grade 2 and 3 were largely due to rating improvements of the regional Raiffeisen banks. The rating deterioration of Turkish customers from rating grade 5 led to an increase in rating grade 6. The € 136 million decline to € 65 million in rating grade 7 was due to documentary credits, guarantees issued and repo business in Eastern Europe. Rating grade 8 recorded a € 94 million decrease to € 151 million. This was mainly due to a reduction in overdraft facilities in Belarus, and to guarantees issued in Russia and Ukraine.

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

in € million	30/9/2018	Share	31/12/2017	Share
Repo	3,914	21.2%	4,373	23.5%
Loans and advances	3,912	21.1%	3,920	21.0%
Bonds	3,785	20.5%	3,812	20.4%
Money market	3,031	16.4%	2,192	11.8%
Derivatives	2,418	13.1%	2,735	14.7%
Other	1,443	7.8%	1,612	8.6%
Total	**18,503**	**100.0%**	**18,645**	**100.0%**

In the third quarter, the increase in repo business in the first half of 2018 was offset by a reduction in credit exposure in France, Great Britain, Germany and Russia (partially caused by the depreciation of the Russian ruble). The decline in derivatives was attributable to France, Austria, Germany and Great Britain. Moreover money market business in Austria, Belgium, Germany, Great Britain and Hungary increased.

Credit portfolio – Sovereigns

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

in € million		30/9/2018	Share	31/12/2017	Share
A1	Excellent credit standing	689	1.8%	1,383	4.2%
A2	Very good credit standing	14,097	37.6%	7,966	24.1%
A3	Good credit standing	6,935	18.5%	7,910	23.9%
B1	Sound credit standing	3,965	10.6%	4,242	12.8%
B2	Average credit standing	2,821	7.5%	3,147	9.5%
B3	Mediocre credit standing	6,038	16.1%	5,383	16.3%
B4	Weak credit standing	1,549	4.1%	1,592	4.8%
B5	Very weak credit standing	725	1.9%	779	2.4%
C	Doubtful/high default risk	625	1.7%	646	2.0%
D	Default	0	0.0%	0	0.0%
NR	Not rated	1	0.0%	3	0.0%
Total		**37,444**	**100.0%**	**33,052**	**100.0%**

Compared to year-end 2017, the credit exposure to sovereigns increased € 4,392 million to € 37,444 million.

The largest increase, of € 6,131 million to € 14,097 million, was in rating grade A2 and was attributable to deposits at the Austrian National Bank. The € 694 million decrease in the A1 rating grade to € 689 million resulted from a reduction in the portfolio of bonds issued by the Netherlands and the US. There was a decline of € 975 million in rating grade A3 to € 6,935 million, driven by a reduction in the minimum reserve at the National Bank of Slovakia and by repo business in the Czech Republic. This was partially offset by an increase in the portfolio of bonds issued by the Czech Republic and the Republic of Slovakia and improvements in the ratings of individual German federal states from rating grade B1 and rating grade B2. In rating grade B1 there was a € 277 million reduction to € 3,965 million, due to a decline in the portfolio of National Bank of Poland bonds. The € 326 million reduction in rating grade B2 to € 2,821 million was due to a reduction in the bond portfolio in Romania and to the minimum reserve at the Romanian National Bank. The € 655 million increase in rating grade B3 to € 6,038 million resulted from an increase in the bond portfolio at the Russian Central Bank, which was partially offset by a reduction in the minimum reserve in Russia and Bulgaria. In addition, money market business recorded a decline in Hungary, which was offset by an increase in Russia.

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

in € million	30/9/2018	Share	31/12/2017	Share
Bonds	17,685	47.2%	16,743	50.7%
Loans and advances	15,034	40.2%	10,787	32.6%
Repo	3,793	10.1%	4,323	13.1%
Money market	872	2.3%	1,166	3.5%
Derivatives	59	0.2%	28	0.1%
Other	0	0.0%	5	0.0%
Total	**37,444**	**100.0%**	**33,052**	**100.0%**

The € 942 million increase in bonds to € 17,685 million resulted from an increase at the Russian Central Bank. This was partially offset by a decline in the portfolio of bonds issued by the Republic of Austria. The € 4,247 million increase in loans and advances to € 15,034 million was mainly driven by deposits at the Austrian National Bank. This was partially offset by a reduction in the minimum reserve in Slovakia. The € 530 million reduction in repo to € 3,793 million was due to reduced business with the Czech National Bank. Money market recorded a € 294 million decline to € 872 million, which was attributable to deposits at the Austrian National Bank and to the Hungarian Central Bank.

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

in € million	30/9/2018	Share	31/12/2017	Share
Hungary	1,999	22.4%	2,297	27.3%
Russia	1,998	22.4%	751	8.9%
Croatia	1,192	13.3%	1,229	14.6%
Bulgaria	742	8.3%	945	11.2%
Albania	670	7.5%	734	8.7%
Serbia	655	7.3%	619	7.4%
Bosnia and Herzegovina	409	4.6%	460	5.5%
Ukraine	319	3.6%	405	4.8%
Belarus	271	3.0%	216	2.6%
Vietnam	144	1.6%	151	1.8%
Other	538	6.0%	595	7.1%
Total	**8,937**	**100.0%**	**8,403**	**100.0%**

The credit exposure to sovereigns in non-investment grade was mainly based on deposits of Group units at local central banks in Central, Eastern and Southeastern Europe, which serve to fulfil the respective minimum reserve requirements and the short-term investment of excess liquidity and which are therefore inextricably linked with business activity in these countries.

Compared to year-end 2017, the credit exposure to sovereigns in non-investment grade increased € 534 million to € 8,937 million. Russia reported an increase of € 1,247 million to € 1,998 million, which was mainly attributable to Russian Central Bank bonds. Hungary reported a decrease of € 298 million to € 1,999 million, mainly due to money market business. The decrease of € 203 million to € 742 million in Bulgaria resulted from a decline in deposits at the Bulgarian national bank.

Non-performing exposure (NPE)

The following table shows the non-performing exposure pursuant to the applicable definition contained in the EBA document Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures). It includes non-defaulted and defaulted exposure.

	NPE		NPE ratio		NPE coverage ratio	
in € million	30/9/2018	31/12/2017	30/9/2018	31/12/2017	30/9/2018	31/12/2017
General governments	0	0	0.0%	0.0%	-	-
Banks	10	10	0.1%	0.1%	100.0%	100.0%
Other financial corporations	37	40	0.4%	0.6%	100.0%	86.7%
Non-financial corporations	2,243	2,992	5.6%	7.1%	62.5%	59.2%
Households	1,535	1,877	4.8%	6.0%	56.6%	50.7%
Loans and advances	**3,826**	**4,920**	**3.5%**	**4.7%**	**61.6%**	**56.3%**
Bonds	**12**	**13**	**0.1%**	**0.2%**	**-**	**-**
Total	**3,838**	**4,933**	**3.0%**	**4.0%**	**61.4%**	**56.1%**
Held for sale	352	-	4.6%	-	59.0%	-

Based on the change, related to IFRS 9, to the definition contained in the EBA standards (FINREP ANNEX III REV1/FINREP ANNEX V), deposits at central banks and demand deposits must be included in the NPE ratio calculation. Previous year was adapted accordingly.

Forborne exposure

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

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

In the retail business under IFRS 9, forborne exposures not in default are automatically transferred to Stage 2 and hence lifetime ECL is applied for them. Transfer back to Stage 1 is possible only after all the criteria for exit of forborne status are met (including minimum probation period).

The following table shows the forborne exposure according to asset classes:

	Refinancing		Instruments with modified time and modified conditions		NPE total	
in € million	**30/9/2018**	**31/12/2017**	**30/9/2018**	**31/12/2017**	**30/9/2018**	**31/12/2017**
Non-financial corporations	0	11	14	51	14	62
Households	11	14	120	222	131	237
Loans and advances	**11**	**25**	**134**	**274**	**145**	**299**
Total	**11**	**25**	**134**	**274**	**145**	**299**
Held for sale	0	-	14	-	14	-

The following tables show the forborne exposure according to segments:

in € million	**30/9/2018**	**Share**	**31/12/2017**	**Share**
Central Europe	60	41.7%	157	52.6%
Southeastern Europe	70	48.1%	116	38.9%
Eastern Europe	6	3.9%	9	3.1%
Group Corporates & Markets	9	6.3%	17	5.5%
Total	**145**	**100.0%**	**299**	**100.0%**
hereof non-banks	145	100.0%	299	100.0%

In the corporate customer business, financial difficulties are measured by means of an internal early warning system which is based on numerous representative and accepted input factors for customer risk classification (e.g. overdue days, rating downgrade, etc.). IFRS 9 requires that impairment losses for Stage 1, 2 and 3 must be derived from an expected loss event. Defaults pursuant to Article 178 CRR continue to be main indicators for Stage 3. The transfer of forborne exposures to the living portfolio is not automatically carried out after the determined monitoring period. Additionally, an expert opinion has to be obtained confirming that the circumstances of the customer concerned have improved.

Non-performing loans (NPL)

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

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

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

The following table shows the share of non-performing loans (NPL) in the defined asset classes (excluding items off the statement of financial position):

	NPL		NPL ratio		NPL coverage ratio	
in € million	**30/9/2018**	**31/12/2017**	**30/9/2018**	**31/12/2017**	**30/9/2018**	**31/12/2017**
General governments	0	0	0.0%	0.0%	-	-
Other financial corporations	37	40	0.4%	0.6%	100.0%	100.0%
Non-financial corporations	2,230	2,930	5.6%	6.9%	68.5%	63.1%
Households	1,404	1,641	4.4%	5.2%	81.3%	80.6%
Total non-banks	**3,670**	**4,611**	**4.4%**	**5.7%**	**75.0%**	**67.0%**
Banks	10	10	0.1%	0.0%	100.0%	100.0%
Total	**3,681**	**4,621**	**3.3%**	**4.4%**	**75.1%**	**67.1%**
Held for sale	342	-	7.4%	-	79.1%	-

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

in € million	**As at 1/1/2018**	**Change in consolidated group and IFRS 5**	**Exchange rate**	**Additions**	**Disposals**	**As at 30/9/2018**
General governments	0	0	0	0	0	0
Other financial corporations	40	(9)	(1)	11	(4)	37
Non-financial corporations	2,930	(139)	32	340	(933)	2,230
Households	1,641	(174)	(24)	179	(218)	1,404
Total non-banks	**4,611**	**(322)**	**7**	**529**	**(1,155)**	**3,670**
Banks	10	0	0	0	0	10
Total	**4,621**	**(322)**	**7**	**530**	**(1,155)**	**3,681**

The volume of non-performing loans to non-banks fell € 941 million. The organic decrease of € 948 million was primarily attributable to the sale of the core banking business of Raiffeisen Bank Polska S.A., sales and recoveries of non-performing loans and the derecognition of commercially uncollectible loans at RBI AG, in Ukraine, Russia and Croatia. In contrast, exchange rate movements caused an increase of € 7 million. The non-performing loans (NPL) ratio based on total exposure decreased 1.1 percentage points to 3.3 per cent and the NPL coverage ratio increased 7.9 percentage points to 75.1 per cent.

Since the start of the year, non-financial corporations decreased € 700 million to € 2,230 million, mainly due to the sale of the core banking business of Raiffeisen Bank Polska S.A. and derecognition. The ratio of non-performing loans to credit exposure decreased 1.3 percentage points to 5.6 per cent and the NPL coverage ratio increased 5.4 percentage points to 68.5 per cent. In the households portfolio, non-performing loans declined 14.5 per cent, or € 237 million, to € 1,404 million, mainly due to the sale of the core banking business of Raiffeisen Bank Polska S.A.; in contrast, interest accruals on existing non-performing loans increase non-performing household loans, however, for the most part impairment losses are also booked against the interest accruals. The ratio of non-performing loans for non-banks to credit exposure decreased 0.8 percentage point to 4.4 per cent and the NPL coverage ratio increased 0.7 percentage point to 81.3 per cent. For banks, non-performing loans at the end of the third quarter were unchanged compared to year-end 2017 at € 10 million and the NPL coverage ratio stood at over 100 per cent.

The following tables show the share of non-performing loans (NPL) by segments (excluding items off the statement of financial position):

30/9/2018 **in € million**	**NPL**	**NPL ratio**	**NPL coverage ratio**
Central Europe	1,097	3.2%	76.3%
Southeastern Europe	936	4.7%	85.1%
Eastern Europe	643	4.6%	74.7%
Group Corporates & Markets	966	2.5%	64.7%
Corporate Center	38	0.2%	64.9%
Total	**3,681**	**3.3%**	**75.1%**
hereof non-banks	3,670	4.4%	75.0%

31/12/2017 **in € million**	**NPL**	**NPL ratio**	**NPL coverage ratio**
Central Europe	1,559	3.8%	67.7%
Southeastern Europe	1,048	4.7%	81.0%
Eastern Europe	667	4.6%	78.7%
Group Corporates & Markets	1,311	3.4%	48.5%
Corporate Center	36	0.3%	100.0%
Total	**4,621**	**4.4%**	**67.1%**
hereof non-banks	4,611	5.7%	67.0%

Based on the change, related to IFRS 9, to the definition contained in the EBA standards (FINREP ANNEX III REV1/FINREP ANNEX V), deposits at central banks and demand deposits must be included in the NPE ratio calculation. The previous year was adapted accordingly.

In Central Europe, non-performing loans declined € 462 million to € 1,097 million, mainly in Poland due to the sale of the core banking business by € 342 million. The reduction in the Czech Republic of € 37 million and in Hungary of € 36 million was based on sales, recoveries and derecognition. The NPL ratio decreased 0.6 percentage points to 3.2 per cent and the NPL coverage ratio increased 8.5 percentage points to 76.3 per cent.

In Southeastern Europe, non-performing loans decreased € 112 million compared to the start of the year to € 936 million, driven by factors including declines in Romania, Croatia and Bulgaria amounting to € 84 million in total. The NPL ratio remained unchanged compared to the start of the year at 4.7 per cent, and the NPL coverage ratio rose 4.1 percentage points to 85.1 per cent.

The Eastern Europe segment reported a reduction in non-performing loans of 3.5 per cent, or € 23 million, to € 643 million. The change included adjustments from IFRS 9; the gross carrying amount now includes interest accruals on existing non-performing loans, which for households in Ukraine amounted to € 45 million. The appreciation of the Ukrainian hryvnia also had an effect. The interest accruals on non-performing loans have impairment losses in corresponding size booked against them. The ratio of non-performing loans to credit exposure rose remained unchanged compared to the start of the year at 4.6 per cent and the NPL coverage ratio fell 4.1 percentage points to 74.7 per cent.

Non-performing loans in the Group Corporates & Markets segment fell € 345 million in the third quarter to € 966 million. Non-performing loans decreased € 304 million at RBI AG in the period under review, but increased € 18 million at Raiffeisen Leasing Group due to a defaulted loan. The NPL ratio declined 0.9 percentage points to 2.5 per cent and the NPL coverage ratio increased 16.2 percentage points since the start of the year to 64.7 per cent.

Concentration risk

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

As part of the strategic realignment, the limit structures related to concentration risk for each customer segment were also reviewed. The regional breakdown of loans reflects the broad diversification of credit business in the European markets of the Group.

The following table shows the regional distribution of the credit exposure of all asset classes by the country of risk (based on the principal business activity):

in € million	30/9/2018	Share	31/12/2017	Share
Central Europe	**57,099**	**31.3%**	**56,472**	**33.2%**
Czech Republic	20,369	11.2%	19,803	11.7%
Slovakia	14,897	8.2%	14,903	8.8%
Poland	14,344	7.9%	14,493	8.5%
Hungary	6,991	3.8%	6,818	4.0%
Other	498	0.3%	455	0.3%
Austria	**40,728**	**22.3%**	**33,739**	**19.9%**
Southeastern Europe	**28,229**	**15.5%**	**27,221**	**16.0%**
Romania	10,980	6.0%	10,343	6.1%
Croatia	4,978	2.7%	5,024	3.0%
Bulgaria	4,468	2.4%	4,242	2.5%
Serbia	3,097	1.7%	2,930	1.7%
Bosnia and Herzegovina	2,183	1.2%	2,197	1.3%
Albania	1,630	0.9%	1,705	1.0%
Other	894	0.5%	779	0.5%
Other European Union	**25,720**	**14.1%**	**23,669**	**13.9%**
Germany	8,514	4.7%	8,455	5.0%
Great Britain	5,385	3.0%	5,162	3.0%
France	3,539	1.9%	2,634	1.5%
Luxembourg	1,573	0.9%	1,220	0.7%
Netherlands	1,356	0.7%	1,552	0.9%
Italy	1,011	0.6%	793	0.5%
Spain	1,004	0.6%	725	0.4%
Other	3,339	1.8%	3,128	1.8%

in € million	30/9/2018	Share	31/12/2017	Share
Eastern Europe	**22,477**	**12.3%**	**20,457**	**12.0%**
Russia	17,410	9.5%	15,838	9.3%
Ukraine	2,809	1.5%	2,504	1.5%
Belarus	1,860	1.0%	1,685	1.0%
Other	398	0.2%	431	0.3%
Asia	**2,806**	**1.5%**	**2,669**	**1.6%**
Switzerland	**2,175**	**1.2%**	**2,196**	**1.3%**
North America	**2,081**	**1.1%**	**2,417**	**1.4%**
Rest of World	**1,166**	**0.6%**	**1,077**	**0.6%**
Total	**182,482**	**100.0%**	**169,917**	**100.0%**

The credit exposure of all asset classes increased € 12,565 million compared to year-end 2017 to € 182,482 million. The largest increase of € 6,989 million to € 40,728 million in Austria was mainly due to deposits at the Austrian National Bank and repo business. Southeastern Europe reported a € 1,008 million increase to € 28,229 million. This was due to an increase in credit and facility financing and in repo business, and to an increase in retail business in Bulgaria and Romania. The € 2,051 million increase in other European Union to € 25,720 million was due to credit and facility financing and to money market business. Credit and facility financing led to an increase of € 906 million in France. An increase in the portfolio of Russian government bonds, guarantees issued and repo business as well as the appreciation of the Ukrainian hryvnia resulted in a € 2,020 million increase in Eastern Europe to € 22,477 million (despite the depreciation of Russian ruble).

The following table shows the credit exposure of all asset classes by currency:

in € million	30/9/2018	Share	31/12/2017	Share
Euro (EUR)	96,247	52.7%	88,334	52.0%
Czech koruna (CZK)	18,483	10.1%	18,157	10.7%
US-Dollar (USD)	16,503	9.0%	15,524	9.1%
Russian ruble (RUB)	12,864	7.0%	10,733	6.3%
Polish zloty (PLN)	9,187	5.0%	9,442	5.6%
Romanian leu (RON)	7,037	3.9%	6,497	3.8%
Hungarian forint (HUF)	5,609	3.1%	5,465	3.2%
Swiss franc (CHF)	3,147	1.7%	3,175	1.9%
Bulgarian lev (BGN)	2,606	1.4%	2,494	1.5%
Croatian kuna (HRK)	2,557	1.4%	2,629	1.5%
Bosnian marka (BAM)	2,044	1.1%	1,991	1.2%
Ukrainian hryvnia (UAH)	2,025	1.1%	1,794	1.1%
Serbian dinar (RSD)	1,242	0.7%	1,213	0.7%
Albanian lek (ALL)	1,041	0.6%	1,015	0.6%
Other foreign currencies	1,889	1.0%	1,456	0.9%
Total	**182,482**	**100.0%**	**169,917**	**100.0%**

The following table shows the Group's total credit exposure based on customer industry classification:

in € million	30/9/2018	Share	31/12/2017	Share
Banking and insurance	50,444	27.6%	44,982	26.5%
Private households	36,812	20.2%	34,997	20.6%
Public administration and defence and social insurance institutions	17,614	9.7%	16,594	9.8%
Wholesale trade and commission trade (except car trading)	13,459	7.4%	12,639	7.4%
Other manufacturing	11,712	6.4%	11,616	6.8%
Real estate activities	9,643	5.3%	10,096	5.9%
Construction	5,884	3.2%	5,748	3.4%
Other business activities	6,576	3.6%	5,859	3.4%
Retail trade except repair of motor vehicles	4,425	2.4%	3,866	2.3%
Electricity, gas, steam and hot water supply	3,215	1.8%	2,915	1.7%
Manufacture of basic metals	2,225	1.2%	1,742	1.0%
Other transport	1,810	1.0%	1,910	1.1%
Land transport, transport via pipelines	2,277	1.2%	1,955	1.2%
Manufacture of food products and beverages	1,990	1.1%	1,898	1.1%
Manufacture of machinery and equipment	1,776	1.0%	1,695	1.0%
Sale of motor vehicles	1,170	0.6%	1,049	0.6%
Extraction of crude petroleum and natural gas	529	0.3%	594	0.3%
Other industries	10,922	6.0%	9,763	5.7%
Total	**182,482**	**100.0%**	**169,917**	**100.0%**

Market risk

Market risk management is based on figures from an internal model that calculates value-at-risk (VaR) for changes in the following risk factors: foreign exchange, interest rate changes, credit spreads, implied volatility and equity indices. At the end of the third quarter of 2017, the VaR calculation was supplemented to include interest rate basis risk factors. The Austrian Financial Market Authority approved this model so that it can be used for calculating total capital requirements for market risks.

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

Total VaR 99% 1d in € million	VaR as at 30/9/2018	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2017
Currency risk	14	14	10	27	13
Interest rate risk	17	11	5	23	12
Credit spread risk	21	23	15	41	31
Share price risk	1	1	1	2	1
Vega risk	1	1	1	2	1
Basis risk	5	4	3	7	6
Total	39	35	24	53	41

The overall currency risk includes equity of subsidiaries denominated in foreign currencies. The structural exchange rate risk resulting from equity capital is managed independently from the mainly short-term trading positions.

Liquidity management

Funding structure

The Group's funding structure is highly focused on retail business in Central and Eastern Europe. In addition, as a result of the Austrian Raiffeisen Banking Group's strong local market presence, the Group also benefits from funding through the regional Raiffeisen banks. Different funding sources are utilized in accordance with the principle of diversification. These include the issue of international bonds by RBI AG, the issue of local bonds by the Group units and the use of third-party financing loans (including from supranationals). The Group units also use interbank loans from third party banks, partly due to tight country limits and partly due to beneficial pricing.

in € million				
Cash reserve	21,890			
Short-term assets	20,754		32,097	Short-term refinancing
Long-term assets	19,434		21,594	Long-term refinancing
Loans and advances	75,670	98.1%	77,157	Deposits
Non-financial corporations	44,865	Loan/Deposit	34,619	Non-financial corporations
Households	30,804	Ratio	42,538	Households
Other assets	8,429		2,998	Other liabilities
			12,331	Equity
Total assets	**146,177**		**146,177**	**Total equity and liabilities**

Liquidity position

The Going Concern report shows the structural liquidity position. It covers all material risk drivers which might affect the Group in a business as usual scenario. The results of the going concern scenario are shown in the following table. It illustrates excess liquidity and the ratio of expected cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for selected maturities on a cumulative basis. The cash flows are based on assumptions according to expert opinions, statistical analyses and country specifics. This calculation also incorporates estimates of the stability of customer deposits, outflows from positions off the statement of financial position and the effects of a market downturn relating to positions that affect the counterbalancing capacity.

in € million	30/9/2018		31/12/2017	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	22,917	27,758	20,675	24,397
Liquidity ratio	147%	128%	152%	129%

Liquidity coverage ratio

The liquidity coverage ratio (LCR) requires the short-term resilience of banks by ensuring that they have an adequate stock of unencumbered high-quality liquid assets (HQLA) to meet potential liability run offs that might occur in a crisis, which can be converted into cash to meet liquidity needs for a minimum of 30 calendar days in a liquidity stress scenario.

The calculation of expected inflows and outflows of funds and the HQLAs is based on regulatory specifications. In 2017 a regulatory minimum ratio for the LCR of 80 per cent was applicable; from 2018 the minimum is 100 per cent.

in € million	30/9/2018	31/12/2017[1]
Average liquid assets	**27,798**	**23,050**
Net outflows	**21,648**	**16,642**
Inflows	10,235	10,186
Outflows	31,883	26,828
Liquidity Coverage Ratio	**128%**	**139%**

1 Adaptation of previous year figures

During the reference period both liquid assets and modelled net cash outflows increased by 5 billion euro. A uniform increase in the nominator and the denominator leads to a reduction of the LCR ratio for levels > 100%. The change was mostly driven by RBI AG which saw an increase of non-operational deposits of financial customers on the one hand and of withdrawable central bank reserves on the other.

Net Stable Funding Ratio

The NSFR is defined as the ratio of available stable funding to required stable funding. It is expected that the regulatory limit will be set at 100 per cent and will become applicable for the first time in 2020. Available stable funding is defined as the portion of equity and liabilities which is expected to be a reliable source of funds over the time horizon of one year applicable for the NSFR. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its exposures off the statement of financial position. RBI Group targets a balanced funding position. The regulatory provisions are currently undergoing review by the authorities.

in € million	30/9/2018	31/12/2017
Required stable funding	104,913	101,658
Available stable funding	118,803	114,464
Net Stable Funding Ratio	**113%**	**113%**

Other disclosures

(41) Contingent liabilities and commitments

in € million	30/9/2018	31/12/2017
Contingent liabilities	**10,641**	**9,917**
Credit guarantees	5,986	5,733
Other guarantees	3,319	2,828
Letters of credit (documentary business)	1,336	1,329
Other contingent liabilities	0	27
Commitments	**13,261**	**10,898**
Irrevocable credit lines and stand-by facilities	13,261	10,898
Up to 1 year	4,745	2,507
More than 1 year	8,516	8,391
Other commitments	**789**	**594**
Total	**24,691**	**21,409**

The increase in contingent liabilities and other liabilities off the statement of financial position was mainly attributable to an increase in loan commitments issued in Russia, where business relations with major Russian and international business customers were expanded. In Austria, RBI AG also contributed to the rise in this item. The position contingent liabilities contains an amount of € 509 million from Raiffeisen Bank Polska S.A., Warsaw, in irrevocable and revocable credit lines its share amounted to € 1,446 million.

The following table contains revocable credit lines:

in € million	30/9/2018	31/12/2017
Revocable credit lines	**19,234**	**19,800**
Up to 1 year	10,303	10,811
More than 1 year	5,889	5,954
Without maturity	3,042	3,035
Total	**19,234**	**19,800**

(42) Related parties

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

The companies exercising a significant influence are Raiffeisenlandesbank Niederösterreich-Wien AG, Vienna, the largest single shareholder, and its parent company, Raiffeisen-Holding Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Vienna. Under affiliated companies, affiliated companies that are not consolidated due to immateriality are shown.

30/9/2018 in € million	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Selected financial assets	**356**	**396**	**2,258**	**680**
Equity instruments	0	193	765	273
Debt securities	15	0	8	22
Loans and advances	340	203	1,485	386
Selected financial liabilities	**2,579**	**112**	**5,189**	**397**
Deposits	2,579	115	5,189	397
Debt securities issued	0	1	0	0
Other items				
Loan commitments, financial guarantees and other commitments given	216	11	468	111
Loan commitments, financial guarantees and other commitments received	20	0	31	24

31/12/2017 in € million	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Selected financial assets	**423**	**462**	**1,010**	**472**
Equity instruments	1	194	729	230
Debt securities	29	23	20	0
Loans and advances	393	245	261	242
Selected financial liabilities	**2,517**	**141**	**3,326**	**468**
Deposits	2,517	140	3,326	468
Debt securities issued	0	1	0	0
Other items				
Loan commitments, financial guarantees and other commitments given	25	86	275	23
Loan commitments, financial guarantees and other commitments received	11	0	33	52

1/1-30/9/2018 in € million	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Interest income	4	4	7	5
Interest expenses	(17)	(1)	(20)	0
Dividend income	0	10	30	4
Fee and commission income	2	20	3	4
Fee and commission expenses	0	(12)	(5)	(1)

1/1-30/9/2017 in € million	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Interest income	7	3	6	7
Interest expenses	(14)	0	(23)	(1)
Dividend income	0	15	46	14
Fee and commission income	2	18	9	4
Fee and commission expenses	(1)	(1)	(6)	(3)

(43) Average number of staff

Full-time equivalents	1/1-30/9/2018	1/1-30/9/2017
Salaried employees	49,627	49,197
Wage earners	577	845
Total	**50,204**	**50,042**

Regulatory information

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

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

The so-called Pillar 2 requirement is calculated based on the business model, risk management or capital situation, for example. In addition, the RBI Group is subject to the minimum requirements of the CRR and the combined buffer requirement. The combined buffer requirement for the RBI Group currently contains a capital conservation buffer, a systemic risk buffer and a countercyclical buffer. As at 30 September 2018, the CET1 ratio requirement (including the combined buffer requirement) is 9.8 per cent for the RBI Group. A breach of the combined buffer requirement would induce constraints, for example in relation to dividend distributions and coupon payments on certain capital instruments. The capital requirements applicable during the year were complied with, including an adequate buffer, on both a consolidated and individual basis.

National supervisors can principally determine systemic risk buffers (up to 5 per cent) as well as additional capital add-ons for systemic banks (up to 3.5 per cent). In the event that systemic risk buffers as well as add-ons for systemic banks are determined for an institution, only the higher of the two values is applicable. In September 2015, the responsible Financial Market Stability Board (FMSB) of the FMA recommended the requirement of a systemic risk buffer (SRB) for certain banks, including RBI. This came into force as of the beginning of 2016 through the FMA via the Capital Buffer Regulation. The SRB for RBI was set at 0.25 per cent in the year 2016, was raised to 0.50 per cent from 1 January 2017 on and this progressively increases to 2 per cent by 2019.

The establishment of a countercyclical buffer is also the responsibility of the national supervisors and results in a weighted average at the level of the RBI Group in order to curb excessive lending growth. This buffer was set at 0 per cent in Austria for the present time due to restrained lending growth and the stable macroeconomic environment. The buffer rates defined in other member states apply at the level of the RBI Group (based on a weighted calculation of averages).

Further expected regulatory changes and developments are monitored, and included and analyzed in scenario calculations undertaken by Group Regulatory Affairs on an ongoing basis. Potential effects are taken into account in planning and governance, insofar as the extent and implementation are foreseeable.

Total capital

The following consolidated figures have been calculated in accordance with the provisions of the Capital Requirements Regulation (CRR) and other statutory provisions such as the Implementing Technical Standards (ITS) of the European Banking Authority (EBA).

As at 30 September 2018, RBI's common equity tier (CET1) after deductions amounted to € 9,404 million, representing a € 138 million increase compared to the 2017 year-end figure. A material factor behind the improvement was the inclusion of the interim profit for the first half of 2018 in regulatory capital. CET1 was negatively impacted through the introduction of the new accounting standard IFRS 9 on 1 January 2018, and foreign exchange effects. Tier 1 capital after deductions increased € 760 million to € 10,599 million, particularly as a result of the placement of € 500 million of perpetual additional tier 1 capital in January 2018. In contrast, tier 2 capital declined € 629 million to € 2,424 million due to early repayments and matured capital instruments. RBI's total capital amounted to € 13,022 million, representing an increase of € 130 million compared to the 2017 year-end figure.

The total capital requirement as at 30 September 2018 amounted to € 6,098 million, an increase of € 346 million compared to year-end 2017. The increase was largely attributable to the total capital requirement for credit risk, which rose € 287 million to € 5,099 million, mainly due to new loan business, as well as general business developments in Russia, Romania, the Czech Republic, Slovakia, and Bulgaria. The total capital requirement for position risk in bonds, equities, commodities and currencies increased € 75 million and amounted to € 351 million. This was mainly the result of currency hedging in connection with the sale of the Polish subsidiary (temporary effect). The total capital requirement for operational risk was slightly down on 30 September 2018 at € 648 million.

Based on total risk, the common equity tier 1 ratio was 12.3 per cent, the tier 1 ratio was 13.9 per cent and the total capital ratio was 17.1 per cent. Taking into account the expiry of the transitional provisions, the common equity tier 1 ratio was 12.3 per cent (no effects), the tier 1 ratio was 13.8 per cent and the total capital ratio was 17.0 per cent (caused by tier 1, which is no longer eligible for regulatory purposes).

The capital ratios including interim profit from the third quarter would be around 45 basis points higher than the presented ratios (common equity tier 1 ratio, tier 1 ratio, and total capital ratio).

in € million	**30/9/2018**	**31/12/2017**
Paid-in capital	5,974	5,994
Earned capital	3,777	3,540
Non-controlling interests	455	421
Common equity tier 1 (before deductions)	**10,206**	**9,955**
Deduction intangible fixed assets/goodwill	(677)	(584)
Deduction provision shortage for IRB positions	(61)	(61)
Deduction securitizations	(29)	(37)
Deduction loss carry forwards	(9)	(7)
Common equity tier 1 (after deductions)	**9,404**	**9,266**
Additional tier 1	1,208	716
Non-controlling interests	(13)	10
Deduction intangible fixed assets/goodwill	0	(146)
Deduction provision shortage for IRB positions	0	(8)
Tier 1	**10,599**	**9,839**
Long-term subordinated capital	2,178	2,841
Non-controlling interests	26	27
Provision excess of internal rating approach positions	220	184
Tier 2 (after deductions)	**2,424**	**3,053**
Total capital	**13,022**	**12,892**
Total capital requirement	**6,098**	**5,752**
Common equity tier 1 ratio (transitional)	12.3%	12.9%
Common equity tier 1 ratio (fully loaded)	12.3%	12.7%
Tier 1 ratio (transitional)	13.9%	13.7%
Tier 1 ratio (fully loaded)	13.8%	13.6%
Total capital ratio (transitional)	17.1%	17.9%
Total capital ratio (fully loaded)	17.0%	17.8%

The transitional ratios are the currently applicable ratios according to CRR requirements under consideration of the applicable transitional provisions for the current calendar year set out in Part 10 of the CRR. The CRR Supplementary Regulation (CRR-BV) published by the FMA were also used as a basis.

The fully loaded ratios are for information purposes only and are calculated assuming full implementation without taking the transitional provisions into account.

As at 30 September 2018, direct transitional provisions were no longer applied for RBI. Consequently, there were no effects for the common equity tier 1 ratio. Only the tier 1 ratio and the total capital ratio showed differences due to capital instruments which are no longer eligible.

Total capital requirement and risk-weighted assets

in € million	30/9/2018	31/12/2017
Total capital requirement for credit risk	5,099	4,812
Internal rating approach	2,938	2,555
Standardized approach	2,143	2,236
CVA risk	18	20
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	351	276
Total capital requirement for operational risk	648	664
Total capital requirement	**6,098**	**5,752**
Risk-weighted assets (total RWA)	**76,227**	**71,902**

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

in € million	30/9/2018	31/12/2017
Risk-weighted assets according to standardized approach	**26,786**	**27,950**
Central governments and central banks	502	1,105
Regional governments	106	103
Public administration and non-profit organizations	34	44
Banks	230	309
Corporate customers	9,232	9,456
Retail customers	12,275	12,149
Equity exposures	1,842	2,038
Covered bonds	14	15
Mutual funds	55	38
Securitization position	0	4
Other positions	2,497	2,689
Risk-weighted assets according to internal rating approach	**36,726**	**31,944**
Central governments and central banks	1,944	1,019
Banks	1,664	1,164
Corporate customers	26,477	24,026
Retail customers	5,886	5,324
Equity exposures	369	178
Securitization position	386	233
CVA risk	**225**	**254**
Basel 1 floor	**0**	**0**
Risk-weighted assets (credit risk)	**63,737**	**60,148**
Total capital requirement (credit risk)	**5,099**	**4,812**

Leverage ratio

The leverage ratio is defined in Part 7 of the CRR and as at 30 September 2018 was not yet a mandatory quantitative requirement. Until then it serves only information purposes.

in € million	30/9/2018	31/12/2017
Leverage exposure	172,880	160,828
Tier 1	10,599	9,839
Leverage ratio (transitional)	**6.1%**	**6.1%**
Leverage ratio (fully loaded)	6.1%	6.1%

Events after the reporting date

Sale of the core banking operations of RBI subsidiary Raiffeisen Bank Polska to BGZ BNP closed

As agreed upon in April 2018, the sale of the core banking operations of Raiffeisen Bank Polska S.A. by way of demerger to Bank BGZ BNP Paribas S.A., a subsidiary of BNP Paribas S.A., was closed on 31 October 2018 following receipt of the regulatory approvals.

For further information regarding the transaction, please see the significant events in the reporting period chapter.

Glossary

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

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

Earnings per share - Profit/loss attributable to ordinary shares divided by the average number of ordinary shares outstanding in the reporting period.

LCR – Liquidity Coverage Ratio. The LCR supports the short-term resilience of banks by ensuring that they have an adequate stock of unencumbered high-quality liquid assets (HQLA) to meet potential liability run offs that might occur in a crisis, which can be converted into cash to meet liquidity needs for a minimum of 30 calendar days in a liquidity stress scenario.

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

NSFR – Net Stable Funding Ratio. Relation of available stable funding to required stable funding.

Risk-weighted assets (RWA credit risk) – The sum of the weighted accounts receivable including receivables in the form of items on and off the statement of financial position and CVA (Credit Value Adjustment) risk.

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

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

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

Alternative Performance Measures (APM)

The Group uses alternative performance measures in its financial reporting, not defined by IFRS or CRR regulations, to describe RBI Group's financial position and performance. These should not be viewed in isolation, but treated as supplementary information.

For the purpose of the analysis and description of the performance and the financial position these ratios are commonly used within the financial industry. The special items used below to calculate some alternative performance measures arise from the nature of Group's business, i.e. that of a universal banking group. However it is to mention that the definitions mostly vary between companies. Please find the definitions of these ratios below.

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

Cost/income ratio is an economic metric and shows the company's costs in relation to its income. The ratio gives a clear view of operational efficiency. Banks use the cost/income ratio as an efficiency measure for steering the bank and for easily comparing its efficiency with other financial institutions. General administrative expenses in relation to operating income are calculated for the cost/income ratio. General administrative expenses comprise staff expenses, other administrative expenses and depreciation/amortization of intangible and tangible fixed assets. Operating income comprises net interest income, dividend income, net fee and commission income, net trading income and fair value result, net gains/losses from hedge accounting and other net operating income.

Effective tax rate (ETR) gives a good understanding of the tax rate the company faces and simplifies comparison among companies. It will often differ from the company´s jurisdictional tax rate due to many accounting factors. The effective tax rate of a company is the average rate at which its pre-tax profits are taxed. It is calculated by dividing total tax expense (income taxes) by profit before tax. Total tax expense includes current income taxes and deferred taxes.

Loan/deposit ratio indicates a bank's ability to refinance its loans by deposits rather than wholesale funding. It is calculated with loans to non-financial corporations and households in relation to deposits from non-financial corporations and households.

Net interest margin is used for external comparison with other banks as well as an internal profitability measurement of products and segments. It is caulcauted with net interest income set in relation to average interest-bearing assets (total assets less investments in subsidiaries, joint ventures and associates, intangible fixed assets, tangible fixed assets, tax assets and other assets).

NPE – Non-performing exposure. It contains all non-performing loans and bonds according to the applicable definition of the EBA document "Implementing Technical Standards (ITS) on Supervisory Reporting (Forbearance and non-performing exposures)" and comprises all defaulted non-performing loans and bonds and non-defaulted non-performing loans and bonds (loans and bonds without grounds for default pursuant to Article 178 CRR).

NPL – Defaulted, non-performing loans. A default and thus a non-performing loan pursuant to Article 178 CRR applies if it can be assumed that a customer is unlikely to fulfill all of its credit obligations to the bank, or if the debtor is overdue at least 90 days on any material credit obligation to the bank (RBI has defined twelve default indicators).

NPE ratio is an economic ratio to demonstrate the proportion of non-defaulted and defaulted non-performing loans and bonds according to the applicable EBA definition in relation to the entire loan portfolio of customers and banks and bonds. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank's credit risk management.

NPL ratio is an economic ratio to demonstrate the proportion of loans that have been classified as defaulted non-performing in relation to the entire customer loan portfolio. The definition of non-performing has been adopted from regulatory standards and guidelines and comprises in general those customers where repayment is doubtful, a realization of collaterals is expected and which thus have been moved to a defaulted customer rating segment. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank's credit risk management.

NPE coverage ratio describes to which extent, non-defaulted and defaulted non-performing loans and bonds have been covered by impairments (Individual loan loss provisions) thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses on loans and advances to customers and banks and on bonds set in relation to non-defaulted and defaulted non-performing loans to customers and banks and bonds.

NPL coverage ratio describes to which extent defaulted non-performing loans have been covered by impairments (individual and portfolio-based loan loss provisions) thus expressing also the ability of a bank to absorb losses from its NPL. It is calculated with impairment losses on loans and advances to customers set in relation to defaulted non-performing loans to customers.

Operating result is used to describe the operative performance of a bank for the reporting period. It consists of operating income less general administrative expenses.

Operating income – It comprises net interest income, dividend income, net fee and commission income, net trading income and fair value result, net gains/losses from hedge accounting and other net operating income.

Other result – Consists of impairment/reversal of impairment on investments in subsidiaries, joint ventures and associates, impairment on non-financial assets, negative goodwill recognized in profit or loss, current income from investments in subsidiaries, joint ventures and associates, result from non-current assets and disposal groups classified as held for sale and deconsolidation.

Provisioning ratio is an indicator for development of risk costs and provisioning policy of an enterprise. It is computed by dividing impairment or reversal on financial assets (customers loans) by average loans to customers (categories: financial assets measured at amortized cost and financial assets at fair value through other comprehensive income).

Return on assets (ROA before/after tax) is a profitability ratio and measures how efficiently a company can manage its assets to produce profits during a period. It is computed by dividing profit before tax/after tax by average assets (based on total assets, average means the average of year-end figure and the relevant month´s figures).

Return on equity (ROE before/after tax) provides a profitability measure for both management and investors by expressing the net profit for the period as presented in the income statement as a percentage of the respective underlying (either equity related or asset related). Return on equity demonstrates the profitability of the bank on the capital invested by its shareholders and thus the success of their investment. Return on equity is a useful measure to easily compare the profitability of a bank with other financial institutions. Return on the total equity including non-controlling interests, i.e. profit before tax respectively after tax in relation to average equity on the statement of financial position. Average equity is calculated on month-end figures including non-controlling interests and does not include current year profit.

Return on risk-adjusted capital (RORAC) is a ratio of a risk-adjusted performance management and shows the yield on the risk-adjusted capital (economic capital). The return on risk-adjusted capital is computed by dividing consolidated profit by the risk-adjusted capital (i.e. average economic capital). This capital requirement is calculated within the economic capital model for credit, market and operational risk.

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