RAIFFEISEN BANK INTERNATIONAL

ANNUAL FINANCIAL REPORT 2017

Raiffeisen Bank International

Overview

Raiffeisen Bank International (RBI)

Monetary values in € million	2017	2016 pro forma	Change	2016 published	2015	2014	2013
Income statement	**1/1-31/12**	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**	**1.1.–31.12.**	**1.1.–31.12.**
Net interest income	3,208	3,197	0.3%	2,935	3,327	3,789	3,729
Net provisioning for impairment losses	(287)	(758)	(62.1)%	(754)	(1,264)	(1,750)	(1,149)
Net fee and commission income	1,719	1,599	7.5%	1,497	1,519	1,586	1,626
Net trading income	244	220	11.3%	215	16	(30)	321
General administrative expenses	(3,104)	(3,141)	(1.2)%	(2,848)	(2,914)	(3,024)	(3,340)
Profit/loss before tax	1,612	946	70.4%	886	711	(105)	835
Profit/loss after tax	1,246	636	95.8%	574	435	(587)	603
Consolidated profit/loss	1,116	520	114.6%	463	379	(617)	557
Statement of financial position	**31/12**	**31/12**		**31/12**	**31.12.**	**31.12.**	**31.12.**
Loans and advances to banks	14,358	10,981	30.8%	9,900	10,837	15,573	22,243
Loans and advances to customers	81,232	79,769	1.8%	70,514	69,921	77,925	80,635
Deposits from banks	22,291	24,060	(7.3)%	12,816	16,369	22,408	30,105
Deposits from customers	84,831	80,325	5.6%	71,538	68,991	66,094	66,437
Equity	11,241	9,752	15.3%	9,232	8,501	8,178	10,364
Assets	135,146	134,804	0.3%	111,864	114,427	121,500	130,640
Key ratios	**1/1-31/12**	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**	**1.1.–31.12.**	**1.1.–31.12.**
Return on equity before tax	16.2%	10.4%	5.8 PP	10.3%	8.5%	–	7.8%
Return on equity after tax	12.5%	7.0%	5.8 PP	6.7%	5.2%	–	5.7%
Consolidated return on equity	12.2%	6.2%	6.0 PP	5.8%	4.8%	–	4.9%
Cost/income ratio	59.4%	61.5%	(2.1) PP	60.7%	59.1%	56.5%	58.3%
Return on assets before tax	1.23%	0.69%	0.54 PP	0.79%	0.60%	–	0.63%
Net interest margin (average interest-bearing assets)	2.48%	2.48%	0.00 PP	2.78%	3.00%	3.24%	3.11%
Provisioning ratio (average loans and advances to customers)	0.35%	0.93%	(0.58) PP	1.05%	1.64%	2.17%	1.39%
Bank-specific information	**31/12**	**31/12**		**31/12**	**31.12.**	**31.12.**	**31.12.**
NPL ratio	5.7%	8.7%	(3.0) PP	9.2%	11.9%	11.4%	10.7%
NPE ratio	5.1%	8.1%	(3.0) PP	8.6%	–	–	–
NPL coverage ratio	67.0%	75.2%	(8.1) PP	75.6%	71.3%	67.5%	63.1%
NPE coverage ratio	56.3%	66.3%	(10.0) PP	66.7%	–	–	–
Risk-weighted assets (total RWA)	71,902	67,911	5.9%	60,061	63,272	68,721	79,897
Total capital requirement	5,752	5,433	5.9%	4,805	5,062	5,498	6,392
Total capital	12,892	11,804	9.2%	11,537	10,987	10,970	12,686
Common equity tier 1 ratio (transitional)	12.9%	12.7%	0.2 PP	13.9%	12.1%	10.8%	10.7%
Common equity tier 1 ratio (fully loaded)	12.7%	12.4%	0.3 PP	13.6%	11.5%	10.0%	–
Total capital ratio (transitional)	17.9%	17.4%	0.5 PP	19.2%	17.4%	16.0%	15.9%
Total capital ratio (fully loaded)	17.8%	17.1%	0.7 PP	18.9%	16.8%	15.1%	–
Stock data	**1/1-31/12**	**1/1-31/12**		**1/1-31/12**	**1/1-31/12**	**1.1.–31.12.**	**1.1.–31.12.**
Earnings per share in €	3.34	1.58	110.8%	1.58	1.30	(2.17)	1.83
Closing price in € (31/12)	30.20	–	–	17.38	13.61	12.54	25.62
High (closing prices) in €	30.72	–	–	18.29	15.69	31.27	33.59
Low (closing prices) in €	17.67	–	–	10.21	9.01	11.51	19.96
Number of shares in million (31/12)	328.94	–	–	292.98	292.98	292.98	195.51
Market capitalization in € million (31/12)	9,934	–	–	5,092	3,986	3,672	5,009
Dividend per share in €	0.62	–	–	–	–	–	1.02
Resources	**31/12**	**31/12**		**31/12**	**31.12.**	**31.12.**	**31.12.**
Employees as at reporting date (full-time equivalents)	49,700	50,203	(1.0)%	48,556	51,492	54,730	57,901
Business outlets	2,409	2,522	(4.5)%	2,506	2,705	2,866	3,025
Customers in million	16.5	17.0	(2.8)%	14.1	14.9	14.8	14.6

As of January 2017, RZB contributed business is fully included. Current RBI figures refer to the Combined Bank; unless specified otherwise, the historical pro forma data is based on the Combined Bank (consideration of the merger).

In this report, Raiffeisen Bank International (RBI) refers to the RBI Group, and RBI AG is used wherever statements refer solely to Raiffeisen Bank International AG. RZB AG refers to Raiffeisen Zentralbank Österreich AG.

The original Annual Financial Report was prepared in German. Only the German language version is the authentic one. The English language version is a non-binding translation of the original German text. Please be aware that due to the rounding off of amounts and percentages there may be minor differences.

With cooperation of: Financial Accounting, Group Investor Relations (Parts of Management Report), RBI Integrated Risk Management (Parts of Risk Report)

Content

Consolidated financial statements

Statement of comprehensive income

RZB AG was merged into RBI AG based on the resolutions passed by the extraordinary General Meetings of RZB AG and RBI AG on 23 January 2017 and 24 January 2017, respectively. RZB AG's results and that of its fully consolidated subsidiaries have been included in the consolidated financial statements for the 2017 financial year as from 1 January. Details on the merger are provided in the notes in the section on principles underlying the preparation of financial statements. The comparable figures in these consolidated financial statements correspond to the results published by RBI prior to the merger since the management has decided not to show the transaction retroactively. As a result, comparability is limited.

Income statement

in € thousand	Notes	2017	2016
Interest income		4,256,985	4,043,862
Current income associates		60,420	0
Interest expenses		(1,109,687)	(1,108,433)
Net interest income	**[2]**	**3,207,718**	**2,935,429**
Net provisioning for impairment losses	[3]	(286,899)	(754,387)
Net interest income after provisioning		**2,920,819**	**2,181,042**
Fee and commission income		2,468,447	1,997,477
Fee and commission expense		(749,576)	(500,633)
Net fee and commission income	**[4]**	**1,718,872**	**1,496,844**
Net trading income	[5]	244,350	214,586
Net income from derivatives and liabilities	[6]	(40,921)	(188,752)
Net income from financial investments	[7]	(83,133)	152,940
General administrative expenses	[8]	(3,104,213)	(2,848,228)
Other net operating income	[9]	(42,070)	(141,749)
Net income from disposal of group assets	[10]	(1,640)	18,914
Profit/loss before tax		**1,612,063**	**885,598**
Income taxes	[11]	(366,054)	(311,982)
Profit/loss after tax		**1,246,009**	**573,615**
Profit attributable to non-controlling interests	[33]	(129,953)	(110,512)
Consolidated profit/loss		**1,116,056**	**463,104**

Earnings per share

in € thousand	2017	2016
Consolidated profit/loss	1,116,056	463,104
Dividend claims on additional tier 1 capital	(19,524)	0
Consolidated profit/loss attributable to ordinary shares	**1,096,532**	**463,104**
Average number of ordinary shares outstanding in thousand	328,509	292,447
Earnings per share in €	**3.34**	**1.58**

Earnings per share are obtained by dividing the consolidated profit/loss after deduction of the dividend claims on additional tier 1 capital by the average number of common shares outstanding.

As there were no conversion rights or options outstanding, a dilution of earnings per share did not take place.

Other comprehensive income and total comprehensive income

in € thousand	Total 2017	Total 2016	Group equity 2017	Group equity 2016	Non-controlling interest 2017	Non-controlling interest 2016
Profit/loss after tax	**1,246,009**	**573,615**	**1,116,056**	**463,104**	**129,953**	**110,512**
Items which are not reclassified to profit and loss	**(135,962)**	**2,028**	**(135,962)**	**2,028**	**0**	**0**
Remeasurements of defined benefit plans	6,252	2,704	6,252	2,704	0	0
Changes in equity of companies valued at equity which are not reclassified to profit and loss	(2,360)	0	(2,360)	0	0	0
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their default risk	(139,643)	0	(139,643)	0	0	0
Deferred taxes on items which are not reclassified to profit and loss	(211)	(676)	(211)	(676)	0	0
Items that may be reclassified subsequently to profit or loss	**(61,045)**	**187,598**	**(62,545)**	**201,682**	**1,500**	**(14,085)**
Exchange differences	(70,048)	291,039	(70,915)	299,257	867	(8,218)
Capital hedge	(6,042)	(43,445)	(6,042)	(43,445)	0	0
Net gains (losses) on derivatives hedging fluctuating cash flows	11,164	5,788	9,515	6,449	1,648	(661)
Changes in equity of companies valued at equity	(6,819)	0	(6,819)	0	0	0
Net gains (losses) on financial assets available-for-sale	(717)	(77,321)	(87)	(70,428)	(630)	(6,893)
Deferred taxes on income and expenses directly recognized in equity	11,417	11,536	11,803	9,849	(386)	1,687
Other comprehensive income	**(197,007)**	**189,626**	**(198,507)**	**203,710**	**1,500**	**(14,085)**
Total comprehensive income	**1,049,002**	**763,241**	**917,549**	**666,814**	**131,453**	**96,427**

Other comprehensive income

According to IAS 19, revaluations of defined benefit plans are to be shown in other comprehensive income. This resulted in other comprehensive income of € 6,252 thousand in the reporting year (2016: € 2,704 thousand).

RBI has elected to adopt the requirements of IFRS 9.7.1.2 regarding the presentation of gains and losses from liabilities designated at fair value through profit or loss on an early basis in financial year 2017. 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, they were booked in the income statement (2016: minus € 119,064 thousand). In the reporting period an amount of minus € 139,643 thousand was booked directly in other comprehensive income.

Currency developments led to a negative effect of € 70,048 thousand in the financial year. The 7 per cent depreciation of the Russian rouble with a negative effect of € 140,155 thousand, the 13 per cent depreciation of the Belarusian rouble with a negative effect of € 45,883 thousand and the 15 per cent depreciation of the Ukrainian hryvnia with a negative effect of € 40,882 thousand were partly offset by the 6 per cent appreciation of the Polish zloty with a positive effect of € 80,547 thousand and the 6 per cent appreciation Czech koruna with a positive effect of € 70,859 thousand. Due to disposals of Group assets, gains of € 8,498 thousand (2016: losses of € 10,860 thousand) were reclassified to the income statement in the reporting year.

The capital hedge comprises hedges for investments in economically independent sub-units. A negative result of € 6,042 thousand was posted in the financial year. The appreciation of the Polish zloty produced a negative result of € 13,869 thousand, the depreciation of the Russian rouble a positive result of € 7,827 thousand.

Cash flow hedging has been applied in five Group units to hedge against interest rate risk. In the financial year, this led to a positive result of € 11,164 thousand.

The changes in equity of companies valued at equity relate mainly to UNIQA Insurance Group AG, Vienna. The companies valued at equity were incorporated within the framework of the merger of RZB AG into RBI AG. This relates to valuation changes in the available-for-sale securities portfolio and the revaluations of defined benefit plans.

The item net gains (losses) on financial assets available-for-sale directly shown in equity contains net valuation results from financial investments. No gains/losses were reclassified to the income statement in the reporting year.

In the previous year gains of € 133,623 thousand – predominantly from the sale of shares in Visa Europe Ltd., London, to Visa Inc., Foster City, – were reclassified to the income statement.

The individual components of retained earnings developed as follows:

in € thousand	Remeasurements reserve IAS19	Exchange differences	Capital hedge	Hyperinflation	Cash flow hedge
As at 1/1/2016	**(12,532)**	**(3,247,298)**	**169,930**	**175,012**	**(25,425)**
Unrealized net gains (losses) of the period	2,704	284,008	(43,445)	0	6,449
Net gains (losses) reclassified to income statement	0	15,249	0	0	0
As at 31/12/2016	**(9,827)**	**(2,948,041)**	**126,486**	**175,012**	**(18,977)**
Merger effect	(2,454)	2,974	0	0	(42,176)
As at 1/1/2017	**(12,281)**	**(2,945,068)**	**126,486**	**175,012**	**(61,153)**
Unrealized net gains (losses) of the period	6,252	(62,417)	(6,042)	0	9,515
Net gains (losses) reclassified to income statement	0	(8,498)	0	0	0
As at 31/12/2017	**(6,029)**	**(3,015,983)**	**120,443**	**175,012**	**(51,637)**

in € thousand	Fair value reserve (afs financial assets)	Deferred taxes	At equity	Fair value option[1]
As at 1/1/2016	**112,314**	**274,521**	**0**	**-**
Unrealized net gains (losses) of the period	51,858	(8,370)	0	-
Net gains (losses) reclassified to income statement	(122,286)	17,543	0	-
As at 31/12/2016	**41,886**	**283,694**	**0**	**-**
Merger effect	10,124	6,855	(55,431)	-
As at 1/1/2017	**52,010**	**290,549**	**(55,431)**	**75,591**
Unrealized net gains (losses) of the period	(87)	11,592	(9,179)	(139,643)
Net gains (losses) reclassified to income statement	0	0	0	0
As at 31/12/2017	**51,924**	**302,141**	**(64,610)**	**(64,052)**

1 The own default risk fair value option position as at 1/1/2017 was previously booked through the income statement.

Quarterly results

in € thousand	Q1/2017	Q2/2017	Q3/2017	Q4/2017
Net interest income	796,325	791,892	803,158	816,343
Net provisioning for impairment losses	(79,915)	3,556	(83,552)	(126,988)
Net interest income after provisioning	**716,411**	**795,448**	**719,605**	**689,355**
Net fee and commission income	409,064	432,702	429,052	448,053
Net trading income	64,018	68,918	49,832	61,582
Net income from derivatives and liabilities	8,486	17,629	(22,344)	(44,693)
Net income from financial investments	(32,100)	(26,372)	4,701	(29,362)
General administrative expenses	(814,622)	(758,445)	(718,160)	(812,985)
Other net operating income	(21,623)	(10,851)	(6,451)	(3,145)
Net income from disposal of group assets	80	(11)	(3,775)	2,066
Profit/loss before tax	**329,713**	**519,019**	**452,461**	**310,870**
Income taxes	(74,648)	(118,199)	(96,675)	(76,531)
Profit/loss after tax	**255,065**	**400,820**	**355,786**	**234,339**
Profit attributable to non-controlling interests	(34,817)	(33,637)	(33,442)	(28,056)
Consolidated profit/loss	**220,248**	**367,182**	**322,344**	**206,282**

in € thousand	Q1/2016	Q2/2016	Q3/2016	Q4/2016
Net interest income	717,637	737,676	731,862	748,254
Net provisioning for impairment losses	(105,588)	(297,273)	(100,039)	(251,486)
Net interest income after provisioning	**612,048**	**440,403**	**631,824**	**496,767**
Net fee and commission income	346,857	372,459	377,946	399,582
Net trading income	28,271	56,127	51,809	78,378
Net income from derivatives and liabilities	(27,480)	(34,495)	(71,382)	(55,395)
Net income from financial investments	26,201	145,086	(5,708)	(12,639)
General administrative expenses	(718,000)	(694,356)	(687,156)	(748,716)
Other net operating income	(40,651)	(60,685)	(5,619)	(34,795)
Net income from disposal of group assets	1,786	(3,429)	3,980	16,578
Profit/loss before tax	**229,033**	**221,109**	**295,695**	**139,761**
Income taxes	(91,209)	(91,259)	(83,558)	(45,956)
Profit/loss after tax	**137,824**	**129,850**	**212,137**	**93,804**
Profit attributable to non-controlling interests	(23,550)	(34,006)	(28,456)	(24,500)
Consolidated profit/loss	**114,273**	**95,845**	**183,681**	**69,304**

Statement of financial position

Assets in € thousand	Notes	2017	2016
Cash reserve	[13, 34]	13,329,782	12,242,415
Loans and advances to banks	[14, 34, 49]	14,358,246	9,900,012
Loans and advances to customers	[15, 34, 49]	81,232,353	70,514,116
Impairment losses on loans and advances	[16, 34]	(3,102,348)	(4,955,132)
Trading assets	[17, 34, 49]	3,941,757	4,986,462
Derivatives	[18, 34, 49]	936,710	1,428,639
Financial investments	[19, 34, 49]	19,627,884	14,639,012
Investments in associates	[20, 34, 49]	728,945	0
Intangible fixed assets	[21, 23, 34]	720,935	598,402
Tangible fixed assets	[22, 23, 34]	1,540,194	1,393,358
Other assets	[24, 34, 49]	1,831,881	1,116,561
Total assets		**135,146,339**	**111,863,845**

Equity and liabilities in € thousand	Notes	2017	2016
Deposits from banks	[25, 34, 49]	22,291,431	12,816,475
Deposits from customers	[26, 34, 49]	84,831,440	71,538,226
Debt securities issued	[27, 34, 49]	5,885,137	6,645,127
Provisions for liabilities and charges	[28, 34, 49]	1,010,410	756,252
Trading liabilities	[29, 34, 49]	4,256,546	5,119,743
Derivatives	[30, 34, 49]	362,439	786,949
Other liabilities	[31, 34, 49]	1,479,610	765,251
Subordinated capital	[32, 34, 49]	3,787,977	4,203,693
Equity	[33, 34]	11,241,350	9,232,130
Consolidated equity		8,820,946	8,187,672
Consolidated profit/loss		1,116,056	463,104
Non-controlling interests		659,732	581,353
Additional tier 1		644,615	0
Total equity and liabilities		**135,146,339**	**111,863,845**

As a result of the merger of RZB AG into RBI AG assets increased € 22,940,554 thousand. Details of the merger are included in the notes in the section on principles underlying the preparation of financial statements.

Statement of changes in equity

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Consolidated profit/loss	Non-controlling interests	Additional tier 1	Total
Equity as at 1/1/2016	**891,886**	**4,993,872**	**1,701,796**	**378,850**	**534,562**	**0**	**8,500,967**
Capital increases/decreases	0	0	0	0	0	0	0
Transferred to retained earnings	0	0	378,850	(378,850)	0	0	0
Dividend payments	0	0	0	0	(40,272)	0	(40,272)
Total comprehensive income	0	0	203,710	463,104	96,427	0	763,241
Own shares/share incentive program	144	297	(441)	0	0	0	0
Other changes	0	0	17,558	0	(9,364)	0	8,193
Equity as at 31/12/2016	**892,031**	**4,994,169**	**2,301,473**	**463,104**	**581,353**	**0**	**9,232,130**
Merger effect	109,680	0	335,764	0	74,010	0	519,454
Equity as at 1/1/2017	**1,001,710**	**4,994,169**	**2,637,237**	**463,104**	**655,363**	**0**	**9,751,583**
Capital increases/decreases	0	0	0	0	0	644,814	644,814
Transferred to retained earnings	0	0	463,104	(463,104)	0	0	0
Dividend payments on shares	0	0	0	0	(89,938)	0	(89,938)
Total comprehensive income	0	0	(198,507)	1,116,056	131,453	0	1,049,002
Allocation dividend additional tier 1 capital	0	0	(17,731)	0	0	17,731	0
Dividend payments on additional tier 1 capital	0	0	0	0	0	(17,731)	(17,731)
Own shares/share incentive program	351	(2,372)	2,021	0	0	0	0
Other changes	0	0	(59,036)	0	(37,146)	(199)	(96,381)
Equity as at 31/12/2017	**1,002,061**	**4,991,797**	**2,827,088**	**1,116,056**	**659,732**	**644,615**	**11,241,350**

In the course of the merger, RBI AG issued new shares in order to provide consideration to RZB AG's shareholders for their shares and thus increased subscribed capital by € 109,680 thousand. The remaining effects of the merger are recognized in retained earnings and non-controlling interests. The increase in non-controlling interests was mainly attributable to minority interests in the Valida group and the Raiffeisen Bausparkasse group. The total impact of the merger on equity amounted to € 519,454 thousand. Details of the merger are included in the notes in the section on principles underlying the preparation of financial statements.

In order to further optimize the capital structure, on 5 July 2017 RBI issued perpetual additional tier 1 capital (AT1) with nominal value of € 650,000 thousand. Under the terms of issue the additional tier 1 capital is classified as equity under IAS 32. Taking account of the issue costs and of the discount, equity increased € 644,814 thousand. In December 2017 a dividend of € 17,731 thousand was paid out of retained earnings on the additional tier 1 capital.

The item own shares/share incentive program shows the allotment of shares for the 2012 SIP tranche to the eligible parties as well as the increase in the option reserve for the 2013 SIP tranche.

The other changes item contains various effects, mainly from disposals of Group assets.

Further details about the changes shown above are reported in the notes under (33) Equity.

Statement of cash flows

in € thousand	Notes	2017	2016
Profit/loss after tax		**1,246,009**	**573,615**
Non-cash positions in profit/loss and transition to net cash from operating activities:			
Write-downs/write-ups of tangible fixed assets and financial investments	[7, 8, 21, 23]	399,686	338,745
Net provisioning for liabilities and charges and impairment losses	[3, 9, 28, 42]	610,481	1,109,023
Gains (losses) from disposals of tangible fixed assets and financial investments	[7, 9]	(30,240)	(177,926)
Net income from associates	[1, 2, 20]	43,351	0
Other adjustments (net)		(681,994)	383,742
Subtotal		**1,587,293**	**2,227,199**
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:			
Loans and advances to banks and customers	[12, 14, 15]	(6,500,351)	(1,213,085)
Trading assets/trading liabilities (net)	[12, 17, 18, 29, 39]	135,172	1,020,621
Other assets/other liabilities (net)	[12, 19, 24, 31]	313,098	391,693
Deposits from banks and customers	[12, 25, 26]	2,788,028	(2,478,377)
Usage of provisions	[28, 42]	(324,743)	(370,989)
Debt securities issued	[27, 42]	(2,366,732)	(719,167)
Net cash from operating activities		**(4,368,235)**	**(1,142,106)**
Proceeds from sale of:			
Financial investments	[7, 19]	4,105,750	1,901,163
Tangible and intangible fixed assets	[9, 21, 22, 23]	179,804	212,390
Proceeds from disposal of group assets	[10, 52]	3,336	203,952
Payments for purchase of:			
Financial investments	[19]	(3,107,785)	(1,854,866)
Tangible and intangible fixed assets	[23]	(371,003)	(363,380)
Net cash from investing activities		**810,102**	**99,258**
Capital increases	[33]	644,814	0
Inflows/outflows of subordinated capital	[32]	(394,677)	(103,812)
Dividend payments	[33]	(89,938)	(40,272)
Change in non-controlling interests	[33]	22,819	0
Net cash from financing activities		**183,019**	**(144,084)**

in € thousand		2017	2016
Cash and cash equivalents at the end of previous period[1]	**[12, 13]**	**12,242,415**	**13,482,547**
Merger effect		4,596,168	0
Cash and cash equivalents from disposal of subsidiaries		(49,444)	(163,171)
Net cash from operating activities		(4,368,235)	(1,142,106)
Net cash from investing activities		810,102	99,258
Net cash from financing activities		183,019	(144,084)
Effect of exchange rate changes		(84,243)	109,970
Cash and cash equivalents at the end of period	**[12, 13]**	**13,329,782**	**12,242,415**

1 The previous year figures of cash and cash equivalents differ from the item cash reserve on the statement of financial position due to IFRS 5 presentation of Raiffeisen Banka d.d., Maribor, and ZUNO BANK AG, Vienna.

Payments for taxes, interest and dividends		2017	2016
Interest received	[2]	3,852,035	3,788,115
Dividends received	[2]	133,896	86,462
Interest paid	[2]	(817,436)	(1,096,390)
Income taxes paid	[11]	(545,775)	(411,932)

The statement of cash flows shows the structure and changes in cash and cash equivalents during the financial year and is broken down into three sections:

- net cash from operating activities
- net cash from investing activities
- net cash from financing activities

Net cash from operating activities comprises inflows and outflows from loans and advances to banks and customers, from deposits from banks and customers as well as debt securities issued. Inflows and outflows from trading assets and liabilities, from derivatives, as well as from other assets and other liabilities are also shown in operating activities. The interest, dividend and tax payments from operating activities are separately stated.

Net cash from investing activities shows inflows and outflows from financial investments, tangible and intangible assets, proceeds from disposal of Group assets, and payments for acquisition of subsidiaries.

Net cash from financing activities consists of inflows and outflows of equity and subordinated capital. This covers capital increases, dividend payments, and changes in subordinated capital.

The following table shows the cash and non-cash effects under IAS 7:

in € thousand	Subordinated capital
Carrying amount as at 31/12/2016	**4,203,693**
Merger effect	33,420
Change in book value after the merger	(449,136)
hereof cash	(394,671)
hereof effect of exchange rate changes	271
hereof changes of fair value	(54,736)
Carrying amount as at 31/12/2017	**3,787,977**

Cash and cash equivalents include the cash reserve recognized in the statement of financial position, which consists of cash in hand and balances at central banks due at call. It does not include loans and advances to banks that are due on demand, which belong to operating activities.

Segment reporting

Segment classification

Segmentation principles

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 (CGU) within the Group is either a country or a business activity. 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. Segment classification is therefore 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.

There is a change in the segmentation due to the merger of RBI and RZB. The previous RBI segments – Central Europe, Southeastern Europe, Eastern Europe and Corporate Center – have been expanded to include the RZB areas. The Group Corporates & Markets segment has been introduced for operating business booked in Austria.

Separately to the above, the Non-Core segment was dissolved in the first quarter of 2017, due to the conclusion of the transformation program, with the remaining business allocated to the regional segments. This is described in detail in the notes to the segments. In contrast to the provisions of IFRS 8.29, an adjustment of the previous year figures was not made. The result of this segment is largely due to losses from the reduction of business volumes and therefore a comparison would not be given.

In order to achieve the maximum possible transparency and in the interest of clearer lines of reporting, five segments were defined in accordance with the IFRS 8 thresholds. IFRS 8 establishes a 10 per cent threshold for the key figures of operating income, profit after tax and segment assets.

The following segments resulted thereof:

Central Europe

This segment encompasses the most advanced banking markets in Central and Eastern Europe, namely the EU members Czech Republic, Hungary, Poland, Slovakia and Slovenia. In Poland, in addition to the credit business with corporate customers and small and medium-sized enterprises (including factoring), the focus is also on retail banking and on business with affluent customers. The Polish bank was transferred from the Non-Core segment (disclosure for 2016) to the Central Europe segment. In Slovakia, RBI is active in the corporate and retail customer business, leasing, asset management and building society business. In retail business Tatra Banka is pursuing a multibrand strategy. In Slovenia, the Group now has one leasing company. The business volume of the Slovenian leasing company has been reduced as scheduled. At the beginning of 2017 this was transferred to the segment from the Non-Core segment. In the Czech Republic, RBI is engaged in the real estate leasing and building society business in addition to offering traditional banking services to corporate and retail customers. The focus is on broadening relationships with existing affluent customers. In Hungary, the Group provides services to retail and corporate customers via the bank's countrywide network. The focus rests on corporate customers and affluent retail customers.

Southeastern Europe

The Southeastern Europe segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia. In these markets, RBI is represented by banks and leasing companies, as well as separate capital management and asset management companies and pension funds in some markets. In Albania and Bulgaria, financial services are offered across all business areas. In Kosovo, RBI also offers a comprehensive product range. In Bosnia and Herzegovina the emphasis is on small and medium-sized enterprises, while also including a wide range of products for retail customers. In Croatia, the focus is on large and medium-sized corporate customers and also on retail customers (including pension funds business). In Romania, a broad range of financial services is offered via a tightly knit branch network. Moreover, the Moldovan corporate customer market is also served from Romania. In Serbia, the market is serviced by a universal bank and leasing companies.

Eastern Europe

This segment comprises Belarus, Russia and Ukraine. In Belarus, RBI is represented by a bank and a leasing company. Raiffeisenbank Russia is one of the leading foreign banks in Russia and services both corporate and retail customers. The branch network also offers products targeted toward affluent retail customers and small and medium-sized entities, with the focus on large cities. Furthermore, RBI is active in the new issuance business. The product range in Russia is rounded off by leasing business. In Ukraine RBI is represented by a bank, a leasing company, a card-processing company as well as a special purpose vehicle (SPV) for the acquisition of real estate properties, and provides a full range of financial services via a tightly knit branch network.

Group Corporates & Markets

The Group Corporates & Markets segment covers operating business booked in Austria. This primarily comprises financing business with Austrian and international corporate customers serviced from Vienna, Financial Institutions & Sovereigns and business with the institutions of the Raiffeisen Banking Group (RBG). This segment also covers the capital market-based customer and proprietary business in Austria. Besides RBI AG, this also includes financial services outsourced to subsidiaries, such as Vienna-based Raiffeisen Centrobank AG (equity trading and capital market financing), Kathrein Privatbank Aktiengesellschaft, Raiffeisen Leasing Group, Raiffeisen Factor Bank AG, Raiffeisen Bausparkasse Österreich Gesellschaft mbH and Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung. The valued at equity company card complete Service Bank AG, Vienna, is also allocated to this segment.

Corporate Center

The Corporate Center segment encompasses services provided by Group head office in various areas that serve to implement the Group's overall strategy and that are allocated to this segment to ensure comparability. Therefore, this segment includes the following areas: Liquidity management and balance sheet structure management as part of proprietary trading, equity participation management, the banking operations carried out by Group head office for financing Group units, the Austrian transaction and services business for financial services providers, as well as other companies outside the financial service provider business that do not fall directly under another segment. Also allocated to this segment are the minority interests from the non-bank segment (income from entities valued at equity method). These include equity participations in UNIQA Insurance Group AG, Vienna as well as LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna, (holding company with strategic participations in the flour & mill and vending segments).

Non-Core (until 31 December 2016)

The Non-Core segment included all business activities which were sold, rescaled or exited as a result of the strategic review decided upon in February 2015. These included the business in Poland and Slovenia as well as the online bank ZUNO BANK AG, Vienna, and the business activities in Asia and the USA.

The remaining bank business in Poland was transferred to the Central Europe segment in the first quarter of 2017 after its sales process was postponed. The Polish leasing business was sold at the beginning of December 2016. Leasing activities in Slovenia were also allocated to the Central Europe segment. Following the unsuccessful sales process for ZUNO BANK AG parts of the existing business in the Czech Republic and Slovakia were integrated into the subsidiary banks in those countries, the remaining transcations were closed. Corporate customer business in Asia and the USA was reduced as scheduled, any remaining business activities were allocated to the Group Corporates & Markets segment.

1/1-31/12/2017 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Net interest income	960,398	727,474	940,998	507,445
Net fee and commission income	556,807	401,392	460,390	306,952
Net trading income	58,737	28,379	88,741	155,189
Recurring other net operating income	(29,240)	26,336	(19,037)	106,828
Operating income	**1,546,702**	**1,183,582**	**1,471,092**	**1,076,415**
General administrative expenses	(915,160)	(694,020)	(602,633)	(681,074)
Operating result	**631,542**	**489,562**	**868,459**	**395,341**
Net provisioning for impairment losses	(45,607)	(113,073)	11,446	(132,699)
Other results	(56,058)	27,369	(7,586)	(5,410)
Profit/loss before tax	**529,877**	**403,858**	**872,319**	**257,231**
Income taxes	(111,015)	(57,494)	(183,767)	(48,044)
Profit/loss after tax	**418,861**	**346,364**	**688,552**	**209,187**
Profit attributable to non-controlling interests	(56,226)	(1,545)	(64,415)	(6,297)
Profit/loss after deduction of non-controlling interests	**362,635**	**344,818**	**624,136**	**202,890**
Return on equity before tax	17.3%	19.3%	51.2%	8.9%
Return on equity after tax	13.7%	16.6%	40.4%	7.2%
Net interest margin (average interest-bearing assets)	2.20%	3.34%	6.58%	1.34%
Cost/income ratio	59.2%	58.6%	41.0%	63.3%
Loan/deposit ratio	85.1%	71.3%	84.6%	113.1%
Provisioning ratio (average loans and advances to customers)	0.15%	0.83%	(0.11)%	0.50%
NPL ratio	5.0%	7.5%	6.4%	4.9%
NPL coverage ratio	67.7%	81.0%	78.6%	48.2%
Assets	46,813,981	23,709,268	15,579,002	41,434,636
Liabilities	42,255,021	20,651,697	13,299,830	40,364,857
Risk-weighted assets (total RWA)	24,807,401	14,484,972	11,246,675	20,153,648
Average equity	3,061,044	2,090,372	1,702,437	2,890,796
Loans and advances to customers	31,367,375	13,887,000	10,475,627	26,467,831
Deposits from customers	35,607,565	18,276,724	11,730,794	21,598,345
Business outlets	631	978	775	25
Employees as at reporting date (full-time equivalents)	13,069	14,792	18,132	2,680
Customers in million	3.4	5.4	5.7	2.0

Significant changes in profit/loss are described below:

In Central Europe, the figures for this financial year are not directly comparable to the previous year's figures as the segment now includes Poland, which until year-end 2016 was reported in the Non-Core segment. Poland was reclassified at the beginning of 2017 as the intended sale of the Polish units could not be completed at the end of 2016 in the bank's case. The Polish leasing business, however, was sold at the end of November 2016. Profit after tax in the segment rose € 128 million to € 419 million, with € 49 million of the increase attributable to the inclusion of the Polish bank described above. Other key factors contributing to the increase were higher profits both in Hungary – primarily resulting from higher net releases of loan loss provisions owing to sales of non-performing loans – and in the Czech Republic due to an improved credit risk situation.

Net income in the Southeastern Europe segment improved as a result of sharp decrease in risk costs, above all in Albania, and a positive effect from the release of provisions in connection with the Walkaway Law in Romania. On the other hand, the operating result declined and lower net income from financial investments – which in the previous year included proceeds of € 38 million from the sale of shares in Visa Europe Ltd. London, – was reported.

As in the previous year, the Eastern Europe segment was again affected by currency volatility in 2017. The average exchange rate of the Russian rouble appreciated 12 per cent year-on-year, while that of the Ukrainian hryvnia declined 7 per cent. The reporting date exchange rates of the Ukrainian hryvnia, Belarusian rouble and Russian rouble were down 15, 13 and 7 per cent respectively from the start of 2017. The 32 per cent improvement in the segment's profit after tax to € 689 million was mainly attributable to lower loan loss provisioning and, to a small extent, the appreciation of the Russian rouble referred to above. In Russia, for example, profit increased due to lower allocations to loan loss provisions and higher net interest income. Profit growth in Ukraine was driven by net releases of provisions for impairment losses, which partly reflected sales of non-performing loans. In Belarus, the lower operating result was partially offset by lower loan loss provisions.

1/1-31/12/2017 in € thousand	Corporate Center	Reconciliation	Total
Net interest income	1,142,471	(1,071,068)	3,207,718
Net fee and commission income	(5,233)	(1,437)	1,718,872
Net trading income	(75,241)	(11,455)	244,350
Recurring other net operating income	100,199	(128,458)	56,630
Operating income	**1,162,196**	**(1,212,417)**	**5,227,569**
General administrative expenses	(334,520)	123,194	(3,104,213)
Operating result	**827,676**	**(1,089,223)**	**2,123,356**
Net provisioning for impairment losses	(1,476)	(5,488)	(286,899)
Other results	(206,650)	23,941	(224,395)
Profit/loss before tax	**619,549**	**(1,070,771)**	**1,612,063**
Income taxes	34,267	0	(366,054)
Profit/loss after tax	**653,816**	**(1,070,771)**	**1,246,009**
Profit attributable to non-controlling interests	(7)	(1,462)	(129,953)
Profit/loss after deduction of non-controlling interests	**653,809**	**(1,072,233)**	**1,116,056**
Return on equity before tax	–	–	16.2%
Return on equity after tax	–	–	12.5%
Net interest margin (average interest-bearing assets)	–	–	2.48%
Cost/income ratio	–	–	59.4%
Loan/deposit ratio	–	–	90.3%
Provisioning ratio (average loans and advances to customers)	–	–	0.35%
NPL ratio	–	–	5.7%
NPL coverage ratio	–	–	67.0%
Assets	37,204,284	(29,594,831)	135,146,339
Liabilities	21,650,120	(14,316,536)	123,904,990
Risk-weighted assets (total RWA)	13,883,738	(12,674,263)	71,902,171
Average equity	2,129,028	(1,918,193)	9,955,484
Loans and advances to customers	1,174,454	(2,139,934)	81,232,353
Deposits from customers	497,751	(2,879,739)	84,831,440
Business outlets	–	–	2,409
Employees as at reporting date (full-time equivalents)	1,027	–	49,700
Customers in million	0.0	–	16.5

The Group Corporates & Markets segment was introduced in financial year 2017 in the course of the merger. In contrast to the provisions of IFRS 8.29 an adjustment of the previous year's figures was not made as the transformation program that was still running in the previous years would have greatly limited its meaningfulness. The segment's profit/loss after tax reached € 209 million, with the Corporates sub-segment contributing € 61 million. Higher loan-loss provisions for two specific cases in the large corporate customers business had a negative effect here. The Markets sub-segment reported € 72 million, benefiting above all from the higher fee and commission income. The specialized companies operating in Austria contributed € 93 million.

Corporate Center principally comprises net income from Group head office governance functions and from other Group units. As a result, its net income is generally more volatile. In 2017 the segment's operating income increased mainly due to higher intra-Group dividend income. The bulk of net income of € 653 comes from intra-Group transactions and is eliminated within the framework of the reconciliation to the consolidated profit/loss.

Reconciliation comprises consolidation adjustments to reconcile segments with Group results. The financials of the reportable segments are shown after elimination of intra-segment items. However, the inter-segment items are eliminated in the reconciliation. The main eliminations are dividend payments to Group head office and inter-segment revenues charged and expenses carried by the Group head office.

1/1-31/12/2016 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates	Group Markets
Net interest income	629,441	738,218	866,320	312,548	62,343
Net fee and commission income	382,804	390,478	391,394	59,892	112,817
Net trading income	28,412	53,738	64,236	7,735	122,205
Recurring other net operating income	(24,246)	20,519	(7,031)	1,846	9,184
Operating income	**1,016,411**	**1,202,953**	**1,314,919**	**382,021**	**306,549**
General administrative expenses	(643,316)	(673,897)	(518,868)	(152,898)	(211,428)
Operating result	**373,095**	**529,056**	**796,051**	**229,123**	**95,121**
Net provisioning for impairment losses	(38,172)	(174,928)	(163,367)	(74,383)	(34,224)
Other results	19,434	8,499	16,587	(4,368)	5,874
Profit/loss before tax	**354,356**	**362,627**	**649,271**	**150,373**	**66,771**
Income taxes	(63,524)	(61,919)	(125,685)	(36,505)	(15,279)
Profit/loss after tax	**290,833**	**300,708**	**523,586**	**113,868**	**51,492**
Profit attributable to non-controlling interests	(54,155)	(78)	(53,152)	(1,783)	0
Profit/loss after deduction of non-controlling interests	**236,678**	**300,630**	**470,434**	**112,085**	**51,492**
Return on equity before tax	19.1%	18.5%	41.3%	12.6%	13.4%
Net interest margin (average interest-bearing assets)	2.31%	3.55%	6.60%	2.16%	0.60%
Cost/income ratio	63.3%	56.0%	39.5%	40.0%	69.0%
Provisioning ratio (average loans and advances to customers)	0.2%	1.3%	1.6%	0.5%	1.4%
NPL ratio	5.5%	10.5%	14.7%	4.6%	1.9%
NPL coverage ratio	71.0%	79.7%	85.7%	65.9%	71.9%
Assets	29,492,206	22,694,168	15,290,907	15,201,027	12,148,915
Liabilities	26,930,630	19,714,884	12,774,075	11,863,986	13,936,837
Risk-weighted assets (total RWA)	13,564,023	14,202,875	11,535,963	9,207,993	3,210,704
Average equity	1,854,661	1,957,229	1,573,106	1,195,809	496,569
Loans and advances to customers	19,758,948	13,485,320	10,718,953	14,912,211	1,797,228
Deposits from customers	21,870,493	17,148,973	10,948,748	11,481,282	2,159,006
Business outlets	410	1,014	771	1	5

1/1-31/12/2016 in € thousand	Corporate Center	Non-Core	Reconciliation	Total
Net interest income	361,563	330,777	(365,781)	2,935,429
Net fee and commission income	41,535	154,035	(36,111)	1,496,844
Net trading income	(25,620)	(4,946)	(31,173)	214,586
Recurring other net operating income	114,388	(301)	(68,996)	45,364
Operating income	**491,866**	**479,564**	**(502,061)**	**4,692,222**
General administrative expenses	(325,950)	(405,719)	83,847	(2,848,228)
Operating result	**165,917**	**73,846**	**(418,214)**	**1,843,995**
Net provisioning for impairment losses	(9,388)	(255,145)	(4,780)	(754,387)
Other results	(220,785)	(21,741)	(7,511)	(204,010)
Profit/loss before tax	**(64,256)**	**(203,041)**	**(430,504)**	**885,598**
Income taxes	31,540	(40,609)	0	(311,982)
Profit/loss after tax	**(32,717)**	**(243,650)**	**(430,504)**	**573,615**
Profit attributable to non-controlling interests	(1,821)	(1)	478	(110,512)
Profit/loss after deduction of non-controlling interests	**(34,538)**	**(243,651)**	**(430,026)**	**463,104**
Return on equity before tax	–	–	–	10.3%
Net interest margin (average interest-bearing assets)	–	2.12%	–	2.78%
Cost/income ratio	66.3%	84.6%	–	60.7%
Provisioning ratio (average loans and advances to customers)	–	2.3%	–	1.1%
NPL ratio	–	17.70%	–	9.2%
NPL coverage ratio	–	66.63%	–	75.6%
Assets	20,935,860	13,828,352	(17,727,590)	111,863,845
Liabilities	16,624,340	11,973,214	(11,186,251)	102,631,716
Risk-weighted assets (total RWA)	13,990,460	7,235,450	(12,886,823)	60,060,645
Average equity	2,005,438	1,310,348	(1,822,371)	8,570,790
Loans and advances to customers	2,574,973	8,909,155	(1,642,670)	70,514,116
Deposits from customers	464,876	8,808,557	(1,343,710)	71,538,226
Business outlets	0	305	–	2,506

Assessment of segment profit and loss

The segment reporting according to IFRS 8 shows the segment performance on the basis of internal management reporting, supplemented with the reconciliation of the segment results to the consolidated financial statements. In principle, RBI's management reporting is based on IFRS. Therefore, no differences occur in the recognition and measurement principles between segment reporting and consolidated financial statements.

The governance of the separate segments is based on key indicators relating to profitability, growth, efficiency, constraints and business mix parameters. The target values of the separate key indicators are determined according to the specific market environment and adapted when necessary.

The performance of CGUs is evaluated as follows:

- **Profitability**

  Profitability is measured by the return on equity (ROE) and return on risk-adjusted capital (RORAC) based on the internal management systems. The return on equity shows the profitability of a CGU and is calculated as the ratio of profit/loss after deduction of profit/loss attributable to non-controlling interests to average consolidated equity employed. The return on equity reflects the yield of the capital of each segment. The calculation of the RORAC incorporates risk-adjusted capital, which reflects the capital necessary in case of possible unexpected losses. In RBI this capital requirement is calculated within the economic capital model for credit, market and operational risk. This ratio shows the yield on the risk-adjusted equity (economic capital), but is not an indicator pursuant to IFRS. Within the different countries and business lines the actual RORAC generated is compared with the respective predetermined minimal value (RORAC hurdle), which reflects appropriate market yield expectations.

- **Efficiency**

  The cost/income ratio represents the cost efficiency of the segment. The cost/income ratio shows general administrative expenses in relation to operating income, which is the sum of net interest income, net fee and commission income, net trading income and recurring other net operating income (other net operating income less bank levies, impairment of goodwill, profit/loss from the release of negative goodwill and profit/loss from banking business due to governmental measures).

- **Constraints**

  In accordance with the Basel III framework, specific legal regulations have to be considered. The proportion of common equity tier 1 capital to total risk-weighted assets (common equity tier 1 ratio) is for example an important indicator of whether the underlying capital is adequate for the business volume. Industry sector specifics lead to different risk weights within the calculation of risk-weighted assets according to CRR. These factors are crucial for the calculation of the regulatory minimum total capital requirements. In addition, as part of the annual Supervisory Review and Evaluation Process (SREP), the ECB stipulates in a notification that additional CET1 capital must be held in order to cover those risks which are not considered or are insufficiently considered in Pillar I. The efficient use of the available capital is calculated internally, whereby the actual usage is compared to the theoretically available risk coverage capital. The long-term liquidity ratios are also restrictive and are defined in accordance with the regulatory requirements.

- **Business Mix**

  The following key performance indicators are relevant in ensuring a reasonable and sustainable business structure, whereby the composition of the results and the underlying portfolio parameters are of significance. The structure of the primary funding basis for loans and advances to customers is measured using the loan/deposit ratio (net) which is the proportion of loans and advances to customers less impairment losses to deposits from customers (each less claims and obligations from (reverse) repurchase agreements and securities lending). The share of the result derived from the core business is also relevant. The net interest margin is calculated based on average interest-bearing assets. The proportion of the net fee and commission income to operating income is also a key performance indicator, which is included in the target setting for the business mix.

The presentation of segment performance is based on the income statement and geared to the reporting structure internally used. Income and expenses are attributed to the country and/or business area in which they are generated. Operating income positions are the net interest income, net fee and commission income, net trading income and the recurring other net operating income. The other results include the net income from financial investments, the net income from derivatives and liabilities, the net income from disposal of group assets, the bank levies, the impairment of goodwill, the release of negative goodwill and the profit/loss from banking business due to governmental measures which is shown in sundry operating expenses. The segment result is shown up to the profit/loss after deduction of non-controlling interests. The segment assets are represented by the total assets and the risk-weighted assets. The item liabilities includes all positions from the liabilities side of the statement of financial position except the equity. The reconciliation includes mainly the amounts resulting from the elimination of intra-group results and consolidation between the segments. This is supplemented with financial ratios conventionally used within the industry to evaluate performance. The values shown in the segment reporting are for the most part taken from the IFRS individual financial statements which are also used for the compilation of the consolidated financial statements. In some units profit center results are taken from the internal management income statement.

Notes

Principles underlying the preparation of financial statements

Reporting entity

Raiffeisen Bank International AG (RBI AG) is registered at the Vienna Commercial Court (Handelsgericht Wien) under Companies Register number FN 122.119m. The company address is at Am Stadtpark 9, 1030 Vienna.

RBI is a corporate and investment bank for Austria's top 1,000 companies and for large corporate customers in Western Europe. In Central and Eastern Europe (CEE) RBI is a leading universal bank with one of the largest networks of western banking groups. In CEE, RBI operates through a closely-knit network of subsidiary banks, leasing companies and numerous specialized financial service providers with around 2,400 business outlets. In Austria, RBI is represented by companies specializing in real estate finance, leasing, asset management, shares and certificates, pension funds, factoring services, and private banking. RBI's approximately 16.5 million customers come from the customer segments corporate clients, small and medium-sized businesses, private individuals, financial institutions and regional governments.

Since company shares are traded on a regulated market within the meaning of Section 1 (2) BörseG (prime market of the Vienna Stock Exchange) and several issues of RBI AG have been listed on a regulated stock exchange in the EU pursuant to Section 59a of the Austrian Banking Act (BWG), RBI AG has to prepare consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The eight regional Raiffeisen banks as the core shareholders hold around 58.8 per cent of the shares, the remaining shares being in free float.

The consolidated financial statements are lodged with the Companies Register in accordance with Austrian disclosure regulations and published in the official journal of the Wiener Zeitung. They were signed by the Management Board on 27 February 2018 and subsequently submitted for the notice of the Supervisory Board.

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

The disclosures required under Article 434 of EU Regulation No 575/2013 on prudential requirements for credit institutions (Capital Requirements Regulation, CRR) are published on the Internet on the Bank's website on investor.rbinternational.com.

Merger with RZB

On 23 and 24 January 2017, RZB AG and RBI AG held extraordinary General Meetings to pass resolutions on the merger (downstream) of RZB AG into RBI AG. The required majorities were achieved by a wide margin at both meetings. The merger was entered in the Companies Register on 18 March 2017. In order to provide consideration to RZB AG's shareholders for the transferred corporate assets, RBI AG issued new shares. Its total number of shares thereby increased from 292,979,038 to 328,939,621.

The merger represents a transaction under common control for which the provisions of IFRS 3 are not applicable (IFRS 3.2. (c)). As the transaction under common control is not regulated under IFRS, the management has selected the continuation of carrying amount method as the accounting method for this type of transaction, in accordance with IAS 8.10. This means that all assets and liabilities of RZB AG were taken over at their carrying amount, taking consolidation effects into account, and all differences between the consideration transferred as a result of the issue of new shares and the carrying amount of the net assets acquired were recognized in equity.

The integration was completed on 24 January 2017 by resolution of the extraordinary General Meetings. The management has decided not to show the intra-group transactions retroactively. As a result, the figures for the comparable period were not adjusted. The statement of financial position as at 31 December 2016 and the results of the 2016 fiscal year including the notes to the financial statements correspond to RBI's published results prior to the merger. For reasons of materiality, the effects of the merger were reflected as at 1 January 2017.

The merger of RZB AG into RBI AG increased the number of consolidated companies by 175 specialized financial institution subsidiaries. This involved the following company categories:

Number of units	Fully consolidated	Equity method
Banks	7	6
Financial institutions	123	0
Companies rendering bank-related ancillary services	3	1
Financial holding companies	4	0
Insurance	0	1
Other	38	1
Total	**175**	**9**

The main units are Raiffeisen-Leasing Gesellschaft m.b.H., Raiffeisen Factor Bank AG, Raiffeisen Bausparkasse Österreich Gesellschaft mbH and Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung, all headquartered in Vienna. Minority interests valued at equity include mainly UNIQA Insurance Group AG, Vienna and LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna.

The merger of RZB AG into RBI AG affected the consolidated statement of financial position as at 1 January 2017 as shown below:

Assets in € thousand	31/12/2016	Change	1/1/2017
Cash reserve	12,242,415	4,596,168	16,838,583
Loans and advances to banks	9,900,012	1,081,344	10,981,356
Loans and advances to customers	70,514,116	9,254,962	79,769,079
Impairment losses on loans and advances	(4,955,132)	(289,946)	(5,245,078)
Trading assets	4,986,462	(42,350)	4,944,112
Derivatives	1,428,639	(167,623)	1,261,015
Financial investments	14,639,012	6,791,219	21,430,231
Investments in associates	0	775,035	775,035
Intangible fixed assets	598,402	78,116	676,518
Tangible fixed assets	1,393,358	449,263	1,842,621
Other assets	1,116,561	414,366	1,530,927
Total assets	**111,863,845**	**22,940,554**	**134,804,399**

Equity and liabilities in € thousand	31/12/2016	Change	1/1/2017
Deposits from banks	12,816,475	11,243,299	24,059,774
Deposits from customers	71,538,226	8,786,770	80,324,996
Debt securities issued	6,645,127	1,882,254	8,527,381
Provisions for liabilities and charges	756,252	279,377	1,035,629
Trading liabilities	5,119,743	(52,159)	5,067,584
Derivatives	786,949	(7,493)	779,456
Other liabilities	765,251	255,242	1,020,492
Subordinated capital	4,203,693	33,810	4,237,503
Equity	9,232,130	519,454	9,751,583
Consolidated equity	8,187,672	445,444	8,633,117
Consolidated profit/loss	463,104	0	463,104
Non-controlling interests	581,353	74,010	655,363
Total equity and liabilities	**111,863,845**	**22,940,554**	**134,804,399**

The effect of the merger on equity amounted to € 519,454 thousand; further details on this are given in the statement of changes in equity.

Principles underlying the consolidated financial statements

The consolidated financial statements for the 2017 financial year and the comparative figures for the 2016 financial year were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting

Standards Board (IASB) insofar as they were adopted by the EU on the basis of IAS Regulation (EC) 1606/2002. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC) that are already applicable have been considered. All standards published by the IASB as International Accounting Standards and adopted by the EU have been applied to the financial statements for 2017. The consolidated financial statements also satisfy the requirements of Section 245a of the Austrian Commercial Code (UGB) and Section 59a of the Austrian Banking Act (BWG) regarding exempting consolidated financial statements that comply with internationally accepted accounting principles. IAS 20, IAS 41 and IFRS 6 have not been applied as there were no relevant business transactions in the Group.

A financial asset is recognized when it is probable that the future economic benefits will flow to the company and the acquisition or production costs or another value can be reliably measured. A financial liability is recognized when it is probable that an outflow of resources embodying economic benefits will result from the settlement of the obligation and the amount at which the settlement will take place can be measured reliably. An exception is certain financial instruments which are recognized at fair value at the reporting date. Revenue is recognized if the conditions of IAS 18 are met and if it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

The consolidated financial statements are based on the reporting packages of all fully consolidated Group members, which are prepared according to IFRS rules and uniform Group standards. All of the main fully consolidated companies prepare their annual financial statements as at and for the year ended 31 December. Some IFRS details which are included outside the notes form an integral part of the interim consolidated financial statements. These are mainly explanations on net income from segments, which are included in the notes on segment reporting. In addition to the disclosures pursuant to IFRS 7 which are included in the notes, the risk report section in particular contains detailed information on credit risk, concentration risk, market risk and liquidity risk. This information is presented in accordance with IFRS 8 Operating Segments and IFRS 7 Financial Instruments Disclosures.

Standards and interpretations to be applied in the EU from 1 January 2017 onward were accounted for in these consolidated financial statements. With regard to the earlier application of IFRS 9.7.1.2 regarding the presentation of profits and losses on financial liabilities designated at fair value, please refer to the chapter Application of new and revised standards. Figures in these financial statements are stated in € thousand. The following tables may contain rounding differences. The consolidated financial statements are based on the going concern principle.

Foreign currency translation

The consolidated financial statements of RBI were prepared in euro which is the functional currency of RBI AG. The functional currency is the currency of the principal economic environment in which the company operates. Each entity within the Group determines its own functional currency taking all factors listed in IAS 21 into account.

All financial statements of fully consolidated companies prepared in a functional currency other than euro were translated into the reporting currency euro employing the modified closing rate method in accordance with IAS 21. Equity was translated at its historical exchange rates while all other assets, liabilities and the notes were translated at the prevailing foreign exchange rates as of the reporting date. Differences arising from the translation of equity (historical exchange rates) are offset against retained earnings.

The income statement items were translated at the average exchange rates during the year calculated on the basis of month-end rates. Differences arising between the exchange rate as of the reporting date and the average exchange rate applied in the income statement were offset against equity (retained earnings). According to IAS 21, in cases of significantly fluctuating exchange rates, the transaction rate was used instead of the average rate.

Accumulated exchange differences are reclassified from the item exchange differences shown in other comprehensive income to the income statement under net income from disposal of group assets, in the event of a disposal of a foreign business operation which leads to loss of control, joint management or significant influence over this business operation.

In the case of one subsidiary headquartered outside the euro area, the US dollar was the reporting currency for measurement purposes given the economic substance of the underlying transactions, as both the transactions and the financing were undertaken in US dollars. In the case of three subsidiaries headquartered in the euro area, the Russian rouble was the reporting currency for measurement purposes given the economic substance of the underlying transactions.

The following exchange rates were used for currency translation:

Rates in units per €	2017 As at 31/12	2017 Average 1/1-31/12	2016 As at 31/12	2016 Average 1/1-31/12
Albanian lek (ALL)	132.980	134.172	135.400	137.299
Belarusian rouble (BYN)	2.364	2.184	2.068	2.186
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)	7.440	7.465	7.560	7.544
Czech koruna (CZK)	25.535	26.345	27.021	27.041
Hungarian forint (HUF)	310.330	309.350	309.830	312.222
Kazakh tenge (KZT)[1]	-	-	352.622	376.831
Polish zloty (PLN)	4.177	4.256	4.410	4.366
Romanian leu (RON)	4.659	4.571	4.539	4.496
Russian rouble (RUB)	69.392	66.035	64.300	73.876
Serbian dinar (RSD)	118.440	121.240	123.410	122.970
Singapore dollar (SGD)	1.602	1,559	1.523	1.526
Swiss franc (CHF)	1.170	1.113	1.074	1.090
Ukrainian hryvnia (UAH)	33.727	30.215	28.599	28.214
US-Dollar (USD)	1.199	1.131	1.054	1.102

1 Due to a disposal of Group assets, the Kazakh tenge was no longer in use in the 2017 financial year.

Key sources of estimation uncertainty and critical accounting judgments

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. The estimates and underlying assumptions are reviewed on an ongoing basis. Alterations to estimates that affect only one period will be taken into account only in that period. If the following reporting periods are also affected, the alterations will be taken into consideration in the current and following periods. The critical assumptions, estimates and accounting judgments are as follows:

Risk provisions for loans and advances

At each reporting date, all financial assets, not measured at fair value through profit or loss, are subject to an impairment test to determine whether an impairment loss is to be recognized through profit or loss. In particular, it is required to determine whether there is objective evidence of impairment as a result of a loss event occurring after initial recognition and to estimate the amount and timing of future cash flows when determining an impairment loss. Risk provisions are described in detail in the notes under (42) Risks arising from financial instruments, in the section on credit risk.

Fair value of financial instruments

Fair value is the price received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This applies regardless of whether the price can be directly observed or has been estimated on the basis of a measurement method. In determining the fair value of an asset or liability, the Group takes account of certain features of the asset or liability (e.g. condition and location of the asset or restrictions in the sale and use of an asset) if market participants would also take account of such features in determining the price for the acquisition of the respective asset or for the transfer of the liability at the measurement date. Where the market for a financial instrument is not active, fair value is established using a valuation technique or pricing model. For valuation methods and models, estimates are generally used depending on the complexity of the instrument and the availability of market-based data. The inputs to these models are derived from observable market data where possible. Under certain circumstances, valuation adjustments are necessary in order to account for model risk, liquidity risk or credit risk. The valuation models are described in the notes in the section on financial instruments – Recognition and measurement. In addition, the fair values of financial instruments are shown in the notes under (40) Fair value of financial instruments.

Provisions for pensions and similar obligations

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. The interest rate used to discount the Group's defined benefit obligations is determined on the basis of the yields obtained in the market at the balance sheet date for top-rated fixed-income corporate bonds. Considerable discretion has to be exercised in this connection in setting the criteria for the selection of the corporate bonds representing the universe from which the yield curve is derived. The main criteria for the selection of such corporate bonds are the issuance volumes of the bonds, the quality of the bonds and the identification of outliers, which are not taken into account. Mercer's recommendation is used to determine the interest rate. Assumptions and estimates used for the defined benefit obligation calculations are described in the section on pension obligations and other termination benefits. Quantitative data for long term employee provisions are disclosed in the notes under (28) Provisions for liabilities and charges.

Impairment of non-financial assets

Certain non-financial assets, including goodwill and other intangible assets, are subject to an annual impairment review. Goodwill and other intangible assets are tested more frequently if events or changes in circumstances, such as an adverse change in business climate, indicate that these assets may be impaired. The determination of the recoverable amount requires judgments and assumptions to be made by management. Because these estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change, the Group considers these estimates to be critical. Details concerning the impairment review of non-financial assets are disclosed in the section on business combinations. Additionally, the carrying amounts of goodwill are presented in the notes under (21) Intangible fixed assets.

Deferred tax assets

Deferred tax assets are recognized only to the extent that it is probable that in the future sufficient taxable profit will be available against which those loss carryforwards, unused tax credits or deductible temporary differences can be utilized. A planning period of five years is used to this end. This assessment requires significant management judgments and assumptions. In determining the amount of deferred tax assets, the management uses historical tax capacity and profitability information and, if relevant, forecasted operating results based upon approved business plans, including a review of the eligible carry-forward period.

Deferred taxes are not reported separately in the income statement and statement of financial position. Details are provided in the statement of comprehensive income, and in (11) Income taxes, (24) Other assets, and (28) Provisions for liabilities and charges.

Leasing agreements

To distinguish between finance leases on the one hand and operating leases on the other, judgments have to be made from the view of the lessor, the criterion being the transfer of essentially all risks and opportunities from the lessor to the lessee. Details are provided in (44) Finance leases, and (45) Operating Leases.

Control

According to IFRS 10, a Group controls an investee if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 also provides specific information on the acknowledgement or assessment of potential voting rights, codecision rights or protective rights of third parties and constellations that are characterized by delegated or retained decision-making rights or de-facto control. Whether control exists requires a comprehensive assessment (i.e. requiring discretion) of the economic influence of the parent company over the investee. Details are provided in (52) Group composition.

Interests in structured entities

According to IFRS 12, structured entities are companies that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the company. This applies, for instance, when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. For the purposes of this IFRS, an interest in another entity is a contractual or non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity.

Assessment of which companies are structured entities, and what involvement in such companies actually represents an interest, requires judgments to be made. Details are provided in (52) Group composition, in the section Structured entities.

Notes to the income statement

(1) Income statement according to measurement categories

in € thousand	2017	2016
Net gains (losses) on financial assets and liabilities held-for-trading	**48,488**	**214,447**
Financial assets and liabilities at fair value through profit or loss	**193,915**	**57,777**
Interest income	206,226	149,003
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	(12,311)	(91,226)
Financial assets available-for-sale	**60,920**	**153,400**
Interest income	32,652	28,301
Net realized gains (losses) on financial assets available-for-sale	30,782	148,984
Impairment on financial assets available-for-sale	(2,514)	(23,885)
Loans and advances	**3,438,980**	**2,723,634**
Interest income	3,722,826	3,477,104
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	11,342	10,008
Impairment on financial assets not measured at fair value through profit and loss	(295,188)	(763,478)
Financial assets held-to-maturity	**137,164**	**141,425**
Interest income	128,408	128,352
Net realized gains (losses) on financial assets not measured at fair value through profit and loss	9,118	13,128
Write-ups/impairment on financial assets not measured at fair value through profit and loss	(362)	(55)
Financial liabilities	**(1,069,541)**	**(1,108,664)**
Interest expenses	(1,069,527)	(1,108,433)
Income from repurchase of liabilities	(14)	(230)
Derivatives (hedging)	**151,452**	**154,082**
Net interest income	166,873	160,449
Net gains (losses) from hedge accounting	(15,421)	(6,367)
Net revaluations from exchange differences	**67,385**	**23,715**
Current income from associates	**60,420**	**0**
Sundry operating income and expenses	**(1,477,120)**	**(1,474,219)**
Profit/loss before tax	**1,612,063**	**885,598**

(2) Net interest income

Net interest income includes interest income and interest expenses from banking business, dividend income, and fees and commissions with interest-like characteristics.

in € thousand	2017	2016
Interest and interest-like income, total	**4,256,985**	**4,043,862**
Interest income	4,248,418	4,023,315
from balances at central banks	24,391	20,766
from loans and advances to banks	228,648	151,333
from loans and advances to customers	3,376,465	3,159,065
from financial investments	332,177	277,277
from leasing claims	119,864	153,773
from derivative financial instruments - economic hedge (net)	0	100,653
from derivative financial instruments - hedge accounting (net)	166,873	160,449
Current income	35,109	28,379
from shares and other variable-yield securities	2,456	78
from shares in affiliated companies	16,326	24,640
from other interests	16,326	3,661
Interest-like income	21,045	14,023
Negative interest from financial assets	(47,587)	(21,855)
Current income from associates	**60,420**	**0**
Interest expenses and interest-like expenses, total	**(1,109,687)**	**(1,108,433)**
Interest expenses	(1,123,409)	(1,090,866)
on deposits from central banks	(13,152)	(14,358)
on deposits from banks	(167,407)	(161,976)
on deposits from customers	(552,656)	(604,356)
on debt securities issued	(193,538)	(149,626)
on subordinated capital	(156,496)	(160,549)
on derivative financial instruments - economic hedge (net)	(40,160)	0
Interest-like expenses	(24,909)	(35,547)
Negative interest from financial liabilities	38,630	17,980
Total	**3,207,718**	**2,935,429**

Interest income includes interest income (unwinding) from impaired loans to customers and banks in the amount of € 133,523 thousand (2016: € 185,018 thousand). Interest income from impaired loans and advances to customers and banks is recognized based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Current income from associates included net income attributable to associates included in the course of the merger of RZB AG with RBI AG. These associates are primarily LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna, UNIQA Insurance Group AG, Vienna, and Raiffeisen Informatik GmbH, Vienna. There were no associates in the previous year. Note (20) Investments in associates contains a full list of associates.

(3) Net provisioning for impairment losses

Net provisioning for impairment losses on items reported on and off the statement of financial position is as follows:

in € thousand	2017	2016
Individual loan loss provisions	**(322,404)**	**(768,835)**
Allocation to provisions for impairment losses	(1,076,191)	(1,625,946)
Release of provisions for impairment losses	695,073	841,648
Direct write-downs	(82,218)	(112,791)
Income received on written-down claims	140,932	128,254
Portfolio-based loan loss provisions	**24,163**	**4,441**
Allocation to provisions for impairment losses	(164,276)	(179,337)
Release of provisions for impairment losses	188,439	183,778
Gains from loan termination or sale	**11,342**	**10,008**
Total	**(286,899)**	**(754,387)**

Details on risk provisions are shown under note (16) Impairment losses on loans and advances and note (42) Risk report.

(4) Net fee and commission income

in € thousand	2017	2016
Payment transfer business	735,424	651,195
Loan and guarantee business	154,593	170,032
Securities business	150,985	136,556
Foreign currency, notes/coins, and precious metals business	381,343	391,626
Management of investment and pension funds	174,244	37,646
Sale of own and third party products	67,526	59,788
Other banking services	54,757	50,001
Total	**1,718,872**	**1,496,844**

The increase in net fee and commission income from the management of investment and pension funds was attributable to subsidiaries or subsidiary groups included in the course of the merger of RZB AG with RBI AG: Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung and Valida Group.

(5) Net trading income

Net trading income includes interest and dividend income, financing costs, commissions and any changes in fair value of trading portfolios.

in € thousand	2017	2016[1]
Interest-based transactions	81,577	118,507
Currency-based transactions	142,667	111,088
Equity-/index-based transactions	16,390	(13,646)
Credit derivatives business	(4,313)	(3,751)
Other transactions	8,030	2,388
Total	**244,350**	**214,586**

1 Adaptation of previous year figures due to a change in the allocation of net income to the sub-items

The refinancing expenses for trading assets that are included in net trading income amounted to € 41,443 thousand (2016: € 23,156 thousand)

(6) Net income from derivatives and liabilities

in € thousand	2017	2016
Net income from hedge accounting	(15,421)	(6,367)
Net income from credit derivatives	(1,341)	(48)
Net income from other derivatives	(86,976)	(77,029)
Net income from liabilities designated at fair value	62,831	(105,078)
Income from repurchase of liabilities	(14)	(230)
Total	**(40,921)**	**(188,752)**

Net income from hedge accounting includes a valuation result from derivatives used in fair value hedges of minus € 70,109 thousand (2016: € 9,200 thousand) and changes in the carrying amount of the fair value hedged items of € 74,634 thousand (2016: minus € 15,778 thousand). The termination of a portfolio fair value hedge in Russia resulted in a one-off effect of minus € 20,109 thousand in the 2017 financial year. This item also includes the ineffective portions of the cash flow hedge amounting to € 162 thousand (2016: € 211 thousand).

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

RBI has 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 whereas previously, under IAS 39, they were booked in the income statement. Therefore, minus € 139,643 thousand is recognized in other comprehensive income for changes in liabilities designated at fair value through profit or loss arising from changes in the default risk of RBI. The net income of € 62,831 consists solely of changes in market interest rates. The previous period contains a loss from changes in own default risk of € 119,064 thousand as well as net income from changes in market interest rates of € 13,986 thousand.

(7) Net income from financial investments

Net income from financial investments comprises valuation results and net proceeds from sales of securities from the financial investment portfolio (held-to-maturity), from securities measured at fair value through profit and loss, and equity participations which include shares in affiliated companies, associates and other companies.

in € thousand	2017	2016
Net income from securities held-to-maturity	**8,756**	**13,073**
Net valuations of securities	(362)	(55)
Net proceeds from sales of securities	9,118	13,128
Net income from equity participations	**(4,940)**	**126,850**
Net valuations of equity participations	(10,745)	(17,652)
Net proceeds from sales of equity participations	5,805	144,501
Net income from associates	**(46,220)**	**0**
Net valuations of associates	(46,220)	0
Net proceeds from associates	0	0
Net income from securities at fair value through profit and loss	**(72,089)**	**14,768**
Net valuations of securities	(68,434)	16,218
Net proceeds from sales of securities	(3,655)	(1,450)
Net income from available-for-sale securities	**31,358**	**(1,751)**
Total	**(83,133)**	**152,940**

Net proceeds from sales of equity participations dropped year-on-year, primarily because the previous year included the sale of shares in Visa Europe Ltd., London, to Visa Inc., Foster City. Net valuations of securities at fair value through profit and loss resulted largely from valuation losses on government bonds in the reporting year.

Note (20) Investments in associates contains details on net income from associates.

(8) General administrative expenses

in € thousand	2017	2016
Staff expenses	(1,553,800)	(1,409,841)
Other administrative expenses	(1,222,037)	(1,107,364)
hereof operating other administrative expenses	(1,074,302)	(963,697)
hereof regulatory other administrative expenses	(147,735)	(143,667)
Depreciation of tangible and intangible fixed assets	(328,376)	(331,023)
Total	**(3,104,213)**	**(2,848,228)**

The increase in general administrative expenses was attributable to the merger of RZB AG with RBI AG. After adjusting for this effect, general administrative expenses fell a marginal 1 per cent year-on-year.

Staff expenses

in € thousand	2017	2016
Wages and salaries	(1,178,572)	(1,072,610)
Social security costs and staff-related taxes	(276,977)	(248,820)
Other voluntary social expenses	(41,949)	(43,078)
Expenses for defined contribution pension plans	(15,089)	(11,382)
Expenses/income for defined benefit pension plans	(1,247)	(456)
Expenses for other post-employment benefits	(11,906)	(8,716)
Expenses for other long-term employee benefits	(1,878)	(2,519)
Termination benefits	(3,174)	(11,872)
Expenses on share incentive program (SIP)	(695)	(1,217)
Deferred bonus payments according to Section 39b BWG	(22,312)	(9,171)
Total	**(1,553,800)**	**(1,409,841)**

Other administrative expenses

in € thousand	2017	2016
Office space expenses	(236,135)	(244,965)
IT expenses	(291,860)	(259,584)
Communication expenses	(63,156)	(65,462)
Legal, advisory and consulting expenses	(124,187)	(95,038)
Advertising, PR and promotional expenses	(132,902)	(102,775)
Office supplies	(26,189)	(25,661)
Car expenses	(15,485)	(14,534)
Security expenses	(47,063)	(37,386)
Traveling expenses	(19,446)	(15,852)
Training expenses for staff	(18,124)	(16,998)
Sundry administrative expenses	(99,755)	(85,441)
Operating other administrative expenses	**(1,074,302)**	**(963,697)**
Deposit insurance fees	(83,085)	(91,987)
Resolution fund	(64,650)	(51,680)
Regulatory other administrative expenses	**(147,735)**	**(143,667)**
Total	**(1,222,037)**	**(1,107,364)**

Legal, advisory and consulting expenses include audit fees in relation to RBI AG and its subsidiaries which comprise expenses for the audit of financial statements amounting to € 5,986 thousand (2016: € 6,531 thousand) and tax advisory as well as other additional consulting services provided by the auditors amounting to € 13,635 thousand (2016: € 8,524 thousand). Thereof, € 2,820 thousand (2016: € 1,879 thousand) relates to the Group auditor for the audit of the financial statements and € 1,085 thousand (2016: € 1,434 thousand) accounts for the other consulting services.

Depreciation of tangible and intangible fixed assets

in € thousand	2017	2016
Tangible fixed assets	(149,010)	(122,883)
Intangible fixed assets	(147,344)	(177,478)
Leased assets (operating lease)	(32,023)	(30,663)
Total	**(328,376)**	**(331,023)**

Depreciation includes impairments of € 28,962 thousand, primarily for buildings. In the previous year, this item amounted to € 34,300 thousand, mainly due to an impairment of € 26,133 thousand relating to the brand Polbank.

Expenses for severance payments and retirement benefits

in € thousand	2017	2016
Members of the management board and senior staff	(2,690)	(3,528)
Other employees	(20,499)	(23,374)
Total	**(23,189)**	**(26,902)**

The same regulations for employees are in principle valid for the members of the Management Board. These regulations provide for a basic contribution to a pension fund from the company and an additional contribution if the employee pays own contributions of the same amount. Two members of the Management Board additionally have individual retirement benefits, which are funded by a reinsurance policy.

In the event of termination of function or employment contract and departure from the company, one member of the Management Board is entitled to severance payments according to contractual agreements; four members of the Management Board have entitlements under the Company Retirement Plan Act (Betriebliches Mitarbeitervorsorgegesetz). The entitlement to receive severance payments according to contractual agreements lapses in the case of termination by the employee.

Moreover, protection against the risk of occupational disability exists which is covered by a pension fund and/or by individual pension agreements secured through reinsurance. The contracts of the members of the Management Board run for the functional duration or are limited to a maximum of five years. Severance payments in the event of early termination of function without good cause amount to a maximum of two years total remuneration (except for one member of the Management Board covered by previous contractual arrangements).

(9) Other net operating income

in € thousand	2017	2016
Net income arising from non-banking activities	30,774	18,878
Sales revenues from non-banking activities	135,732	53,029
Expenses arising from non-banking activities	(104,958)	(34,151)
Net income from additional leasing services	4,230	5,338
Revenues from additional leasing services	25,497	71,748
Expenses from additional leasing services	(21,267)	(66,410)
Rental income from operating lease (vehicles and equipment)	34,054	30,888
Rental income from investment property incl. operating lease (real estate)	43,190	40,427
Net proceeds from disposal of tangible and intangible fixed assets	(4,364)	(1,650)
Other taxes	(66,434)	(71,789)
Net expense from allocation and release of other provisions	(25,468)	(17,288)
Sundry operating income	128,801	100,826
Sundry operating expenses	(88,154)	(60,265)
Recurring other net operating income	**56,630**	**45,364**
Bank levies	(120,649)	(157,846)
Profit/loss from banking business due to governmental measures	21,949	(29,268)
Total	**(42,070)**	**(141,749)**

The item other taxes includes the financial transactions tax in Hungary in addition to property taxes.

The bank levies primarily consist of the levies required under the Austrian Stability Act (StabG) amounting to € 56,601 thousand (2016: € 85,440 thousand) as well as bank levies in Poland amounting to € 31,137 thousand (2016: € 34,077 thousand), in Slovakia amounting to € 20,286 thousand (2016: € 19,365 thousand) and in Hungary amounting to € 12,626 thousand (2016: € 18,964 thousand). The year-on-year decline is primarily attributable to a change in the calculation base.

In the reporting year, there was a release of € 21,356 thousand in provisions relating to the Walkaway Law in Romania and recognized under profit/loss from banking business due to governmental measures. A provision of € 26,741 thousand was recognized in the previous year for this item.

(10) Net income from disposal of group assets

In the reporting period, 43 subsidiaries who mainly did leasing business were excluded from the consolidated group due to immateriality; two other subsidiaries were sold, three entities discontinued their operations and one was excluded due to change in control.

in € thousand	2017	2016
Net income from disposal of group assets	(1,640)	18,914
Total	**(1,640)**	**18,914**

Net income from the disposal of group assets consisted of the following:

in € thousand	RAIA	RFJ4	RLKZ	RBIIA	RBUS	ZUNO	Others	Total
Assets	185,304	307,407	3,368	756	40,910	12,878	188,968	739,592
Liabilities	55,073	307,270	24	2,237	34,047	2,106	145,762	546,520
Total identifiable net assets	**130,231**	**137**	**3,345**	**(1,481)**	**6,864**	**10,772**	**43,205**	**193,072**
Non-controlling interests	71,004	0	0	0	0	0	2,099	73,103
Net assets after non-controlling interests	**59,227**	**137**	**3,345**	**(1,481)**	**6,864**	**10,772**	**41,106**	**119,969**
Selling price/carrying amount	59,224	137	0	0	4,970	6,000	39,500	109,831
Effect from deconsolidations	**(2)**	**0**	**(3,345)**	**1,481**	**(1,894)**	**(4,772)**	**(1,606)**	**(10,138)**
FX reserve reclassified to income statement	989	0	(1,434)	3,866	4,138	0	938	8,498
Net income from disposal of group assets	**987**	**0**	**(4,779)**	**5,347**	**2,244**	**(4,772)**	**(668)**	**(1,640)**

RAIA: Raiffeisen Real Estate Fund, Budapest (HU)
RFJ4: RZB Finance (Jersey) IV Limited, St. Helier (JE)
RLKZ: TOO Raiffeisen Leasing Kazakhstan, Almaty (KZ)
RBIIA: RB International Investment Asia Limited, Labuan (MY)
RBUS: RB International Finance (USA) LLC, New York (US)
ZUNO: ZUNO BANK AG, Vienna (AT)

The position Others primarily contains R.B.T. Beteiligungsgesellschaft m.b.H., Vienna, and various specialized companies of the Raiffeisen Leasing Group.

The sale of fully consolidated companies generated a cash inflow of € 3,336 thousand while the exclusion of ZUNO BANK AG, Vienna, from the consolidated group produced a cash outflow of € 49,444 thousand.

Details are shown under (52) Group composition.

(11) Income taxes

in € thousand	2017	2016
Current income taxes	(322,154)	(282,466)
Austria	(18,926)	(19,740)
Foreign	(303,228)	(262,727)
Deferred taxes	(43,901)	(29,516)
Total	**(366,054)**	**(311,982)**

RBI AG, 37 of its domestic subsidiaries and 16 of its other affiliated companies are members of a joint tax entity that has been headed by RBI AG since the merger.

The following reconciliation shows the relationship between profit/loss before tax and the effective tax burden:

in € thousand	2017	2016
Profit/loss before tax	**1,612,063**	**885,598**
Theoretical income tax expense in the financial year based on the domestic income tax rate of 25 per cent	**(403,016)**	**(221,399)**
Effect of divergent foreign tax rates	133,149	102,893
Tax decrease because of tax-exempted income from equity participations and other income	191,996	65,449
Tax increase because of non-deductible expenses	(221,460)	(128,432)
Impairment on loss carry-forwards	0	(7,462)
Other changes	(66,723)	(123,032)
Effective tax burden	**(366,054)**	**(311,983)**
Effective tax rate in per cent	**22.7%**	**35.2%**

Other changes include minus € 68,824 thousand unrecognized deferred taxes from temporary differences. They were not capitalized because there was no utilization based on the current mid-term tax planning.

The effective tax rate decreased 13 percentage points year-on-year to 23 per cent in 2017. The sharp reduction was firstly the result of an improved contribution to earnings at RBI AG and secondly to the use of loss carryforwards which were not carried as assets in some Group units (Albania, Hungary). In addition, the tax rate fell significantly in Poland, following higher tax expenses in Poland in the previous year due to the intragroup sale of the leasing company.

Notes to the statement of financial position

(12) Statement of financial position according to measurement categories

Assets according to measurement categories in € thousand	2017	2016
Cash reserve	**13,329,782**	**12,242,415**
Trading assets	**4,356,508**	**5,770,407**
Positive fair values of derivative financial instruments	2,138,096	3,437,526
Shares and other variable-yield securities	243,502	164,575
Bonds, notes and other fixed-interest securities	1,974,910	2,168,307
Financial assets at fair value through profit or loss	**5,625,639**	**3,962,757**
Shares and other variable-yield securities	103,435	3,694
Bonds, notes and other fixed-interest securities	5,522,205	3,959,064
Investments in associates	**728,945**	**0**
Financial assets available-for-sale	**6,781,031**	**4,117,276**
Investments in other affiliated companies	194,314	193,421
Other interests	207,675	85,931
Bonds, notes and other fixed-interest securities	6,288,371	3,835,200
Shares and other variable-yield securities	90,670	2,724
Loans and advances	**94,078,132**	**76,482,005**
Loans and advances to banks	14,358,246	9,900,012
Loans and advances to customers	81,232,353	70,514,116
Other non-derivative financial assets	1,589,881	1,023,009
Impairment losses on loans and advances	(3,102,348)	(4,955,132)
Financial assets held-to-maturity	**7,221,214**	**6,558,979**
Bonds, notes and other fixed-interest securities	7,221,214	6,558,979
Derivatives (hedging)	**521,959**	**644,693**
Positive fair values of derivatives (hedging)	521,959	644,693
Other assets	**2,503,129**	**2,085,313**
Intangible and tangible fixed assets	2,261,129	1,991,760
Inventories	118,832	64,726
Assets held for sale (IFRS 5)	123,169	28,826
Total assets	**135,146,339**	**111,863,845**

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

Equity and liabilities according to measurement categories in € thousand	2017	2016
Trading liabilities	**4,414,478**	**5,481,277**
Negative fair values of other derivative financial instruments	1,726,316	2,961,867
Short-selling of trading assets	343,640	555,346
Certificates issued	2,344,522	1,964,063
Financial liabilities	**115,753,538**	**93,185,123**
Deposits from banks	21,674,563	12,064,755
Deposits from customers	84,831,440	71,538,226
Debt securities issued	4,751,893	5,271,709
Subordinated capital	3,016,033	3,545,183
Other non-derivative financial liabilities	1,417,663	765,251
Liabilities held for sale (IFRS 5)	61,946	0
Liabilities at fair value through profit and loss	**2,522,055**	**2,783,648**
Deposits from banks	616,867	751,720
Debt securities issued	1,133,245	1,373,418
Subordinated capital	771,944	658,510
Derivatives (hedging)	**204,508**	**425,415**
Negative fair values of derivatives (hedging)	204,508	425,415
Provisions for liabilities and charges	**1,010,410**	**756,252**
Equity	**11,241,350**	**9,232,130**
Total equity and liabilities	**135,146,339**	**111,863,845**

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

(13) Cash reserve

in € thousand	2017	2016
Cash in hand	3,600,423	2,975,329
Balances at central banks	9,729,359	9,267,086
Total	**13,329,782**	**12,242,415**

(14) Loans and advances to banks

in € thousand	2017	2016
Giro and clearing business	1,785,472	2,027,695
Money market business	11,041,896	6,048,921
Loans to banks	1,201,300	1,412,069
Purchased loans	255,404	257,469
Leasing claims	30,051	24
Claims evidenced by paper	44,123	153,833
Total	**14,358,246**	**9,900,012**

The increase in money market business was mainly due to an increase in repurchase and securities lending transactions by a total of € 4,720 million to € 8,094 million in connection with the optimization of the liquidity position, notably in the Czech Republic and in Russia.

The purchased loans amounting to € 255,404 thousand (2016: € 257,469 thousand) are fully assigned to the measurement category loans and advances.

Loans and advances to banks classified regionally (counterparty domicile) are as follows:

in € thousand	2017	2016
Austria	2,968,651	2,263,695
Foreign	11,389,594	7,636,316
Total	**14,358,246**	**9,900,012**

Loans and advances to banks break down into the following segments:

in € thousand	2017	2016
Central banks	5,363,487	1,109,775
Commercial banks	8,963,428	8,786,233
Multilateral development banks	31,331	4,003
Total	**14,358,246**	**9,900,012**

(15) Loans and advances to customers

in € thousand	2017	2016
Credit business	44,455,518	44,077,339
Money market business	5,217,837	4,378,329
Mortgage loans	25,689,441	17,501,479
Purchased loans	2,372,015	2,222,508
Leasing claims	2,881,464	1,841,422
Claims evidenced by paper	616,077	493,039
Total	**81,232,353**	**70,514,116**

The increase in mortgage loans was primarily the result of the inclusion of the Raiffeisen Bausparkassen Group in the course of the merger of RZB AG with RBI AG.

Purchased loans amounting to € 2,372,015 thousand (2016: € 2,222,508 thousand) are exclusively assigned to the measurement category loans and advances. Details on leasing claims are shown under (44) Finance leases.

Loans and advances to customers are distributed among asset classes as follows:

in € thousand	2017	2016
Sovereigns	856,000	659,231
Corporate customers – large corporates	43,744,065	41,676,239
Corporate customers – mid market	3,131,423	2,600,364
Retail customers – private individuals	30,964,388	23,392,811
Retail customers – small and medium-sized entities	2,536,476	2,185,471
Total	**81,232,353**	**70,514,116**

Loans and advances to customers classified regionally (counterparty domicile) are as follows:

in € thousand	2017	2016
Austria	12,598,145	5,108,924
Foreign	68,634,207	65,405,192
Total	**81,232,353**	**70,514,116**

(16) Impairment losses on loans and advances

Provisions for impairment losses were formed in accordance with uniform Group standards and cover all recognizable credit risks. A table showing the development of the impairment losses on loans and advances can be found in the risk report. Provisions for impairment losses were allocated to the following asset classes:

in € thousand	2017	2016
Banks	10,860	50,365
Sovereigns	751	4,753
Corporate customers – large corporates	1,619,752	2,929,930
Corporate customers – mid market	117,128	216,334
Retail customers – private individuals	1,139,676	1,515,175
Retail customers – small and medium-sized entities	214,179	238,574
Total	**3,102,348**	**4,955,132**

Impairment losses on loans and advances declined mainly as a result of derecognition of uncollectible loans and selling non-performing loans.

Loans and advances and loan loss provisions according to asset classes are shown in the following table:

2017 in € thousand	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based loan loss provisions	Net carrying amount
Banks	14,431,178	14,358,246	20,073	9,835	1,026	14,347,385
Sovereigns	729,498	856,000	1,193	450	301	855,249
Corporate customers – large corporates	40,478,854	43,744,065	2,648,869	1,510,904	108,848	42,124,313
Corporate customers – mid market	3,040,269	3,131,423	171,012	109,990	7,137	3,014,295
Retail customers – private individuals	30,034,520	30,964,388	1,310,622	952,208	187,469	29,824,712
Retail customers – small and medium-sized entities	2,422,648	2,536,476	288,298	186,007	28,172	2,322,297
Total	**91,136,967**	**95,590,598**	**4,440,067**	**2,769,394**	**332,953**	**92,488,251**

2016 in € thousand	Fair value	Carrying amount	Individually impaired assets	Individual loan loss provisions	Portfolio-based loan loss provisions	Net carrying amount
Banks	9,909,101	9,900,012	50,606	48,300	2,065	9,849,646
Sovereigns	594,130	659,231	5,607	4,347	406	654,478
Corporate customers – large corporates	37,564,456	41,676,239	4,186,286	2,825,635	104,295	38,746,308
Corporate customers – mid market	2,406,066	2,600,364	268,976	208,956	7,378	2,384,031
Retail customers – private individuals	22,311,945	23,392,811	1,685,669	1,303,946	211,229	21,877,636
Retail customers – small and medium-sized entities	2,062,307	2,185,471	321,337	213,247	25,327	1,946,897
Total	**74,848,005**	**80,414,128**	**6,518,482**	**4,604,432**	**350,700**	**75,458,996**

Impaired loans and advances

Impairments and collateral according to asset classes are shown in the following table:

2017 in € thousand	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collateral for individually impaired assets	Interest on individually impaired assets
Banks	20,073	9,835	10,239	0	29
Sovereigns	1,193	450	743	22	243
Corporate customers – large corporates	2,648,869	1,510,904	1,137,965	548,887	63,841
Corporate customers – mid market	171,012	109,990	61,021	45,867	5,081
Retail customers – private individuals	1,310,622	952,208	358,414	352,745	54,314
Retail customers – small and medium-sized entities	288,298	186,007	102,291	96,770	10,014
Total	**4,440,067**	**2,769,394**	**1,670,673**	**1,044,292**	**133,523**

ILLP individual loan loss provisions

2016 in € thousand	Individually impaired assets	Individual loan loss provisions	Individually impaired assets after deduction of ILLP	Collateral for individually impaired assets	Interest on individually impaired assets
Banks	50,606	48,300	2,306	0	109
Sovereigns	5,607	4,347	1,260	0	6
Corporate customers – large corporates	4,186,286	2,825,635	1,360,650	702,301	93,678
Corporate customers – mid market	268,976	208,956	60,020	117,076	9,506
Retail customers – private individuals	1,685,669	1,303,946	381,724	422,806	61,911
Retail customers – small and medium-sized entities	321,337	213,247	108,090	100,328	19,809
Total	**6,518,482**	**4,604,432**	**1,914,050**	**1,342,511**	**185,018**

ILLP individual loan loss provisions

(17) Trading assets

in € thousand	2017	2016
Bonds, notes and other fixed-interest securities	**1,974,910**	**2,168,307**
Treasury bills and bills of public authorities eligible for refinancing	575,533	632,054
Other securities issued by the public sector	157,516	300,058
Bonds and notes of non-public issuers	1,241,861	1,236,195
Shares and other variable-yield securities	**243,502**	**164,575**
Shares	187,752	115,513
Mutual funds	55,749	48,969
Other variable-yield securities	0	93
Positive fair values of derivative financial instruments	**1,723,346**	**2,653,580**
Interest-based transactions	1,093,759	1,857,351
Currency-based transactions	501,432	697,525
Equity-/index-based transactions	124,220	94,938
Credit derivatives business	108	648
Other transactions	3,826	3,119
Total	**3,941,757**	**4,986,462**

Pledged securities which are permitted to be sold or repledged by the transferee shown under the trading assets item amounted to € 403.407 thousand (2016: € 63,540 thousand).

(18) Derivatives

in € thousand	2017	2016
Positive fair values of derivatives in fair value hedges (IAS 39)	**496,215**	**641,851**
Interest-based transactions	495,468	641,559
Currency-based transactions	747	291
Positive fair values of derivatives in cash flow hedges (IAS 39)	**25,745**	**2,842**
Interest-based transactions	3,886	2,842
Currency-based transactions	21,858	0
Positive fair values of other derivatives	**414,751**	**783,945**
Interest-based transactions	252,187	567,886
Currency-based transactions	162,564	216,060
Total	**936,710**	**1,428,639**

As long as the conditions for hedge accounting according to IAS 39 are fulfilled, derivative financial instruments are reported at their fair values (dirty prices) in their function as hedging instruments. The items hedged by fair value hedges are loans and advances to banks, loans and advances to customers, financial investments, deposits from banks, deposits from customers and debt securities issued, which are hedged against interest rate risks. The changes in carrying amount of the hedged underlying transactions in IAS 39 fair value hedges are included in the respective items of the statement of financial position.

This item also includes the positive fair values of derivative financial instruments which are used for hedging against market risks (excluding trading assets and trading liabilities) for a non-homogeneous portfolio. These derivatives do not meet the conditions for IAS 39 hedge accounting.

The table below shows the expected hedged cash flows from assets and the effect on the statement of comprehensive income by period:

in € thousand	2017	2016
1 year	314,885	351,086
More than 1 year, up to 5 years	2,128,797	708,454
More than 5 years	2,279,359	4,000,862

(19) Financial investments

This position consists of securities available-for-sale, financial assets at fair value through profit or loss, and securities held-to-maturity as well as strategic equity participations held on a long-term basis.

in € thousand	2017	2016
Bonds, notes and other fixed-interest securities	**19,031,789**	**14,353,243**
Treasury bills and bills of public authorities eligible for refinancing	11,434,360	7,804,483
Other securities issued by the public sector	4,463,684	4,632,268
Bonds and notes of non-public issuers	3,113,352	1,896,098
Other	20,394	20,394
Shares and other variable-yield securities	**194,105**	**6,417**
Shares	2,291	1,493
Mutual funds	186,083	1,662
Other variable-yield securities	5,732	3,262
Equity participations	**401,990**	**279,352**
Interest in affiliated companies	194,314	193,421
Other interests	207,675	85,931
Total	**19,627,884**	**14,639,012**

The increases in most of the reported individual items were the result of the merger of RZB AG with RBI AG.

Pledged securities permitted to be sold or repledged by the transferee shown under financial investments amounted to € 357,410 thousand (2016: € 598,309 thousand).

The carrying amount of the securities reclassified into the category held-to-maturity amounted at the date of reclassifications to € 452,188 thousand. Thereof, reclassifications in 2008 amounted to € 371,686 thousand and in 2011 € 80,502 thousand. As of 31 December 2017, the carrying amount totaled € 3,158 thousand and the fair value totaled € 3,361 thousand. In 2017, a result from the reclassified securities of € 141 thousand (2016: € 213 thousand) was shown in the income statement. If the reclassification had not been made, a loss of € 214 thousand (2016: loss of € 78 thousand) would have arisen.

Other interests include € 103,443 thousand in equity participations measured at fair value (2016: € 30,209 thousand).

(20) Investments in associates

in € thousand	2017	2016
Investments in associates	728,945	0

Investments in associates were included in the course of the merger of RZB AG with RBI AG. There were no associates in the previous year's period. Investments in associates were as follows:

Company, domicile (country)	Core business	Share of voting rights and equity 2017	Carrying amount in € thousand
card complete Service Bank AG, Vienna (AT)	Issue of credit cards and operating giro, guarantee and credit business	25.0%	19,041
LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)	Participation in entities of all kind and industrial, trading and other entities	33.1%	204,531
NOTARTREUHANDBANK AG, Vienna (AT)	Business from notarial trusteeships	26.0%	7,509
Österreichische Hotel- und Tourismusbank Ges.m.b.H., Vienna (AT)	Financial service provider for tourist enterprises and facilities	31.3%	9,929
Oesterreichische Kontrollbank AG, Vienna (AT)	Specialized credit institution	8.1%	55,826
Posojilnica Bank eGen, Klagenfurt (AT)	Bank and audit association	59.0%	0
Prva stavebna sporitelna a.s., Bratislava (SK)	Building society	32.5%	64,574
Raiffeisen Informatik GmbH, Vienna (AT)	Services provider for data processing as well as construction and operation of data processing center	47.6%	33,869
UNIQA Insurance Group AG, Vienna (AT)	Contract insurance and reinsurance	10.9%	333,666
Total			**728,945**

Significant influence over UNIQA Insurance Group AG, Vienna, exists as a result of a syndicate agreement with the other core shareholders that governs the right to appoint members of the Supervisory Board, among other things. Significant influence over Österreichische Kontrollbank AG, Vienna, exists as a result of two permanent positions on the Supervisory Board.

Financial information on associates is as follows:

2017 in € thousand	CCSB	LLI[1]	NTB	OEHT	OeKB
Assets	671,338	1,101,291	2,243,573	979,616	26,038,991
Operating income	36,460	57,725	14,272	3,978	54,154
Profit or loss from continuing operations	30,526	62,859	6,143	8,060	39,863
Post-tax profit from discontinued operations	0	0	0	0	0
Other comprehensive income	0	6,342	0	0	18,689
Total comprehensive income	**30,526**	**69,201**	**6,143**	**8,060**	**58,552**
Attributable to non-controlling interests	0	4,444	0	0	0
Attributable to investee's shareholders	0	64,757	0	0	0
Current assets	679,824	324,095	1,350,203	168,046	7,129,232
Non-current assets	26,766	777,196	893,362	811,419	18,884,573
Current liabilites	(610,559)	(365,405)	(1,944,652)	(242,669)	(6,851,106)
Non-current liabilities	(19,869)	(275,984)	(270,030)	(704,304)	(18,385,391)
Net assets	**76,163**	**459,902**	**28,882**	**32,492**	**777,308**
Attributable to non-controlling interests	0	16,595	0	0	0
Attributable to investee's shareholders	0	443,307	0	0	0
Group's interest in net assets of investee as at 1/1	**33,173**	**131,863**	**7,191**	**10,078**	**60,904**
Change in share	0	0	0	0	0
Total comprehensive income attributable to the Group	8,393	22,028	1,488	545	3,839
Dividends received	(22,525)	(7,334)	(1,170)	(469)	(1,626)
Share in capital increase	0	0	0	0	
Group's interest in net assets of investee as at 31/12	**19,041**	**146,557**	**7,509**	**10,154**	**63,117**
Goodwill	0	57,973	0	0	0
Impairments	0	0	0	(225)	(7,292)
Other adaptations	0	0	0	0	0
Carrying amount	**19,041**	**204,531**	**7,509**	**9,929**	**55,826**

1 Consolidated financial statements: Profit and equity is after deduction of non-controlling interests.
CCSB: card complete Service Bank AG, Vienna (AT)
LLI: LEIPNIK-LUNDENBURGER INVEST Beteiligungs AG, Vienna (AT)
NTB: NOTARTREUHANDBANK AG, Vienna (AT)
OEHT: Österreichische Hotel- und Tourismusbank GmbH, Vienna (AT)
OeKB: Oesterreichische Kontrollbank AG, Vienna (AT)

2017 in € thousand	POSO	PSS	RIZ[1]	UNIQA[1, 2] 30/9/2017
Assets	502,473	3,003,633	1,247,900	28,679,597
Operating income	(2,006)	122,548	11,470	226,275
Profit or loss from continuing operations	(4,460)	17,393	3,104	148,545
Post-tax profit from discontinued operations	0	0	(2,926)	(33,055)
Other comprehensive income	(871)	(1,449)	243	(44,392)
Total comprehensive income	**(5,331)**	**15,944**	**421**	**71,098**
Attributable to non-controlling interests	0	0	(195)	(882)
Attributable to investee's shareholders	0	0	615	71,980
Current assets	191,483	721,253	120,500	1,731,218
Non-current assets	289,215	2,282,380	1,127,400	26,948,379
Current liabilites	(311,473)	(904,028)	(134,800)	(1,380,366)
Non-current liabilities	(144,645)	(1,864,238)	(1,041,252)	(24,177,249)
Net assets	**24,580**	**235,367**	**71,848**	**3,121,982**
Attributable to non-controlling interests	0	0	624	14,365
Attributable to investee's shareholders	0	0	71,224	3,107,617
Group's interest in net assets of investee as at 1/1	**14,484**	**77,949**	**31,528**	**345,441**
Change in share	248	0	0	1
Total comprehensive income attributable to the Group	(3,491)	5,182	8,745	12,490
Dividends received	0	(6,637)	(6,258)	(16,397)
Share in capital increase	3,262	0	(146)	0
Group's interest in net assets of investee as at 31/12	**14,503**	**76,494**	**33,869**	**341,534**
Goodwill	0	0	0	0
Impairments	0	(11,920)	0	(26,783)
Other adaptations	(14,503)	0	0	18,914
Carrying amount	**0**	**64,574**	**33,869**	**333,666**

1 Consolidated financial statements: Profit and equity is after deduction of non-controlling interests.
2 Figures as at 30 September 2017 because UNIQA is a listed company and has not yet published 2017 consolidated financial statements. Fair value of the shares held and based on stock exchange price as at 31 December 2017 amounted to € 296,318 thousand (2016: € 241,892 thousand).
POSO: Posojilnica Bank eGen, Klagenfurt (AT)
PSS: Prva stavebna sporitelna a.s., Bratislava (SK)
RIZ: Raiffeisen Informatik GmbH, Vienna (AT)
UNIQA: UNIQA Insurance Group AG, Vienna (AT)

(21) Intangible fixed assets

in € thousand	2017	2016
Software	594,035	531,127
Goodwill	95,877	39,587
Other intangible fixed assets	31,023	27,688
hereof brand	7,862	9,272
hereof customer relationships	12,906	17,199
Total	**720,935**	**598,402**

Software

The item software comprises acquired software amounting to € 454,928 thousand (2016: € 416,656 thousand) and internally developed software amounting to € 139,106 thousand (2016: € 114,471 thousand).

Goodwill

The following overview shows the development of the carrying amount of goodwill, gross amounts and cumulative impairments of goodwill, by cash generating units. The increase in goodwill was the result of the merger of RZB AG with RBI AG and relates to Raiffeisen Kapitalanlage-Gesellschaft m.b.H. (RKAG), Vienna.

Development of goodwill

2017 in € thousand	RBCZ	RKAG	Other	Total
As at 31/12/2016	**37,884**	**0**	**1,704**	**39,587**
Merger effect	0	53,728	358	54,085
As at 1/1	**37,884**	**53,728**	**2,061**	**93,673**
Additions	0	0	0	0
Impairments	0	0	0	0
Exchange rate changes	2,205	0	0	2,205
As at 31/12	**40,088**	**53,728**	**2,061**	**95,877**
Gross amount	40,088	53,728	545,928	639,744
Cumulative impairment[1]	0	0	(543,867)	(543,867)

1 Calculated with average exchange rates
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

2016 in € thousand	RBCZ	Other	Total
As at 1/1	**37,881**	**1,704**	**39,585**
Additions	0	2,431	2,431
Impairments	0	(2,431)	(2,431)
Exchange rate changes	3	0	3
As at 31/12	**37,884**	**1,704**	**39,587**
Gross amount	37,884	529,069	566,953
Cumulative impairment[1]	0	(527,366)	(527,366)

1 Calculated with average exchange rates
RBCZ: Raiffeisenbank a.s., Prague (CZ)

Impairment test for goodwill

At the end of each financial year, goodwill is reviewed by comparing the recoverable value of each cash generating unit for which goodwill is recognized with its carrying value. The carrying amount value is equal to net assets including goodwill and other intangible assets which are recognized within the framework of business combinations. In line with IAS 36, impairment tests for goodwill are carried out during the year if a reason for impairment occurs.

Recoverable value

In the course of impairment testing the carrying amount of each cash generating unit (CGU) is compared with the recoverable amount. If the recoverable amount of a cash generating unit is below its carrying amount, the difference is recognized as impairment in the income statement under other net operating income.

The Group generally identifies the recoverable amount of cash generating units on the basis of the value-in-use concept using a dividend discount model. The dividend discount model reflects the characteristics of the banking business including the regulatory framework. The present value of estimated future dividends that can be distributed to shareholders after taking into account relevant regulatory capital requirements represents the recoverable value.

The calculation of the recoverable amount is based on a five-year detailed planning period. The sustainable future growth (stabilization phase) is based on the premise of perpetuity (perpetual annuity); in the majority of cases country nominal growth rates of earnings are assumed, which are based on the long-term expected rate of inflation. For companies that have a significant overcapitalization an interim period of five years is defined, but without extending the detailed planning phase. Within this period, it is possible for these CGUs to make full payments without violating the capital adequacy requirements. In the stabilization phase, profit retention relating to growth while ensuring compliance with capital requirements is imperative. If, however, zero growth is assumed in the stabilization phase, no profit retention is required.

In the stabilization phase the model is based on a normal economically sustainable earnings situation, whereby convergence of expected return on equity and cost of equity is assumed.

Key assumptions

Key assumptions that have been made for the individual cash generating units:

2017 Cash generating units	RBCZ	RKAG
Discount rates (after tax)	10.6-11.9%	8.4-10.4%
Growth rates in phase I and II	1.6%	0.2%
Growth rates in phase III	3.5%	2.0%
Planning period	5 years	5 years

RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

2016 Cash generating units	RBCZ
Discount rates (after tax)	9.8-10.9%
Growth rates in phase I and II	33.0%
Growth rates in phase III	3.0%
Planning period	5 years

RBCZ: Raiffeisenbank a.s., Prague (CZ)

The use value of a cash generating unit is sensitive to various parameters: primarily to the level and development of future dividends, to the discount rates as well as the nominal growth rate in the stabilization phase. The applied discount rates have been calculated using the capital asset pricing model: they are composed of a risk-free interest rate and a risk premium for entrepreneurial risk taking. The risk premium is calculated as the market risk premium that varies according to the country in which the unit is registered multiplied by the beta factor for the indebted company. The values for the risk-free interest rate and the market risk premium are defined using accessible external market data sources. The risk measure beta factor is derived from a peer group of financial institutions operating in Western and Eastern Europe. The above-mentioned interest rate parameters represent market assessments; therefore they are not stable and could in the event of a change affect the discount rates.

The following table provides a summary of significant planning assumptions and a description of the management approach to identify the values that are assigned to each significant assumption under consideration of a risk assessment.

Cash generating unit	Significant assumptions	Management approach	Risk assumption
RBCZ	Czech Republic is a core market for the Group where a selective growth strategy is pursued. Improvement through increased use of alternative distribution channels and additional consulting services. Stable costs are assumed.	The assumptions are based on internal as well as external sources. Macroeconomic assumptions of the research department were compared with external data sources and the 5-year plans were presented to the Management Board and approved by the Supervisory Board.	Possible negative effects of changed local capital requirements. Pressure on interest margins through greater competition.
RKAG	RKAG is one of the leading Austrian fund enterprises with a managed consolidated volume of € 32.9 billion as at year-end 2017 and a market share of 17.5 per cent. RKAG has been active internationally for years and is a well-known player in numerous European countries.	The assumptions of planning are based on internal and external sources. Macroeconomic assumptions were compared with external data sources and 5-year plans were presented to the managers of the company. Moreover, planning was approved by the Supervisory Board.	Possible weakening of the macroeconomic environment. Pressure on net fee and commission income by more aggressive market participants cannot be excluded.

RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

Sensitivity analysis

A sensitivity analysis was carried out based on the above-mentioned assumptions in order to evaluate the stability of the impairment test for goodwill. From a number of options for this analysis, two parameters were selected, namely the cost of equity and the reduction of the growth rate. The following overview demonstrates to what extent an increase in the cost of equity or a reduc tion in the long-term growth rate could occur without the value in use of cash generating units declining below the respective carrying value (equity capital plus goodwill).

2017 Maximum sensitivity[1]	RBCZ	RKAG
Increase in discount rate	0.4 PP	1.7 PP
Reduction of the growth rates in phase III	0.0 PP	0.5 PP

RBCZ: Raiffeisenbank a.s., Prague (CZ)
RKAG: Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)

2016 Maximum sensitivity[1]	RBCZ
Increase in discount rate	4.7 PP
Reduction of the growth rates in phase III	0.0 PP

1 The respective maximum sensitivity refers to the change of the perpetuity.
RBCZ: Raiffeisenbank a.s., Prague (CZ)

Brand

Group companies use brands to differentiate their services from the competition. According to IFRS 3, brands of acquired companies have been recognized separately under the item intangible fixed assets. Brands have an indeterminable useful life and are therefore not subject to scheduled amortization. Brands are tested annually in the course of the impairment test of goodwill per cash generating unit and additionally whenever indications of impairment arise.

Brand rights are only recognized for Raiffeisen Bank Aval JSC, Kiev. The carrying value of the brand as well as the gross amount and cumulative impairment loss have developed as shown below:

2017 in € thousand	AVAL	Total
As at 1/1	**9,272**	**9,272**
Impairment[1]	0	0
Exchange differences	(1,410)	(1,410)
As at 31/12	**7,862**	**7,862**
Gross amount	21,841	21,841
Cumulative impairment[2]	(13,978)	(13,978)

1 Calculated with average exchange rates
2 Calculated with period-end exchange rates
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)

2016 in € thousand	AVAL	RBPL	Total
As at 1/1	**10,109**	**26,548**	**36,657**
Impairment[1]	0	(26,133)	(26,133)
Exchange differences	(837)	(416)	(1,252)
As at 31/12	**9,272**	**0**	**9,272**
Gross amount	25,757	45,348	71,106
Cumulative impairment[2]	(16,485)	(45,348)	(61,833)

1 Calculated with average exchange rates
2 Calculated with period-end exchange rates
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)

According to IAS 36.9 at the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired based on a list of external and internal indicators of impairment.

The brand value of the Raiffeisen Bank Aval JSC, Kiev, was determined using the comparable historical cost approach, because neither immediately comparable transactions nor a market with observable prices was available at the time of purchase price allocation.

Documentation of brand-related marketing expenses in the previous years was taken as the basis for the historical cost approach. In 2017, the impairment test led to no impairment.

Customer relationships

If customer contracts and associated customer relationships are acquired in a business combination, they must be recognized separately from goodwill, if they are based on contractual or other rights. The acquired companies meet the criteria for a separate recognition of non-contractual customer relationships for existing customers. The customer base is valued using the multi-period excess earnings method based on projected future income and expenses allocable to the respective customer base. The projections are based on planning figures for the corresponding years.

The Group capitalized customer relationship intangibles in relation to Raiffeisen Bank Aval JSC, Kiev, Raiffeisen Bank Polska S.A., Warsaw and Raiffeisenbank a.s., Prague. In the reporting year the carrying amounts of the customer relationships as well as the gross amounts and cumulative impairments developed as follows:

2017 in € thousand	AVAL	RBPL	RBCZ	Total
As at 1/1	**5,049**	**3,811**	**8,339**	**17,199**
Additions	0	0	0	0
Depreciation	(707)	(1,398)	(2,066)	(4,171)
Impairment[1]	0	0	0	0
Exchange differences	(768)	213	434	(121)
As at 31/12	**3,574**	**2,626**	**6,707**	**12,906**
Gross amount	14,133	16,854	10,589	41,576
Cumulative impairment[2]	(10,559)	(14,229)	(3,883)	(28,670)

1 Calculated with average exchange rates
2 Calculated with period-end exchange rates
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)

2016 in € thousand	AVAL	RBPL	RBCZ	Total
As at 1/1	**6,413**	**6,230**	**0**	**12,643**
Additions	0	0	9,994	9,994
Depreciation	(833)	(2,212)	(1,674)	(4,720)
Impairment[1]	0	0	0	0
Exchange differences	(531)	(207)	20	(718)
As at 31/12	**5,049**	**3,811**	**8,339**	**17,199**
Gross amount	18,311	15,963	10,007	44,280
Cumulative impairment[2]	(13,262)	(12,152)	(1,668)	(27,082)

1 Calculated with average exchange rates
2 Calculated with period-end exchange rates
AVAL: Raiffeisen Bank Aval JSC, Kiev (UA)
RBCZ: Raiffeisenbank a.s., Prague (CZ)
RBPL: Raiffeisen Bank Polska S.A., Warsaw (PL)

The impairment test of customer relationships of Raiffeisen Bank Polska S.A., Warsaw, Raiffeisenbank a.s., Prague, and Raiffeisenbank Aval JSC, Kiev, identified no impairment need in 2017.

(22) Tangible fixed assets

in € thousand	2017	2016
Land and buildings used by the Group for own purpose	584,896	480,713
Other land and buildings (investment property)	372,833	451,311
Office furniture, equipment and other tangible fixed assets	253,740	236,624
Leased assets (operating lease)	328,726	224,710
Total	**1,540,194**	**1,393,358**

The fair value of investment property totaled € 429,646 thousand (2016: € 454,745 thousand).

Details on leased assets are shown under (45) Operating leases.

(23) Development of fixed assets

	Cost of acquisition or conversion						
in € thousand	As at 1/1/2017	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As at 31/12/2017
Intangible fixed assets	**2,273,704**	**150,899**	**(21,814)**	**201,833**	**(106,803)**	**(7,598)**	**2,490,221**
Goodwill	566,953	103,368	(22,830)	0	(7,747)	0	639,744
Software	1,576,479	26,564	488	197,301	(50,096)	(7,681)	1,743,055
Other intangible fixed assets	130,272	20,967	528	4,532	(48,960)	83	107,422
Tangible fixed assets	**2,595,296**	**474,777**	**(38,805)**	**208,347**	**(246,979)**	**7,598**	**3,000,234**
Land and buildings used by the Group for own purpose	755,076	265,805	(19,608)	27,772	(28,979)	(160)	999,906
Other land and buildings	537,049	14,474	(5,068)	19,985	(68,611)	(320)	497,509
of which land value of developed land	8,491	108	(374)	2,638	(14)	0	10,849
Office furniture, equipment and other tangible fixed assets	970,362	14,817	(17,199)	96,137	(98,557)	7,448	973,008
Leased assets (operating lease)	332,809	179,681	3,069	64,453	(50,832)	630	529,811
Total	**4,869,000**	**625,676**	**(60,619)**	**410,180**	**(353,782)**	**0**	**5,490,455**

	Write-ups, amortization, depreciation, impairment			Carrying amount
in € thousand	Cumulative	hereof Write-ups	hereof Depreciation	As at 31/12/2017
Intangible fixed assets	**(1,769,286)**	**0**	**(147,344)**	**720,935**
Goodwill	(543,867)	0	0	95,877
Software	(1,149,020)	0	(140,829)	594,035
Other intangible fixed assets	(76,399)	0	(6,515)	31,023
Tangible fixed assets	**(1,460,040)**	**12,898**	**(181,032)**	**1,540,194**
Land and buildings used by the Group for own purpose	(415,010)	219	(37,176)	584,896
Other land and buildings	(124,676)	12,314	(36,677)	372,833
of which land value of developed land	(510)	0	0	10,339
Office furniture, equipment and other tangible fixed assets	(719,268)	112	(75,156)	253,740
Leased assets (operating lease)	(201,085)	253	(32,023)	328,726
Total	**(3,229,326)**	**12,898**	**(328,376)**	**2,261,129**

	Cost of acquisition or conversion						
in € thousand	As at 1/1/2016	Change in consolidated group	Exchange differences	Additions	Disposals	Transfers	As at 31/12/2016
Intangible fixed assets	**2,193,865**	**(38,253)**	**43,904**	**159,463**	**(84,791)**	**(484)**	**2,273,704**
Goodwill	554,302	(12,162)	22,382	2,431	0	0	566,953
Software	1,515,157	(25,163)	27,621	146,733	(84,076)	(3,793)	1,576,479
Other intangible fixed assets	124,406	(928)	(6,099)	10,299	(715)	3,309	130,272
Tangible fixed assets	**2,690,011**	**(132,601)**	**58,432**	**224,113**	**(245,143)**	**484**	**2,595,296**
Land and buildings used by the Group for own purpose	753,778	(16,436)	29,568	33,021	(46,052)	1,197	755,076
Other land and buildings	546,627	(2,055)	6,730	14,075	(28,813)	485	537,049
of which land value of developed land	11,449	0	(230)	0	(2,728)	0	8,491
Office furniture, equipment and other tangible fixed assets	967,604	(21,191)	23,932	89,914	(90,441)	544	970,362
Leased assets (operating lease)	422,002	(92,919)	(1,799)	87,103	(79,837)	(1,741)	332,809
Total	**4,883,876**	**(170,854)**	**102,336**	**383,576**	**(329,934)**	**0**	**4,869,000**

	Write-ups, amortization, depreciation, impairment			Carrying amount
in € thousand	Cumulative	hereof Write-ups	hereof Depreciation	As at 31/12/2016
Intangible fixed assets	**(1,675,302)**	**393**	**(177,478)**	**598,402**
Goodwill	(527,366)	0	(2,431)	39,587
Software	(1,045,352)	172	(143,604)	531,127
Other intangible fixed assets	(102,584)	221	(31,443)	27,688
Tangible fixed assets	**(1,201,938)**	**858**	**(153,546)**	**1,393,358**
Land and buildings used by the Group for own purpose	(274,363)	0	(33,808)	480,713
Other land and buildings	(85,738)	83	(13,456)	451,311
of which land value of developed land	(518)	0	(33)	7,973
Office furniture, equipment and other tangible fixed assets	(733,738)	632	(75,619)	236,624
Leased assets (operating lease)	(108,099)	143	(30,663)	224,710
Total	**(2,877,240)**	**1,251**	**(331,023)**	**1,991,760**

There were single investments (buildings) exceeding € 10,000 in Bulgaria in the reporting year. There were no single investments exceeding € 10,000 thousand in the previous year.

(24) Other assets

in € thousand	2017	2016
Tax assets	303,517	211,318
Current tax assets	189,204	69,646
Deferred tax assets	114,313	141,671
Receivables arising from non-banking activities	95,858	57,679
Prepayments and other deferrals	126,126	129,482
Clearing claims from securities and payment transfer business	377,549	325,454
Lease in progress	35,831	40,782
Assets held for sale (IFRS 5)	123,169	28,826
Inventories	118,832	64,726
Valuation fair value hedge portfolio	74,604	37,699
Any other business	576,396	220,595
Total	**1,831,881**	**1,116,561**

Application of IFRS 5

As at the reporting date, the item assets held for sale (IFRS 5) primarily contained Raiffeisen Pension Insurance d.d., Zagreb, amounting to € 61,622 thousand, and a property held by Raiffeisen Immobilienfonds, Vienna, amounting to € 49,745 thousand.

Deferred taxes

in € thousand	2017	2016
Deferred tax assets	114,313	141,671
Provisions for deferred taxes	(63,315)	(57,345)
Net deferred taxes	**50,999**	**84,326**

The net deferred taxes result from the following items:

in € thousand	2017	2016
Loans and advances to customers	47,787	28,999
Impairment losses on loans and advances	111,578	115,813
Tangible and intangible fixed assets	11,751	7,084
Other assets	18,027	15,485
Provisions for liabilities and charges	68,298	56,869
Trading liabilities	27,133	67,180
Other liabilities	179,832	359,378
Tax loss carry-forwards	7,150	24,047
Other items of the statement of financial position	203,380	119,415
Deferred tax assets	**674,936**	**794,269**
Loans and advances to banks	14,026	10,331
Loans and advances to customers	43,709	34,488
Impairment losses on loans and advances	75,219	49,832
Trading liabilities	39,117	42,474
Financial investments	14,970	0
Tangible and intangible fixed assets	80,156	77,310
Other assets	281,387	0
Deposits from customers	2	10
Provisions for liabilities and charges	903	23
Other liabilities	4,443	4,860
Other items of the statement of financial position	70,005	490,616
Deferred tax liabilities	**623,937**	**709,943**
Net deferred taxes	**50,999**	**84,326**

In the consolidated financial statements, deferred tax assets are recognized for unused tax loss carry-forwards which amounted to € 7,150 thousand (2016: € 24,047 thousand). The tax loss carry-forwards are mainly without any time limit. The Group did not recognize deferred tax assets of € 574,185 thousand (2016: € 347,016 thousand) because from a current point of view there is no prospect of realizing them within a reasonable period of time.

(25) Deposits from banks

in € thousand	2017	2016
Giro and clearing business	11,249,519	4,008,410
Money market business	6,401,010	5,241,580
Long-term financing	4,640,902	3,566,485
Total	**22,291,431**	**12,816,475**

The increase in giro and clearing business was mainly attributable to the merger of RZB AG with RBI AG. Most of the deposits are from the institutions of the Raiffeisen Banking Group, whose central institution is now RBI AG following the merger with RZB AG.

The Group refinances itself periodically with international commercial banks and multinational development banks. These credit contracts contain ownership clauses normally used in business. These clauses grant permission to the parties to the contracts for exceptional termination in the event of a change in control of RBI AG. This could lead to increased refinancing costs for the Group.

Deposits from banks classified regionally (counterparty domicile) break down as follows:

in € thousand	2017	2016
Austria	14,749,013	5,164,540
Foreign	7,542,418	7,651,934
Total	**22,291,431**	**12,816,475**

Deposits from banks break down into the following segments:

in € thousand	2017	2016
Central banks	1,857,385	1,081,913
Commercial banks	19,506,475	10,606,026
Multilateral development banks	927,570	1,128,536
Total	**22,291,431**	**12,816,475**

(26) Deposits from customers

in € thousand	2017	2016
Sight deposits	50,414,380	44,461,093
Time deposits	23,124,190	23,344,880
Savings deposits	11,292,870	3,732,254
Total	**84,831,440**	**71,538,226**

The increase in savings deposits was the result of customer deposits from the Raiffeisen Bausparkassen Group being included in the course of the merger of RZB AG with RBI AG.

Deposits from customers break down as follows:

in € thousand	2017	2016
Sovereigns	2,024,243	1,464,965
Corporate customers – large corporates	29,519,684	28,560,874
Corporate customers – mid market	3,176,446	2,983,553
Retail customers – private individuals	43,333,820	32,579,753
Retail customers – small and medium-sized entities	6,777,247	5,949,082
Total	**84,831,440**	**71,538,226**

Deposits from customers classified regionally (customer domicile) are as follows:

in € thousand	2017	2016
Austria	13,286,335	6,415,736
Foreign	71,545,105	65,122,490
Total	**84,831,440**	**71,538,226**

(27) Debt securities issued

in € thousand	2017	2016
Bonds and notes issued	5,867,674	6,604,140
Money market instruments issued	0	38,995
Other debt securities issued	17,463	1,992
Total	**5,885,137**	**6,645,127**

The following table contains material debt securities issued:

Issuer	ISIN	Type	Currency	Nominal value in € thousand	Coupon	Due
RBI AG	XS0989620694	senior public placements	EUR	500,000	1.9%	8/11/2018
RBCZ	XS1132335248	senior public placements	CZK	315,585	0.8%	5/11/2019
TBSK	SK4120011016	senior private placements	EUR	250,000	6M EURIBOR + 0.5 %	19/8/2020

(28) Provisions for liabilities and charges

in € thousand	As at 1/1/2017	Change in consolidated group	Allocation	Release	Usage	Transfers, exchange differences	As at 31/12/2017
Severance payments and other	84,523	32,882	6,344	(1,612)	(6,129)	(10)	115,998
Retirement benefits	28,545	60,077	1,427	(6,997)	(1,488)	(14)	81,549
Taxes	129,731	32,656	132,304	(30,208)	(120,685)	(5,804)	137,993
Current	72,386	1,646	123,426	(2,676)	(120,547)	444	74,678
Deferred	57,345	31,010	8,878	(27,532)	(138)	(6,248)	63,315
Contingent liabilities and commitments	123,233	22,277	69,860	(66,285)	(8,356)	(22,005)	118,723
Pending legal issues	84,914	20,644	48,255	(19,022)	(5,412)	(283)	129,096
Overdue vacation	43,473	5,756	13,363	(8,854)	(1,055)	(1,047)	51,637
Bonus payments	147,294	4,874	133,780	(17,106)	(96,065)	(3,540)	169,236
Restructuring	14,231	(1,021)	45,286	(30,623)	(9,797)	(156)	17,920
Provisions for banking business due to governmental measures	14,503	0	0	(13,440)	(836)	(227)	0
Other	85,806	107,946	110,389	(54,619)	(74,921)	13,657	188,258
Total	**756,252**	**286,090**	**561,007**	**(248,768)**	**(324,743)**	**(19,429)**	**1,010,410**

The item severance and similar payments includes provisions for service anniversary bonuses and other payments in the amount of € 33,009 thousand (2016: € 25,979 thousand) and obligations from other benefits due to termination of employment according to IAS 19 amounting to € 82,988 thousand (2016: € 58,544 thousand).

The decline in provisions for banking business due to governmental measures was mainly caused by releasing provisions related to the Walkaway Law in Romania.

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

The Group is involved in litigation arising from the undertaking of banking business. The Group does not expect that these legal cases will have a material impact on the financial position of the Group. As of 31 December 2017, Group-wide provisions for pending legal issues amounted to € 129,096 thousand (2016: € 84,914 thousand). Single cases involving provisions in excess of € 10,000 thousand occurred solely in Austria and Slovakia in 2017 and 2016.

- Legal steps were taken against RBI AG in connection with the early repayment of an Icelandic liability. The amount in dispute is € 25,000 thousand.

- In Slovakia, a customer has taken legal action in relation to a disputed amount of approximately € 71,150 thousand against Tatra banka a.s., Bratislava. The case revolves around agreed credit facilities and a contract breach allegedly committed by Tatra banka a.s. through failing to execute payment transfer orders and renew credit facilities, which ultimately allegedly led to the termination of the customer's business activities. In December 2017, the customer brought an additional, related lawsuit for damages and lost profit in relation to a disputed amount of € 50,459 thousand. The total disputed amount now amounts to € 121,609 thousand.

- Another closely related legal action in relation to a disputed amount of € 127,063 thousand was brought by a Cypriot plaintiff who had purchased the underlying claim from a shareholder of the above Slovakian customer's holding company.

Pension obligations and other termination benefits

The Group contributes to the following defined benefit pension plans and other post-employment benefits:

- Defined benefit pension plans in Austria and other countries
- Other post-employment benefits in Austria and other countries
- These defined benefit plans and other post-employment benefits expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Funding

For pensions there are different plans: unfunded, partly funded and fully funded. The partly and fully funded plans are all invested by Valida Pension AG. Valida Pension AG is a pension fund, and is subject in particular to the provisions of the PKG (Pension Act) and BPG (Company Pension Act).

The Group expects to pay € 371 thousand in contributions to its defined benefit plans in 2018. In the financial year 2017, the Group's contribution to defined benefit plans was € 287 thousand.

Pension obligations/defined benefit pension plans

Financial status

in € thousand	2017	2016
Defined benefit obligation (DBO)	132,706	42,748
Plan assets at fair value	(51,156)	(14,203)
Net liability/asset	81,549	28,545

The defined benefit obligations developed as follows:

in € thousand	2017	2016
DBO as at 1/1	**42,748**	**44,143**
Change in consolidated group	96,294	0
Current service cost	1,268	450
Interest cost	2,137	868
Payments	(5,341)	(1,179)
Loss/(gain) on DBO due to past service cost	(1,675)	0
Transfer	(557)	(6)
Remeasurement	(2,168)	(1,528)
DBO as at 31/12	**132,706**	**42,748**

Plan assets developed as follows:

in € thousand	2017	2016
Plan assets as at 1/1	**14,203**	**13,762**
Change in consolidated group	36,367	0
Interest income	790	273
Contributions to plan assets	681	332
Payments from fund	(2,369)	(271)
Transfer	(449)	(177)
Return on plan assets excluding interest income	1,933	284
Plan assets as at 31/12	**51,156**	**14,203**

The return on plan assets for 2017 was € 1,847 thousand (2016: € 548 thousand). The fair value of rights to reimbursement recognized as an asset was € 14,350 thousand (2016: € 15,200 thousand) as at year-end 2017.

Structure of plan assets

Plan assets broke down as follows:

Per cent	2017	2016
Bonds	39	40
Shares	35	35
Alternative Investments	4	3
Property	5	5
Cash	18	17
Total	**100**	**100**
hereof own financial instruments	0	0

In the reporting year, most of the plan assets were quoted on an active market, less than 10 per cent were not quoted on an active market.

Asset Liability Matching

The pension provider Valida Pension AG has established an asset/risk management process (ARM process). According to this process, the risk-bearing capacity of each fund is evaluated once a year based on the liability structure of investment and risk associations, which itself is derived from the statement of financial position. Based on this risk-bearing capacity, the investment structure of the fund is derived. When determining the investment structure, defined and documented customer requirements are also taken into account.

The defined investment structure is implemented in the two funds named VRG 60 and VRG 7, in which the accrued amounts for RBI are invested, with an investment concept. The weighting of predefined asset classes moves within a range according to objective criteria, which can be derived from market trends. In times of stress, hedges of the equity component are put in place.

Actuarial assumptions

The following table shows the actuarial assumptions used to calculate the net defined benefit obligation:

Per cent	2017	2016
Discount rate	1.7	1.6
Future pension basis increase	2.7	2.7
Future pension increase	1.2	1.2

The following table shows the longevity assumptions used to calculate the net defined benefit obligation:

Years	2017	2016
Longevity at age 65 for current pensioners – males	21.2	21.1
Longevity at age 65 for current pensioners – females	23.7	23.6
Longevity at age 65 for current members aged 45 - males	24.7	24.6
Longevity at age 65 for current members aged 45 - females	26.9	26.8

The weighted average duration of the net defined benefit obligation was 12.6 years (2016: 15.1 years).

Sensitivity analysis

Changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2017		2016	
in € thousand	Addition	Decrease	Addition	Decrease
Discount rate (1 per cent change)	(13,017)	15,742	(5,543)	6,894
Future salary growth (0.5 per cent change)	700	(651)	433	(414)
Future pension increase (0.25 per cent change)	3,563	(3,378)	1,380	(1,320)
Remaining life expectancy (change 1 year)	7,869	(8,411)	1,714	(1,896)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Other termination benefits

The other termination benefits developed as follows:

in € thousand	2017	2016
DBO as at 1/1	**58,544**	**63,458**
Change in consolidated group	23,907	(8,093)
Current service cost	5,417	4,122
Interest cost	1,367	1,182
Payments	(4,311)	(2,366)
Loss/(gain) on DBO due to past service cost	182	(176)
Transfer	34	1,505
Remeasurement	(2,152)	(1,088)
DBO as at 31/12	**82,988**	**58,544**

Actuarial assumptions

The following table shows the actuarial assumptions used to calculate the other termination benefits:

Per cent	2017	2016
Discount rate	1.5	1.6
Additional future salary increase for employees	2.7	2.7

Sensitivity analysis

Changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

in € thousand	2017		2016	
	Addition	Decrease	Addition	Decrease
Discount rate (1 per cent change)	(7,955)	9,317	(5,619)	6,629
Future salary growth (0.5 per cent change)	4,401	(4,089)	3,119	(2,903)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Employee benefit expenses

Details of employee benefit expenses (expenses for defined benefit pension plans, other benefits due to termination of employment) are stated under note (8) General administrative expenses.

(29) Trading liabilities

in € thousand	2017	2016
Negative fair values of derivative financial instruments	**1,568,384**	**2,600,333**
Interest-based transactions	887,801	1,835,473
Currency-based transactions	457,372	588,762
Equity-/index-based transactions	119,117	164,863
Credit derivatives business	2,524	687
Other transactions	101,571	10,547
Short-selling of trading assets	**343,640**	**555,346**
Certificates issued	**2,344,522**	**1,964,063**
Total	**4,256,546**	**5,119,743**

The decline in interest-based transactions is attributable to a reduction in the negative fair values of derivative financial instruments.

(30) Derivatives

in € thousand	2017	2016
Negative fair values of derivatives in fair value hedges (IAS 39)	**133,168**	**132,565**
Interest-based transactions	133,059	132,508
Currency-based transactions	110	57
Negative fair values of derivatives in cash flow hedges (IAS 39)	**61,702**	**275,102**
Currency-based transactions	61,702	275,102
Negative fair values of derivatives in net investment hedge (IAS 39)	**9,637**	**17,749**
Currency-based transactions	9,637	17,749
Negative fair values of credit derivatives	**2,391**	**0**
Negative fair values of other derivative financial instruments	**155,541**	**361,534**
Interest-based transactions	118,277	173,039
Currency-based transactions	37,263	188,495
Total	**362,439**	**786,949**

As long as the conditions for hedge accounting according to IAS 39 are fulfilled, derivative financial instruments are measured at their fair values (dirty prices) in their function as hedging instruments. The hedged items in connection with fair value hedges are loans and advances to banks, loans and advances to customers, financial investments, deposits from banks, deposits from customers and debt securities issued, which are hedged against interest rate risk.

The table below shows the expected hedged cash flows from liabilities affecting the statement of comprehensive income by maturity:

in € thousand	2017	2016
1 year	2,900,205	2,416,321
More than 1 year, up to 5 years	527,980	587,577
More than 5 years	81,225	63,196

Net gains of € 11,164 thousand (2016: net gains of € 5,788 thousand) relating to the effective portion of cash flow hedges were recognized in other comprehensive income.

(31) Other liabilities

in € thousand	2017	2016
Liabilities from non-banking activities	139,281	72,517
Liabilities from insurance contracts	57	82
Accruals and deferred items	297,995	194,989
Liabilities from dividends	1,574	1,000
Clearing claims from securities and payment transfer business	628,507	374,276
Valuation fair value hedge portfolio	60,079	57,564
Liabilities held for sale (IFRS 5)	61,946	0
Other liabilities	290,170	64,823
Total	**1,479,610**	**765,251**

Application of IFRS 5

The item liabilities held for sale (IFRS 5) mainly consists of Raiffeisen Pension Insurance d.d., Zagreb, amounting to € 61,622 thousand.

(32) Subordinated capital

in € thousand	2017	2016
Hybrid tier 1 capital	90,475	396,725
Subordinated liabilities and supplementary capital	3,697,502	3,806,968
Total	**3,787,977**	**4,203,693**

The changes include € 38,659 thousand in market price changes. The decline in the item hybrid tier 1 capital was the result of the repayment of the hybrid tier 1 capital of RZB Finance (Jersey) IV Limited, St. Helier.

The following table contains subordinated borrowings that exceed 10 per cent of the total subordinated capital:

Issuer	ISIN	Type	Currency	Nominal value in € thousand	Coupon[1]	Due
RBI AG	XS0619437147	Subordinated capital	EUR	500,000	6,625%	18/5/2021
RBI AG	XS0981632804	Subordinated capital	EUR	500,000	6,000%	16/10/2023
RBI AG	XS1034950672	Subordinated capital	EUR	500,000	4,500%	21/2/2025

1 Current interest rate, interest clauses are agreed.

In the reporting period, expenses on subordinated capital totaled € 156,496 thousand (2016: € 160,549 thousand).

(33) Equity

in € thousand	2017	2016
Consolidated equity	8,820,946	8,187,672
Subscribed capital	1,002,061	892,031
Capital reserves	4,991,797	4,994,169
Retained earnings	2,827,088	2,301,473
Consolidated profit/loss	1,116,056	463,104
Non-controlling interests	659,732	581,353
Zusätzliches Kernkapital (AT1)	644,615	0
Total	**11,241,350**	**9,232,130**

The development of equity is shown under the statement of changes in equity section.

Subscribed capital

As at 31 December 2017, the subscribed capital of RBI AG as defined by the articles of incorporation amounted to € 1,003,266 thousand and the subscribed capital consisted of 328,939,621 non-par bearer shares. After deduction of own shares of 394,942, the stated subscribed capital totaled € 1,002,061 thousand.

The shareholders of RZB AG received compensation for their RZB shares in the course of the merger of RZB AG with RBI AG. To provide this compensation, RBI issued 35,960,583 new shares with a nominal value of € 109,680 thousand. As a result, the total number of shares increased from 292,979,038 to 328,939,621.

Own shares

The Annual General Meeting held on 16 June 2016 authorized the Management Board to acquire own shares, pursuant to Section 65 (1), item 8 and Sections (1a) and (1b) of the Austrian Stock Corporation Act (AktG), during a period of 30 months as of the date of the resolution (i.e. by 15 December 2018), up to 10 per cent of the subscribed capital of the company and to withdraw them if applicable. This authorization may be exercised in full or in part or also in several installments and for one or more purposes – with the exception of securities trading – by the company, by a subsidiary (Section 189a, item 7 of the Austrian Commercial Code (UGB)) or, for their account, by third parties. The acquisition price for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the ten trading days prior to exercising this authorization.

The Management Board was further authorized pursuant to Section 65 (1b) of the Austrian Stock Corporation Act (AktG), to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, branches of activity or shares in one or several companies in Austria or abroad, or for the purpose of implementing the company's Share Incentive Program (SIP) for executives and members of the Management Boards of the company and affiliated enterprises.

In addition, if convertible bonds are issued in accordance with the Annual General Meeting resolution of 26 June 2013, shareholders' subscription rights may also be excluded in order to issue (own) shares to the holders of these convertible bonds who exercise the conversion or subscription rights granted them under the terms of the convertible bonds to shares of the company. This authorization applies for a period of five years from the date of the resolution (i.e. until 15 June 2021). No own shares have been bought since the authorization was issued in June 2016.

The acquisition of own shares mainly serves to cover the obligation of the Group within the framework of the share incentive program (SIP) towards the members of the Management Board and executive employees. These bonus payments are carried out in the form of company shares.

The Annual General Meeting held on 16 June 2016 also authorized the Management Board, in accordance with Section 65 (1), item 7 of the Austrian Stock Corporation Act (AktG), to acquire own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 15 December 2018), of up to a maximum of 5 per cent of the respective subscribed capital of the company. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price. This authorization may be exercised in full or in part or also in several installments by the company, by a subsidiary (Section 189a, item 7 of the Austrian Commercial Code (UGB)) or, for their account, by third parties.

Authorized capital

Pursuant to Section 169 of the Austrian Stock Corporation Act (AktG), the Management Board has been authorized from the Annual General Meeting of 4 June 2014 until no later than 25 August 2019 to increase the capital stock – in one or more tranches – by up to € 446,793,032.95 by issuing up to 146,489,519 new common bearer shares with voting rights against contributions in cash and/or in kind (including by way of the right of indirect subscription by a bank pursuant to Section 153 (6) of AktG) and to fix the offering price and terms of the issue with the approval of the Supervisory Board. The Management Board is further authorized to exclude shareholders' subscription rights, with the approval of the Supervisory Board, (i) if the capital increase is carried out by contributions in kind or (ii) if the capital increase is carried out by contributions in cash and the shares issued under the exclusion of subscription rights do not exceed 10 per cent of the company's capital stock (exclusion of subscription rights).

Convertible bonds

In the Annual General Meeting held on 26 June 2013, the Management Board was authorized pursuant to Section 174 (2) of the Austrian Stock Corporation Act (AktG) to issue – with the approval of the Supervisory Board – convertible bonds in a total nominal amount of up to € 2,000,000 thousand, also in several tranches, within five years from the date of the resolution, which grant holders conversion or subscription rights for up to 39,101,024 common bearer shares of the company with a pro-rata share in the subscribed capital of up to € 119,258 thousand. Shareholders` subscription rights to the convertible bonds are excluded. However, no convertible bonds have been issued to date.

Contingent capital

Pursuant to Section 159 (2) item 1 of the Austrian Stock Corporation Act (AktG), the subscribed capital has been increased contingently by a maximum of € 119,258 thousand by issuing a maximum of 39,101,024 common bearer shares (contingent capital). The contingent capital increase will only be performed if and when use is made of an irrevocable right of exchange or subscription granted on shares by the company to creditors holding convertible bonds issued on the basis of the resolution of the Annual General Meeting on 26 June 2013 and the Management Board does not decide to issue own shares.

Additional tier 1 capital

On 5 July 2017, RBI AG issued perpetual additional tier 1 capital with a nominal value of € 650,000 thousand and no maturity. The interest rate is 6.125 per cent p.a. until December 2022 and will be reset thereafter. Due to the terms and conditions of the issue, the additional tier 1 capital is classified as equity under IAS 32. Equity increased € 644,814 after accounting for the issue costs of € 886 thousand and the discount of € 4,300 thousand. Own shares, which have a carrying amount of € 199 thousand, were also deducted from the capital.

Dividend proposal

The Management Board of RBI AG will propose to the Annual General Meeting to pay a dividend of € 0.62 per share from the net profit shown in the 2017 annual financial statements. Since the new shares issued in the course of the merger with RZB AG are entitled to full dividend rights for the 2017 financial year, the total dividend paid based on shares issued would be no more than € 203,943 thousand.

Number of shares outstanding

Number of shares	2017	2016
Number of shares issued as at 1/1	**292,979,038**	**292,979,038**
New shares issued	35,960,583	0
Number of shares issued as at 31/12	**328,939,621**	**292,979,038**
Own shares as at 1/1	509,977	557,295
Purchase of own shares	0	0
Sale of own shares	(115,035)	(47,318)
Less own shares as at 31/12	**394,942**	**509,977**
Number of shares outstanding as at 31/12	**328,544,679**	**292,469,061**

Non-controlling interests

The following table contains financial information of subsidiaries which are held by the Group and in which material non-controlling interests exist. The amounts reported below refer to the non-controlling interests that were not eliminated.

2017 in € thousand	Ownership interest	Net assets	Profit/loss after tax	Other comprehensive income	Total comprehensive income
Raiffeisen Bank Aval JSC, Kiev (UA)	31.8%	101,686	47,009	(10,477)	36,532
Raiffeisenbank a.s., Prague (CZ)	25.0%	266,174	26,804	13,112	39,916
Tatra banka a.s., Bratislava (SK)	21.2%	198,479	24,032	275	24,308
Priorbank JSC, Minsk (BY)	12.3%	34,583	7,332	(4,454)	2,879
Valida Pension AG, Vienna (AT)	42.6%	44,993	3,035	(202)	2,833
Other	n/a	13,819	21,741	3,245	24,986
Total		**659,732**	**129,953**	**1,500**	**131,453**

2016 in € thousand	Ownership interest	Net assets	Profit/loss after tax	Other comprehensive income	Total comprehensive income
Raiffeisen Bank Aval JSC, Kiev (UA)	31.8%	110,659	42,633	(6,788)	35,844
Raiffeisenbank a.s., Prague (CZ)	25.0%	232,068	24,078	(3,749)	20,329
Tatra banka a.s., Bratislava (SK)	21.2%	201,210	26,858	(3,160)	23,698
Priorbank JSC, Minsk (BY)	12.3%	41,266	8,246	302	8,548
Other	n/a	(3,850)	8,698	(689)	8,008
Total		**581,353**	**110,512**	**(14,085)**	**96,427**

As opposed to the above stated financial information which only relates to non-controlling interests, the following table contains financial information of the individual subsidiaries (including controlling interests):

2017 in € thousand	Raiffeisen Bank Aval JSC, Kiev (UA)	Raiffeisenbank a.s., Prague (CZ)	Tatra banka a.s., Bratislava (SK)	Priorbank JSC, Minsk (BY)	Valida Pension AG, Vienna (AT)
Operating income	276,309	391,148	386,205	152,458	23,428
Profit/loss after tax	147,659	107,216	113,265	59,808	7,120
Other comprehensive income	(49,406)	62,822	881	(42,198)	(474)
Total comprehensive income	**98,253**	**170,038**	**114,147**	**17,609**	**6,645**
Current assets	1,363,214	6,998,528	4,599,671	1,122,861	242,352
Non-current assets	598,666	6,355,990	7,681,724	287,825	3,519
Current liabilites	1,640,895	9,970,261	10,297,649	1,012,297	71,978
Non-current liabilities	1,581	2,319,561	1,048,313	116,302	68,339
Net assets	**319,405**	**1,064,696**	**935,433**	**282,087**	**105,555**
Net cash from operating activities	246,594	(3,047,146)	190,598	107,221	42,793
Net cash from investing activities	(17,661)	30,135	469,332	(36,176)	(42,793)
Net cash from financing activities	(150,667)	(208,830)	(127,435)	(46,972)	0
Effect of exchange rate changes	(33,435)	155,747	(413)	(20,145)	0
Net increase in cash and cash equivalents	**44,831**	**(3,070,095)**	**532,082**	**3,928**	**0**
Dividends paid to non-controlling interests during the year[1]	40,832	13,055	26,478	8,969	0

1 Included in net cash from financing activites

2016 in € thousand	Raiffeisen Bank Aval JSC, Kiev (UA)	Raiffeisenbank a.s., Prague (CZ)	Tatra banka a.s., Bratislava (SK)	Priorbank JSC, Minsk (BY)
Operating income	260,870	362,445	380,833	173,889
Profit/loss after tax	133,913	96,311	126,583	67,258
Other comprehensive income	(21,323)	(14,625)	(14,895)	(3,185)
Total comprehensive income	**112,591**	**81,686**	**111,687**	**64,073**
Current assets	1,294,459	5,920,463	4,011,927	1,082,880
Non-current assets	661,686	5,858,452	7,153,017	308,780
Current liabilites	1,607,155	9,906,597	9,230,563	941,215
Non-current liabilities	1,401	944,044	986,076	113,838
Net assets	**347,590**	**928,274**	**948,305**	**336,607**
Net cash from operating activities	194,082	1,520,710	(91,844)	15,242
Net cash from investing activities	(7,382)	297,945	18,034	17,040
Net cash from financing activities	(144,644)	169,770	(113,413)	(25,185)
Effect of exchange rate changes	(16,503)	(10,373)	(76)	(1,949)
Net increase in cash and cash equivalents	**25,553**	**1,978,052**	**(187,299)**	**5,148**
Dividends paid to non-controlling interests during the year[1]	0	12,711	23,970	3,346

1 Included in net cash from financing activites

Significant restrictions

For Raiffeisenbank a.s., Prague, a syndicate contract exists between RBI AG and the joint shareholder. The syndicate contract regulates especially purchase options between direct and indirect shareholders. The syndicate contract expires automatically if control over the company changes – also in the case of a takeover bid.

Raiffeisen Bank Polska S.A. (RBPL) had been preparing for an initial public offering (IPO) with a free float of 15 per cent of its shares to be listed on the Warsaw Stock Exchange. This was a commitment to the Polish regulator when Polbank was acquired by RBI and merged into the then existing Polish subsidiary of RBI. After suspension of the intended IPO in the beginning of July 2017, RBI has been in ongoing discussions with the Polish regulator regarding further steps and a new timetable for the IPO. According to the announcement of the Polish regulator on 1 August 2017, the IPO should be closed by not later than 15 May 2018. On 17 November 2017, RBI published its intention to carve out the foreign exchange retail mortgage portfolio (FX Portfolio) held by RBPL and eventually transfer this portfolio to RBI. Depending on the details of the loans selected for the demerger and future currency fluctuations the gross volume is currently expected to be between € 3 billion and € 3.5 billion. The precise volume will be determined taking into account legal (including tax) requirements. As a result, RBI is currently preparing a carve-out of the FX Portfolio and the listing of the shares in RBPL on the Warsaw Stock Exchange and, as an alternative to the listing, is considering the sale of a majority stake in RBPL's core banking operations (without the FX Portfolio). RBI's commitment to the Polish regulator to list the shares in RBPL on the Warsaw Stock Exchange may be fulfilled by an IPO of at least 15 per cent of RBPL shares to free float investors or through a sale of a majority stake in RBPL's core banking operations. No execution decision has yet been taken regarding any of the scenarios, namely the IPO or the sale of the majority stake.

The European Bank for Reconstruction and Development (EBRD) participated in the capital increase of Raiffeisen Bank Aval JSC, Kiev, (AVAL) which took place in December 2015. Within the course of this transaction, RBI agreed with EBRD to offer RBI shares to EBRD in exchange for the AVAL shares held by EBRD after six years of its participation in a so-called share swap. The execution of this transaction is subject to approvals from regulatory authorities, the Annual General Meeting and other committees.

As at end of 2014, the Ukrainian National Bank launched foreign currency transfer controls. The dividend payment was restricted to USD 5 million a month for 2016 and to USD 2 million for 2014 and 2015. The Ukrainian National Bank is expected to make a decision soon regarding the dividend payment for 2017.

Share-based remuneration

In 2014, the share incentive program (SIP) was terminated due to regulatory complexities. The last tranches of the SIP were issued in 2011, in 2012 and in 2013. The respective duration periods are five years. Therefore, the 2012 tranche matured in 2017. In accordance with the terms and conditions of the program (published by euro adhoc on 27 June 2012), the number of shares actually transferred was as follows:

Share incentive program (SIP) 2012 Group of persons	Number of shares due	Value as at stock price € 20.955 on allocation day	Number of shares actually transferred
Members of the management board of the company	52,718	1,104,706	36,168
Members of the management boards of bank subsidiaries affiliated with the company	70,277	1,472,655	54,437
Executives of the company and other affiliated companies	36,129	757,083	24,430

To avoid legal uncertainties, eligible employees in three countries were given a cash settlement instead of an allocation of shares as permitted by the program terms and conditions. In Austria, eligible parties were granted the option of accepting a cash settlement in lieu of half of the shares due in order to offset the income tax payable at the time of transfer. Therefore, fewer shares were actually transferred than the number that were due. The portfolio of own shares was subsequently reduced by the lower number of shares actually transferred.

On the reporting date, contingent shares for the last 2013 tranche still outstanding were allocated. As at 31 December 2017, the number of these contingent shares was 321,268. The originally published number of contingently allotted shares changed due to various personnel changes within Group units. It is shown on an aggregated level in the following table:

Share incentive program (SIP) 2013 Group of persons	Number of contingently allotted shares as at 31/12/2017	Minimum of allotment of shares	Maximum of allotment of shares
Members of the management board of the company	92,895	27,869	139,343
Members of the management boards of bank subsidiaries affiliated with the company	153,235	45,971	229,853
Executives of the company and other affiliated companies	75,138	22,541	112,707

In the financial year 2017, no shares were bought back for the share incentive program.

Disclosures to financial instruments

(34) Breakdown of remaining terms to maturity

2017	Short-term assets/liabilities			Long-term assets/liabilities	
in € thousand	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash reserve	13,329,782	0	0	0	0
Loans and advances to banks	3,585,025	8,697,949	651,193	807,864	616,213
Loans and advances to customers	6,969,069	10,536,936	10,394,378	27,730,430	25,601,539
Impairment losses on loans and advances	(3,102,348)	0	0	0	0
Trading assets	253,782	392,042	483,895	1,597,996	1,214,042
Financial investments	599,491	2,661,584	3,127,638	9,165,953	4,073,218
Investments in associates	728,945	0	0	0	0
Sundry assets	2,594,019	1,416,855	418,009	360,424	240,414
Total assets	**24,957,765**	**23,705,367**	**15,075,114**	**39,662,667**	**31,745,427**
Deposits from banks	10,578,904	3,839,474	997,307	5,021,014	1,854,732
Deposits from customers	55,904,379	11,605,985	8,902,517	6,683,950	1,734,609
Debt securities issued	0	495,776	1,273,943	2,712,021	1,403,398
Trading liabilities	220,829	434,858	428,469	2,252,351	920,039
Subordinated capital	0	42	82,222	1,473,119	2,232,593
Sundry liabilities	1,333,606	999,426	156,713	182,231	180,483
Subtotal	**68,037,718**	**17,375,560**	**11,841,171**	**18,324,684**	**8,325,855**
Equity	11,241,350	0	0	0	0
Total equity and liabilities	**79,279,068**	**17,375,560**	**11,841,171**	**18,324,684**	**8,325,855**

2016	Short-term assets/liabilities			Long-term assets/liabilities	
in € thousand	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash reserve	12,242,415	0	0	0	0
Loans and advances to banks	4,243,475	4,153,208	777,297	405,692	320,340
Loans and advances to customers	7,731,784	9,951,599	9,385,212	24,326,063	19,119,458
Impairment losses on loans and advances	(4,955,132)	0	0	0	0
Trading assets	168,555	650,738	660,827	1,780,389	1,725,952
Financial investments	282,192	2,931,881	2,196,199	7,958,089	1,270,651
Sundry assets	2,153,011	864,518	152,705	877,160	489,567
Total assets	**21,866,300**	**18,551,944**	**13,172,241**	**35,347,393**	**22,925,967**
Deposits from banks	4,084,452	2,396,550	1,632,095	2,776,168	1,927,210
Deposits from customers	48,004,468	11,776,469	8,453,654	2,030,824	1,272,811
Debt securities issued	0	443,924	2,169,542	3,107,203	924,458
Trading liabilities	281,739	484,177	496,745	2,353,080	1,504,001
Subordinated capital	0	37	30,845	999,723	3,173,087
Sundry liabilities	786,503	790,373	128,671	490,613	112,291
Subtotal	**53,157,163**	**15,891,531**	**12,911,554**	**11,757,610**	**8,913,857**
Equity	9,232,130	0	0	0	0
Total equity and liabilities	**62,389,293**	**15,891,531**	**12,911,554**	**11,757,610**	**8,913,857**

(35) Foreign currency volumes

in € thousand	2017	2016
Assets	65,143,087	61,071,903
Liabilities	53,517,300	48,678,601

(36) Transferred assets

The Group enters into transactions that result in the transfer of trading assets, financial investments and loans and advances to customers. The transferred financial assets continue to be recognized in their entirety or to the extent of the Group's continuing involvement, or are derecognized in their entirety. The Group transfers financial assets that are not derecognized in their entirety or for which the Group has continuing involvement primarily through sale and repurchase of securities, securities lending and securitization activities.

Transferred financial assets not derecognized

Sale and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it at a fixed price on a future date. The Group continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Securities lending agreements are transactions in which the Group lends securities for a fee and receives cash as collateral. The Group continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash received is recognized as a financial asset and a financial liability is recognized for the obligation to repay it. Because as part of the lending arrangement the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Loans and advances to customers are sold by the Group to securitization vehicles that in turn issue notes to investors collateralized by the purchased assets. In the securitizations in which the Group transfers loans and advances to an unconsolidated securitization vehicle, it retains some credit risk while transferring some credit risk, prepayment and interest rate risk to the vehicle. The Group therefore does not retain or transfer substantially all of the risks and rewards of such assets.

The table below shows the carrying amounts of financial assets transferred:

2017		Transferred assets			Associated liabilities	
in € thousand	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Loans and advances	62,751	0	62,751	55,220	0	55,220
Trading assets	251,909	0	251,909	251,909	0	251,909
Financial investments	23,586	0	23,586	20,708	0	20,708
Total	**338,246**	**0**	**338,246**	**327,837**	**0**	**327,837**

2016		Transferred assets			Associated liabilities	
in € thousand	Carrying amount	hereof securitizations	hereof repurchase agreements	Carrying amount	hereof securitizations	hereof repurchase agreements
Loans and advances	300,057	0	300,057	292,527	0	292,527
Trading assets	32,783	0	32,783	31,846	0	31,846
Financial investments	49,417	0	49,417	47,748	0	47,748
Total	**382,257**	**0**	**382,257**	**372,120**	**0**	**372,120**

Transferred financial assets that are not entirely derecognized

The Group currently has no securitization transactions in which financial assets are partly derecognized.

(37) Assets pledged as collateral and received financial assets

The Group pledges assets mainly for repurchase agreements, securities lending agreements as well as other lending arrangements and for margining purposes in relation to derivative liabilities. The table below contains assets from repo business, securities lending business, securitizations, debentures transferred as collateral of liabilities or guarantees (this means collateralized deposits).

in € thousand	2017	2016
Loans and advances[1]	7,241,502	6,729,870
Trading assets[2]	704,138	63,540
Financial investments	492,844	678,766
Total	**8,438,484**	**7,472,177**

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

The table below shows the liabilities corresponding to the assets pledged as collateral and contains liabilities from repo business, securities lending business, securitizations and debentures:

in € thousand	2017	2016
Deposits from banks	3,676,725	2,579,979
Deposits from customers	18,315	45,906
Debt securities issued	1,511,275	1,610,164
Other liabilities	149,417	201,069
Total	**5,355,732**	**4,437,118**

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

in € thousand	2017	2016
Securities and other financial assets accepted as collateral which can be sold or repledged	9,931,063	5,139,516
hereof which have been sold or repledged	1,463,047	418,169

The Group received collaterals which can be sold or repledged even if no default occurs in the course of reverse repo business, securities lending business, derivative and other transactions.

Significant restrictions regarding access to or usage of Group assets

Statutory, contractual or regulatory requirements as well as protective rights of non-controlling interests might restrict the ability of the Group to access and transfer assets freely to or from other Group entities and settle liabilities. As at the reporting date, the Group hasn't granted any material protective rights associated with non-controlling interests and therefore these were not a source of significant restrictions.

The following products restrict the Group in the use of its assets: repurchase agreements, securities lending contracts as well as other lending contracts for margining purposes in relation to derivative liabilities, securitizations and various insurance activities. The table below shows assets pledged as collateral and otherwise restricted assets with a corresponding liability. These assets are restricted from usage to secure funding, for legal or other reasons.

in € thousand	2017 Pledged	2017 Otherwise restricted with liabilities	2016 Pledged	2016 Otherwise restricted with liabilities
Loans and advances[1]	7,241,502	866,096	6,729,870	1,338,469
Trading assets[2]	704,138	0	63,540	29,174
Financial investments	492,844	65,474	678,766	386,013
Total	**8,438,484**	**931,570**	**7,472,177**	**1,753,656**

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

(38) Offsetting of financial assets and liabilities

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

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements.

Some of the agreements are not set-off in the statement of financial position. This is because they create, for the parties to the agreement, a right of set off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously. The Group receives and gives collaterals in the form of cash and marketable securities.

2017 in € thousand	Gross amount of recognized assets set-off in the statement of financial position	Gross amount of recognized liabilities set-off in the statement of financial position	Net amount of recognized assets set-off in the statement of financial position	Related amounts not set-off in the statement of financial position: Financial instruments	Related amounts not set-off in the statement of financial position: Cash collateral received	Net amount
Derivatives (legally enforceable)	3,527,703	915,016	2,612,687	1,922,540	57,364	632,783
Reverse repurchase, securities lending & similar agreements (legally enforceable)	8,163,649	0	8,163,649	7,816,104	0	347,545
Other financial instruments (legally enforceable)	153,296	0	153,296	0	0	153,296
Total	**11,844,648**	**915,016**	**10,929,632**	**9,738,644**	**57,364**	**1,133,624**

2017 in € thousand	Gross amount of recognized liabilities set-off in the statement of financial position	Gross amount of recognized assets set-off in the statement of financial position	Net amount of recognized liabilities set-off in the statement of financial position	Related amounts not set-off in the statement of financial position: Financial instruments	Related amounts not set-off in the statement of financial position: Cash collateral pledged	Net amount
Derivatives (legally enforceable)	2,775,844	915,016	1,860,829	591,846	42,868	1,226,114
Repurchase, securities lending & similar agreements (legally enforceable)	297,678	0	297,678	291,291	0	6,387
Other financial instruments (legally enforceable)	35,061	0	35,061	0	0	35,061
Total	**3,108,584**	**915,016**	**2,193,568**	**883,137**	**42,868**	**1,267,562**

In 2017, assets which were not subject to legally enforceable netting agreements amounted to € 124,216,707 thousand (2016: € 104,226,968 thousand), of which an immaterial part was accounted for by derivative financial instruments and cash balances from reverse repo business. Liabilities which were not subject to legally enforceable netting agreements totaled € 122,371,132 thousand in 2017 (2016: € 99,535,179 thousand), of which only an immaterial part was accounted for by derivative financial instruments and cash deposits from repo business.

2016 in € thousand	Gross amount of recognized assets set-off in the statement of financial position	Gross amount of recognized liabilities set-off in the statement of financial position	Net amount of recognized assets set-off in the statement of financial position	Related amounts not set-off in the statement of financial position: Financial instruments	Related amounts not set-off in the statement of financial position: Cash collateral received	Net amount
Derivatives (legally enforceable)	4,501,241	733,698	3,767,544	2,631,677	38,683	1,097,183
Reverse repurchase, securities lending & similar agreements (legally enforceable)	3,681,162	0	3,681,162	3,681,162	0	0
Other financial instruments (legally enforceable)	188,172	0	188,172	0	0	188,172
Total	**8,370,575**	**733,698**	**7,636,877**	**6,312,839**	**38,683**	**1,285,355**

2016 in € thousand	Gross amount of recognized liabilities set-off in the statement of financial position	Gross amount of recognized assets set-off in the statement of financial position	Net amount of recognized liabilities set-off in the statement of financial position	Related amounts not set-off in the statement of financial position: Financial instruments	Related amounts not set-off in the statement of financial position: Cash collateral pledged	Net amount
Derivatives (legally enforceable)	3,953,907	733,698	3,220,210	1,986,648	110,345	1,123,217
Repurchase, securities lending & similar agreements (legally enforceable)	447,514	0	447,514	433,849	0	13,665
Other financial instruments (legally enforceable)	10,206	0	10,206	0	0	10,206
Total	**4,411,628**	**733,698**	**3,677,930**	**2,420,497**	**110,345**	**1,147,088**

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured at either fair value (derivatives, other financial instruments) or amortized cost (loans and advances, deposits and other financial instruments). All amounts have been reconciled to the line items in the statement of financial position.

(39) Derivative financial instruments

2017	Nominal amount by maturity				Fair values	
in € thousand	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Positive	Negative
Total	**65,490,559**	**79,093,918**	**50,496,502**	**195,080,978**	**2,660,056**	**(1,930,823)**
Interest rate contracts	**28,184,974**	**68,429,033**	**48,428,053**	**145,042,060**	**1,845,948**	**(1,236,764)**
OTC products						
Interest rate swaps	21,076,111	58,130,872	44,572,833	123,779,816	1,681,334	(1,135,685)
Interest rate futures	1,780,643	58,743	0	1,839,386	9	(128)
Interest rate options – purchased	1,344,735	5,126,973	1,981,872	8,453,580	163,963	0
Interest rate options – sold	1,003,025	4,909,151	1,758,342	7,670,518	0	(100,764)
Other similar contracts	1,801,360	134	0	1,801,494	7	0
Products trading on stock exchange						
Interest rate futures	167,476	161,990	87,537	417,002	148	0
Interest rate options	1,011,624	41,170	27,469	1,080,263	488	(188)
Foreign exchange rate and gold contracts	**35,898,030**	**8,507,329**	**1,779,425**	**46,184,784**	**686,601**	**(566,084)**
OTC products						
Cross-currency interest rate swaps	3,623,595	7,668,474	1,720,810	13,012,879	407,959	(259,683)
Forward foreign exchange contracts	29,855,404	707,344	58,615	30,621,363	250,463	(278,295)
Currency options – purchased	1,176,496	62,336	0	1,238,832	26,285	0
Currency options – sold	1,217,577	40,753	0	1,258,329	0	(28,106)
Gold commodity contracts	0	28,423	0	28,423	1,497	0
Products trading on stock exchange						
Currency contracts (futures)	24,958	0	0	24,958	397	0
Equity/index contracts	**1,285,231**	**1,948,330**	**205,224**	**3,438,785**	**124,220**	**(119,117)**
OTC products						
Equity-/index-based options - purchased	88,550	851,942	182,724	1,123,216	79,463	(3,986)
Equity-/index-based options - sold	257,005	992,597	22,500	1,272,102	23,416	(86,626)
Other similar equity/index contracts	0	40,750	0	40,750	2,683	0
Products trading on stock exchange						
Equity/index futures - forward pricing	442,351	0	0	442,351	10,126	(13,157)
Equity/index futures	497,325	63,041	0	560,366	8,532	(15,348)
Commodities	**95,132**	**65,056**	**0**	**160,188**	**3,084**	**(3,917)**
Credit derivatives	**4,169**	**144,169**	**83,800**	**232,138**	**108**	**(4,915)**
Precious metals contracts	**23,023**	**0**	**0**	**23,023**	**94**	**(26)**

The negative market values for equity/index contracts are offset by shares purchased for hedging purposes. These shares are recorded under trading assets and are not shown in the above table.

2016 in € thousand	Nominal amount by maturity Up to 1 year	 More than 1 year, up to 5 years	 More than 5 years	 Total	Fair values Positive	 Negative
Total	**65,512,221**	**74,540,645**	**52,374,965**	**192,427,831**	**4,082,219**	**(3,387,283)**
Interest rate contracts	**26,699,382**	**63,426,788**	**50,318,362**	**140,444,531**	**3,069,639**	**(2,141,020)**
OTC products						
Interest rate swaps	23,243,697	53,017,215	44,161,793	120,422,706	2,774,581	(1,909,513)
Interest rate futures	824,943	0	0	824,943	34	0
Interest rate options – purchased	1,203,708	5,353,995	3,206,507	9,764,211	294,952	0
Interest rate options – sold	1,096,945	4,951,732	2,863,743	8,912,420	0	(230,881)
Other similar contracts	0	0	0	0	0	0
Products trading on stock exchange						
Interest rate futures	330,089	49,412	38,592	418,093	0	(626)
Interest rate options	0	54,433	47,726	102,160	72	0
Foreign exchange rate and gold contracts	**36,878,782**	**9,413,284**	**1,828,282**	**48,120,348**	**913,876**	**(1,070,164)**
OTC products						
Cross-currency interest rate swaps[1]	4,912,509	8,359,482	1,828,282	15,100,272	465,483	(729,777)
Forward foreign exchange contracts	28,748,913	973,379	0	29,722,293	429,751	(320,081)
Currency options – purchased	1,202,723	27,264	0	1,229,987	14,774	0
Currency options – sold	1,402,522	34,639	0	1,437,162	0	(14,003)
Gold commodity contracts	1,431	18,519	0	19,950	492	0
Products trading on stock exchange						
Currency contracts (futures)	610,685	0	0	610,685	3,376	(6,304)
Equity/index contracts	**924,565**	**1,519,131**	**228,322**	**2,672,017**	**94,938**	**(164,863)**
OTC products						
Equity-/index-based options - purchased	48,915	590,584	123,230	762,729	49,563	0
Equity-/index-based options - sold	209,132	904,613	104,595	1,218,340	8,942	(125,385)
Other similar equity/index contracts	0	0	0	0	0	0
Products trading on stock exchange						
Equity/index futures - forward pricing	405,278	291	497	406,066	31,302	(32,414)
Equity/index futures	261,240	23,643	0	284,883	5,131	(7,065)
Commodities	**95,930**	**95,699**	**0**	**191,629**	**3,119**	**(9,428)**
Credit derivatives	**895,537**	**85,743**	**0**	**981,281**	**648**	**(687)**
Precious metals contracts	**18,024**	**0**	**0**	**18,024**	**0**	**(1,120)**

1 Adaptation of the previous year's figures for stocks with a maturity of more than five years

(40) Fair value of financial instruments

In the Group fair value is primarily measured based on external data sources (mainly stock exchange prices or broker quotations in highly liquid markets). Financial instruments which are measured using quoted market prices are mainly listed securities and derivatives and also liquid bonds which are traded on OTC markets. These financial instruments are assigned to Level I of the fair value hierarchy.

In the case of a market valuation where the market cannot be considered as an active market because of its restricted liquidity, the underlying financial instrument is assigned to Level II of the fair value hierarchy. If no market prices are available, these financial instruments are measured using valuation models based on observable market data. These observable market data are mainly reproducible yield curves, credit spreads and volatilities. The Group generally uses valuation models which are subject to an internal audit by the Market Risk Committee in order to ensure appropriate measurement parameters.

If fair value cannot be measured using either sufficiently regularly quoted market prices (Level I) or using valuation models which are entirely based on observable market prices (Level II), then individual input parameters which are not observable on the market are estimated using appropriate assumptions. If parameters which are not observable on the market have a significant impact on the measurement of the underlying financial instrument, it is assigned to Level III of the fair value hierarchy. These measurement parameters which are not regularly observable are mainly credit spreads derived from internal estimates.

Assigning certain financial instruments to the level categories requires regular assessment, especially if measurement is based on both observable parameters and also parameters which are not observable on the market.

The classification of an instrument can also change over time because of changes in market liquidity and thus price transparency.

Fair value of financial instruments reported at fair value

Bonds are primarily measured using prices that can be realized in the market. If no quotations are available, the securities are measured using the discounted cash flow model. The measurement parameters used here are the yield curve and an adequate credit spread. The credit spread is calculated using comparable financial instruments which are available on the market. For a small part of the portfolio, a conservative approach was selected and credit default spreads were used for measurement. External measurements by third parties are also taken into account, all of which are indicative in nature. Items are assigned to levels at the end of the reporting period.

In the Group, well-known conventional market valuation techniques are used to measure OTC derivatives. For example, interest rate swaps, cross currency swaps or forward rate agreements are measured using the customary discounted cash flow model for these products. OTC options, such as foreign exchange options or caps and floors, are based on valuation models which are in line with market standards. For the products mentioned as examples, these would include the Garman-Kohlhagen model, Black-Scholes 1972 and Black 1976. Complex options are measured using binomial tree models and Monte-Carlo simulations.

Determination of the fair value a credit value adjustment (CVA) is also necessary to reflect the counterparty risk associated with OTC derivative transactions, especially of those contractual partners with whom hedging via credit support annexes has not yet been conducted. This amount represents the respective estimated market value of a security which could be used to hedge against the credit risk of the counterparties to the Group's OTC derivative portfolios.

For OTC derivatives, credit value adjustments (CVA) and debit value adjustments (DVA) are used to cover expected losses from credit business. The CVA will depend on the expected future exposure (expected positive exposure) and the probability of default of the contractual partner. The DVA is determined based on the expected negative exposure and on RBI's credit quality. The expected positive exposure is calculated by simulating a large number of scenarios for future points in time, taking into account all available risk factors (e.g. currency and yield curves). OTC derivatives are measured at market values taking into account these scenarios at the respective future points in time and are aggregated at counterparty level in order to then ascertain the expected positive exposure for all points in time. Counterparties with CSA contracts (credit support annex contracts) are taken into account in the calculation. Here, the expected exposures are not calculated directly from simulated market values, but from a future expected change in market values based on a margin period of risk of 10 days.

A further element of the CVA involves determining a probability of default for each counterparty. Where direct credit default swap (CDS) quotations are available, the Group calculates the market-based probability of default and, implicitly, the loss-given-default (LGD) for the respective counterparty. The probability of default for counterparties which are not actively traded on the market is calculated by assigning a counterparty's internal rating to a sector and rating-specific CDS curve.

The DVA is determined by the expected negative exposure and by RBI's credit quality and represents the value adjustment for own probability of default. The method of calculation is similar to that for the CVA, but the expected negative market value is used instead of the expected positive market value. Instead of the expected positive exposures, expected negative exposures are calculated from the simulated future aggregated counterparty market values; these represent the expected debt which the Group has to the counterparty at the respective future points in time. Values implied by the market are also used to calculate the own probability of default. Direct CDS quotations are used where available. If no CDS quotation is available, the own probability of default is calculated by assigning the own rating to a sector and rating-specific CDS curve.

No Funding Value Adjustment (FVA) was considered to measure OTC derivatives. RBI is observing market developments and will develop a method to calculate the FVA where appropriate.

In the tables below, the financial instruments reported at fair value in the statement of financial position are grouped according to items in the statement of financial position and classified according to measurement category. A distinction is made as to whether the measurement is based on quoted market prices (Level I), or whether the valuation models are based on observable market data (Level II) or on parameters which are not observable on the market (Level III). Items are assigned to levels at the end of the reporting period.

in € thousand	2017 Level I	Level II	Level III	2016 Level I	Level II	Level III
Trading assets	**2,046,723**	**2,284,925**	**24,860**	**2,030,695**	**3,667,492**	**72,220**
Positive fair values of derivatives[1]	127,873	2,009,213	1,009	93,900	3,342,774	852
Shares and other variable-yield securities	243,211	232	59	164,159	350	65
Bonds, notes and other fixed-interest securities	1,675,639	275,480	23,792	1,772,637	324,368	71,303
Financial assets at fair value through profit or loss	**5,290,102**	**324,417**	**11,120**	**1,937,532**	**1,972,735**	**52,490**
Shares and other variable-yield securities	102,188	96	1,150	2,502	23	1,168
Bonds, notes and other fixed-interest securities	5,187,914	324,321	9,970	1,935,030	1,972,712	51,322
Financial assets available-for-sale	**4,937,631**	**1,307,097**	**237,756**	**3,750,409**	**44,138**	**73,585**
Other interests	1,400	41,054	60,989	1,536	28,673	0
Bonds, notes and other fixed-interest securities	4,846,111	1,266,043	176,216	3,748,871	15,465	70,865
Shares and other variable-yield securities	90,120	0	551	3	0	2,721
Derivatives (hedging)	**0**	**521,959**	**0**	**0**	**644,693**	**0**
Positive fair values of derivatives (hedging)	0	521,959	0	0	644,693	0

1 Including other derivatives

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

in € thousand	2017 Level I	Level II	Level III	2016 Level I	Level II	Level III
Trading liabilities	**413,065**	**4,000,069**	**1,343**	**618,955**	**4,854,785**	**7,537**
Negative fair values of derivative financial instruments[1]	114,913	1,610,886	517	135,334	2,826,443	91
Call/time deposits from trading purposes	0	0	0	0	0	0
Short-selling of trading assets	298,151	45,489	0	483,236	72,111	0
Certificates issued	1	2,343,695	826	386	1,956,232	7,446
Liabilities at fair value through profit and loss	**0**	**2,522,055**	**0**	**0**	**2,783,648**	**0**
Deposits from banks	0	616,867	0	0	751,720	0
Debt securities issued	0	1,133,245	0	0	1,373,418	0
Subordinated capital	0	771,944	0	0	658,510	0
Derivatives (hedging)	**0**	**204,508**	**0**	**0**	**425,415**	**0**
Negative fair values of derivatives (hedging)	0	204,508	0	0	425,415	0

1 Including other derivatives

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

Movements between Level I and Level II

For each financial instrument, a check is made whether quoted market prices are available on an active market (Level I). For financial instruments where there are no quoted market prices, observable market data such as yield curves are used to calculate fair value (Level II). Reclassification takes place if this estimate changes.

If instruments are reclassified from Level I to Level II, this means that market quotations were previously available for these instruments but are no longer so. These securities are now measured using the discounted cash flow model, using the respective applicable yield curve and the appropriate credit spread.

If instruments are reclassified from Level II to Level I, this means that the measurement results were previously calculated using the discounted cash flow model but that market quotations are now available and can be used for measurement.

Year-on-year, the share of financial assets classified as Level II decreased. The decrease resulted mainly from divestitures from the category financial assets at fair value through profit and loss, particularly the category bonds, notes and other fixed-interest securities.

Level I financial assets increased strongly compared to the values at year-end 2016 due to the merger of RZB AG into RBI AG.

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 which are therefore subject to other measurement models. Financial instruments in this category have a value component which is unobservable on the market and which has a material impact on the fair value. Due to a change in the observable valuation parameters, certain financial instruments were reclassified from Level III. The reclassified financial instruments are shown under Level II as they are valued on the basis of market input parameters.

in € thousand	As at 1/1/2017	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading assets	72,220	0	4,047	10,070	(59,776)
Financial assets at fair value through profit or loss	52,490	0	(41)	42	(846)
Financial assets available-for-sale	73,585	58,821	3,613	151,806	(110,997)

in € thousand	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 31/12/2017
Trading assets	(1,702)	0	0	0	24,860
Financial assets at fair value through profit or loss	1,456	0	0	(41,981)	11,120
Financial assets available-for-sale	0	(61)	60,989	0	237,756

in € thousand	As at 1/1/2017	Change in consolidated group	Exchange differences	Purchases	Sales, repayment
Trading liabilities	7,537	229	4	1,138	(7,040)

in € thousand	Gains/loss in P/L	Gains/loss in other comprehensive income	Transfer to level III	Transfer from level III	As at 31/12/2017
Trading liabilities	17	0	0	(540)	1,343

In the reporting year, losses resulting from financial instruments of the Level III fair value hierarchy amounted to € 229 thousand (2016: gain of € 135,817 thousand).

Qualitative information for the measurement of Level III financial instruments

Financial assets	Type	Fair value in € thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Shares and other variable-yield securities	Closed end real estate fund	59	Net asset value	Haircuts	40 - 90%
Shares and other variable-yield securities	Shares, floating rate notes	1,700	Cost of acquisition, DCF - method	Realization rate Credit spread	10 - 40%
Other investments	Shares	60,989	Income approach	Prognosticated cash flows	-
Bonds, notes and other fixed-interest securities	Fixed coupon bonds	202,106	Discounted cash flow method	Credit spread	0.4 - 50%
Bonds, notes and other fixed-interest securities	Asset backed securities	7,872	Discounted cash flow method	Realization rate Credit spread	10 - 20%
Positive fair value of banking book derivatives without hedge accounting	Forward foreign exchange contracts	1,009	Net present value method Internal model	Interest rate PD LGD	10 - 30% 0.25 - 100% 37 - 64%
Total		**273,736**			

Financial liabilities	Type	Fair value in € thousand	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Negative fair value of banking book derivatives without hedge accounting	OTC options	517	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% 10 - 30%
Issued certificates for trading purposes	Certificates	826	Option model (Curran)	Closing period Bid-Ask spread LT volatility Index category	0 - 3% 0 - 3% 0 - 3% 0 - 2.5%
Total		**1,343**			

Fair value of financial instruments not reported at fair value

Fair values which are different from the carrying amount are calculated for fixed-interest loans and advances to and deposits from banks or customers, if the remaining maturity is more than one year. Variable-interest loans and advances and deposits are taken into account if they have an interest rollover period of more than one year. The fair value of loans and advances is calculated by discounting future cash flows using interest rates at which similar loans and advances with the same maturities could have been granted to customers with similar creditworthiness. Moreover, the specific credit risk and collaterals are considered for the calculation of fair values for loans and advances.

2017 in € thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve		13,329,782		13,329,782	13,329,782	0
Loans and advances to banks	0	8,306,323	6,124,854	14,431,177	14,347,385	83,792
Loans and advances to customers	0	16,937,571	59,768,219	76,705,789	78,140,866	(1,435,076)
Financial investments	5,589,079	1,829,205	883,560	8,301,845	8,254,449	47,396
Liabilities						
Deposits from banks	0	19,493,736	2,220,271	21,714,007	21,674,563	39,444
Deposits from customers	0	27,859,894	57,013,321	84,873,215	84,831,440	41,775
Debt securities issued	113,056	3,747,435	1,041,582	4,902,073	4,751,893	150,180
Subordinated capital	0	3,006,906	95,518	3,102,424	3,016,033	86,391

2016 in € thousand	Level I	Level II	Level III	Fair value	Carrying amount	Difference
Assets						
Cash reserve		12,242,415		12,242,415	12,242,415	0
Loans and advances to banks	0	8,262,067	1,647,033	9,909,101	9,849,646	59,455
Loans and advances to customers	0	17,216,090	47,722,814	64,938,904	65,609,350	(670,445)
Financial investments	5,249,218	1,458,517	193,692	6,901,428	6,809,658	91,770
Liabilities						
Deposits from banks	0	10,417,797	1,724,605	12,142,402	12,064,755	77,647
Deposits from customers	0	27,002,668	44,585,410	71,588,078	71,538,226	49,852
Debt securities issued	106,814	3,728,921	1,469,758	5,305,493	5,271,709	33,784
Subordinated capital	0	3,337,908	401,636	3,739,544	3,545,183	194,361

(41) Contingent liabilities and commitments

in € thousand	2017	2016
Contingent liabilities	**9,917,133**	**9,055,448**
Credit guarantees	5,732,500	5,397,891
Other guarantees	2,827,803	2,626,370
Letters of credit (documentary business)	1,329,472	993,936
Other contingent liabilities	27,358	37,251
Commitments	**10,897,783**	**10,174,261**
Irrevocable credit lines and stand-by facilities	10,897,783	10,174,261
Up to 1 year	2,506,741	2,818,529
More than 1 year	8,391,042	7,355,732

Other commitments which shall not be shown under credit lines amounted to € 594,374 thousand (2016: € 415,220 thousand) at year-end 2017.

The following table contains revocable credit lines:

in € thousand	2017	2016
Revocable credit lines	**19,799,534**	**16,890,479**
Up to 1 year	10,811,095	9,643,908
More than 1 year	5,953,839	4,090,360
Without maturity	3,034,600	3,156,211

Raiffeisen-Kundengarantiegemeinschaft Austria

RBI AG is a member of Raiffeisen-Kundengarantiegemeinschaft Austria (Raiffeisen Customer Guarantee Scheme Austria (RKÖ)). The members of this association have a contractual obligation to guarantee jointly the punctual fulfillment of the entirety of an insolvent association member's commitments arising from customer deposits and its own issues up to the limit of the sum of the individual capacities of the remaining association members. The individual capacity of an association member is measured on the basis of its freely available reserves subject to the pertinent provisions of the Austrian Banking Act (BWG).

Institutional Protection Scheme

With the introduction of the CRR (Capital Requirements Regulation) in 2014, there were a number of significant changes to the rules contained until then in the Austrian Banking Act (BWG) for a banking group organized according to cooperative principles. In accordance with this EU Regulation credit institutions must, when determining their total capital, generally deduct their positions in the total capital instruments of other credit institutions outside their group of credit institutions, unless there is an exemption under an Institutional Protection Scheme (IPS) they have set up themselves. The RBG therefore established an IPS and concluded contractual or statutory liability arrangements as well. The IPS safeguards the participating institutions and ensures their liquidity and solvency to prevent bankruptcy. Based on the structure of the Raiffeisen Banking Group the IPS has been designed in two stages, and applications were submitted to the competent supervisory authority and approved in October and November 2014.

As RBG's central institution, RBI AG is a member of the federal IPS whose members, in addition to the regional Raiffeisen banks, include: Raiffeisen-Holding Niederösterreich-Wien reg GmbH, Vienna, Posojilnica Bank eGen, Klagenfurt, Raiffeisen Wohnbaubank AG, Vienna, and Raiffeisen Bausparkasse GmbH, Vienna. A regional IPS was also set up in most federal states.

The respective regional and locally active Raiffeisen banks are members of the regional IPS.

The federal IPS relies on uniform, joint risk monitoring as part of the early warning system of the Österreichische Raiffeisen-Einlagensicherung (ÖRE). The IPS hence supplements the RBG system of mutual assistance that comes into effect if a member experiences economic difficulties. One case arose in 2016 and 2017 (Posojilnica Bank eGen, Klagenfurt), in which total capital was made available to the institution concerned from the special fund already created in the form of subscribed shares and a subordinated loan.

Risk report

(42) 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 risk report describes the principles and organization of risk management and explains the current risk exposures in all material risk categories. The comparable figures for year-end 2016 correspond to the published figures for RBI prior to the merger with RZB.

Risk management principles

The Group has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at controlling and managing material risks at all banks and specialist companies in the Group. The risk policies and risk management principles are laid out by the Management Board. The principles include the following risk policies:

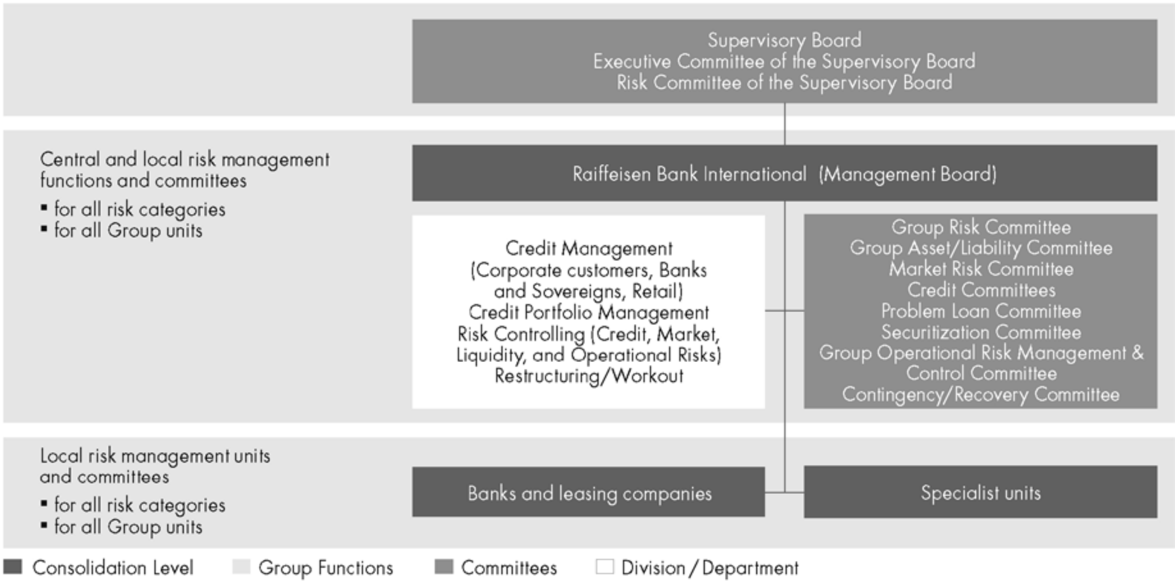
- Integrated risk management: Credit, country, market, liquidity, and operational risks are managed as key risks on a Group-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.
- Standardized methodologies: Risk measurement and risk limitation methods are standardized Group-wide in order to ensure a consistent and coherent approach to risk management. This is efficient for the development of risk management methods and it forms the basis for consistent overall bank management across all countries and business lines in RBI.
- Continuous planning: Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to preventing risk concentrations.
- Independent control: A clear personnel and organizational separation is maintained between business operations and any risk management or risk controlling activities.
- Ex ante and ex post control: Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

Individual risk management units of the Group develop detailed risk strategies, which set more concrete risk targets and specific standards in compliance with these general principles. The overall Group risk strategy is derived from the Group's business strategy and the risk appetite and adds risk relevant aspects to the planned business structure and strategic development. These aspects include for example structural limits and capital ratio targets which have to be met in the budgeting process and in the scope of business decisions. More specific targets for individual risk categories are set in detailed risk strategies. The credit risk strategy of RBI, for instance, sets credit portfolio limits for individual countries and segments and defines the credit approval authority for limit applications.

Organization of risk management

The Management Board of the Group ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the risk reports and analyses. The Management Board is supported in undertaking these tasks by independent risk management units and special committees.

Risk management functions are performed on different levels in the Group. RBI AG develops and implements the relevant concepts as the parent credit institution and in cooperation with the subsidiaries of the Group. The central risk management units are responsible for the adequate and appropriate implementation of the Group's risk management processes. In particular, they establish common Group directives and set business-specific standards, tools, and practices for all Group entities. The merger of RZB AG into RBI AG made it possible to simplify and streamline the organization of risk management and risk controlling.



In addition, local risk management units are established in the different Group entities of RBI. They implement the risk policies for specific risk types and take active steering decisions within the approved risk budgets in order to achieve the targets set in the business policy. For this purpose, they monitor resulting risks using standardized measurement tools and report them to central risk management units via defined interfaces.

The central Group Risk Controlling division assumes the independent risk controlling function required by banking law. Its responsibilities include developing the Group-wide framework for overall bank risk management (integrating all risk types) and preparing independent reports on the risk profile for the Risk Committee of the Supervisory Board, the Management Board and the heads of individual business units. It also measures required risk coverage capital for different Group units and calculates the utilization of the allocated risk capital budgets in the internal capital adequacy framework.

Risk committees

The Group Risk Management Committee is the most senior decision-making body for all of the Group's risk-related topic areas. It decides on the risk management methods and on the control concepts used for the overall Group and for key subdivisions, and is responsible for ongoing development and implementation of methods and parameters for risk quantification and for refining steering instruments. This also includes the risk appetite, different risk budgets and limits at overall bank level and monitoring of the current risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and controlling activities (such as the allocation of risk capital) and advises the Management Board in these matters.

The Group Asset/Liability Committee assesses and manages statement of financial position structure and liquidity risks and defines the standards for internal funds transfer pricing. In this context it plays an important role in the long-term funding planning and the hedging of structural interest rate and foreign exchange risks. The Capital Hedge Committee is a sub-committee of the Group Asset/Liability Committee and manages the currency risk of the capital position.

The Market Risk Committee controls market risks arising from trading and banking book transactions and establishes corresponding limits and processes. In particular, it relies on profit and loss reports, the risks calculated and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks.

The Credit Committees are staffed by front office and back office representatives with different participants depending on the customers (corporate customers, banks, sovereigns and retail). They decide upon the specific lending criteria for different customer divisions and countries and approve all credit decisions concerning them according to the credit approval authority (depending on rating and exposure size).

The Problem Loan Committee is the most important committee in the evaluation and decision-making process concerning problem loans. It comprises primarily decision making authorities; its chairman is the Chief Risk Officer (CRO) of RBI. Further members with voting rights are those members of the Management Board responsible for the customer divisions, the Chief Financial Officer (CFO) and the relevant division and departmental managers from risk management and special exposures management (workout).

The Securitization Committee is the decision-making committee for limit requests in relation to securitization positions within the specific decision-making authority framework and develops proposals for modifications to the securitization strategy for the Management Board. In addition, the Securitization Committee is a platform for exchanging information regarding securitization positions and market developments.

The Group Operational Risk Management & Control Committee comprises representatives of the business areas (retail, market and corporate customers) and representatives from Compliance (including financial crime), Internal Control System, Operations, Security and Risk Controlling, under chairmanship of the CRO. This committee is responsible for controlling the operational risk (including conduct risk) of the Group. It derives and sets the operational risk strategy based on the risk profile and the business strategy and also makes decisions regarding measures, controls and risk acceptance.

The Contingency/Recovery Committee is a decision-making body convened by the Management Board. The composition of the committee varies as circumstances require depending on the intensity and focus of the specific requirements pertaining to the situation (e.g. capital and/or liquidity). The core task of the committee is to maintain or recover financial stability in accordance with BaSAG (Austrian Bank Recovery and Resolution Act) and BRRD (Banking Recovery and Resolution Directive) in the event of a critical financial situation.

Quality assurance and internal audit

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This is to ensure that the Group adheres to all legal requirements and that it can achieve the highest standards in risk management related operations.

All these aspects are coordinated by the division Group Compliance which analyzes the internal control system on an ongoing basis and – if actions are necessary for addressing any deficiencies – is also responsible for tracking their implementation.

Two very important functions in assuring independent oversight are performed by the divisions Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Audit periodically assesses all business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board of the Group which discusses them on a regular basis in its board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements in addition to and as integral part of the internal control system. Thus, compliance with existing regulations in daily operations is monitored.

Moreover, an independent and objective audit, free of potential conflicts of interest, is carried out during the audit of the annual financial statements by the auditing companies. Finally, the Group is continuously supervised by the European Central Bank, the Austrian Financial Market Authority and also by the local supervisor in those countries where the Group is represented by branches or subsidiaries.

Overall group risk management

Maintaining an adequate level of capital is a core objective of the Group. Capital requirements are monitored regularly based on the risk level as measured by internal models, and in choosing appropriate models the materiality of risks annually assessed is taken into account. This concept of overall bank risk management provides for capital requirements from a regulatory point of view (sustainability and going concern perspective) and from an economic point of view (target rating perspective). Thus it covers the quantitative aspects of the internal capital adequacy assessment process (ICAAP) as legally required. The full ICAAP process of the Group is audited during the supervisory review process for RBI credit institution group (RBI-Kreditinstitutsgruppe) on an annual basis.

The Risk Appetite Framework (RAF) limits the Group's overall risk in accordance with the strategic business objectives and allocates these to the different risk categories and business areas. The primary aim of the RAF is to limit risk, particularly in adverse scenarios and for major singular risks in such a way as to ensure compliance with regulatory minimum ratios. The RAF is therefore based on the ICAAP's three pillars (target rating, going-concern, sustainability perspective) and sets the concentration risk limits for the risk types identified as significant in the risk assessment. In addition, the risk appetite decided by the Management Board and the Group's risk strategy and its implementation are reported regularly to the Supervisory Board's Risk Committee.

Objective	Description of risk	Measurement technique	Confidence level
Target rating perspective	Risk of not being able to satisfy claims of the Group´s senior lenders	Unexpected losses on an annual basis ("economic capital") must not exceed the present value of equity and subordinated liabilities	99.92 per cent as derived from the default probability implied by the target rating
Going concern perspective	Risk of not meeting the capital requirement as defined in the CRR regulations	Risk-taking capacity (projected earnings plus capital exceeding regulatory requirements) must not fall below the annualized value-at-risk of the Group	95 per cent presuming the owners´ willingness to inject additional capital
Sustainability perspective	Risk of falling short of a sustainable tier 1 ratio over a full business cycle	Capital and net income projection for a three-year planning period based on a severe macroeconomic downturn scenario	85-90 per cent based on the management decision that the Group might be required to temporarily reduce risks or raise additional capital

Target rating perspective

Risks in the target rating perspective are measured based on economic capital which represents a comparable measure across all types of risks. It is calculated as the sum of unexpected losses stemming from different Group units and different risk categories (credit, participation, market, liquidity, macroeconomic and operational risk as well as risk resulting from other tangible fixed assets). In addition, a general buffer for other risk types not explicitly quantified is held.

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. 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.

During the year, the economic capital of the Group increased 11.7 per cent, or € 618,748 thousand, to € 5,928,456 thousand. However, the comparable figures for 2016 relate to the RBI subgroup prior to the merger with RZB. The increase in the market risk was caused by the implementation of the EBA Guideline for the interest rate risk in the banking book under the ICAAP framework. Overall, as at the reporting date, credit risk accounted for 57 per cent (2016: 61 per cent) of economic capital. Additionally, a general buffer for other risks, unchanged at 5 per cent of calculated economic capital, is added. In the allocation of risk capital as at 31 December 2017, the largest share of economic capital, at 33 per cent (2016: 34 per cent), is consumed by Group units located in Central Europe.

The economic capital is compared to internal capital, which mainly comprises equity and subordinated capital of the Group. This capital form serves as a primary means of risk coverage for servicing claims of senior lenders if the bank should incur losses. As at year-end 2017, total utilization of available risk capital (the ratio of economic capital to internal capital) amounted to around 45 per cent (2016: 46 per cent).

Economic capital is an important instrument in overall bank risk management. Economic capital limits are allocated to individual business areas during the annual budgeting process and are supplemented for day-to-day management by volume, sensitivity, or value-at-risk limits. In the Group this planning is undertaken on a revolving basis for the upcoming three years and incorporates the future development of economic capital as well as available internal capital. Economic capital thus substantially influences the plans for future lending activities and the overall limit for taking market risks.

Risk-adjusted performance measurement is also based on this risk measure. The profitability of business units is examined in relation to the amount of economic capital attributed to these units (risk-adjusted profit in relation to risk-adjusted capital, RORAC), which yields a comparable performance measure for all business units of the Group. This measure is used in turn as a key figure for overall bank management, for future capital allocations to business units, and influences the remuneration of the Group's executive management.

Risk distribution of individual risk types to economic capital:

in € thousand	2017	Share	2016	Share
Credit risk corporate customers	1,452,306	24.5%	1,478,538	27.8%
Credit risk retail customers	1,435,510	24.2%	1,154,508	21.7%
Operational risk	528,811	8.9%	590,317	11.1%
Macroeconomic risk	486,521	8.2%	391,510	7.4%
Market risk	439,715	7.4%	217,897	4.1%
Credit risk sovereigns	386,529	6.5%	412,024	7.8%
Participation risk	309,940	5.2%	108,942	2.1%
Other tangible fixed assets	222,490	3.8%	190,782	3.6%
FX risk capital position	209,146	3.5%	275,745	5.2%
Credit risk banks	152,927	2.6%	191,258	3.6%
CVA risk	20,354	0.3%	30,457	0.6%
Liquidity risk	1,901	0.0%	14,887	0.3%
Risk buffer	282,307	4.8%	252,843	4.8%
Total	**5,928,456**	**100.0%**	**5,309,708**	**100.0%**

Regional allocation of economic capital according to Group booking unit:

in € thousand	2017	Share	2016	Share
Central Europe	1,930,132	32.6%	1,823,142	34.3%
Austria	1,647,000	27.8%	1,134,260	21.4%
Southeastern Europe	1,227,575	20.7%	1,207,851	22.7%
Eastern Europe	1,122,749	18.9%	1,132,709	21.3%
Rest of World	1,000	0.0%	11,746	0.2%
Total	**5,928,456**	**100.0%**	**5,309,708**	**100.0%**

The increase relative to the comparable period is predominantly due to the merger of RZB AG into RBI AG. Without this effect the development of economic capital would have been slightly negative.

Going concern perspective

Parallel to the target rating perspective, internal capital adequacy is assessed with focus on the uninterrupted operation of the Group on a going concern basis. In this perspective, risks again are compared to risk taking capacity – with a focus on regulatory capital and total capital requirements.

In line with this target, risk taking capacity is calculated as the amount of expected profits, expected impairment losses, and the excess of total capital (taking into account various limits on eligible capital). This capital amount is compared to the overall value-at-risk (including expected losses). Quantitative models used in the calculation thereof are mostly comparable to the target rating perspective, (albeit on a lower 95 per cent confidence level). Using this perspective the Group ensures adequate regulatory capitalization (going concern) with the given probability.

Sustainability perspective

The main goal of the sustainability perspective is to ensure that the Group can maintain a sufficiently high tier 1 ratio at the end of the multi-year planning period, also in a severe macroeconomic downturn scenario. This analysis is based on a multi-year macroeconomic stress test where hypothetical market developments in a severe but realistic economic downturn scenario are simulated. The risk parameters considered include: interest rates, foreign exchange rates and securities prices, as well as changes in default probabilities and rating migrations in the credit portfolio.

The main focus of this integrated stress test is the resulting tier 1 ratio at the end of the multi-year period. It should not fall below a sustainable level and thus neither require the bank to substantially increase capital nor to significantly reduce business activities. The current minimum amount of tier 1 capital is therefore determined by the size of the potential economic downturn. In this downturn scenario the need for allocating loan loss provisions, potential pro-cyclical effects that increase minimum regulatory capital requirements, the impact of foreign exchange rate fluctuations as well as other valuation and earnings effects are incorporated.

This perspective thus also complements traditional risk measurement based on the value-at-risk concept (which is in general based on historical data). Therefore it can incorporate exceptional market situations that have not been observed in the past and it is possible to estimate the potential impact of such developments. The stress test also allows for analyzing risk concentrations (e.g.

individual positions, industries, or geographical regions) and gives insight into the profitability, liquidity situation, and solvency under extreme situations. Based on these analyses risk management in the Group enhances portfolio diversification, for example via limits for the total exposure to individual industry segments and countries and through ongoing updates to lending standards.

Credit risk

In the Group, credit risk stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. It is by far the most important risk category in the Group, as also indicated by internal and regulatory capital requirements. Credit risk thus is analyzed and monitored both on an individual loan and customer basis as well as on a portfolio basis in the Group. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and the corresponding tools and processes which have been developed for this purpose.

The internal control system for credit risks includes different types of monitoring measures, which are tightly integrated into the workflows to be monitored – from the customer's initial credit application, to the bank's credit approval, and finally to the repayment of the loan.

Limit application process

In the non-retail division, each lending transaction runs through the limit application process beforehand. This process covers – besides new lending – increases in existing limits, rollovers, overdrafts, and changes in the risk profile of a borrower (e.g. with respect to the financial situation of the borrower, the terms and conditions, or collateral) compared to the time of the original lending decision. It is also used when setting counterparty limits in trading and new issuance operations, other credit limits, and for equity participations.

Credit decisions are made within the context of a competence authority hierarchy based on the size and type of a loan. It always requires the approval of the business and the credit risk management divisions for individual limit decisions or when performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction is decided upon by the next higher-ranking credit authority.

The whole limit application process is based on defined uniform principles and rules. Account management for multinational customers doing business simultaneously with more than one RBI Group unit is supported by the Global Account Management System, for example. This is made possible by Group-wide unique customer identification in non-retail asset classes.

The limit application process in the retail division is to a larger extent automated due to the high number of applications and lower exposure amounts. Limit applications often are assessed and approved in central processing centers based on credit score cards. This process is facilitated by the respective IT systems.

Credit portfolio management

Credit portfolio management in the Group is, among other aspects, based on the credit portfolio strategy which is in turn based on the business and risk strategy. By means of the selected strategy, the exposure amount in different countries, industries or product types is limited and thus prevents undesired risk concentrations. Additionally, the long-term potentials of different markets are continuously analyzed. This allows for an early strategic repositioning of future lending activities.

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

The following table translates items of the statement of financial position (bank and trading book positions) into the maximum 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 maximum 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 maximum credit exposure is used – if not explicitly stated otherwise -- 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 IFRS, i.e. corporate legal basis), different classifications and presentation of exposure volumes.

in € thousand	2017	2016
Cash reserve	9,729,359	9,267,086
Loans and advances to banks	14,358,246	9,900,012
Loans and advances to customers	81,232,353	70,514,116
Trading assets	3,941,757	4,986,462
Derivatives	936,710	1,428,639
Financial investments	19,031,789	14,353,243
Other assets	1,213,378	637,692
Contingent liabilities	9,917,133	9,055,448
Commitments	10,897,783	10,174,261
Revocable credit lines	19,799,534	16,890,479
Disclosure differences	(1,141,105)	(634,289)
Total[1]	**169,916,936**	**146,573,149**

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

The comparable figures for the 2016 year presented in this Risk Report correspond to the results published by RBI prior to the merger with RZB AG. As a result, comparability is limited. The following table shows the effect of the merger of RZB AG into RBI AG for corporate customers, banks, retail customers and sovereigns:

in € thousand	31/12/2016	Change	1/1/2017
Corporate customers	73,846,576	3,733,071	77,579,647
Banks	18,627,544	1,400,437	20,027,982
Retail customers	29,165,795	6,649,870	35,815,665
Sovereigns	24,933,234	9,714,716	34,647,950
Total	**146,573,149**	**21,498,095**	**168,071,244**

The assumed exposure contains positions held for liquidity purposes, including in particular a portfolio of securities with very good and good credit standings and loans and advances to central banks. Retail loans from the building society business in Austria and the Czech Republic as well as leasing claims on corporate customers from real estate projects were also assumed.

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings 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 probability of the same ordinal rating grade (e.g. corporates good credit standing 4, banks A3, and sovereigns A3) is 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).

Credit portfolio – Corporates

The internal rating models for corporate customers take into account qualitative parameters, various ratios from the statement of financial position and profit ratios covering different aspects of customer creditworthiness for various industries and countries. In addition, the model for smaller corporates also includes an account behavior component.

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

in € thousand		2017	Share	2016	Share
1	Minimal risk	5,034,949	7.0%	5,804,818	8.8%
2	Excellent credit standing	8,969,703	12.5%	7,080,479	10.8%
3	Very good credit standing	8,446,797	11.7%	7,634,073	11.6%
4	Good credit standing	12,204,805	16.9%	10,488,162	15.9%
5	Sound credit standing	15,205,176	21.1%	13,149,526	20.0%
6	Acceptable credit standing	12,895,438	17.9%	10,811,774	16.4%
7	Marginal credit standing	4,699,384	6.5%	4,356,303	6.6%
8	Weak credit standing / sub-standard	1,300,346	1.8%	1,498,401	2.3%
9	Very weak credit standing / doubtful	579,161	0.8%	683,561	1.0%
10	Default	2,580,903	3.6%	4,025,766	6.1%
NR	Not rated	108,590	0.2%	226,379	0.3%
Total		**72,025,251**	**100.0%**	**65,759,242**	**100.0%**

Compared to year-end 2016, the total credit exposure to corporates increased € 6,266,009 thousand (of which € 3,554,636 thousand caused by the merger of RZB AG into RBI AG, most noticeably in the rating grades 3, 5 and 6) to € 72,025,251 thousand.

The following changes occurred in the financial year 2017: Rating grade 2 recorded an increase of € 1,889,224 thousand to € 8,969,703 thousand, due to facility and credit financing and to documentary credits. The € 1,716,643 thousand increase in rating grade 4 to € 12,204,805 thousand resulted from credit financing. The € 2,055,650 thousand change in rating grade 5 to € 15,205,176 thousand was attributable to an increase in facility financing, guarantees issued and – in connection with the merger – credit financing. The € 1,444,863 thousand decline in rating grade 10 to € 2,580,903 thousand mainly resulted from the derecognition of uncollectible loans and sales of non-performing loans in Ukraine, at RBI AG, in Romania and in Croatia.

The credit exposure for good credit standing to minimal risk increased € 3,648,722 thousand, representing a share of 48.1 per cent (2016: 47.1 per cent). The share of loans with marginal credit standing to very weak credit standing declined from 9.9 per cent to 9.1 per cent.

The rating model for project finance has five different grades which take both individual default probabilities and collateral into consideration. The project finance volume is composed as shown in the table below:

in € thousand		2017	Share	2016	Share
6.1	Excellent project risk profile – very low risk	4,922,405	59.1%	4,530,210	56.0%
6.2	Good project risk profile – low risk	1,948,193	23.4%	1,850,736	22.9%
6.3	Acceptable project risk profile – average risk	516,829	6.2%	843,661	10.4%
6.4	Poor project risk profile – high risk	219,446	2.6%	246,584	3.0%
6.5	Default	605,164	7.3%	596,213	7.4%
NR	Not rated	114,670	1.4%	19,929	0.2%
Total		**8,326,708**	**100.0%**	**8,087,334**	**100.0%**

The credit exposure in project finance amounted to € 8,326,708 thousand at year-end 2017, representing an increase of € 239,374 thousand (of which € 178,436 thousand caused by the merger of RZB AG into RBI AG, most noticeably in rating grades 6.1, 6.3 and 6.4).

At 82.5 per cent, projects rated in the two best rating grades, excellent project risk profile – very low risk or good project risk profile – low risk, accounted for the highest share of the portfolio. This reflects mainly the high level of collateralization in specialized lending transactions. In addition to the merger of RZB AG into RBI AG, the increase in rating grade 6.1 excellent project risk profile – very low risk was also attributable to new customers in Austria, the Czech Republic and Germany. The merger-related increase in rating grade 6.3 acceptable project risk profile – average risk was offset by the depreciation of the Russian rouble and by the rating upgrade of individual Polish customers. The increase in rating grade 6.4 poor project risk profile – high risk, which was also caused by the merger, was offset by a reduction in project financing.

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 € thousand	2017	Share	2016	Share
Central Europe	22,578,775	28.1%	20,922,091	28.3%
Austria	16,708,635	20.8%	12,896,882	17.5%
Eastern Europe	12,445,014	15.5%	12,321,417	16.7%
Western Europe	12,116,568	15.1%	10,971,652	14.9%
Southeastern Europe	11,675,272	14.5%	11,098,349	15.0%
Asia	1,302,472	1.6%	1,943,739	2.6%
Other	3,525,223	4.4%	3,692,445	5.0%
Total	**80,351,959**	**100.0%**	**73,846,576**	**100.0%**

At € 80,351,959 thousand, the credit exposure showed a € 6,505,383 thousand increase (of which € 3,733,071 thousand caused by the merger of RZB AG into RBI AG) compared to year-end 2016.

Central Europe recorded a € 1,656,684 thousand increase to € 22,578,775 thousand due to the merger-related integration of Raiffeisen stavebni sporitelna a.s., Prague, and to an increase in loans and advances to customers in Slovakia in the fourth quarter. Austria reported the largest increase of € 3,811,753 thousand to € 16,708,635 thousand. This was due to the merger-related integration of the Raiffeisen Leasing Group and of Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna, and to credit financing. In addition, Austria reported an increase in facility financing. Western Europe reported a € 1,144,916 thousand increase to 12,116,568 thousand, which was mainly the result of credit financing. The € 123,597 thousand increase in Eastern Europe to € 12,445,014 thousand mainly resulted from an increase in the bonds portfolio in Russia. This was, however, partly offset by sales of non-performing loans. The € 641,268 thousand decline in Asia to € 1,302,472 thousand was mainly due to derecognitions and sales of non-performing loans.

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

in € thousand	2017	Share	2016	Share
Manufacturing	16,677,144	20.8%	16,836,731	22.8%
Wholesale and retail trade	16,828,868	20.9%	15,888,410	21.5%
Financial intermediation	10,267,902	12.8%	7,746,120	10.5%
Real Estate	9,918,053	12.3%	8,350,888	11.3%
Construction	5,540,196	6.9%	5,377,591	7.3%
Freelance/technical services	5,590,206	7.0%	4,208,989	5.7%
Transport, storage and communication	3,364,888	4.2%	3,346,237	4.5%
Electricity, gas, steam and hot water supply	2,906,568	3.6%	3,046,017	4.1%
Other industries	9,258,133	11.5%	9,045,592	12.2%
Total	**80,351,959**	**100.0%**	**73,846,576**	**100.0%**

The merger of RZB AG into RBI AG resulted in an increase of € 3,733,071 thousand, particularly in the real estate, construction and manufacturing sectors.

Credit portfolio – Retail customers

Retail customers are subdivided into private individuals and small and medium-sized entities. 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 provides a breakdown of the retail credit exposure of the Group:

in € thousand	2017	Share	2016	Share
Retail customers – private individuals	34,826,895	92.0%	26,497,529	90.9%
Retail customers – small and medium-sized entities	3,041,403	8.0%	2,668,266	9.1%
Total	**37,868,298**	**100.0%**	**29,165,795**	**100.0%**
hereof non-performing loans	1,640,619	4.3%	2,138,814	7.3%
hereof individual loan loss provision	1,150,541	3.0%	1,522,231	5.2%
hereof portfolio-based loan loss provision	224,148	0.6%	249,294	0.9%

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

2017 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Retail customers – private individuals	17,868,275	7,909,326	4,096,381	4,952,913
Retail customers – small and medium-sized entities	1,560,421	690,715	357,733	432,534
Total	**19,428,696**	**8,600,040**	**4,454,114**	**5,385,446**
hereof non-performing loans	859,100	478,439	280,584	22,497
hereof individual loan loss provision	553,648	346,469	246,242	5,828
hereof portfolio-based loan loss provision	100,538	80,178	40,116	3,243

2016 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Non-Core	Group Markets
Retail customers – private individuals	9,954,054	7,335,063	4,003,633	5,191,768	13,011
Retail customers – small and medium-sized entities	1,002,360	738,631	403,160	522,804	1,310
Total	**10,956,414**	**8,073,694**	**4,406,793**	**5,714,572**	**14,321**
hereof non-performing loans	488,621	537,071	698,602	414,520	0
hereof individual loan loss provision	273,452	371,579	643,693	233,462	45
hereof portfolio-based loan loss provision	86,772	90,081	55,444	16,997	0

Compared to year-end 2016, the retail credit portfolio increased € 8,702,503 thousand (of which € 6,649,870 thousand caused by the merger of RZB AG into RBI AG) to € 37,868,298 thousand. This increase was mainly caused by the merger-related integration of Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (Group Corporates & Markets) and by Raiffeisen stavebni sporitelna a.s., Prague (Central Europe).

The change in the segment allocation of Raiffeisen Bank Polska S.A., Warsaw, from the segment Non-Core to the segment Central Europe and organic growth in Slovakia and in the Czech Republic additionally resulted in an increase in Central Europe. The € 526,346 thousand increase in the segment Southeastern Europe to € 8,600,040 thousand was attributable to an increase in Bulgaria and Romania.

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

in € thousand	2017	Share	2016	Share
Mortgage loans	22,228,428	58.7%	15,548,794	53.3%
Personal loans	8,317,206	22.0%	6,668,084	22.9%
Credit cards	3,273,016	8.6%	3,196,821	11.0%
SME financing	1,865,555	4.9%	1,608,652	5.5%
Overdraft	1,751,015	4.6%	1,647,468	5.6%
Car loans	433,078	1.1%	495,976	1.7%
Total	**37,868,298**	**100.0%**	**29,165,795**	**100.0%**

For mortgage and personal loans, and also for SME financing, the merger-related integration of Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna, and of Raiffeisen stavebni sporitelna a.s., Prague, resulted in an increase in the credit exposure. In addition, personal loans recorded an increase in Poland, Romania and Russia, but this was partly offset by currency effects.

2017 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Mortgage loans	13,296,445	2,283,105	1,539,301	5,109,577
Personal loans	2,582,744	3,835,662	1,671,568	227,231
Credit cards	1,223,138	1,069,874	980,004	0
SME financing	847,443	874,321	96,150	47,640
Overdraft	1,265,479	398,333	87,134	69
Car loans	213,447	138,745	79,957	929
Total	**19,428,696**	**8,600,040**	**4,454,114**	**5,385,446**

2016 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Non-Core	Group Markets
Mortgage loans	7,331,681	2,244,661	1,587,248	4,385,204	0
Personal loans	991,066	3,569,309	1,511,882	587,219	8,608
Credit cards	1,011,368	960,885	956,812	264,676	3,081
SME financing	625,538	797,818	111,300	71,783	2,214
Overdraft	837,935	369,961	34,297	404,857	418
Car loans	158,827	131,061	205,255	833	0
Total	**10,956,414**	**8,073,694**	**4,406,793**	**5,714,572**	**14,321**

The share of foreign currency loans in the retail portfolio provides an indication of the potential change in default rates if the exchange rate of the domestic currency changes. The internal risk assessment thus takes into account the share of foreign currency loans but also the usually stricter lending criteria when granting the loan and – in several countries – the borrowers' matching foreign currency income.

in € thousand	2017	Share	2016	Share
Swiss franc	2,613,717	44.1%	3,099,078	43.8%
Euro	3,118,936	52.6%	3,402,789	48.1%
US-Dollar	190,113	3.2%	564,276	8.0%
Other foreign currencies	1,196	0.0%	1,987	0.0%
Loans in foreign currencies	**5,923,963**	**100.0%**	**7,068,130**	**100.0%**
Share of total loans	**15.6%**		**24.2%**	

The reduction in loans denominated in Swiss francs was attributable to currency fluctuations and to declines in Poland, Hungary, Romania and Serbia. The decline in loans denominated in US dollars was mainly attributable to sales of non-performing loans and the derecognition of uncollectible loans in Ukraine. The portfolio of loans denominated in euros declined notably in Romania (down € 69,207 thousand), Poland (down € 69,135 thousand), Bosnia and Herzegovina (down € 57,807 thousand), Bulgaria (down € 48,051 thousand) and Croatia (down € 46,681 thousand).

The following table shows the credit exposure in foreign currencies to this asset class by segments:

2017 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Group Corporates & Markets
Swiss franc	2,393,529	220,188	0	0
Euro	834,195	2,268,332	16,409	0
US-Dollar	8,065	3,354	170,284	8,410
Other foreign currencies	664	27	224	282
Loans in foreign currencies	**3,236,453**	**2,491,901**	**186,917**	**8,692**
Share of total loans	**16.7%**	**29.0%**	**4.2%**	**0.2%**

2016 in € thousand	Central Europe	Southeastern Europe	Eastern Europe	Non-Core	Group Markets
Swiss franc	4,839	311,336	0	2,782,903	0
Euro	47,654	2,483,627	20,297	851,212	0
US-Dollar	5,445	4,098	549,646	3,689	1,398
Other foreign currencies	308	20	796	554	309
Loans in foreign currencies	**58,245**	**2,799,081**	**570,739**	**3,638,357**	**1,708**
Share of total loans	**0.5%**	**34.7%**	**13.0%**	**63.7%**	**11.9%**

The increase in Central Europe was mainly due to the change in the segment allocation of Raiffeisen Bank Polska S.A., Warsaw, from the segment Non-Core to the segment Central Europe. Southeastern Europe reported declines in Romania, Bosnia and Herzegovina, Bulgaria and Croatia. The decline in Eastern Europe resulted from the development in 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 € thousand		2017	Share	2016	Share
1	Minimal risk	3,455,398	18.5%	2,520,990	13.5%
2	Excellent credit standing	2,602,058	14.0%	2,918,689	15.7%
3	Very good credit standing	9,975,360	53.5%	9,934,631	53.3%
4	Good credit standing	1,220,605	6.5%	1,391,396	7.5%
5	Sound credit standing	676,466	3.6%	1,041,572	5.6%
6	Acceptable credit standing	242,998	1.3%	218,373	1.2%
7	Marginal credit standing	200,979	1.1%	186,097	1.0%
8	Weak credit standing / sub-standard	244,895	1.3%	245,432	1.3%
9	Very weak credit standing / doubtful	4,183	0.0%	77,456	0.4%
10	Default	10,688	0.1%	83,767	0.4%
NR	Not rated	10,971	0.1%	9,141	0.0%
Total		**18,644,602**	**100.0%**	**18,627,544**	**100.0%**

The credit exposure amounted to € 18,644,602 thousand at year-end 2017. The merger of RZB AG into RBI AG resulted in a € 1,400,437 thousand increase in the credit exposure, primarily in rating grade 1. This increase was offset by a decline in facility and credit financing, and in repo, swap and money market transactions.

Rating grade 2 recorded a € 316,631 thousand decline to € 2,602,058 thousand, attributable to repo and swap transactions, and to money market transactions. The € 40,729 thousand increase in rating grade 3 to € 9,975,360 thousand resulted from an increase in the bond portfolio and in repo and money market transactions. This was, however, partially offset by a decline in facility and credit financing, and in swap transactions. The € 170,791 thousand reduction in rating grade 4 to € 1,220,605 thousand mainly resulted from rating shifts. In rating grade 5, rating shifts and repo transactions resulted in a € 365,106 thousand decline to € 676,466 thousand. Rating grade 9 recorded a € 73,273 thousand reduction to € 4,183 thousand, due to derecognitions in Cyprus. The € 73,079 thousand decline in rating grade 10 to € 10,688 thousand resulted from derecognitions of non-performing loans to banks.

The following table provides a breakdown of the total credit exposure by country of risk grouped into regions:

in € thousand	2017	Share	2016	Share
Western Europe	8,543,397	45.8%	8,640,033	46.4%
Austria	4,637,111	24.9%	4,617,079	24.8%
Eastern Europe	2,147,246	11.5%	1,793,563	9.6%
Asia	964,866	5.2%	1,128,700	6.1%
Central Europe	807,402	4.3%	794,418	4.3%
Southeastern Europe	113,990	0.6%	140,297	0.8%
Other	1,430,590	7.7%	1,513,453	8.1%
Total	**18,644,602**	**100.0%**	**18,627,544**	**100.0%**

Compared to year-end 2016, Eastern Europe recorded a € 353,683 thousand increase to € 2,147,246 thousand, which resulted from repo transactions in Russia. The € 163,834 thousand decline in Asia to € 964,866 thousand was mainly based on credit financing and money market business. However, it was partially offset by an increase in documentary credits. Western Europe reported a € 96,636 thousand decline to € 8,543,397 thousand, which was attributable to deposits, credit financing and swap transactions. The € 82,863 thousand decline in the item other to € 1,430,590 thousand resulted from credit and facility financing and from documentary credits, which was, however, offset by an increase in the bond portfolio.

New business in this asset class thus mainly stems from counterparty credit exposure from derivatives and short-term money market deposits. Credit business with other banks in the Austrian Raiffeisen Banking Group which are participating in a joint risk monitoring system is not restricted.

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

in € thousand	2017	Share	2016	Share
Repo	4,372,523	23.5%	3,754,785	20.2%
Loans	3,919,791	21.0%	5,071,334	27.2%
Bonds	3,812,378	20.4%	2,585,038	13.9%
Derivatives	2,735,232	14.7%	3,801,657	20.4%
Money market	2,192,434	11.8%	2,067,598	11.1%
Other	1,612,244	8.6%	1,347,133	7.2%
Total	**18,644,602**	**100.0%**	**18,627,544**	**100.0%**

Russia, the Great Britain and Germany reported an increase in repo transactions; this was, however, partly offset by a decline in France and Italy. The increase in bonds and loans was attributable to the merger of RZB AG into RBI AG. The product group derivatives reported a decrease, which was due to the development in Austria and the Great Britain.

Credit exposure – Sovereigns

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

in € thousand		2017	Share	2016	Share
A1	Excellent credit standing	1,383,214	4.2%	1,918,575	7.7%
A2	Very good credit standing	7,966,489	24.1%	2,805,251	11.3%
A3	Good credit standing	7,909,894	23.9%	5,950,211	23.9%
B1	Sound credit standing	4,241,768	12.8%	3,825,660	15.3%
B2	Average credit standing	3,147,306	9.5%	2,690,331	10.8%
B3	Mediocre credit standing	5,383,491	16.3%	4,627,223	18.6%
B4	Weak credit standing	1,592,468	4.8%	1,563,842	6.3%
B5	Very weak credit standing	778,667	2.4%	837,488	3.4%
C	Doubtful/high default risk	645,874	2.0%	711,850	2.9%
D	Default	266	0.0%	1,669	0.0%
NR	Not rated	2,642	0.0%	1,134	0.0%
Total		**33,052,078**	**100.0%**	**24,933,234**	**100.0%**

The credit exposure to sovereigns recorded a € 8,118,844 thousand increase to € 33,052,078 thousand at year-end 2017. It accounted for 19.5 per cent (2016: 17.0 per cent) of the total credit exposure. The merger of RZB AG into RBI AG resulted in a € 9,714,716 thousand increase in the credit exposure, primarily in the rating grades A2, A3 and B3.

The increase in rating grade A2 very good credit standing was based on the merger-related increase in deposits at the Austrian National Bank and in increase in the portfolio of bonds of the Republic of Austria. The medium rating grades good credit standing (rating A3) to mediocre credit standing (rating B3) represented the highest share at 62.5 per cent. The high exposure in the medium rating grades resulted among other factors from bonds of central banks and central governments in Central Europe, Eastern Europe and Southeastern Europe. The medium rating grades also reflected money market and repo transactions. The increase in rating grade A3 good credit standing was merger-related and based on repo transactions, and on transactions with the Czech national bank. This was offset by a decline in money market transactions. The growth in rating grade B2 average credit standing mainly resulted from bonds in Romania and Germany. This contrasted with a decline in the minimum reserve at the Romanian national bank. Rating grade B3 mediocre credit standing reported an increase, mainly due to the portfolio of government bonds from Russia and Hungary, and to deposits at the Croatian and the Bulgarian national banks.

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

in € thousand	2017	Share	2016[1]	Share
Bonds	16,743,315	50.7%	13,190,659	52.9%
Loans	10,786,976	32.6%	7,017,021	28.1%
Repo	4,322,582	13.1%	18,148	0.1%
Money market	1,166,413	3.5%	4,200,606	16.8%
Derivatives	28,043	0.1%	487,999	2.0%
Other	4,750	0.0%	18,802	0.1%
Total	**33,052,078**	**100.0%**	**24,933,234**	**100.0%**

1 Adaptation of previous year figures due to higher detailing

The change in the product groups repo and money market was mainly due to transactions with the Czech national bank.

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

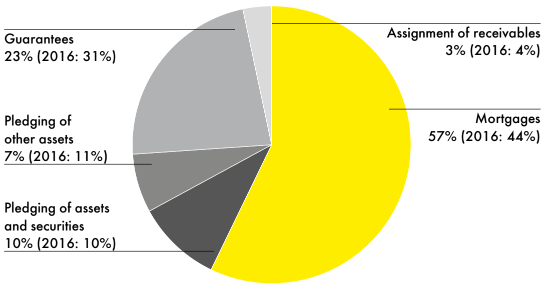
in € thousand	2017	Share	2016	Share
Hungary	2,297,493	27.3%	2,120,403	27.4%
Croatia	1,229,049	14.6%	1,047,445	13.5%
Bulgaria	945,306	11.2%	853,896	11.0%
Russia	751,206	8.9%	555,157	7.2%
Albania	734,129	8.7%	792,225	10.2%
Serbia	618,780	7.4%	500,992	6.5%
Bosnia and Herzegovina	460,261	5.5%	491,937	6.4%
Ukraine	405,266	4.8%	494,194	6.4%
Belarus	215,819	2.6%	188,830	2.4%
Vietnam	151,093	1.8%	163,728	2.1%
Other	595,006	7.1%	534,400	6.9%
Total	**8,403,408**	**100.0%**	**7,743,206**	**100.0%**

The credit exposure to sovereigns in non-investment grade mainly resulted from deposits of Group units with the local central banks in Central and Southeastern Europe. They are used for meeting the respective minimum reserve requirements and for managing the short-term investment of excess liquidity, and are therefore inextricably linked to the business activities in these countries. Compared to year-end 2016, the credit exposure increased € 660,202 thousand to € 8,403,408 thousand. This increase resulted primarily from the portfolio of government bonds from Hungary, Croatia and Russia.

Credit risk mitigation

Collateralization is one of the main strategies and an actively pursued measure for reducing potential credit risks. The value of collateral and the effect of other risk mitigation techniques are determined within each limit application. The risk mitigation effect taken into account is the value that the Group expects to receive when selling the collateral within a reasonable liquidation period. Eligible collaterals are defined in the Group's collateral catalog and corresponding evaluation guidelines for collateral. The collateral value is calculated according to specified methods which include standardized calculation formulas based on market values, predefined discounts, and expert assessments.

Collateral types



Collateral is divided into pledges (e.g. guarantees) and physical collateral. In the Group liens on private or commercial properties are the main types of collateral used.

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

2017 in € thousand	Maximum credit exposure Net exposure	 Commitments/guarantees issued	Fair value of collateral
Banks	14,347,385	2,608,150	2,607,230
Sovereigns	855,249	701,211	690,110
Corporate customers – large corporates	42,124,313	31,999,683	23,996,733
Corporate customers – mid market	3,014,295	1,092,888	2,331,232
Retail customers – private individuals	29,824,712	4,257,972	19,398,442
Retail customers – small and medium-sized entities	2,322,297	548,920	1,450,380
Total	**92,488,251**	**41,208,824**	**50,474,126**

2016 in € thousand	Maximum credit exposure Net exposure	 Commitments/guarantees issued	Fair value of collateral
Banks	9,849,646	3,501,577	2,925,107
Sovereigns	654,478	758,490	420,141
Corporate customers – large corporates	38,746,308	27,215,300	23,049,198
Corporate customers – mid market	2,384,031	1,086,902	1,772,718
Retail customers – private individuals	21,877,636	3,464,393	13,069,419
Retail customers – small and medium-sized entities	1,946,897	508,747	1,312,405
Total	**75,458,996**	**36,535,409**	**42,548,987**

Securitization (RBI as originator)

Securitization represents a particular form of refinancing and credit risk enhancement under which risks from loans or lease agreements are packaged into portfolios and placed with capital market investors. The objective of the Group's securitization transactions is to relieve Group regulatory total capital and to use additional refinancing sources.

The following transactions for all or at least individual tranches were executed with external contractual partners, were still active in the reporting year and resulted in a credit risk mitigation. In each case, the figures shown represent the securitized portfolio and the underlying assets as well as the amount of the externally placed tranche on the reporting date.

in € thousand	Seller of claims or secured party	Date of contract	End of maturity	Max. volume	Securitized portfolio	Outstanding portfolio[3]	Portfolio	Externall y placed tranche	Amount of the exter-nally placed tranche
Synthetic Transaction ROOF RBCZ 2015[1]	Raiffeisenbank a.s., Prague (CZ)	Dec. 2015	April 2024		1,000,000	1,389,309	Company loans and guarantees	Mezzanine	68,281
Synthetic Transaction ROOF Slovakia 2017[1]	Raiffeisen Bank International AG, Vienna (AT)	Nov. 2017	April 2025		1,231,960	2,696,379	Company loans	Mezzanine	83,800
Synthetic Transaction EIF JEREMIE Bulgaria[2]	Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	July 2011	July 2024	71,500	6,436	8,045	SME loans	Junior	6,436
Synthetic Transaction EIF JEREMIE Romania[2]	Raiffeisenbank S.A., Bucharest (RO)	Dec. 2010	Dec. 2023	172,500	7,122	8,902	SME loans	Junior	7,122
Synthetic Transaction EIF JEREMIE Slovakia	Tatra banka a.s., Bratislava (SK)	March 2014	June 2025	60,000	17,131	24,474	SME loans	Junior	9,941
Synthetic Transaction EIF Western Balkans EDIF Albania	Raiffeisen Bank Sh.a., Tirana (AL)	Dec. 2016	June 2028	17,000	7,004	10,006	SME loans	Junior	1,751
Synthetic Transaction EIF Western Balkans EDIF Croatia	Raiffeisenbank Austria d.d., Zagreb (HR)	April 2015	May 2023	20,107	6,642	9,488	SME loans	Junior	1,461

1 Junior tranche held in the Group
2 Due to full amortization of the senior tranche, the amount of the externally placed junior tranche corresponds to the amount of the securitized portfolio.
3 Outstanding portfolio (securitized and retained)
SME: Small and Medium-sized Enterprises

The Group participates in the synthetic ROOF RBCZ 2015 transaction, which was split into a senior, a mezzanine and a junior tranche. The mezzanine tranche in the amount of € 68,281 thousand was sold to institutional investors, while Raiffeisenbank a.s., Prague, holds the credit risk of the junior and senior tranches.

The Group executed a new synthetic transaction, ROOF Slovakia 2017, which was split into a senior, a mezzanine and a junior tranche. The mezzanine tranche in the amount of € 83,800 thousand was sold to institutional investors, while the credit risk of the junior and senior tranches are retained.

As part of the JEREMIE initiative, the participating subsidiaries (Raiffeisenbank (Bulgaria) EAD, Sofia, Raiffeisenbank S.A., Bucharest, and Tatra banka a.s., Bratislava) have received guarantees from the European Investment Fund (EIF) to support lending to small and medium-sized enterprises.

As part of the Western Balkans Enterprise Development and Innovation Facility, the participating subsidiaries (Raiffeisenbank Sh.a., Tirana, and Raiffeisenbank Austria d.d., Zagreb) each signed a portfolio guarantee agreement, funded by the EU and similar to the JEREMIE initiatives, aimed at providing access to finance for small and medium-sized enterprises.

In the financial year 2017 two synthetic transactions were terminated by RBI AG: ROOF Real Estate 2015, referencing real estate loans originated by RBI AG, and ROOF Infrastructure 2014 referencing a portfolio of corporate and project finance loans principally originated by RBI AG.

Problem loan management

The credit portfolio and individual borrowers are subject to ongoing monitoring. The main purpose of monitoring is to ensure that the borrower meets the terms and conditions of the contract, as well as following the obligor's economic development. Such a review is conducted at least once annually in the non-retail asset classes corporates, banks, and sovereigns. This includes a rating review and the re-evaluation of financial and tangible collateral.

Problem loans (where debtors might run into material financial difficulties or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees in individual Group units make decisions on problematic exposures. If the need for intensified treatment and workout is identified, then problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Employees of the workout units are specially trained and have extensive experience. They typically handle medium-sized to large cases and are assisted by in-house legal departments or by external specialists as well. Workout units play a decisive role in accounting and analyzing as well as booking provisions for impairment losses (write-downs, value adjustments or provisioning). Their early involvement can help reduce losses resulting from problem loans.

Problem loan management standards in the retail area comprise the whole restructuring and collection process for private individuals and small and medium-sized entities. A restructuring guideline defines the Group's restructuring framework including uniform strategy, organization, methods, monitoring and controlling. In the workout process customers are classified into three categories early, late, and recovery, for which a standardized customer handling process is defined.

The assessment of the expected recovery value is heavily influenced by the number of days payments are late. The following table shows the amount of overdue – not impaired – loans and advances to banks and customers for different time bands.

2017	Current	Overdue					Collateral received for
in € thousand		Up to 30 days	31 days, up to 90 days	91 days, up to 180 days	181 days, up to 1 year	More than 1 year	assets which are past due
Banks	14,337,878	288	1	0	0	5	1
Sovereigns	846,350	8,387	0	0	70	0	0
Corporate customers – large corporates	40,273,043	689,856	68,447	4,489	53,800	5,561	161,982
Corporate customers – mid market	2,914,542	34,245	6,758	1,561	1,385	1,920	28,782
Retail customers – private individuals	28,181,323	1,178,956	229,859	17,966	16,014	29,649	559,372
Retail customers – small and medium-sized entities	2,120,578	90,649	28,509	3,959	1,419	3,064	66,045
Total	**88,673,713**	**2,002,382**	**333,574**	**27,976**	**72,688**	**40,199**	**816,182**

2016	Current	Overdue					Collateral received for assets which are past due
in € thousand		Up to 30 days	31 days, up to 90 days	91 days, up to 180 days	181 days, up to 1 year	More than 1 year	
Banks	9,848,761	638	2	0	0	4	0
Sovereigns	651,117	736	368	1,400	1	2	0
Corporate customers – large corporates	36,634,944	681,648	125,729	4,577	8,763	8,972	444,282
Corporate customers – mid market	2,283,084	30,688	8,613	2,047	2,173	4,783	34,070
Retail customers – private individuals	20,144,167	1,270,439	240,309	18,311	12,065	21,285	554,240
Retail customers – small and medium-sized entities	1,750,505	75,877	27,883	3,785	1,327	4,756	61,032
Total	**71,312,579**	**2,060,026**	**402,903**	**30,121**	**24,330**	**39,801**	**1,093,624**

Non-performing exposure (NPE)

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

	NPE		NPE ratio		NPE coverage ratio	
in € thousand	2017	2016	2017	2016	2017	2016
Corporate customers	3,053,559	4,449,502	6.4%	9.9%	52.9%	68.2%
Retail customers	1,856,418	2,375,814	5.5%	9.3%	61.6%	64.0%
Sovereigns	266	1,669	0.0%	0.3%	>100%	>100%
Banks	10,030	77,277	0.1%	0.8%	98.1%	62.5%
Loans	**4,920,272**	**6,904,262**	**5.1%**	**8.6%**	**56.3%**	**66.7%**
Bonds	**13,150**	**22,278**	**0.1%**	**0.1%**	**58.3%**	**66.7%**
Total	**4,933,423**	**6,926,540**	**4.2%**	**7.1%**	**56.3%**	**66.7%**

The non-performing bonds mainly result from corporate customers.

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 of the EBA document Implementing Technical Standards (ITS) on Supervisory Reporting (Forbearance and non-performing exposures)) and the ECB guidance to banks on non-performing loans.

The critical 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; this may where applicable be applied based on the default definition of CRD IV/CRR.

In the retail business, restructured loans are subject to an observation period of at least three months in order to ensure that the customer meets the re-negotiated terms. For retail portfolios which are subject to PD/LGD calculation (Probability of Default/Loss Given Default) of portfolio-based loan loss provisions, it is necessary to avoid artificial improvement of the PD estimates for the non-performing restructured exposure. This is achieved either by, despite the restructuring, continuing to use those variables based on the days past due (DPD) before restructuring, which are foreseen for overdue payments prior to restructuring, for the duration of the observation period or by using a separate calibration for the partial volume of restructured loans. In exceptional cases, if neither of the aforementioned methods is technically possible, the PD of the next worse rating grade is used for the duration of the observation period. For retail portfolios where the amount of the portfolio-based loan loss provision is determined based on product portfolios and/or delinquencies, whether or not the loan was more than 180 days overdue prior to the renegotiation is taken into account. In those cases where the customer concerned meets the re-negotiated terms and the credit exposure was not overdue for 180 days before the re-negotiation, the credit exposure is transferred from the portfolio under observation to the living portfolio. Those credit exposures already overdue for more than 180 days prior to the re-negotiation or where the customers did not meet the re-negotiated terms remain in the portfolio which is fully impaired.

The following tables show the non-performing exposure according to segments:

in € thousand	2017	Share
Central Europe	157,045	53%
Southeastern Europe	116,107	39%
Eastern Europe	9,169	3%
Group Corporates & Markets	16,503	6%
Total	**298,824**	**100%**
hereof non-banks	298,824	100%

in € thousand	2016[1]	Share
Central Europe	109,696	32%
Southeastern Europe	120,399	35%
Eastern Europe	17,328	5%
Group Corporates	42,694	13%
Group Markets	0	0%
Corporate Center	0	0%
Non-Core	51,261	15%
Total	**341,378**	**100%**
hereof non-banks	341,378	100%

1 Adaptation of previous year figures

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

	Refinancing		Instruments with modified time and modified conditions		NPE total	
in € thousand	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Corporate customers	10,663	11,897	51,472	75,301	62,135	87,199
Retail customers	14,384	23,768	222,305	230,411	236,689	254,179
Loans	**25,047**	**35,666**	**273,777**	**305,712**	**298,824**	**341,378**
Total	**25,047**	**35,666**	**273,777**	**305,712**	**298,824**	**341,378**

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

Non-performing loans (NPL) and provisioning

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

in € thousand	As at 1/1/2017	Change in consolidated group	Exchange rate	Additions	Disposals	As at 31/12/2017
Corporate customers	4,357,420	357,250	(142,687)	947,234	(2,527,793)	2,991,424
Retail customers	2,126,518	72,902	(7,038)	357,074	(929,726)	1,619,729
Sovereigns	1,669	0	0	183	(1,585)	266
Total non-banks	**6,485,607**	**430,152**	**(149,726)**	**1,304,491**	**(3,459,105)**	**4,611,418**
Banks	77,277	0	(4,788)	601	(63,060)	10,030
Total	**6,562,884**	**430,152**	**(154,515)**	**1,305,092**	**(3,522,165)**	**4,621,449**

in € thousand	As at 1/1/2016	Change in consolidated group	Exchange rate	Additions	Disposals	As at 31/12/2016
Corporate customers	6,051,344	(300,545)	13,655	1,206,100	(2,613,133)	4,357,420
Retail customers	2,273,515	(26,114)	39,334	506,077	(666,294)	2,126,518
Sovereigns	3,305	0	(1,395)	271	(513)	1,669
Total non-banks	**8,328,164**	**(326,659)**	**51,595**	**1,712,448**	**(3,279,941)**	**6,485,607**
Banks	127,496	0	1,337	2,268	(53,824)	77,277
Total	**8,455,659**	**(326,659)**	**52,931**	**1,714,716**	**(3,333,765)**	**6,562,884**

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

	NPL		NPL ratio		NPL coverage ratio	
in € thousand	2017	2016	2017	2016	2017	2016
Corporate customers	2,991,424	4,357,420	6.3%	9.3%	58.5%	71.5%
Retail customers	1,619,729	2,126,518	4.8%	8.3%	82.8%	82.2%
Sovereigns	266	1,669	0.1%	0.6%	>100%	>100%
Total non-banks	**4,611,418**	**6,485,607**	**5.7%**	**9.2%**	**67.0%**	**75.6%**
Banks	10,030	77,277	0.1%	0.5%	>100%	65.4%
Total	**4,621,449**	**6,562,884**	**4.8%**	**8.2%**	**67.1%**	**75.5%**

The volume of non-performing loans to non-banks fell € 1,874,188 thousand. An organic decline in the amount of € 2,154,932 thousand, primarily due to the sale of non-performing loans and the derecognition of uncollectible loans in Ukraine, at RBI AG, Romania and Croatia, contrasted with an increase of € 425,247 thousand due to the merger of RZB AG into RBI AG. The currency development also resulted in a € 144,822 thousand decline. The NPL ratio based on total credit exposure declined 3.5 percentage points to 5.7 per cent.

In 2017, in the asset class corporate customers, non-performing loans decreased € 1,365,996 thousand to € 2,991,424 thousand, mainly due to sales and derecognitions. The ratio of non-performing loans to credit exposure fell 3.0 percentage points to 6.3 per cent. The NPL coverage ratio fell 13.0 percentage points to 58.5 per cent. In the retail portfolio, non-performing loans sank 23.8 per cent, or € 506,789 thousand, to € 1,619,729 thousand, also due to sales and derecognitions. The ratio of non-performing loans to credit exposure fell 3.5 percentage points to 4.8 per cent. The NPL coverage ratio increased 0.6 percentage points to 82.8 per cent. At € 10,030 thousand at year-end 2017, the portfolio of non-performing loans to banks was € 67,247 thousand less than at year-end 2016.

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

2017 in € thousand	NPL	NPL ratio	NPL coverage ratio
Central Europe	1,559,366	4.2%	67.7%
Southeastern Europe	1,047,819	7.1%	81.0%
Eastern Europe	666,698	5.2%	78.7%
Group Corporates & Markets	1,311,232	4.1%	48.5%
Corporate Center	36,334	0.8%	100.0%
Total	**4,621,449**	**4.8%**	**67.1%**
hereof non-banks	4,611,418	5.7%	67.0%

2016 in € thousand	NPL	NPL ratio	NPL coverage ratio
Central Europe	1,078,207	5.0%	71.0%
Southeastern Europe	1,421,322	9.9%	79.7%
Eastern Europe	1,576,113	12.0%	85.9%
Group Corporates	688,202	4.5%	65.9%
Group Markets	130,905	1.9%	71.9%
Corporate Center	33,742	0.5%	87.8%
Non-Core	1,634,393	16.7%	66.6%
Total	**6,562,884**	**8.2%**	**75.5%**
hereof non-banks	6,485,607	9.2%	75.6%

In the segment Central Europe, non-performing loans increased € 481,159 thousand to € 1,559,366 thousand. Of this amount, € 670,254 thousand resulted from the reclassification of Poland from the segment Non-Core into this segment, and € 44,485 thousand was due to the merger-related integration of Raiffeisen stavebni sporitelna a.s., Prague. In contrast, sales and derecognitions in Hungary resulted in a € 184,231 thousand decline. The NPL ratio amounted to 4.2 per cent and the NPL coverage ratio to 67.7 per cent.

In Southeastern Europe, non-performing loans decreased € 373,503 thousand to € 1,047,819 thousand in 2017. All countries recorded declines. Romania and Croatia reported the highest reductions in a total amount of € 190,999 thousand, primarily caused by sales and derecognitions. The NPL ratio fell 2.8 percentage points to 7.1 per cent; the NPL coverage ratio increased 1.3 percentage points to 81.0 per cent.

The segment Eastern Europe recorded a decline in non-performing loans of € 57.7 per cent, or € 909,416 thousand, to € 666,698 thousand. This was caused both by sales of non-performing loans in an amount of € 248,823 thousand in Ukraine and also by the derecognition of uncollectible loans and currency depreciations in Ukraine and Russia. The ratio of non-performing loans to credit exposure fell 6.8 percentage points to 5.2 per cent; the NPL coverage ratio declined 7.1 percentage points to 78.7 per cent.

Non-performing loans in the segment Group Corporates & Markets amounted to € 1,311,232 thousand. They originated from the former segments Group Corporates, Group Markets, and in some cases from Non-Core, together with an additional effect of € 380,443 thousand resulting from the merger of RZB AG into RBI AG. In the reporting period, derecognitions of uncollectible loans reduced non-performing loans by €632,313 thousand at RBI AG and by € 137,961 thousand at Raiffeisen Leasing Group. The NPL ratio at year-end amounted to 4.1 per cent and the NPL coverage ratio to 48.5 per cent.

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

in € thousand	As at 1/1/2017	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 31/12/2017
Individual loan loss provisions	**4,697,411**	**249,299**	**1,017,477**	**(695,073)**	**(2,270,531)**	**(133,232)**	**2,865,350**
Banks	48,300	0	1,622	(380)	(33,537)	(6,171)	9,835
Corporate customers	3,034,591	191,106	583,755	(405,930)	(1,717,763)	(64,865)	1,620,894
Retail customers	1,517,193	37,848	370,054	(235,406)	(510,868)	(40,607)	1,138,215
Sovereigns	4,347	0	11	(3,952)	(8)	52	450
Off-balance sheet obligations	92,979	20,345	62,035	(49,405)	(8,356)	(21,642)	95,956
Portfolio-based loan loss provisions	**380,954**	**22,651**	**164,275**	**(188,438)**	**(123)**	**(23,599)**	**355,720**
Banks	2,065	0	408	(1,113)	0	(334)	1,026
Corporate customers	111,673	16,744	55,113	(57,293)	(46)	(10,205)	115,985
Retail customers	236,556	3,975	100,794	(112,898)	(76)	(12,710)	215,641
Sovereigns	406	0	140	(261)	0	17	301
Off-balance sheet obligations	30,254	1,932	7,821	(16,874)	0	(366)	22,767
Total	**5,078,364**	**271,949**	**1,181,753**	**(883,512)**	**(2,270,654)**	**(156,831)**	**3,221,070**

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

In the period under review, the changes in consolidated group primarily show the effect of the merger of RZB AG into RBI AG.

in € thousand	As at 1/1/2016	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, exchange differences	As at 31/12/2016
Individual loan loss provisions	**5,771,958**	**(55,027)**	**1,610,483**	**(841,648)**	**(1,875,662)**	**87,307**	**4,697,411**
Banks	117,672	0	6,533	(8,489)	(42,254)	(25,162)	48,300
Corporate customers	3,915,657	(33,863)	965,288	(420,436)	(1,464,920)	72,866	3,034,591
Retail customers	1,660,539	(21,963)	556,102	(349,788)	(368,022)	40,325	1,517,193
Sovereigns	5,028	0	954	(477)	(112)	(1,044)	4,347
Off-balance sheet obligations	73,062	798	81,607	(62,456)	(353)	321	92,979
Portfolio-based loan loss provisions	**381,982**	**(5,667)**	**179,338**	**(183,778)**	**(55)**	**9,134**	**380,954**
Banks	2,245	0	1,216	(1,467)	0	71	2,065
Corporate customers	152,085	(2,590)	40,583	(79,169)	(18)	781	111,673
Retail customers	201,546	(3,128)	125,091	(94,077)	(37)	7,162	236,556
Sovereigns	365	0	153	(355)	0	243	406
Off-balance sheet obligations	25,742	51	12,294	(8,710)	0	877	30,254
Total	**6,153,940**	**(60,695)**	**1,789,821**	**(1,025,426)**	**(1,875,717)**	**96,441**	**5,078,364**

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

Usage was mainly based on the sale and derecognition of uncollectible loans.

The following table shows the breakdown of loan loss provisions according to segments:

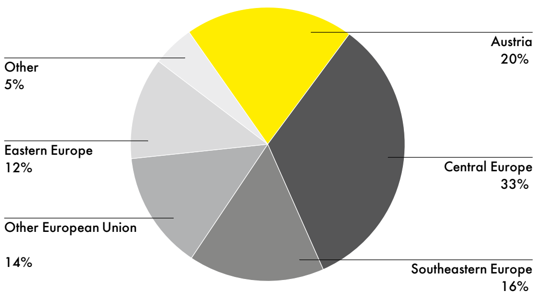
in € thousand	2017
Individual loan loss provisions	**2,865,350**
Central Europe	939,323
Southeastern Europe	762,255
Eastern Europe	469,550
Group Corporates & Markets	614,522
Corporate Center	79,700
Portfolio-based loan loss provisions	**355,720**
Central Europe	146,883
Southeastern Europe	103,188
Eastern Europe	59,797
Group Corporates & Markets	45,853
Corporate Center	0
Total	**3,221,070**

The increase in Central Europe was mainly attributable to the change in the segment allocation of Raiffeisen Bank Polska S.A., Warsaw, from the segment Non-Core to the segment Central Europe.

in € thousand	2016
Individual loan loss provisions	**4,697,411**
Central Europe	674,924
Southeastern Europe	1,029,070
Eastern Europe	1,283,701
Group Corporates	564,316
Corporate Center	77,881
Group Markets	124,856
Non-Core	942,663
Portfolio-based loan loss provisions	**380,953**
Central Europe	121,409
Southeastern Europe	121,094
Eastern Europe	76,319
Group Corporates	27,756
Corporate Center	0
Group Markets	865
Non-Core	33,510
Total	**5,078,364**

Country risk

Credit exposure to customers by region



Country risk includes transfer and convertibility risks as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. The Group is exposed to this risk due to its business activities in the Central and Eastern European markets. In these markets political and economic risks to some extent are still seen as comparatively significant.

Active country risk management in the Group is based on the country risk policy which is set by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries in order to avoid risk concentrations. Consequently, in day-to-day work, business units have to submit limit applications for the respective countries for all cross-border transactions in addition to complying with customer limits. The limit size for individual countries is set by using a model which takes into account the internal rating for the sovereign, the size of the country, and the Group's own capitalization.

Country risk also is reflected via the internal funds transfer pricing system in product pricing and in risk-adjusted performance measurement. Business units therefore can benefit from country risk mitigation by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries. The insights gained from the country risk analysis are not only used for limiting the total cross-border exposure, but also for limiting the total credit exposure in each individual country (i.e. including the exposure that is funded by local deposits). Thereby the Group realigns its business activities according to the expected macroeconomic development within different markets and enhances the broad diversification of its credit portfolio.

Concentration risk

The credit portfolio of the Group 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 reviewed.

The regional breakdown of the loans reflects the broad diversification of credit business in the Group's markets. The following table shows the distribution of the credit exposure of all asset classes by the borrower's home country grouped by regions:

in € thousand	2017	Share	2016[1]	Share
Central Europe	**56,472,039**	**33.2%**	**50,177,300**	**34.2%**
Czech Republic	19,802,566	11.7%	15,047,461	10.3%
Slovakia	14,902,937	8.8%	14,137,525	9.6%
Poland	14,493,355	8.5%	14,083,249	9.6%
Hungary	6,818,099	4.0%	6,471,385	4.4%
Other	455,082	0.3%	437,680	0.3%
Austria	**33,739,084**	**19.9%**	**19,936,393**	**13.6%**
Southeastern Europe	**27,220,733**	**16.0%**	**25,658,526**	**17.5%**
Romania	10,343,335	6.1%	9,451,710	6.4%
Croatia	5,024,454	3.0%	5,090,754	3.5%
Bulgaria	4,242,353	2.5%	3,998,317	2.7%
Serbia	2,929,691	1.7%	2,467,276	1.7%
Bosnia and Herzegovina	2,196,808	1.3%	2,076,891	1.4%
Albania	1,705,334	1.0%	1,830,351	1.2%
Other	778,759	0.5%	743,226	0.5%
Other European Union	**23,668,972**	**13.9%**	**21,138,955**	**14.4%**
Germany	8,455,087	5.0%	6,354,099	4.3%
Great Britain	5,161,923	3.0%	5,274,700	3.6%
France	2,633,592	1.5%	3,085,908	2.1%
Netherlands	1,551,999	0.9%	1,827,995	1.2%
Luxembourg	1,219,966	0.7%	706,158	0.5%
Italy	792,638	0.5%	883,322	0.6%
Spain	725,385	0.4%	594,955	0.4%
Other	3,128,382	1.8%	2,411,819	1.6%
Eastern Europe	**20,457,123**	**12.0%**	**19,813,764**	**13.5%**
Russia	15,837,977	9.3%	14,262,288	9.7%
Ukraine	2,503,510	1.5%	3,379,948	2.3%
Belarus	1,684,600	1.0%	1,635,031	1.1%
Other	431,035	0.3%	536,498	0.4%
Asia	**2,669,003**	**1.6%**	**3,499,318**	**2.4%**
North America	**2,416,936**	**1.4%**	**3,051,440**	**2.1%**
Switzerland	**2,195,665**	**1.3%**	**2,192,707**	**1.5%**
Rest of World	**1,077,380**	**0.6%**	**1,104,747**	**0.8%**
Total	**169,916,936**	**100.0%**	**146,573,149**	**100.0%**

1 Adaptation of previous year figures due to modified allocation

Compared to year-end 2016, the credit exposure for all asset classes showed a € 23,343,787 thousand increase to € 169,916,936 thousand (of which € 21,498,095 thousand caused by the merger of RZB AG into RBI AG in the regions Austria, Central Europe and Other European Union).

The largest increase of € 13,802,691 thousand to € 33,739,084 thousand in Austria was attributable to the merger-related integration of Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna, an increase in deposits at the Austrian National Bank, a higher portfolio of bonds of the Republic of Austria and to credit financing. The Czech Republic reported a € 4,755,105 thousand growth to € 19,802,566 thousand, which was the result of the merger-related integration of Raiffeisen stavebni sporitelna a.s., Prague, and of repo transactions and an increased bond portfolio. This increase was, however, partially offset by a decline in money-market business. Germany reported a € 2,100,988 thousand increase to € 8,455,087 thousand, which resulted from an increase in the bond portfolio, in credit and facility financing, and in repo transactions.

The following table shows the total credit exposure of the Group by the customers' industry classification:

in € thousand	2017	Share	2016	Share
Banking and insurance	44,981,704	26.5%	39,182,850	26.7%
Private households	34,997,424	20.6%	26,589,450	18.1%
Public administration and defence and social insurance institutions	16,593,524	9.8%	11,844,457	8.1%
Wholesale trade and commission trade (except car trading)	12,638,639	7.4%	11,976,256	8.2%
Other manufacturing	11,616,077	6.8%	11,425,672	7.8%
Real estate activities	10,095,836	5.9%	8,385,798	5.7%
Construction	5,747,554	3.4%	5,551,211	3.8%
Other business activities	5,858,760	3.4%	4,437,567	3.0%
Retail trade except repair of motor vehicles	3,866,195	2.3%	3,674,826	2.5%
Electricity, gas, steam and hot water supply	2,915,441	1.7%	3,055,623	2.1%
Manufacture of basic metals	1,742,166	1.0%	2,182,536	1.5%
Other transport	1,909,768	1.1%	1,904,549	1.3%
Land transport, transport via pipelines	1,955,242	1.2%	1,895,778	1.3%
Manufacture of food products and beverages	1,897,956	1.1%	1,833,599	1.3%
Manufacture of machinery and equipment	1,694,692	1.0%	1,694,385	1.2%
Sale of motor vehicles	1,049,095	0.6%	915,539	0.6%
Extraction of crude petroleum and natural gas	594,179	0.3%	776,215	0.5%
Other industries	9,762,685	5.7%	9,246,836	6.3%
Total	**169,916,936**	**100%**	**146,573,149**	**100%**

The merger of RZB AG into RBI AG resulted in a € 21,498,095 thousand increase, primarily in private households, banking and insurance and public administration, defence and social insurance institutions.

Structured credit portfolio

The Group invests in structured products. 41.9 per cent of this portfolio (2016: 54.7 per cent) is rated A or better by external rating agencies, with 60.3 per cent (2016: 60.7 per cent) of the portfolio containing loans and advances to European customers. These are mainly investments in asset-backed securities (ABS), asset-based financing (ABF) and in some cases also collateralized debt obligations (CDO). The total exposure for structured products showed a nominal amount of € 804,956 thousand (2016: € 739,850 thousand) and a carrying amount of € 769,650 thousand (2016: € 701,609 thousand).

Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities lending or borrowing transaction can lead to losses from re-establishing an equivalent contract. In the Group this risk is measured by the mark-to-market approach where a predefined add-on is added to the current positive fair value of the contract in order to account for potential future changes. For internal management purposes potential price changes, which affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts the standard limit approval process applies, where the same risk classification, limitation, and monitoring process is used as for traditional lending. In doing so, the weighted nominal exposure of derivative contracts is added to the customers' total exposure in the limit application and monitoring process as well as in the calculation and allocation of internal capital.

An important strategy for reducing counterparty credit risk is utilization of credit risk mitigation techniques such as netting agreements and collateralization. In general, the Group strives to establish standardized ISDA master agreements with all major counterparties for derivative transactions in order to be able to perform close-out netting and credit support annexes (CSA) for full risk coverage for positive fair values on a daily basis.

Market risk

The Group defines market risk as the risk of possible losses arising from changes in market prices of trading and investment positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters (e.g. implied volatilities).

Market risks from the customer divisions are transferred to the Treasury division by using the transfer price method. Treasury is responsible for managing structural market risks and for complying with the Group's overall limit. The Capital Markets division is responsible for proprietary trading, market making, and customer business with money market and capital market products.

Organization of market risk management

All market risks are measured, monitored, and managed on Group level.

The Market Risk Committee is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks in the Group. The Group's overall limit is set by the Management Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to the strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined strategy of the Group. It is responsible for implementing and enhancing risk management processes, risk management infrastructure and systems, manuals and measurement techniques for all market risk categories and credit risks arising from market price changes in derivative transactions. Furthermore this department independently measures and reports market risks on a daily basis.

All products in which open positions can be held are listed in the product catalog. New products are added to this list only after completing the product approval process successfully. Product applications are investigated thoroughly for any risks. They are approved only if the new products can be implemented in the bank's front- and back-office and risk management systems respectively.

Limit system

The Group uses a comprehensive risk management approach for both the trading and banking book (total-return approach). Market risks are managed therefore consistently in all trading and banking books. The following values are measured and limited on a daily basis in the market risk management system:

- Value-at-Risk (VaR) – (confidence level 99 per cent, risk horizon one day)
  Value-at-risk is the main market risk steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach, where 5,000 scenarios are calculated. The approach combines the advantages of a historical simulation and a Monte-Carlo simulation and derives market parameters from 500 days historical data. Distribution assumptions include modern features like volatility declustering and random time change. This helps in reproducing fat-tailed and asymmetric distributions accurately. The Austrian Financial Market Authority approved this model so that it can be used for calculating total capital requirements for market risks. At the end of the third quarter, the VaR calculation was supplemented to include base interest rate risk factors. Value-at-risk results are not only used for limiting risk but also in the economic capital allocation.
- Sensitivities (to changes in exchange rates and interest rates, gamma, vega, equity and commodity prices)
  Sensitivity limits are to ensure that concentrations are avoided in normal market situations and are the main steering instrument under extreme market situations and in illiquid markets or in markets that are structurally difficult to measure.
- Stop loss
  This limit strengthens the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The results on market risk concentrations shown by these stress tests are reported to the Market Risk Committee and taken into account when setting limits. Stress test reports for individual portfolios are included in daily market risk reporting.

Value-at-Risk (VaR)

The following tables show the VaR (99 per cent, one day) for individual market risk categories of the trading and banking book. The Group's VaR mainly results from structural equity positions, structural interest rate risks, and credit spread risks of bonds, which are held as liquidity buffer.

Trading book VaR 99% 1d in € thousand	VaR as at 31/12/2017	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2016
Currency risk	987	8,851	818	26,057	3,506
Interest rate risk	2,999	2,758	1,295	4,595	3,522
Credit spread risk	883	989	556	1,496	692
Share price risk	591	926	591	1,168	909
Vega risk	96	188	84	431	255
Basis risk	2,012	1,187	630	2,342	n.a.
Total	3,993	10,960	2,152	28,747	5,012

Banking book VaR 99% 1d in € thousand	VaR as at 31/12/2017	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2016
Currency risk	13,027	19,495	11,187	27,632	23,525
Interest rate risk	10,646	15,652	5,586	31,956	15,260
Credit spread risk	29,928	10,959	6,318	29,928	7,316
Vega risk	1,001	2,086	895	5,412	1,082
Basis risk	4,908	3,785	2,559	5,544	n.a.
Total	40,501	32,209	18,711	45,057	34,406

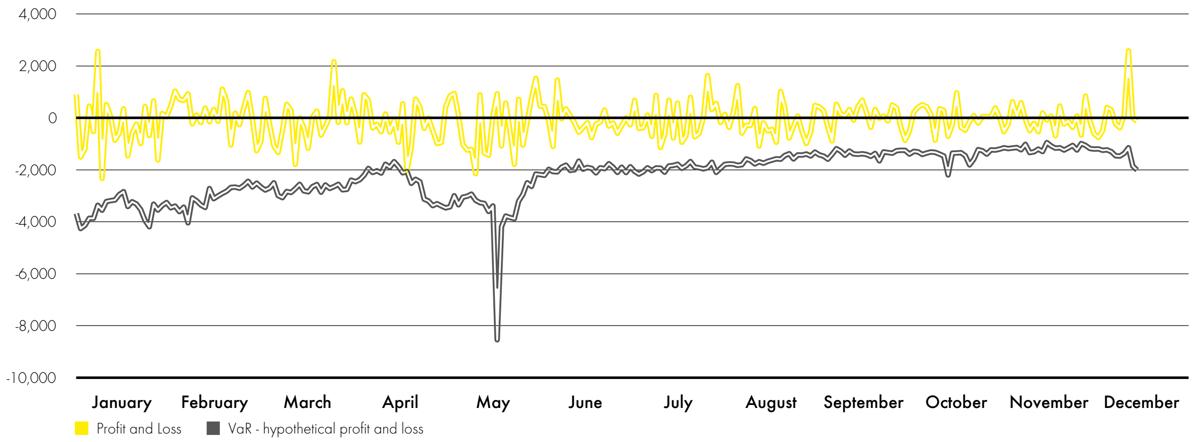
Total VaR 99% 1d in € thousand	VaR as at 31/12/2017	Average VaR	Minimum VaR	Maximum VaR	VaR as at 31/12/2016
Currency risk	13,362	19,630	10,988	29,152	23,683
Interest rate risk	11,742	16,937	6,107	35,454	15,827
Credit spread risk	30,622	11,359	6,679	30,622	7,576
Share price risk	591	926	591	1,168	909
Vega risk	1,032	2,112	920	5,473	1,009
Basis risk	5,855	4,162	3,210	5,855	n.a.
Total	40,822	34,112	19,738	49,269	35,723

The risk measurement approaches employed are verified – besides analyzing returns qualitatively – on an ongoing basis through backtesting and statistical validation techniques. If model weaknesses are identified, then they are improved accordingly.

In the previous year, no hypothetical backtesting exceedings arose. The following graph compares the VaR to the theoretical gains and losses on a daily basis. The VaR represents the maximum loss which will not be exceeded within one day, with a confidence level of 99 per cent. It is compared to the respective theoretical gain or loss which would arise on the following day due to the actual market conditions at the time.

Value-at-Risk and theoretical market price changes of trading book

in € thousand



The change in the VaR in May 2017 was mainly due to a trading position in Russian rouble.

Exchange rate risk and capital (ratio) hedge

Market risk in the Group results primarily from exchange rate risk, which stems from foreign-currency denominated equity investments in foreign Group units and the corresponding hedging positions entered into by the Group Asset/Liability Committee. In a narrow sense, exchange rate risk denotes the risk that losses are incurred due to open foreign exchange positions. However, exchange rate fluctuations also influence current revenues and expenses. They also affect regulatory capital requirements for assets denominated in foreign currencies, even if they are financed in the same currency and thus do not create an open foreign exchange position.

The Group holds material equity participations located outside of the euro area with equity denominated in the corresponding local currency. Also, a significant share of risk-weighted assets in the Group is denominated in foreign currencies. Changes in foreign exchange rates thus lead to changes in the consolidated capital of the Group and to changes in the total capital requirement for credit risks as well.

There are two different approaches for managing exchange rate risks:

- Preserve equity: With this hedging strategy an offsetting position is held on Group level for local currency denominated equity positions. However, the necessary hedging positions cannot be established in all currencies in the required size. Moreover, these hedges might be inefficient for some currencies if they carry a high interest rate differential.
- Stable capital ratio: The goal of this hedging strategy is to balance tier 1 capital and risk-weighted assets in all currencies according to the targeted tier 1 ratio (i.e. reduce excess capital or deficits in relation to risk-weighted assets for each currency) such that the tier 1 ratio remains stable even if foreign exchange rates change.

The Group aims at stabilizing its capital ratio when managing exchange rate risks. Changes in foreign exchange rates thus lead to changes in the consolidated equity amount; however, the regulatory capital requirement for credit risks stemming from assets denominated in foreign currencies also changes correspondingly. This risk is managed on a monthly basis in the Group Asset/Liability Committee based on historical foreign exchange volatilities, exchange rate forecasts, and the sensitivity of the tier 1 ratio to changes in individual foreign exchange rates.

The following table shows all material open foreign exchange rate positions as at 31 December 2017 and the corresponding values for the previous year. The numbers include both trading positions as well as capital positions of the subsidiaries with foreign currency denominated statements of financial position.

in € thousand	2017	2016
ALL	(2,809)	9,238
BAM	184,950	147,906
BGN	353,178	305,709
BYN	232,460	253,524
CNY	(7,082)	11,637
CHF	(198,101)	(240,133)
CZK	476,003	392,781
HRK	522,622	557,109
HUF	369,184	364,272
PLN	688,237	747,365
RON	369,002	505,480
RSD	396,936	378,831
RUB	487,980	566,157
UAH	97,368	11,036
USD	(585,151)	(417,224)

Interest rate risk in the trading book

The following tables show the largest present value changes for the trading book of the Group given a one-basis-point interest rate increase for the whole yield curve in € thousand for the reporting dates 31 December 2017 and 31 December 2016. Currencies where the total interest rate sensitivity exceeds € 1 thousand are shown separately.

2017 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
ALL	0	0	0	0	0	0	0	0	0	0	0	0
CHF	3	4	0	0	5	(5)	(1)	1	(1)	0	1	0
CNY	4	0	0	4	0	0	0	0	0	0	0	0
CZK	74	9	(2)	10	30	16	1	6	6	(1)	0	0
EUR	(104)	1	(29)	18	(100)	68	48	(72)	45	(37)	(10)	(36)
HRK	0	0	2	6	(2)	0	(2)	(4)	0	0	0	0
HUF	1	(3)	(14)	(3)	17	2	2	18	(18)	0	0	0
NOK	1	0	0	1	0	0	1	0	0	0	0	0
PLN	8	(3)	(6)	(9)	10	6	7	5	(2)	0	0	0
RON	(2)	(1)	2	(4)	1	(1)	3	(3)	0	0	0	0
RUB	(22)	(4)	(13)	(6)	19	(4)	1	(3)	(8)	(4)	0	0
UAH	(5)	0	0	(1)	(3)	(1)	0	0	0	0	0	0
USD	(41)	(8)	16	(14)	(29)	(18)	(14)	18	(17)	(15)	25	13
Other	(5)	(1)	0	(1)	(2)	0	(1)	(2)	2	0	0	0

The presentation of currencies changed year-on-year depending on the absolute amount of interest rate sensitivity:

2016 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
ALL	(14)	0	(1)	(1)	(2)	(5)	(5)	0	0	0	0	0
CHF	(9)	0	1	(6)	(9)	1	9	(5)	(1)	(1)	1	0
CNY	5	4	1	0	0	0	0	0	0	0	0	0
CZK	26	2	1	7	(4)	0	22	(4)	3	(2)	0	0
EUR	(162)	18	8	(6)	5	(8)	(37)	(87)	37	(89)	10	(12)
HRK	(14)	0	0	(1)	(4)	(4)	(2)	(3)	0	0	0	0
HUF	36	0	(8)	4	14	9	19	0	0	(2)	0	0
NOK	1	0	1	0	0	0	0	1	0	0	0	0
PLN	(10)	(3)	4	(13)	(1)	3	5	(3)	(3)	0	0	0
RON	(24)	1	(3)	1	0	(8)	(5)	(4)	(6)	0	0	0
RUB	(5)	(6)	(7)	(12)	16	1	19	3	1	(20)	0	0
UAH	(5)	0	0	0	(3)	(1)	(1)	0	0	0	0	0
USD	(62)	(16)	12	(19)	(15)	(13)	(3)	(17)	(24)	6	15	12
Other	0	(1)	(1)	0	1	0	0	0	1	0	0	0

Interest rate risk in the banking book

Different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and financing from money markets and capital markets) cause interest rate risk in the Group. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book is material for the euro and US dollar as major currencies as well as for local currencies of Group units located in Central and Eastern Europe.

This risk is mainly hedged by a combination of transactions on and off the statement of financial position where in particular interest rate swaps and – to a smaller extent – also interest rate forwards and interest rate options are used. Management of the statement of financial position is a core task of the central Global Treasury division and of individual network banks, which are supported by the Group Asset/Liability Committee. They base their decisions on various interest income analyses and simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the banking book is not only measured within a value-at-risk framework but also managed by the traditional tools of nominal and interest rate gap analyses. Interest rate risk is subject to quarterly reporting in the context of the interest rate risk statistic submitted to the banking supervisor. This report also shows the change in the present value of the banking book as a percentage of total capital in line with the CRR requirements. Maturity assumptions needed in this analysis are defined as specified by regulatory authorities and based on internal statistics and empirical values.

The following table shows the change in the present value of the Group's banking book given a one-basis-point interest rate increase for the whole yield curve in € thousand for reporting dates 31 December 2017 and 31 December 2016. Currencies where the total interest rate sensitivity exceeds € 1 thousand are shown separately.

2017 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
ALL	(25)	2	(5)	(3)	(19)	(3)	3	(3)	1	1	1	1
BAM	(11)	5	(1)	(7)	(4)	(2)	(4)	0	2	0	0	0
BGN	26	1	0	1	8	12	36	(18)	(10)	(3)	(1)	0
BYN	(16)	1	(1)	(3)	(7)	(3)	(2)	0	0	0	0	0
CHF	245	(10)	2	2	12	14	34	21	49	73	43	5
CNY	(3)	0	0	(3)	0	0	0	0	0	0	0	0
CZK	(246)	13	(18)	(2)	8	6	(46)	67	57	37	(268)	(102)
EUR	(443)	(8)	(6)	108	(268)	37	515	251	(262)	(433)	(228)	(149)
GBP	(4)	(1)	0	1	0	0	(1)	(1)	(1)	0	0	0
HRK	(17)	2	(6)	(9)	(1)	5	30	(28)	(8)	(2)	0	0
HUF	(32)	(2)	(11)	23	(2)	(19)	41	(55)	(1)	(3)	(2)	(1)
PLN	148	(22)	4	24	16	16	21	19	16	34	17	3
RON	106	2	(5)	7	39	63	19	(4)	(4)	(5)	(3)	(2)
RSD	(38)	(1)	(2)	(1)	(19)	(4)	(6)	(5)	(1)	0	0	0
RUB	(308)	7	(17)	(22)	(196)	(82)	(35)	29	76	(45)	(20)	(3)
SGD	1	0	0	1	0	0	0	0	0	0	0	0
UAH	(57)	1	(3)	(3)	(18)	(10)	(14)	(3)	(4)	(2)	0	0
USD	182	28	5	13	1	32	57	5	4	32	4	2
Other	1	1	0	1	0	0	0	0	0	0	0	0

The presentation of currencies changed year-on-year depending on the absolute amount of interest rate sensitivity.

2016 in € thousand	Total	< 3 m	> 3 to 6 m	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
ALL	(38)	3	(6)	(5)	(21)	(7)	(4)	0	1	1	0	1
BGN	(11)	(2)	2	(3)	(9)	11	42	(22)	(14)	(11)	(4)	(1)
BYN	(34)	(1)	(2)	(6)	(12)	(6)	(5)	(1)	(1)	0	0	0
CHF	(242)	13	4	(1)	(4)	(4)	(5)	(22)	(60)	(109)	(48)	(7)
CNY	(4)	(2)	(2)	0	0	0	0	0	0	0	0	0
CZK	(49)	17	(11)	(5)	18	42	138	(82)	(54)	(72)	(32)	(7)
EUR	448	(45)	(17)	75	135	37	379	370	(141)	(201)	(64)	(79)
GBP	(4)	(1)	0	1	0	0	(1)	(1)	(2)	0	0	0
HRK	(29)	2	(1)	(5)	(22)	3	14	(9)	(12)	3	(1)	0
HUF	(107)	1	(13)	7	1	6	(41)	(39)	(8)	(15)	(6)	(1)
PLN	(51)	(6)	(25)	29	(1)	(4)	(7)	(6)	(11)	(12)	(6)	(1)
RON	52	(3)	0	6	33	31	(6)	(4)	(2)	(1)	0	0
RSD	(45)	(1)	(2)	3	(20)	(6)	(13)	(5)	0	0	0	0
RUB	(670)	12	(16)	(25)	(193)	(121)	(90)	(80)	(85)	(62)	(8)	(2)
SGD	1	1	0	1	0	0	0	0	0	0	0	0
UAH	(10)	1	(1)	0	(6)	10	(1)	(5)	(5)	(2)	0	0
USD	108	28	17	46	23	(1)	26	(29)	2	29	(5)	(28)
Other	1	5	(2)	(4)	(1)	(1)	0	1	3	0	0	0

The significant changes in the present values for EUR and CHF were mainly caused by changes in methods (e.g. consideration of negative interest rates) and only to a lesser degree by position changes.

Credit spread risk

The market risk management framework uses time-dependent bond and CDS-spread curves as risk factors in order to measure credit spread risks. It captures all capital market instruments in the trading and banking book.

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 Raiffeisen Landesbanken. 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 supranationals). Partly due to tight country limits and partly due to beneficial pricing, the Group units also use interbank loans with third-party banks.

Principles

Internal liquidity management is an important business processes within general bank management, because it ensures the continuous availability of funds required to cover day-to-day demands.

Liquidity adequacy is ensured from both an economic and a regulatory perspective. In order to approach the economic perspective RBI Group established a governance framework comprising internal limits and steering measures which complies with the Principles for Sound Liquidity Risk Management and Supervision set out by the Basel Committee on Banking Supervision and the Kreditinstitute-Risikomanagement-Verordnung (KI-RMV) by the Austrian regulatory authority.

The regulatory component is addressed by compliance with the reporting requirements under Basel III (Liquidity Coverage Ratio, Net Stable Funding Ratio and Additional Liquidity Monitoring Metrics) respectively complying with the regulatory limits. In addition some units of the group have additional liquidity and reporting requirements set by their local supervisory authorities.

Organization and responsibility

Responsibility for ensuring adequate levels of liquidity lies with the overall Management Board. The functionally responsible board members are the Chief Financial Officer (Treasury/ALM) and the Chief Risk Officer (Risk). Accordingly, the processes regarding liquidity risk are run essentially by two areas within the bank: On the one side the Treasury units, which take on liquidity risk positions within the strategy, guidelines and parameters set by the responsible decision making bodies. On the other side they are monitored and supported by independent Risk Controlling units, which measure and model liquidity risk positions, set limits and supervise the compliance with those. Besides the responsible units in the line functions, there are respective asset/liability management committees (ALCOs) set up in all network banks. These committees act as decision making bodies with respect to all matters affecting the management of the liquidity position and balance sheet structure of a unit including the definition of strategies and policies for managing liquidity risks. The ALCOs take decisions and provide standard reports on liquidity risk to the Board of Management at least on a monthly basis. On group level these functions are taken by the RBI Group ALCO. Treasury-ALM operations and respective ALCO decisions are mainly based on Group-wide, standardized Group rules and their local supplements, which take specific regional factors into account.

Liquidity strategy

Treasury units are committed to achieve KPIs and to comply to risk based principles. The current set of KPIs includes general targets (e.g. for return on risk-adjusted capital (RORAC) or coverage ratios), as well as specific Treasury targets for liquidity such as a minimum survival period in defined stress scenarios or diversification of the funding structure. While generating an adequate structural income from maturity transformation which reflects the liquidity and market risk positions taken by the bank, Treasury has to follow a prudent and sustainable risk policy when steering the balance sheet. Strategic goals comprise a reduction of parent funding within the group, a further increase of the stability of the depositor base and continuous compliance with regulatory requirements and the internal limit framework.

Liquidity risk framework

Regulatory and internal liquidity reports and ratios are generated based on particular modelling assumptions. Whereas the regulatory reports are calculated on specifications given by authorities, the internal reports are modelled with assumptions from empirical observations.

The Group has a substantial database along with expertise in forecasting cash flows arising from all material on- and off-balance sheet positions. The modelling of liquidity in- and outflows is carried out on a sufficient granular level, differentiating between product and customer segments, and, where applicable, currencies as well. Modelling of retail and corporate customer deposits includes assumptions concerning the retention times for deposits after maturity. The model assumptions are quite prudent, e.g. there is a "no rollover" assumption on funding from banks and all funding channels and the liquidity buffer are stressed simultaneously without taking mitigating effects from diversification into account.

The cornerstones of the economic liquidity risk framework are the Going Concern (GC) and the Time to Wall (TTW) scenario. The Going Concern report shows the structural liquidity position. It covers all main risk drivers which could detrimentally affect the group in a businessasusual scenario. The Going Concern Models are also the main input factor for the liquidity contribution to the internal Funds transfer pricing model. On the other hand, the Time to Wall report shows the survival horizon for defined adverse scenarios and stress models (market, reputational and combined crisis) and determines the minimum level of the liquidity buffer (and/or the counter-balancing capacity) of the Group and its individual units.

The liquidity scenarios are modelled using a Group-wide approach, acknowledging local specifications where they are justified by influencing factors such as the market environment or particular business characteristics; the calculation is performed at RBI Head Office. The modelling of cash inflows and outflows differentiates between product and customer segments, while if applicable, a distinction between different currencies is made as well. For products without a contractual maturity, the distribution of cash inflows and outflows is calculated using a geometric Brownian motion which derives the statistical forecasts for future daily balances from the observed, exponentially weighted historical volatility of the corresponding products.

The liquidity risk framework is continuously developed at both Group level and at the level of the individual Group units. The technical infrastructure is enhanced in numerous Group-wide projects and data availability is improved in order to meet the new reporting and management requirements for this area of risk.

Risk appetite and liquidity limits

The liquidity position is monitored on Group level and on individual unit level and is restricted by means of a comprehensive limit system. Limits are defined both under a business as usual as well as under a stress perspective. In accordance with the defined risk appetite, each Group unit must demonstrate a survival horizon of several months (TTW) in a severe, combined stress scenario (reputational and market stress). This can be ensured either by a structurally positive liquidity profile or by a sufficiently high liquidity buffer. In a normal going concern environment, maturity transformation must be fully covered by the available liquidity buffer in the medium term. This means that the cumulative liquidity position over a period of up to one year must be positive. In the long term (one year or more), maturity transformation is permitted up to a certain level. For internal models, these limits are supplemented by limits for compliance with regulatory liquidity ratios, such as the liquidity coverage ratio (LCR). All limits must be complied with on a daily basis.

Liquidity monitoring

The bank uses a range of customized measurement tools and early warning indicators that provide board members and senior management with timely and forward looking information. The limit framework ensures that the bank can continue to operate in a period of severe stress.

Monitoring of limits and reporting limit compliance is performed effectively and the respective escalation channels are being utilized and work as designed. Limit compliance is generally very high throughout the Group, and any breach by Group units is reported to the Group ALCO and escalated. In such cases, appropriate steps are undertaken in consultation with the relevant unit or contentious matters are escalated to the next highest responsible body.

Liquidity stress testing

Stress tests are conducted for the individual Group units on a daily basis and on Group level on a weekly basis. The tests cover three scenarios (market, reputational and combined crisis), consider the effects of the scenarios for a period of several months and demonstrate that stress events can simultaneously result in a time-critical liquidity requirement in several currencies. The stress scenarios include the principal funding and market liquidity risks, without considering beneficial diversification effects. This means that in the stress tests of the Group, all network units are simultaneously subject to a pronounced combined crisis for all their major products. The results of the stress tests are reported to the Chief Risk Officer and the Chief Financial Officer as well as other members of management on a weekly basis; they also form a key component of the monthly ALCO meetings and are included in the bank's strategic planning and contingency planning.

A conservative approach is adopted when establishing outflow ratios based on historical data and expert opinions. The simulation assumes a lack of access to the money or capital market and simultaneously significant outflows of customer deposits. In this respect, the deposit concentration risk is considered by assigning higher outflow ratios to large customers. Furthermore, stress assumptions are formulated for the drawdown of guarantees and credit obligations. In addition, the liquidity buffer positions are adapted by haircuts in order to cover the risk of disadvantageous market movements, and the potential outflows resulting from collateralized derivative transactions are estimated. The bank continuously monitors whether the stress assumptions are still appropriate or whether new risks need to be considered. The time to wall concept has established itself as the main control instrument for day-to-day liquidity management and is therefore a central component of funding planning and budgeting. It is also fundamental to determining performance ratios relating to liquidity.

Liquidity buffer

As shown by the daily liquidity risk reports, each Group unit actively maintains and manages liquidity buffers, including high quality liquid assets (HQLA) which are always sufficient to cover the net outflows expected in crisis scenarios. The Group has sizeable, unencumbered and liquid securities portfolios and favors securities eligible for Central Bank tender transactions in order to ensure sufficient liquidity in various currencies. Each Group unit ensures the availability of liquidity buffers, tests its ability to utilize central bank funds, constantly evaluates its collateral positions as regards their market value and encumbrance and examines the remaining counterbalancing capacity, including the funding potential and the saleability of the assets.

Generally, a haircut is applied to all liquidity buffer positions. These haircuts include a market-risk specific haircut and a central bank haircut. While the market risk haircut represents the potential price volatility of the securities held as assets as part of the liquidity buffer, the central bank haircut represents an additional haircut for each individual relevant security that may be offered as collateral.

Intraday liquidity management

In compliance with regulatory requirements for intraday liquidity management a daily stressed forecast of available intraday liquidity at defined critical times during a business day is calculated for RBI. This stressed forecast, which considers outflow assumptions analogous to the regular liquidity stress testing in the Group (see above), is quite conservative since inflows that are not final (revocable) are not considered at all. In case of limit breaches, the intraday contingency and escalation process is triggered. At Group Unit level the local intraday liquidity management process is within the responsibility of the local Treasury Unit which ensures that the following minimum standards are implemented locally: clear responsibilities and workflows for managing intraday liquidity; daily monitoring of available intraday liquidity; intraday liquidity forecasting model and limit; escalation and contingency processes and measures in case of limit breaches.

Contingency funding plan

Under difficult liquidity conditions, the units switch to a contingency process in which they follow predefined liquidity contingency plans. These contingency plans also constitute an element of the liquidity management framework and are mandatory for all significant Group units. The emergency management process is designed so that the Group can retain a strong liquidity position even in serious crisis situations.

Liability structure and liquidity position

Group funding is founded on a strong customer deposit base supplemented by wholesale funding. Funding instruments are appropriately diversified and are used regularly. The ability to procure funds is precisely monitored and evaluated by the Treasury ALM units and the ALCOs.

In the past year and to date, the Group's excess liquidity was significantly above all regulatory and internal limits. The result of the internal time to wall stress test demonstrates that the Group would survive throughout the modelled stress phase of several months even without applying contingency measures.

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. Based on assumptions employing expert opinions, statistical analyses and country specifics, this calculation also incorporates estimates of the stability of the customer deposit base, outflows from items off the statement of financial position and downward market movements in relation to positions which influence the liquidity counterbalancing capacity.

in € thousand	2017		2016	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	20,675,411	24,397,396	21,066,192	24,517,362
Liquidity ratio	152%	129%	160%	131%

Liquidity coverage ratio (LCR)

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 cash inflows and outflows as well as HQLA is based on regulatory guidelines.

In 2017, the regulatory limit for the LCR stood at 80 per cent. From 2018 onwards, this limit is 100 per cent.

in € thousand	2017	2016
Average liquid assets	**23,050,130**	**12,976,791**
Net outflows	**16,391,665**	**7,071,013**
Inflows	10,436,441	11,185,616
Outflows	26,828,106	18,256,629
Liquidity Coverage Ratio	**141%**	**184%**

Compared to year-end 2016, in 2017 the LCR of RBI Group decreased as planned. Main drivers were the inclusion of RZB AG's business into RBI AG in March 2017 and the intended liquidity surplus reduction at RBI AG.

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the ratio of available stable funding to required stable funding. The regulatory limit is expected to be set at 100 per cent and to be used for the first time in 2020. Available stable funding is defined as the portion of equity and debt which is expected to be a reliable source of funds over the time horizon of one year covered by the NSFR. A bank's required stable funding depends on the liquidity characteristics and residual maturities of the various assets and off-balance sheet positions.

The RBI Group targets a balanced funding position. The regulatory provisions are currently being revised by the regulatory authorities.

in € thousand	2017	2016
Required stable funding	101,657,724	73,729,744
Available stable funding	114,463,503	86,230,087
Net Stable Funding Ratio	**113%**	**117%**

Funding liquidity risk

Funding liquidity risk is mainly driven by changes in the risk strategy of lenders or by a deterioration in the creditworthiness of a bank that needs external funding. Funding rates and supply rise and fall with credit spreads, which change due to the market- or bank-specific situation.

As a consequence, long-term funding depends on restoring confidence in banks and increased efforts in collecting customer deposits. RBI AG's banking activities are financed by combining wholesale funding and the retail franchise of deposit-taking subsidiary banks. It is the central liquidity balancing agent for the local Group units in Central and Eastern Europe.

In the Group's funding plans, special attention is paid to a diversified structure of funding to mitigate funding liquidity risk. In the Group, funds are not only raised by RBI AG as the Group's parent institution, but also individually by different banking subsidiaries. Those efforts are coordinated and optimized through a joint funding plan. Moreover, RBI AG arranges medium-term and long-term funding for its subsidiaries through syndicated loans, bilateral funding agreements with banks, and financing facilities provided by supranational institutions. These funding sources are based on long-term business relationships.

For managing and limiting liquidity risks, the targets for loan/deposit ratios (the ratio of customer loans to customer deposits) in the individual subsidiary banks take into account the planned future business volumes as well as the feasibility of increasing customer deposits in different countries. On the one hand, this initiative reduces external funding requirements. On the other hand, it also reduces the need for internal funding operations and the risk associated with such liquidity transfers.

The following table shows a breakdown of cash flows according to the contractual maturity of financial liabilities:

2017 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**120,963,756**	**122,624,232**	**84,238,936**	**10,205,823**	**20,399,175**	**7,780,301**
Deposits from banks	22,291,431	23,011,463	13,646,772	1,564,405	5,841,980	1,958,307
Deposits from customers	84,831,440	85,316,696	65,773,137	7,937,933	9,552,640	2,052,987
Debt securities issued	5,885,137	6,286,062	3,073,878	318,806	1,922,954	970,424
Other liabilities	4,167,771	4,221,650	1,745,036	351,327	1,695,403	429,885
Subordinated capital	3,787,977	3,788,361	113	33,352	1,386,198	2,368,698
Derivatives	**1,930,823**	**6,910,262**	**3,424,791**	**1,924,200**	**1,145,897**	**415,372**
Derivatives in the trading book	1,568,384	5,544,783	2,446,036	1,863,116	921,315	314,316
Hedging derivatives	194,870	45,810	8,791	5,162	20,015	11,841
Other derivatives	165,178	1,317,479	969,846	54,180	204,237	89,215
Credit derivatives	2,391	2,190	118	1,742	330	0
Contingent liabilities	**9,917,133**	**9,891,978**	**5,593,080**	**2,166,142**	**1,783,679**	**349,077**
Credit guarantees	5,732,500	5,303,067	2,518,013	1,350,309	1,161,113	273,632
Other guarantees	2,827,803	2,733,830	1,781,225	436,349	441,737	74,519
Letters of credit (documentary business)	1,329,472	1,827,723	1,266,484	379,484	180,829	926
Other contingent liabilities	27,358	27,358	27,358	0	0	0
Commitments	**10,897,783**	**11,634,754**	**4,041,490**	**1,128,050**	**5,484,834**	**980,380**
Irrevocable credit lines	10,897,783	11,634,754	4,041,490	1,128,050	5,484,834	980,380

2016 in € thousand	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Non-derivative liabilities	**98,488,181**	**105,586,892**	**70,187,335**	**13,106,947**	**15,869,512**	**6,423,093**
Deposits from banks	12,816,475	16,405,878	6,505,140	2,575,320	5,124,414	2,201,003
Deposits from customers	71,538,226	73,358,262	60,881,071	7,758,164	3,532,505	1,186,522
Debt securities issued	6,645,127	7,167,793	979,807	2,410,159	3,061,778	716,049
Other liabilities	3,284,660	3,702,007	1,786,696	227,750	1,311,615	375,943
Subordinated capital	4,203,693	4,952,952	34,621	135,554	2,839,200	1,943,576
Derivatives	**3,387,282**	**8,109,383**	**4,123,582**	**1,700,682**	**1,717,117**	**568,004**
Derivatives in the trading book	2,600,333	6,292,952	3,157,018	1,533,305	1,139,389	463,241
Hedging derivatives	425,415	272,198	15,711	29,287	222,309	4,891
Other derivatives	361,534	1,544,233	950,853	138,090	355,419	99,872
Credit derivatives	0	0	0	0	0	0
Contingent liabilities[1]	**9,055,448**	**8,136,410**	**4,654,562**	**1,423,882**	**1,711,377**	**346,588**
Credit guarantees	5,397,891	5,117,012	2,386,419	962,237	1,439,575	328,781
Other guarantees	2,626,370	1,725,013	1,375,450	163,428	168,328	17,807
Letters of credit (documentary business)	993,936	1,257,133	855,442	298,217	103,474	0
Other contingent liabilities	37,251	37,251	37,251	0	0	0
Commitments	**10,174,261**	**10,615,520**	**4,701,813**	**1,074,241**	**4,426,760**	**412,706**
Irrevocable credit lines	10,174,261	10,615,520	4,701,813	1,074,241	4,426,760	412,706

1 Adaptation of previous year figures

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers such as unauthorized activities, fraud or theft, conduct-related losses, modelling errors, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or fraud are managed and controlled as well.

This risk category is analyzed and managed based on own historical loss data and the results of risk assessments.

As with other risk types the principle of firewalling of risk management and risk controlling is also applied to operational risk in the Group. To this end, individuals are designated and trained as Operational Risk Managers for each business area. Operational Risk Managers provide central Operational Risk Controlling with reports on risk assessments, loss events, indicators and measures. They are supported in their work by Dedicated Operational Risk Specialists (DORS).

Operational risk controlling units are responsible for reporting, implementing the framework, developing control measures and monitoring compliance with requirements. Within the framework of the annual risk management cycle, they also coordinate the participation of the relevant second line of defense departments (Financial Crime Management, Compliance, Vendor Management, Outsourcing Management, Insurance Management, Information Security, Physical Security, BCM, Internal Control System) and all first line of defense partners (Operational Risk Managers).

Risk identification

Identifying and evaluating risks that might endanger the Group's existence (but the occurrence of which is highly improbable) and areas where losses are more likely to arise more frequently (but have only limited impact) are important aspects of operational risk management.

Operational risk assessment is executed in a structured and Group-wide uniform manner according to risk categories such as business processes and event types. Moreover, risk assessment applies to new products as well. All Group units grade the impact of high probability/low impact events and low probability/high impact incidents according to their estimation of the loss potential for the next year and in the next ten years. Low probability/high impact events are quantified by a Group-wide analytical tool (scenarios). The internal risk profile, losses arising and external changes determine which cases are dealt with in detail.

Monitoring

In order to monitor operational risks, early warning indicators are used that allow prompt identification and minimization of losses.

Loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner and on a Group-wide basis according to the event type and the business line. In addition to the requirements for internal and external reporting, information on loss events is exchanged with international data pools to further develop operational risk management tools as well as to track measures and control effectiveness. Since 2010, The Group has been a participant in the ORX data pool (Operational Risk Data Exchange Association), whose data are currently used for internal benchmark purposes and analyses and as part of the operational risk model. The ORX data consortium is an association of banks and insurance groups for statistical purposes. The results of the analyses as well as events resulting from operational risks are reported in a comprehensive manner to the relevant Operational Risk Management Committee on a regular basis.

Quantification and mitigation

Since October 2016, the Group has calculated the equity requirement for a significant part of the Group using the Advanced Measurement Approach (AMA). This includes units in Bulgaria, Romania, Russia, Slovakia and principal banks in Austria (Raiffeisen Bank International AG, Vienna, Kathrein Privatbank Aktiengesellschaft, Vienna, Raiffeisen Centrobank AG, Vienna, Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna, Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung, Vienna). The Standardized Approach (STA) is still used to calculate the operational risk of the remaining units in the CRR scope of consolidation.

Operational risk reduction is initiated by business managers who decide on preventive actions like risk mitigation or risk transfer. Progress and success of these actions is monitored by risk controlling. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if losses in fact occur. In addition, several dedicated organizational units provide support to business units for reducing operational risks. An important role in connection with operational risk activities is taken on by Financial Crime Management. Financial Crime Management provides support for the prevention and identification of fraud. The Group also conducts an extensive staff training program and has different contingency plans and backup systems in place.

Other disclosures

(43) Fiduciary business

Fiduciary business not recognized in the statement of financial position was concluded with the following volumes on the reporting date:

in € thousand	2017	2016[1]
Loans and advances to customers	222,727	245,771
Financial investments	9,417	7,091
Other fiduciary assets	102,401	68,651
Fiduciary assets	**334,545**	**321,513**
Deposits from banks	113,148	136,611
Deposits from customers	109,579	109,160
Other fiduciary liabilities	111,817	75,742
Fiduciary liabilities	**334,545**	**321,513**

1 Adjustment of the previous year's figures

Fiduciary income and expenses break down as follows:

in € thousand	2017	2016[1]
Fiduciary income	3,077	2,332
Fiduciary expenses	0	0

1 Adjustment of the previous year's figures

The following table contains the funds managed by the Group:

in € thousand	2017	2016
Retail investment funds	**26,236,924**	**5,265,851**
Equity-based and balanced funds	15,183,745	4,279,473
Bond-based funds	10,981,300	719,722
Other	71,878	266,656
Special funds	**10,185,605**	**0**
Property-based funds	**275,227**	**244,036**
Total	**36,697,755**	**5,509,887**

The increase in managed funds was mainly attributable to the transfer of Raiffeisen Capital Management in connection with the merger of RZB AG and RBI AG.

(44) Finance leases

in € thousand	2017	2016[1]
Gross investment value	**3,235,315**	**2,086,342**
Minimum lease payments	2,829,609	2,045,049
Up to 3 months	266,855	209,117
More than 3 months, up to 1 year	553,279	436,995
More than 1 year, up to 5 years	1,559,131	1,144,481
More than 5 years	450,344	254,456
Non-guaranteed residual value	405,707	41,293
Unearned finance income	**327,732**	**205,850**
Up to 3 months	26,026	27,548
More than 3 months, up to 1 year	70,438	52,189
More than 1 year, up to 5 years	173,465	104,064
More than 5 years	57,803	22,049
Net investment value	**2,907,583**	**1,880,492**

1 Adjustment of the previous year's figures

The increase in the net investment value in finance leases was mainly attributable to the transfer of the Raiffeisen Leasing Group in connection with the merger of RZB AG and RBI AG. Write-offs on unrecoverable minimum lease payments fell to € 4,849 thousand (2016: € 9,633 thousand).

Assets under finance leases break down as follows:

in € thousand	2017	2016[1]
Vehicles leasing	1,165,523	939,814
Real estate leasing	1,178,682	403,352
Equipment leasing	563,379	537,327
Total	**2,907,583**	**1,880,492**

1 Adjustment of the previous year's figures

(45) Operating leases

Operating leases from view of lessor

Future minimum lease payments under non-cancelable operating leases are as follows:

in € thousand	2017	2016
Up to 1 year	40,437	31,285
More than 1 year, up to 5 years	67,246	51,568
More than 5 years	14,570	694
Total	**122,254**	**83,547**

The increase in operating leases from the lessor's view was attributable to the merger of RZB AG and RBI AG.

Operating leases from view of lessee

Future minimum lease payments under non-cancelable operating leases are as follows:

in € thousand	2017	2016
Up to 1 year	56,836	62,876
More than 1 year, up to 5 years	125,091	125,060
More than 5 years	25,984	30,962
Total	**207,911**	**218,898**

Operating leases decreased from the view of the lessee, mainly as a result of the developments in Slovakia, Poland and Russia.

(46) Other disclosures according to BWG

Geographical markets

2017 Monetary values in € thousand	Operating income	hereof net interest income	Profit/loss before tax	Income taxes	Employees as at reporting date
Central Europe	**1,546,702**	**960,398**	**529,877**	**(111,015)**	**13,069**
Czech Republic	456,641	286,952	195,301	(56,158)	3,325
Hungary	238,325	131,079	118,569	(5,645)	1,993
Poland	404,343	265,644	66,671	(17,450)	3,871
Slovenia	2,384	(82)	372	(252)	13
Slovakia	445,289	276,619	160,883	(31,510)	3,867
Southeastern Europe	**1,183,582**	**727,474**	**403,858**	**(57,494)**	**14,792**
Albania	73,514	53,209	34,007	(237)	1,229
Bosnia and Herzegovina	108,767	66,732	42,730	(4,654)	1,277
Bulgaria	155,661	104,045	76,536	(7,413)	2,576
Croatia	213,109	118,673	39,871	(13,967)	2,106
Kosovo	51,991	37,870	20,484	(2,357)	730
Romania	453,381	265,778	127,479	(20,900)	5,333
Serbia	127,159	81,097	62,750	(7,966)	1,541
Eastern Europe	**1,471,092**	**940,998**	**872,319**	**(183,767)**	**18,132**
Belarus	162,399	106,366	88,322	(23,122)	1,906
Russia	1,021,427	651,249	562,511	(119,754)	8,229
Ukraine	287,266	183,465	221,486	(40,891)	7,997
Austria and other	**2,256,332**	**1,667,638**	**894,502**	**(13,778)**	**3,707**
Reconciliation	(1,230,139)	(1,088,789)	(1,088,492)	0	0
Total	**5,227,569**	**3,207,718**	**1,612,063**	**(366,054)**	**49,700**

2016 Monetary values in € thousand	Operating income	hereof net interest income	Profit/loss before tax	Income taxes	Employees as at reporting date
Central Europe	**1,438,989**	**895,409**	**402,181**	**(104,793)**	**13,309**
Czech Republic	380,460	247,177	136,234	(26,920)	3,158
Hungary	209,896	106,635	52,453	139	1,983
Poland	413,509	262,473	46,710	(40,794)	4,242
Slovakia	426,552	274,774	165,670	(36,743)	3,910
Slovenia	9,069	3,495	1,114	(475)	16
Southeastern Europe	**1,202,953**	**738,218**	**362,627**	**(61,919)**	**14,831**
Albania	77,872	55,632	(32,250)	(289)	1,291
Bosnia and Herzegovina	106,407	67,007	34,777	(5,640)	1,268
Bulgaria	156,359	111,909	77,896	(7,390)	2,569
Croatia	224,427	126,379	77,910	(18,711)	2,128
Kosovo	48,786	37,577	19,826	(2,371)	731
Romania	462,719	259,239	125,492	(21,036)	5,322
Serbia	126,434	80,434	58,976	(6,483)	1,522
Eastern Europe	**1,314,919**	**866,320**	**649,271**	**(125,685)**	**17,827**
Belarus	184,894	127,918	95,135	(22,837)	2,005
Kazakhstan	396	468	113	(65)	7
Russia	869,097	566,773	404,235	(87,795)	7,742
Ukraine	260,532	171,071	149,788	(14,989)	8,073
Asia	**28,256**	**37,484**	**(198,027)**	**(1,040)**	**108**
USA	**17,597**	**14,071**	**(36,671)**	**1,708**	**32**
Austria and other	**1,191,570**	**749,708**	**136,720**	**(20,253)**	**2,449**
Reconciliation	(502,061)	(365,781)	(430,504)	0	0
Total	**4,692,222.33**	**2,935,428.65**	**885,597.81**	**(311,982.40)**	**48,556.00**

Foreign assets/liabilities

Assets and liabilities with counterparties outside Austria are as follows:

in € thousand	2017	2016
Assets[1]	113,639,859	102,906,932
Liabilities	82,837,933	71,456,232

1 Adaptations of the previous year's figures

Volume of the securities trading book

in € thousand	2017	2016
Securities, equity investments	7,024,781	4,771,172
Other financial instruments	151,301,691	146,269,000
Total	**158,326,472**	**151,040,172**

Securities admitted for trading on a stock exchange

in € thousand	2017 Listed	2017 Unlisted	2016 Listed	2016 Unlisted
Bonds, notes and other fixed-interest securities	13,541,822	321,072	9,897,188	276,540
Shares and other variable-yield securities	464,315	145,484	155,634	56,628
Equity participations[1]	1,400	313,162	1,536	247,035
	14,007,536	**779,719**	**10,054,359**	**580,204**

1 Adaptations of the previous year's figure for equity participations in listed companies

Subordinated assets

in € thousand	2017	2016
Loans and advances to banks	15,575	1,803
Loans and advances to customers	118,214	178,873
Trading assets	13,494	15,226
Financial investments	68,530	59,429
Total	**215,813**	**255,331**

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

Capital management

Capital continues to be an integral part of the Group's control procedures. RBI as an international Group takes various control parameters into consideration.

Regulatory values for RBI are defined on a consolidated and individual basis by the BWG and the applicable regulation of the European Parliament. There are also – often deviating with regard to content – guidelines in individual countries in which the Group operates. Such rules must be adhered to separately by the local units.

For internal management purposes, targets which take account of a management buffer in addition to the regulatory requirements are defined for the Group. The regulatory requirements form the main component of the targets and take account of the buffer requirements set out in the Capital Requirement Directive (CRR) and the specific buffer for the RBI Group determined under the Supervisory Review and Evaluation Process (SREP). The amount of the management buffer is set internally and takes account, among other things, of the results of stress tests that are performed under the Internal Capital Adequacy Assessment Process (ICCAP), a quantitative method used to assess the adequacy of internal capital. Moreover, the optimal mixture of total capital (e.g. the ratio of additional tier 1 capital to tier 2 capital) plays an important role and is an integral part of capital management. Risk taking capacity is calculated within the framework of regulatory limits. It is defined as the maximum loss which the bank or the banking group may incur during the next twelve months without falling short of the regulatory minimum capital ratios.

The determination of the target values in relation to the compulsory minimum requirements necessitates additional internal control calculations. The Risk Controlling department calculates the value-at-risk in relation to the above defined risk taking capacity. Moreover, a comparison between economic capital and internal capital is drawn. Further details regarding this calculation are contained in the risk report.

Regulatory capital

Based on an annually undertaken Supervisory Review and Evaluation Process (SREP), the European Central Bank (ECB) instructs RBI by way of an official notification to hold additional CET 1 capital to cover risks which are not, or not adequately, considered under pillar I.

This so-called Pillar 2 requirement is calculated based on the business model, risk management and 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 31 December 2017, the CET1 ratio requirement (including the combined buffer requirement) is 8.6 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 in force during the year, including a sufficient buffer, were met on a consolidated basis.

National regulators can in principle set 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 a banking institution, only the higher of the two values is applicable. In September 2015, the responsible financial market stability committee of the FMA recommended the requirement of a systemic risk buffer for certain banks, including RBI.

This came into force as of the beginning of 2016 in a capital buffer regulation issued by the FMA. The SRB was set at 0.25 per cent for RBI in 2016, was raised to 0.50 per cent from 1 January 2017 on and will progressively increase to 2 per cent by 2019.

Moreover, a countercyclical buffer can also be implemented by national regulators, resulting in a weighted average at the level of RBI aimed at curbing excessive lending growth. This buffer is currently set at 0 per cent for Austria due to restrained lending growth and the stable macroeconomic environment. The buffer rates defined in other member states apply at the level of RBI.

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.

Calculation of total capital

The determination of eligible total capital – including 2017 profit – in accordance with the applicable regulations is based on international accounting standards. Further details can be found in the regulatory disclosure report. The comparable figures as at year-end 2016 correspond to the results published by RBI prior to the merger.

The total capital broke down as follows:

in € thousand	2017	2016
Paid-in capital	5,993,858	5,886,199
Earned capital	3,539,904	2,584,942
Non-controlling interests	421,071	445,249
Common equity tier 1 (before deductions)	**9,954,833**	**8,916,390**
Deduction intangible fixed assets/goodwill	(583,611)	(520,436)
Deduction provision shortage for IRB positions	(61,055)	(33,511)
Deduction securitizations	(36,672)	(20,693)
Deduction deferred tax assets	0	0
Deduction loss carry forwards	(7,093)	(2,388)
Deduction insurance and other investments	0	0
Common equity tier 1 (after deductions)	**9,266,401**	**8,339,362**
Additional tier 1 (AT1)	716,279	90,475
Non-controlling interests	9,877	(1,374)
Deduction intangible fixed assets/goodwill	(145,903)	(77,930)
Deduction provision shortage for IRB positions	(7,632)	(11,170)
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 1	**9,839,021**	**8,339,362**
Long-term subordinated capital	2,841,500	3,046,665
Non-controlling interests	27,307	(8,530)
Provision excess of internal rating approach positions	184,030	159,437
Provision excess of standardized approach positions	0	0
Deduction securitizations	0	0
Deduction insurance and other investments	0	0
Tier 2 (after deductions)	**3,052,837**	**3,197,573**
Total capital	**12,891,858**	**11,536,935**
Total capital requirement	**5,752,174**	**4,804,852**
Common equity tier 1 ratio (transitional)	12.9%	13.9%
Common equity tier 1 ratio (fully loaded)	12.7%	13.6%
Tier 1 ratio (transitional)	13.7%	13.9%
Tier 1 ratio (fully loaded)	13.6%	13.6%
Total capital ratio (transitional)	17.9%	19.2%
Total capital ratio (fully loaded)	17.8%	18.9%

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 in conjunction with the CRR Supplementary Regulation (CRR-BV), published by the FMA.

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

The basis for the assessment of credit risk by asset class was as follows:

in € thousand	2017	2016
Risk-weighted assets according to standardized approach	**27,950,121**	**20,025,409**
Central governments and central banks	1,105,473	1,924,568
Regional governments	102,934	60,256
Public administration and non-profit organizations	44,208	12,330
Multilateral development banks	0	0
Banks	309,058	293,052
Corporate customers	9,456,267	7,908,946
Retail customers	12,149,466	7,240,705
Equity exposures	2,037,548	397,460
Covered bonds	14,981	0
Mutual funds	37,704	4,180
Securitization position	3,846	0
Items associated with particular high risk	0	0
Other positions	2,688,637	2,183,912
Risk-weighted assets according to internal rating approach	**31,943,576**	**28,434,587**
Central governments and central banks	1,018,927	243,971
Banks	1,163,634	1,995,047
Corporate customers	24,025,988	21,454,083
Retail customers	5,323,613	4,389,683
Equity exposures	178,028	122,681
Securitization position	233,385	229,122
CVA risk	**254,423**	**381,249**
Basel 1 floor	**0**	**0**
Risk-weighted assets (credit risk)	**60,148,120**	**48,841,245**
Total capital requirement (credit risk)	**4,811,850**	**3,907,300**

The total capital requirement composition was as follows:

in € thousand	2017	2016
Total capital requirement for credit risk	4,811,850	3,907,300
Internal rating approach	2,555,486	2,274,767
Standardized approach	2,236,010	1,602,033
CVA risk	20,354	30,500
Basel 1 floor	0	0
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	276,117	214,060
Total capital requirement for operational risk	664,207	683,492
Total capital requirement	**5,752,174**	**4,804,852**
Risk-weighted assets (total RWA)	**71,902,171**	**60,060,645**

Leverage ratio

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

in € thousand	2017	2016
Leverage exposure	160,828,421	122,842,860
Tier 1	9,839,021	8,339,362
Leverage ratio (transitional)	6.12%	6.8%
Leverage ratio (fully loaded)	6.08%	6.6%

The following table provides an overview of the calculation methods that are applied to determine total capital requirements in the subsidiaries:

Unit	Credit risk Non-Retail	Retail	Market risk	Operational risk
Raiffeisen Bank International AG, Vienna (AT)	IRB	n.a.	Internal model	AMA
Raiffeisenbank a.s., Prague (CZ)	IRB	IRB	STA	STA
Raiffeisen Bank Zrt., Budapest (HU)	IRB	IRB	STA	STA
Tatra banka a.s., Bratislava (SK)	IRB	IRB	STA	AMA
Raiffeisen Bank S.A., Bucharest (RO)	IRB	IRB	STA	AMA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	IRB	IRB	STA	STA
Raiffeisenbank Austria d.d., Zagreb (HR)	IRB	STA	STA	STA
Raiffeisen Banka a.d., Novi Beograd (RS)	IRB	IRB	STA	STA
Raiffeisenbank Russia d.d., Moscow (RU)	IRB	STA	STA	AMA
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	IRB	IRB	STA	AMA
Raiffeisen Centrobank AG, Vienna (AT)	STA	n.a.	STA	AMA
Kathrein Privatbank Aktiengesellschaft, Vienna(AT)	STA	STA	n.a.	AMA
All other units	STA	STA	STA	STA

IRB: internal ratings-based approach
Internal model for risk of open currency positions and general interest rate risk in the trading book
STA: standardized approach
AMA: advanced measurement approach

(48) Average number of staff

Full-time equivalents	2017	2016
Salaried employees	49,283	49,443
Wage earners	856	743
Total	**50,139**	**50,186**

Full-time equivalents	2017	2016
Austria	3,542	2,196
Foreign	46,597	47,990
Total	**50,139**	**50,186**

(49) 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.

In the reporting period, RZB AG was merged into RBI AG. Accordingly, as of that date a parent company ceased to exist. In the previous year's period, the parent company was Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna.

The main companies exercising a significant influence are Raiffeisenlandesbank Niederösterreich-Wien AG, Vienna, as 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. Disclosures on RBI's transactions with key management are reported under note (50) Relations to key management.

2017 in € thousand	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	391,875	156	183,112	82,261
Loans and advances to customers	929	244,845	78,222	159,553
Trading assets	30,319	119	24,309	41,198
Financial investments	529	194,353	0	230,288
Investments in associates	0	0	728,945	0
Other assets (incl. derivatives)	16,968	4,435	2,400	10,018
Total receivables	**440,620**	**443,908**	**1,016,988**	**523,318**
Deposits from banks	2,516,782	0	1,865,042	333,933
Deposits from customers	0	140,338	1,461,159	133,912
Debt securities issued	0	1,074	0	0
Provisions for liabilities and charges	0	0	0	0
Trading liabilities	64,531	16,265	7,128	10,905
Other liabilities including derivatives	794	1,734	1,427	390
Subordinated capital	0	390	3,658	4
Total liabilities	**2,582,107**	**159,801**	**3,338,414**	**479,144**
Guarantees given	24,785	85,935	274,624	23,340
Guarantees received	10,978	0	32,671	51,989

2016 in € thousand	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Loans and advances to banks	686,183	65,270	353,103	46,245
Loans and advances to customers	0	658,659	36,990	132,788
Trading assets	0	42,408	14	1,908
Financial investments	0	198,019	0	88,150
Investments in associates	0	0	0	0
Other assets (incl. derivatives)	59,501	13,764	47	822
Total receivables	**745,684**	**978,120**	**390,154**	**269,913**
Deposits from banks	332,683	296,608	2,592,458	75,425
Deposits from customers	0	553,641	401,928	89,433
Debt securities issued	0	1,355	0	0
Provisions for liabilities and charges	0	53	0	0
Trading liabilities	0	65,492	5,920	0
Other liabilities including derivatives	1,145	2,231	1,499	452
Subordinated capital	68,205	0	0	0
Total liabilities	**402,033**	**919,380**	**3,001,805**	**165,310**
Guarantees given	0	148,461	138	8,012
Guarantees received	556,098	204,432	46,809	37,828

2017 in € thousand	Companies with significant influence	Affiliated companies	Companies valued at equity	Other interests
Interest income	5,771	7,763	7,343	9,114
Interest expenses	(19,590)	(1,206)	(29,608)	(983)
Dividends income	0	16,326	60,420	16,326
Fee and commission income	2,618	24,356	12,157	5,812
Fee and commission expense	(1,659)	(1,079)	(2,264)	(3,804)

2016 in € thousand	Parent companies	Affiliated companies	Companies valued at equity	Other interests
Interest income	46,190	13,589	7,118	8,407
Interest expenses	(10,711)	(6,347)	(30,142)	(935)
Dividends income	0	24,640	0	3,661
Fee and commission income	768	38,363	7,887	5,487
Fee and commission expense	(4,344)	(1,271)	(3,904)	(3,649)

(50) Relations to key management

Group relationship with key management

Key management refers to the members of the Management Board and the Supervisory Board of RBI AG. Transactions between key management and RBI are as follows (respective fair values):

in € thousand	2017	2016
Sight deposits	70	96
Bonds	653	1,226
Shares	4,513	1,746
Time deposits	25	0
Loans	339	0
Leasing liabilities	12	560
Other liabilities	0	34

The following table shows transactions with related parties of key management of RBI:

in € thousand	2017	2016
Shares	6	51
Other loans	284	13
Time deposits	48	66
Loans	1	3

There is no compensation agreed between the company and members of the Management Board and Supervisory Board or employees in the case of a takeover bid.

Remuneration of members of the Management Board

The following table shows total remuneration of the members of the Management Board according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis and according to the rules of the underlying standards (IAS 19 and IFRS 2):

in € thousand	2017	2016[1]
Short-term employee benefits	8,324	8,234
Post-employment benefits	841	(787)
Other long-term benefits	4,166	2,890
Termination benefits	0	0
Share based payments	694	220
Total	**14,025**	**10,557**

1 Adjustment of the previous year's figures due to deferred bonus payments

Short-term employee benefits shown in the above table contain salaries and benefits in kind and other benefits, remuneration for membership of boards in affiliated companies and those parts of the bonuses which become due in the short term. Furthermore, it also includes changes possibly arising from the difference between the bonus provision and the bonus later awarded. Post-employment benefits comprise payments to pension funds and payments according to Retirement Plan Act (Mitarbeitervorsorgegesetz), severance payments, leave compensation as well as net allocations to provisions for retirement benefits and severance payments.

Other long-term benefits contain portions of the provision for bonus payments relating to deferred bonus portions in cash and retained portions payable in instruments. For the latter, valuation changes due to currency fluctuations are taken into account.

Bonus calculation is linked to the achievement of annually agreed objectives. These comprise four or five categories covering specific targets and financial targets adapted to the respective function. These are, for example, profit after tax in a particular segment, return on risk adjusted capital (RORAC), total costs, risk-weighted assets, customer-oriented and employee-oriented targets, as well as process-based, efficiency-based, and infrastructure targets, and if necessary other additional targets. The bonus level is determined by the level of consolidated profit and the cost/income ratio, where the target values to be achieved are derived from the medium-term Group ROE objective. Payment is made according to the applicable regulations of the Austrian

Banking Act (BWG) implemented in the bank's internal regulations (see employee compensation plans under the section recognition and measurement principles).

Share-based payments comprises adjustments for the SIP tranches launched up to 2013 (see share-based remuneration in the notes under (33) Equity).

An amount of € 1,277 thousand (2016: € 511 thousand) was paid in pension benefits to former members of the Management Board and to their surviving dependants. In addition to these amounts, short-term benefits, deferred bonus components, termination benefits and pro-rata payments from a matured SIP tranche totaling € 3,892 thousand (2016: € 493 thousand) were paid to former members of the Management Board. Up to the termination of their functions at the date of the merger of RZB AG with RBI AG, former members of the Management Board of RZB AG were paid a total of € 2,252 thousand.

Remuneration of members of the Supervisory Board

in € thousand	2017	2016
Remunerations Supervisory Board	550	525

The Annual General Meeting held on 22 June 2017 approved annual remuneration for the members of the Supervisory Board of € 550 thousand and assigned the distribution to the Supervisory Board. The members of the Supervisory Board determined the distribution by resolution on 15 May 2017 subject to approval of the Annual General Meeting held on 22 June 2017 as follows: Chairman € 70 thousand, Deputy Chairman € 60 thousand, members of the Supervisory Board € 50 thousand. Meeting attendance fees are not paid.

In the financial year 2017, no contracts subject to approval within the meaning of Section 95 (5) 12 of the Austrian Stock Corporation Act (AktG) were concluded with members of the Supervisory Board.

(51) Boards

Management Board

The Management Board as at 31 December 2017 was as follows:

Members of the Management Board	First assignment	End of period
Johann Strobl, Deputy Chairman	22 September 2010[1]	28 February 2022
Martin Grüll	3 January 2005	28 February 2020
Andreas Gschwenter	1 July 2015	30 June 2018
Peter Lennkh	1 October 2004	31 December 2020
Hannes Mösenbacher	18 March 2017	28 February 2020

1 Effective as of 10 October 2010

Karl Sevelda resigned as Chairman of the Management Board on 18 March 2017. At the same time, Johann Strobl was appointed Chairman of the Management Board (previously Deputy Chairman of the Management Board) and Klemens Breuer was appointed Deputy Chairman of the Management Board (previously member of the Management Board).

Klemens Breuer (Deputy Chairman of the Management Board) resigned from his position on 31 October 2017. The Working Committee temporarily reallocated responsibilities following his resignation. On 1 November 2017, Johann Strobl assumed responsibility for the Capital Markets area of the Management Board, while Peter Lennkh assumed responsibility for the Management Board area of Retail Banking. A new Deputy Chairman of the Management Board had not been appointed at the time this report was written.

Supervisory Board

The Supervisory Board as at 31 December 2017 was as follows:

Members of the Supervisory Board	First assignment	End of period
Erwin Hameseder, Chairman	8 July 2010[1]	AGM 2020
Martin Schaller, 1st Deputy Chariman	4 June 2014	AGM 2019
Heinrich Schaller, 2nd Deputy Chairman	20 June 2012	AGM 2022
Klaus Buchleitner	26 June 2013	AGM 2020
Peter Gauper	22 June 2017	AGM 2022
Wilfried Hopfner	22 June 2007	AGM 2022
Rudolf Könighofer	22 June 2017	AGM 2022
Johannes Ortner	22 June 2017	AGM 2022
Günther Reibersdorfer	20 June 2012	AGM 2022
Eva Eberhartinger	22 June 2017	AGM 2022
Birgit Noggler	22 June 2017	AGM 2022
Bettina Selden	4 June 2014	AGM 2019
Rudolf Kortenhof[2]	10 October 2010	Until further notice
Peter Anzeletti-Reikl[2]	10 October 2010	Until further notice
Suanne Unger[2]	18 January 2012	Until further notice
Gebhard Muster[2]	22 June 2017	Until further notice
Natalie Egger-Grunicke[2]	18 February 2016	Until further notice
Helge Rechberger[2]	10 October 2010	Until further notice

1 Effective as of 10 October 2010.
2 Delegated by the Staff Council

Walter Rothensteiner (Chairman of the Supervisory Board) and Kurt Geiger (member of the Supervisory Board) resigned their Supervisory Board mandates with effect from the end of the Annual General Meeting on 22 June 2017. At the same time, Erwin Hameseder was appointed Chairman (previously 1st Deputy Chairman) and Martin Schaller was appointed 1st Deputy Chairman (previously 3rd Deputy Chairman).

Michael Höllerer and Johannes Schuster (both members of the Supervisory Board) resigned their Supervisory Board mandates with effect as of 18 March 2017.

State Commissioners

- Alfred Lejsek, State Commissioner (since 1 January 2011)
- Anton Matzinger, Deputy State Commissioner (since 1 April 2011)

(52) Group composition

Consolidated group

	Fully consolidated	
Number of units	2017	2016
As at beginning of period	**106**	**120**
Included in the course of merger	175	0
Included for the first time in the financial period	4	3
Merged in the financial period	0	(1)
Excluded in the financial period	(49)	(16)
As at end of period	**236**	**106**

Of the 236 entities in the Group, 124 are domiciled in Austria (2016: 36) and 112 abroad (2016: 70). They comprise 25 banks, 147 financial institutions, 16 companies rendering bank-related ancillary services, ten financial holding companies and 38 other companies.

Included units

Name, domicile	Share	Included as of	Reason
Financial Institutions			
Health Resort Gars RBI Immobilien-Leasing GmbH, Vienna (AT)	75.0%	31/10	Materiality
RBI Vajnoria spol.s.r.o., Bratislava (SK)	75.0%	1/4	Materiality
ROOF Smart S.A., Luxembourg (LU)	<0.1%	30/11	Start of operations
Other companies			
RL-ALPHA Holding GmbH, Vienna (AT)	100.0%	30/6	Materiality

Included units in the course of the merger

Name, domicile	Share	Included as of	Reason
Credit Institutions			
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	66.7%	1/1	Merger
Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung, Vienna (AT)	100.0%	1/1	Merger
Raiffeisen stavebni sporitelna, Prague (CZ)	97.5%	1/1	Merger
Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (AT)	100.0%	1/1	Merger
Raiffeisen-Leasing Bank Aktiengesellschaft, Vienna (AT)	100.0%	1/1	Merger
Valida Plus AG, Vienna (AT)	57.4%	1/1	Merger
Financial Institutions			
"Raiffeisen-Rent" Vermögensberatung und Treuhand Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Abade Immobilienleasing GmbH & Co Projekt Lauterbach KG, Eschborn (DE)	6.0%	1/1	Merger
Abade Immobilienleasing GmbH, Eschborn (DE)	100.0%	1/1	Merger
Abakus Immobilienleasing GmbH & Co Projekt Leese KG, Eschborn (DE)	6.0%	1/1	Merger
Abura Immobilienleasing GmbH & Co. Projekt Seniorenhaus Boppard KG, Eschborn (DE)	6.0%	1/1	Merger
Abutilon Immobilienleasing GmbH & Co. Projekt Autohof Ibbenbüren KG, Eschborn (DE)	6.0%	1/1	Merger
Achat Immobilienleasing GmbH & Co. Projekt Hochtaunus-Stift KG, Eschborn (DE)	1.0%	1/1	Merger
Acridin Immobilienleasing GmbH & Co. Projekt Marienfeld KG, Eschborn (DE)	100.0%	1/1	Merger
Adagium Immobilienleasing GmbH, Eschborn (DE)	100.0%	1/1	Merger
Adamas Immobilienleasing GmbH & Co. Projekt Pflegeheim Werdau KG, Eschborn (DE)	100.0%	1/1	Merger
Adiantum Immobilienleasing GmbH & Co. Projekt Schillerhöhe Weimar KG, Eschborn (DE)	6.0%	1/1	Merger
Adipes Immobilienleasing GmbH & Co. Projekt Bremervörde KG, Frankfurt am Main (DE)	100.0%	1/1	Merger
Adrittura Immobilienleasing GmbH & Co. Projekt Eiching KG, Eschborn (DE)	70.0%	1/1	Merger
Adular Immobilienleasing GmbH & Co. Projekt Rödermark KG, Eschborn (DE)	100.0%	1/1	Merger
Agamemnon Immobilienleasing GmbH & Co. Projekt Pflegeheim Freiberg KG, Eschborn (DE)	100.0%	1/1	Merger

Name, domicile	Share	Included as of	Reason
AGITO Immobilien-Leasing GesmbH, Vienna (AT)	100.0%	1/1	Merger
AKRISIOS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
AL Taunussteiner Grundstücks-GmbH & Co KG, Eschborn (DE)	88.0%	1/1	Merger
A-Leasing SpA, Treviso (IT)	100.0%	1/1	Merger
"Am Hafen" Sutterlüty GmbH & Co KG, Vienna (AT)	50.0%	1/1	Merger
APUS Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	50.0%	1/1	Merger
ARCANA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
A-Real Estate S.p.A., Bozen (IT)	100.0%	1/1	Merger
AURIGA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Austria Leasing Beteiligungsgesellschaft mbH, Eschborn (DE)	100.0%	1/1	Merger
Austria Leasing GmbH & Co. Immobilienverwaltung Projekt Hannover KG, Eschborn (DE)	100.0%	1/1	Merger
Austria Leasing GmbH & Co. KG Immobilienverwaltung CURA, Eschborn (DE)	100.0%	1/1	Merger
Austria Leasing GmbH, Eschborn (DE)	100.0%	1/1	Merger
Burgenländische Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
CADO Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	50.0%	1/1	Merger
Canopa Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	100.0%	1/1	Merger
CARNUNTUM Immobilienleasing GmbH, Eschborn (DE)	100.0%	1/1	Merger
CERES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
CUPIDO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
CURO Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
DOROS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
EPPA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
ETEOKLES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
FEBRIS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
FMK Fachmarktcenter Kohlbruck Betriebs GmbH, Eschborn (DE)	94.4%	1/1	Merger
GENO Leasing Ges.m.b.H., Vienna (AT)	100.0%	1/1	Merger
HABITO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
Hietzinger-Spitz Projektentwicklung GmbH, Vienna (AT)	100.0%	1/1	Merger
HSL INVEST S.R.L., Buzau (RO)	100.0%	1/1	Merger
IGNIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
KAURI Handels und Beteiligungs GmbH, Vienna (AT)	88.0%	1/1	Merger
Kiinteistö Oy Rovaniemen tietotekniikkakeskus, Helsinki (FI)	100.0%	1/1	Merger
Kiinteistö Oy Seinäjoen Joupinkatu 1, Helsinki (FI)	100.0%	1/1	Merger
Lentia Immobilienleasing GmbH & Co. Albert-Osswald-Haus KG, Eschborn (DE)	6.0%	1/1	Merger
LIBRA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
Lucius Property, Prague (CZ)	100.0%	1/1	Merger
LYRA Raiffeisen Immobilien Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
MIRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	50.0%	1/1	Merger
MOBIX Raiffeisen-Mobilien-Leasing AG, Vienna (AT)	95.5%	1/1	Merger
MOBIX Vermögensverwaltungsges.m.b.H., Vienna (AT)	95.5%	1/1	Merger
Niederösterreichische Landes-Landwirtschaftskammer Errichtungs- und Betriebsgesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Orestes Immobilienleasing GmbH & Co. Projekt Wiesbaden KG, Eschborn (DE)	6.0%	1/1	Merger
Ostarrichi Immobilienleasing GmbH & Co. Projekt Langenbach KG, Eschborn (DE)	100.0%	1/1	Merger
PARO Raiffeisen Immobilien Leasing Ges.m.b.H., Vienna (AT)	100.0%	1/1	Merger
PELIAS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
PLANA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Priamos Immobilienleasing GmbH, Eschborn (DE)	100.0%	1/1	Merger
Propria Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	90.0%	1/1	Merger
Raiffeisen Burgenland Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger

Name, domicile	Share	Included as of	Reason
Raiffeisen Factor Bank AG, Vienna (AT)	100.0%	1/1	Merger
Raiffeisen Immobilienfonds, Vienna (AT)	<0.1%	1/1	Merger
Raiffeisen Leasing-Projektfinanzierung Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Raiffeisen ÖHT Beteiligungs GmbH, Vienna (AT)	88.0%	1/1	Merger
Raiffeisen-Anlagenvermietung Ges.m.b.H., Vienna (AT)	100.0%	1/1	Merger
Raiffeisen-Gemeindegebäudeleasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Raiffeisen-Invest-Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Raiffeisen-Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Raiffeisen-Leasing Aircraft Finance GmbH, Vienna (AT)	100.0%	1/1	Merger
Raiffeisen-Leasing Beteiligung GesmbH, Vienna (AT)	100.0%	1/1	Merger
Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Raiffeisen-Leasing Liegenschaftsverwaltung Kraußstraße Gesellschaft m.b.H., Vienna (AT)	70.0%	1/1	Merger
RALT Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
RAN elf Raiffeisen-Anlagenvermietung Ges.m.b.H., Vienna (AT)	100.0%	1/1	Merger
RAN vierzehn Raiffeisen-Anlagevermietung GmbH, Vienna (AT)	100.0%	1/1	Merger
RAN zehn Raiffeisen-Anlagenvermietung Ges.m.b.H., Vienna (AT)	100.0%	1/1	Merger
REMUS Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	50.0%	1/1	Merger
Rent Impex, Bratislava (SK)	100.0%	1/1	Merger
RIL IV Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	100.0%	1/1	Merger
RIL VII Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	100.0%	1/1	Merger
RIL XIII Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	100.0%	1/1	Merger
RIL XIV Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	100.0%	1/1	Merger
RL Anlagenvermietung Gesellschaft m.b.H., Eschborn (DE)	100.0%	1/1	Merger
RL Flussschifffahrts GmbH & Co KG, Vienna (AT)	<0.1%	1/1	Merger
RL Gamma d.o.o., Zagreb (HR)	100.0%	1/1	Merger
RL Grundstückverwaltung Klagenfurt-Süd GmbH, Vienna (AT)	100.0%	1/1	Merger
RL Hotel Palace Wien Besitz GmbH, Vienna (AT)	99.0%	1/1	Merger
RL Retail Holding GmbH, Vienna (AT)	100.0%	1/1	Merger
RL Thermal Beteiligungen GmbH, Vienna (AT)	100.0%	1/1	Merger
RL Thermal GmbH & Co Liegenschaftsverwaltung KG, Vienna (AT)	100.0%	1/1	Merger
RL Thermal GmbH, Vienna (AT)	100.0%	1/1	Merger
RL-Epsilon Holding GmbH, Vienna (AT)	100.0%	1/1	Merger
RL-Epsilon Sp.z.o.o., Warsaw (PL)	100.0%	1/1	Merger
RL-Gamma Holding GmbH, Vienna (AT)	100.0%	1/1	Merger
RL-Jota Holding GmbH, Vienna (AT)	100.0%	1/1	Merger
RL-Jota Sp.z o.o., Warsaw (PL)	100.0%	1/1	Merger
RL-Mörby AB, Stockholm (SE)	100.0%	1/1	Merger
RL-Nordic AB, Stockholm (SE)	100.0%	1/1	Merger
RL-Nordic Finans AB, Stockholm (SE)	100.0%	1/1	Merger
RL-Nordic OY, Helsinki (FI)	100.0%	1/1	Merger
RL-Pro Auxo Sp.z.o.o., Warsaw (PL)	100.0%	1/1	Merger
RUBRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
RZB - BLS Holding GmbH, Vienna (AT)	100.0%	1/1	Merger
RZB Versicherungsbeteiligung GmbH, Vienna (AT)	100.0%	1/1	Merger
SALVELINUS Handels- und Beteiligungsgesellschaft m.b.H, Vienna (AT)	100.0%	1/1	Merger
SAMARA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	100.0%	1/1	Merger
SF Hotelerrichtungsgesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
SINIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger

Name, domicile	Share	Included as of	Reason
SOLAR II Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
SOLIDA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	50.5%	1/1	Merger
SPICA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	50.0%	1/1	Merger
Styria Immobilienleasing GmbH & Co. Projekt Ahlen KG, Eschborn (DE)	6.0%	1/1	Merger
THYMO Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Unterinntaler Raiffeisen-Leasing GmbH & Co KG, Vienna (AT)	100.0%	1/1	Merger
URSA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Valida Holding AG, Vienna (AT)	57.4%	1/1	Merger
Vindobona Immobilienleasing GmbH & Co. Projekt Autohaus KG, Eschborn (DE)	6.0%	1/1	Merger
WEGA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Financial holdings			
Raiffeisen Bausparkassen Holding GmbH, Vienna (AT)	100.0%	1/1	Merger
Raiffeisen-Leasing Immobilienmanagement Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
RZB Invest Holding GmbH, Vienna (AT)	100.0%	1/1	Merger
RZB Sektorbeteiligung GmbH, Vienna (AT)	100.0%	1/1	Merger
Companies rendering bank-related ancilliary services			
Konevova s.r.o., Prague (CZ)	97.5%	1/1	Merger
RALT Raiffeisen-Leasing Gesellschaft m.b.H. & Co. KG, Vienna (AT)	100.0%	1/1	Merger
ZHS Office- & Facilitymanagement GmbH, Vienna (AT)	98.6%	1/1	Merger
Other companies			
Abrawiza Immobilienleasing GmbH & Co. Projekt Fernwald KG, Eschborn (DE)	6.0%	1/1	Merger
ACB Ponava, Prague (CZ)	100.0%	1/1	Merger
Adorant Immobilienleasing GmbH & Co. Projekt Heilsbronn und Neuendettelsau KG, Eschborn (DE)	6.0%	1/1	Merger
Austria Leasing Immobilienverwaltungsgesellschaft mbH, Eschborn (DE)	100.0%	1/1	Merger
Bukovina Residential SRL, Timisoara (RO)	100.0%	1/1	Merger
CZ Invest GmbH, Vienna (AT)	100.0%	1/1	Merger
First Leasing Service Center GmbH, Vienna (AT)	100.0%	1/1	Merger
FMZ PRIMUS Ingatlanfejlesztö Kft., Budapest (HU)	100.0%	1/1	Merger
Immoservice Polska Sp.z.o.o., Warsaw (PL)	100.0%	1/1	Merger
INPROX Split d.o.o., Zagreb (HR)	100.0%	1/1	Merger
Inprox Zagreb Sesvete d.o.o., Zagreb (HR)	100.0%	1/1	Merger
KHD a.s., Prague (CZ)	100.0%	1/1	Merger
Kiinteistö Oy Automaatiotie 1, Helsinki (FI)	100.0%	1/1	Merger
Körlog Logistika Építö és Kivitelezö Korlátolt Feleösségü Társaság, Budapest (HU)	100.0%	1/1	Merger
KOTTO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
LARENTIA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
Objekt Linser Areal Immobilienerrichtungs GmbH, Vienna (AT)	100.0%	1/1	Merger
Objekt Linser Areal Immoblilienerrichtungs GmbH & Co. KG, Vienna (AT)	100.0%	1/1	Merger
OPORA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Merger
R Karpo Immobilien Linie S.R.L., Bucharest (RO)	100.0%	1/1	Merger
R.B.T. Beteiligungsgesellschaft m.b.H, Vienna (AT)	100.0%	1/1	Merger
R.P.I. Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Raiffeisen WohnBau Wien GmbH, Vienna (AT)	100.0%	1/1	Merger
Raiffeisen-Leasing Fuhrparkmanagement Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Raiffeisen-Leasing Immobilienverwaltung Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Merger
Raiffeisen-Rent Immobilienprojektentwicklung Gesellschaft m.b.H. Objekt Wallgasse 12 KG, Vienna (AT)	30.0%	1/1	Merger
Raiffeisen-Rent-ImmobilienprojektentwicklungsgmbH., Vienna (AT)	30.0%	1/1	Merger
Raiffeisen-Wagramer Straße 120 Projektentwicklungs GmbH, Vienna (AT)	100.0%	1/1	Merger
RL LUX Holding S.a.r.l., Luxembourg (LU)	100.0%	1/1	Merger

Name, domicile	Share	Included as of	Reason
RL-ALPHA Holding GmbH, Vienna (AT)	100.0%	1/1	Merger
RL-BETA Holding GmbH, Vienna (AT)	100.0%	1/1	Merger
RL-PROMITOR Holding GmbH, Vienna (AT)	100.0%	1/1	Merger
RL-PROMITOR Spolka z.o.o., Warsaw (PL)	100.0%	1/1	Merger
RL-Prom-Wald Sp. Z.o.o, Warsaw (PL)	100.0%	1/1	Merger
RLX Dvorak S.A., Luxembourg (LU)	100.0%	1/1	Merger
SCTE Elsö Ingatlanfejlesztö és Ingatlanhasznosító Kft., Budapest (HU)	100.0%	1/1	Merger
Valida Industrie Pensionskasse AG, Vienna (AT)	57.4%	1/1	Merger
Valida Pension AG, Vienna (AT)	57.4%	1/1	Merger

Excluded units

Name, domicile	Share	Excluded as of	Reason
Financial Institutions			
Abutilon Immobilienleasing GmbH & Co. Projekt Autohof Ibbenbüren KG, Eschborn (DE)	6.0%	1/1	Immaterial
Adular Immobilienleasing GmbH & Co. Projekt Rödermark KG, Eschborn (DE)	100.0%	1/1	Immaterial
AGITO Immobilien-Leasing GesmbH, Vienna (AT)	100.0%	1/1	Immaterial
Am Hafen" Sutterlüty GmbH & Co KG, Vienna (AT)	50.0%	1/1	Immaterial
AURIGA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Immaterial
Austria Leasing GmbH & Co. KG Immobilienverwaltung CURA, Eschborn (DE)	100.0%	1/1	Immaterial
CADO Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	50.0%	1/1	Immaterial
Hietzinger-Spitz Projektentwicklung GmbH, Vienna (AT)	100.0%	30/4	Sale
HSL INVEST S.R.L., Ploiesti (RO)	100.0%	1/1	Immaterial
LIBRA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Immaterial
Lucius Property, Prague (CZ)	100.0%	1/1	Immaterial
MIRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	50.0%	1/1	Immaterial
PELIAS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	31/12	Immaterial
Raiffeisen Real Estate Fund, Budapest (HU)	45.8%	31/8	Change in control
RB International Investment Asia Limited, Labuan (MY)	60.8%	1/1	Immaterial
RIL IV Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	100.0%	31/12	Immaterial
RIL XIII Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	100.0%	1/1	Immaterial
RL Flussschifffahrts GmbH & Co KG, Vienna (AT)	100.0%	30/9	Immaterial
RL Gamma d.o.o., Zagreb (HR)	100.0%	1/1	Immaterial
RL-Epsilon Holding GmbH, Vienna (AT)	100.0%	1/1	Immaterial
RL-Epsilon Sp.z.o.o., Warsaw (PL)	100.0%	1/1	Immaterial
RL-Gamma Holding GmbH, Vienna (AT)	100.0%	1/1	Immaterial
RL-Jota Holding GmbH, Vienna (AT)	100.0%	1/1	Immaterial
RL-Jota Sp.z o.o., Warsaw (PL)	100.0%	1/1	Immaterial
RL-Nordic Finans AB, Stockholm (SE)	100.0%	1/1	Immaterial
RZB Finance (Jersey) IV Limited, St. Helier (JE)	100.0%	30/11	End of operations
SPICA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	50.0%	1/1	Immaterial
TOO Raiffeisen Leasing Kazakhstan, Almatay (KZ)	100.0%	1/1	Immaterial

Name, domicile	Share	Excluded as of	Reason
Other companies			
Abrawiza Immobilienleasing GmbH & Co. Projekt Fernwald KG, Eschborn (DE)	6.0%	1/1	Immaterial
ACB Ponava, Prague (CZ)	100.0%	1/1	Immaterial
Austria Leasing Immobilienverwaltungsgesellschaft mbH, Eschborn (DE)	100.0%	1/1	Immaterial
Bukovina Residential SRL, Timisoara (RO)	100.0%	1/1	Immaterial
CZ Invest GmbH, Vienna (AT)	100.0%	1/1	Immaterial
First Leasing Service Center GmbH, Vienna (AT)	100.0%	1/1	Immaterial
Immoservice Polska Sp.z.o.o., Warsaw (PL)	100.0%	1/1	Immaterial
INPROX Split d.o.o., Zagreb (HR)	100.0%	1/1	Immaterial
Inprox Zagreb Sesvete d.o.o., Zagreb (HR)	100.0%	1/1	Immaterial
Kiinteistö Oy Automaatiotie 1, Helsinki (FI)	100.0%	5/1	Sale
Körlog Logistika Építö és Kivitelezö Korlátolt Feleösségü Társaság, Budapest (HU)	100.0%	1/1	Immaterial
KOTTO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Immaterial
Objekt Linser Areal Immobilienerrichtungs GmbH, Vienna (AT)	100.0%	1/1	Immaterial
OPORA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	100.0%	1/1	Immaterial
R.B.T. Beteiligungsgesellschaft m.b.H, Vienna (AT)	100.0%	1/1	Immaterial
Raiffeisen-Leasing Immobilienverwaltung Gesellschaft m.b.H., Vienna (AT)	100.0%	1/1	Immaterial
RB International Finance (USA) LLC, New York (US)	100.0%	31/12	End of operations
RL-ALPHA Holding GmbH, Vienna (AT)	100.0%	1/1	Immaterial
RL-BETA Holding GmbH, Vienna (AT)	100.0%	1/1	Immaterial
SCTE Elsö Ingatlanfejlesztö és Ingatlanhasznosító Kft., Budapest (HU)	100.0%	1/1	Immaterial
ZUNO AG, Vienna (AT)	100.0%	30/9	End of operations

Consolidated subsidiaries where RBI holds less than 50 per cent of the ordinary voting shares

The Group controls the following types of entities, even though it holds less than half of the voting rights.

Structured entities

Name, domicile	Share	Reason
FWR Russia Funding B.V., Amsterdam (NL)	<0.1%	SPV

The above special purpose vehicle (SPV) is consolidated, as the Group is exposed to variability in returns from this structured entity. The returns are primarily from activities such as holding debt securities or issued financial guarantees. Beyond the ongoing management of the receivables (which is carried out by the Group under a service agreement), significant decisions only become necessary when there is a default on the part of the structured entity.

Subsidiaries not consolidated where RBI holds more than 50 per cent of the ordinary voting shares

Because of their minor importance in giving a view of the Group's assets, financial and earnings position 345 subsidiaries were not included in the consolidated financial statements (2016: 227). They are recognized at cost as interests in affiliated companies, under financial investments, and are assigned to the measurement category available-for-sale. Total assets of the companies not included came to less than 1 per cent of the Group's aggregate total assets.

List of fully consolidated companies

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
"Raiffeisen-Rent" Vermögensberatung und Treuhand Gesellschaft m.b.H., Vienna (AT)	364,000	EUR	100.0%	FI
Abade Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Abade Immobilienleasing GmbH & Co Projekt Lauterbach KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Abakus Immobilienleasing GmbH & Co Projekt Leese KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Abura Immobilienleasing GmbH & Co. Projekt Seniorenhaus Boppard KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Achat Immobilienleasing GmbH & Co. Projekt Hochtaunus-Stift KG, Eschborn (DE)	10,000	EUR	1.0%	FI
Acridin Immobilienleasing GmbH & Co. Projekt Marienfeld KG, Eschborn (DE)	5,000	EUR	100.0%	FI
Adagium Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Adamas Immobilienleasing GmbH & Co. Projekt Pflegeheim Werdau KG, Eschborn (DE)	5,000	EUR	100.0%	FI
Adiantum Immobilienleasing GmbH & Co. Projekt Schillerhöhe Weimar KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Adipes Immobilienleasing GmbH & Co. Projekt Bremervörde KG, Frankfurt am Main (DE)	5,000	EUR	100.0%	FI
Adorant Immobilienleasing GmbH & Co. Projekt Heilsbronn und Neuendettelsau KG, Eschborn (DE)	5,000	EUR	6.0%	OT
Ados Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	75.0%	FI
Adrittura Immobilienleasing GmbH & Co. Projekt Eiching KG, Eschborn (DE)	5,000	EUR	70.0%	OT
Agamemnon Immobilienleasing GmbH & Co. Projekt Pflegeheim Freiberg KG, Eschborn (DE)	5,000	EUR	100.0%	FI
AKRISIOS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
AL Taunussteiner Grundstücks-GmbH & Co KG, Eschborn (DE)	10,000	EUR	88.0%	FI
A-Leasing SpA, Treviso (IT)	68,410,000	EUR	100.0%	FI
AMYKOS RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
AO Raiffeisenbank, Moscow (RU)	36,711,260,000	RUB	100.0%	BA
APUS Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
ARCANA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
A-Real Estate S.p.A., Bozen (IT)	600,000	EUR	100.0%	FI
Austria Leasing Beteiligungsgesellschaft mbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Austria Leasing GmbH, Eschborn (DE)	1,000,000	EUR	100.0%	FI
Austria Leasing GmbH & Co. Immobilienverwaltung Projekt Hannover KG, Eschborn (DE)	10,000	EUR	100.0%	FI
B52 RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	OT
BAILE Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	FI
Baumgartner Höhe RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
BUILDING BUSINESS CENTER DOO NOVI SAD, Novi Sad (RS)	559,220,792	RSD	100.0%	FI
Bulevard Centar BBC Holding d.o.o., Belgrade (RS)	63,708	RSD	100.0%	BR
Burgenländische Kommunalgebäudeleasing Gesellschaft m.b.H., Eisenstadt (AT)	35,000	EUR	100.0%	FI
Canopa Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
CARNUNTUM Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
CERES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
CINOVA RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
CJSC Mortgage Agent Raiffeisen 01, Moscow (RU)	10,000	RUB	<0.1%	BR
CP Inlandsimmobilien-Holding GmbH, Vienna (AT)	364,000	EUR	100.0%	OT
CUPIDO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
CURO Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
DAV Holding Ltd., Budapest (HU)	3,030,000	HUF	100.0%	FI
DAV-PROPERTY Kft., Budapest (HU)	3,020,000	HUF	100.0%	OT
DOROS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
EPPA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
ETEOKLES Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Expo 2000 Real Estate EOOD, Sofia (BG)	10,000	BGN	100.0%	OT
FCC Office Building SRL, Bucharest (RO)	30,298,500	RON	100.0%	BR
FEBRIS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Floreasca City Center Verwaltung Kft., Budapest (HU)	42,000	HUF	100.0%	FI
FMK Fachmarktcenter Kohlbruck Betriebs GmbH, Eschborn (DE)	30,678	EUR	94.4%	OT

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
FMZ PRIMUS Ingatlanfejlesztö Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
FWR Russia Funding B.V., Amsterdam (NL)	1	EUR	<0.1%	FI
GENO Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
HABITO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Harmadik Vagyonkezelő Kft., Budapest (HU)	3,100,000	HUF	100.0%	BR
Health Resort RBI Immobilien-Leasing GmbH, Vienna (AT)	17,500	EUR	75.0%	FI
IGNIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Infrastruktur Heilbad Sauerbrunn GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
Infrastruktur Heilbad Sauerbrunn RBI-Leasing GmbH & Co.KG., Bad Sauerbrunn (AT)	3,511,788	EUR	75.0%	FI
Invest Vermögensverwaltungs-GmbH, Vienna (AT)	73,000	EUR	100.0%	OT
JLLC "Raiffeisen-leasing", Minsk (BY)	430,025	BYN	91.4%	FI
Kathrein Privatbank Aktiengesellschaft, Vienna (AT)	20,000,000	EUR	100.0%	BA
KAURI Handels und Beteiligungs GmbH, Vienna (AT)	50,000	EUR	88.0%	FI
KHD a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
Kiinteistö Oy Rovaniemen tietotekniikkakeskus, Helsinki (FI)	100,000	EUR	100.0%	FI
Kiinteistö Oy Seinäjoen Joupinkatu 1, Helsinki (FI)	100,000	EUR	100.0%	FI
KONEVOVA s.r.o., Prague (CZ)	50,000,000	CZK	97.5%	BR
LARENTIA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Lentia Immobilienleasing GmbH & Co. Albert-Osswald-Haus KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Lexxus Services Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
LLC Raiffeisen Leasing Aval, Kyiv (UA)	1,240,152,866	UAH	72.3%	FI
LLC "ARES Nedvizhimost", Moscow (RU)	10,000	RUB	50.0%	BR
LYRA Raiffeisen Immobilien Leasing GmbH, Vienna (AT)	36,400	EUR	100.0%	FI
MOBIX Raiffeisen-Mobilien-Leasing AG, Vienna (AT)	125,000	EUR	95.5%	FI
MOBIX Vermögensverwaltungsges.m.b.H., Vienna (AT)	36,400	EUR	95.5%	FI
MP Real Invest a.s., Bratislava (SK)	4,647,159	EUR	100.0%	OT
Niederösterreichische Landes-Landwirtschaftskammer Errichtungs- und Betriebsgesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Objekt Linser Areal Immoblilienerrichtungs GmbH & Co. KG, Vienna (AT)	1,000	EUR	100.0%	OT
OOO Raiffeisen-Leasing, Moscow (RU)	1,071,000,000	RUB	100.0%	FI
Orestes Immobilienleasing GmbH & Co. Projekt Wiesbaden KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Ostarrichi Immobilienleasing GmbH & Co. Projekt Langenbach KG, Eschborn (DE)	5,000	EUR	100.0%	FI
Park City real estate Holding d.o.o., Novi Sad (RS)	63,708	RSD	100.0%	BR
PARO Raiffeisen Immobilien Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
PERSES RBI Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
PLANA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Pointon Investment Limited, Limassol (CY)	77,446	RUB	100.0%	BR
Priamos Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	FI
Priorbank JSC, Minsk (BY)	86,147,909	BYN	87.7%	BA
Propria Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	90.0%	FI
R Karpo Immobilien Linie S.R.L., Bucharest (RO)	200	RON	100.0%	OT
R.P.I. Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
Raiffeisen Banca pentru Locuinte S.A., Bucharest (RO)	131,074,560	RON	66.7%	BA
Raiffeisen Bank Aval JSC, Kyiv (UA)	6,154,516,258	UAH	68.2%	BA
Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo (BA)	247,167,000	BAM	100.0%	BA
Raiffeisen Bank Kosovo J.S.C., Pristina (KO)	63,000,000	EUR	100.0%	BA
Raiffeisen Bank Polska S.A., Warsaw (PL)	2,256,683,400	PLN	100.0%	BA
Raiffeisen Bank S.A., Bucharest (RO)	1,200,000,000	RON	99.9%	BA
Raiffeisen Bank Sh.a., Tirana (AL)	14,178,593,030	ALL	100.0%	BA
Raiffeisen Bank Zrt., Budapest (HU)	50,000,090,000	HUF	100.0%	BA
Raiffeisen banka a.d., Belgrade (RS)	27,466,157,580	RSD	100.0%	BA

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna (AT)	35,000,000	EUR	100.0%	BA
Raiffeisen Bausparkassen Holding GmbH, Vienna (AT)	10,000,000	EUR	100.0%	FH
Raiffeisen Burgenland Leasing GmbH, Vienna (AT)	38,000	EUR	100.0%	FI
Raiffeisen CEE Region Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen Centrobank AG, Vienna (AT)	47,598,850	EUR	100.0%	BA
Raiffeisen CIS Region Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen consulting d.o.o., Zagreb (HR)	105,347,000	HRK	100.0%	OT
Raiffeisen Corporate Lízing Zrt., Budapest (HU)	50,100,000	HUF	100.0%	FI
Raiffeisen Factor Bank AG, Vienna (AT)	10,000,000	EUR	100.0%	FI
Raiffeisen Factoring Ltd., Zagreb (HR)	270,000,000	HRK	100.0%	FI
Raiffeisen FinCorp, s.r.o., Prague (CZ)	200,000	CZK	75.0%	FI
Raiffeisen Immobilienfonds, Vienna (AT)	0	EUR	97.3%	FI
Raiffeisen International Invest Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen International Liegenschaftsbesitz GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung, Vienna (AT)	15,000,000	EUR	100.0%	BA
Raiffeisen Leasing Bulgaria EOOD, Sofia (BG)	35,200,000	BGN	100.0%	FI
Raiffeisen Leasing d.o.o., Belgrade (RS)	226,389,900	RSD	100.0%	FI
Raiffeisen Leasing d.o.o., Ljubljana (SI)	3,738,107	EUR	100.0%	FI
Raiffeisen Leasing d.o.o. Sarajevo, Sarajevo (BA)	15,405,899	BAM	100.0%	FI
Raiffeisen Leasing IFN S.A., Bucharest (RO)	14,935,400	RON	99.9%	FI
Raiffeisen Leasing Kosovo LLC, Pristina (KO)	642,857	EUR	100.0%	FI
Raiffeisen Leasing sh.a., Tirana (AL)	263,520,134	ALL	100.0%	FI
Raiffeisen Leasing-Projektfinanzierung Gesellschaft m.b.H., Vienna (AT)	72,673	EUR	100.0%	FI
Raiffeisen Mandatory and Voluntary Pension Funds Management Company Plc., Zagreb (HR)	143,445,300	HRK	100.0%	OT
Raiffeisen ÖHT Beteiligungs GmbH, Vienna (AT)	35,000	EUR	88.0%	FI
Raiffeisen Pension Insurance d.d., Zagreb (HR)	23,100,000	HRK	100.0%	VV
Raiffeisen Property Holding International GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen Property International GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Raiffeisen Property Management GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Raiffeisen Rent DOO, Belgrade (RS)	243,099,913	RSD	100.0%	OT
Raiffeisen RS Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen SEE Region Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
Raiffeisen stambena stedionica d.d., Zagreb (HR)	180,000,000	HRK	100.0%	BA
Raiffeisen stavebni sporitelna a.s., Prague (CZ)	650,000,000	CZK	97.5%	BA
Raiffeisen WohnBau Wien GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Raiffeisen Wohnbaubank Aktiengesellschaft, Vienna (AT)	5,100,000	EUR	100.0%	FI
Raiffeisen-Anlagenvermietung Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisenbank (Bulgaria) EAD, Sofia (BG)	603,447,952	BGN	100.0%	BA
Raiffeisenbank a.s., Prague (CZ)	11,060,800,000	CZK	75.0%	BA
Raiffeisenbank Austria d.d., Zagreb (HR)	3,621,432,000	HRK	100.0%	BA
Raiffeisen-Gemeindegebäudeleasing Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisen-Invest-Gesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	FI
Raiffeisen-Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen-Leasing Aircraft Finance GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen-Leasing Bank Aktiengesellschaft, Vienna (AT)	5,000,000	EUR	100.0%	BA
Raiffeisen-Leasing Beteiligung GesmbH, Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisen-Leasing d.o.o., Zagreb (HR)	30,000,000	HRK	100.0%	FI
Raiffeisen-Leasing Fuhrparkmanagement Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	OT
Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	363,364	EUR	100.0%	FI

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
Raiffeisen-Leasing Immobilienmanagement Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisen-Leasing International Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
Raiffeisen-Leasing Liegenschaftsverwaltung Kraußstraße Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	70.0%	FI
Raiffeisen-Leasing Lithuania UAB, Vilnius (LT)	100,000	EUR	92.3%	FI
Raiffeisen-Leasing, s.r.o., Prague (CZ)	450,000,000	CZK	75.0%	FI
Raiffeisen-RBHU Holding GmbH, Vienna (AT)	236,640	EUR	100.0%	FH
Raiffeisen-Rent Immobilienprojektentwicklung Gesellschaft m.b.H. Objekt Wallgasse 12 KG, Vienna (AT)	4,886,449	EUR	37.1%	OT
Raiffeisen-Rent-ImmobilienprojektentwicklungsgmbH.,Objekt Lenaugasse 11 KG, Vienna (AT)	6,169,924	EUR	54.4%	OT
Raiffeisen-Wagramer Straße 120 Projektentwicklungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RALT Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	218,500	EUR	100.0%	FI
RALT Raiffeisen-Leasing Gesellschaft m.b.H. & Co. KG, Vienna (AT)	20,348,394	EUR	100.0%	BR
RAN elf Raiffeisen-Anlagenvermietung Ges.m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
RAN vierzehn Raiffeisen-Anlagevermietung GmbH, Vienna (AT)	36,336	EUR	100.0%	FI
RAN zehn Raiffeisen-Anlagevermietung Ges.m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
RB International Finance (Hong Kong) Ltd., Hong Kong (HK)	10,000,000	HKD	100.0%	FI
RB International Markets (USA) LLC, New York (US)	8,000,000	USD	100.0%	FI
RBI KI Beteiligungs GmbH, Vienna (AT)	48,000	EUR	100.0%	FH
RBI eins Leasing Holding GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
RBI IB Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	FH
RBI ITS Leasing-Immobilien GmbH, Vienna (AT)	35,000	EUR	75.0%	FI
RBI LEA Beteiligungs GmbH, Vienna (AT)	70,000	EUR	100.0%	FI
RBI Leasing GmbH, Vienna (AT)	100,000	EUR	75.0%	FI
RBI LGG Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RBI PE Handels- und Beteiligungs GmbH, Vienna (AT)	150,000	EUR	100.0%	FI
RBI Vajnoria spol.s.r.o., Bratislava (SK)	5,000	EUR	75.0%	FI
REC Alpha LLC, Kyiv (UA)	267,643,204	UAH	100.0%	BR
Regional Card Processing Center s.r.o., Bratislava (SK)	539,465	EUR	100.0%	BR
REMUS Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Rent Impex, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
RIL VII Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RIL XIV Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RIRE Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL Anlagenvermietung Gesellschaft m.b.H., Eschborn (DE)	50,000	DEM	100.0%	FI
RL Grundstückverwaltung Klagenfurt-Süd GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL Hotel Palace Wien Besitz GmbH, Vienna (AT)	36,336	EUR	99.0%	FI
RL LUX Holding S.a.r.l., Luxembourg (LU)	12,500	EUR	100.0%	OT
RL Retail Holding GmbH, Vienna (AT)	36,000	EUR	100.0%	FI
RL Thermal Beteiligungen GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL Thermal GmbH, Vienna (AT)	36,336	EUR	100.0%	FI
RL Thermal GmbH & Co Liegenschaftsverwaltung KG, Vienna (AT)	1,453,457	EUR	100.0%	FI
RL-ALPHA Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RLI Holding Gesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	FI
RL-Mörby AB, Stockholm (SE)	100,000	SEK	100.0%	FI
RL-Nordic AB, Stockholm (SE)	50,000,000	SEK	100.0%	FI
RL-Nordic OY, Helsinki (FI)	100,000	EUR	100.0%	FI
RL-Pro Auxo Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	FI
RL-PROMITOR Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-PROMITOR Spolka z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
RL-Prom-Wald Sp. Z.o.o, Warsaw (PL)	50,000	PLN	100.0%	OT
RLX Dvorak S.A., Luxembourg (LU)	31,000	EUR	100.0%	OT

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital[1] in local currency		Share[1]	Type[2]
ROOF Smart S.A., Luxembourg (LU)	1	EUR	<0.1%	FI
RUBRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RZB - BLS Holding GmbH, Vienna (AT)	500,000	EUR	100.0%	FI
RZB Finance (Jersey) III Ltd, St Helier (JE)	1,000	EUR	100.0%	FI
RZB Invest Holding GmbH, Vienna (AT)	500,000	EUR	100.0%	FH
RZB Sektorbeteiligung GmbH, Vienna (AT)	100,000	EUR	100.0%	FH
RZB Versicherungsbeteiligung GmbH, Vienna (AT)	500,000	EUR	100.0%	FI
S.C. PLUSFINANCE ESTATE 1 S.R.L., Bucharest (RO)	13,743,340	RON	100.0%	BR
SALVELINUS Handels- und Beteiligungsgesellschaft m.b.H, Vienna (AT)	40,000	EUR	100.0%	FI
SAMARA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
SF Hotelerrichtungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
SINIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	FI
Sky Tower Immobilien- und Verwaltung Kft, Budapest (HU)	43,000	HUF	100.0%	OT
Skytower Building SRL, Bucharest (RO)	126,661,500	RON	100.0%	OT
SOLAR II Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
SOLIDA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.5%	FI
"S-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	OT
Styria Immobilienleasing GmbH & Co. Projekt Ahlen KG, Eschborn (DE)	5,000	EUR	6.0%	FI
Tatra Asset Management, správ. spol., a.s., Bratislava (SK)	1,659,700	EUR	78.8%	FI
Tatra banka, a.s., Bratislava (SK)	64,326,228	EUR	78.8%	BA
Tatra Residence, a.s., Bratislava (SK)	21,420,423	EUR	78.8%	BR
Tatra-Leasing, s.r.o., Bratislava (SK)	6,638,785	EUR	78.8%	FI
THYMO Raiffeisen-Leasing Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	FI
Ukrainian Processing Center PJSC, Kyiv (UA)	180,000	UAH	100.0%	BR
Unterinntaler Raiffeisen-Leasing GmbH & Co KG, Vienna (AT)	36,336	EUR	100.0%	FI
URSA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Valida Holding AG, Vienna (AT)	5,000,000	EUR	57.4%	FI
Valida Industrie Pensionskasse AG, Vienna (AT)	5,000,062	EUR	57.4%	OT
Valida Pension AG, Vienna (AT)	10,200,000	EUR	57.4%	OT
Valida Plus AG, Vienna (AT)	5,500,000	EUR	57.4%	BA
Viktor Property, s.r.o., Prague (CZ)	200,000	CZK	75.0%	OT
Vindalo Properties Limited, Limassol (CY)	67,998	RUB	100.0%	BR
Vindobona Immobilienleasing GmbH & Co. Projekt Autohaus KG, Eschborn (DE)	5,000	EUR	6.0%	FI
WEGA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
ZHS Office- & Facilitymanagement GmbH, Vienna (AT)	36,336	EUR	98.6%	BR

1 Less own shares
2 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Structured units

The following tables show, by type of structured entity, the carrying amounts of the Group's interests recognized in the consolidated statement of financial position as well as the maximum exposure to loss resulting from these interests. The carrying amounts presented below do not reflect the true variability of returns faced by the Group because they do not take into account the effects of collateral or hedges.

Assets

2017 in € thousand	Loans and advances	Equities	Debt instruments	Derivatives
Securitization vehicles	348,370	0	427,537	0
Third party funding entities	253,824	2,831	0	0
Funds	0	55,749	0	0
Total	**602,194**	**58,580**	**427,537**	**0**

2016 in € thousand	Loans and advances	Equities	Debt instruments	Derivatives
Securitization vehicles	315,147	0	389,813	0
Third party funding entities	166,949	1,925	0	0
Funds	0	48,004	0	0
Total	**482,095**	**49,929**	**389,813**	**0**

Liabilities

2017 in € thousand	Deposits	Equities	Debt securities issued	Derivatives
Securitization vehicles	319	0	0	0
Third party funding entities	19,270	0	0	178
Funds	0	0	0	86
Total	**19,589**	**0**	**0**	**264**

2016 in € thousand	Deposits	Equities	Debt securities issued	Derivatives
Securitization vehicles	330	0	0	0
Third party funding entities	22,219	0	0	1,051
Funds	0	0	0	956
Total	**22,550**	**0**	**0**	**2,007**

Nature, purpose and extent of the Group's interests in non-consolidated structured entities

The Group engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- Restricted activities;
- A narrow and well defined objective;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- Financing in the form of the issue of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The principal uses of structured entities are to provide clients with access to specific portfolios of assets and to provide market liquidity for clients through securitizing financial assets. Structured entities may be established as corporations, trusts or partnerships. Structured entities generally finance the purchase of assets by issuing debt and equity securities that are collateralized by and/or indexed to the assets held by the structured entities.

Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicate that the structured entities are controlled by the Group.

Below is a description of the Group's involvements in non-consolidated structured entities by type.

Third party funding entities

The Group provides funding to structured entities that hold a variety of assets. These entities may take the form of funding entities, trusts and private investment companies. The funding is collateralized by the assets in the structured entities. The group's investment activity involves predominantly lending.

Securitization vehicles

The Group establishes securitization vehicles which purchase diversified pools of assets, including fixed income securities, company loans, and asset-backed securities (predominantly commercial and residential mortgage-backed securities and credit card receivables). The vehicles fund these purchases by issuing multiple tranches of debt and equity securities, the repayment of which is linked to the performance of the assets in the vehicles. The Group often transfers assets to these securitization vehicles and provides financial support to these entities in the form of liquidity facilities.

Funds

The Group establishes structured entities to accommodate client requirements to hold investments in specific assets. The Group also invests in funds that are sponsored by third parties. A Group entity may act as fund manager, custodian or in some other capacity and provide funding and liquidity facilities to both Group sponsored and third party funds. The funding provided is collateralized by the underlying assets held by the fund.

Maximum exposure to and size of non-consolidated structured entities

The maximum exposure to loss is determined by considering the nature of the interest in the non-consolidated structured entity. The maximum exposure for loans and trading instruments is reflected by their carrying amounts in the consolidated statement of financial position. The maximum exposure for derivatives and instruments off the statement of financial position such as guarantees, liquidity facilities and loan commitments under IFRS 12, as interpreted by the Group, is reflected by the notional amounts. Such amounts do not reflect the economic risks faced by the Group because they do not take into account the effects of collateral or hedges or the probability of such losses being incurred. At 31 December 2017, the notional values of derivatives and instruments off the statement of financial position were € 25,975 thousand (2016: € 27,822 thousand) and € 61,793 thousand (2016: € 95,292 thousand) respectively. Information on the size of structured entities is not always publicly available therefore the Group has determined that its exposure is an appropriate guide to size.

Financial support

The Group has not provided financial support during the financial year to non-consolidated structured entities (2016: € 3,420 thousand).

Sponsored structured entities

As a sponsor, the Group is often involved in the legal set up and marketing of the entity and supports the entity in different ways such as providing operational support to ensure the entity's continued operation. The Group is also deemed a sponsor for a structured entity if market participants would reasonably associate the entity with the Group. Additionally, the use of the Raiffeisen name for the structured entity often indicates that the Group has acted as a sponsor. The gross proceeds from sponsored entities for the year ending 31 December 2017 amounted to € 197,987 thousand (2016: € 18,197 thousand). No assets were transferred to sponsored non-consolidated structured entities in 2017 or 2016.

(53) List of equity participations

Other affiliated companies

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
card complete Service Bank AG, Vienna (AT)	6,000,000	EUR	25.0%	BA
LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft, Vienna (AT)	32,624,283	EUR	33.1%	OT
NOTARTREUHANDBANK AG, Vienna (AT)	8,030,000	EUR	26.0%	BA
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (AT)	130,000,000	EUR	8.1%	BA
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna (AT)	11,627,653	EUR	31.3%	BA
Posojilnica Bank eGen, Klagenfurt (AT)	44,391,240	EUR	59.0%	BA
Prva stavebna sporitelna a.s., Bratislava (SK)	66,500,000	EUR	32.5%	BA
Raiffeisen Informatik GmbH, Vienna (AT)	1,460,000	EUR	47.6%	BR
UNIQA Insurance Group AG, Vienna (AT)	309,000,000	EUR	10.9%	VV

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Other equity participations

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
"A-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	OT
"K-SPV" d.o.o. Sarajevo, Sarajevo (BA)	2,000	BAM	100.0%	OT
Abakus Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Abrawiza Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Abrawiza Immobilienleasing GmbH & Co. Projekt Fernwald KG, Eschborn (DE)	5,000	EUR	6.0%	OT
Abri Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Abura Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Abutilon Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Abutilon Immobilienleasing GmbH & Co. Projekt Autohof Ibbenbüren KG, Eschborn (DE)	5,000	EUR	6.0%	FI
ACB Ponava, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Achat Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Acridin Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adamas Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adiantum Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adipes Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adorant Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adrett Immobilienleasing GmbH, Eschborn (DE)	125,000	EUR	100.0%	OT
Adrittura Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adufe Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adular Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Adular Immobilienleasing GmbH & Co. Projekt Rödermark KG, Eschborn (DE)	5,000	EUR	100.0%	FI
AELLO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Agamemnon Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
AGITO Immobilien-Leasing GesmbH, Vienna (AT)	36,400	EUR	100.0%	FI
ALT POHLEDY s.r.o., Prague (CZ)	84,657,000	CZK	100.0%	OT
Am Hafen" Sutterlüty GmbH & Co KG, Vienna (AT)	100,000	EUR	50.0%	FI
Amfion Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Angaga Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Appolon Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
ARTEMIA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Aspius Immobilien Holding International GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Astra Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Ate Property, s.r.o., Prague (CZ)	0	CZK	100.0%	OT
AURIGA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Austria Leasing GmbH & Co KG Immobilienverwaltung Projekt EKZ Meitingen, Eschborn (DE)	10,000	EUR	100.0%	OT
Austria Leasing GmbH & Co. KG Immobilienverwaltung CURA, Eschborn (DE)	10,000	EUR	100.0%	FI
Austria Leasing GmbH & Co. KG Immobilienverwaltung Projekt Eberdingen, Eschborn (DE)	10,000	EUR	100.0%	FI
Austria Leasing Immobilienverwaltungsgesellschaft mbH, Eschborn (DE)	25,000	EUR	100.0%	OT
BA Development, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
Bandos Handels- und Beteiligungs GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Boreas Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
BRL Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Eisenstadt (AT)	73,000	EUR	100.0%	FI
Bukovina Residential SRL, Timisoara (RO)	1,901,600	RON	100.0%	OT
BUXUS Handels- und Beteiligungs GmbH in Liqu., Vienna (AT)	35,000	EUR	100.0%	OT
CADO Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest (RO)	2,820,000	RON	100.0%	BR
Centrotrade Holding GmbH, Vienna (AT)	3,000,000	EUR	100.0%	OT
Chronos Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
CP Linzerstraße 221-227 Projektentwicklungs GmbH, Vienna (AT)	37,000	EUR	100.0%	OT
CP Logistikcenter Errichtungs- und Verwaltungs GmbH, Vienna (AT)	37,000	EUR	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
CP Projekte Muthgasse Entwicklungs GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Credibilis a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
CRISTAL PALACE Property s.r.o., Prague (CZ)	400,000	CZK	100.0%	OT
CZ Invest GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Dafne Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
DAV Depo Projekt Korlátolt Felelősségű Társaság, Budapest (HU)	3,010,000	HUF	99.7%	OT
DAV Management Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
DAV-ESTATE Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
DAV-LAND Kft., Budapest (HU)	163,030,000	HUF	100.0%	OT
DAV-OUTLET Kft., Budapest (HU)	3,020,000	HUF	100.0%	OT
Dike Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Dobré Bývanie s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
Dom-office 2000, Minsk (BY)	283,478	BYN	100.0%	OT
Don Giovanni Properties, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Doplnková dôchodková spoločnosť Tatra banky, a.s., Bratislava (SK)	1,659,700	EUR	100.0%	FI
DORISCUS ENTERPRISES LTD., Limassol (CY)	19,843,400	EUR	86.6%	OT
Dúbravčice, s.r.o., Bratislava (SK)	5,000	EUR	100.0%	OT
Eastern European Invest GmbH in Liqu., Vienna (AT)	35,000	EUR	100.0%	FI
Eastern European Invest Holding GmbH in Liqu., Vienna (AT)	35,000	EUR	100.0%	OT
Eos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Erato Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Essox d.o.o., Belgrade (RS)	100	RSD	100.0%	OT
Esterhazy Real Estate s.r.o., Bratislava (SK)	5,000	EUR	100.0%	OT
Euro Green Energy Fejlesztő és Szolgáltató Kft., Budapest (HU)	11,850,000	HUF	100.0%	OT
Eurolease RE Leasing, s. r. o., Bratislava (SK)	6,125,256	EUR	100.0%	OT
Euros Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Exit 90 SPV s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Expo Forest 1 EOOD, Sofia (BG)	5,000	BGN	100.0%	OT
Expo Forest 2 EOOD, Sofia (BG)	5,000	BGN	100.0%	OT
Expo Forest 3 EOOD, Sofia (BG)	5,000	BGN	100.0%	OT
Expo Forest 4 EOOD, Sofia (BG)	5,000	BGN	100.0%	OT
Extra Year Investments Limited, Tortola (VG)	50,000	USD	100.0%	FI
FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	OT
Faru Handels- und Beteiligungs GmbH, Vienna (AT)	80,000	EUR	100.0%	OT
First Leasing Service Center GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
FORZA SOLE s.r.o., Prague (CZ)	200,000	CZK	90.0%	OT
FVE Cihelna s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Gaia Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
GHERKIN, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Golden Rainbow International Limited, Tortola (VG)	1	SGD	100.0%	FI
Grainulos s.r.o., Prague (CZ)	1	CZK	100.0%	OT
Group Cloud Solutions, s.r.o., Bratislava (SK)	185,886	EUR	100.0%	BR
GS55 Sazovice s.r.o., Prague (CZ)	15,558,000	CZK	90.0%	OT
GTNMS RBI Immobilien-Leasing GmbH, Vienna (AT)	17,500	EUR	100.0%	OT
Harmonia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Hebe Property, s.r.o., Prague (CZ)	200,000	CZK	95.0%	OT
Hemera Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
HERA Raiffeisen Immobilien Leasing GmbH, Vienna (AT)	36,400	EUR	49.0%	FI
Hermes Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Hestia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Holeckova Property s.r.o., Prague (CZ)	210,000	CZK	100.0%	OT
HSL INVEST S.R.L., Ploiesti (RO)	27,207,600	RON	100.0%	OT
Humanitarian Fund ''Budimir Bosko Kostic'', Belgrade (RS)	30,000	RSD	100.0%	OT
Hyperion Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Hypnos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
ICS Raiffeisen Leasing s.r.l, Chisinau (MD)	8,307,535	MDL	100.0%	FI
ICTALURUS Handels- und Beteiligungs GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
IDUS Handels- und Beteiligungs GmbH, Vienna (AT)	40,000	EUR	100.0%	OT
Immoservice Polska Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
INFRA MI 1 Immobilien Gesellschaft mbH, Vienna (AT)	72,673	EUR	100.0%	OT
Ino Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
INPROX Split d.o.o., Zagreb (HR)	100,000	HRK	100.0%	OT
Inprox Zagreb Sesvete d.o.o., Zagreb (HR)	10,236,400	HRK	100.0%	OT
Iris Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
ISIS Raiffeisen Immobilien Leasing GmbH, Vienna (AT)	36,400	EUR	100.0%	FI
Janus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Kaliope Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Kalypso Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
KAPMC s.r.o., Prague (CZ)	100,000	CZK	100.0%	OT
Kappa Estates s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Kathrein & Co Life Settlement Gesellschaft m.b.H., Vienna (AT)	35,000	EUR	100.0%	OT
Kathrein & Co. Private Equity I AG, Vienna (AT)	190,000	EUR	100.0%	OT
Kathrein & Co. Trust Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Kathrein Capital Management GmbH, Vienna (AT)	1,000,000	EUR	100.0%	FI
KIWANDA Handels- und Beteiligungs GmbH in Liqu., Vienna (AT)	35,000	EUR	100.0%	OT
Kleio Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Körlog Logistika Építö és Kivitelezö Korlátolt Feleösségü Társaság, Budapest (HU)	3,000,000	HUF	100.0%	OT
KOTTO Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
LENTIA Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Leto Property, s.r.o., Prague (CZ)	200,000	CZK	77.0%	OT
LIBRA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	36,400	EUR	100.0%	FI
LLC European Insurance Agency, Moscow (RU)	120,000	RUB	100.0%	OT
LLC REC GAMMA, Kyiv (UA)	49,015,000	UAH	100.0%	BR
LOTA Handels- und Beteiligungs-GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Lucius Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Luna Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
MAMONT GmbH, Kyiv (UA)	66,872,100	UAH	100.0%	OT
Medea Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Melete Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
MELIKERTES Raiffeisen-Mobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	80.0%	OT
Melpomene Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Michalka - Sun s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
MIRA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Morfeus Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
MORHUA Handels- und Beteiligungs GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
MOVEO Raiffeisen-Leasing GmbH, Vienna (AT)	35,000	EUR	51.0%	FI
Na Starce, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
NAURU Handels- und Beteiligungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
NC Ivancice, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Nemesis Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Neptun Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Niobe Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Nußdorf Immobilienverwaltung GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
OBI Eger Kft, Budapest (HU)	3,000,000	HUF	74.9%	FI
OBI Miskolc Ingatlankezelö Korlatolt Felelössegü Tarsasag, Budapest (HU)	3,000,000	HUF	74.9%	FI
OBI Veszprem Ingatlankezelö Korlatolt Felelössegü Tarsasag, Budapest (HU)	3,000,000	HUF	74.9%	FI
Objekt Linser Areal Immobilienerrichtungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
OCTANOS Raiffeisen Immobilien Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Ofion Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
ÖKO-Drive Fuhrparkmanagement GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Onyx Energy Projekt II s.r.o., Prague (CZ)	210,000	CZK	100.0%	OT
Onyx Energy s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
OOO "Vneshleasing", Moscow (RU)	131,770	RUB	100.0%	FI
OOO Raiffeisen Capital Asset Management Company, Moscow (RU)	225,000,000	RUB	100.0%	FI
OOO SB "Studia Strahovania", Minsk (BY)	34,924	BYN	100.0%	OT
OPORA Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Orchideus Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Orestes Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
ORION Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
OSTARRICHI Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Ötödik Vagyonkezelő Kft., Budapest (HU)	9,510,000	HUF	100.0%	OT
P & C Beteiligungs Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	OT
Palace Holding s.r.o., Prague (CZ)	2,700,000	CZK	90.0%	OT
PEGA Raiffeisen-Immobilien Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
Peito Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
PELIAS Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	36,400	EUR	100.0%	FI
Photon Energie s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 10 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 11 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 3 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 4 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 6 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Photon SPV 8 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
PHOXIUS Handels- und Beteiligungsgesellschaft m.b.H., Vienna (AT)	40,000	EUR	100.0%	OT
PILSENINEST SICAV, a.s., Prague (CZ)	2,120,000	CZK	100.0%	OT
PLUSFINANCE LAND S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
PLUSFINANCE OFFICE S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
PLUSFINANCE RESIDENTIAL S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
Polymnia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Pontos Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Pro Invest da Vinci e.o.o.d., Sofia (BG)	5,000	BGN	100.0%	OT
PRODEAL, a.s., Bratislava (SK)	796,654	EUR	100.0%	BR
Production unitary enterprise "PriortransAgro", Minsk (BY)	50,000	BYN	100.0%	OT
PROKNE Raiffeisen-Immobilien-Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
PZ PROJEKT a.s., Prague (CZ)	2,000,000	CZK	100.0%	OT
Queens Garden Sp z.o.o., Warsaw (PL)	100,000	PLN	100.0%	OT
R MORMO IMMOBILIEN LINIE S.R.L., Bucharest (RO)	50,000	RON	1.0%	FI
R.B.T. Beteiligungsgesellschaft m.b.H, Vienna (AT)	50,000	RON	100.0%	OT
R.L.H. Holding GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
Raiffeisen (Beijing) Investment Management Co., Ltd., Beijing (CN)	35,000	EUR	100.0%	FI

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
Raiffeisen Asset Management (Bulgaria) EAD, Sofia (BG)	250,000	BGN	100.0%	FI
Raiffeisen Assistance D.O.O., Beograd, Belgrade (RS)	4,307,115	RSD	100.0%	OT
Raiffeisen Assistance doo Sarajevo, Sarajevo (BA)	4,000	BAM	100.0%	FI
Raiffeisen Autó Lízing Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Raiffeisen Befektetési Alapkezelõ Zrt., Budapest (HU)	100,000,000	HUF	100.0%	FI
Raiffeisen Biztosításközvetítö Kft., Budapest (HU)	5,000,000	HUF	100.0%	VV
Raiffeisen Bonus Ltd., Zagreb (HR)	200,000	HRK	100.0%	BR
Raiffeisen Capital a.d. Banja Luka, Banja Luka (BA)	355,000	BAM	100.0%	FI
Raiffeisen Corporate Leasing GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Raiffeisen Direct Investments CZ s.r.o., Prague (CZ)	200,000	CZK	100.0%	FI
Raiffeisen Energiaszolgáltató Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Raiffeisen Financial Services Polska Sp. z o.o., Warsaw (PL)	4,657,500	PLN	100.0%	FI
Raiffeisen Future AD Beograd drustvo za upravljanje dobrovoljnim penzijskim fondom, Belgrade (RS)	143,204,921	RSD	100.0%	FI
Raiffeisen Gazdasági Szolgáltató Zrt., Budapest (HU)	20,099,879	HUF	100.0%	OT
Raiffeisen Immobilien Kapitalanlage-Gesellschaft m.b.H., Vienna (AT)	5,000,000	EUR	100.0%	BA
Raiffeisen Ingatlan Üzemeltető Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Raiffeisen Ingatlan Vagyonkezelő Kft., Budapest (HU)	3,110,000	HUF	100.0%	OT
Raiffeisen Insurance and Reinsurance Broker S.R.L, Bucharest (RO)	180,000	RON	100.0%	BR
RAIFFEISEN INSURANCE BROKER EOOD, Sofia (BG)	5,000	BGN	100.0%	BR
Raiffeisen Insurance Broker Kosovo L.L.C., Pristina (KO)	10,000	EUR	100.0%	BR
RAIFFEISEN INVEST AD, Belgrade (RS)	47,662,692	RSD	100.0%	FI
Raiffeisen Invest d.o.o., Zagreb (HR)	8,000,000	HRK	100.0%	FI
Raiffeisen Invest Drustvo za upravljanje fondovima d.o.o Sarajevo, Sarajevo (BA)	945,424	BAM	100.0%	FI
Raiffeisen INVEST Sh.a., Tirana (AL)	90,000,000	ALL	100.0%	FI
Raiffeisen investicni spolecnost a.s., Prague (CZ)	40,000,000	CZK	100.0%	FI
Raiffeisen Investment Advisory GmbH, Vienna (AT)	730,000	EUR	100.0%	FI
Raiffeisen Investment Financial Advisory Services Ltd. Co., Istanbul (TR)	2,930,000	TRY	100.0%	FI
Raiffeisen Investment Polska sp.z.o.o., Warsaw (PL)	3,024,000	PLN	100.0%	FI
Raiffeisen Property Management Bulgaria EOOD, Sofia (BG)	80,000	BGN	100.0%	OT
Raiffeisen Property Management spol.s.r.o., Prague (CZ)	100,000	CZK	100.0%	OT
Raiffeisen Salzburg Invest Kapitalanlage GmbH, Salzburg (AT)	2,600,000	EUR	75.0%	BA
RAIFFEISEN SERVICE EOOD, Sofia (BG)	4,220,000	BGN	100.0%	OT
Raiffeisen Services SRL, Bucharest (RO)	30.000	RON	100,0%	OT
Raiffeisen Solutions Spółka z ograniczoną odpowiedzialnością, Warsaw (PL)	550,000	PLN	100.0%	FI
Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A., Warsaw (PL)	4,000,000	PLN	100.0%	FI
Raiffeisen Windpark Zistersdorf GmbH, Vienna (AT)	37,000	EUR	100.0%	OT
Raiffeisen WohnBau Tirol GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Raiffeisen Wohnbauleasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
Raiffeisen-Leasing Gesellschaft m.b.H. & Co KG, Vienna (AT)	581,383	EUR	100.0%	OT
Raiffeisen-Leasing Immobilienverwaltung Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	100.0%	OT
Raiffeisen-Leasing Wärmeversorgungsanlagenbetriebs GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
Raiffeisen-Wohnbauleasing Österreich GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RB International Investment Asia Limited, Labuan (MY)	1	USD	100.0%	FI
RB Kereskedhőáz Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
RB Szolgáltató Központ Kft. - RBSC Kft., Nyíregyháza (HU)	3,000,000	HUF	100.0%	OT
RBI Group IT GmbH, Vienna (AT)	100,000	EUR	100.0%	BR
RBI Real Estate Services Czechia s.r.o., Prague (CZ)	100,000	CZK	100.0%	FI
RBI Real Estate Services Polska SP.z.o.o., Warsaw (PL)	400,000	PLN	100.0%	FI
RBM Wohnbau Ges.m.b.H., Vienna (AT)	37,000	EUR	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
RCR Ukraine LLC, Kyiv (UA)	282,699	UAH	100.0%	BR
RDI Czech 1 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 3 s.r.o, Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 4 s.r.o, Prague (CZ)	2,500,000	CZK	100.0%	OT
RDI Czech 5 s.r.o, Prague (CZ)	200,000	CZK	100.0%	OT
RDI Czech 6 s.r.o, Prague (CZ)	3,700,000	CZK	100.0%	OT
RDI Management s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Real Estate Rent 4 DOO, Belgrade (RS)	40,310	RSD	100.0%	OT
Realplan Alpha Liegenschaftsverwaltung Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	100.0%	OT
REF HP 1 s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Rent CC, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
Rent GRJ, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	OT
Rent PO, s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
Residence Park Trebes, s.r.o., Prague (CZ)	20,000,000	CZK	100.0%	OT
Rezidence Pod Skalou s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Rheia Property, s.r.o., Prague (CZ)	200,000	CZK	95.0%	OT
RIL IV Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RIL VI Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
RIL XIII Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RILREU Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	100.0%	FI
RIOBAU s.r.o., Prague (CZ)	10,000	CZK	100.0%	OT
RIRBRO ESTATE MANAGEMENT S.R.L., Bucharest (RO)	1,000	RON	100.0%	BR
RL Gamma d.o.o., Zagreb (HR)	20,000	HRK	100.0%	FI
RL Jankomir d.o.o., Zagreb (HR)	20,000	HRK	100.0%	OT
RL Leasing Gesellschaft m.b.H., Eschborn (DE)	25,565	EUR	85.0%	FI
RL Schiffvermietungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-Assets Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
RL-ATTIS Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-Attis Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
RL-BETA Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-Delta Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-Epsilon Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL-Epsilon Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	FI
RL-ETA d.o.o., Zagreb (HR)	20,000	HRK	100.0%	OT
RL-ETA Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-FONTUS Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-Fontus Sp.z.o.o., Warsaw (PL)	50,000	PLN	100.0%	OT
RL-Gamma Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL-Jota Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
RL-Jota Sp.z o.o., Warsaw (PL)	50,000	PLN	100.0%	FI
RL-Lamda s.r.o., Bratislava (SK)	6,639	EUR	100.0%	FI
RL-Lux Ingatlan Kft., Budapest (HU)	3,100,000	HUF	100.0%	OT
RL-Nordic Finans AB, Stockholm (SE)	100,000	SEK	100.0%	FI
RL-Opis Holding GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
RL-OPIS SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA, Warsaw (PL)	50,000	PLN	100.0%	OT
RLRE Beta Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RLRE Carina Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RLRE Eta Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
RLRE Hotel Ellen, s.r.o., Prague (CZ)	100,000	CZK	100.0%	OT
RLRE Jota Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
RLRE Ypsilon Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Robert Károly Körút Irodaház Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
Rogofield Property Limited, Nicosia (CY)	2,174	USD	100.0%	OT
RPM Budapest KFT, Budapest (HU)	3,000,000	HUF	100.0%	OT
S.A.I. Raiffeisen Asset Management S.A., Bucharest (RO)	10,656,000	RON	100.0%	FI
SAM-House Kft, Budapest (HU)	3,000,000	HUF	100.0%	BR
SASSK Ltd., Kyiv (UA)	152,322,000	UAH	88.7%	OT
SCT Kárász utca Ingatlankezelő Kft., Budapest (HU)	3,000,000	HUF	100.0%	OT
SCTB Ingatlanfejlesztés Ingatlanhasznosító Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
SCTE Elsö Ingatlanfejlesztö és Ingatlanhasznosító Kft., Budapest (HU)	3,000,000	HUF	100.0%	BR
SCTP Biatorbágy Ingatlanfejlesztő és Ingatlanhasznosító Kft., Budapest (HU)	3,000,000	HUF	75.3%	OT
SCTS Kft., Budapest (HU)	3,100,000	HUF	100.0%	OT
Selene Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Sirius Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Sky Solar Distribuce s.r.o., Prague (CZ)	200,000	CZK	77.0%	OT
SPICA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
St. Marx-Immobilien Verwertungs- und Verwaltungs GmbH, Vienna (AT)	36,336	EUR	100.0%	OT
Stadtpark Hotelreal GmbH, Vienna (AT)	500,000	EUR	100.0%	OT
Stadtpark Liegenschaftsbeteiligung GmbH, Vienna (AT)	35,000	EUR	100.0%	FI
STYRIA Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
Szentkiraly utca 18 Kft., Budapest (HU)	5,000,000	HUF	100.0%	OT
Theia Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Tmolos Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
TOO Raiffeisen Leasing Kazakhstan, Almaty (KZ)	85,800,000	KZT	100.0%	FI
Unitary insurance enterprise "Priorlife", Minsk (BY)	7,682,300	BYN	100.0%	VV
UPC Real, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Urania Property, s.r.o., Prague (CZ)	50,000	CZK	100.0%	OT
Valida Consulting GmbH, Vienna (AT)	500,000	ATS	100.0%	OT
VANELLA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
VINAGRIUM Borászati és Kereskedelmi Kft., Budapest (HU)	3,010,000	HUF	100.0%	OT
VINDOBONA Immobilienleasing GmbH, Eschborn (DE)	25,000	EUR	100.0%	OT
VN-Wohn Immobilien GmbH, Vienna (AT)	35,000	EUR	74.0%	OT
VUWG Verwaltung und Verwertung von Gewerbeimmobilien GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
Zatisi Rokytka s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
Zefyros Property, s.r.o., Prague (CZ)	200,000	CZK	100.0%	OT
ZRB 17 Errichtungs GmbH, Vienna (AT)	35,000	EUR	100.0%	OT
ZUNO AG, Vienna (AT)	5,000,000	EUR	100.0%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Other equity participations

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
"Zentrum Puntigam" Errichtungs- und Betriebsgesellschaft m.b.H., Vienna (AT)	35,000	EUR	50.0%	OT
Accession Mezzanine Capital II L.P., Bermuda (BM)	2,613	EUR	5.7%	OT
Accession Mezzanine Capital III L.P., Hamilton (JE)	134,125,000	EUR	3.7%	OT
Adoria Grundstückvermietungs Gesellschaft m.b.H., Vienna (AT)	36,360	EUR	24.5%	FI
AGIOS Raiffeisen-Immobilien Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	49.0%	FI
Agricultural OJSC Illintsi Livestock Breeding Enterprise, Illinci (UA)	703,100	UAH	4.7%	OT
AIL Swiss-Austria Leasing AG, Glattbrug (CH)	5,000,000	CHF	50.0%	FI
ALCS Association of Leasing Companies in Serbia, Belgrade (RS)	853,710	RSD	12.5%	OT
ALMC hf., Reykjavik (IS)	50,578,130	ISK	10.8%	OT
Am Hafen" Garagenerrichtungs- und Betriebs GmbH & Co KG, Bregenz (AT)	3,660,000	EUR	0.1%	FI
Analytical Credit Rating Agency (Joint Stock Company), Moscow (RU)	3,000,024,000	RUB	3.7%	OT
ARGE Zentrumsgarage Ischgl, Linz (AT)	1,000	EUR	1.6%	OT
A-Trust Gesellschaft für Sicherheitssysteme im elektronischen Datenverkehr GmbH, Vienna (AT)	5,290,013	EUR	12.1%	OT
Austrian Reporting Services GmbH, Vienna (AT)	41,176	EUR	15.0%	BR
Aventin Grundstücksverwaltungs Gesellschaft m.b.H., Horn (AT)	36,400	EUR	24.5%	FI
AVION-Grundverwertungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	49.0%	FI
Bad Sauerbrunn Thermalwasser Nutzungs- und Verwertungs GmbH., Bad Sauerbrunn (AT)	0	EUR	50.0%	OT
Belarussian currency and stock exchange JSC, Minsk (BY)	9,006,584	BYN	<0,1%	OT
Biroul de Credit S.A., Bucharest (RO)	4,114,615	RON	13.2%	FI
BTS Holding a.s. "v likvidácii", Bratislava (SK)	35,700	EUR	19.0%	OT
Bucharest Stock Exchange, Bucharest (RO)	76,741,980	RON	1.0%	OT
Budapest Stock Exchange, Budapest (HU)	541,348,100	HUF	<0,1%	SC
Burza cennych papierov v. Bratislave, a.s., Bratislava (SK)	11,404,927,296	EUR	0.1%	OT
Cards & Systems EDV-Dienstleistungs GmbH, Vienna (AT)	75,000	EUR	42.0%	OT
CASA DE COMPENSARE S.A., Bucharest (RO)	239,255	RON	0.1%	OT
Cash Service Company AD, Sofia (BG)	12,500,000	BGN	20.0%	BR
CEESEG Aktiengesellschaft, Vienna (AT)	18,620,720	EUR	7.0%	FI
CELL MED Research GmbH, Vienna (AT)	1,898,418	EUR	4.5%	OT
Central Depository and Clearing Company, Inc., Zagreb (HR)	86,925,000	HRK	0.1%	FI
CF Pharma Gyógyszergyártó Kft, Budapest (HU)	5,918,760	HUF	13.2%	OT
CJSC Truskavets Valeological Innovative Centre, Truskavets (UA)	100,000	UAH	5.0%	OT
CJSC Vinegar-yeast Factory, Uzyn (UA)	9,450,000	UAH	33.8%	OT
Commodity Exchange Crimean Interbank Currency Exchange, Simferopol (UA)	440,000	UAH	4.5%	OT
Commodity Exchange of the Agroindustrial Complex of Central Regions of Ukraine, Cherkassy (UA)	90,000	UAH	11.1%	OT
CONATUS Grundstückvermietungs Ges.m.b.H., St Pölten (AT)	36,360	EUR	24.5%	FI
CULINA Grundstückvermietungs Gesellschaft m.b.H., St Pölten (AT)	36,360	EUR	25.0%	FI
Czech Real Estate Fund (CREF) B.V., Amsterdam (NL)	18,000	EUR	20.0%	FI
D. Trust Certifikacná Autorita, a.s., Bratislava (SK)	331,939	EUR	10.0%	OT
Die Niederösterreichische Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	35.0%	OT
Die Niederösterreichische Leasing GmbH & Co KG, Vienna (AT)	72,673	EUR	40.0%	FI
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (DE)	3,646,266,910	EUR	0.1%	BA
Easdaq NV, Leuven (BE)	128,526,849	EUR	<0,1%	OT
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna (AT)	70,000	EUR	0.1%	BR
EMCOM Beteiligungs GmbH, Vienna (AT)	37,000	EUR	33.6%	FI
EMERGING EUROPE GROWTH FUND II, L.P., Delaware (US)	370,000,000	USD	1.9%	OT
Epsilon - Grundverwertungsgesellschaft m.b.H., Vienna (AT)	36,336	EUR	24.0%	FI
ESQUILIN Grundstücksverwaltungs GmbH, Vienna (AT)	36,336	EUR	24.5%	FI
Euro Banking Association (ABE Clearing S.A.S.), Paris (FR)	53,000	EUR	1.9%	FI
European Investment Fund S.A., Luxembourg (LU)	3,000,000,000	EUR	0.2%	FI
Export and Industry Bank Inc., Makati City (PH)	4,734,452,540	PHP	9.5%	BA

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
FACILITAS Grundstücksvermietungs GmbH, St. Pölten (AT)	36,360	EUR	50.0%	FI
Fondul de Garantare a Creditului Rural S.A., Bucharest (RO)	15,940,890	RON	33.3%	FI
FORIS Grundstückvermietungs Ges.m.b.H., Vienna (AT)	36,360	EUR	24.5%	FI
G + R Leasing Gesellschaft m.b.H., Graz (AT)	36,400	EUR	1.8%	OT
G + R Leasing Gesellschaft m.b.H. & Co. KG., Graz (AT)	72,673	EUR	50.0%	FI
Garantiqa Hitelgarancia ZRt., Budapest (HU)	7,839,600,000	HUF	0.2%	BR
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H., Vienna (AT)	3,336,336	EUR	0.2%	OT
Greenix Limited, Tortola (VG)	100,000	USD	25.0%	OT
HOBEX AG, Salzburg (AT)	1,000,000	EUR	8.5%	FI
Hrvatski registar obveza po kreditima d.o.o., Zagreb (HR)	13,500,000	HRK	10.5%	BR
INVESTOR COMPENSATION FUND, Bucharest (RO)	344,350	RON	0.4%	OT
K & D Progetto s.r.l., Bozen (IT)	50,000	EUR	25.0%	FI
Kommunal-Infrastruktur & Immobilien Zeltweg GmbH, Zeltweg (AT)	35,000	EUR	20.0%	OT
LLC Scientific-Production Enterprise Assembling and Implementation of Telecommunication Sytems, Dnepropetrovsk (UA)	500,000	UAH	10.0%	OT
LITUS Grundstückvermietungs Gesellschaft m.b.H., St Pölten (AT)	36,360	EUR	24.5%	FI
LLC "Insurance Company 'Raiffeisen Life", Moscow (RU)	240,000,000	RUB	25.0%	VV
LUXTEN LIGHTING COMPANY S.A., Bucharest (RO)	42,126,043	RON	<0.1%	OT
MasterCard Inc, New York (US)	13,518	USD	<0.1%	BA
MASTERINVEST Kapitalanlage GmbH, Vienna (AT)	2,500,000	EUR	37.5%	OT
Medicur - Holding Gesellschaft m.b.H., Vienna (AT)	4,360,500	EUR	25.0%	OT
N.Ö. Kommunalgebäudeleasing GmbH, Vienna (AT)	37,400	EUR	33.3%	FI
National Settlement Depositary, Moscow (RU)	1,180,675,000	RUB	<0.1%	FI
NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H., Vienna (AT)	50,000	EUR	26.0%	FI
NÖ Raiffeisen-Leasing Gemeindeprojekte Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	1.0%	FI
NÖ. HYPO Leasing und Raiffeisen-Immobilien-Leasing Traisenhaus GesmbH & Co OG, St Pölten (AT)	24,868,540	ATS	50.0%	FI
NÖ-KL Kommunalgebäudeleasing GmbH, Vienna (AT)	37,400	EUR	33.3%	FI
O.Ö. Leasing für Gebietskörperschaften Ges.m.b.H., Linz (AT)	510,000	ATS	16.7%	FI
O.Ö. Leasing für öffentliche Bauten Ges.m.b.H., Linz (AT)	510,000	ATS	16.7%	FI
ÖAMTC-Leasing GmbH, Vienna (AT)	36,400	EUR	49.0%	OT
ÖAMTC-Leasing GmbH & Co KG, Vienna (AT)	14,535	EUR	49.0%	FI
Oberpinzg. Fremdenverkehrförderungs- und Bergbahnen AG, Vienna (AT)	3,297,530	EUR	<0.1%	OT
OJSC Kyiv Special Project and Design Bureau Menas, Kyiv (UA)	3,383,218	UAH	4.7%	OT
OJSC Volodymyr-Volynskyi Sugar Refinery, Volodymyr-Volynskyi (UA)	13,068,010	UAH	2.6%	OT
Österreichische Raiffeisen-Einlagensicherung eGen, Vienna (AT)	3,500	EUR	27.9%	BR
Österreichische Wertpapierdaten Service GmbH, Vienna (AT)	36,336	EUR	25.3%	BR
OT-Optima Telekom d.d., Zagreb (HR)	635,568,080	HRK	3.3%	OT
OVIS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Vienna (AT)	36,400	EUR	1.0%	FI
Pannon Lúd Kft, Mezokovácsháza (HU)	852,750,000	HUF	0.6%	OT
PBG S.A., Przeźmierowo (PL)	15,414,116	PLN	3.4%	OT
Polish Real Estate Investment Limited, Limassol (CY)	911,926	EUR	11.2%	OT
Private Joint Stock Company Bird Farm Bershadskyi, Viytivka (UA)	6,691,141	UAH	0.5%	OT
Private Joint Stock Company First All-Ukrainian Credit Bureau, Kyiv (UA)	11,750,000	UAH	5.1%	OT
Private Joint Stock Company Sumy Enterprise Agrotechservice, Sumy (UA)	1,545,000	UAH	0.6%	OT
Private Joint Stock Company Ukrainian Interbank Currency Exchange, Kyiv (UA)	36,000,000	UAH	3.1%	OT
PSA Payment Services Austria GmbH, Vienna (AT)	285,000	EUR	11.2%	FI
PJSC National Depositary of Ukraine, Kyiv (UA)	103,200,000	UAH	0.1%	BR
PJSC Settlement Center for Servicing of Contracts in Financial Markets, Kyiv (UA)	206,700,000	UAH	<0.1%	FI
PJSC Stock Exchange PFTS, Kyiv (UA)	32,010,000	UAH	0.2%	OT

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
QUIRINAL Grundstücksverwaltungs GmbH, Vienna (AT)	37,063	EUR	33.3%	FI
R LUX IMMOBILIEN LINIE S.R.L., Timisoara (RO)	50,000	RON	1.0%	FI
Raiffeisen e-force GmbH, Vienna (AT)	145,346	EUR	28.2%	BR
Raiffeisen Rehazentrum Schruns Immobilienleasing GmbH, Vienna (AT)	36,400	EUR	50.0%	FI
Raiffeisen Salzburg Leasing GmbH, Salzburg (AT)	35,000	EUR	19.0%	FI
Raiffeisen Software GmbH, Linz (AT)	150,000	EUR	1.2%	BR
Raiffeisen-IMPULS-Immobilien Leasing Ges.m.b.H., Linz (AT)	500,000	ATS	25.0%	FI
Raiffeisen-IMPULS-Liegenschaftsverwaltung Ges.m.b.H., Linz (AT)	500,000	ATS	25.0%	FI
Raiffeisen-Impuls-Zeta Immobilien GmbH, Linz (AT)	58,333	EUR	40.0%	FI
Raiffeisenlandesbank Kärnten - Rechenzentrum und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung, Klagenfurt (AT)	6,930,900	EUR	5.9%	BA
Raiffeisen-Landesbank Tirol AG, Innsbruck (AT)	84,950,000	EUR	<0.1%	BA
Raiffeisen-Leasing Anlagen und KFZ Vermietungs GmbH, Vienna (AT)	35,000	EUR	53.1%	FI
Raiffeisen-Leasing BOT s.r.o., Prague (CZ)	100,000	CZK	20.0%	OT
Raiffeisen-Leasing Management GmbH, Vienna (AT)	300,000	EUR	50.0%	OT
Raiffeisen-Leasing Mobilien und KFZ GmbH, Vienna (AT)	35,000	EUR	15.0%	FI
RC Gazdasági és Adótanácsadó Zrt., Budapest (HU)	20,000,000	HUF	22.2%	OT
Realplan Beta Liegenschaftsverwaltung GmbH, Vienna (AT)	36,400	EUR	50.0%	FI
Registry of Securities in FBH, Sarajevo (BA)	2,052,300	BAM	1.4%	OT
Rehazentrum Kitzbühel Immobilien-Leasing GmbH, Innsbruck (AT)	35,000	EUR	19.0%	FI
RLKG Raiffeisen-Leasing GmbH, Vienna (AT)	40,000	EUR	12.5%	FI
RSAL Raiffeisen Steiermark Anlagenleasing GmbH, Graz (AT)	38,000	EUR	19.0%	FI
RSC Raiffeisen Service Center GmbH, Vienna (AT)	2,000,000	EUR	50.3%	BR
RSIL Immobilienleasing Raiffeisen Steiermark GmbH, Graz (AT)	38,000	EUR	19.0%	FI
S.C. DEPOZITARUL CENTRAL S.A., Bukarest (RO)	25,291,953	RON	2.6%	OT
Sarajevska berza-burza vrijednosnih papira dd Sarajevo, Sarajevo (BA)	1,975,680	BAM	5.2%	OT
Scanviwood Co. Ltd., Ho Chi Minh City (VN)	2,500,000	USD	6.0%	OT
Seilbahnleasing GmbH, Innsbruck (AT)	36,000	EUR	33.3%	FI
SELENE Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	1.0%	OT
SKR Lager 102 AB, Stockholm (SE)	100,000	SEK	49.0%	OT
Slovak Banking Credit Bureau, s.r.o., Bratislava (SK)	9,958	EUR	33.3%	BR
Societatea de Transfer de Fonduri si Decontari-TRANSFOND S.A, Bucharest (RO)	6,720,000	RON	3.4%	BR
Society for Worldwide Interbank Financial Telekommunication scrl, La Hulpe (BE)	13,767,125	EUR	0.5%	FI
SPRON ehf., Reykjavik (IS)	5,000,000	ISK	5.4%	OT
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H., Graz (AT)	36,336	EUR	50.0%	FI
Steirische Kommunalgebäudeleasing GmbH, Graz (AT)	36,336	EUR	50.0%	FI
Steirische Leasing für Gebietskörperschaften Ges.m.b.H., Graz (AT)	36,336	EUR	3.6%	FI
Steirische Leasing für öffentliche Bauten Ges.m.b.H., Graz (AT)	36,336	EUR	50.0%	FI
Stemcor Global Holdings Limited, St Helier (JE)	100,000	USD	3.2%	OT
Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) GmbH, Vienna (AT)	100,000	EUR	10.7%	OT
SUPRIA Raiffeisen-Immobilien-Leasing Ges.m.b.H., Vienna (AT)	36,400	EUR	50.0%	FI
SWO Kommunalgebäudeleasing Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	50.0%	FI
Syrena Immobilien Holding AG, Spittal an der Drau (AT)	22,600,370	EUR	21.0%	OT
The Zagreb Stock Exchange joint stock company, Zagreb (HR)	46,357,000	HRK	2.9%	OT
Therme Amade Errichtungs- und Betriebsgesellschaft m.b.H., Altenmarkt (AT)	36,000	EUR	1.0%	OT
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck (AT)	42,000	EUR	8.3%	FI
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck (AT)	39,000	EUR	33.3%	FI

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Company, domicile (country)	Subscribed capital in local currency		Share	Type[1]
TKL II. Grundverwertungsgesellschaft m.b.H., Innsbruck (AT)	39,000	EUR	8.3%	FI
TKL V Grundverwertungs GmbH, Innsbruck (AT)	39,000	EUR	33.3%	FI
TKL VI Grundverwertungs GmbH, Innsbruck (AT)	39,000	EUR	33.3%	FI
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck (AT)	39,000	EUR	33.3%	FI
TKL VIII Grundverwertungs GmbH, Innsbruck (AT)	39,000	EUR	33.3%	FI
Top Vorsorge-Management GmbH, Vienna (AT)	35,000	EUR	25.0%	OT
TRABITUS Grundstücksvermietungs Ges.m.b.H., Vienna (AT)	36,360	EUR	25.0%	FI
Transilvania LEASING SI CREDIT IFN S.A., Brasov (RO)	51,569,000	RON	0.6%	FI
UNDA Grundstücksvermietungs Gesellschaft m.b.H., St. Pölten (AT)	36,360	EUR	25.0%	FI
UNIQA Raiffeisen Software Service Kft., Budapest (HU)	19,900,000	HUF	1.0%	OT
VALET Grundstücksverwaltungsges.m.b.H., St. Pölten (AT)	36,360	EUR	24.5%	FI
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH, Vienna (AT)	36,336	EUR	17.0%	OT
Viminal Grundstückverwaltungs Gesellschaft m.b.H., Vienna (AT)	36,336	EUR	25.0%	FI
Visa Inc., Foster City (US)	192,964	USD	<0.1%	BR
VKL II Grundverwertungs GesmbH, Dornbirn (AT)	42,000	EUR	33.3%	FI
Vorarlberger Kommunalgebäudeleasing Ges.m.b.H., Dornbirn (AT)	42,000	EUR	33.3%	FI
W 3 Errichtungs- und Betriebs-Aktiengesellschaft, Vienna (AT)	800,000	EUR	20.0%	OT
Wohnbauinvestitionsbank GmbH, Vienna (AT)	6,000,000	EUR	26.0%	BA
Zhytomyr Commodity Agroindustrial Exchange, Schytomyr (UA)	476,615	UAH	3.1%	OT
Ziloti Holding S.A., Luxembourg (LU)	48,963	EUR	0.9%	OT
OJSC NBFI Single Settlement and Information Space, Minsk (BY)	20,341,979	BYN	4.2%	FI

1 Company type: BA Bank, BR Company rendering banking-related ancillary services, FH Financal holding, FI Financial institution, OT Other companies, VV Insurance, SC Securities firms

Recognition and measurement principles

Financial instruments: Recognition and measurement (IAS 39)

According to IAS 39, all financial assets, financial liabilities and derivative financial instruments are to be recognized in the statement of financial position. A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. On initial recognition, financial instruments are to be measured at fair value, which generally corresponds to the transaction price at the time of acquisition or issue. According to IFRS 13, the fair value is defined as the exit price. This is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For subsequent measurement, financial instruments are recognized in the statement of financial position according to the respective measurement category pursuant to IAS 39, either at (amortized) cost or at fair value.

Categorization of financial assets and financial liabilities and their measurement

The measurement categories for financial instruments pursuant to IAS 39 do not equate to the principal line items in the statement of financial position. Relationships between the principal line items in the statement of financial position and the measurement standard applied are described in the table Categories of financial instruments according to IFRS7 and in the notes under (1) Income statement according to measurement categories and (12) Statement of financial position according to measurement categories.

1. Financial assets or liabilities at fair value through profit and loss

On initial recognition, the Group categorizes certain financial assets and liabilities as held-for-trading or measured at fair value. These financial assets and liabilities are recognized at fair value and shown as financial assets and liabilities at fair value.

a. Trading assets/liabilities

Trading assets/liabilities are acquired or incurred principally for the purpose of generating profit from short-term fluctuations in market prices. Securities (including short selling of securities) and derivative financial instruments held-for-trading are recognized at their fair values. If securities are listed, the fair value is based on stock exchange prices. Where such prices are not available, internal prices based on present value calculations for originated financial instruments and futures or option pricing models for options are applied. Present value calculations are based on an interest rate curve which consists of money market rates, future rates and swap rates. Option price formulas Black-Scholes 1972, Black 1976 or Garman-Kohlhagen are applied depending on the kind of option. The measurement for complex options is based on a binominal tree model and Monte Carlo simulations.Derivative financial instruments held-for-trading are shown under the item trading assets or trading liabilities. Positive fair values including accrued interest (dirty price) are shown under trading assets. Negative fair values are recorded under trading liabilities. Positive and negative fair values are not netted. Changes in dirty prices are recognized in net trading income. Derivatives that are used neither for trading purposes nor for hedging purposes are recorded under the item derivatives. Any liabilities from the short-selling of securities are shown in trading liabilities.

Capital-guaranteed products (guarantee funds and pension plans) are shown as sold put options on the respective funds to be guaranteed, in accordance with statutory requirements. The valuation is based on a Monte Carlo simulation. The Group has provided capital guarantee obligations as part of the government-funded state-sponsored pension plans according to Section 108h (1) item 3 EStG (Austrian Income Tax Act). The bank guarantees that the retirement annuity, available for the payment amount, is not less than the sum of the amounts paid by the taxpayer plus credits for such taxable premiums within the meaning of Section 108g EStG.

b. Designated financial instruments at fair value

This category comprises mainly all those financial assets that are irrevocably designated as financial instruments at fair value (so-called fair value option) upon initial recognition in the statement of financial position independent of any intention to trade. An entity may use this designation only when doing so results in more relevant information for the user of the financial statements. This is the case for those financial assets, which belong to a portfolio, which is managed and its performance evaluated on a fair value basis.

These instruments are bonds, notes and other fixed-interest securities as well as shares and other variable-yield securities. These financial instruments are valued at fair value under IAS 39. In the statement of financial position, they are shown under the item financial investments. Current income is shown under net interest income, valuation results and proceeds from disposals are shown in net income from financial investments.

Financial liabilities are also designated as financial instruments at fair value, to avoid valuation discrepancies with related derivatives. The fair value of financial obligations under the fair value option in this category reflects all market risk factors, including those related to the credit risk of the issuer.

In 2017, as in 2016, observable market prices were used for the valuation of liabilities of subordinated issues measured at fair value. The financial liabilities are mostly structured bonds. The fair value of these financial liabilities is calculated by discounting the contractual cash flows with a credit-risk-adjusted yield curve, which reflects the level at which the Group could issue similar financial instruments at the reporting date. The market risk parameters are evaluated according to similar financial instruments that are held as financial assets. Valuation results for liabilities that are designated as a financial instrument at fair value are recognized in income from derivatives and liabilities.

2. Financial assets held-to-maturity

Non-derivative financial assets (securities with fixed or determinable payments and a fixed maturity) purchased with the intention and ability to hold them to maturity are reported under the item financial investments. They are recognized at amortized cost and differences are amortized over the term to maturity and recognized in the income statement under net interest income. If impairment occurs, it is taken into account when determining the amortized cost and shown in net income from financial investments. Coupon payments are recognized under net interest income. A sale of these financial instruments is only allowed in certain cases explicitly stated in IAS 39.

3. Loans and advances

Non-derivative financial assets with fixed or determinable payment entitlements for which there is no active market are allocated to this category. These financial instruments are mainly recorded in the items loans and advances to banks and loans and advances to customers. Moreover, loans and advances relating to finance lease business, which are recognized in accordance with IAS 17, are stated in the items loans and advances to banks and loans and advances to customers.

They are measured at amortized cost. If there is a difference between the amount paid and face value – and this has an interest character – the effective interest method is used and the amount is stated under net interest income. If impairment occurs it is taken account of when determining the amortized cost. Impairment provisions and provisions for losses that have occurred but have not yet been recognized are reported in the statement of financial position under the item impairment losses on loans and advances. Profits from the sale of impaired loans are recognized in the income statement in the item net provisioning for impairment losses.

Moreover, debt instruments are also allocated to this category if there is no active market for them. Derecognition of financial assets within the framework of securitizations is – after checking if the securitized special purpose vehicle has to be integrated into the consolidated accounts – undertaken on the basis of a risk and rewards or control test according to IAS 39 after identifying loss of control over the contractual rights relating to the asset.

4. Financial assets available-for-sale

The category of financial assets available-for-sale contains financial instruments including non-consolidated equity participations that were not allocated to any of the other three categories. They are stated at fair value, if a fair value is reliably measurable. Valuation differences are shown directly in equity in other comprehensive income and only recognized in the income statement under net income from financial investments if there is an objective indication of impairment or if the financial asset available-for-sale is sold.

For equity instruments impairment exists, among other indicators, if the fair value is either significantly or permanently below cost. In the Group, equity instruments classified as available-for-sale are impaired when the fair value over the last six months before the reporting date was consistently more than 20 per cent below carrying value, or in the last twelve months, on average, more than 10 per cent below carrying value. In addition to these quantitative indications (trigger events), qualitative indications from IAS 39.59 are considered. It is not permitted to include any appreciation in value in the income statement for equity instruments classified as available-for-sale, but rather this should be recognized in other comprehensive income under the item fair value reserve (available-for-sale financial assets). This means that only impairments or disposals are to be shown in the income statement.

Unquoted equity instruments which, due to a lack of materiality, are not fully consolidated are measured at cost of acquisition because the fair values do not represent a better approximation of the fully consolidated values. Other unquoted equity instruments for which reliable fair values cannot be assessed regularly are valued at cost of acquisition less impairment losses. It is not permitted to show an appreciation in the value. Reliable fair values cannot be regularly assessed in emerging countries due to the absence of comparative yardsticks for the market approach and due to the inherent difficulties when using the income approach. This kind of financial instrument is reported under the item financial investments.

Interest and dividend income from financial assets available-for-sale are recorded in net interest income.

5. Financial liabilities

Liabilities are predominantly recognized at amortized cost. Discounted debt securities issued and similar obligations are measured at their present value. Financial liabilities are reported in the statement of financial position under the items deposits from banks, deposits from customers, debt securities issued or subordinated capital. Interest expenses are stated under net interest income.

Financial liabilities measured at fair value are shown in the category liabilities at fair value through profit and loss. For financial liabilities designated at fair value through profit or loss, changes in fair value attributable to a change in own credit risk is not reported in the income statement but in other comprehensive income.

Derecognition of financial assets and liabilities

Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows arising from a financial asset have expired, when the Group has transferred the rights to the cash flows, or if the Group has the obligation, in case that certain criteria occur, to transfer the cash flows to one or more receivers. A transferred asset is also derecognized if all material risks and rewards of ownership of the assets are transferred. The Group has in place a write-off policy based on the principle that the bank being the creditor of loans where the group does not expect any recovery/payment either on the entire exposure (full write-off) or on a part of the exposure (partial write-off). Furthermore the loans have to be either fully impaired in amount of the entire exposure or, in case of collateralised loans, they are imapired in the extent no being collateralised. There are set detailed pre-conditions in the workout and accounting policies in order to ensure same understanding and application within the Group.

Securitization transactions

The Group securitizes various financial assets from transactions with retail and commercial customers by selling them to a special purpose vehicle (SPV) that issues securities to investors. The assets transferred may be derecognized fully or partly. Rights to securitized financial assets can be retained in the form of senior or subordinated tranches, interest claims or other residual claims (retained rights).

Derecognition of financial liabilities

The Group derecognizes a financial liability if the obligations of the Group have been paid, expired or revoked. The income or expense from the repurchase of own liabilities is shown in the notes under (6) Net income from derivatives and liabilities. The repurchase of own bonds also falls under derecognition of financial liabilities. Differences on repurchase between the carrying value of the liability (including premiums and discounts) and the purchase price are reported in the income statement in net income from derivatives and liabilities.

Reclassification

In accordance with IAS 39.50, non-derivative financial instruments classified as trading assets and available-for-sale financial instruments can be reclassified as financial assets held-to-maturity and loans and advances in exceptional circumstances. The effects resulting from such reclassifications are shown in the notes under (19) Financial investments.

Offsetting of financial instruments

Where the borrower and lender are the same, offsetting of loans and liabilities with matching maturities and currencies occurs only if a legal right, by contract or otherwise, exists and offsetting is in line with the actually expected course of the business. Information on offsetting of financial instruments is provided in the notes under (38) Offsetting financial assets and liabilities.

Derivatives

Within the operating activity, the Group carries out different transactions with derivative financial instruments for trading and hedging purposes. The Group uses derivatives including swaps, standardized forward contracts, futures, credit derivatives, options and similar contracts. The Group uses derivatives in order to meet client requirements concerning their risk management, to manage and hedge risks and to generate profit in proprietary trading. Derivatives are initially recognized at the time of the transaction at fair value and subsequently revalued to fair value. The resulting valuation gain or loss is recognized immediately in net income from derivatives and liabilities, unless the derivative is designated as a hedging instrument for hedge accounting purposes and the hedge is effective. Here the timing of the recognition of the gain or loss on the hedging instrument depends on the type of hedging relationship.

Derivatives which are used for hedging against market risk (excluding trading assets/liabilities) for a non-homogeneous portfolio do not meet the conditions for IAS 39 hedge accounting. These are recognized as follows: the dirty price is booked under the item derivatives in the statement of financial position (positive fair values under assets and negative fair values under liabilities). The change in value of these derivatives, on the basis of the clean price, is shown in net income from derivatives and liabilities (net income from other derivatives) and interest is shown in net interest income.

Credit derivatives, the value of which is dependent on future specified credit (non-)events are shown at fair value under the item derivatives (positive fair values under assets and negative fair values under liabilities). Changes in valuation are recognized under net income from derivatives and liabilities.

Additional information on derivatives is provided in the notes under (39) Derivative financial instruments.

Hedge Accounting

If derivatives are held for the purpose of risk management and if the respective transactions meet specific criteria, the Group uses hedge accounting. The Group designates certain hedging instruments as fair value hedges, cash flow hedges or capital hedges. Most of these are derivatives. At the beginning of the hedging relationship, the relationship between underlying and hedging instrument, including the risk management objectives, is documented. Furthermore, it is necessary to regularly document from the beginning and during the lifetime of the hedging relationship that the fair value or cash flow hedge is highly effective.

a. Fair value hedge

Hedge accounting according to IAS 39 applies to those derivatives that are used to hedge the fair values of financial assets and liabilities. The credit business is especially subject to such fair value risks if it deals with fixed-interest loans. Interest rate swaps that satisfy the prerequisites for hedge accounting are contracted to hedge against the interest-rate risks arising from individual loans or refinancing. Thus, hedges are formally documented, continuously assessed, and tested to be highly effective. Throughout the term of a hedge it can therefore be assumed that changes in the fair value of a hedged item will be nearly completely offset by a change in the fair value of the hedging instrument and that the actual effectiveness outcome will lie within a band of 80 to 125 per cent.

Derivative instruments held to hedge the fair values of individual items in the statement of financial position (except trading assets/liabilities) are recognized at their fair values (dirty prices) under the item derivatives (for assets: positive dirty prices; for liabilities: negative dirty prices). Changes in the carrying amounts of hedged items (assets or liabilities) are allocated directly to the corresponding items of the statement of financial position and reported separately in the notes.

Both the effect of changes in the carrying values of positions requiring hedging and the effects of changes in the clean prices of the derivative instruments are recorded under net income from derivatives and liabilities (net income from hedge accounting).

Within the management of interest rate risks, the hedging of interest rate risk is also undertaken on the portfolio level. Individual transactions or groups of transactions with similar risk structures, divided into maturities according to the expected repayment and interest rate adjustment date in a portfolio, are hedged. Portfolios can contain assets only, liabilities only, or both. For hedge accounting, the change in the value of the hedged asset or liability is shown as a separate item in other assets/liabilities. The hedged amount of the hedged items is determined in the consolidated financial statements including sight deposits (the rules of the EU carve-out are therefore applied).

b. Cash flow hedge

Cash flow hedge accounting according to IAS 39 applies for those derivatives that are used to hedge against the risk of fluctuating future cash flows. Variable-interest loans and liabilities, as well as expected transactions such as expected borrowing or investment, are especially subject to such cash flow risks. Interest rate swaps used to hedge against the risk of fluctuating cash flows arising from specific variable interest-rate items are recognized as follows: The hedging instrument is recognized at fair value, changes in its clean price are recorded in other comprehensive income. Any ineffective portion is recognized in the income statement in net income from derivatives and liabilities.

c. Hedge of a net investment in an economically independent operation (capital hedge)

In the Group, foreign exchange hedges of investments in economically independent sub-units (IAS 39.102) are executed in order to reduce differences arising from the foreign currency translation of equity components. Currency swaps are mainly used as hedging instruments. Where the hedge is effective the resulting gains or losses from foreign currency translation are recognized in other comprehensive income and shown separately in the statement of comprehensive income. Any ineffective part of the hedge is recognized in net trading income. The related interest components are shown in net interest income.

Fair value

The fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability, in an orderly business transaction between market participants on the measurement reference date. This applies irrespective of whether the price is directly observable or has been estimated using a valuation method. In accordance with IFRS 13, RBI uses the following hierarchy to determine and report the fair value for financial instruments.

Quotation on an active market (Level I)

If market prices are available, the fair value is reflected best by the market price. This category contains equity instruments traded on the stock exchange, debt instruments traded on the interbank market, and derivatives traded on the stock exchange. The valuation is mainly based on external data sources (stock exchange prices or broker quotes in liquid market segments). In an active market, transactions involving financial assets and liabilities are traded in sufficient frequency and volumes, so that price information is continuously available. Indicators for active markets are the number, the frequency of update or the quality of quotations (e.g. banks or stock exchanges). Moreover, narrow bid/ask spreads and quotations from market participants within a certain corridor are also indicators of an active liquid market.

Measurement techniques based on observable market data (Level II)

When quoted prices for financial instruments are unavailable, the prices of similar financial instruments are used to determine the current fair value or accepted measurement methods utilizing observable prices or parameters (in particular present value calculations or option price models) are employed. These methods concern the majority of the OTC-derivatives and non-quoted debt instruments.

Measurement techniques not based on observable market data (Level III)

If no sufficient current verifiable market data is available for the measurement with measurement models, parameters which are not observable in the market are also used. These input parameters may include data which is calculated in terms of approximated values from historical data among other factors (fair value hierarchy level III). The utilization of these models requires assumptions and estimates of the Management. The scope of the assumptions and estimates depends on the price transparency of the financial instrument, its market and the complexity of the instrument.

For financial instruments valued at amortized cost (this comprises loans and advances, deposits, other short-term borrowings and long-term liabilities), the Group publishes the fair value.

In principle, there is low or no trading activity for these instruments, therefore a significant degree of assessment by the Management is necessary for determining the fair value.

Further information on measurement methods and quantitative information for determination of fair value is shown in the notes under (40) Fair value of financial instruments.

Amortized cost

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating interest expenses and interest income to the relevant periods. The effective interest rate is the interest rate used to discount the forecast future cash inflows and outflows (including all fees which form part of the effective interest rate, transaction costs and other premiums and discounts) over the expected term of the financial instrument or a shorter period, where applicable, to arrive at the net carrying amount from initial recognition.

Categories of financial instruments according to IFRS 7

As the nature of the financial instruments is already shown by the classification of the items of the statement of financial position, the formation of categories was built in line with these items, which include financial instruments. Categories of financial instruments on the asset side of the statement of financial position are primarily cash reserve, loans and advances to banks, loans and advances to customers, trading assets, derivative financial instruments, derivatives for hedging, and financial investments (within this category are separately financial assets not traded on an active market and which are shown at cost of acquisition). Categories of financial instruments on the liability side are most notably trading liabilities, derivative financial instruments, derivatives for hedge accounting, deposits from banks, deposits from customers, debt securities issued and subordinated capital.

		Measurement		
Assets/liabilities	**Fair Value**	**Amortized Cost**	**Others**	**Category according to IAS 39**[1]
Asset classes				
Cash reserve			Nominal value	n/a
Trading assets	X			TA
Derivatives	X			TA
Loans and advances to banks		X		LAR
Loans and advances to customers		X		LAR
of which finance lease business			IAS 17	n/a
Financial investments	X			AFVTPL
Financial investments	X			AfS
Financial investments		X		HTM
of which not traded on an active market			At Cost	AfS
Positive fair values of derivatives for hedge accounting (IAS 39)	X			n/a
Liability classes				
Trading liabilities	X			TL
Derivatives	X			TL
Deposits from banks		X		FL
Deposits from customers		X		FL
Subordinated capital		X		FL
Debt securities issued		X		FL
Debt securities issued	X			AFVTPL
Negative fair values of derivatives for hedge accounting (IAS 39)	X			n/a

1 AfS Available-for-sale
AFVTPL At fair value through profit and loss
FL Financial liabilities
HTM Held to maturity
LAR Loans and advances
TA Trading assets
TL Trading liabilities

Impairment losses on loans and advances

At each reporting date an assessment is made as to whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, when:

- there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the financial asset up until the reporting date (a "loss event");

- that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets, and
- the amount can be reliably estimated.

Objective evidence for an impairment may exist when the issuer or the counterparty faces considerable financial difficulties, a breach of contract occurs (for example, default or delay in interest or principal payments) or it can be assumed with high probability that insolvency or other restructuring proceedings will be instituted against the borrower.

Credit risk is accounted for by forming individual loan loss provisions and portfolio-based loan loss provisions. The latter comprise impairment provisions for portfolios of loans with the same risk profiles that are formed under certain conditions for IBNR losses (incurred but not reported). This involves cases where there is not yet any objective evidence of an individual impairment of a financial asset and for this reason groups of financial assets with a similar default risk profile are collectively examined for impairment. The underlying rating models for corporate customers are distinguished between corporate large and corporate regular as well as SME large and SME regular. Moreover, portfolios for which the financial institutions or project finance rating models are applied are separately evaluated. A Group-wide uniform approach is in place for calculation of portfolio-based provisions in that centrally calculated historical Group default rates (Group HDRs) for each rating class are evaluated and applied. These Group HDRs show the average actually observed probability of default over the last five years. In the retail segment, with the exception of one Group unit where the amount of the portfolio impairment is calculated according to product portfolio and past due days, provisions are formed using a PD/LGD-based calculation (probability of default/loss given default). Individual and portfolio-based impairment provisions are not netted against corresponding receivables but are stated separately in the statement of financial position.

For credit risks related to loans and advances to customers and banks, provisions are formed in the amount of expected loss according to homogeneous Group-wide standards. Risk of loss is deemed to exist if the discounted projected repayment amounts and interest payments are below the carrying value of the loan – taking collateral into account. Portfolio-based impairments are calculated using valuation models that estimate expected future cash flows for the loans in the respective loan portfolio based on loss experience history.

The total provision for impairment losses arising from loans reported in the statement of financial position comprising individual loan loss provisions and portfolio-based loan loss provisions is shown as a separate item "Impairment losses on loans and advances" under assets, below loans and advances to banks and customers.

Genuine sale and repurchase agreements

In a genuine sale and repurchase transaction, the Group sells assets to a third party and agrees at the same time to repurchase these assets at an agreed price and time. The assets remain on the statement of financial position of the Group and are measured according to the standards applied to the item in the statement of financial position under which they are shown. The securities are not derecognized since all the risks and rewards associated with the ownership of the repurchased securities are retained. Cash inflows arising from a sale and repurchase transaction are recognized in the statement of financial position as deposits from banks or deposits from customers depending on the counterparty.

Under reverse repurchase agreements, assets are acquired with the obligation to sell them in the future. The purchased securities on which the financial transaction is based are not reported in the statement of financial position and accordingly not measured. Cash outflows arising from reverse repurchase agreements are recorded in the statement of financial position under the item loans and advances to banks or loans and advances to customers.

Interest expense from sale and repurchase agreements and interest income from reverse sale and repurchase agreements is accrued in a straight line over their term to maturity and shown under net interest income.

Securities lending

The Group concludes securities lending transactions with banks or customers in order to meet delivery obligations or to conduct security sale and repurchase agreements. Securities lending transactions are shown in the same way as genuine sale and repurchase agreements. This means loaned securities continue to remain in the securities portfolio and are valued according to IAS 39. Borrowed securities are not recognized and not valued. Cash collateral provided by the Group for securities lending transactions is shown as a claim under the item loans and advances to banks or loans and advances to customers while collateral received is shown as deposits from banks or deposits from customers in the statement of financial position.

Leasing

Leases are classified according to their contractual structure as follows:

Finance leases

When nearly all the risks and rewards of a leased asset are transferred to the lessee, the Group as lessor recognizes a loan to banks or a loan to customers. The loan amount is the amount of the net investment. The income from the finance lease is spread over periods in such a way as to represent a constant periodic rate of interest on the outstanding net investment in the leases. Interest income is reported under net interest income.

If the Group holds assets under a finance lease as lessee, these are shown under the relevant tangible fixed asset item, which corresponds to a lease liability. Interest expenditure is reported under net interest income.

Operating leases

An operating lease exists when the risks and rewards of ownership remain with the lessor. The leased assets are allocated to the Group under the item tangible fixed assets and depreciated in accordance with the principles applicable to the type of fixed assets. Rental income from the corresponding lease object is spread on a straight-line basis over the term of the leasing contract and reported in other net operating income. Expenses for operating leases are generally amortized on a straight-line basis over the term of the leasing contract and reported as administrative expenses.

Consolidation principles

Subsidiaries

All material subsidiaries over which RBI AG directly or indirectly has control are fully consolidated. The Group has control over an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Structured entities are entities in which the voting or similar rights are not the dominant factor for determining control, e.g. if the voting rights are solely related to administration activities and the relevant activities are governed by contractual agreements.

Similar to subsidiaries, consolidation of structured entities is necessary, if the Group has control over the entity. In the Group, the need to consolidate structured entities is reviewed as part of the securitization transaction process, where the structured entity is either formed by the Group with or without participation of third parties, or, in which the Group with or without participation of third parties enters into contractual relationships with already existing structured entities. Whether an entity should be consolidated or not is reviewed at least quarterly. All fully consolidated structured entities and interests in non-consolidated structured entities are to be found in the notes under (52) Group composition.

In order to determine when an entity has to be consolidated, a series of control factors have to be checked. These include an examination of

- the purpose and the constitution of the entity,
- the relevant activities and how they are determined,
- if the Group has the ability to determine the relevant activity through its rights,
- if the Group is exposed to risks of or has rights to variable returns,
- if the Group has the ability to use its power over the investee in order to affect the amount of variable returns.

If voting rights are relevant, the Group has control over an entity in which it directly or indirectly holds more than 50 per cent of the voting rights; except when there are indicators that another investee has the ability to determine unilaterally the relevant activities of the entity. One or more of the following points may be such an indicator:

- Another investor has control over more than half of the voting rights due to an agreement with the Group,

- Another investor has the ability to control financial policy and operational activities of the equity participation due to legal provisions or an agreement,
- Another investor has control over the equity participation due to its possibility to appoint and withdraw the majority of members of the Board or members of an equivalent governing body,
- Another investor has control over the entity due to its possibility to possess the majority of the delivered voting rights in a meeting of members of the Board or of members an equivalent governing body.

When judging control, also potential voting rights are considered as far as they are material.

The Group assesses evidence of control in cases in which it does not hold the majority of voting rights but has the ability to unilaterally govern the relevant activities of the entity. This ability may occur in cases in which the Group has the ability to control the relevant activities due to the extent and distribution of voting rights of the investees.

In principle, subsidiaries are initially integrated into the consolidated group on the date when the Group obtains control of the company and are excluded from the date on when it no longer has control of the company. The results from subsidiaries acquired or disposed of during the year are recorded in the consolidated income statement, either from the actual date of acquisition or up to the actual date of disposal. The Group reviews the adequacy of previous decisions on which companies to consolidate at least every quarter. Accordingly, any organizational changes are immediately taken into account. Apart from changes in ownership, these also include any changes to the Group's existing contractual arrangements or new contractual arrangements with a unit.

Non-controlling interests are shown in the consolidated statement of financial position as part of equity, but separately from RBI AG's equity. The profit attributable to non-controlling interests is shown separately in the consolidated income statement.

In debt consolidation, intra-group loans and liabilities are eliminated. Remaining temporary differences are recognized under the items "other assets/other liabilities" in the consolidated statement of financial position.

Intra-group income and expenses are also eliminated and temporary differences resulting from bank business transactions are included partly in net interest income and partly in net trading income. Other differences are shown in the item "other net operating income."

Intra-group results are eliminated insofar as they have a material effect on the income statement items. Transactions between Group members are executed on an arm's length basis.

Changes in the Group's ownership interests in existing subsidiaries

If, in the case of existing control, further shares are acquired or sold without loss of control, in subsequent consolidation such transactions are recognized directly in equity. The carrying amount of the shares held by the Group and the non-controlling interests are adjusted in such a way as to reflect changes in existing shareholdings in subsidiaries. Any difference between the amount which is adjusted for the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and is assigned to the shareholders of the parent company.

If the company loses control over a subsidiary, the income/loss from disposal of group assets is shown in the income statement. This is calculated as the difference between

- the total amount of fair value of the received consideration and fair value of the shares retained and
- the carrying amount of assets (including goodwill), liabilities of the subsidiary and all non-controlling interests

All amounts related to these subsidiaries and shown in other comprehensive income are recognized in the same way as would be the case for the sale of assets. This means the amounts are reclassified to the income statement or directly transferred to retained earnings.

Associated companies

An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity in which shares are held. No control or joint management of decision making processes exists. As a rule, significant influence is assumed if the Group holds 20 to 50 per cent of the voting rights. When judging whether the Group has the ability to exert a significant influence on another entity, the existence and the effect of potential voting rights which are actually usable or convertible are taken into account. Further parameters for judging significant influence are, for example, the representation in executive committees and supervisory boards (Supervisory Board in Austrian Joint Stock companies) of the entity and material business transactions with the entity. Shares in associated companies are valued at equity and shown in the statement of financial position under the item investments in associates.

The acquisition cost of these investments including goodwill is determined at the time of their initial consolidation, applying by analogy the same rules as for subsidiaries (offsetting acquisition costs against proportional fair net asset value). If associated companies are material, appropriate adjustments are made to the carrying value in the accounts, in accordance with developments in the company's equity. Profit or losses of companies valued at equity are netted and recognized in the item current income from associates. Losses attributable to companies accounted for using the equity method are only recognised up to the level of the carrying value. Losses in excess of this amount are not recognised, since there is no obligation to offset excess losses. Further, any amounts recognised by the associate through other comprehensive income will be recognised in the other comprehensive Income statement of RBI. This is especially relevant for valuation effects seen from financial assets available-for-sale.

At each reporting date, the Group reviews to what extent there is objective evidence for impairment of an equity participation in an associated company. If there is objective evidence of impairment, an impairment test is carried out, in which the recoverable value of the participation – this is higher of the usable value and the fair value less selling costs – is compared to the carrying amount. An impairment made in previous periods is reversed only if the assumptions underlying the determination of the recoverable value have been changed since recognition of the last impairment. In this case the carrying amount is written up to the higher recoverable value.

Shares in subsidiaries not included in the consolidated financial statements because of their minor significance and shares in associated companies that have not been valued at equity are included under the item financial investments and assigned to the measurement category financial assets available-for-sale. They are measured at acquisition cost.

Business combinations

The acquisition of business operations is recognized according to the acquisition method. The consideration transferred in a business combination is measured at fair value. This is calculated as the aggregate of the acquisition-date fair value of all assets transferred, liabilities assumed from former owners of the acquired business combination and equity instruments issued by the Group in exchange for control of the business combination. Transaction costs related to business combinations are recognized in the income statement when incurred.

Goodwill is measured as the excess of the aggregate of the value of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree (if any), and the net of the acquisition-date amounts of the fair values of identifiable assets acquired and the liabilities assumed. In the event that the difference is negative after further review, the resulting gain is recognized immediately in the income statement.

Non-controlling interests which confer ownership rights and grant the right to the owner to receive a proportionate share of the net assets of the entity in the event of liquidation, are measured either at fair value or at the non-controlling interest's proportionate share of net assets of the acquiree at the acquisition date. This accounting policy choice can be newly made for every business combination. Other components of non-controlling interests are measured at fair value or with measurement values derived from other standards.

If the consideration transferred includes a contingent consideration, this is measured at the acquisition-date fair value. Changes in the fair value of the contingent consideration within the measurement period are adjusted retroactively and are booked against goodwill.

Adjustments within the measurement period are corrections to reflect additional information about facts and circumstances already existing at the acquisition date. The measurement period may not exceed one year from the acquisition date.

Recognition of changes in the fair value of the contingent consideration which do not represent corrections within the measurement period is dependent on how the contingent consideration is to be classified. If the contingent consideration is classified as equity, it is not re-measured on the following reporting date. Its settlement is recognized within equity. A contingent consideration classified as assets or liabilities is measured on the following reporting dates according to IAS 39 or IAS 37 Provisions for liabilities and charges, contingent liabilities or contingent receivables if applicable and a resulting profit or loss is recognized in the income statement.

Cash reserve

The cash reserve includes cash in hand and balances at central banks that are due on call. They are shown with their nominal value.

Equity participations

Shareholdings in subsidiaries not included in the consolidated financial statements because of their minor significance, shareholdings in associated companies that are not valued at equity and other equity participations are shown under financial investments.

These are categorized as "financial assets available-for-sale" upon initial recognition and – if no share prices are available – are measured at cost. Changes in value are recognized in other comprehensive income. Impairment is shown in net income from financial investments.

Intangible fixed assets

Separately acquired intangible fixed assets

Separately acquired intangible fixed assets, i.e. those with a definite useful life not acquired in a business combination, are capitalized at acquisition cost less accumulated amortization and impairment. Amortization is accrued in a straight line over the expected useful life and reported as an expense in the income statement. The expected useful life and the depreciation method are reviewed at each reporting date and any possible changes in measurement taken into account prospectively. Separately acquired intangible fixed assets with an indefinite useful life are capitalized at acquisition cost less accumulated impairment. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

Internally developed intangible fixed assets – research and development costs

Internally developed intangible assets comprise exclusively software and are capitalized if it is probable that the future economic benefits attributable to the asset will accrue to the Group and the cost of the asset can be measured reliably. Expenses for research are recognized as an expense when they are incurred.

An internally developed intangible fixed asset resulting from development activities or from the development stage of an internal project is capitalized when the following evidence is provided:

- The final completion of the intangible fixed asset is technically feasible so that it will be available for use or sale.
- It is intended to finally complete the intangible fixed asset and to use or to sell it.
- The ability exists to use or to sell the intangible fixed asset. The intangible fixed asset is likely to generate future economic benefit.
- The availability of adequate technical, financial and other resources required in order to complete development and to use or sell the intangible fixed asset is assured.
- The ability exists to reliably determine the expenditure incurred during the development of the intangible fixed asset.

The amount at which an internally developed intangible fixed asset is initially capitalized is the sum of all expenses incurred beginning from the day on which the aforementioned conditions are initially met. If an internally developed intangible fixed asset cannot be capitalized, or if there is as yet no intangible fixed asset, the development costs are reported in the income statement for the reporting period in which they are incurred.

Capitalized development costs are generally amortized in the Group in a straight line over a useful life of five years. The normal useful life of software is between four and six years. The normal useful life for large software projects may extend over a longer period.

Intangible fixed assets acquired in a business combination

Intangible fixed assets acquired in a business combination are reported separately from goodwill and measured at fair value. Goodwill and other intangible fixed assets without definite useful lives are tested for impairment at each reporting date. Impairment tests are performed whenever certain events (trigger events) occur during the year. Whenever circumstances indicate that the expected benefit no longer exists, impairment must be recognized pursuant to IAS 36.

Intangible fixed assets with a definite useful life are amortized over the period during which the intangible fixed asset can be used. The useful life of the acquired customer base was set at 20 years in the retail business of Raiffeisen Bank Aval JSC. For the customer base of Polbank EFG S.A. a useful life of ten years was set for the purchase price allocation.

Group companies use brands to differentiate their services from the competition. According to IFRS 3, brands of acquired companies are recognized separately under the item intangible fixed assets. Brands have an indeterminable useful life and are therefore not subject to scheduled amortization. Brands have to be tested annually for impairment and additionally whenever indications of impairment arise. Details on impairment testing can be found in the notes under (21) Intangible fixed assets.

Tangible fixed assets

The land and buildings as well as office furniture and equipment reported under tangible fixed assets are measured at cost of acquisition or conversion less depreciation. Depreciation is recorded under the item general administrative expenses. The straight-line method is used for depreciation and is based on the following useful life figures:

Useful life	Years
Buildings	25 – 50
Office furniture and equipment	5 – 10
Hardware	3 – 5

Land is not subject to depreciation.

Expected useful lives, residual values and depreciation methods are reviewed annually. Any necessary future change of estimates is taken into account. Any anticipated permanent impairment is reported in the income statement and shown under the item general administrative expenses. In the event that the reason for the write-down no longer applies, a write-up will take place up to a maximum of the amount of the amortized cost of the asset.

A tangible fixed asset is derecognized on disposal or when no future economic benefit can be expected from the continued use of the asset. The resulting gain or loss from the sale or retirement of any asset is determined as the difference between the proceeds and the carrying value of the asset and is recognized in other net operating income.

Investment property

This is property that is held to earn rental income and/or for capital appreciation. Investment property is reported at amortized cost using the cost model permitted by IAS 40 and is shown under tangible fixed assets because of minor importance. Straight line depreciation is applied on the basis of useful life. The normal useful life of investment property is identical to that of buildings recognized under tangible fixed assets. Depreciation is recorded under the item general administrative expenses.

Investment property is derecognized on disposal or when it is no longer to be used and no future economic benefit can be expected from disposal. The resulting gain or loss from the disposal is determined as the difference between the net proceeds from the disposal and the carrying value of the asset and is recognized in other net operating income in the reporting period in which the asset was sold.

Impairment of non-financial assets (tangible fixed assets, investment property and intangible fixed assets)

Impairment test for goodwill

On each reporting date, goodwill is examined with a view to its future economic utility on the basis of cash generating units (CGUs). A cash generating unit is defined by the management and represents the smallest identifiable group of assets of a company that generates cash inflows from operations. Within RBI, all segments according to segment reporting are determined as cash generating units. Legal entities within the segments form their own CGU for the purpose of impairment testing of goodwill. The carrying value of the relevant entity (including any assigned goodwill) is compared with its recoverable amount. This is, as a general principle, defined as the amount resulting from its value in use and based on expected potential dividends discounted using a rate of interest reflecting the risk involved. The estimation of the future results requires an assessment of previous as well as future performance. The latter must take into account the likely development of the relevant markets and the overall macroeconomic environment.

Impairment tests for goodwill based on cash-generating units use a multi-year plan drawn up by the relevant management team and approved by the bodies responsible. This covers the CGU's medium-term prospects for success taking into account its business strategy, overall macroeconomic conditions (gross domestic product, inflation expectations, etc.) and the specific market circumstances. The data is then used to capture the terminal value based on a going concern concept. Discounting of the earnings relevant for the measurement, i.e. potential dividends, is undertaken using risk-adapted and country-specific equity capital cost rates determined by means of the capital asset pricing model. The individual interest rate parameters (risk-free interest rate, inflation difference, market risk premium, country-specific risks and beta factors) were defined by using external information sources. The entire planning horizon is divided into three phases with phase I covering the management planning period of three years. Detailed planning, including macroeconomic planning data, is extrapolated in phase II, which lasts another two years. The terminal value is then calculated in phase III based on the assumption of a going concern. Details on impairment testing can be found in the notes under (21) Intangible fixed assets.

Inventory

Inventories are measured at the lower of cost or net realizable value. Write-downs are made if the acquisition cost is above the net realizable value as of the reporting date or if limited usage or longer storage periods have impaired the value of the inventory.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when the related carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is only considered met if the sale is highly probable and the asset (or disposal groups) is immediately available for sale and furthermore that the Management Board has committed itself to a sale. Moreover, the sale transaction must be due to be completed within twelve months.

Non-current assets and disposal groups classified as held for sale are valued at the lower amount of their original carrying value or fair value less costs to sell and are reported under other assets. Income from non-current assets held for sale and discontinued operations is reported under other net operating income. If the impairment expense of the discontinued operations exceeds the carrying value of the assets which fall under the scope of IFRS 5 (Measurement), there is no special provision in the IFRS on how to deal with this difference. This difference is recognized as other provisions in the item provisions for liabilities and charges in the statement of financial position.

In the event that the Group has committed to a sale involving the loss of control over a subsidiary, all assets and liabilities of the subsidiary concerned are classified as held for sale provided the aforementioned conditions for this are met. This applies irrespective of whether the Group retains a non-controlling interest in the former subsidiary after the sale or not. Results from discontinued business operations are reported separately in the income statement as result from discontinued business operations.

Details on assets held for sale pursuant to IFRS 5 are included in the notes under (24) Other assets.

Provisions for liabilities and charges

Provisions are recognized when the Group has a present obligation from a past event, where it is likely that it will be obliged to settle, and a reliable estimate of the amount is possible. The level of provisions is the best possible estimate of expected outflow of economic benefits at the reporting date while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. If a provision is formed based on cash flows estimated to fulfill an obligation, the cash flows must be discounted if the interest effect is material.

These types of provision are reported in the statement of financial position under the item provisions for liabilities and charges. Allocation to the various types of provision is booked through different line items in the income statement depending on the nature of the provision. Allocation of loan loss provisions for contingent liabilities are recorded under net provisioning for impairment losses, restructuring provisioning, provisioning for legal risks and other employee benefits are recorded in general administrative expenses. Provision allocations that are not assigned to a corresponding general administrative expense are as a matter of principle booked against other net operating income.

Provisions for pensions and similar obligations

All defined benefit plans relating to so-called social capital (provisions for pensions, provisions for severance payments and provisions for service anniversary bonuses) are measured using the Projected Unit Credit Method in accordance with IAS 19 – Employee Benefits. The biometrical basis for the calculation of provisions for pensions, severance payments and service anniversary bonuses for Austrian companies is provided by AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance) – Pagler & Pagler, using the relevant parameters for salaried employees. In other countries, comparable actuarial parameters are used for calculation.

Please refer to Provisions for pensions and similar obligations in the notes under (28) Provisions for liabilities and charges for further details.

Defined contribution plans

Under defined contribution plans, the company pays fixed contributions into a separate entity (a fund). These payments are recognized as staff expenses in the income statement.

Employee compensation plans

Variable remuneration – special remuneration policies

In the Group variable compensation is based on bonus pools on the bank or profit center level. Every variable remuneration system has fixed minimum and maximum levels and thus defines maximum payout values.

As of the financial year 2011, the following general and specific principles for the allocation, the claim and the payment of variable remuneration (including the payment of the deferred portion of the bonus) for board members of RBI AG and certain Group units and identified staff (risk personnel) are applied:

- 60 per cent and for especially high amounts 40 per cent of the annual bonus respectively will be paid out on a proportional basis as 50 per cent cash immediately (up-front), and 50 per cent through a phantom share plan (see details below), which will pay out after a holding period (retention period) of one year.
- 40 per cent and 60 per cent of the annual bonus respectively will be deferred according to local law over a minimum period of three (in Austria, five) years (deferral period). Payment will be made on a proportional basis, 50 per cent cash and 50 per cent based on the phantom share plan.

The specific structure of the above-mentioned principles results in deviations for individual group units in order to take into account the sometimes stricter national legal regulations.

Variable remuneration including a deferred portion is only allocated, paid or transferred if the following criteria are met:

- This is not prohibited at the level of RBI and/or RBI AG on the basis of a decision by the competent supervisory authority (e.g. by the European Central Bank for RZB/ RBI).
- This is tenable overall based on the financial position of RBI and the financial position of RBI AG and is justified based on the performance of the Group, RBI AG, the business unit and the individual concerned.
- The minimum requirements applicable to RBI AG under local legislation for the allocation or payment of variable remuneration are fulfilled.

- The legally required CET 1 ratio of RBI is achieved, the capital and buffer requirements of the CRR and CRD IV for RBI are complied with in full and additionally neither the allocation, payment or transfer of the variable remuneration is detrimental to the maintenance of a sound capital base for RBI.
- RBI has met the minimum requirements under applicable law for economic and regulatory capital and additionally neither the allocation, payment nor transfer of the variable remuneration is detrimental to the maintenance of a sound capital base for RBI.
- All additional criteria and prerequisites for the allocation and/or payment of variable remuneration, as defined from time to time by the Management Board or the Supervisory Board (REMCO) of RBI, are met.

The Group fulfills the obligation arising from Clause 11 of the Annex to Section 39b of the Austrian Banking Act (BWG) which stipulates that at least 50 per cent of the variable remuneration of risk personnel must be paid out in the form of shares or similar non-cash instruments by means of a phantom share plan as follows: 50 per cent of the up front and 50 per cent of the deferred portion of the bonus are divided by the average closing price of the RBI share on trading days of the Vienna Stock Exchange in the payment year serving as the basis for calculating the bonus. Thereby, a certain amount of phantom shares is determined. This amount is fixed for the entire duration of the deferral period. After the expiration of the respective retention period, the amount of specified phantom shares is multiplied by RBI's share price for the previous financial year, calculated as described above. The resulting cash amount is paid on the next available monthly salary payment date.

These rules are valid unless any applicable local laws prescribe a different procedure (e.g. Poland).

The merger of RZB AG and RBI AG has resulted in overall harmonization of employee compensation plans. This applies in particular to the specialized subsidiaries of RZB AG in Austria.

Share-based compensation

The Management Board, with approval of the Supervisory Board, of RBI AG has approved a share incentive program (SIP) for the years 2011, 2012 and 2013 which provides performance based allotments of shares to eligible employees domestically and abroad for a given period. Eligible employees are current board members and selected executives of RBI AG, as well as executives of its affiliated bank subsidiaries and other affiliated companies. In 2014, it was already decided not to continue the program due to the complexity of the regulatory rules regarding variable compensation.

The number of ordinary shares of RBI AG which will ultimately be transferred depends on the achievement of two performance criteria: the targeted return on equity (ROE) and the performance of the shares of RBI AG compared to the total shareholder return of the shares of companies in the DJ EURO STOXX Banks index after a five-year holding period.

All expenses related to the share incentive program are recognized in staff expenses in accordance with IFRS 2 (share-based payment) and charged to equity. They are described in greater detail in the notes under (33) Equity.

Subordinated capital

This item comprises subordinated capital and supplementary capital. Assets are subordinated if, in the event of liquidation or bankruptcy, they can only be met after the claims of the other – not subordinated – creditors have been satisfied. Supplementary capital contains all paid-in capital provided by a third-party and available for the company for at least eight years, for which interest is paid only from profit and which can be repaid in the case of insolvency only after all other creditors are satisfied.

Net interest income

Interest and interest-like income mainly includes interest income on loans and advances to banks and customers and from fixed-interest securities. In addition, current income from shares and other variable-yield securities (especially dividends), income from equity participations and from investments accounted for at equity, and interest-like income are also reported under net interest income. Dividend income is recognized if the entitlement of the owner for payment exists. Interest expenses and interest-like expenses mainly include interest paid on deposits from banks and customers and on debt securities issued and subordinated capital. Interest income and interest expenses are accrued in the reporting period. Negative interest from asset items is shown in interest income; negative interest from liability items is shown in interest expenses.

Net fee and commission income

Net fee and commission income mainly includes income and expenses arising from payment transfer business, foreign exchange business and credit business. Fee and commission income and expenses are accrued in the reporting period.

Net trading income

Net trading income comprises the trading margins resulting from the foreign exchange business, results due to foreign exchange revaluations and all realized and unrealized gains and losses from financial assets and liabilities at fair value. In addition, it includes all interest and dividend income attributable to trading activities and related refinancing costs.

General administrative expenses

General administrative expenses include staff and other administrative expenses as well as amortization/depreciation and impairment losses on tangible and intangible fixed assets.

Income taxes

RBI AG and eight of its consolidated domestic subsidiaries are members of a tax group for which Raiffeisen Zentralbank Österreich Aktiengesellschaft acts as group parent. Current taxes are calculated on the basis of taxable income for the current year taking into account the tax group (in terms of a tax group allocation). In the reporting year, a supplementary agreement was added to the current tax group allocation agreement. If RBI AG generates a negative taxable net income and these taxable losses are not usable in the group, then the group parent does not immediately pay a negative tax group allocation. Only and after withdrawal from the tax group at the latest, a final settlement is carried out. The group parent still pays a negative tax group allocation to RBI AG if the tax losses of RBI AG are usable. The taxable income deviates from the profit of the consolidated statement of comprehensive income due to expenses and income which are taxable or tax-deductible in the following years or which are never taxable or tax-deductible. The liability of the Group for current taxes is recognized on the basis of the actual tax rate or the expected applicable tax rate.

Deferred taxes are calculated and recognized in accordance with IAS 12 applying the liability method. Deferred taxes are based on all temporary differences that result from comparing the carrying amounts of assets and liabilities in the IFRS accounts with the tax bases of assets and liabilities, and which will reverse in the future. Deferred taxes are calculated by using tax rates applicable in the countries concerned. A deferred tax asset should also be recognized on tax loss carry-forwards if it is probable that sufficient taxable profit will be generated against which the tax loss carry-forwards can be utilized within the same entity. On each reporting date, the carrying amount of the deferred tax assets is reviewed and impaired if it is no longer probable that sufficient taxable income will become available in order to partly or fully realize the tax assets. Deferred tax assets and deferred tax liabilities within the same entity are netted. Income tax credits and income tax obligations are recorded separately under the items other assets and tax provisions respectively.

Current taxes and movements of deferred taxes are recognized in the income statement unless they are linked to items which are recognized in other comprehensive income, in which case the current and deferred taxes are also directly recognized in other comprehensive income.

Other comprehensive income

Other comprehensive income comprises all income and expenses directly recognized in equity according to IFRS standards. Income and expenses recognized directly in equity that are reclassified in the income statement are reported separately from income and expenses recognized directly in equity that are not reclassified in the income statement. This applies to currency differences resulting from the translation of equity held in foreign currency, changes resulting from the hedging of net investments in a foreign entity (capital hedge), the effective part of a cash flow hedge, changes resulting from valuation of available-for-sale financial assets as well as deferred taxes on the mentioned items. Revaluations of defined benefit plans are reported in other comprehensive income and are not reclassified to the income statement.

Fiduciary business

Transactions arising from the holding and placing of assets on behalf of third parties are not shown in the statement of financial position. Fees arising from these transactions are shown under net fee and commission income.

Financial guarantees

According to IAS 39, a financial guarantee is a contract under which the guarantor is obliged to make certain payments. These payments compensate the party to whom the guarantee is issued for losses arising in the event that a particular debtor does not fulfill payment obligations on time as stipulated in the original terms of a debt instrument. At the date of recognition of a financial guarantee, the initial fair value corresponds under market conditions to the premium at the date of signature of the contract. For subsequent measurement the credit commitment has to be presented as a provision according to IAS 37.

Insurance contracts

Liabilities arising from insurance contracts change depending on changes in interest rates, income from investments and expenses for pension agreements for which future mortality rates cannot be reliably predicted. IFRS 4 must be applied to the reporting of liabilities resulting from the existence of mortality rate risks and discretionary participation features. All assets associated with pension products are reported in accordance with IAS 39. Liabilities are recorded under other liabilities. Please refer to the notes under (31) Other liabilities for more information on insurance contracts.

Contingent liabilities and commitments

This item mainly includes contingent liabilities from guarantees, credit guarantees, letters of credit and loan commitments recognized at face value. Guarantees are used in situations in which the Group guarantees payment to the creditor of a third party to fulfill the obligation of the third party. Irrevocable credit lines must be reported when a credit risk may occur. These include commitments to provide loans, to purchase securities or to provide guarantees and acceptances. Loan loss provisions for contingent liabilities and irrevocable loan commitments are reported under provisions for liabilities and charges.

Own shares

Own shares of RBI AG at the reporting date are deducted directly from equity. Gains and losses on own shares have no impact on the income statement.

Statement of cash flows

The cash flow statement reports the change in the cash and cash equivalents of the Group through the net cash from operating activities, investing and financing activities. Cash flows for investing activities mainly include proceeds from the sale, or payments for the acquisition of, financial investments and tangible fixed assets. The net cash from financing activities shows all cash flows from equity capital, subordinated capital, and participation capital. All other cash flows are – according to international practices for financial institutions – assigned to operating activities.

Segment reporting

Notes on segment reporting are to be found in the section segment reporting.

Notes on the nature and extent of risks

Information about risks arising from financial instruments is disclosed in the explanatory notes. The risk report in particular contains detailed information on credit risk, country risk, concentration risk, market risk and liquidity risk.

Capital management

Information on capital management, regulatory capital and risk-weighted assets is disclosed in the notes under (47) Capital management and total capital according to CCR/CRD IV and Austrian Banking Act (BWG).

Application of new and revised standards

Early application of IFRS 9 Presentation of gains and losses on liabilities designated at fair value

The IASB published the final version of IFRS 9 in the course of completion of the various phases on 24 July 2014 and it was ultimately incorporated into EU law through the EU Commission's adoption of Regulation (EU) No. 2016/2067 of 22 November 2016. With regard to measurement as financial liabilities designated at fair value through profit or loss, IFRS 9 allows the option of early adoption for recognizing fair value changes arising from changes in the credit risk of the reporting entity in other comprehensive income.

RBI has 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 whereas previously, under IAS 39, they were booked in the income statement.

The liabilities are designated at fair value to avoid an accounting mismatch due to holding assets designated at fair value with a similar interest rate risk profile. The credit risk of RBI is however not reflected on the asset side and hence posting the changes in the fair value of the liabilities due to a change in the default risk of RBI in other comprehensive income reduces the accounting mismatch in the income statement. In order to fulfil the disclosure requirements the difference between the actual fair value of the liability – a hypothetical swap (which reflects the original credit curve) – and the cash payment amount was calculated.

The amount booked directly in other comprehensive income in 2017 was minus € 139,643 thousand. The cumulative change in fair value attributable to the change in own default risk was minus € 64,052 thousand and is included in retained earnings. The difference between the current fair value of these designated liabilities and the amounts contractually required to be paid at maturity was € 597,508 thousand. There have been no significant transfers within equity or derecognition of liabilities designated at fair value in the reporting period.

Amendments to IAS 7 Disclosure initiative (entry into force January 1, 2017)

The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. This includes both cash- and non-cash transactions. The application of these amendments did not give rise to any significant new disclosures that the financing activities in the cash flow statement of RBI relate essentially only to equity and not to financial liabilities. Details on the cash flow statement are disclosed under the section cash flow statement.

Amendments to IAS 12 Deferred taxes (entry into force January 1, 2017)

The amendments clarify that unrealized losses related to debt instruments measured at fair value but at cost for tax purposes can give rise to deductible temporary differences. This applies irrespective of whether the holder expects to recover the carrying amount by holding the debt instrument until maturity and collecting all contractual payments or by selling the debt instrument. In addition, the carrying amount of an asset does not represent the upper limit for the estimation of probable future taxable profits. When estimating future taxable profits tax deductions resulting from the reversal of deductible temporary differences must be excluded and a company must assess a deferred tax asset in combination with other deferred tax assets. If tax law restricts the realization of tax losses, a company must assess a deferred tax asset in combination with other deferred tax assets of the same (admissible) type. The application of these amendments did not have an impact on the on the consolidated financial statements of RBI.

Standards and interpretations that are not yet applicable (already endorsed by the EU)

The following new or amended standards and interpretations, which have been adopted, but are not yet mandatory, have not been applied early.

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

RBI will apply IFRS 9 as issued in July 2014 initially on 1 January and will early adopt the amendments to IFRS 9 on the same date. Based on the assessment undertaken to date, the total estimated adjustment (before tax) of the adoption of IFRS 9 on the opening balance of the Groups equity as at 1 January 2018 is around €160 million, representing:

- A reduction of around € 230 million to impairment requirements
- An increase of around € 70 million related to classification and measurement requirements other than impairment.

The European Parliament has issued a regulation (2017/2395) on transition requirements for the implementation of IFRS 9 as at 27 December 2017. The regulation allows a choice of two approaches to the recognition of the impact of adoption of the standard on regulatory capital:

1. Phasing in the full impact on a straight-line basis over a five-year period; or

2. Recognizing the full impact on the day of adoption.

RBI has decided to adopt the second approach. Including all effects, the CET 1 will fall by around 15 basis points.

The assessment made by the entity is preliminary as not all transition work requirements have been finalized and therefore may be subject to adjustment.

- The new standard will require the entity to revise its accounting processes and internal controls, and these changes are not yet complete.
- RBI has not finalized the testing and assessment of controls over its new IT systems. Consequently, the related impacts presented below may change when implementation is finalized.
- The systems and the associated controls that are in place to comply with the new requirements have not been operational for a full reporting period.
- The new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalizes its first financial statements that include the date of initial application.

Classification and measurement general

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics.

For RBI four classification categories for financial assets:

- Financial assets measured at amortized cost (AC)
- Financial assets measured at fair value through OCI (FVOCI) and
- Financial assets mandatory measured at fair value through profit or loss (FVTPL) and
- Financial assets designated at fair value through profit or loss (FVTPL)

In RBI the existing IAS 39 categories of held to maturity, loans and receivables and available for sale will be eliminated.

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows
- 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.

A business model's objective can be to hold financial assets to collect contractual cash flows even when some sales of financial assets have occurred or are expected to occur. For RBI the following sales may be consistent with the hold-to-collect business model.

- The sales are due to an increase in the credit risk of a financial asset;
- The sales are infrequent (even if significant), or are insignificant individually and in aggregate (even if frequent);
- The sales take place close to the maturity of the financial asset and the proceeds from the sales approximate the collection of the remaining contractual cash flows;

For RBI, the sale of more than 10 per cent of the portfolio (carrying value) during a rolling three year period will potentially be considered more than infrequent unless these sales are immaterial as a whole.

A financial asset is classified as subsequently measured at FVOCI if it is held within a business model whose objective is both collecting contractual cash flows and selling financial assets; and 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.

On initial recognition of an equity instrument that is not held for trading, RBI may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis for each investment and essentially covers strategic interests that are not fully consolidated.

All other financial assets – i.e. financial assets that do not meet the criteria for classification as subsequently measured at either amortized cost or FVOCI – are classified as subsequently measured at fair value, with changes in fair value recognized in profit or loss. In addition, RBI has the option at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency – i.e. an accounting mismatch – that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases.

A financial asset is classified into one of these categories on initial recognition.

Business model assessment

RBI will make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The following will be considered as evidence when assessing which business model is relevant:

- How the performance of the business model (and the financial assets held within that business model) are evaluated and reported to the entity's key management personnel;
- How the risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed;
- How managers of the business are compensated – e.g. whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- the frequency, value and timing of sales in prior periods, the reasons for such sales, and its expectations about future sales activity; and
- whether sales activity and the collection of contractual cash flows are each integral or incidental to the business model (hold-to-collect versus hold and sell business model);

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL.

Analysis of contractual cash flow characteristics

Once RBI determines that the business model of a specific portfolio is to hold the financial assets to collect the contractual cash flows (or by both collecting contractual cash flows and selling financial assets), it must assess whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For this purpose, interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. This assessment will be carried out on an instrument by instrument basis on the date of initial recognition of the financial asset.

In assessing whether the contractual cash flows are solely payments of principal and interest RBI Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. RBI will consider:

- Prepayment, extension terms
- Leverage features
- Claim is limited to specified assets or cash flows
- Contractually linked instruments

In 2018 IASB issued an IFRS 9 amendment regarding prepayment features with negative compensation. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract. RBI does not expect a significant volume of negative prepayment features with negative compensation which have to be measured mandatorily at FVTPL.

Modification of time value of money and the benchmark test

Time value of money is the element of interest that provides consideration for only the passage of time (IFRS 9.B4.1.9A). It does not take into account other risks (credit, liquidity etc.) or costs (administrative etc.) associated with holding a financial asset.

In some cases, the time value of money element may be modified (imperfect). That would be the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case units must assess the modification as to whether the contractual cash flows still represent solely payments of principal and interest, i.e. the modification term does not significantly alter the cash flows from a perfect benchmark instrument. This assessment is not an accounting policy choice and cannot be avoided simply by concluding that an instrument, in the absence of such an assessment, will be measured at fair value. For the following main contractual features that can potentially modify the time value of money a benchmark test will be applied

- Reset rate frequency does not match interest tenor
- Lagging indicator
- Smoothing clause
- Grace period
- Secondary market yield reference

Impact assessment

IFRS 9 will affect the classification and measurement of financial assets held as at 1 January 2018 of RBI as follows:

Loans and advances to banks and to customers that are classified as loans and receivables measured at amortized cost under IAS 39 will in general also be measured at amortized cost under IFRS 9. Only an insignificant portfolio has to be measured mandatory at FVTPL due to failing the SPPI or benchmark test.

Held to maturity financial assets measured at amortized cost under IAS 39 will in general also be measured at amortized cost under IFRS 9. Only an insignificant portfolio will be reclassified to the business model hold and sell and measured at FVOCI.

Available for Sale debt instruments measured at fair value through equity under IAS 39 will in general also be measured at FVOCI under IFRS 9.

RBI does not expect a significant impact of these changes in RBI Group equity.

Hedge accounting

IFRS 9 grants accounting options for hedge accounting. RBI plans to continue 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.

Modification of financial assets

In RBI a financial asset will be derecognized if underlying contract is modified substantially. Terms are substantially different if the discounted present value of the cash flows under the new terms using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset. In addition to present value test there are considered further quantitative and qualitative criteria in order to assess whether it is a substantial modification.These criteria consider the extension of the average remaining term and in case of Stage 3 loans keep in mind that those are often being restructured to match the maximum expected payouts that a defaulted client can afford. If this is the case then additional judgement is required to determine whether the extension is economically a new instrument. Qualitative criteria were defined by RBI as a significant change in the terms of the contract if there are changes in the currency and/or change in the type of instrument (i.e. bond to loan) or introduction of clauses that would normally cause the contractual cash flow criteria according IFRS 9 to fail.

Impairment general

The calculation of expected credit losses requires the use of accounting estimates which, by definition, will rarely equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

RBI assesses on a forward-looking basis the expected credit losses associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments, leasing receivables and financial guarantee contracts. RBI Group recognizes a loss allowance for such losses at each reporting date.

This section provides an overview of the aspects of IFRS 9 that involve a higher degree of judgement or complexity and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Quantitative information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

Measurement of 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 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 amortised 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 credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit losses these are:

- 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 our customers, clients or market counterparties fail to fulfil their contractual obligations to us. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as, financial guarantees, letters of credit, and acceptances.

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

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. RBI measures credit risk using 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 since initial recognition. This model requires that 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 credit-impaired, the financial instrument 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 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:

Quantitative Criteria

RBI uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios. For quantitative staging RBI Group compares the lifetime PD curve at measurement data 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. On the one hand in the case of highly rated financial instruments it is assumed that the PD curve will deteriorate over time. On the other hand 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.

RBI is not aware of any generally accepted market practice for the level at which a financial instrument has to be transferred to Stage 2. From this perspective it is expected that the increase in PD at reporting date which is considered significant will develop over a period of time as a result of an iterative process between market participants and supervisors.

Qualitative Criteria

RBI uses qualitative criteria as a secondary indicator of 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 significant increase in credit risk incorporates forward-looking information and is performed on a quarterly basis at a deal level for all non-retail portfolios held by RBI.

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

- Forbearance
- Expert judgement

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

Backstop

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 past due on its contractual payments. In some limited cases the presumption that financial assets which are more than 30 days past due are to be shown in Stage 2 is rebutted.

Low credit risk exemption

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.

Definition of default and credit-impaired assets

RBI defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenants
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The criteria above have been applied to all financial instruments held by RBI and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout RBI Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of a minimum of three months or longer for distressed restructured exposures. This period of three months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Explanation of inputs, assumptions and estimation techniques

The expected credit loss is measured on either a twelve-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Forward-looking economic information is also included in determining the twelve-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Expected credit losses are the discounted product of the probability of default (PD), loss given default (LGD), exposure at default (EAD) and discount factor (D)

Probability of Default

The probability of default represents the likelihood of a borrower defaulting on its financial obligation either over the next twelve months or over the remaining lifetime of the obligation. In general the lifetime probability of default is calculated using the regulatory twelve month probability of default, stripped of any margin of conservatism, as a starting point.

Thereafter various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the loan or portfolio of loans. The profile is based on historical observed data and parametric functions.

Different models have been used to estimate the default profile of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign, local and regional governments, insurance companies and collective investment undertakings the default profile is generated using a transition matrix approach. Forward looking information is incorporated into the probability of default using the Vasicek one factor model.
- Corporate customers, project finance and financial institutions the default profile is generated using a parametric survival regression (Weibull) approach. Forward looking information is incorporated into the probability of default using the Vasicek one factor model.
- Retail mortgages and other retail lending the default profile is generated using parametric survival regression in competing risk frameworks. Forward looking information is incorporated into the probability of default using satellite models.

In the limited circumstances where some inputs are not fully available grouping, averaging and benchmarking of inputs is used for the calculation.

Loss Given Default

Loss given default represents RBI Group's expectation of the extent of loss on a defaulted exposure. Loss given default varies by type of counterparty and product. Loss given default is expressed as a percentage loss per unit of exposure at the time of default. Loss given default is calculated on a twelve-month or lifetime basis, where twelve-month loss given default is the percentage of loss expected to be made if the default occurs in the next twelve months and lifetime loss given default is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Different models have been used to estimate the loss given default of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign the loss given default is found by using market implied sources.
- Corporate customers, project finance, financial institutions, local and regional governments, insurance companies the loss given default is generated by discounting cash flows collected during the workout process. Forward looking information is incorporated into the loss given default using the Vasicek model.
- Retail mortgages and other retail lending the loss given default is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory loss given default. Forward looking information is incorporated into the loss given default using various satellite models.

In the limited circumstances where some inputs are not fully available alternative recovery models, benchmarking of inputs and expert judgement is used for the calculation.

Exposure at Default

Exposure at default is based on the amounts RBI expects to be owed at the time of default, over the next twelve months or over the remaining lifetime. The twelve-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a twelve-month or lifetime basis. Where relevant early repayment/refinance assumptions are also considered in the calculation.

For revolving products, the exposure at default is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default. The prudential regulatory margins are removed from the credit conversion factor. In the limited circumstances where some inputs are not fully available benchmarking of inputs is used for the calculation.

Discount Factor

In general for on balance sheet exposure which is not leasing or POCI the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

Calculation

The expected credit loss is the product of PD, LGD and EAD times the probability not to default prior to the considered time period. The latter is expressed by the survivorship function S. This effectively calculates future values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of expected credit losses are then weighted by forward looking scenario.

Different models have been used to estimate the Stage 3 provisions of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign, corporate customers, project finance, financial institutions, local and regional governments, insurance companies and collective investment undertakings the Stage 3 provisions are calculated by workout managers who discount expected cash flows by the appropriate effective interest rate.
- Retail mortgages the Stage 3 provision is generated by calculating the discounted collateral realization value.
- Other retail lending the Stage 3 provision is generated by calculating the statistically derived best estimate of expected loss which has been adjusted for indirect costs.

No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3.

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 out 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 run average rate or a long run 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 scenarios or less 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 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 possible outcomes and cover any potential non-linearities and asymmetries within RBI Group's different portfolios.

Sensitivity analysis

The most significant assumptions affecting the expected credit loss allowance are as follows:

Corporate portfolios

- Gross domestic product
- Unemployment rate
- Long term government bond rate
- Inflation rate

Retail portfolios

- Gross domestic product
- Unemployment rate
- Real estate prices

Transition

Changing in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

- RBI will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the application of IFRS 9 are recognized in retained earnings as of January 1, 2018.
- The following assessments must be made on the basis of the facts and circumstances that exist at the date of initial application:
  - The determination of the business model in which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVTPL.
  - The designation of certain strategic investments not held for trading as at FVOCI.

IFRS 16 Leases (entry into force January 1, 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 12 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 also 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 balance sheet, 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. The implementation of the requirements will take place in 2018.

IFRS 15 Revenue from contracts with customers (entry into force January 1, 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 application is not expected to have a material impact on the consolidated financial statements of RBI.

Amendments to IFRS 4 Insurance contracts (entry into force January 1, 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 is not expected to have any impact on the consolidated financial statements of RBI.

Standards and interpretations not yet applicable (not yet endorsed by the EU)

Amendments to IFRS 2 Share-based payment (entry into force January 1, 2018)

The amendments concern individual matters relating to the accounting of cash-settled share-based payments. The principal amendment/addition relates to the fact that IFRS 2 now contains provisions which relate to the calculation of the fair value of liabilities resulting from share-based payments. The application of these amendments is not expected to have any impact on the consolidated financial statements of RBI.

Annual improvements to IFRS – 2014–2016 cycle (entry into force January 1, 2017/2018)

The amendments include in particular:

- IFRS 1 First-time adoption of International Financial Reporting Standards: Deletion of the remaining short-term exemptions in IFRS 1 for first-time users.
- IFRS 12 Disclosure of interests in other entities: Clarification that with the exception of IFRS 12.B10-B16, the standard’s disclosure requirements also apply to interests which fall under the scope of IFRS 5.
- IAS 28 Investments in associates and joint ventures: Clarification that the election to measure an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment on an investment-by-investment basis.

The amendments to IFRS 12 are applicable from January 1, 2017, the amendments to IFRS 1 and IAS 28 from January 1, 2018. Earlier application is permitted. The application of these amendments is not expected to have any impact on the consolidated financial statements of RBI.

IFRIC 22 Foreign currency transactions and advance consideration (entry into force January 1, 2018)

This interpretation clarifies the accounting for transactions that include the receipt or payment of considerations in a foreign currency. The application of these amendments is not expected to have any impact on the consolidated financial statements of RBI.

IFRIC 23 Uncertainty over Income tax treatments (entry into force January 1, 2019)

This interpretation clarifies the accounting for uncertainties in income taxes. The application of these amendments is not expected to have any impact on the consolidated financial statements of RBI.

Amendments to IAS 40 for the classification of property under construction or development published (entry into force January 1, 2018)

The amendments serve to clarify the provisions in relation to transfers to or from investment properties. In particular, the amendments clarify whether property which is under construction or development which was previously classified under inventories can be transferred to investment properties when there is an evident change of use. The application of these amendments is not expected to have any impact on the consolidated financial statements of RBI.

Annual improvements to IFRS – 2015–2017 cycle (entry into force January 1, 2019)

The amendments include in particular:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes: The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs: The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The application of these amendments is not expected to have any significant impact on the consolidated financial statements of RBI.

IFRS 17 – Insurance contracts (entry into force January 1, 2021)

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021.The application of these amendments is not expected to have any impact

Amendments to IFRS 10/IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (entry into force January 1, 2016)

The amendments clarify that for transactions with an associate or joint venture, the extent of recognition of gains or losses depends on whether the sold or contributed assets constitute a business. The effective date has been deferred indefinitely.

IFRS 14 Regulatory deferral accounts (entry into force January 1, 2016)

Only entities applying IFRS for the first time and who recognize regulatory deferrals according to their previous accounting standards are allowed to continue with regulatory deferrals after transition to IFRS. The standard is intended to be a short-term interim solution till the IASB concludes the long-term project relating to price-regulated business transactions. The European Commission has decided not to commence the adoption process for this temporary standard yet and to await the final IFRS 14.

Events after the reporting date

Change to composition of the Management Board

At the end of October 2017, Klemens Breuer resigned from his position on the Management Board, where he was responsible for the areas of Capital Markets and Retail Banking, on personal grounds.

On 7 December 2017, the Supervisory Board appointed Andrii Stepanenko to the Management Board, subject to approval by the supervisory authority. Upon receiving approval, Andrii Stepanenko is expected to take over the Retail Banking area from Peter Lennkh in March 2018, who has been provisionally holding the position since the departure of Klemens Breuer.

On 15 January 2018, the Supervisory Board appointed Lukasz Januszweski to the Management Board, subject to approval by the supervisory authority. Upon receiving approval, Lukasz Januszweski is expected to take over the Capital Markets area from Johann Strobl in March 2018, who has been provisionally holding the position since the departure of Klemens Breuer.

Vienna, 27. February 2018

The Management Board

Johann Strobl

Martin Grüll

Andreas Gschwenter

Peter Lennkh

Hannes Mösenbacher

Auditor's report

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of

Raiffeisen Bank International AG,
Vienna, Austria,

and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG (Austrian Banking Act).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 (EU Regulation) and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor´s Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian Generally Accepted Accounting Principles and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

In the following we present the key audit matters from our point of view:

- Recoverability of loans and advances to customers
- Valuation of derivative financial instruments
- Valuation of liabilities at fair value through profit and loss

Recoverability of loans and advances to customer

The Financial Statement Risk

Loans and advances to customers as at the Balance Sheet date amount to EUR 81.2 billion. This is made up of EUR 46.9 billion in loans to corporates, EUR 33.5 billion in loans to retail customers and EUR 0.8 billion in loans to the public sector.

For these assets, individual as well as portfolio loan loss provisions amounting to a total of EUR 3.1 billion have been recognized, comprising EUR 1.7 billion for loans to corporates and EUR 1.4 billion for loans to retail customers.The Board describes the process of monitoring the credit risk and the procedures for determining the loan loss provisions within the Risk Report and Recognition and Measurement Principles chapters within the notes of the Financial Statements.

As part of the credit risk monitoring process, the bank checks if there is any indication of impairment and therefore whether an individual loan loss provision is needed. This includes assessing whether the customer can fully fulfill the contractually agreed repayments without the need of realizing collaterals.

Where there is an indication of impairment on loans to corporates, provisions are formed in the amount of the expected loss according to homogeneous Group-wide standards. This occurs when the discounted projected future repayment amounts, including interest and any amounts realizable from collateral, are below the carrying value of the loan. This assessment is significantly influenced by the estimate of the client's economic situation and development, the estimate of collateral values and the amount and timing of future cash flows.

For retail clients, individual loan loss provisions are calculated using the Internal Rating Based Approach using the default definitions of the internal rating systems. One entity uses the Delinquency Bucket based Approach whereby all amounts overdue by more than 180 days are fully provisioned.

Portfolio loan loss provisions are calculated for all corporate customers that are not impaired based on their individual risk profile (individul rating classes). Portfolio loan loss provisions are determined using centrally calculated historical default rates for each rating class, collateral values and other statistical and historical data.

For retail clients, the portfolio loan loss provision is calculated automatically using general probability of default rates and loss given default rates. These parameters are based on historical and statistical data.

The calculation of loan loss provisions is significantly influenced by management's assumptions and estimates. These assumption and estimate uncertainties lead to a risk of misstatement in the Financial Statements.

Our Audit Approach

We have obtained the documentation that describes the process of loan issuance, loan monitoring and determination of loan loss provisions and assessed these documents to determine whether the processes adequately identify impairment indicators and ensure amounts are recorded at their appropriate carrying value in the Financial Statements. In addition, we tested the essential key controls within these processes. As part of this work we checked the design, implementation and effectiveness of these key controls.For individual loan loss provision, we used a sampling based approach to determine whether impairment indicators were identified and whether appropriate loan loss provisions were calculated. We critically assessed the bank's estimates regarding the amount and timing of future cash flows, including those resulting from realization of collateral, and whether the bank's assessment was in line with the internal and external information available. The sample selection was made using both a risk based approach dependent on the client's rating class, and random selection approach for clients with a lower probability of default. With regard to the internal collateral valuation, we analyzed, together with our internal valuation specialists, whether the assumptions used in the models were adequate and in line with available market data.

For portfolio loan loss provision, we reviewed whether the models and relevant parameters used were adequate for calculating loan loss provisions. For corporate clients, we used sampling to test whether the applied probability of default rates per rating class had been correctly determined. Our internal valuation specialists assessed the appropriateness of the models and parameters used in the calculation. We further assesseded whether the models and parameters used, taking into account backtesting results, are appropriate for calculating loan loss provisions.

Finally we asssessed whether the disclosures in the notes to the Financial Statements regardings loan loss provisions were appropriate.

Valuation of Derivatives

The Financial Statement Risk

The Group has entered into derivatives for trading and hedging purposes as part of its business activities. The allocation of a derivative to the trading/banking book or hedge accounting is significant for its presentation and subsequent valuation.

The Board describes its derivative financial instruments, the designation of derivatives to a hedging relationship as well as the calculation of fair value of financial instruments within the Recognition and Measurement Principles chapter in the notes of the Financial Statements.

For fair value instruments for which no quoted prices or only insufficient observable market data is available, fair value is determined using internal models based on the assumptions and parameters within these models. Due to the leverage inherent in derivatives, market values of derivatives can be subject to significant fluctuation.

In order to apply hedge accounting, the bank is required to document the hedging relationship as well as the hedge effectiveness testing. In the case of a suitably documented strategy, bank book derivatives can be designated as hedging instruments for both micro hedges and portfolio hedges.

Our Audit Approach

We have analyzed the allocation of derivatives and their presentation in the Statement of Financial Position using a sampling approach. We have analyzed the process documentation regarding derivative closing, settlement, valuation, risk and limit monitoring, clearing and internal data management. The design and implementation of essential controls in the processes were critically assessed and the effectiveness of these controls was tested.

We involved valuation specialists to evaluate the fair values determined by the Group. We have examined the appropriateness of the valuation models used and the underlying valuation parameters by comparing the parameters used with available market data. Additionally, we have sample tested the calculation and the assumptions used.

We have examined the existence of hedging relationships by reviewing the hedge accounting documentation using a sampling approach and in particular whether the hedging intention and documentation were in place at inception of the hedging relationship. We also reviewed the effectiveness tests provided by the Group to ensure they have been calculated appropriately. In addition, we have reconciled the hedge accounting adjustments to the Statement of Financial Position and Statement of Comprehensive Income.

Finally, we assessed whether the disclosures in the notes regarding the valuation methods, fair value hierarchy and hedging relationships were complete and appropriate.

Valuation of Liabilities at fair value through profit and loss

The Financial Statement Risk

As at the Balance Sheet date, liabilities measured at fair value amount to EUR 2.5 billion, of which EUR 0.8 billion are subordinated. In addition to the general market risk factors, their fair value is significantly influenced by the own credit risk of the issuing entity (credit spread).

The Board describes the process of calculating the fair value of these liabilities that are measured at fair value within note 40 and the Recognition and Measurement Principles chapter in the notes of the Financial Statements.

The fair value calculation of own debt security issued for which no market price is available is based on an internal valuation model. The fair value is determined using a Discounted Cash Flow model applying estimated credit spreads. The credit spreads used in the model are derived from available market data.

The credit spread curve is a significant input to the fair value calculation and due to the indicative nature of the price quotations leads to a risk of misstatement in the Financial Statements.

Our Audit Approach

We have analyzsed the documentation that describes the process of issuance, valuation and risk and limit monitoring of liabilites measured at fair value. The design and implementation of essential controls in the processes were critically assessed and the effectiveness of these controls was tested on a sample basis.

We involved valuation specialists to assess the fair value model used by the Group. Further, we compared the data inputs to this model to the available market data to determine whether the data input lies within a reasonable range in comparison to the available market data. Based on the documentation obtained, we assessed whether the derived credit spread curve was adequate for determining the fair value of the liabilities. We tested whether the fair values calculation was appropriate on a sample basis.

Finally, we assessed whether the disclosures in the notes regarding the liabilities at fair value were appropriate and complete.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor’s report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misprepresentations or override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian Generally Accepted Accounting Principles, the group management report is to be audited as to whether it is consistent with the consolidated financial statements andprepared with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian Generally Accepted Accounting Principles.

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

Opinion

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

Statement

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

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor’s report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any assurance thereon.

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

Additional information in accordance with Article 10 EU Regulation

At the Annual General Meeting dated 16 June 2016, we were elected as group auditors. We were appointed by the Supervisory Board on 16 June 2016. We have been the Group’s auditors since the company´s first listing on the stock exchange in 2005.

We declare that our opinion expressed in the “Report on the Consolidated Financial Statements” section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 EU Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner is Mr. Wilhelm Kovsca.

Vienna, 27 February 2018

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca

Wirtschaftsprüfer

(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.”

Management report
Market development

Strong economic growth in the euro area amid low interest rates

The European Central Bank (ECB) left key rates unchanged in 2017, with a main refinancing rate at 0 per cent and a deposit facility rate at minus 0.4 per cent. After the first quarter of 2017, it reduced its monthly bond purchase volume from € 80 billion to € 60 billion on average per month. Euribor rates were in negative territory across all maturities for the year as a whole. Money market rates for maturities of 6 and 12 months also drifted marginally lower. The yield on two-year German government bonds initially reduced significantly, touching an all-time low of around minus 0.95 per cent in February before recovering again somewhat. The yield on 10-year German government bonds hovered mostly between 0.15 per cent and 0.50 per cent for the year as a whole, deviating from this range only briefly in July to reach a high of 0.65 per cent for 2017.

Euro area GDP growth was at 2.5 per cent for the full-year 2017. The acceleration in economic growth momentum, compared to the previous year, was seen across all countries. The recovery was mainly domestically driven and buoyed by all demand components (public and private sector consumption as well as investment demand). Labor market conditions have also improved considerably. The unemployment rate is maintaining a stable downtrend, however was still well above the last cyclical low by the end of the year. In contrast, employment has surpassed its high reached in 2008. By end-2017, many sentiment indicators were either close to or above previous historical highs. Sentiment has sharply improved among both private households and financial market participants. At the sector level, company survey results from service providers and retailers, as well as the industry and construction sectors, were also substantially more positive. In the first half of the year, inflation rates were heavily driven by calendar effects and by the oil price. This initially caused inflation to jump to 2.0 per cent. However, the oil price effect gradually reduced until mid-year. The inflation rate subsequently fluctuated between 1.3 per cent and 1.5 per cent.

The pickup in economic activity in Austria accelerated significantly in the reporting period: The GDP growth for 2017 at 2.9 per cent, was double that of the 2016 (1.5 per cent). The economic trend was broad based and supported by both domestic and export demand. The demand in private consumption remained strong and stable. The extremely strong equipment investment cycle continued and building investment increased. After slow growth in 2016, exports began to revive significantly and contributed significantly to net export figures despite imports also rising. The noticeable uptick in employment and slower rise in employment potential led to a decline in the unemployment rate, which was at 5.5 per cent (ILO definition) for the full year 2017, and remained on its downward trend since 2011.

As so often was the case in recent years, the US economy got off to a weak start in 2017. Economic growth picked up noticeably later in the year, however, with real gross domestic product up an average 2.9 per cent (annualized) from the second to the fourth quarter. In addition to private consumption, gross fixed capital formation in particular enjoyed dynamic growth thanks to a higher oil price. The US economic output grew 2.3 per cent for full-year 2017.

In terms of economic growth, China surprised to the upside in 2017: The real GDP growth data released for the full year 2017 was at 6.9 per cent. Overall, the Chinese government succeeded in keeping the country's economic growth engine on track while curbing capital outflows and stabilizing the exchange rate; though signs of an imminent leveling off of economic growth momentum mounted towards the end of the year.

Strong growth in CE and SEE, moderate recovery in Russia

At the turn of 2016/2017, Central and Southeastern Europe (CE and SEE) saw inflation rates – in some cases negative – rise significantly, mainly driven by the positive trend in oil prices. As this leveled off again in the course of the year, however, overall inflation remained moderate. In 2017, inflation rates averaged 2.1 per cent in CE and 1.6 per cent in SEE. Consequently, inflation in 2017 only slightly raised the pressure to tighten monetary policy in the region. Key rate hikes in 2017 only occurred in the Czech Republic. In Romania, however, money market rates have already increased significantly and the Romanian central bank has already raised its deposit rates as a result.

The Central European region (CE) recorded stronger year-on-year economic growth in 2017, with GDP growth of 4.4 per cent, and was 1.6 percentage points above the previous year's level. The region benefited from strong economic growth in Germany, an ongoing recovery in the euro area, as well as expansionary monetary policies on the part of the ECB and CE central banks. Another factor was the step-up in investment activity from increased EU transfer payments in the region. Poland, the CE region's growth engine, gained considerable traction, posting 4.5 per cent year-on-year growth. Overall, the economic data indicates balanced growth with solid export and dynamic domestic economic activity.

In Southeastern Europe (SEE), the economy reported growth of 5.1 per cent year-on-year in 2017, which was at a level not seen in years. Although a portion of this was attributable to temporary factors, it nonetheless highlights the fact that the weak phase of previous years has been overcome. In particular, the Romanian economy's growth rate was once again significantly higher than in the previous year, increasing to 7.0 per cent. Its growth momentum was partly caused by fiscal easing in the form of tax cuts and by wage increases. As Romania's growth rate is considerably higher than its potential growth rate, it is seen as unsustainable. Bulgaria enjoyed GDP growth of 4.0 per cent, catching up somewhat with Romania. Although Serbia's growth disappointed in 2017, economic growth in Croatia came in stronger than expected.

Economic conditions in Eastern Europe (EE) continued to improve in 2017. Russia benefited from an oil price recovery relative to the previous year and private household demand also recovered again following an extended soft patch. Moreover, Moscow's prudent monetary and fiscal policy had a stabilizing effect, though failed to deliver any additional growth impetus. All in all, following stagnation in the previous year, Russia's economy returned to growth of 1.5 per cent in 2017, slightly higher than expected at the beginning of the year. Inflation in Russia continued to retreat significantly against the backdrop of a more stable currency and at the end of the year fell to the historic mark of 2.5 per cent. This allowed the Russian central bank to cautiously adjust its key rates downwards, albeit the interest rate level of 7.75 per cent at end-2017 is still very high. Ukraine's economy grew 2.2 per cent – a slightly slower rate than in the previous year – but continued its moderate recovery. Belarus' economy, which is heavily dependent on Russia, benefited from growth in Russia and ended its two-year recession.

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

Region/country	2016	2017e	2018f	2019f
Czech Republic	2.5	4.5	3.3	3.2
Hungary	2.2	4.0	3.8	3.2
Poland	2.9	4.5	4.6	3.9
Slovakia	3.3	3.4	4.0	4.0
Slovenia	3.1	4.8	3.8	2.8
Central Europe	**2.8**	**4.4**	**4.1**	**3.6**
Albania	3.4	3.8	4.0	3.8
Bosnia and Herzegovina	3.1	2.5	2.8	3.0
Bulgaria	3.9	4.0	4.2	4.0
Croatia	3.2	2.9	2.3	2.5
Kosovo	4.1	4.1	4.2	4.0
Romania	4.8	7.0	4.2	3.5
Serbia	2.8	1.8	2.5	2.5
Southeastern Europe	**4.1**	**5.1**	**3.7**	**3.3**
Belarus	(2.5)	2.4	2.5	2.0
Russia	(0.2)	1.5	1.5	1.5
Ukraine	2.3	2.2	2.5	3.0
Eastern Europe	**(0.1)**	**1.6**	**1.6**	**1.6**
Austria	**1.5**	**2.9**	**2.8**	**1.9**
Germany	**1.9**	**2.5**	**2.2**	**1.6**
Euro area	**1.8**	**2.5**	**2.5**	**1.7**

Banking sector in Austria

Supported by very positive macroeconomic developments, the banking sector in Austria gained considerable ground on the euro area in 2017 (above all in the corporate customer business) after somewhat below-average performance in the previous years. The profitability of Austria's banking sector increased markedly at a consolidated level. This was supported by CEE business, notably in the Czech Republic, Russia, Hungary and Slovakia. Similarly, adjustments carried out in recent years and efficiency-boosting programs are bearing fruit. Based on the positive overall market development, the Austrian banking sector markedly improved its capitalization relative to major Western European countries in 2017, and therefore its reported regulatory capital ratios are no longer below average by international standards. Capital requirements will gradually increase following the introduction of the systemic risk buffer and the buffer for Other Systemically Important Institutions (O-SIIs), which the Financial Market Stability Board (FMSB) has recommended. The reduction in the bank tax implemented in 2016 should also have a positive impact on the profitability of Austria's (major) banks in the following years.

Development of the banking sector in CEE

Multiple indicators in 2017 confirmed a significant recovery of the CEE banking sector relative to the partly still subdued development of the previous years. New lending and asset growth both continued to accelerate in some CE and SEE countries in 2017 (e.g. in the Czech Republic, Slovakia and Romania). Moreover, a greater number of banking markets (e.g. Hungary, Serbia, Croatia, and Bosnia and Herzegovina) participated in the overall positive regional trend, with significant asset growth reported virtually across the board. In Russia, banks with a sustainable business model benefited from an improving general market environment – despite a further market shakeout driven by the central bank. The necessary nationalization of two major banks in Russia, in the fall of 2017, had no impact either on the overall market or on Western foreign banks operating as niche players. Virtually all banking markets in CEE now show a comfortable loan/deposit ratio (well below 100 per cent for the most part), which represents a solid foundation for future growth. In addition, significant progress was made in 2017 in terms of reducing non-performing loans (NPLs). In CE and SEE, in particular, the NPL ratio continued to drop in 2017, down from 7.1 per cent to nearly 6 per cent, and is at its lowest level since 2009. Against the backdrop of the positive overall market development, return on equity in the CEE banking sector continued to increase significantly in 2017 to double-digit levels and above the comparable levels in the euro area. At around 15 to 17 per cent, the return on equity before tax of the leading Western European CEE banks has reached its highest level since 2007.

Regulatory environment

Changes in the regulatory environment

The Group continued to focus intensively on current and forthcoming regulatory developments in the reporting period.

Changes in prudential requirements (CRD IV/CRR) and the recovery and resolution framework (BRRD, SRMR)

The proposals made by the European Commission for the revision of the Capital Requirement Directive IV/Capital Requirement Regulation, as well as of the Bank Recovery and Resolution Directive (BRRD), are currently being discussed by European legislators. The proposals relating to third country equivalence with respect to capital instruments issued are of particular interest to RBI as a bank active on a cross-border basis. The capital and liquidity waivers relating to the application of capital and liquidity requirements also have a high degree of significance, as they are prerequisites for the efficient allocation of capital and liquidity within the Group. Other important issues are the limits under the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), changes in market risk and favorable regulatory treatment of software. RBI was extensively involved in the consultation process in 2017. The regulations are expected to take effect from 2021 or 2022.

Basel IV

At the end of 2017, the Basel Committee on Banking Supervision finalized the new international regulations for the calculation of risk-weighted assets (Basel IV). This relates to the issue of how banks calculate their risk, which must be supported by capital. For the calculation of risks, banks may use a standard model defined by the regulator or their own in-house model. The output floor (a floor for the total RWA from all risk categories), set at 72.5 per cent for banks which use their own in-house models, constitutes a major change. This means that the capital requirement calculated using the bank's in-house model must equate to at least 72.5 per cent of the value calculated using a standard model.

Basel IV must be implemented internationally by 1 January 2022; there is not yet a legal translation of the standard for the EU. For the output floor, a transitional period is planned until 2027, by which time the 72.5 per cent must be reached.

BCBS 239

In January 2013, the Basel Committee on Banking Supervision issued 14 general principles for risk data aggregation and risk reporting for credit institutions (BCBS 239). The objective is to strengthen the risk management of credit institutions and is in accordance with the conclusions of the Basel Committee that the issues of data and data quality play a major role at banks.

Due to its classification as a systemically important institution, RBI must comply with these principles. A high degree of importance was accordingly assigned to BCBS 239 in 2017. A comprehensive Group-wide action and implementation plan was developed to ensure compliance with the BCBS 239 principles on a timely basis.

Bank recovery and bank resolution

On 1 January 2015, the Austrian Bank Recovery and Resolution Act (Bankenabwicklungs- und Sanierungsgesetz (BaSAG)), the national transposition of the BRRD from 2014, entered into force. RBI AG is subject to direct European Central Bank (ECB) supervision with respect to bank recovery within the Single Supervisory Mechanism (SSM) framework and to direct supervision by the Single Resolution Board (SRB) with respect to resolution within the Single Resolution Mechanism (SRM) framework.

RBI AG has a Group recovery plan, in accordance with BaSAG requirements. Potential measures to ensure operational capability in a financial stress situation are set out in the recovery plan. Along with the monitoring of the major Key Performance Indicators for early identification, the recovery plan forms a comprehensive governance structure for stress situations. The recovery plan is produced by RBI AG and examined by the regulator (ECB).

Payment Services Directive 2

The new payment services directive (PSD 2), which took effect from 13 January 2018, is aimed at improving consumer protection through advancing the security of services provided and the application of new technologies within the scope of the open banking principle. The directive enables new market participants defined as Third Party Providers (TPPs) such as fintechs to offer payment transfer services and regulates their relationship to the traditional banks, which must facilitate access for the TPPs to customer accounts provided the customers have given their consent.

General Data Protection Directive (GDPR)

The General Data Protection Directive (GDPR) takes effect from 25 May 2018 and applies to data relating to natural persons (e.g. customers or employees); it strengthens the control rights of these individuals with respect to their data. All departments within RBI which deal with personal data are affected by this directive. Since February 2017 a comprehensive project has been under way in RBI, concerning the definition and implementation of processes for the protection of personal data and the identification of personal data protection breaches, along with the establishment of the necessary IT framework. In addition to the project at Group head office, there are further projects in the network units as well as in the affiliated companies and companies in which equity participations are held in Austria, for which the head office provides coordination and support.

Preparation for the implementation of MiFID II and PRIIP

The implementation of the Markets in Financial Instruments Directive (MiFID II) which already began in 2016, along with the regulation (MiFIR) and other technical obligations, was continued so that MiFID II could be implemented on 3 January 2018.

Similarly, the directive on key information documents for Packaged Retail and Insurance-based Investment Products (PRIIP) has been implemented in such a way that the relevant key information documents could be delivered to retail customers from 3 January 2018.

Banking supervision

The focus of the ECB banking supervision was on three areas in 2017: Risks relating to the business model and profitability, credit risk with an emphasis on non-performing loans and risk management in general. The focus of the Joint Supervisory Team was also on operations outsourced by RBI and on evaluation of the internal credit risk models. The effects in relation to Brexit and developments in the Fintech sector were also analyzed. Additionally, there was an extensive process with the competent resolution authorities - with the Single Resolution Board on EU level, the Austrian Financial Market Authority and the respective national authorities in the EU member states in which RBI is present with network banks, to establish the capability to resolve the bank.

Earnings and financial performance

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

The merger of Raiffeisen Zentralbank Österreich AG (RZB AG) into RBI AG took place in March 2017. Consequently, the constituent items from the statement of financial position and income statement of RZB AG and its consolidated subsidiaries were integrated into the RBI Group. The figures for the previous year's comparable period and reporting date are stated on a pro forma basis in this section as though the merged company had already existed in this form in the previous year. In particular, all effects in connection with the sale and valuation of the UNIQA Insurance Group AG stake were eliminated in the pro forma income statement for 2016. The pro forma figures were neither audited nor reviewed by an auditor. In contrast, the comparable figures in the consolidated financial statements section are based on the previous year's published figures in accordance with IFRS.

Following the early completion of the transformation program, which was launched in 2015, the Non-Core segment was dissolved at the beginning of 2017, with the remaining business allocated to the regional segments.

Significant events

Completion of merger with RZB AG

Following the RBI AG Extraordinary General Meeting in January 2017, which approved the merger with RZB AG with a 99.4 per cent majority, the merger was entered in the commercial register on 18 March 2017 and thereby took effect. In the course of the RBI AG capital increase, which was also entered in the commercial register, the shareholders of RZB AG were given new shares by way of consideration for the assets transferred through the merger. The total number of RBI AG shares issued is therefore now 328,939,621 compared to 292,979,038 previously.

The merger of RZB AG into RBI AG increased the number of consolidated companies by 175 specialized financial institution subsidiaries to 281 companies. The merger resulted in an increase in total assets of € 22,941 million and in equity of € 519 million. Further details are given in the notes in the principles underlying the preparation of financial statements section and in the statement of changes in equity.

The segmentation changed as a result of the merger of RZB AG and RBI AG. RBI's previous segments – Central Europe, Southeastern Europe, Eastern Europe and Corporate Center – were expanded to include the corresponding RZB areas. The Group Corporates & Markets segment was introduced for operating business booked in Austria.

Placement of additional tier 1 capital (AT1)

In order to further optimize its capital structure, RBI placed perpetual additional tier 1 capital (AT1) with a volume of € 650 million and a value date of 5 July 2017. The coupon is 6.125 per cent p.a. until December 2022, after which it will be reset. Semi-annual coupon payments on scheduled coupon dates of 15 December and 15 June of each year are discretionary. According to IAS 32, the AT1 is classified as equity due to the terms and conditions of the issue.

RBI placed further perpetual AT1 capital with a volume of € 500 million and a value date of 24 January 2018. The discretionary coupon on this issue is 4.5 per cent p.a. until mid-June 2025, after which it will be reset. RBI has as a result completed its planned AT1 issuance program.

Sale or IPO in Poland

In July 2017, RBI postponed the IPO of its Polish subsidiary, Raiffeisen Bank Polska S.A., Warsaw. The IPO is based on a commitment made by RBI to the Polish regulatory authority in connection with the purchase of Polbank. The postponement was due to an insufficient level of interest in the offer on terms that met the parameters of RBI's commitment to the Polish regulatory authority to float shares in Raiffeisen Bank Polska on the Warsaw Stock Exchange. The Polish regulatory authority has set a new deadline of mid-May 2018 for the IPO.

RBI is currently considering the alternative option of a sale of the core banking business of Raiffeisen Bank Polska (excluding FX portfolio) to an investor. RBI's commitment to the Polish regulator to float shares in Raiffeisen Bank Polska on the Warsaw Stock Exchange can be fulfilled either by selling at least 15 per cent of Raiffeisen Bank Polska shares to free float shareholders through an IPO, or through a sale of Raiffeisen Bank Polska's core banking operations to an investor. Given that the IFRS 5 criteria are not met, the core banking business has not been classified as an asset held for sale.

Overview of the financial year

The good overall macroeconomic situation and favorable market conditions have helped to more than double consolidated profit compared to the same period in the previous year; it rose € 596 million to € 1,116 million. In 2017, business performance continued to be affected by two principal factors driven by the macroeconomic environment: the negative impact from persistently low interest rates in Central and Southeastern Europe and the positive effects of significantly lower net provisioning for impairment losses in nearly all markets. Moreover, the results from the early completion of the transformation program at the beginning of 2017, also had a positive impact on the performance of the business. All markets in which RBI operates reported profits, which were higher in most markets, and in some cases significantly so. Owing to these factors, it will again be proposed that the Annual General Meeting, after three years in which no dividend was paid, approve a dividend of € 0.62 per share. This would correspond to a maximum dividend payout of € 204 million and a payout ratio of 18 per cent.

In addition to a € 153 million higher operating result, net provisioning for impairment losses contributed in particular to this improvement, which at € 287 million was € 471 million below the previous year's level. This was mainly attributable to a significant 35 per cent reduction in new provisioning. The NPL ratio was 5.7 per cent, 3.0 percentage points lower than at the beginning of the year. This decline was achieved through an overall improved risk position and from a clean-up of the non-performing loan portfolio. Alongside the derecognition of loans, non-performing loans totaling € 1,010 million were also sold. This was just below the level of the previous year but the gains on the sales were significantly higher.

Operating income was up 2 per cent year-on-year, or € 116 million, to € 5,228 million. The increase was mainly driven by net fee and commission income, which was up 7 per cent or € 120 million, supported by the effects of the Russian rouble appreciation and higher income from payment transfer and securities business. Net interest income remained almost unchanged, with little variation in either volumes or margins. The overall stability was due to improved margins in Russia and Poland on the one hand, and to interest margins coming under further pressure in Austria and in Central and Southeastern Europe on the other.

General administrative expenses of € 3,104 million were slightly below the previous year's level, down 1 per cent or € 37 million. Declines occurred mainly in Poland (due to the sale of the leasing subsidiary and the ongoing rightsizing program) and as a result of downscaling in Asia and the US. These positive effects were offset by currency appreciation and salary increases in Russia. The average number of employees (full-time equivalents) reduced year-on-year by 1,671 to 50,139. Nevertheless, staff expenses increased slightly, up € 2 million to € 1,554 million. Other administrative expenses also increased slightly, up nearly 1 per cent, or € 8 million, to € 1,222 million, driven by higher advertising and security expenses. The number of business outlets decreased 113 year-on-year to 2,409, mainly due to the rightsizing program in Poland (down 62 branches). As a result, office space expenses also reduced (down 6 per cent).

RBI reported total assets of € 135,146 million at year-end, corresponding to a modest increase of € 342 million, although currency depreciation had a negative impact of around € 1.9 billion. Loans and advances to customers rose 2 per cent, or € 1,463 million, to € 81,232 million. New lending in the Czech Republic, Slovakia and Russia was responsible for the increase. Loans to corporate customers (large and mid-market corporates) remained almost unchanged at € 46,875 million, while loans and advances to retail customers (private individuals as well as small and medium-sized entities) posted an increase of € 1,484 million. This was predominantly due to growth in Russia, Slovakia and the Czech Republic. This contrasted with decreases through currency depreciation and the derecognition of non-performing loans.

RBI's equity including capital attributable to non-controlling interests rose € 1,490 million to € 11,241 million. RBI placed perpetual additional tier 1 capital (AT1) with a volume of € 650 million at the beginning of the third quarter. Under IAS 32, on the basis of the terms and conditions of the issue the AT1 capital is classified as equity. While profit after tax came to € 1,246 million, other comprehensive income amounted to minus € 197 million, which was mainly attributable to the valuation result arising from the change in own credit risk for own liabilities measured at fair value of minus € 140 million, as well as currency differences of minus € 70 million.

The key regulatory capital ratios also improved: Common equity tier 1 (after deductions) was € 9,266 million at the end of the year, € 662 million higher than at year-end 2016 while taking into account the proposed dividend. Total capital pursuant to the CRR stood at € 12,892 million, corresponding to an increase of € 1,088 million compared to the 2016 year-end figure. The increase was also due to the issue of € 650 million in AT1 capital. Total risk-weighted assets were up € 3,992 million to € 71,902 million. This includes an inorganic effect of € 2,784 million as the Polish regulator increased the risk weight of collateralized mortgage loans to 150 per cent (instead of previously 35 per cent). This had an impact of minus 54 basis points on the common equity tier 1 ratio (fully loaded). Based on total risk, the common equity tier 1 ratio (transitional) was 12.9 per cent (up 0.2 percentage points), with a total capital ratio (transitional) of 17.9 per cent (up 0.5 percentage points). Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at 12.7 per cent and the total capital ratio (fully loaded) was 17.8 per cent.

Detailed review of income statement items

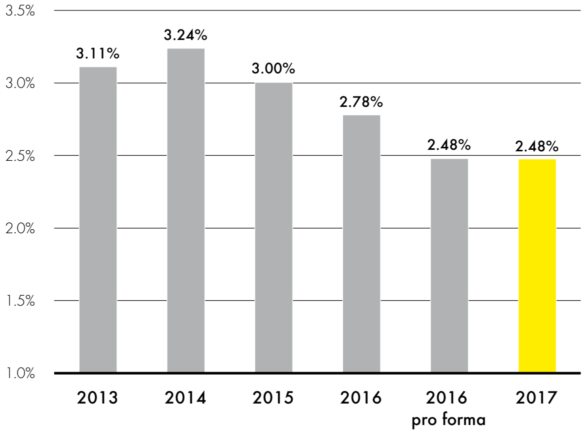
in € million	2017	2016 pro forma	Change	2016 published
Net interest income	3,208	3,197	11	2,935
Net fee and commission income	1,719	1,599	120	1,497
Net trading income	244	220	25	215
Recurring other net operating income	57	96	(39)	45
Operating income	**5,228**	**5,112**	**116**	**4,692**
Staff expenses	(1,554)	(1,552)	(2)	(1,410)
Other administrative expenses	(1,222)	(1,214)	(8)	(1,107)
hereof regulatory other administrative expenses	(148)	(152)	4	(144)
Depreciation	(328)	(375)	46	(331)
General administrative expenses	**(3,104)**	**(3,141)**	**37**	**(2,848)**
Operating result	**2,123**	**1,971**	**153**	**1,844**
Net provisioning for impairment losses	(287)	(758)	471	(754)
Other results	(224)	(267)	42	(204)
Profit/loss before tax	**1,612**	**946**	**666**	**886**
Income taxes	(366)	(310)	(56)	(312)
Profit/loss after tax	**1,246**	**636**	**610**	**574**
Profit attributable to non-controlling interests	(130)	(116)	(13)	(111)
Consolidated profit/loss	**1,116**	**520**	**596**	**463**

Operating income

Net interest income

Net interest income remained largely stable, with a slight increase of € 11 million to € 3,208 million. A rise in net interest income in Russia (up € 84 million), primarily attributable to currency effects and margins, was offset by a decline in interest income in other markets as a result of the continuing low level of interest rates.

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



In the Central Europe segment, net interest income increased 44 per cent, or € 294 million, to € 960 million. The increase mainly resulted from the reclassification of Poland from the Non-Core segment to the Central Europe segment (€ 266 million). In Hungary, net interest income rose € 24 million, primarily due to liquidity-related optimization. In the Southeastern Europe segment, net interest income fell 1 per cent, or € 10 million, to € 727 million. All countries in this segment – with the exception of Romania (up € 7 million) and Serbia (up € 1 million) – reported declines. In contrast, in the Eastern Europe segment, net interest income increased 9 per cent, or € 77 million, to € 941 million. Russia posted the largest rise, with a mainly currency-related increase of € 84 million. Ukraine also reported a € 15 million increase in net interest income, mainly as a result of interest rate adjustments relating to customer deposits, while net interest income in Belarus was € 22 million lower than in the previous year due to a fall in market interest rates. In the Group Corporates & Markets segment, net interest income continued to decline and was down € 102 million due to a dividend (€ 59 million) from shares in affiliated companies reported in the previous year and the unfavorable interest rate environment, especially in the building society business.

The net interest margin remained unchanged year-on-year at 2.48 per cent. Due to the continuing low level of market interest rates, in most markets the net interest margin declined. In contrast, Eastern Europe reported a slight increase, supported by a higher local currency proportion of business volumes and positive effects from currency movements (4 basis points).

Net fee and commission income

Net fee and commission income improved 7 per cent year-on-year, or € 120 million, to € 1,719 million, as a result of higher sales in Eastern Europe. Net income from the payment transfer business posted the largest increase, of 12 per cent, or € 79 million, to € 735 million, and was driven by volumes and margins in Russia (especially in the credit card business), Ukraine, Poland, and at RBI AG. Net income from the securities business also increased € 20 million to € 151 million, with RBI AG, Raiffeisen Centrobank AG and Poland making the largest contributions. Net income from the management of investment and pension funds increased € 12 million to € 174 million due to higher volumes, mainly at Raiffeisen Capital Management, the Valida Group and in Croatia. Net income from the sale of own and third party products also grew 13 per cent, or € 8 million, to € 68 million, mainly due to developments in the Czech Republic and Russia.

Net trading income

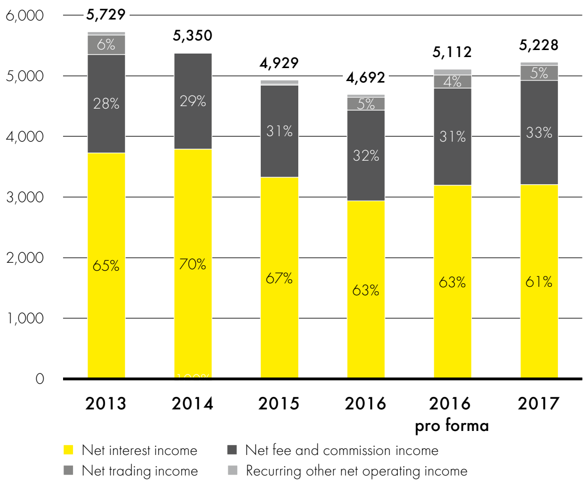
Net trading income increased € 25 million year-on-year to € 244 million. This included a € 31 million rise in net income from currency-based transactions to € 143 million, mainly due to valuation gains from derivatives and foreign currency positions in Russia, Slovakia and Serbia, and to an increase in the Czech Republic due to the removal of the minimum exchange rate for the Czech koruna. In contrast, Croatia reported a € 7 million decline, attributable to lower income from securities positions. Belarus and Poland also reported declines for the same reason. Net income from equity and index-based transactions increased € 30 million to € 16 million due to higher volumes in the issuance and sale of certificates (particularly partial protection and guarantee certificates) at Raiffeisen Centrobank AG. Net income from interest-based business fell € 42 million to € 82 million, primarily due to a decline in interest income and valuation gains from derivatives and securities positions at RBI AG, as well as in Albania, Romania and Croatia, while an increase was reported in the Czech Republic.

Recurring other net operating income

Recurring other net operating income declined € 39 million year-on-year to € 57 million. In addition to an increase in sundry operating expenses, primarily in Serbia, Russia and Romania, as well as the discontinuation of profit contributions as a result of the disposal of a service subsidiary (€ 9 million), the following changes in various individual items were posted: In the Czech Republic, recurring other net operating income fell € 7 million, as the previous year had included the sale of the card acquiring business (€ 8 million positive effect). In Poland, the disposal of the leasing company resulted in a € 10 million reduction in income from leasing activities. Furthermore, in Hungary, net proceeds from the disposal of tangible and intangible fixed assets declined € 6 million, while € 7 million in provisions for litigation were released in Slovakia. Finally, the expenditure for other taxes fell € 8 million in Hungary and at RBI AG.

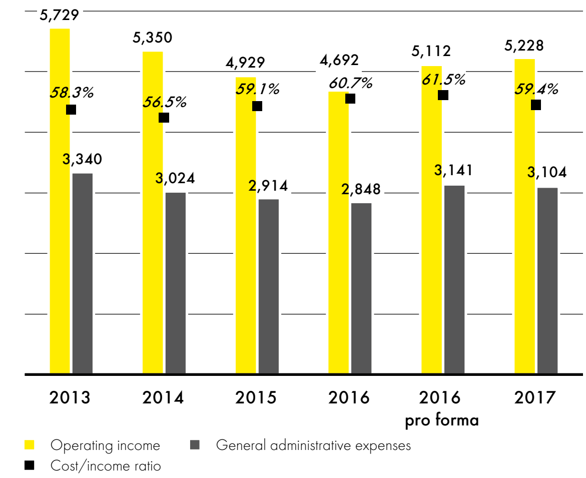
Development of operating income

in € million



Cost/income ratio performance

in € million



General administrative expenses

Despite effects from currency appreciation, the Group's general administrative expenses fell 1 per cent year-on-year, or € 37 million, to € 3,104 million. In particular, the average exchange rate of the Russian rouble appreciated 12 per cent year-on-year. The cost/income ratio improved 2.1 percentage points to 59.4 per cent due to higher operating income.

Staff expenses

Staff expenses, which constituted the largest item within general administrative expenses (50 per cent), increased € 2 million to € 1,554 million. An increase in staff expenses was reported in Russia (up € 41 million) in particular, and was primarily caused by the appreciation of the Russian rouble but also by salary adjustments and increased staffing levels. This contrasted with declines due to exiting operations in Asia and the US (down € 20 million), and in Poland due to the sale of the leasing company and the ongoing rightsizing measures (down € 14 million).

The average number of staff (full-time equivalents) fell 1,671 year-on-year to 50,139. The largest decline was posted in Ukraine (down 1,360). Further reductions resulted from the disposal of Group assets in the previous year.

Other administrative expenses

Other administrative expenses increased 1 per cent, or € 8 million, to € 1,222 million. Advertising, PR and promotional expenses were up € 12 million, mainly as a result of various advertising campaigns supporting the launch of new retail products in Russia. Security expenses increased € 11 million, especially in Romania and Russia. In contrast, office space expenses were down € 15 million. Higher expenses in the previous year relating to the closure of branches in Asia, contrasted with a reduction in expenses in the financial year following branch and location optimization measures in Poland. The number of business outlets decreased 113 year-on-year to 2,409, mainly in Poland due to the ongoing rightsizing program and the sale of leasing activities (down 62 branches), as well as branch closures in Romania (down 26).

Depreciation of tangible and intangible fixed assets

Depreciation of tangible and intangible fixed assets fell 12 per cent year-on-year, or € 46 million, to € 328 million. The largest decline was reported in Poland, where in the previous year an impairment of the brand was recognized in the amount of € 26 million. The sale of the leasing company also resulted in a decline. Further reductions were also reported in Slovakia and as a result of the downscaling in Asia. In contrast, impairment charges in relation to buildings in the Raiffeisen Immobilienfonds portfolio in the amount of € 25 million were booked in the reporting period.

The Group invested € 410 million in fixed assets in the reporting period. Of that amount, 35 per cent (€ 144 million) was invested in own tangible fixed assets. Investments in intangible assets – mainly related to software projects – amounted to 49 per cent. The remainder was invested in assets in the operating leasing business.

Net provisioning for impairment losses

Net provisioning for impairment losses declined 62 per cent overall year-on-year, or € 471 million, to € 287 million. This included a € 449 million reduction in individual loan loss provisions to € 322 million, while net releases of portfolio-based loan loss provisions increased € 20 million to € 24 million. Gains from loan termination or sale remained almost unchanged at € 11 million.

Net provisioning for impairment losses in the financial year included € 179 million in relation to corporate customers (previous year: € 500 million), and € 123 million in relation to retail customers (previous year: € 241 million).

The largest declines in net provisioning for impairment losses were recorded at RBI AG, where the provisioning requirement fell € 128 million to € 134 million, and in Russia, where it fell € 99 million to € 47 million. Both declines were the result of higher allocations in the previous year, particularly for large individual cases in the corporate customer business. In Albania, a net release of € 3 million in the year under review, contrast with net provisioning of € 65 million in the previous year due to the default of several large corporate customers. The risk situation also improved significantly in Ukraine, primarily supported by sales of non-performing loans, with a net release of € 58 million in the financial year compared to a net release of € 2 million in the previous year. Developments were also positive in Hungary, where a net release of € 52 million was recorded for the financial year (previous year: net release of € 7 million), and with reductions of € 20 million in Belarus and of € 15 million in the Czech Republic. In contrast, net provisioning in Poland increased € 37 million to € 77 million. This related both to corporate customers – especially project financing in connection with wind farms – and to retail customers, primarily in the mortgage lending business. In Croatia, the default of a large corporate customer was in particular responsible for the € 25 million increase in net provisioning to € 48 million.

The significant credit risk improvement is also reflected in the portfolio of non-performing loans, which declined € 2,299 million to € 4,611 million during the year. The reduction was primarily attributable to sales of non-performing loans (€ 1,010 million) and to the derecognition of uncollectible loans (€ 1,635 million). Currency effects resulted in a € 145 million further decline. The largest reductions occurred in Group Corporates & Markets (down € 723 million), Ukraine (down € 635 million) and Hungary (down € 183 million). As a result, the NPL ratio declined 3.0 percentage points year-on-year to 5.7 per cent. Non-performing loans compared to loan loss provisions totaling € 3,091 million (down € 2,103 million). As a result of the derecognition of loans and sales of non-performing loans, the NPL coverage ratio fell 8.1 percentage points to 67.0 per cent.

The provisioning ratio – net provisioning for impairment losses in relation to the average volume of loans and advances to customers – fell 0.58 percentage points year-on-year to 0.35 per cent.

Other results

Net income from derivatives and liabilities

Net income from derivatives and liabilities improved € 218 million year-on-year to minus € 41 million. This improvement was due to better valuation results from bank book derivatives, particularly interest rate swaps used to hedge government bonds in the fair value securities portfolio, as well as from own issues. From the start of 2017, the change in the credit spread on own liabilities (previous year: minus € 119 million) is reported directly in equity.

Net income from financial investments

Net income from financial investments declined € 263 million year-on-year to minus € 83 million. This was primarily attributable to lower net proceeds from sales of equity participations (in the previous year proceeds of € 132 million were recorded from the sale of Visa Europe Ltd. shares to Visa Inc.) and to a negative valuation result of minus € 68 million from the fair value portfolio of securities, compared to plus € 70 million in the previous year, largely as a result of the valuation of government bonds hedged by interest rate swaps.

Bank levies and non-recurring effects

The expense for bank levies fell € 54 million year-on-year to € 121 million. The reduction was largely due to a € 45 million decrease in expenses in Austria and a € 6 million decrease in Hungary (in each case resulting from changes in the calculation base). In Poland, the expense for bank levies fell € 3 million.

In Romania, after the Constitutional Court ruled that the Walkaway Law could not be applied retrospectively, the majority of the provision recognized for this purpose, totaling € 21 million, was released in the first quarter of 2017. In the previous year, a provision of € 27 million had been formed for the law, which was new at that time.

Net income from the disposal of Group assets

In the financial year, net income from the disposal of 49 subsidiaries amounted to minus € 2 million. In the previous year, net income of € 27 million resulted mainly from the sale of the Polish leasing company and of a real estate leasing project in the Czech Republic. Of the subsidiaries deconsolidated in the financial year, 43 were due to immateriality, two as a result of sale, three due to the termination of business activity, and one due to a change in control. The companies were active in leasing, financing and banking business, as well as suppliers of ancillary services.

Income taxes

Income taxes increased 18 per cent, or € 56 million, year-on-year to € 366 million, while the effective tax rate decreased 10 percentage points to 23 per cent. The sharp reduction was firstly the result of an improved contribution to earnings by RBI AG and secondly the use of loss carryforwards non-capitalized in some Group units (Albania, Hungary). In addition, the tax rate fell significantly in Poland, following higher tax expenses in the previous year due to the intragroup sale of the leasing company.

Comparison of results with the previous quarter

in € million	Q4/2017	Q3/2017	Change	
Net interest income	816	803	13	1.6%
Net fee and commission income	448	429	19	4.4%
Net trading income	62	50	12	23.6%
Recurring other net operating income	13	9	4	43.0%
Operating income	**1,339**	**1,291**	**48**	**3.7%**
Staff expenses	(409)	(365)	(43)	11.9%
Other administrative expenses	(314)	(272)	(42)	15.6%
hereof regulatory other administrative expenses	(18)	(17)	(1)	5.1%
Depreciation	(90)	(81)	(9)	11.1%
General administrative expenses	**(813)**	**(718)**	**(95)**	**13.2%**
Operating result	**526**	**573**	**(47)**	**(8.2)%**
Net provisioning for impairment losses	(127)	(84)	(43)	52.0%
Other results	(88)	(37)	(51)	138.3%
Profit/loss before tax	**311**	**452**	**(142)**	**(31.3)%**
Income taxes	(77)	(97)	20	(20.8)%
Profit/loss after tax	**234**	**356**	**(121)**	**(34.1)%**
Profit attributable to non-controlling interests	(28)	(33)	5	(16.1)%
Consolidated profit/loss	**206**	**322**	**(116)**	**(36.0)%**

Operating income

Net interest income

Compared to the third quarter of 2017, net interest income rose 2 per cent, or € 13 million, to € 816 million in the fourth quarter. This was mainly attributable to a € 9 million increase in interest income from loans and advances to customers, as well as a € 4 million increase in current income from associates. The net interest margin rose 4 basis points quarter-on-quarter to 2.50 per cent, with positive effects from the key rate hikes in the Czech Republic and Romania, as well as a higher volume of local loans in Russia.

Net fee and commission income

Net fee and commission income improved 4 per cent compared to the third quarter, or € 19 million, to € 448 million, largely attributable to seasonally related higher revenues from various services. The largest increase – 6 per cent, or € 12 million, to € 197 million – was in net income from the payment transfer business, particularly in the credit card business in Russia and Romania. Net income from the securities business rose € 9 million to € 43 million, mainly at RBI AG, as well as in Hungary and Slovakia.

Net trading income

Net trading income increased 24 per cent quarter-on-quarter, or € 12 million, to € 62 million, with net income from currency-based transactions improving € 8 million, mainly due to valuation gains from derivatives and foreign currency positions in Russia. Net income from equity- and index-based transactions recorded an increase of € 6 million, resulting from seasonally related higher revenues from the issuance and sale of certificates (particularly partial protection and guarantee certificates) at Raiffeisen Centrobank AG.

Recurring other net operating income

In the fourth quarter of 2017, recurring other net operating income increased € 4 million quarter-on-quarter to € 13 million, mainly driven by € 6 million higher net income arising from non-banking activities.

General administrative expenses

At € 813 million, general administrative expenses in the fourth quarter were up 13 per cent, or € 95 million, from € 718 million in the previous quarter.

Staff expenses rose € 43 million in the fourth quarter to € 409 million. This was mainly due to higher bonus provisions at several Group units, as well as adjustments to provisions for employee benefits at RBI AG and an increase in the number of staff in Russia.

Other administrative expenses increased € 42 million to € 314 million due to seasonally related factors. The drivers included higher advertising and advisory and consulting expenses in Russia and at RBI AG, as well as a one-off effect for office space expenses in Hungary.

Depreciation of tangible and intangible fixed assets rose € 9 million quarter-on-quarter to € 90 million as a result of a € 5 million increase in impairment charges relating to buildings in the portfolio held by Raiffeisen Immobilienfonds. In addition, higher depreciation of tangible fixed assets was recorded in Romania.

Net provisioning for impairment losses

Compared to the third quarter, net provisioning for impairment losses was up € 43 million to € 127 million. This was mainly attributable to an increase in individual loan loss provisions due to one large individual case in the corporate customer business at RBI AG.

The portfolio of non-performing loans was down € 832 million quarter-on-quarter to € 4,611 million, largely supported by sales and the derecognition of non-performing loans. On a currency-adjusted basis, the decline was € 878 million. Decreases were recorded in nearly all markets. The largest declines were reported in Ukraine (down € 271 million), Group Corporates & Markets (down € 250 million), Croatia (down € 133 million), Romania (down € 73 million), the Czech Republic (down € 41 million), and in Hungary (down € 33 million). Compared to the previous quarter, the NPL ratio decreased from 6.7 per cent to 5.7 per cent while the NPL coverage ratio fell 2.4 percentage points to 67.0 per cent.

Other results

Net income from derivatives and liabilities

Net income from derivatives declined to minus € 45 million in the fourth quarter, down from minus € 22 million in the third quarter. The main driver was the termination of a portfolio fair-value hedge following derecognition of the underlying transactions in Russia.

Net income from financial investments

Net income from financial investments fell to minus € 29 million in the fourth quarter, following a positive result of € 5 million in the third quarter, and was driven by a € 50 million increase in impairment charges in relation to equity participations. This mainly affected companies valued at equity. This was offset by a € 23 million improvement in net income from the portfolio of securities available for sale in Hungary and the Czech Republic.

Bank levies

Bank levies remained almost unchanged at € 17 million in the fourth quarter of 2017 (previous quarter: € 16 million).

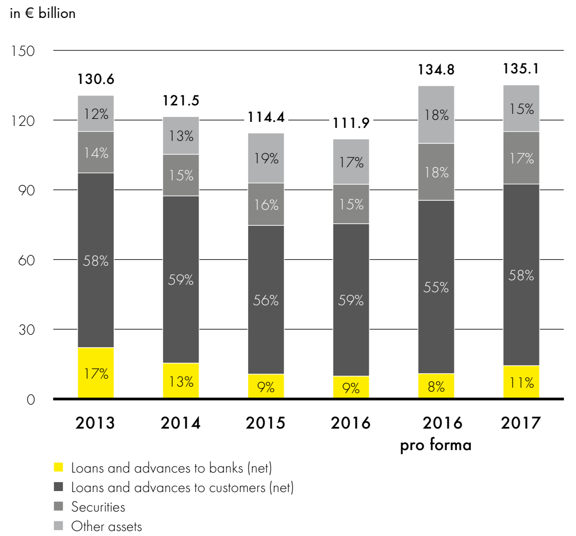
Income taxes

Income tax expense decreased € 20 million quarter-on-quarter to € 77 million. This was attributable to a lower quarterly result, notably in Russia and at RBI AG. In contrast, the effective tax rate rose to 25 per cent, up from 21 per cent in the previous quarter. This was mainly due to an extraordinary income tax payment from previous periods in the Czech Republic.

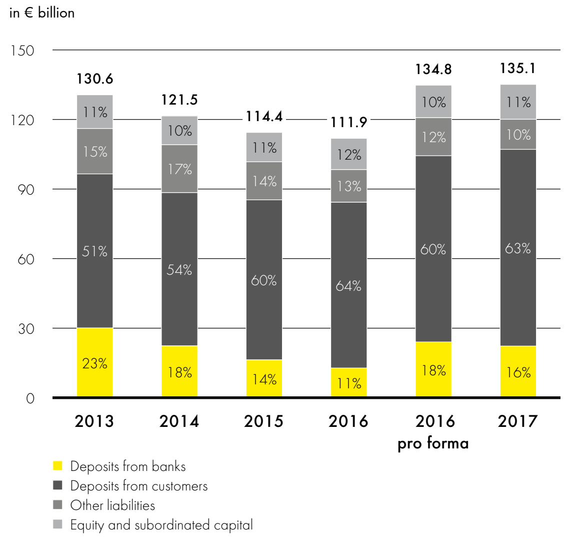
Statement of financial position

In the course of 2017, RBI's total assets rose slightly, by € 342 million to € 135,146 million, while currency movements had a negative effect of € 1,881 million. This was predominantly attributable to the depreciation of the Ukrainian hryvnia (down 15 per cent), the Belarusian rouble (down 13 per cent), the US dollar (down 12 per cent) and the Russian rouble (down 7 per cent) against the euro.

Breakdown of assets



Breakdown of equity and liabilities



Assets

In 2017, loans and advances to banks before deduction of impairment losses (€ 11 million) increased 31 per cent, or € 3,377 million, to € 14,358 million. This was mainly due to an increase in short-term positions (repurchase and securities lending transactions) by a total of € 4,720 million to € 8,094 million in connection with the optimization of the liquidity position, notably in the Czech Republic and Russia.

Loans and advances to customers before deduction of impairment losses (€ 3,091 million) increased 2 per cent year-on-year, or € 1,463 million, to € 81,232 million. This was predominantly attributable to a € 1,894 million increase in mortgage loans to € 25,689 million, primarily in the Czech Republic, Slovakia and Russia. This contrasted with a € 825 million decline in the credit business to € 44,456 million, most notably in Ukraine and at RBI AG. Based on asset classes, loans and advances to retail customers, in particular, increased by a net amount of € 1,484 million to € 33,501 million, while loans and advances to corporate customers declined € 104 million to € 46,875 million. Derecognition and sales of non-performing loans amounted to € 2,874 million.

The item securities registered a decrease of € 1,949 million to € 22,575 million, notably at RBI AG, and in Poland and Russia. The € 4,692 million decline in other assets was mainly the result of the € 3,509 million reduction in the cash reserve (particularly in the

Czech Republic and at RBI AG) and the € 1,226 million reduction in trading and banking book derivatives.

Equity and liabilities

The volume of Group financing from banks (mainly commercial banks) decreased 7 per cent, or € 1,768 million, to € 22,291 million, primarily as a result of declines in short-term positions (giro and money market business) at RBI AG.

Deposits from customers increased 6 per cent year-on-year, or € 4,506 million, to € 84,831 million. In particular, deposits from retail customers were up € 2,683 million to € 50,111 million, especially in the Czech Republic, Slovakia, Romania and Russia. The € 1,273 million rise in deposits from corporate customers to € 32,696 million was mainly recorded in Slovakia, the Czech Republic and Russia. Deposits from sovereigns increased € 551 million to € 2,024 million, primarily at RBI AG.

Other liabilities fell € 3,436 million to € 12,994 million. Debt securities issued decreased € 2,642 million, primarily due to (in some cases early) redemptions. Trading liabilities and the negative fair values of derivatives declined € 1,228 million.

Funding

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

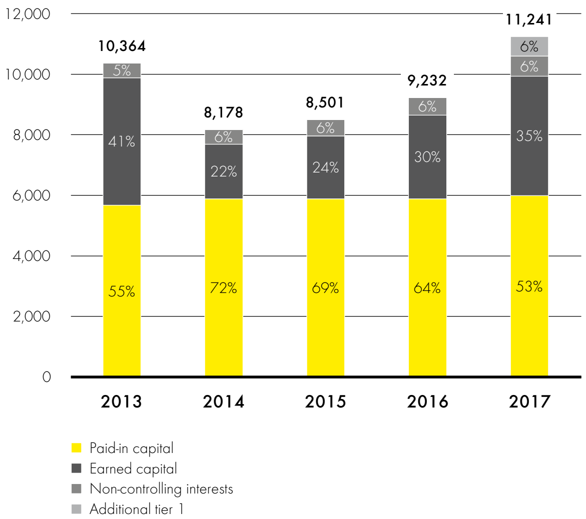
Equity

Equity on the statement of financial position

Equity on the statement of financial position – consisting of consolidated equity, consolidated profit/loss, non-controlling interests and additional tier 1 capital – increased 15 per cent compared to year-end 2016, or € 1,490 million, to € 11,241 million. This increase was mainly attributable to the placement of additional tier 1 capital (AT1) in an amount of € 650 million and to total comprehensive income of € 1,049 million. Dividend payments to non-controlling interests resulted in a € 90 million reduction in capital. No dividends were paid out to RBI's shareholders for the financial year 2016.

At the start of the third quarter, RBI placed € 650 million of perpetual AT1 capital. Taking into account issuance costs and the discount, this increased capital by € 645 million. According to IAS 32, the AT1 is classified as equity due to the terms and conditions of the issue. It has a coupon of 6.125 per cent p.a. until December 2022, which will be reset thereafter. The coupon payments on the scheduled semi-annual coupon dates of 15 December and 15 June each year are discretionary. In the fourth quarter of 2017, the dividend on the AT1 capital amounted to € 18 million.

Breakdown of equity
in € million



Total comprehensive income attributable to the Group of € 918 million comprises consolidated profit of € 1,116 million and other comprehensive income of minus € 199 million. A valuation loss from the change in the credit spread on own liabilities designated at fair value represented the largest item in other comprehensive income and amounted to € 140 million. Due to the early application of IFRS 9.7.1.2 from the 2017 financial year onward, this is reported in other comprehensive income (instead of in the income statement as was previously the case). Currency translation within the Group resulted in a reduction of € 71 million. The strongest currency effects related to the devaluation of the Russian rouble (down € 140 million) and the appreciation of the Polish zloty (€ 81 million). Since part of the equity in these currencies was hedged, the movement in the exchange rate resulted in a loss of € 6 million from the capital hedge. A further negative contribution of € 7 million came from other changes in equity of companies valued at equity. A positive impact of € 12 million resulted from deferred taxes and the cash-flow hedge contributed € 10 million.

Capital of non-controlling interests rose € 78 million to € 660 million. This was due to the proportion of total comprehensive income attributable to non-controlling interests of € 131 million, the capital effect of € 74 million from the merger of RZB AG with RBI AG, the payment of dividends totaling € 90 million to minority shareholders of Group units, as well as further smaller capital movements mainly from changes in shareholder structure.

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

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

As at 31 December 2017, total capital amounted to € 12,892 million, representing an increase of € 1,088 million compared to the 2016 year-end figure. Common equity tier 1 (after deductions) increased € 662 million in the same period, mainly due to the inclusion of the results for 2017, while the proposed dividend of € 204 million accordingly reduced it. The impact on the common equity tier 1 ratio (fully loaded) was 28 basis points. The application of the CRR transitional provisions at the start of 2017 had a negative impact. Tier 1 capital (after deductions) increased by € 1,235 million to € 9,839 million, notably due to the issue of € 650 million of perpetual additional tier 1 capital (AT1) in July 2017. In contrast, tier 2 capital declined € 147 million to € 3,053 million due to maturing capital instruments.

The total capital requirement amounted to € 5,752 million as at 31 December 2017, an increase of € 319 million compared to year-end 2016. The total capital requirement for credit risk amounted to € 4,812 million, corresponding to a rise of € 322 million. The increase was primarily based on an inorganic effect due to the higher risk weighting for loans collateralized by real estate in Poland, as well as new business in the Czech Republic and Slovakia, which increased risk-weighted assets by € 3,992 million in total. The inorganic effect in Poland impacted the common equity tier 1 ratio (fully loaded) by minus 54 basis points. The total capital requirement for position risk in bonds, equities, commodities and currencies showed an increase of € 60 million, largely attributable to exchange rate fluctuations in the internal model and to the increase in bond positions in Russia. The decline of € 63 million in the total capital requirement for operational risk to € 664 million was attributable to the full application of the advanced measurement approach.

Based on total risk, the common equity tier 1 ratio (transitional) was 12.9 per cent, with a total capital ratio (transitional) of 17.9 per cent. Excluding the transitional provisions as defined in the CRR, the common equity tier 1 ratio (fully loaded) stood at

12.7 per cent and the total capital ratio (fully loaded) was 17.8 per cent.

Research and development

As a universal bank, RBI's activities also include research and development.

Product development

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

Digitalization

Banks are particularly impacted by digitalization. Not only are their products changing, but their processes and areas of activity are undergoing upheaval as a result of digitalization. The digital transformation places demands on banks to, for example, adapt their business models, increase the speed at which they respond to the market and keep up with new competitors such as start-ups and fintechs. CEE provides an ideal environment for banks such as RBI to offer cross-border digital banking solutions, due to the size of several of the markets and the openness of users towards new products, services and innovative retail and communication channels.

In October 2016, the international advisory firm Deloitte together with the European Financial Management Association (EFMA) published an independent study comparing 76 banks in eight CEE countries (Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia) with respect to their digital competencies. The analysis, which covered a total of 361 existing functions for web and mobile applications, showed that RBI's Slovakian subsidiary bank Tatra banka sets the benchmark in the area of digital banking across the entire CEE region.

The high importance of digitalization for the further strategic development of RBI is also reflected by the Group from an organizational perspective. Group Digital Banking, a dedicated area reporting directly to the CEO, is responsible for managing the digital transformation of RBI. The implementation of the digital transformation is being undertaken by the "Innovation Management" and "Digital Roadmaps and Projects" departments. "Innovation Management" focuses on all aspects and methods with respect to internal and external innovations, while "Digital Roadmaps and Projects" is responsible for the development of digital objectives as well as a corresponding Group-wide implementation plan developed together with the respective specialist departments and 14 CEE network banks.

In June 2017, RBI launched the "Elevator Lab" program, the first CEE-wide program supporting start-ups in the financial sector, or so-called "fintechs". The goal of the program is to build long-term working relationships with selected fintechs. RBI offers the participating companies potential access to its 14 CEE markets and consequently to 16.5 million customers in the region. RBI benefits from these relationships through the innovative concepts, ideas and developments from the fintechs and can directly evaluate and potentially implement new technologies - whether in the area of new products, process streamlining or efficiency improvements - on the basis of concrete examples of their application. In total, 336 fintechs from 56 countries applied to participate in the Elevator Lab program, of which almost 30 per cent came from RBI's CEE markets. In a selection process in which more than 50 managers from RBI ("mentors") took part, the projects submitted were assessed in terms of their intrinsic value. Six finalists from the areas of "payment transfers", "RegTech" (new technologies for regulatory requirements), "Branch of the Future" and "Big Data Analytics" ultimately qualified to participate in the four-month program, in which pilot projects were developed together with the mentors. Alongside RBI AG, this also involved the network banks in Belarus, Czech Republic, Hungary, Russia and Slovakia among others.

Also in 2017, with the "Innovations Strategy" a framework was created for the structured organization and management of all of RBI's innovation activities. This strategy forms, among other things, the basis for new and further digital developments in RBI and is closely connected to the Open Banking Strategy developed by the "Digital Roadmaps and Projects" department.

Based on the requirements of the EU Payment Services Directive (PSD 2), the Open Banking Strategy highlights commercial potential resulting from opening up the banking system to the market to a greater extent than required on a regulatory level. In combination with a Group-wide digital roadmap, this results in comprehensive specification of digital objectives as well as precise guidelines for the implementation of digital projects. Working closely together with the specialist departments and the 14 CEE network banks, a transparent overview of the digital project portfolio is facilitated. This enables any redundant aspects to be avoided and synergies to be identified, improving the overall efficiency of RBI in the digital environment.

Furthermore, RBI is looking in detail at the potential and employment of new technologies, above all from Advanced Analytics and Blockchain. In November 2017, RBI became the first Austrian bank to join the Blockchain Consortium R3. The goal of this measure is to develop, together with other members of the consortium, new concepts with which Blockchain technology-based applications can also be commercially used. RBI will focus in this respect on the areas of cash and payment services, capital markets, digital identity, securities services and trade finance.

The digital implementation projects deriving from the strategies developed are then bundled together in a specific program for the digital transformation of RBI. Initial projects already under way focus on digital new customer acquisition, payment transfers, online granting of credit and the area of analytics. They all have the goal of expanding and strengthening RBI's digital market position on a long-term basis, developing new business areas and positioning RBI sustainably in a competitive environment, which poses numerous challenges but also offers many new possibilities and opportunities.

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

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

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

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

Control environment

An internal control system has been in place for many years at the Group, which includes directives and instructions on key strategic issues. It incorporates:

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

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

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

Risk assessment

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

Control measures

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

Group consolidation

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

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

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

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

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

Information and communication

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

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

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

Monitoring

Financial reporting is a main focus of the ICS framework, whereby financial reporting processes are subject to monitoring and control reviews, the results of which are presented to the Management Board and the Supervisory Board for evaluation. Additionally, the Audit Committee is required to monitor the financial reporting process. The Management Board is responsible for ongoing company-wide monitoring. The internal control system is based on three lines of defense:

The first line of defense is formed by individual departments, where department heads are responsible for monitoring their business areas. The departments conduct control activities and plausibility checks on a regular basis, in accordance with the documented processes.

The second line of defense is provided by specialist areas focused on specific issues. These include, for example, Compliance, Data Quality Governance, Operational Risk Controlling, and Security & Business Continuity Management. Their primary aim is to support the individual departments when carrying out control steps, to validate the actual controls and to introduce state-of-the-art practices within the organization.

Internal audits are the third line of defense in the monitoring process. Responsibility for auditing lies with Group Internal Audit and also the respective internal audit departments of the Group units. All internal auditing activities are subject to the Group Audit Standards, which are based on the Austrian Financial Market Authority's minimum internal auditing requirements and international best practices. Group Internal Audit's internal rules also apply (notably the Audit Charter). Group Audit regularly and independently verifies compliance with the internal rules within the RBI Group units. The head of Group Internal Audit reports directly to the Management Boards, with additional reporting obligations to the chairpersons of the Supervisory Board and members of the Audit Committee of the Supervisory Board.

Capital, share, voting, and control rights

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

(1) As at 31 December 2017, the company's share capital amounted to € 1,003,265,844.05 and was divided into 328,939,621 voting common bearer shares. As at 31 December 2017, 394,942 of those were own shares, and consequently 328,544,679 shares were outstanding at the reporting date. In comparison with 31 December 2016 (509,977 shares), this results in a reduction of 115,035 own shares and was based on the transferring of shares within the framework of the share-based remuneration program. Please see note (32) for further disclosures.

(2) The Articles of Association contain no restrictions concerning voting rights or the transfer of shares. The regional Raiffeisen banks and the direct and indirect subsidiaries of the regional Raiffeisen banks are parties to a syndicate contract (syndicate agreement) regarding RBI AG. The terms of this syndicate agreement include not only a block voting agreement and preemption rights, but also a prohibition on sales of the RBI shares held by the regional Raiffeisen banks (with few exceptions) for a period of three years (lock-up period) from the effective date of the merger between RZB AG and RBI AG, i.e. from 18 March 2017, if the sale would directly and/or indirectly reduce the regional Raiffeisen banks' aggregate shareholding in RBI AG to less than 50 per

cent of the share capital plus one share. After the lock-up period expires, the shareholding threshold falls to 40 per cent of the share capital of RBI AG.

(3) RLB NÖ-Wien Sektorbeteiligungs GmbH holds around 22.24 per cent of the share capital of the company according to the notification of voting rights published on 20 March 2017. By virtue of the syndicate agreement regarding RBI AG, the directly or indirectly held voting rights attached to a total of 193,449,778 shares, corresponding to a voting interest of around 58.81 per cent, are mutually attributable to the regional Raiffeisen banks and their direct and indirect subsidiaries pursuant to §§ 130 and 133 7 of the Austrian Stock Exchange Act (BörseG) as parties acting in concert as defined in § 1 6 of the Austrian Takeover Act (ÜbG) (see the notification of voting rights published on 20 March 2017). The remaining shares of RBI AG are held in free float, with no other direct or indirect shareholdings amounting to 10 per cent or more known to the Management Board.

(4) The Articles of Association do not contain any special rights of control associated with holding shares. According to the syndicate agreement for RBI AG, the regional Raiffeisen banks can nominate nine members of the RBI AG Supervisory Board. In addition to the members nominated by the regional Raiffeisen banks, the RBI AG Supervisory Board should also include three independent representatives of free-float shareholders who are not attributable to the Austrian Raiffeisen Banking Group.

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

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

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

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

The Annual General Meeting held on 16 June 2016 authorized the Management Board pursuant to § 65 (1) 8, § 65 (1a) and § 65 (1b) of the AktG to purchase own shares and to retire them if appropriate without requiring any further prior resolutions to be passed by the Annual General Meeting. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the Annual General Meeting resolution, i.e. as of 15 December 2018. The acquisition price for repurchasing the shares may be no lower than € 1 per share and no higher than 10 per cent above the average unweighted closing price over the ten trading days prior to exercising this authorization. The authorization may be exercised in full or in part or also in several partial amounts, for one or more purposes – with the exception of securities trading – by the company, by a subsidiary (§ 189a 7 of the UGB) or by third parties for the account of the company or a subsidiary.

The Management Board was further authorized, pursuant to § 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad, or for the purpose of implementing the company's Share Incentive Program (SIP) for executives and members of the Management Boards of the company and affiliated companies. In addition, if convertible bonds are issued in accordance with the Annual General Meeting resolution of 26 June 2013, shareholders' subscription rights may also be excluded in order to issue (own) shares to the holders of these convertible bonds who exercise the conversion or subscription rights granted to them under the terms of the convertible bonds to shares of the company. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (§ 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 15 June 2021.

No own shares have been bought since the authorization was issued in June 2016.

The Annual General Meeting of 16 June 2016 also authorized the Management Board, under the provisions of § 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 15 December 2018), provided that the trading portfolio of shares purchased for this purpose does not exceed 5 per cent of the company's respective share capital at the end of any given day. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in full or in part or also in several partial amounts by the company, by a subsidiary (§ 189a 7 UGB) or by third parties acting for the account of the company or a subsidiary.

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

RBI AG was insured as a subsidiary of RZB under RZB's group-wide D&O insurance until the merger took effect on 18 March 2017. On 18 March 2017, the insured party was changed from RZB to RBI AG through an addendum to the contract. Thus there was no change to the insurance cover for RBI AG and for the whole RBI Group. Insurance cover would remain in place following a merger with another leagal entity of the RBI Group. In the event of a merger with a legal entity outwith the RBI Group, the insurance policy would automatically cease at the end of the insurance period in which the merger took effect. In such cases, insurance cover only exists for claims for damages arising from breaches of obligations that occurred before the merger, which are reported to the insurer prior to any termination of RBI's group-wide D&O insurance cover, and thereafter, within the agreed notification period of five years.

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

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

RBI AG is a member of the Professional Association of Raiffeisen Banks. Upon a change in control of RBI AG which results in the attainment of control by shareholders outside of the Raiffeisen Banking Group Austria, membership of the Professional Association of Raiffeisen Banks and of the Raiffeisen Customer Guarantee Scheme Austria may be terminated. RBI AG continues to serve as the central institution of the Raiffeisen Banking Group at a national level. Upon a change in control of RBI AG, related contracts (membership of the liquidity group pursuant to § 27a of the BWG; membership of the federal IPS pursuant to Art. 113 (7) of the CRR; membership of the Österreichischen Raiffeisen-Einlagensicherung EGen) may end or change.

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

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

Risk management

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

Corporate Governance

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

Consolidated non-financial report

Pursuant to the Sustainability and Diversity Improvement Act (NaDiVeG), the consolidated non-financial statement, which has to be prepared for the first time in accordance with § 267a of the Austrian Commercial Code (UGB), is issued as an independent non-financial report (Sustainability Report). The report containing detailed information on sustainability management developments, will be published online – at www.rbinternational.com → About us → Sustainability Management – and also contains the disclosure for the parent company in accordance with § 243b of the UGB.

Outlook

Economic prospects

Central Europe

The strong economic growth that Central Europe (CE) achieved in 2017 should continue in 2018. Growth looks set to remain broad based, with increasing export demand, mostly supported by solid economic growth in Germany and in the euro area, rising investment spending and a pick-up in private consumer demand in the region's markets. Significant GDP growth of between 3.8 per cent and 4.6 per cent is expected for the Polish, Slovakian and Slovenian economies in 2018. Hungary and the Czech Republic should also enjoy continued growth of over 3 per cent. Accordingly, the CE economies are projected to grow at a rate of 4.1 per cent in 2018, following 4.4 per cent in 2017.

Southeastern Europe

The Southeastern Europe (SEE) region is also expected to continue its growth trend. Following very strong GDP growth of 5.1 per cent in 2017, SEE should increase its economic output in 2018 by 3.7 per cent. Economic growth in Romania is expected to slow to a rate of 4.2 per cent in 2018. Given that this is still above Romania's potential growth rate, however, external imbalances could widen further. Moreover, Romania's public deficit runs the risk of exceeding the 3 per cent Maastricht ceiling. In

Serbia, economic growth should recover somewhat in 2018, following the weak growth experienced in 2017. In Croatia, growth in 2018 is projected at 2.3 per cent, somewhat weaker than seen in 2017.

Eastern Europe

According to current forecasts, the Russian economy is poised to continue its moderate recovery in 2018, with economic growth seen at around 1.5 per cent. A slightly higher oil price should support the economy while ongoing comparatively tight monetary and fiscal policy is unlikely to provide any significant economic growth stimulus. The Russian presidential election in March 2018 is not expected to have a major impact on the economic situation. In Ukraine, parliamentary and presidential elections are on the agenda for 2019, which could heighten political uncertainty in 2018 and curb economic growth. As a result, economic growth in Ukraine is seen at a moderate 2.5 per cent in 2018.

Austria

The economic upturn in Austria is set to continue in 2018, despite having already peaked. Real GDP growth is expected to be 2.8 per cent in 2018, around the same level as the year before. Economic growth should continue to be buoyed both by domestic demand and net exports, whereas the contribution to growth from investment is expected to fall back as a result of weakening momentum in equipment investment. In contrast, private consumption is anticipated to benefit from the ongoing increase in employment.

CEE banking sector

The very strong economic upswing in CE and SEE, as well as the return to significant growth in Russia, Ukraine and Belarus, should positively impact the CEE banking sector in 2018. Favorable developments in the (new) operating business could also be supported by stable or even slightly improved interest margins and/or somewhat steeper yield curves in CE and SEE. Following adjustments carried out in recent years (reducing foreign currency loans and shrinking NPL portfolios), further negative effects on returns to arise from legacy positions are not anticipated. Similarly, no noticeable increase in risk costs in 2018 is expected, in view of the positive macroeconomic developments and continuing decline in corporate insolvencies. All in all, the return on equity in the CEE banking sector in 2018 should thus be at least on a par with 2017, or even slightly higher.

Outlook for RBI

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

Following very low risk costs in 2017 (€ 287 million), we expect impairment losses on financial assets in 2018 to be above 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.

We target a consolidated return on equity of approximately 11 per cent in the medium term.

We target a CET1 ratio (fully loaded) 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.

The targets in this outlook include the impact from IFRS 9 and FINREP.

Events after the reporting date

Change to composition of the Management Board

At the end of October 2017, Klemens Breuer resigned from his position on the Management Board, where he was responsible for the areas of Capital Markets and Retail Banking, on personal grounds.

On 7 December 2017, the Supervisory Board appointed Andrii Stepanenko to the Management Board, subject to approval by the supervisory authority. Upon receiving approval, Andrii Stepanenko is expected to take over the Retail Banking area from Peter Lennkh in March 2018, who has been provisionally holding the position since the departure of Klemens Breuer.

On 15 January 2018, the Supervisory Board appointed Lukasz Januszweski to the Management Board, subject to approval by the supervisory authority. Upon receiving approval, Lukasz Januszweski is expected to take over the Capital Markets area from Johann Strobl in March 2018, who has been provisionally holding the position since the departure of Klemens Breuer.

Annual financial statements

Statement of financial position

	ASSETS	31/12/2017 in €	31/12/2016 in € thousand
1.	Cash in hand and balances with central banks	4,780,629,091.59	1,677,798
2.	Treasury bills and other bills eligible for refinancing with central banks	5,510,398,669.20	2,242,744
3.	Loans and advances to credit institutions	9,013,052,888.81	9,739,523
	a) Repayable on demand	1,911,732,188.90	1,785,973
	b) Other loans and advances	7,101,320,699.91	7,953,550
4.	Loans and advances to customers	18,276,411,159.54	18,026,569
5.	Debt securities and other fixed-income securities	2,432,873,206.76	1,613,102
	a) issued by public bodies	500,805,541.64	321,092
	b) issued by other borrowers	1,932,067,665.12	1,292,009
	hereof: own debt securities	15,721,285.14	16,047
6.	Shares and other variable-yield securities	196,404,309.14	103,921
7.	Participating interests	60,432,230.38	22,346
	hereof: in credit institutions	24,222,655.85	0
8.	Shares in affiliated untertakings	11,298,110,366.33	7,980,261
	hereof: in credit institutions	2,679,198,503.86	1,154,972
9.	Intangible assets	33,828,518.32	35,980
10.	Tangible assets	9,074,621.96	5,642
11.	Other assets	2,980,498,145.01	4,239,860
12.	Accruals and deferred income	148,774,732.82	126,290
13.	Deferred tax assets	827,860.42	0
	Total	**54,741,315,800.28**	**45,814,036**

	LIABILITIES	31/12/2017 in €	31/12/2016 in € thousand
1.	Liabilities to credit institutions	23,863,178,675.06	13,377,311
	a) Repayable on demand	2,819,417,354.12	2,942,878
	b) With agreed maturity dates or periods of notice	21,043,761,320.94	10,434,433
2.	Liabilities to customers (non-banks)	13,165,962,437.83	13,638,332
	a) Savings deposits	0.00	0
	b) Other liabilities	13,165,962,437.83	13,638,332
	aa) Repayable on demand	4,782,363,291.56	4,705,322
	bb) With agreed maturity dates or periods of notice	8,383,599,146.27	8,933,010
3.	Securitised liabilities	3,149,687,436.81	4,939,862
	a) Debt securities issued	1,919,405,952.82	3,553,108
	b) Other securitised liabilities	1,230,281,483.99	1,386,753
4.	Other liabilities	2,552,738,845.57	3,597,255
5.	Accruals and deferred income	101,902,895.12	121,330
6.	Provisions	327,367,619.73	365,768
	a) Provisions for severance payments	57,448,651.57	55,760
	b) Provisions for pensions	69,280,414.72	28,336
	c) Provisions for taxation	5,687,612.91	23,683
	d) Other Provisions	194,950,940.53	257,989
7.	Supplementary capital pursuant to Chapter 4 of Title I of Part 2 of Regulation (EU) No 575/2013	3,277,148,924.67	3,346,003
8.	Additional Tier 1 capital pursuant to Chapter 3 of Title I of Part 2 of Regulation (EU) no 575/2013	651,859,375.00	0
9.	Subscribed capital	1,002,061,270.95	892,031
	a) Share capital	1,003,265,844.05	893,586
	b) Nominal value of own shares	(1,204,573.10)	(1,555)
10.	Capital reserves	4,431,574,187.31	4,432,773
	a) Committed	4,334,507,788.51	4,334,859
	b) Uncommitted	97,066,398.80	97,066
	c) Option reserve	0.00	848
11.	Retained earnings	1,477,480,437.19	1,286,932
	a) Legal reserve	5,500,000.00	5,500
	b) Other reserves	1,471,980,437.19	1,281,432
12.	Liability reserve pursuant to Article 57 (5)	535,097,489.59	383,015
13.	Profit/Loss	205,256,205.45	(566,575)
	Total	**54,741,315,800.28**	**45,814,036**

Income statement

		2017 in €	2016 in € thousand
1.	Interest receivable and similar income	810,734,415.81	885,403
	hereof: from fixed-income securities	82,432,796.75	60,154
2.	Interest payable and similar expenses	(565,935,411.09)	(608,391)
I.	**NET INTEREST INCOME**	**244,799,004.72**	**277,012**
3.	Income from securities and participating interests	1,379,784,838.63	638,459
	a) Income from shares and other variable-yield securities	7,730,611.87	6,221
	b) Income from participating interests	8,813,089.79	2,013
	c) Income from shares in affiliated undertakings	1,363,241,136.97	630,225
4.	Commissions receivable	293,226,974.82	287,893
5.	Commissions payable	(123,470,331.76)	(111,265)
6.	Net profit or net loss on financial operations	12,215,534.73	(17,854)
7.	Other operating income	147,206,674.21	151,917
II.	**OPERATING INCOME**	**1,953,762,695.35**	**1,226,162**
8.	General administrative expenses	(666,202,028.04)	(579,056)
	a) Staff costs	(333,202,539.76)	(288,259)
	aa) Wages and salaries	(257,276,198.89)	(216,942)
	bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	(52,592,312.03)	(45,499)
	cc) Other social expenses	(7,065,226.11)	(6,643)
	dd) Expenses für pensions and assistance	(10,992,751.06)	(5,581)
	ee) Release of provision for pensions	3,045,904.39	1,361
	ff) Expenses for severance payments and contributions to severance funds	(8,321,956.06)	(14,954)
	b) Other administrative expenses	(332,999,488.28)	(290,797)
9.	Value adjustments in respect of asset items 9 and 10	(9,667,752.52)	(15,273)
10.	Other operating expenses	(38,798,620.85)	(64,949)
III.	**OPERATING EXPENSES**	**(714,668,401.41)**	**(659,278)**
IV.	**OPERATING RESULT**	**1,239,094,293.94**	**566,884**
11./12.	Net income/expenses from the disposal and valuation of loans and advances and securities classified as current assets	(156,614,124.54)	(233,716)
13./14.	Net income/expenses from the disposal and valuation of securities evaluated as financial investments and of shares in affiliated companies and participating interests	(47,885,044.72)	(193,634)
V.	**PROFIT ON ORDINARY ACTIVITIES**	**1,034,595,124.68**	**139,533**
15.	Tax on profit or loss	(18,172,715.27)	(13,398)
16.	Other taxes not reported under Item 17	(56,611,727.95)	(81,305)
VI.	**PROFIT FOR THE YEAR AFTER TAX**	**959,810,681.46**	**44,831**
17.	Changes in reserves	(187,979,271.48)	0
	hereof: allocation to liability reserve	0.00	0
VII.	**NET INCOME FOR THE YEAR**	**771,831,409.98**	**44,831**
18.	Loss brought forward	(566,575,204.53)	(611,406)
VIII.	**NET PROIT/LOSS FOR THE YEAR**	**205,256,205.45**	**(566,575)**

Items off the statement of financial position

	ASSETS	31/12/2017 in €	31/12/2016 in € thousand
1.	Foreign assets	37,124,280,515.90	33,370,338

	LIABILITIES	31/12/2017 in €	31/12/2016 in € thousand
1.	Contingent liabilities	5,936,929,311.69	5,087,300
	Guarantees and assets pledged as collateral security	5,936,929,311.69	5,087,300
2.	Commitments	13,003,003,000.00	11,932,400
	hereof: liabilities from repurchase agreements		
3.	Commitments arising from agengy services	218,297,023.75	241,115
4.	Eligible own funds according to Part 2 of Regulation (EU) No 575/2013	10,734,434,925.43	9,569,937
	hereof: supplementary capital pursuant to Chapter 4 of Title I of Part 2 of Regulation (EU) No 575/2013	2,978,859,546.57	3,266,440
5.	Capital requirements pursuant to Article 92 of Regulation (EU) No 575/2013	33,329,884,725.37	28,883,504
	hereof: capital requirements pursuant to Article 92 (1) (a) to (c)		
	of Regulation (EU) No 575/2013		
	a) hereof: capital requirements pursuant to Article 92 (a)	21.4%	21.8%
	b) hereof: capital requirements pursuant to Article 92 (b)	23.3%	21.8%
	c) hereof: capital requirements pursuant to Article 92 (c)	32.2%	33.1%
6.	Foreign liabilities	12,569,917,420.39	12,059,743

Notes

General disclosures

Raiffeisen Bank International AG (RBI AG) is registered in the company register at the Commercial Court of Vienna under FN 122.119m. Its registered office is at Am Stadtpark 9, 1030 Vienna. The annual financial statements are deposited at the company register court and published in the official journal of the Wiener Zeitung in accordance with the Austrian disclosure regulations.

The annual financial statements for the year ending 31 December 2017 were prepared by the Management Board in accordance with the Austrian Commercial Code (UGB) as amended by the 2014 Austrian Financial Reporting Amendment Act (RÄG), taking into account the special provisions of the Austrian Banking Act (BWG) that apply to credit institutions, including the CRR Regulation 575/2013/EU and the Austrian Stock Corporation Act (AktG).

According to Section 221 (Size categories) of the Austrian Commercial Code (UGB), RBI AG qualifies as a large corporation. It is also a public interest entity pursuant to Section 43 (1a) of the Austrian Banking Act (BWG) in conjunction with Section 189a of the Austrian Commercial Code.

The Raiffeisen Bank International Group (RBI) is a corporate and investment bank for the top 1,000 companies in Austria and for large corporate customers in Western Europe. Through its equity participations, RBI has one of the largest networks held by Western banking groups in Central and Eastern Europe (CEE). It does business in this region through a closely-knit network of subsidiary banks, leasing companies and numerous specialized financial service providers with around 2,400 branches. In Austria, RBI holds stakes in companies specializing in housing finance, leasing, asset management, equities and certificates, pension funds, factoring and private banking. RBI's 16.5 million clients include commercial clients, small and medium-sized entities, private individuals, financial institutions and government entities. In addition, RBI is the lead institution of the Raiffeisen Banking Group Austria (RBG) and serves as the central institution of the Raiffeisen regional banks as defined by the Austrian Banking Act (BWG). RBI AG also has branches in Frankfurt, London, Beijing and Singapore.

As shares in the company are traded on a regulated market within the meaning of Section 1 (2) BörseG (prime market of the Vienna Stock Exchange) and numerous securities issued by Raiffeisen Bank International (RBI AG) are admitted to a regulated market in the EU, RBI AG has to publish annual consolidated financial statements in accordance with Section 59a of the Austrian Banking Act (BWG) in compliance with International Financial Reporting Standards. These consolidated financial statements are published on the Internet (www.rbinternational.com/ir).

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

The disclosure requirements set out in Part 8 of EU Regulation 575/2013 on prudential requirements for credit institutions (Capital Requirements Regulation, CRR) are published online on the bank's website at investor.rbinternational.com.

Merger with RZB AG parent company

Following the Extraordinary General Meeting of RBI AG in January 2017, which approved the merger with Raiffeisen Zentralbank Österreich AG (RZB AG) by a 99.4 per cent vote, the merger was entered in the commercial register on 18 March 2017, thereby taking effect. Assets and liabilities were transferred to RBI AG's balance sheet as of 1 January 2017 while continuing the carrying amounts pursuant to Section 202 (2) of the Austrian Commercial Code (UGB). Income and expenses are included in the income statement until the effective merger date of 18 March 2017. In the course of the RBI AG capital increase, which was also entered in the commercial register, the shareholders of RZB AG were given new shares by way of consideration for the assets transferred in the merger. The total number of RBI AG shares issued is therefore now 328,939,621 compared to 292,979,038 previously.

After eliminating internal items, the transferred assets amount to € 12,619.7 million and the transferred liabilities amount to € 12,357.9 million, resulting in a net asset increase of € 261.8 million. This amount is divided into an increase in subscribed capital of € 109.7 million and an increase in the liability reserve of € 152.1 million.

Following the March 2017 merger of RBI AG with RZB AG, its former majority owner, the merged entity does business as Raiffeisen Bank International AG, as RBI AG did before it. As a result of the merger, RBI AG assumed all the rights, obligations and responsibilities incumbent on the transferring company, RZB AG.

It took over the following significant areas from RZB AG:

- Sector business: Refers to RBI AG's business with other banks in the Austrian Raiffeisen banking sector where RBI AG performs certain activities in connection with liquidity management and minimum reserve maintenance. These activities include, without limitation, short-term money market transactions between banks in the Austrian Raiffeisen banking sector and RBI AG as well as the investment of required liquidity with the Austrian National Bank. In addition, RBI AG performs advisory and service activities for the entire Austrian Raiffeisen banking sector such as arranging and managing central Raiffeisen advertising campaigns.

- Liquidity management: RBI AG, when taken together with the more than 400 banks in the Austrian Raiffeisen banking sector, represents Austria's largest cash pool. Members of the cash pool are required by Section 27a of the Austrian Banking Act (BWG) to maintain a liquidity reserve at the central institution. RBI AG invests the liquidity reserve in highly liquid assets as defined by CRR/CRD IV.

- Equity participation business: The management of a strategic equity participation portfolio mainly consisting of Austrian subsidiaries and minority interests. The portfolio contains bank-related business with specialty companies (Raiffeisen Bausparkasse, Raiffeisen Capital Management, Valida Pensionskasse, Raiffeisen Factorbank, Raiffeisen Leasing, Raiffeisen Wohnbaubank) as well as minority interests in the industry and insurance sectors (UNIQA, Leipnik-Lundenburger, Raiffeisen Informatik).

Federal institutional protection scheme in Austria (*Bundes-IPS*)

Institutional protection schemes (IPS) approved by the Financial Market Authority have been established within the RBG since the end of 2014. Contractual or statutory liability arrangements were concluded as well. The schemes and liability arrangements protect the participating institutes and, in particular, ensure their liquidity and solvency where required. The IPS is based on uniform, joint risk monitoring pursuant to Article 49 CRR (Capital Requirements Regulation). The IPS was designed with two levels (federal and provincial IPS) to reflect RBG's organizational structure.

As a result of the merger between RBI AG and RZB AG, RBI AG, now the central institute of the RBG, is also a member of the federal IPS whose members include, in addition to the Raiffeisen regional banks, Raiffeisen-Holding Niederösterreich-Wien, Posojilnica Bank, Raiffeisen Wohnbaubank and Raiffeisen Bausparkasse. The federal IPS is subject to regulatory supervision. Consequently, the capital adequacy requirements of the CRR must also be complied with at the level of the federal IPS. Consequently, no deductions are made for the members of the federal IPS for their participation in RBI AG. Moreover, internal receivables within the IPS can be weighted at zero per cent.

The federal IPS relies on uniform, joint risk monitoring as part of the early warning system of the Österreichische Raiffeisen-Einlagensicherung (ÖRE). The IPS hence supplements the RBG system of mutual assistance that comes into effect when members experience economic difficulties.

Recognition and measurement principles

General principles

The annual financial statements are prepared in accordance with the principles of proper accounting, and taking into account standard practice as described in Section 222 (2) of the Austrian Commercial Code (UGB), to give a true and fair view of the company's net assets, financial position and earnings.

The consolidated financial statements were prepared in compliance with the consistency principle. Comparability with previous years is limited due to the merger of RZB AG with RBI AG.

Assets and liabilities are valued on the principle of individual valuation and on the assumption that the company will continue to exist as a going concern. The principle of prudence is applied, taking into account the special characteristics of the banking business.

Stock market prices are used to determine the fair value of listed products. If stock market prices are not available, prices for original financial instruments and forward transactions are determined based on the calculated present value. The prices for options are determined based on suitable option price models. The calculation of present value is based on a yield curve composed of money-market, futures and swap rates and does not include a credit spread. Option pricing formulas as described by Black-Scholes 1972, Black 1976 and Garman-Kohlhagen are used together with other common models for the valuation of structured options.

Amounts in foreign currencies

Assets and liabilities in foreign currencies are converted at the ECB's reference exchange rates as at 31 December 2017 pursuant to Section 58 (1) of the Austrian Banking Act (BWG).

Financial instruments in the banking book

Securities intended to serve business purposes on a permanent basis (investment portfolio) are valued as fixed assets. The difference between the purchase cost and repayment amount is written off or recognized pro rata over the residual term.

Securities held as current assets have been valued strictly according to the lower of cost or market value principle, with any reversals of impairment losses up to amortized cost.

Derivatives on interest rates (interest rate swaps, interest rate options and forward rate agreements) and on exchange rates (cross currency interest rate swaps and forward exchange transactions) are accounted for according to the accrued interest method, in which interest amounts are accrued for each period.

In designating derivatives as part of effective micro hedging transactions, compensatory valuation of the underlying transaction and hedging derivative takes place.

RBI AG uses interest rate swaps to hedge the interest rate risk from assets (bonds and loans) and liabilities (own issues, promissory notes and custodian business) on the statement of financial position. Fixed cash flows are exchanged for variable cash flows to minimize the interest rate risk.

These derivatives form part of a valuation unit. Their market value is therefore not reported in the annual financial statements, as they are offset by cash flows from the underlying transactions recognized through profit and loss.

The hedging relationships are determined on the basis of micro fair value hedges in accordance with IAS 39 and documented according to applicable regulations. On designation, the effectiveness of the hedging relationship is reviewed by a prospective effectiveness test with 100 basis point shifts in the yield curve.

The effectiveness is measured retrospectively on the basis of a monthly regression analysis. Here, a set of 20 data points is used to determine the required calculation parameters used for the retrospective effectiveness test. A hedge is deemed to be effective if changes in the fair value of the underlying and hedging transaction are in a range of 80-125 per cent.

The banking book also includes derivatives which do not meet the criteria of a trading book and are not part of a micro hedge relationship. The focus is not on short-term gains but on management of income and interest rate risk through positioning based on medium- to long-term market opinion.

These derivatives were administrated in defined portfolios in order to guarantee a documented mapping to functional units. Within these functional units an imparitative valuation takes place. For a negative accounting balance per functional unit a provision for impending loss will be allocated, while a positive accounting balance will be unrecognized.

Derivatives of the bank book, which are not reflected in functional units, are valued imparitatively. In the case of negative market values a provision for impending loss will be allocated. The disclosure is shown in the income statement under position 11./12. net income/expenses from the disposal and valuation of loans and advances and securities held as current assets.

Credit default swaps have the following effect on the income statement: The margins received or paid (including accruals) are reported under commissions; the valuation results are recorded against income based on the imparity principle.

Financial instruments in the trading book

The securities in the trading portfolio are valued on a mark-to-market basis. All derivatives transactions in the trading book are also recognized at fair value.

The capital-guaranteed products (guarantee funds and pension provisions) are reported as put options sold on the respective funds to be guaranteed. Valuation is based on a Monte Carlo simulation and is in accordance with the framework conditions stipulated by law.

Derivative financial instruments

The price definition of OTC derivatives is subject to valuation adjustments to reflect the counterparty default risk (credit value adjustment - CVA) and adjustments for the Bank's own credit risk (debit value adjustment – DVA).

The CVA involves, first, the determination of the expected positive exposure and, second, the counterparty's probability of default. The DVA is determined by the expected negative exposure and RBI's credit quality.

To determine the expected positive exposure, a large number of scenarios for future points in time are simulated, reflecting all available risk factors (e.g. currency and yield curves). Having regard to these scenarios, the OTC derivatives are measured at market value and aggregated at counterparty level to finally determine the positive exposure for all the dates.

As a further component for the CVA, a probability of default has to be determined for each counterparty. If direct CDS (credit default swap) quotes are available, RBI derives the market-based probability of default for the respective counterparty and implicitly the loss-given default (LGD). To determine the probability of default of counterparties that are not actively traded in the market, the counterparty's internal rating is assigned to a sector- and rating-specific CDS curve.

The DVA is determined by the expected negative exposure and RBI's credit quality and represents the value adjustment with regard to RBI's own probability of default. The method applied to calculate the negative exposure is similar to that used for the CVA; the expected negative market value is applied instead of the expected positive market value. From the simulated future aggregated counterparty market values, negative, rather than positive, exposures are determined. These represent the expected liability to the counterparty at the respective future dates.

To determine the own probability of default values implied by the market are also used. If direct CDS quotes are available, these are applied. If no CDS quotes are available, the own rating is assigned to a sector- and rating-specific CDS curve to determine own probability of default.

Loans and advances

Loans and advances are generally recognized at amortized cost. Any difference between the amount paid out and the nominal amount is deferred on a straight-line basis and reported in net interest income, provided the difference is similar in nature to interest. Impairments are accounted for in the calculation of amortized cost. If the reasons for an impairment no longer apply, the impairment is reversed up to a maximum of no more than the cost of acquisition after reversing the difference (premium/discount).

Net provisioning for impairment losses

At the end of every reporting period, an assessment is conducted to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is considered impaired and impairment losses are incurred if:

- there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the asset and before the reporting date (loss event);
- the loss event had an impact on the estimated future cash flows of the financial asset or group of financial assets; and
- the amount can be reliably estimated.

Objective evidence of impairment includes the counterparty experiencing significant financial difficulties, a breach of contract (e.g. default or delinquency in interest or principal payments), or a high probability that the borrower will enter bankruptcy or another form of financial reorganization.

Risks in the credit business are accounted for by recognizing individual loan loss provisions and portfolio-based loan loss provisions. Portfolio-based loan loss provisions apply to portfolios of loans with the same risk profile. They cover cases in which there is no objective evidence that any single financial asset is impaired yet; instead, groups of financial assets with comparable default risk profiles are collectively tested for impairment. Four underlying rating models are used for corporate customers: Corporate Large, Corporate Regular, SME Large and SME Regular. Portfolios are also assessed separately depending on whether they belong to the Financial Institution rating model or the Project Finance rating model. Portfolio-based loan loss provisions are calculated based on Group historical default rates (Group HDRs) that are centrally determined for each rating tier. These Group HDRs represent the average actual observed probability of default over the last 5 years. The individual loan loss provisions and portfolio-based loan loss provisions are set off against corresponding loans in the statement of financial position.

Provisions are recognized using standardized company-wide criteria to cover the expected default associated with the credit risks attributable to loans and advances to customers and banks. Loans are assumed to be at risk of default if the discounted projected repayment amounts and interest payments are less than the carrying amount of the loans, taking collateral into account. Portfolio-based loan loss provisions are calculated using valuation models that estimate future expected cash flows from the loans in the applicable loan portfolio based on historical loan loss experience.

Risks relating to items off the statement of financial position are accounted for by recognizing provisions for guarantees in accordance with the prudence principle.

Investments and shares in affiliated companies

Equity participations and interests in affiliated companies are carried at cost unless sustained losses or reduced equity require them to be written down to their fair value. They are written up to no more than their cost of acquisition if the reasons for the long-term impairment no longer apply.

Equity participations and affiliated companies are valued at the end of each financial year by means of an impairment test. Their fair value is determined during the test.

Fair value is calculated using a dividend discount model. The dividend discount model properly accounts for the specific characteristics of the banking business, including the need to comply with capital adequacy regulations. The recoverable amount is considered to be the present value of the expected future dividends that may be distributed to the shareholders after meeting all appropriate capital adequacy regulations.

The recoverable amount is calculated based on a five-year detailed planning period. The sustainable future (permanent dividend phase) is based on a going concern assumption (perpetuity). In most cases, the income used for the valuation is assumed to grow at a country-specific nominal rate based on the projected long-term inflation rate. If companies are significantly overcapitalized, an interim phase of five years is defined without extending the detailed planning phase. During this period, these companies can distribute full dividends without violating capital adequacy regulations. In the permanent dividend phase, earnings must be retained as the company grows in order to continue complying with capital adequacy regulations. Earnings retention is not required if no growth is expected in the permanent dividend phase.

In the permanent dividend phase, the model assumes a normalized, economically sustainable earnings situation in which the return on equity and the costs of equity capital converge.

Tangible and intangible fixed assets

Intangible fixed assets and tangible fixed assets are valued at acquisition or production cost less scheduled depreciation. Scheduled depreciation is on a straight-line basis (pro rata temporis). An impairment loss is recognized if an asset is permanently impaired.

Scheduled depreciation is based on the following periods of use (in years):

Useful life	Years	Useful life	Years
Buildings	50	Software	4 to 10
Office equipment	3 to 5	Hardware	3
Office fixtures and fittings	5 to 10	Business equipment	5 to 10
Vehicles	5	Tenancy rights	10

Low-value fixed assets are written off in full in the year of acquisition.

Deferred taxes

Deferred tax assets are recognized based on asset-side temporary differences or tax loss carryforwards wherever it appears likely that they will be used within a reasonable time period. There were no liability-side temporary differences that could have been set off against the asset-side temporary differences in the financial year.

Issuance expenses

Issuance and management fees and premiums or discounts for bonds issued are distributed over the given term of the obligation. Other issuance expenses are expensed immediately.

Pension and severance payment obligations

The provisions for pension and severance payment obligations are determined in accordance with IAS 19 – Employee Benefits – based on the projected unit credit method.

The actuarial calculation of pension obligations for active employees is based on an interest rate of 1.7 per cent (31/12/2016: 1.6 per cent) p.a. and an effective salary increase of 2.7 per cent (31/12/2016: 2.7 per cent) p.a. The parameters for retired employees are calculated using a capitalization rate of 1.7 per cent (31/12/2016: 1.6 per cent) p.a. and an expected increase in retirement benefits of 1.2 per cent (31/12/2016: 1.2 per cent) p.a., and in the case of pension commitments with existing reinsurance policies of 0.5 per cent (31/12/2016: 0.5 per cent) p.a. The calculations are based on an assumed retirement age of 60 for women and 65 for men, subject to transitional statutory requirements and special arrangements contained in individual contracts.

The actuarial calculation of severance payment and long-service bonus obligations is based on an interest rate of 1.5 per cent (31/12/2016: 1.6 per cent) p.a. and an average salary increase of 2.7 per cent (31/12/2016: 2.7 per cent) p.a.

The basis for the calculation of provisions for pensions, severance payments and long-service bonuses is provided by AVÖ 2008-P Rechnungsgrundlagen für die Pensionsversicherung (Computational Framework for Pension Insurance) by Pagler & Pagler, using the variant for salaried employees.

Other provisions

Other provisions are recorded at the level at which they are likely to be required. They take into account all identifiable risks and liabilities, the level of which is not yet known. Long-term provisions were discounted at prevailing market interest rates in the reporting period. The interest rates ranged from 1.33 to 1.43 per cent, depending on the residual terms of the individual provisions. The rates used were the discount rates published by Deutsche Bundesbank pursuant to Section 253 (2) of the German Commercial Code (HGB).

Other provisions include provisions for bonuses for identified staff (pursuant to European Banking Authority CP 42, 46). RBI AG fulfills the obligations set forth in the Annex to Section 39b of the Austrian Banking Act (BWG) as follows: 60 per cent of the annual bonus is paid out 50 per cent as an upfront cash payment and 50 per cent by way of a phantom share plan with a retention period of one year. 40 per cent of the annual bonus is subject to a five-year deferral period and likewise paid out 50 per cent in cash and 50 per cent by way of the phantom share plan. The phantom shares are converted on allocation and payment each using the average price of the preceding financial year.

Liabilities

These are recognized at the higher of the nominal value or the repayment amount. Zero-coupon bonds, on the other hand, are recognized at their pro rata annual values.

Notes on the statement of financial position

Assets

Loans and advances

Breakdown of maturities

Loans and advances to credit institutions, loans and advances to customers and other assets break down by their residual terms as follows:

in € million	31/12/2017	31/12/2016
Loans and advances to credit institutions	**9,013.1**	**9,739.5**
Repayable on demand	1,911.7	1,786.0
Up to 3 months	2,919.5	3,230.9
More than 3 months, up to 1 year	1,098.5	1,104.6
More than 1 year, up to 5 years	1,595.9	2,513.5
More than 5 years	1,487.3	1,104.2
Loans and advances to customers	**18,276.4**	**18,026.6**
Repayable on demand	2,160.1	2,258.1
Up to 3 months	3,912.0	3,349.9
More than 3 months, up to 1 year	2,248.3	2,748.5
More than 1 year, up to 5 years	7,179.3	7,473.6
More than 5 years	2,776.7	2,196.5
Other assets	**2,980.5**	**4,239.9**
Up to 3 months	2,816.6	4,239.9
More than 3 months, up to 1 year	0.0	0.0
More than 1 year, up to 5 years	0.0	0.0
More than 5 years	163.9	0.0

Derivative financial instruments

Hedging relationships

Economic hedges with hedging periods up to 2048 existed as at 31 December 2017.

On the basis of clean prices, the positive market values of the hedging derivatives amounted to € 400.0 million at the reporting date (31/12/2016: € 559.5 million). The negative market values of the derivatives amounted to € 24.0 million (31/12/2016: € 86.5 million) as at 31 December 2017.

Interest rate management derivatives

As at 31 December 2017, a provision for impending losses of € 28.5 million (31/12/2016: € 37.5 million) was recognized for derivatives in connection with functional units. In the 2017 financial year, in this context € 2.1 million (2016: € 10.5 million) was allocated to the provision and € 11.1 million (2016: € 6.7 million) was released due to changes in market value of the functional units.

The portfolio-based management of functional units is summarized according to the strategy applied to manage interest risk for the currencies contained therein, with the positive and negative fair values shown below:

in € thousand	31/12/2017 Positive values	Negative values	31/12/2016 Positive values	Negative values	Valuation effect 31/12/2017
CHF	2	0	13	0	(11)
CZK	3,217	(110)	327	(14)	2,794
EUR	71,533	(28,397)	86,921	(37,479)	(6,306)
HUF	504	0	239	0	265
JPY	0	0	1	0	(1)
PLN	10	0	15	0	(5)
RUB	116	0	359	0	(243)
USD	2,991	(4)	5,361	(35)	(2,339)
Total	**78,373**	**(28,511)**	**93,236**	**(37,528)**	**(5,846)**

The main factors driving the valuation result were the change in market value due to the change in the euro interest rate market, a reduction in business volume in USD and an increase in volume in CZK.

The following tables show the open forward transactions for the reporting year and the previous year:

31/12/2017 in € thousand	Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	Market value positive	negative
Total	**74,883,238**	**85,000,153**	**53,723,508**	**213,606,899**	**163,373,010**	**2,799,371**	**(2,207,672)**
a) Interest rate contracts	**28,594,476**	**74,504,908**	**51,952,246**	**155,051,629**	**113,815,739**	**1,998,639**	**(1,401,924)**
OTC products							
Interest rate swaps	22,583,828	64,245,731	48,088,759	134,918,317	95,775,222	1,834,182	(1,301,143)
Floating Interest rate swaps	0	0	0	0	0	0	0
Interest rate futures	2,538,623	0	0	2,538,623	1,671,859	246	(297)
Interest rate options - buy	1,253,343	5,092,370	1,981,872	8,327,585	7,851,554	163,644	0
Interest rate options - sell	1,077,782	4,963,647	1,766,609	7,808,039	7,058,039	0	(100,296)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Interest rate futures	129,276	161,990	87,537	378,802	378,802	79	0
Interest rate options	1,011,624	41,170	27,469	1,080,263	1,080,263	488	(188)
b) Foreign exchange rate contracts	**46,237,573**	**10,142,566**	**1,619,062**	**57,999,202**	**49,436,463**	**798,910**	**(800,193)**
OTC products							
Cross-currency interest rate swaps	4,567,734	9,310,972	1,560,643	15,439,350	7,547,156	450,594	(439,595)
Forward foreign exchange contracts	39,172,187	723,747	58,419	39,954,352	39,283,807	322,187	(332,113)
Currency options – purchased	1,272,537	69,677	0	1,342,215	1,342,215	26,129	0
Currency options – sold	1,225,115	38,170	0	1,263,285	1,263,285	0	(28,485)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Currency contracts (futures)	0	0	0	0	0	0	0
Currency options	0	0	0	0	0	0	0
c) Securities-related transactions	**47,020**	**208,510**	**68,400**	**323,930**	**22,470**	**1,714**	**(640)**
OTC products							
Securities-related forward transactions	0	0	0	0	0	0	0
Equity/Index options -buy	38,785	205,510	68,400	312,695	11,235	1,714	0
Equity/Index options -sell	8,235	3,000	0	11,235	11,235	0	(640)
Exchange-traded products							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0
d) Commodity contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**
e) Credit derivative contracts	**4,169**	**144,169**	**83,800**	**232,138**	**98,338**	**108**	**(4,915)**
OTC products							
Credit default swaps	4,169	144,169	83,800	232,138	98,338	108	(4,915)

31/12/2016 in € thousand	Nominal amount by maturity Up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total	hereof trading book	Market value positive	negative
Total	**71,386,187**	**80,164,389**	**71,394,359**	**222,944,935**	**151,390,486**	**4,520,613**	**(3,697,565)**
a) Interest rate contracts	**29,563,963**	**67,924,229**	**52,695,132**	**150,183,324**	**107,675,775**	**3,160,097**	**(2,257,876)**
OTC products							
Interest rate swaps	26,043,635	57,536,004	46,538,013	130,117,652	88,602,497	2,865,664	(2,026,423)
Floating Interest rate swaps	0	0	0	0	0	0	0
Interest rate futures	1,079,515	0	0	1,079,515	1,079,515	176	(197)
Interest rate options - buy	1,202,976	5,226,108	3,206,507	9,635,591	9,225,356	294,185	0
Interest rate options - sell	1,098,330	5,058,272	2,864,294	9,020,896	8,520,896	0	(231,161)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Interest rate futures	139,507	49,412	38,592	227,511	227,511	0	(95)
Interest rate options	0	54,433	47,726	102,159	20,000	72	0
b) Foreign exchange rate contracts	**40,908,792**	**11,913,857**	**18,630,327**	**71,452,976**	**42,710,683**	**1,358,606**	**(1,438,475)**
OTC products							
Cross-currency interest rate swaps	6,130,763	10,934,900	18,563,638	35,629,301	8,032,939	881,751	(953,675)
Forward foreign exchange contracts	32,835,701	910,662	66,689	33,813,052	32,667,120	461,724	(469,829)
Currency options – purchased	932,632	29,860	0	962,492	962,493	15,131	0
Currency options – sold	996,354	38,435	0	1,034,789	1,034,789	0	(14,946)
Other similar interest rate contracts	0	0	0	0	0	0	0
Exchange-traded products							
Currency contracts (futures)	13,342	0	0	13,342	13,342	0	(25)
Currency options	0	0	0	0	0	0	0
c) Securities-related transactions	**17,895**	**240,560**	**68,900**	**327,355**	**22,748**	**1,262**	**(527)**
OTC products							
Securities-related forward transactions	0	0	0	0	0	0	0
Equity/Index options -buy	8,374	237,560	68,900	314,834	11,374	1,262	0
Equity/Index options -sell	9,521	3,000	0	12,521	11,374	0	(527)
Exchange-traded products							
Equity/Index futures	0	0	0	0	0	0	0
Equity/Index options	0	0	0	0	0	0	0
d) Commodity contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**
e) Credit derivative contracts	**895,537**	**85,743**	**0**	**981,280**	**981,280**	**648**	**(687)**
OTC products							
Credit default swaps	895,537	85,743	0	981,280	981,280	648	(687)

The following derivatives shown in the list of open forward transactions are recognized at fair value in the statement of financial position:

Derivatives in € million	Positive fair values 31/12/2017	 31/12/2016	Negative fair values 31/12/2017	 31/12/2016
Derivatives in the trading book				
a) Interest rate contracts	1,369.9	2,210.4	1,000.8	1,743.2
b) Foreign exchange rate contracts	554.5	829.6	591.6	834.2
c) Share and index contracts	0.6	0.4	0.6	0.5
d) Credit derivatives	0.1	0.7	2.5	0.7

Securities

Debt securities and other fixed-income securities amounting to € 489.6 million (31/12/2016: € 202.5 million) will mature next financial year.

The table below lists the securities admitted to stock exchange trading (asset side), broken down into listed and unlisted securities (amounts incl. interest accrued):

Securities in € million	Listed 31/12/2017	Unlisted 31/12/2017	Listed 31/12/2016	Unlisted 31/12/2016
Debt securities and other fixed-income securities	2,410.4	22.5	1,613.2	0.0
Shares and other variable-yield securities	8.5	0.0	8.4	0.0

The table below lists securities admitted to stock exchange trading (asset side) measured as fixed assets or current assets (including trading portfolio):

Securities in € million	Fixed assets 31/12/2017	Current assets 31/12/2017	Fixed assets 31/12/2016	Current assets 31/12/2016
Debt securities and other fixed-income securities	1,541.5	891.4	982.2	631.0
Shares and other variable-yield securities	0.0	8.5	0.0	8.4

The following table shows the sale of fixed asset securities, including € 1,089.2 million in principal repayments (31/12/2016: € 553.1 million).

Balance sheet item in € million	Nominal amount 31/12/2017	Net gain 31/12/2017	Nominal amount 31/12/2016	Net gain 31/12/2016
Treasury bills and other bills eligible for refinancing with central banks	800.0	0.6	493.3	12.7
Loans and advances to credit institutions	26.2	0.1	56.8	0.0
Loans and advances to customers	75.0	(0.4)	15.5	1.4
Debt securities and other fixed-income securities	298.3	0.4	200.3	1.0
Total	**1,199.5**	**0.6**	**766.0**	**15.2**

Difference between the acquisition cost and the repayment amount for securities (except zero-coupon bonds) in the investment portfolio (banking book):

The difference between the amortized costs and the repayment amounts is made up of € 138.9 million (31/12/2016: € 33.2 million) to be recognized in the future as expenditure and € 3.3 million (31/12/2016: € 1.2 million) to be recognized as income.

In the case of securities admitted to stock exchange trading and recognized at fair value that do not have the characteristics of financial investments, the difference between the acquisition cost and the higher fair value is € 2.9 million (31/12/2016:

€ 3.2 million) pursuant to Section 56 (4) of the Austrian Banking Act (BWG) and € 1.9 million (31/12/2016: € 2.2 million) pursuant to Section 56 (5) of the Austrian Banking Act (BWG).

The item loans and advances to credit institutions contains own bonds that are not admitted for public trading in an amount of € 7.4 million (31/12/2016: € 8.4 million).

Securities amounting to € 251.9 million (31/12/2016: € 239.7 million) are the subject of genuine repurchase transactions on the reporting date, whereby RBI AG is the seller and the securities continue to be recognized on the statement of financial position.

The volume of RBI's trading book pursuant to Article 103 CRR is € 164,326.8 million (31/12/2016: € 152,151.1 million), with € 944.7 million (31/12/2016: € 1,028.5 million) accounted for by securities and € 163,382.1 million (31/12/2016: € 151,122.6 million) accounted for by other financial instruments.

The fair value is lower than the carrying amount for the following financial instruments that are reported as financial investments:

	Financial investments in € million	Carrying amount 31/12/2017	Fair value 31/12/2017	Carrying amount 31/12/2016	Fair value 31/12/2016
1.	Treasury bills and other bills eligible for refinancing with centralbank	266.7	265.9	26.1	26.0
2.	Loans and advances to credit institutions	0.0	0.0	30.7	28.7
3.	Loans and advances to customers	87.8	87.8	156.9	156.1
4.	Debt securities and other fixed-income securities				
	a) issued by public bodies	226.5	225.2	132.5	132.1
	b) issued by other borrowers	314.4	312.5	277.2	276.3
5.	Shares and other variable-yield securities	0.0	0.0	70.0	59.5
Total		**895.5**	**891.4**	**693.4**	**678.8**

An impairment (in accordance with Section 204 (2) 2 of the Austrian Commercial Code (UGB)) is not accounted for as the assessment of the credit rating of the security borrower is such that scheduled interest payments and repayments are expected to be made.

Investments and shares in affiliated companies

There are cross shareholdings with Raiffeisenlandesbank Kärnten - Rechenzentrum und Revisionsverband, registrierte Genossenschaft mbH, UNIQA Insurance Group AG, Vienna, and Posojilnica Bank eGen, Klagenfurt, (formerly ZVEZA Bank). There are no profit and loss transfer agreements as at 31 December 2017.

In the past, transactions to hedge the currency risk arising from the local currency denominated equity of the following companies were concluded:

- Raiffeisen Bank Polska S.A., Warsaw
- Ukrainian Processing Center JSC, Kiev
- VAT Raiffeisen Bank Aval, Kiev

The following table lists the affiliated companies:

Company, registered office (country)	Total nominal value	Exchange	Direct share of RBI	Equity in € thousand	Result in € thousand[1]	From annual financial statements[2]
Angaga Handels- und Beteiligungs GmbH, Vienna	35,000	EUR	100%	19	(6)	31/12/2016
AO Raiffeisenbank, Moscow[3]	36,711,260,000	RUB	100%	1,658,483	432,035	31/12/2017
BAILE Handels- und Beteiligungsgesellschaft m.b.H.,Vienna[2]	40,000	EUR	100%	231,026	991	31/12/2017
BUXUS Handels- und Beteiligungs GmbH in Liqu., Vienna	35,000	EUR	100%	8	(6)	31/12/2016
Centralised Raiffeisen International Services & Payments S.R.L., Bukarest	2,820,000	RON	100%	7,161	2,553	31/12/2016
Eastern European Invest Holding GmbH in Liqu., Vienna	35,000	EUR	100%	8,126	8,021	31/12/2016
Extra Year Investments Limited, Tortola	50,000	USD	100%	3	(3)	31/12/2010
FARIO Handels- und Beteiligungsgesellschaft m.b.H., Vienna	40,000	EUR	100%	6,991	33	31/12/2016
Golden Rainbow International Limited, Tortola	1	USD	100%	4,625	(14)	31/12/2016
Kathrein Privatbank Aktiengesellschaft, Vienna[2]	20,000,000	EUR	0%	31,414	(5,052)	31/12/2017
KAURI Handels und Beteiligungs GmbH, Vienna[2]	50,000	EUR	88%	6,940	(9)	31/12/2017
KIWANDA Handels- und Beteiligungs GmbH in Liqu., Vienna	35,000	EUR	100%	9	(6)	31/12/2016
LOTA Handels- und Beteiligungs-GmbH, Vienna	35,000	EUR	100%	930	87	31/12/2016
NAURU Handels- und Beteiligungs GmbH, Vienna	35,000	EUR	100%	114	(6)	31/12/2016
P & C Beteiligungs Gesellschaft m.b.H., Vienna	36,336	EUR	100%	12	(1,456)	31/12/2016
R.B.T. Beteiligungsges.m.b.H., Vienna	36,336	EUR	100%	39,289	39,253	31/10/2016
R.L.H. Holding GmbH, Vienna	35,000	EUR	100%	4,530	771	31/12/2016
R.P.I. Handels- und Beteiligungsges.m.b.H.,Vienna[2]	36,336	EUR	100%	258	(13)	31/12/2017
Raiffeisen Bank Aval JSC, Kiew[3]	6,154,516,258	UAH	68%	319,405	147,659	31/12/2017
Raiffeisen Bank Polska S.A., Warschau[3]	2,256,683,400	PLN	100%	1,554,333	49,222	31/12/2017
Raiffeisen Investment Advisory GmbH, Vienna	730,000	EUR	100%	545	(799)	31/12/2016
Raiffeisen RS Beteiligungs GmbH, Vienna[2]	35,000	EUR	100%	5,010,991	912,266	31/12/2017
RBI Group IT GmbH, Vienna	100,000	EUR	100%	108	8	31/12/2016

1 The result (in part from the consolidated financial statements) in € thousand corresponds to the annual profit/loss; equity is reported in accordance with Section 224 (3) lit a UGB including untaxed reserves (lit b).
2 Equity and result reported in accordance with IFRS (fully consolidated domestic entities)
3 Equity and result reported in accordance with IFRS (fully consolidated foreign entities)

Company, registered office (country)	Total nominal value	Exchange	Direct share of RBI	Equity in € thousand	Result in € thousand[1]	From annual financial statements[2]
RALT Raiffeisen Leasing Ges.m.b.H, Vienna[2]	218,500	EUR	100%	41,647	1,062	31/12/2017
RALT Raiffeisen-Leasing GmbH & Co. KG, Vienna[2]	20,348,394	EUR	97%	52,406	4,590	31/12/2017
RB International Finance (Hong Kong) Ltd., Hong Kong[3]	10,000,00 0	HKD	100%	12,330	(3,193)	31/12/2017
RB International Investment Asia Limited, Labuan	1	EUR	100%	(1,606)	(10,399)	31/12/2016
RB International Markets (USA) LLC, New York[3]	8,000,000	USD	100%	9,882	589	31/12/2017
RBI KI Beteiligungs GmbH, Vienna[2]	48,000	EUR	100%	(128)	(169)	31/12/2017
RBI LEA Beteiligungs GmbH, Vienna[2]	70,000	EUR	100%	131,323	9,993	31/12/2017
RBI PE Handels- und Beteiligungs GmbH, Vienna[2]	150,000	EUR	100%	13,776	363	31/12/2017
Regional Card Processing Center s.r.o., Bratislava[3]	539,465	EUR	100%	7,120	990	31/12/2017
RL Leasing Gesellschaft m.b.H., Eschborn	25,565	EUR	25%	2,432	301	31/12/2016
RZB Finance (Jersey) III Ltd, JE-St. Helier[3]	1,000	EUR	100%	135	(23)	31/12/2017
RBI IB Beteiligungs GmbH, Vienna[2]	35,000	EUR	100%	23,690	1,384	31/12/2017
RZB-BLS Holding GmbH, Vienna[2]	500,000	EUR	100%	402,455	422,638	31/12/2017
RZB-Invest Holding GmbH, Vienna[2]	500,000	EUR	100%	838,380	10,298	31/12/2017
Salvelinus Handels- und Beteiligungsges.m.b.H., Vienna[2]	40,000	EUR	100%	361,576	27,028	30/06/2017
Ukrainian Processing Center PJSC, Kiew[3]	180,000	UAH	100%	11,012	4,805	31/12/2017
ZHS Office- & Facilitymanagement GmbH, Vienna	36,336	EUR	1%	275	(66)	31/12/2017

1 The result (in part from the consolidated financial statements) in € thousand corresponds to the annual profit/loss; equity is reported in accordance with Section 224 (3) lit a UGB including untaxed reserves (lit b).
2 Equity and result reported in accordance with IFRS (fully consolidated domestic entities)
3 Equity and result reported in accordance with IFRS (fully consolidated foreign entities)

Fixed assets

The land value of developed land amounts to € 0.1 million (31/21/2016: € 0.0 million).

RBI AG was not directly involved in the leasing business as a lessor in 2017.

Obligations from the use of tangible fixed assets not reported on the statement of financial position amount to € 32.3 million (31/12/2016: € 30.0 million) for the following financial year, of which € 30.3 million were owed to affiliated companies (31/12/2016: € 24.4 million). The total amount of obligations for the following five years amounts to € 168.3 million (31/12/2016: € 154.5 million), of which € 157.5 million are owed to affiliated companies (31/12/2016: € 125.5 million).

The intangible fixed assets item includes € 0.0 million (31/12/2016: € 0.2 million) of intangible fixed assets acquired from affiliated companies.

The following tables show the changes in fixed assets:

in € thousand		Cost of acquisition or conversion						
Item	Description of fixed assets	As at 1/1/2017 1	Additions due to merger 2	Exchange differences 3	Additions 4	Disposals 5	Reclassification 6	As at 31/12/2017 7
1.	Treasury bills and other bills eligible for refinancing with central banks	1,888,411	3,891,319	(3,153)	31,685	(742,526)	144,346	5,210,083
2.	Loans and advances to credit institutions	56,385	0	(3,094)	0	(23,010)	0	30,282
3.	Loans and advances to customers	280,658	0	0	198,678	(123,056)	0	356,280
4.	Debt securities and other fixed-income securities	1,002,100	816,360	(63,076)	100,882	(148,115)	(144,346)	1,563,805
a)	issued by public bodies	229,129	0	(27,741)	45,532	(20,753)	0	226,167
b)	issued by other borrowers	772,971	816,360	(35,335)	55,350	(127,362)	(144,346)	1,337,638
5.	Shares and other variable-yield securities	90,000	0	0	18,900	0	0	108,900
6.	Participating interests	29,060	66,868	0	3,456	(675)	0	98,709
7.	Shares in affiliated undertakings	10,076,292	2,531,544	0	1,611,139	(29,349)	0	14,189,626
8.	Intangible fixed assets	192,408	1,845	(4)	5,303	(5,066)	0	194,486
9.	Tangible assets	21,982	7,446	(260)	1,162	(2,008)	0	28,322
10.	Other assets	0	116	0	0	0	0	116
	Total	**13,637,296**	**7,315,499**	**(69,586)**	**1,971,206**	**(1,073,804)**	**0**	**21,780,610**

in € thousand	Writing up/depreciation/revaluation								Carrying amount	
Item	Cumulative depreciation as of 1/1/2017 8	Additions due to merger 9	Exchange differences 10	Cumulative depreciation and amortization disposal 11	Write-ups 12	Depreciation 13	Reclassification 14	Cumulative depreciation as of 31/12/2017 15	31/12/2017 16	31/12/2016 17
1.	(38,002)	(57,604)	(3)	17,502	503	(44,190)	167	(121,628)	5,088,456	1,850,409
2.	(19,150)	0	2,336	16,874	27	0	0	86	30,368	37,234
3.	(3,027)	0	0	334	683	(323)	0	(2,334)	353,946	277,631
4.	(23,683)	(2,216)	(19)	1,560	1,579	(4,100)	(167)	(27,046)	1,536,759	978,417
a)	239	0	(29)	(92)	292	(35)	0	375	226,542	229,368
b)	(23,922)	(2,216)	10	1,652	1,287	(4,065)	(167)	(27,421)	1,310,217	749,049
5.	0	0	0	0	0	0	0	0	108,900	90,000
6.	(6,714)	(24,957)	0	298	155	(7,059)	0	(38,277)	60,432	22,346
7.	(2,096,031)	(707,316)	0	29,135	103,088	(220,391)	0	(2,891,516)	11,298,110	7,980,261
8.	(156,428)	(464)	4	3,950	0	(7,720)	0	(160,658)	33,829	35,980
9.	(16,340)	(2,857)	193	1,705	0	(1,948)	0	(19,247)	9,075	5,642
10.	0	0	0	0	0	0	0	0	116	0
	(2,359,376)	**(795,413)**	**2,511**	**71,358**	**106,034**	**(285,732)**	**0**	**(3,260,618)**	**18,519,991**	**11,277,919**

Other assets

As at 31 December 2017, other assets totaled € 2,980.5 million (31/12/2016: € 4,239.9 million). This item also contains loans and advances from treasury transactions (positive market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book – for details, refer to the table on open forward transactions) in the amount of € 2,149.8 million (31/12/2016: € 3,321.1 million). This item also includes loans and advances (special fund) to the Austrian Raiffeisen Deposit Guarantee scheme (ÖRE) relating to the Federal IPS contribution of € 163.9 million (31/12/2016: € 0.0 million), loans and advances to the tax administration in the amount of € 128.1 million (31/12/2016: € 5.4 million), holdings of precious metals in coin and other forms in the amount of € 111.8 million (31/12/2016: € 87.0 million), loans and advances to

Group members arising from tax transfers in the amount of € 41.3 million (31/12/2016: € 0.0 million) and dividends receivable totaling € 40.2 million (31/12/2016: € 561.8 million).

The other assets also contain income of € 265.1 million (2016: € 841.8 million) which is not payable until after the reporting date.

Deferred tax assets

The statement of financial position contains deferred tax assets of € 0.8 million (31/12/2016: € 0.0 million) resulting solely from the assumption of deferred tax assets held by RB International Finance (USA), LLC, which was liquidated in the financial year, that were related to tax loss carryfowards that can be claimed against the US tax authorities No deferred tax assets were recognized based on the asset-side temporary differences of € 313.7 million (31.12.2016: € 317.6 million) or the domestic tax loss carryforwards of € 1,809.4 (31.12.2016: € 1,141.3) because it currently appears unlikely that they will be used within a reasonable time period. There were no liability-side temporary differences that could have been set off against the asset-side temporary differences in the financial year.

Subordinated assets

Subordinated assets contained under assets:

in € million	31/12/2017	31/12/2016
Loans and advances to credit institutions	1,806.1	1,718.0
hereof to affiliated companies	1,757.4	1,716.4
hereof to companies linked by virtue of a participating interest	16.7	1.6
Loans and advances to customers	**134.1**	**174.0**
hereof to affiliated companies	26.1	6.3
hereof to companies linked by virtue of a participating interest	0.0	0.0
Debt securities and other fixed-income securities	**11.8**	**27.0**
hereof from affiliated companies	1.8	0.0
hereof from companies linked by virtue of a participating interest	0.0	0.0
Shares and other variable-yield securities	**148.7**	**95.6**
hereof from affiliated companies	126.1	72.9
hereof from companies linked by virtue of a participating interest	0.0	2.2

Restrictions related to asset availability

As at the reporting date, there were restrictions related to asset availability (in accordance with Section 64 (1) 8 BWG):

in € million	31/12/2017	31/12/2016
Indemnification for securities lending transactions	932.7	1,146.7
Loans assigned to Oestereichische Kontrollbank (OeKB)	1,470.7	1,660.0
Loans assigned to European Investment Bank (EIB)	178.9	238.9
Loans assigned to Kreditanstalt für Wiederaufbau (KfW)	14.7	15.9
Loans assigned to Swedish Export Corporation (SEK)	34.9	56.2
Loans assigned to Euler Hermes	0.3	43.9
Institutional Protection Scheme	163.9	0.0
Margin requirements	39.4	37.0
Treasury call deposits for contractual netting agreements	721.6	1,175.9
Total	**3,557.0**	**4,374.5**

In addition, assets with usage restrictions in an amount of € 1,472.5 million (31/12/2016: € 1,430.2 million) exist for covered bonds which have been established but not yet issued.

Asset items for affiliated companies and companies linked by virtue of a participating interest

Loans and advances as well as debt securities and other fixed-income securities to and from affiliated companies and companies linked by virtue of a participating interest:

in € million	31/12/2017	31/12/2016
Loans and advances to credit institutions		
to affiliated companies	4,009.6	4,386.4
To companies linked by virtue of a participating interest	259.2	183.2
Loans and advances to customers		
to affiliated companies	1,879.4	2,011.8
To companies linked by virtue of a participating interest	114.0	109.1
Debt securities and other fixed-income securities		
from affiliated companies	0.0	17.2
from companies linked by virtue of a participating interest	0.0	0.0

Equity and liabilities

Liabilities

Breakdown of maturities

Liabilities to credit institutions, liabilities to customers, securitized liabilities and other liabilities break down by their residual terms as follows:

in € million	31/12/2017	31/12/2016
Liabilities to credit institutions	**23,863.2**	**13,377.3**
Repayable on demand	2,819.4	2,942.9
Up to 3 months	11,818.8	3,544.2
More than 3 months, up to 1 year	1,199.5	1,725.3
More than 1 year, up to 5 years	6,092.5	3,328.4
More than 5 years	1,933.1	1,836.6
Liabilities to customers (non-banks)	**13,166.0**	**13,638.3**
Repayable on demand	4,782.4	4,705.3
Up to 3 months	2,581.0	4,099.1
More than 3 months, up to 1 year	4,580.1	2,861.4
More than 1 year, up to 5 years	308.1	550.3
More than 5 years	914.4	1,422.3
Securitised liabilities	**3,149.7**	**4,939.9**
Up to 3 months	307.0	295.7
More than 3 months, up to 1 year	986.2	1,690.5
More than 1 year, up to 5 years	1,382.8	2,317.5
More than 5 years	473.7	636.2
Other liabilities	**2,552.7**	**3,597.3**
Up to 3 months	2,552.7	3,597.3
More than 3 months, up to 1 year	0.0	0.0
More than 1 year, up to 5 years	0.0	0.0
More than 5 years	0.0	0.0

Bonds and notes issued amounting to € 1,056.3 million (31/12/2016: € 1,553.9 million) will become due in next financial year.

Liabilities to affiliated companies and companies linked by virtue of a participating interest:

in € million	31/12/2017	31/12/2016
Liabilities to credit institutions		
from affiliated companies	3,735.2	3,917.7
from companies linked by virtue of a participating interest	3,287.4	568.5
Liabilities to customers (non-banks)		
from affiliated companies	2,781.5	1,781.5
from companies linked by virtue of a participating interest	101.0	77.3

Other liabilities

As at 31 December 2017, other liabilities amounted to € 2,552.7 million (31/12/2016: € 3,597.3 million). This item also contains liabilities from treasury transactions (primarily negative market values arising from derivatives in the trading book, as well as accrued interest from derivatives in the banking book – for details, refer to the table on open forward transactions) in the amount of € 1,692.9 million (31/12/2016: € 2,807.8 million) and liabilities of € 49.1 million (31/12/2016: € 77.2 million) from short positions in bonds. The fair market value of the hedges for capital guarantees for funds is € 97.6 million (31/12/2016: € 118.0 million). The item also includes accrued interest for additional capital of € 279.7 million (31/12/2016: € 251.8 million), liabilities from tax transfers (corporate income tax) and liabilities from creditable capital yields and withholding tax toward Group members totaling € 37.6 million (31/12/2016: € 0.0 million).

The other liabilities also contain expenses in the amount of € 385.1 million (2016: € 481.8 million), for which payment is to be made after the reporting date.

Provisions

Provisions amount to € 57.4 million (31/12/2016: € 55.8 million) for severance payments, € 69.3 million (31/12/2016: € 28.3 million) for pensions, € 5.7 million (31/12/2016: € 23.7 million) for tax provisions, and € 195.0 million (31/12/2016: € 258.0 million) for other provisions. Reinsurance policies are in place in the amount of € 14.4 million (31/12/2016: € 15.2 million) for pension provisions. Pension claims of the same amount are reported under other assets.

Tax provisions of € 5.7 million amount to € 4.3 million (31/12/2016: € 13.3 million) for corporate income tax, € 1.3 million (31/12/2016: € 0.0 million) for income tax in the US and € 0.1 million (31/12/2016: € 0.1 million) for income tax at the branches in Frankfurt and Singapore. The decline in other provisions mainly resulted from the complete use and release of provisions for additional funding obligations for equity interests and affiliated enterprises.

Other provisions in € million	31/12/2017	31/12/2016
Provisions for bonus payments	39.3	27.4
Provisions for losses on bankbook interest rate derivatives	28.5	37.5
Provisions for participations and affiliated enterprises	0.0	76.2
Provisions for process risks	31.8	53.1
Provisions for audit costs	0.7	0.9
Provisions for anniversary payments	18.8	15.4
Provisions for overdue vacation	17.7	13.6
Provisions for guarantee loans	49.2	22.9
Provisions for Supervisory Board fees	0.6	0.6
Provisions for other expenses/outstanding invoices	5.0	7.6
Provisions for restructuring costs	2.0	0.6
Provisions for operational risk/losses/other	1.4	2.2
Total	**195.0**	**258.0**

Tier 2 capital according to Part Two, Title I, Chapter 4 of Regulation (EU) No. 575/2013

As at 31 December 2017, tier 2 capital amounts to € 3,277,148,924.67 (31/12/2016: € 3,346,003 thousand).

Company tier 2 capital according to CRR:

in € million	31/12/2017	31/12/2016
6,625 % RBI bonds 2011-2021	1.4	0.2
5.875 % RBI debt securities issued 2023-2023	3.6	0.5
6 % RBI debt securities issued 2013-2023	2.4	0.4
RBI bonds 2014-2025	1.8	1.0
RBI bonds 2013-2024	0.1	0.0

In the reporting year issuances in the amount of € 5.7 million (2016: € 11.1 million) were redeemed. A loss of € 1.4 million (2016: loss of € 0.3 million) including the release of the corresponding hedging transaction was booked.

Subordinated liabilities

List of subordinated loans (including tier 2 capital) that exceed 10 per cent of the total subordinated liabilities of € 3,277.1 million (i.e. that exceed € 327.7 million):

Name	Nominal value in € million	Maturity date	Interest rate
Subordinated Notes 2025 Serie 56	500	21/2/2015	4,500%
Subordinated Notes 2023 Serie 45	500	16/10/2023	6,000%
Subordinated Notes 2021 Serie 4	500	18/5/2021	6,625%

Expenses for subordinated liabilities

The expenses for subordinated liabilities in the financial year amount to € 180.8 million (2016: € 183.8 million).

Additional tier 1 capital according to Part Two, Title I, Chapter 3 of Regulation (EU) No 575/2013

RBI AG issued additional tier 1 capital with a nominal value of € 650.0 million on 5 July 2017. The coupon is 6.125 per cent until 15 December 2022, after which it will be reset. Semi-annual coupon payments on scheduled coupon dates on 15 June and 15 December are discretionary. As of 31 December 2017, the additional tier 1 capital, plus accrued interest, amounts to € 651,859,375.0 (31/12/2016: € 0 thousand). The discount of € 4.3 million is carried as a deferred expense until the first call date on 15 December 2022.

Total amount of assets and liabilities in foreign currency:

in € million	31/12/2017	31/12/2016
Assets in foreign currency	11,768.7	11,354.6
Liabilities in foreign currency	9,483.6	8,839.2

Equity

Subscribed capital

In the course of the RBI AG capital increase in March 2017, the shareholders of RZB AG were given new shares by way of consideration for the assets transferred in the merger. Issuing these new no-par-value bearer shares increased the nominal capital of RBI AG to € 1,003,266 thousand (31/12/2016: € 893,586 thousand). Following the capital increase, the nominal capital consists of 328,939,621 no-par-value shares (bearer shares). After deduction of 394,942 own shares, the stated subscribed capital totaled € 1,002,061 thousand. (31/12/2016: € 892,031 thousand).)

Own shares

The Annual General Meeting held on 16 June 2016 authorized the Management Board to acquire own shares, pursuant to Section 65 (1) 8 and Subsections (1a) and (1b) of the Austrian Stock Corporation Act (AktG), during a period of 30 months as of the date of the resolution (i.e. by 15 December 2018), up to 10 per cent of the subscribed capital of the company and to withdraw them if applicable. This authorization may be exercised in full or in part or also in several installments and for one or more purposes – with the exception of securities trading – by the company, by a subsidiary (Section 189a 7 of the Austrian Commercial Code (UGB)) or, for their account, by third parties. The acquisition price for repurchasing the shares may be no lower than € 1.00 per share and no higher than 10 per cent above the average unweighted closing price over the ten trading days prior to exercising this authorization. The Management Board was further authorized pursuant to Section 65 (1b) of the Austrian Stock Corporation Act (AktG), to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, branches of activity or shares in one or several companies in Austria or abroad, or for the purpose of implementing the company's Share Incentive Program (SIP) for executives and members of the Management Boards of the company and affiliated enterprises. In addition, if convertible bonds are issued in accordance with the Annual General Meeting resolution of 26 June 2013, shareholders' subscription rights may also be excluded in order to issue (own) shares to the holders of these convertible bonds who exercise the conversion or subscription rights granted them under the terms of the convertible bonds to shares of the company. This authorization applies for a period of five years from the date of the resolution (i.e. until 15 June 2021). No own shares have been bought since the authorization was issued in June 2016.

The acquisition of own shares mainly serves to cover the obligation of RBI AG within the framework of the share incentive program (SIP) towards the members of the Management Board and executive employees. These bonus payments are carried out in the form of company shares.

The Annual General Meeting held on 16 June 2016 also authorized the Management Board, in accordance with Section 65 (1) 7 of the Austrian Stock Corporation Act (AktG), to acquire own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 15 December 2018), of up to a maximum of 5 per cent of the respective subscribed capital of the company. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price. This authorization may be exercised in full or in part or also in several installments by the company, by a subsidiary (Section 189a 7 of the Austrian Commercial Code (UGB)) or, for their account, by third parties.

Authorized capital

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

Convertible bonds

In the Annual General Meeting held on 26 June 2013, the Management Board was authorized pursuant to Section 174 (2) of the Austrian Stock Corporation Act (AktG) to issue – with the approval of the Supervisory Board – convertible bonds in a total nominal amount of up to € 2,000,000 thousand, also in several tranches, within five years from the date of the resolution, which grant holders conversion or subscription rights for up to 39,101,024 common bearer shares of the company with a pro-rata share in the subscribed capital of up to € 119,258 thousand. Shareholders' subscription rights to the convertible bonds are excluded. However, no convertible bonds have been issued to date.

Contingent capital

Pursuant to Section 159 (2) 1 of the Austrian Stock Corporation Act (AktG), the subscribed capital has been increased contingently by a maximum of € 119,258 thousand by issuing a maximum of 39,101,024 common bearer shares (contingent capital). The contingent capital increase will only be performed if and when use is made of an irrevocable right of exchange or subscription granted on shares by the company to creditors holding convertible bonds issued on the basis of the resolution of the Annual General Meeting on 26 June 2013 and the Management Board does not decide to issue own shares.

Capital reserves

The committed capital reserves of € 4,334,507,788.51 (31/12/2016: € 4,334,859 thousand) and the uncommitted capital reserves of € 97,066,398.80 (31/12/2016: € 97,066 thousand) remained essentially unchanged over the entire financial year. The year-on-year change is the result of reducing committed capital reserves by € 350,856.75 due to the allocation of own shares in the SIP program.

In the previous year, an option reserve was set up in the amount of € 847,721.58 for obligations under the Share Incentive Program for which RBI holds no own shares. The entire amount of this reserve was released to profit and loss because RBI holds sufficient own shares to cover the still-existing Share Incentive Program (SIP).

Retained earnings

Retained earnings consist of legal reserves of € 5,500,000.00 (31/12/2016: € 5,500 thousand) and other free reserves amounting to € 1,471,980,437.19 (31/12/2016: € 1,281,432 thousand). A contribution of 170,759,819.10 (31/12/2016: € 0 thousand) was allocated to other reserves in the 2017 financial year as a reserve for the federal institutional protection scheme (Federal IPS) based on the agreement to establish an institutional protection scheme and a corresponding resolution by the Federal IPS Risk Council. € 129,780,547.62 of this amount was reallocated in the course of the merger with RZB AG. The remaining € 40,979,271.48 is for new provisioning in the financial year. The Federal IPS reserve is not eligible for inclusion in the calculation of own funds pursuant to CRR. An additional € 147,000,000.00 (31/12/2016: € 0 thousand) was allocated to other free reserves from the profit for the year after tax. The remaining change in other free reserves of € 2,569,624.27 is fully attributable to changes relating to the Share Incentive Program (SIP).

Liability reserves

As at 31 December 2017, liability reserves stood at € 535,097,489.59 (31/12/2016: € 383,015 thousand). The increase in liability reserves is attributable to the merger with RZB AG.

Additional notes

Notes on liability arrangements:

In the government-promoted, subsidized forward private planning scheme, RBI AG has issued capital guarantee obligations in accordance with Section 108h (1) 3 of the Income Tax Act (EStG). In this context, the bank guarantees that in the event of transferring the capital into a perpetual annuity the payment amount available for this annuity is not less than the sum of the contributions made by the taxpayer plus the premiums credited to this taxpayer pursuant to Section 108g EStG. As at 31 December 2017, the volume of these guarantees was € 1,273 million (31/21/2016: € 1,540 million).

RBI AG is a member of the *Raiffeisen-Kundengarantiegemeinschaft Österreich* (Deposit Guarantee Association of Austria). Members of the Association assume contractual liability under which they jointly guarantee the timely honoring of all customer deposits and securities issues of an insolvent member of the Association up to an amount equaling the sum of the individual financial strength of the other member institutions. The individual financial strength of a member institution is determined based on its available reserves, taking into account the relevant provisions of the Austrian Banking Act (BWG).

The liability was met by inserting a noted item of one euro off the statement of financial position, as it is not possible to determine the exact amount of RBI's potential liability in connection with the cross-guarantee system.

Like the other members of the Federal IPS, RBI AG signed a guarantee agreement with Posojilnica Bank regarding a loan portfolio (RBI's portion: around € 6.3 million). The guarantee can be called in until 30 June 2018. A provision was recognized for the full guarantee amount.

As at 31 December 2017, soft letters of comfort in the amount of € 418.7 million (31/12/2016: € 379.2 million) had been issued.

The volume of liabilities to affiliated companies amounted to € 101.9 million as at 31 December 2017 (31/12/2016: € 818.1 million).

Open capital commitments on share capital in the amount of € 5.6 million (31/12/2016: € 5.6 million) exist vis-á-vis European Investment Fund S.A., Luxembourg.

Contingent liabilities off the statement of financial position of RBI AG of € 5,936.9 million were reported as at 31 December 2017 (31/12/2016: € 5,087.3 million). Of that amount, € 5,153.7 million (31/12/2016: € 4,518.4 million) was attributable to guarantees and € 783.2 million (31/12/2016: € 568.9 million) to letters of credit.

As at 31 December 2017, € 13,003.0 million (31/12/2016: € 11,932.4 million) in credit risk was reported under liabilities off the statement of financial position. In the reporting year, this credit risk was fully attributable to unused, irrevocable credit lines.

There are no other transactions with material risks or benefits that are not reported on or off the statement of financial position.

Synthetic securitizations

In the financial year 2017 two synthetic transactions were terminated by RBI AG: ROOF Real Estate 2015, referencing real estate loans originated by RBI AG, and ROOF Infrastructure 2014 referencing a portfolio of corporate and project finance loans principally originated by RBI AG.

Total capital according to CCR

in € million	**31/12/2017**	**31/12/2016**
Paid-in capital	1,002	892
Less obligation to purchase own shares	(19)	0
Capital reserves and premium to CET1 instruments	4,432	4,433
Retained earnings and other reserves[1]	1,842	1,670
Common equity tier 1 (before deductions)	**7,257**	**6,995**
Net loss for the year	0	(567)
Intangible fixed assets/goodwill	(34)	(36)
Provision shortage for IRB positions	(103)	(104)
Deductions exceeding common equity tier 1	0	(35)
Deduction securitizations	0	(5)
Transitional adaptions for common equity tier 1	27	56
Common equity tier 1 (after deductions)	**7,147**	**6,304**
Additional tier 1	646	0
Less obligation to purchase own AT1	(20)	0
Transitional adaptions for common equity tier 1	(17)	0
Tier 1	**7,756**	**6,304**
Supplementary capital	2,971	3,178
Less own supplementary capital	(9)	(2)
Less obligation to purchase own supplementary capital	(31)	0
Provision excess of internal rating approach positions	57	111
Transitional adaptions for Supplementary Capital	(10)	(21)
Tier 2 (after deductions)	**2,978**	**3,266**
Total capital	**10,734**	**9,570**
Risk-weighted assets, total (assessment basis)	**33,330**	**28,884**
Common equity tier 1 capital ratio	21.4%	21.8%
Tier 1 capital ratio	23.3%	21.8%
Total capital ratio (transitional)	32.2%	33.1%
Common equity tier 1 capital ratio (fully loaded)	21.4%	21.8%
Total capital ratio (fully loaded)	32.2%	33.1%

1 Minus Federal IPS reserve of € 170.8 million (31/12/2016: € 0.0 million)

in € million	31/12/2017	31/12/2016
Risk-weighted assets, total (assessment basis)	**33,330**	**28,884**
Total capital requirement for credit risk	2,291	2,003
Internal rating approach	1,512	1,490
Standardized approach	737	426
CVA risk	17	28
Basel I - Floor	25	59
Total capital requirement for position risk in bonds, equities, commodities and open currency positions	120	91
Total capital requirement for operational risk	255	217
Total capital requirement	**2,666**	**2,311**

Capital requirements

in € million	31/12/2017	31/12/2016
Capital requirement according to standardized approach	**737**	**426**
Banks	0	2
Corporate customers	2	2
Equity exposures	695	401
Other positions	40	21
Capital requirement according to internal rating approach	**1,512**	**1,490**
Central governments and central banks	2	3
Banks	247	335
Corporate customers	922	832
Equity exposures	334	307
Securitization position	7	13
CVA risk	**17**	**28**
Basel I - Floor	**25**	**59**
Total capital requirement for credit risk	**2,291**	**2,003**

Per cent	31/12/2017	31/12/2016
Leverage ratio (fully loaded)	10.2%	10.8%
Risk weighted assets in per cent of total assets	60.9%	63.0%

Notes to the income statement

Income by geographic market in accordance with Section 64 (1) 9 BWG

A regional allocation to segments according to the business outlets' registered offices results in the following distribution:

2017 in € million	Total	Austria	Western Europe	Asia
Interest receivable and similar income	810.7	803.9	0.0	6.8
hereof: from fixed-income securities	82.4	82.3	0.0	0.1
Income from variable-yield securities and participations	1,379.8	1,379.8	0.0	0.0
Commissions receivable	293.2	292.3	0.7	0.2
Net profit or net loss on financial operations	12.2	(1.2)	0.0	13.4
Other operating income	147.2	147.0	0.1	0.1

2016 in € million	Total	Austria	Western Europe	Asia
Interest receivable and similar income	885.4	855.5	0.0	29.9
hereof: from fixed-income securities	60.2	59.8	0.0	0.4
Income from variable-yield securities and participations	638.5	638.5	0.0	0.0
Commissions receivable	287.9	285.1	0.8	1.9
Net profit or net loss on financial operations	(17.9)	(4.3)	(0.1)	(13.5)
Other operating income	151.9	151.3	0.0	0.5

Negative interest rates

Due to the low interest rate situation prevailing in the financial year, an expense, resulting from negative interest for loans and advances, was shown in an amount of € 38.4 million (2016: € 16.3 million) in the item interest receivable and similar income. This contrasted with income of € 40.7 million (2016: € 18.8 million) resulting from negative interest for liabilities which was shown in the item interest payable and similar expenses. The larger volume is responsible for the increase in expense and income resulting from negative interest.

Other operating income

Other operating income includes staff and administrative expenses passed on for services in the amount of € 80.6 million (2016: € 87.8 million), income from releases of provisions for impending losses from derivatives in the amount of € 11.1 million (2016: € 6.7 million), as well as other income from the release of other provisions in the amount of € 8.8 million (2016: € 1.9 million).

Staff expenses

Expenses for severance payments and benefits for occupational employee pension funds include € 5.6 million (2016: € 12.7 million) in expenses for severance payments.

Other administrative expenses

The auditor expenses for the financial year, broken down by service, are presented in the consolidated financial statements.

Sundry operating expenses

The sundry operating expenses decreased € 26.2 million to € 38.8 million in 2017. This position includes allocations of € 2.1 million (2016: € 12.1 million) to provisions for impending losses on bank book derivatives.

Disposal and valuation of securities valued as financial investments and from shares in affiliated companies and equity participations

The item net income/expenses from the disposal and valuation of securities valued as financial investments and from shares in affiliated companies and equity participations included a write-up for Raiffeisen Bank Aval JSC, Kiev, (€ 69.7 million). It also included write-downs of the book values of Raiffeisen Bank Polska S.A., Warsaw (€ 105.5 million), and RZB-BLS Holding GmbH, Vienna (€ 21.0 million). In total, losses of € 56.0 million (2016: € 270.8 million) on the valuation of shares in affiliated companies and equity participations were reported.

Group taxation

Until the merger, the company was a member of the Raiffeisen Zentralbank Österreich Aktiengesellschaft, Vienna group of companies in accordance with Section 9 of the Corporation Tax Act (KStG). RBI AG became the group parent when it merged with RZB AG. As at 31 December 2017, 53 companies are members of the group of companies in accordance with Section 9 of the Corporation Tax Act (KStG).

Overall return on assets

The overall return on assets (net loss or profit after tax divided by the average total assets) in 2017 was 1.9 per cent (2016: 0.1 per cent).

Recommendation for the Appropriation of Profits

The Management Board of RBI AG will propose to the Annual General Meeting to pay a dividend of € 0.62 per share from the net profit shown in the 2017 annual financial statements. Since the new shares issued in the course of the merger with RZB AG are entitled to full dividend rights for the 2017 financial year, the total dividend paid based on shares issued would be no more than € 203,943 thousand.

Other

The company did not conclude any significant transactions with related companies or persons at unfair market conditions.

In the 2017 financial year the company had an average of 2,341 employees (2016: 2,099).

Expenses for severance payments and pensions broke down as follows:

	Pension expenditure		Severance payments	
in € thousand	**2017**	**2016**	**2017**	**2016**
Members of the managing board and senior staff	(85)	156	2,154	2,712
Employees	7,853	3,635	6,165	11,729
Total	**7,768**	**3,791**	**8,319**	**14,441**

The decrease of severance payments expense was based on high expenses for severance payments in the previous year, due to the reduction of business operations in Asia.

Management Board

The Management Board as at 31 December 2017 was as follows:

Members of the Management Board	First assignment	End of period
Johann Strobl, Chairman	22 September 2010[1]	28 February 2022
Martin Grüll	3 January 2005	28 February 2020
Andreas Gschwenter	1 July 2015	30 June 2018
Peter Lennkh	1 October 2004	31 December 2020
Hannes Mösenbacher	18 March 2017	28 February 2020

1 Effective as of 10 October 2010

Karl Sevelda resigned as Chairman of the Management Board on 18 March 2017. At the same time, Johann Strobl was appointed Chairman of the Management Board (previously Deputy Chairman of the Management Board) and Klemens Breuer was appointed Deputy Chairman of the Management Board (previously member of the Management Board).

Klemens Breuer (Deputy Chairman of the Management Board) resigned from his position on 31 October 2017. The Working Committee temporarily reallocated responsibilities following his resignation. On 1 November 2017, Johann Strobl assumed responsibility for the Capital Markets area of the Management Board, while Peter Lennkh assumed responsibility for the Management Board area of Retail Banking. A new Deputy Chairman of the Management Board had not been appointed at the time this report was written.

Supervisory Board

The Supervisory Board as at 31 December 2017 was as follows:

Members of the Supervisory Board	First assignment	End of period
Erwin Hameseder, Chairman	8 July 2010[1]	AGM 2020
Martin Schaller, 1st Deputy Chariman	4 June 2014	AGM 2019
Heinrich Schaller, 2nd Deputy Chairman	20 June 2012	AGM 2022
Klaus Buchleitner	26 June 2013	AGM 2020
Peter Gauper	22 June 2017	AGM 2022
Wilfried Hopfner	22 June 2007	AGM 2022
Rudolf Könighofer	22 June 2017	AGM 2022
Johannes Ortner	22 June 2017	AGM 2022
Günther Reibersdorfer	20 June 2012	AGM 2022
Eva Eberhartinger	22 June 2017	AGM 2022
Birgit Noggler	22 June 2017	AGM 2022
Bettina Selden	4 June 2014	AGM 2019
Rudolf Kortenhof[2]	10 October 2010	Until further notice
Peter Anzeletti-Reikl[2]	10 October 2010	Until further notice
Suanne Unger[2]	18 January 2012	Until further notice
Gebhard Muster[2]	22 June 2017	Until further notice
Natalie Egger-Grunicke[2]	18 February 2016	Until further notice
Helge Rechberger[2]	10 October 2010	Until further notice

1 Effective as of 10 October 2010
2 Delegated by the Staff Council

Walter Rothensteiner (Chairman of the Supervisory Board) and Kurt Geiger (member of the Supervisory Board) resigned their Supervisory Board mandates with effect from the end of the Annual General Meeting on 22 June 2017. At the same time, Erwin Hameseder was appointed Chairman (previously 1st Deputy Chairman) and Martin Schaller was appointed 1st Deputy Chairman (previously 3rd Deputy Chairman).

Michael Höllerer and Johannes Schuster (both members of the Supervisory Board) resigned their Supervisory Board mandates with effect as of 18 March 2017.

State Commissioners:

- Alfred Lejsek, State Commissioner (since 1 January 2011)
- Anton Matzinger, Deputy State Commissioner (since 1 April 2011)

Remuneration of the Management Board

The following remuneration was paid to the Management Board:

in € thousand	2017	2016
Fixed remunerations	4,571	5,017
Bonus (performance-based)	1,881	1,467
Share-based remuneration (performance-based)	694	220
Payments to pension funds and reinsurance policies	301	264
Other remunerations	2,438	2,192
Total	**9,885**	**9,160**
hereof remuneration of affiliated companies	2,309	2,084

The fixed remuneration shown in the table contains salaries and benefits in kind.

The performance-based components of the Management Board's remuneration cover bonus payments and share-based compensation under the Share Incentive Program (SIP) – payment of the 2012 tranche. The bonuses reported above are immediately payable bonus amounts for 2016 and deferred bonus amounts for previous years.

Bonus calculation is linked to the achievement of annually agreed objectives. These cover four or five categories and in addition to specific objectives, include financial objectives which are specifically adjusted to the respective function, such as profit after tax in a segment, return on risk adjusted capital (RORAC), total costs, risk-weighted assets, customer, employee and process/efficiency and infrastructure objectives, plus other objectives where applicable. The amount of the bonus depends on the consolidated profit and on the cost/income ratio, and the objectives are derived from the Group's target medium-term ROE. Payment is made according to the applicable regulations of the Austrian Banking Act (BWG) implemented in the internal regulations (see employee compensation plans in the section recognition and measurement principles).

Other remuneration covers remuneration for functions in the boards of affiliated subsidiaries, insurance policies and grants.

An amount of € 1,277 thousand (2016: € 511 thousand) was paid in pension benefits to former members of the Management Board and to their surviving dependants. In addition to these amounts, short-term benefits, deferred bonus components, termination benefits and pro-rata payments from a matured SIP tranche totaling € 3,892 thousand (2016: € 493 thousand) were paid to former members of the Management Board. Up to the termination of their functions at the date of the merger of RZB AG with RBI AG, former members of the Management Board of RZB AG were paid a total of € 2,252 thousand.

Share-based remuneration

In 2014, the share incentive program (SIP) was terminated due to regulatory complexities. The last tranches of the SIP were issued in 2011, in 2012 and in 2013. The respective duration periods are five years. Therefore, the 2012 tranche matured in 2017. In accordance with the terms and conditions of the program (published by euro adhoc on 27 June 2012), the number of shares actually transferred was as follows:

Share incentive program (SIP) 2012 Group of persons	Number of shares due	Value as at stock price € 20.955 on allocation day	Number of shares actually transferred
Members of the management board of the company	52,718	1,104,706	36,168
Members of the management boards of bank subsidiaries affiliated with the company	70,277	1,472,655	54,437
Executives of the company and other affiliated companies	36,129	757,083	24,430

To avoid legal uncertainties, eligible employees in three countries were given a cash settlement instead of an allocation of shares as permitted by the program terms and conditions. In Austria, eligible parties were granted the option of accepting a cash settlement in lieu of half of the shares due in order to offset the income tax payable at the time of transfer. Therefore, fewer shares were actually transferred than the number that were due. The portfolio of own shares was subsequently reduced by the lower number of shares actually transferred.

On the reporting date, contingent shares for the last 2013 tranche still outstanding were allocated. As at 31 December 2017, the number of these contingent shares was 321,268. The originally published number of contingently allotted shares changed due to various personnel changes within Group units. It is shown on an aggregated level in the following table:

Share incentive program (SIP) 2013 Group of persons	Number of contingently allotted shares as at 31/12/2017	Minimum of allotment of shares	Maximum of allotment of shares
Members of the management board of the company	92,895	27,869	139,343
Members of the management boards of bank subsidiaries affiliated with the company	153,235	45,971	229,853
Executives of the company and other affiliated companies	75,138	22,541	112,707

In the financial year 2017, no shares were bought back for the share incentive program.

Remuneration of members of the Supervisory Board

in € thousand	2017	2016
Remunerations Supervisory Board	550	525

The Annual General Meeting held on 22 June 2017 approved annual remuneration for the members of the Supervisory Board of € 550 thousand and assigned the distribution to the Board itself. The members of the Supervisory Board determined the distribution by resolution on 15 May 2017 under the condition of approval in the Annual General Meeting held on 22 June 2017 as follows: Chairman € 70 thousand, Deputy Chairman € 60 thousand, members of the Supervisory Board € 50 thousand. Meeting attendance fees are not paid.

In the financial year 2017 no contracts subject to approval within the meaning of Section 95 (5) item 12 Austrian Stock Corporation Act (AktG) were concluded with members of the Supervisory Board.

Events after the reporting date

Change to composition of the Management Board

At the end of October 2017, Klemens Breuer resigned from his position on the Management Board, where he was responsible for the areas of Capital Markets and Retail Banking, on personal grounds.

On 7 December 2017, the Supervisory Board appointed Andrii Stepanenko to the Management Board, subject to approval by the supervisory authority. Upon receiving approval, Andrii Stepanenko is expected to take over the Retail Banking area from Peter Lennkh in March 2018, who has been provisionally holding the position since the departure of Klemens Breuer.

On 15 January 2018, the Supervisory Board appointed Lukasz Januszweski to the Management Board, subject to approval by the supervisory authority. Upon receiving approval, Lukasz Januszweski is expected to take over the Capital Markets area from Johann Strobl in March 2018, who has been provisionally holding the position since the departure of Klemens Breuer.

Vienna, 27. February 2018

The Management Board

Johann Strobl

Martin Grüll

Andreas Gschwenter

Peter Lennkh

Hannes Mösenbacher

Management report
Market development

Strong economic growth in the euro area amid low interest rates

The European Central Bank (ECB) left key rates unchanged in 2017, with a main refinancing rate at 0 per cent and a deposit facility rate at minus 0.4 per cent. After the first quarter of 2017, it reduced its monthly bond purchase volume from € 80 billion to € 60 billion on average per month. Euribor rates were in negative territory across all maturities for the year as a whole. Money market rates for maturities of 6 and 12 months also drifted marginally lower. The yield on two-year German government bonds initially reduced significantly, touching an all-time low of around minus 0.95 per cent in February before recovering again somewhat. The yield on 10-year German government bonds hovered mostly between 0.15 per cent and 0.50 per cent for the year as a whole, deviating from this range only briefly in July to reach a high of 0.65 per cent for 2017.

Euro area GDP growth was at 2.5 per cent for the full-year 2017. The acceleration in economic growth momentum, compared to the previous year, was seen across all countries. The recovery was mainly domestically driven and buoyed by all demand components (public and private sector consumption as well as investment demand). Labor market conditions have also improved considerably. The unemployment rate is maintaining a stable downtrend, however was still well above the last cyclical low by the end of the year. In contrast, employment has surpassed its high reached in 2008. By end-2017, many sentiment indicators were either close to or above previous historical highs. Sentiment has sharply improved among both private households and financial market participants. At the sector level, company survey results from service providers and retailers, as well as the industry and construction sectors, were also substantially more positive. In the first half of the year, inflation rates were heavily driven by calendar effects and by the oil price. This initially caused inflation to jump to 2.0 per cent. However, the oil price effect gradually reduced until mid-year. The inflation rate subsequently fluctuated between 1.3 per cent and 1.5 per cent.

The pickup in economic activity in Austria accelerated significantly in the reporting period: The GDP growth for 2017 at 2.9 per cent, was double that of the 2016 (1.5 per cent). The economic trend was broad based and supported by both domestic and export demand. The demand in private consumption remained strong and stable. The extremely strong equipment investment cycle continued and building investment increased. After slow growth in 2016, exports began to revive significantly and contributed significantly to net export figures despite imports also rising. The noticeable uptick in employment and slower rise in employment potential led to a decline in the unemployment rate, which was at 5.5 per cent (ILO definitions) for the full year 2017, and remained on its downward trend since 2011.

As so often was the case in recent years, the US economy got off to a weak start in 2017. Economic growth picked up noticeably later in the year, however, with real gross domestic product up an average 2.9 per cent (annualized) from the second to the fourth quarter. In addition to private consumption, gross fixed capital formation in particular enjoyed dynamic growth thanks to a higher oil price. The US economic output grew 2.3 per cent for full-year 2017.

In terms of economic growth, China surprised to the upside in 2017: The real GDP growth data released for the full year 2017 was at 6.9 per cent. Overall, the Chinese government succeeded in keeping the country's economic growth engine on track while curbing capital outflows and stabilizing the exchange rate; though signs of an imminent leveling off of economic growth momentum mounted towards the end of the year.

Strong growth in CE and SEE, moderate recovery in Russia

At the turn of 2016/2017, Central and Southeastern Europe (CE and SEE) saw inflation rates – in some cases negative – rise significantly, mainly driven by the positive trend in oil prices. As this leveled off again in the course of the year, however, overall inflation remained moderate. In 2017, inflation rates averaged 2.1 per cent in CE and 1.6 per cent in SEE. Consequently, inflation in 2017 only slightly raised the pressure to tighten monetary policy in the region. Key rate hikes in 2017 only occurred in the Czech Republic. In Romania, however, money market rates have already increased significantly and the Romanian central bank has already raised its deposit rates as a result.

The Central European region (CE) recorded stronger year-on-year economic growth in 2017, with GDP growth of 4.4 per cent, and was 1.6 percentage points above the previous year's level. The region benefited from strong economic growth in Germany, an ongoing recovery in the euro area, as well as expansionary monetary policies on the part of the ECB and CE central banks. Another factor was the step-up in investment activity from increased EU transfer payments in the region. Poland, the CE region's growth engine, gained considerable traction, posting 4.5 per cent year-on-year growth. Overall, the economic data indicates balanced growth with solid export and dynamic domestic economic activity.

In Southeastern Europe (SEE), the economy reported growth of 5.1 per cent year-on-year in 2017, which was at a level not seen in years. Although a portion of this was attributable to temporary factors, it nonetheless highlights the fact that the weak phase of previous years has been overcome. In particular, the Romanian economy's growth rate was once again significantly higher than in the previous year, increasing to 7.0 per cent. Its growth momentum was partly caused by fiscal easing in the form of tax cuts and by wage increases. As Romania's growth rate is considerably higher than its potential growth rate, it is seen as unsustainable. Bulgaria enjoyed GDP growth of 4.0 per cent, catching up somewhat with Romania. Although Serbia's growth disappointed in 2017, economic growth in Croatia came in stronger than expected.

Economic conditions in Eastern Europe (EE) continued to improve in 2017. Russia benefited from an oil price recovery relative to the previous year and private household demand also recovered again following an extended soft patch. Moreover, Moscow's prudent monetary and fiscal policy had a stabilizing effect, though failed to deliver any additional growth impetus. All in all, following stagnation in the previous year, Russia's economy returned to growth of 1.5 per cent in 2017, slightly higher than expected at the beginning of the year. Inflation in Russia continued to retreat significantly against the backdrop of a more stable currency and at the end of the year fell to the historic mark of 2.5 per cent. This allowed the Russian central bank to cautiously adjust its key rates downwards, albeit the interest rate level of 7.75 per cent at end-2017 is still very high. Ukraine's economy grew 2.2 per cent – a slightly slower rate than in the previous year – but continued its moderate recovery. Belarus' economy, which is heavily dependent on Russia, benefited from growth in Russia and ended its two-year recession.

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

Region/country	2016	2017e	2018f	2019f
Czech Republic	2.5	4.5	3.3	3.2
Hungary	2.2	4.0	3.8	3.2
Poland	2.9	4.5	4.6	3.9
Slovakia	3.3	3.4	4.0	4.0
Slovenia	3.1	4.8	3.8	2.8
Central Europe	**2.8**	**4.4**	**4.1**	**3.6**
Albania	3.4	3.8	4.0	3.8
Bosnia and Herzegovina	3.1	2.5	2.8	3.0
Bulgaria	3.9	4.0	4.2	4.0
Croatia	3.2	2.9	2.3	2.5
Kosovo	4.1	4.1	4.2	4.0
Romania	4.8	7.0	4.2	3.5
Serbia	2.8	1.8	2.5	2.5
Southeastern Europe	**4.1**	**5.1**	**3.7**	**3.3**
Belarus	(2.5)	2.4	2.5	2.0
Russia	(0.2)	1.5	1.5	1.5
Ukraine	2.3	2.2	2.5	3.0
Eastern Europe	**(0.1)**	**1.6**	**1.6**	**1.6**
Austria	**1.5**	**2.9**	**2.8**	**1.9**
Germany	**1.9**	**2.5**	**2.2**	**1.6**
Euro area	**1.8**	**2.5**	**2.5**	**1.7**

Banking sector in Austria

Supported by very positive macroeconomic developments, the banking sector in Austria gained considerable ground on the euro area in 2017 (above all in the corporate customer business) after somewhat below-average performance in the previous years. The profitability of Austria's banking sector increased markedly at a consolidated level. This was supported by CEE business, notably in the Czech Republic, Russia, Hungary and Slovakia. Similarly, adjustments carried out in recent years and efficiency-boosting programs are bearing fruit. Based on the positive overall market development, the Austrian banking sector markedly improved its capitalization relative to major Western European countries in 2017, and therefore its reported regulatory capital ratios are no longer below average by international standards. Capital requirements will gradually increase following the introduction of the systemic risk buffer and the buffer for Other Systemically Important Institutions (O-SIIs), which the Financial Market Stability Board (FMSB) has recommended. The reduction in the bank tax implemented in 2016 should also have a positive impact on the profitability of Austria's (major) banks in the following years.

Development of the banking sector in CEE

Multiple indicators in 2017 confirmed a significant recovery of the CEE banking sector relative to the partly still subdued development of the previous years. New lending and asset growth both continued to accelerate in some CE and SEE countries in 2017 (e.g. in the Czech Republic, Slovakia and Romania). Moreover, a greater number of banking markets (e.g. Hungary, Serbia, Croatia, and Bosnia and Herzegovina) participated in the overall positive regional trend, with significant asset growth reported virtually across the board. In Russia, banks with a sustainable business model benefited from an improving general market environment – despite a further market shakeout driven by the central bank. The necessary nationalization of two major banks in Russia, in the fall of 2017, had no impact either on the overall market or on Western foreign banks operating as niche players. Virtually all banking markets in CEE now show a comfortable loan/deposit ratio (well below 100 per cent for the most part), which represents a solid foundation for future growth. In addition, significant progress was made in 2017 in terms of reducing non-performing loans (NPLs). In CE and SEE, in particular, the NPL ratio continued to drop in 2017, down from 7.1 per cent to nearly 6 per cent, and is at its lowest level since 2009. Against the backdrop of the positive overall market development, return on equity in the CEE banking sector continued to increase significantly in 2017 to double-digit levels and above the comparable levels in the euro area. At around 15 to 17 per cent, the return on equity before tax of the leading Western European CEE banks has reached its highest level since 2007.

Regulatory environment

Changes in the regulatory environment

The Group continued to focus intensively on current and forthcoming regulatory developments in the reporting period.

Changes in prudential requirements (CRD IV/CRR) and the recovery and resolution framework (BRRD, SRMR)

The proposals made by the European Commission for the revision of the Capital Requirement Directive IV / Capital Requirement Regulation, as well as of the Bank Recovery and Resolution Directive (BRRD), are currently being discussed by European legislators. The proposals relating to third country equivalence with respect to capital instruments issued are of particular interest to RBI as a bank active on a cross-border basis. The capital and liquidity waivers relating to the application of capital and liquidity requirements also have a high degree of significance, as they are prerequisites for the efficient allocation of capital and liquidity within the Group. Other important issues are the limits under the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), changes in market risk and favorable regulatory treatment of software. RBI was extensively involved in the consultation process in 2017. The regulations are expected to take effect from 2021 or 2022.

Basel IV

At the end of 2017, the Basel Committee on Banking Supervision finalized the new international regulations for the calculation of risk-weighted assets (Basel IV). This relates to the issue of how banks calculate their risk, which must be supported by capital. For the calculation of risks, banks may use a standard model defined by the regulator or their own in-house model. The output floor (a floor for the total RWA from all risk categories), set at 72.5 per cent for banks which use their own in-house models, constitutes a major change. This means that the capital requirement calculated using the bank's in-house model must equate to at least 72.5 per cent of the value calculated using a standard model.

Basel IV must be implemented internationally by 1 January 2022; there is not yet a legal translation of the standard for the EU. For the output floor, a transitional period is planned until 2027, by which time the 72.5 per cent must be reached.

BCBS 239

In January 2013, the Basel Committee on Banking Supervision issued 14 general principles for risk data aggregation and risk reporting for credit institutions (BCBS 239). The objective is to strengthen the risk management of credit institutions and is in accordance with the conclusions of the Basel Committee that the issues of data and data quality play a major role at banks.

Due to its classification as a systemically important institution, RBI must comply with these principles. A high degree of importance was accordingly assigned to BCBS 239 in 2017. A comprehensive Group-wide action and implementation plan was developed to ensure compliance with the BCBS 239 principles on a timely basis.

Bank recovery and bank resolution

On 1 January 2015, the Austrian Bank Recovery and Resolution Act (Bankenabwicklungs- und Sanierungsgesetz BaSAG)), the national transposition of the BRRD from 2014, entered into force. RBI AG is subject to direct European Central Bank (ECB) supervision with respect to bank recovery within the Single Supervisory Mechanism (SSM) framework and to direct supervision by the Single Resolution Board (SRB) with respect to resolution within the Single Resolution Mechanism (SRM) framework.

RBI AG has a Group recovery plan, in accordance with BaSAG requirements. Potential measures to ensure operational capability in a financial stress situation are set out in the recovery plan. Along with the monitoring of the major Key Performance Indicators for early identification, the recovery plan forms a comprehensive governance structure for stress situations. The recovery plan is produced by RBI AG and examined by the regulator (ECB).

Payment Services Directive 2

The new payment services directive (PSD 2), which took effect from 13 January 2018, is aimed at improving consumer protection through advancing the security of services provided and the application of new technologies within the scope of the open banking principle. The directive enables new market participants defined as Third Party Providers (TPPs) such as fintechs to offer payment transfer services and regulates their relationship to the traditional banks, which must facilitate access for the TPPs to customer accounts provided the customers have given their consent.

General Data Protection Directive (GDPR)

The General Data Protection Directive (GDPR) takes effect from 25 May 2018 and applies to data relating to natural persons (e.g. customers or employees); it strengthens the control rights of these individuals with respect to their data. All departments within RBI which deal with personal data are affected by this directive. Since February 2017 a comprehensive project has been under way in RBI, concerning the definition and implementation of processes for the protection of personal data and the identification of personal data protection breaches, along with the establishment of the necessary IT framework. In addition to the project at Group head office, there are further projects in the network units as well as in the affiliated companies and companies in which equity participations are held in Austria, for which the head office provides coordination and support.

Preparation for the implementation of MiFID II and PRIIP

The implementation of the Markets in Financial Instruments Directive (MiFID II) which already began in 2016, along with the regulation (MiFIR) and other technical obligations, was continued so that MiFID II could be implemented on 3 January 2018.

Similarly, the directive on key information documents for Packaged Retail and Insurance-based Investment Products (PRIIP) has been implemented in such a way that the relevant key information documents could be delivered to retail customers from 3 January 2018,.

Banking supervision

The focus of the ECB banking supervision was on three areas in 2017: Risks relating to the business model and profitability, credit risk with an emphasis on non-performing loans and risk management in general. The focus of the Joint Supervisory Team was also on operations outsourced by RBI and on evaluation of the internal credit risk models. The effects in relation to Brexit and develop ments in the Fintech sector were also analyzed. Additionally, there was an extensive process with the competent resolution authorities - with the Single Resolution Board on EU level, the Austrian Financial Market Authority and the respective national authorities in the EU member states in which RBI is present with network banks, to establish the capability to resolve the bank.

Business performance at Raiffeisen Bank International AG

Business development

RBI AG is one of Austria's leading corporate and investment banks.

The Corporates business looks after the top 1,000 companies in the country and numerous large international and multinational customers. These clients benefit from RBI AG's extensive know-how and service portfolio in the areas of export financing, trade financing, cash management, treasury and fixed-income.

Financial Institutions and Sovereigns groups business with banks and institutional customers. It has developed out of Correspondent Banking in its original form and today stands for an integrated approach to doing business with banks, insurance companies and other institutional customers. An extensive product and service range includes, among others, transaction and clearing services, custody and deposit bank services, credit financing and capital market and securities transactions.

The Capital Markets business includes trading on own account and for third parties. Here, RBI AG offers its customers individually tailored solutions for liquidity and balance-sheet management, and for managing interest and currency risks. Its special strengths are interest rate, currency and credit products for the German-speaking countries (Austria, Germany and Switzerland) and CEE. Cash products, derivatives and structured products are also offered, as well as the issuance of debt capital via bonds and the securitization of loans and advances. A professional structuring team as well as sales strength and placement power ensure the successful implementation of projects.

The Treasury and Group Participations businesses are internal control areas for managing refinancing and the Bank's investment portfolio.

Corporates

The Corporates business services Austrian and international corporate customers. In addition to Austria's largest companies, these include Western European corporate customers with business activities in CEE, large corporate customers from Central and Eastern Europe and internationally active commodities and trading companies.

In Austria, the strategic focus was on structured customer acquisition and further exploitation of Group-wide earnings potential using strategic management tools and targeted sales initiatives. A core element here was the Global Account Management System, which offers international clients advisory services and support coordinated across the entire Group and enables a comprehensive product portfolio throughout the whole network.

In addition, work continues to further increase the attractiveness of products. Since RBI AG's customers are used to integral solutions, cross-business collaboration between Retail and Corporates is extremely important, particularly in the digital environment. In this connection, RBI AG collaborated with five international fintech companies on pilot projects for innovative banking products as part of its Elevator Lab fintech accelerator program. First tests were conducted in Austria and four CEE markets and always placed the main focus on customer benefit. This and further optimization of service and support processes, as well as the continuing high degree of cost discipline made a positive contribution to the cost/income ratio in the last financial year.

Despite the low interest rate environment and the continuing challenging economic and geopolitical environment, the result in terms of income was good. In addition to traditional credit business, the bank's outstanding product expertise led to structured project and acquisition financing, real estate financing, export and trade finance business and transaction banking also making a significant contribution to the positive performance.

Additionally, the once again positive development in the Asset Based Finance business should also be highlighted, where income further increased significantly as a result of a strong reputation and a high degree of solutions-oriented expertise. In the Debt Capital Markets business, RBI AG benefited considerably from the positive market development and consolidated its key position in promissory note and senior bond issuance.

The substantial reduction in the allocation to loan loss provisions in the financial year (both for Western European and Austrian as well as Central and Eastern European customers) reflected the high quality of the credit portfolio and made a significant contribution to the very good result.

Financial Institutions & Sovereigns

For the Financial Institutions & Sovereigns business, the 2017 financial year was shaped by the continuing recovery on the financial markets and by stable revenues and business development for banks and institutional customers. The financial sector has overcome the difficulties of the previous years, with a decline in non-performing loans (NPLs) and robust growth of the European economy resulting in positive trends within the business.

In 2017, sales activities again focused on equity and liquidity-preserving banking products; income from commission-based business reached a record level. In addition to the traditionally good results from the payment transfer business, which again posted higher than average performance, capital market business for new bond issuances and the associated securities sales also increased significantly. Performance for order management and securities services was also pleasing, adding to the positive picture.

Traditional credit business with financial institutions was stable at a low level and mainly focused on strong customer relationships with high cross-selling potential. These endeavors were very well complemented by the aforementioned product offensives.

While deglobalization is still observable within the financial sector, its momentum has reduced, with simultaneous signs of an emergence of regional players. Accordingly, RBI AG's leading role as a bridging function between East and West was again confirmed by the increased business volume in the Financial Institutions business.

Capital Markets

In 2017, the robust underlying macroeconomic conditions in the euro area resulted in high growth and increased inflation.

In its congressional hearing, the FED confirmed its intention to continue gradual interest rate increases and from October, it reduced the central bank balance, which had increased significantly as a result of the bond purchase program. As a result, short-term USD interest rates increased, resulting in a flattening of the USD yield curve.

Eastern Europe presented a mixed picture: whereas interest rates were raised in the Czech Republic, they fell to an all-time low in Hungary. The Russian central bank also reduced interest rates due to historically low inflation. The already tight liquidity situation for Eastern European government bonds heightened due to continuing interest from purchasers with very few sellers. This resulted in a narrowing of credit spreads.

The 2017 financial year was very pleasing for Institutional Sales. Good results were achieved in both primary and secondary market bonds business.

In the FX business, a consistently high level of trading activity by customers in the eFX segment and strategic positioning aimed at stable CEE currency development ensured a pleasingly strong annual performance.

The development of the EUR-USD exchange rate in particular again enabled Corporate Sales to increase its volume of foreign exchange business. However, continuing market expectations of lower money market interest rates led to subdued demand for interest rate hedges.

Treasury

For medium to long-term financing, RBI AG used long-term deposits and issuances. Senior issues are mainly under RBI AG's "EUR 25,000,000,000 Debt Issuance Program", which enables bonds to be issued in different currencies and with different structures.

In 2017, RBI AG again implemented its funding plan primarily with long-term deposits. The remaining requirement was covered by small unsecured private placements. Of a total volume of around € 2.2 billion and a weighted maturity of approximately 4.6 years, around € 200 million was placed in the form of unsecured bonds and € 650 million in the form of additional core capital (additional tier 1), with the remaining amount in the form of long-term deposits

At year-end 2017, the total volume of outstanding issued unsecured bonds excluding additional core capital amounted to € 5.9 billion.

In order to optimize the financing structure, RBI AG took on € 1 billion of long-term secured financing via the ESCB (European System of Central Banks) in the form of TLTRO. This program of the ECB offers four-year secured financing at favorable terms.

In addition, in 2017, RBI AG started to establish a secured refinancing platform which aims to secure financing in times of crisis.

Group Participations

In addition to 14 subsidiary banks in CEE, RBI AG's subsidiaries also include numerous additional Austrian and international subsidiaries in the strategic financial services sector. These companies are completed by a number of other banking-related ancillary services as well as other participations.

RBI AG's participation strategy aims to safeguard and expand the strategic interests of RBI AG and also to steadily increase the value of the overall portfolio.

Governance and administration of all participations is steered by RBI Group Participations.

In the financial year, participations with a book value of € 1,824 million were taken over within the framework of the merger with RZB AG. The principal other addition involved the purchase of the shares of AO Raiffeisenbank from Raiffeisen CIS Region-Holding GmbH for € 1,560 million. Key write-downs involved Raiffeisen Bank Polska S.A. (€ 106 million) and RZB-BLS Holding GmbH (€ 21 million). In contrast, Raiffeisen Bank Aval JSC resulted in a write-up of € 70 million.

Branches and representative offices

RBI AG operates a total of four branches – in Frankfurt, London, Singapore and Beijing. As service branches, these support the RBI headoffice in Vienna and RBI network banks with customer care and sales activities.

In addition to its branch offices, RBI AG also operates representative offices in Paris, Stockholm, Mumbai, Seoul, Ho Chi Minh City and Zhuhai (China).

Financial Performance Indicators

Statement of Financial Position

Raiffeisen Bank International AG's (RBI AG) total assets increased € 8.9 billion, or 19.5 per cent, to € 54.7 billion in the 2017 financial year. The growth in total assets resulted in particular from the merger of Raiffeisen Zentralbank Österreich AG (RZB AG) into Raiffeisen Bank International AG, amounting to €12.6 billion.

On the asset side, the cash reserve and balances with central banks increased € 3.1 billion year-on-year to € 4.8 billion. In the course of the merger with RZB AG € 4.5 billion was acquired. This resulted mainly from its function as the lead institution of the Raiffeisen banking sector and the associated obligation to maintain the minimum reserve for the Raiffeisen banking sector. Treasury bills also increased € 3.3 billion to € 5.5 billion, whereby € 4.3 billion can be attributed to the investments in government bonds acquired from RZB AG.

Loans and advances to banks declined 7.5 per cent, or € 0.7 billion, to € 9.0 billion in total. This development largely resulted from a € 0.8 billion decrease in lending, a € 0.5 billion decline in cash collaterals issued and a € 0.2 billion fall in long-term money market transactions. This contrasted with a € 0.8 billion increase in reverse repo business.

Loans and advances to customers remained relatively constant, with an increase of 1.4 per cent, or €0.2 billion, to €18.3 billion. The loan share fell by € 0.4 billion, while loss provisions for customer loans decreased by € 0.6 billion. This decline resulted predominantly from the derecognition of cases of loan loss provisions.

Bonds, notes and other fixed-interest securities rose 50.8 per cent, or € 0.8 billion year-on-year, to € 2.4 billion. This increase was due mainly to the securities portfolio acquired from RZB AG. The volume of shares and other variable-yield securities also rose, largely due to the merger with RZB AG, by 89.0 per cent or € 0.1 billion, to € 0.2 billion.

Shares in affiliated companies increased € 3.3 billion to € 11.3 billion. In addition to the shares acquired from RZB AG as part of the merger in the amount of € 1.8 billion, this development was largely attributable to the purchase of AO Raiffeisenbank shares from Raiffeisen CIS Region-Holding GmbH amounting to € 1.6 billion.

Other assets declined 29.7 per cent, or € 1.3 billion year-on-year, to € 2.9 billion. This is primarily attributable to the € 1.1 billion decline in positive fair values arising out of derivative financial instruments in the trading book and the € 0.5 billion fall in dividend accruals. Receivables (special reserve) in relation to the federal IPS contribution due from Österreichische Raiffeisen-Einlagensicherung eGen (ÖRE) were acquired from RZB AG, amounting to a balance of € 0.2 billion at year end.

On the liabilities side, liabilities to credit institutions rose 78.4 per cent, or € 10.5 billion, to € 23.9 billion due largely to a significant € 9.5 billion increase in long-term money market transactions. € 11.4 billion was acquired in connection with the merger. Liabilities to credit institutions still represent the largest source of funding for RBI AG at 44 per cent of total assets.

Liabilities to customers were down € 0.5 billion, or 3.5 per cent, to € 13.2 billion, largely due to a considerable € 0.6 billion decrease in long-term money market transactions.

Debt securities issued and additional capital according to CRR declined 22.4 per cent, or € 1.9 billion year-on-year, to € 6.4 billion. Funds raised through new issues amounted to € 0.2 billion in 2017 (2016: € 0.8 billion). In contrast, debt securities issued fell € 2.2 billion in 2017 as a result of repayments and retirements (2016: € 1.3 billion). Furthermore, short-term money market certificates in the amount of € 0.0 billion (2016: € 0.1 billion) were outstanding as at the reporting date.

Other liabilities decreased year-on-year € 1.0 billion, predominantly due to the decline in holdings of derivatives in the trading book.

The total risk exposure amount at year-end 2017 was € 33.3 billion (2016: € 28.9 billion). Of this amount, credit risk accounted for € 28.6 billion (2016: € 25.1 billion), operational risk for € 3.2 billion (2016: € 2.7 billion), market risk for € 1.5 billion (2016: € 1.1 billion). The total risk exposure amount increased around € 4.4 billion year-on-year. Common equity tier I (CET1) capital amounted to € 7.1 billion at year-end 2017 (2016: € 6.3 billion). In 2017 additional tier 1 capital (AT1) was issued for the first time; the level of tier 1 capital therefore amounted to € 7.8 billion (2016: € 6.3 billion). Additional capital amounted to € 3.0 billion (2016: € 3.3 billion). All in all, total capital amounted to € 10.7 billion, a year-on-year rise of € 1.1 billion. The higher total risk exposure resulted, despite the increase in total capital, in varying ratios on the whole. While the CET1 ratio, at 21.4 per cent, was lower than in the previous year (21.8 per cent), the tier 1 ratio, at 23.3 per cent, was higher than at 31.12.2016 (21.8 per cent). The total capital ratio was 32.2 per cent (2016: 33.1 per cent). The total capital surplus was € 8.1 billion, therefore increasing € 0.8 billion year-on-year.

The number of own shares related to the share incentive program (SIP) for key personnel in the company (Management Board and senior executives) and members of the management boards of associated bank subsidiaries and acquired in the years 2005 to 2009 amounted to 394,942 shares at year-end 2017. At a nominal value of € 1.2 million, this represented a proportion of 0.1 per cent of the total share capital. In the 2017 financial year, 115,035 of these own shares were allocated to the entitled individuals. The nominal value of these allocated shares was € 0.4 million, representing 0.0 per cent of share capital.

Earnings performance

As a result of the merger of RZB AG into RBI AG, the profit and loss statement can be compared with the previous year only to a limited extent.

In the 2017 financial year, Raiffeisen Bank International AG's (RBI AG) net interest income declined 11.6 per cent, or € 32.2 million, to € 244.80 million. Slightly reduced volumes primarily with respect to investments, and the generally low interest-rate level, largely contributed to the decline in net interest income.

Income from securities and participating interests rose € 741.3 million to € 1,379.8 million mainly because income from shares in affiliated companies increased € 733.0 million, due to higher dividend income from affiliated companies in 2017.

The net amount of commissions payable and commissions receivable declined € 6.9 million to € 169.8 million. The largest share of commission earnings came from the securities business (38.4 per cent, or € 65.2 million), followed by the payment transfer business (31.9 per cent, or € 54.1 million) and the guarantee business (18.7 per cent, or € 31.7 million).

The net profit on financial operations was € 12.2 million, compared to a net loss of € 17.9 million the previous year. Most of the reduction was due to the result from currency-based derivative transactions, which improved € 42.4 million to minus € 3.3 million (2016: minus € 45.7 million). In contrast the profit contribution of the predominantly interest-based derivative transactions fell to € 10.8 million (2016: € 28.3 million).

Other operating income fell € 4.7 million to € 147.2 million. This item included income from services provided to network banks amounting to € 80.6 million (2016: € 87.8 million), income from the release of other provisions amounting to € 8.8 million (2016: € 1.9 million), and income from the release of provisions for losses on bank book derivatives amounting to € 11.1 million (2016: € 15.1 million).

Operating income therefore amounted to € 1,953.8 million, a 59.3 per cent rise year-on-year.

Total operating expenses rose 8.4 per cent year-on-year, to € 714.7 million.

Staff costs increased, year-on-year, by € 44.9 million, to € 333.2 million. This was due to increased staffing levels as a result of the merger with RZB AG, an increase that was partially offset by lower staff expenses owing to the reduction of business activities in Asia.

Other administrative expenses increased 14.5 per cent, or € 42.2 million, to € 333.0 million. Other administrative expenses consisted mainly of IT expenses amounting to € 125.8 million (2016: € 102.0 million), rent amounting to € 29.8 million (2016: € 28.7 million), and consulting fees and audit fees amounting to € 44.4 million (2016: € 32.7 million). They also included the annual contribution to the bank resolution fund in an amount of € 21.2 million (2016: € 26.0 million). Depreciation of tangible assets and intangible fixed assets declined € 5.6 million to € 9.7 million.

Other operating expenses of RBI AG decreased € 26.2 million to € 38.8 million in 2017, mainly because allocations to provisions for legal costs fell to € 6.2 million (2016: € 31.3 million).

After deducting operating expenses from operating income, RBI AG generated an operating result of € 1,239.1 million for the 2017 financial year. This represents a year-on-year increase of 118.6 per cent, or € 672.2 million.

The cost/income ratio was consequently 36.6 per cent (2016: 53.8 per cent).

Net income/expenses from the disposal and valuation of loans and advances and securities classed as current assets recorded a net expense – as in the previous year - of € 156.6 million in 2017 (2016: € 233.7 million). This development was due above all to an improvement of the negative result from the valuation of loans and advances and guarantees to € 133.6 million (2016: € 228.3 million), resulting from a lower requirement for loan loss provisions compared to the previous year due to the improved macroeconomic environment. Net income/expenses from the disposal and valuation of financial investments changed from a net expense of € 193.6 million in 2016 to a net expense of € 47.9 million in 2017, mainly due to € 59.7 million higher write-ups and € 154.9 million lower unscheduled write-downs of affiliated companies. Gains on sale , however, fell € 56.0 million.

As a result, the profit on ordinary activities for the year under review amounted to € 1,034.6 million (2016: € 139.5 million).

The return on equity before taxes was 14.7 per cent (2016: 2.46 per cent).

Taxes on profit or loss amounted to an expense of € 18.2 million in 2017 (2016: € 13.4 million). Expenses for other taxes amounted to € 56.6 million (2016: € 81.3 million) and largely consisted of € 55.0 million for the stability contribution for banks (2016: € 78.2 million).

The return on equity after taxes was 11.0 per cent (2016: 0.79 per cent).

In 2017 the net income for the year after tax was € 959.8 million (2016: € 44.8 million).

After including the movements in reserves of € 188.0 million and the loss brought forward of € 566.6 million, the net profit for the year is € 205.3 million.

Capital, share, voting, and control rights

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

(1) As at 31 December 2017, the company's share capital amounted to € 1,003,265,844.05 and was divided into 328,939,621 voting common bearer shares. As at 31 December 2017, 394,942 of those were own shares, and consequently 328,544,679 shares were outstanding at the reporting date. In comparison with 31 December 2016 (509,977 shares), this results in a reduction of 115,035 own shares and was based on the transferring of shares within the framework of the share-based remuneration program.

(2) The Articles of Association contain no restrictions concerning voting rights or the transfer of shares. The regional Raiffeisen banks and the direct and indirect subsidiaries of the regional Raiffeisen banks are parties to a syndicate contract (syndicate agreement) regarding RBI AG. The terms of this syndicate agreement include not only a block voting agreement and preemption rights, but also a prohibition on sales of the RBI shares held by the regional Raiffeisen banks (with few exceptions) for a period of three years (lock-up period) from the effective date of the merger between RZB AG and RBI AG, i.e. from 18 March 2017, if the sale would directly and/or indirectly reduce the regional Raiffeisen banks' aggregate shareholding in RBI AG to less than 50 per cent of the share capital plus one share. After the lock-up period expires, the shareholding threshold falls to 40 per cent of the share capital of RBI AG.

(3) RLB NÖ-Wien Sektorbeteiligungs GmbH holds around 22.24 per cent of the share capital of the company according to the notification of voting rights published on 20 March 2017. By virtue of the syndicate agreement regarding RBI AG, the directly or indirectly held voting rights attached to a total of 193,449,778 shares, corresponding to a voting interest of around 58.81 per cent, are mutually attributable to the regional Raiffeisen banks and their direct and indirect subsidiaries pursuant to §§ 130 and 133 7 of the Austrian Stock Exchange Act (BörseG) as parties acting in concert as defined in § 1 6 of the Austrian Takeover Act (ÜbG) (see the notification of voting rights published on 20 March 2017). The remaining shares of RBI AG are held in free float, with no other direct or indirect shareholdings amounting to 10 per cent or more known to the Management Board.

(4) The Articles of Association do not contain any special rights of control associated with holding shares. According to the syndicate agreement for RBI AG, the regional Raiffeisen banks can nominate nine members of the RBI AG Supervisory Board. In addition to the members nominated by the regional Raiffeisen banks, the RBI AG Supervisory Board should also include three independent representatives of free-float shareholders who are not attributable to the Austrian Raiffeisen Banking Group.

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

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

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

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

The Annual General Meeting held on 16 June 2016 authorized the Management Board pursuant to § 65 (1) 8, § 65 (1a) and § 65 (1b) of the AktG to purchase own shares and to retire them if appropriate without requiring any further prior resolutions to be passed by the Annual General Meeting. Own shares, whether already purchased or to be purchased, may not collectively exceed 10 per cent of the company's share capital. The authorization to purchase own shares expires 30 months after the date of the Annual General Meeting resolution, i.e. as of 15 December 2018. The acquisition price for repurchasing the shares may be no lower than € 1 per share and no higher than 10 per cent above the average unweighted closing price over the ten trading days prior to exercising this authorization. The authorization may be exercised in full or in part or also in several partial amounts, for one or more purposes – with the exception of securities trading – by the company, by a subsidiary (§ 189a 7 of the UGB) or by third parties for the account of the company or a subsidiary.

The Management Board was further authorized, pursuant to § 65 (1b) of the AktG, to decide, with the approval of the Supervisory Board, on the sale of own shares by means other than the stock exchange or a public tender, to the full or partial exclusion of shareholders' subscription rights, and to stipulate the terms of sale. Shareholders' subscription rights may only be excluded if the own shares are used to pay for a contribution in kind, to acquire enterprises, businesses, operations or stakes in one or several companies in Austria or abroad, or for the purpose of implementing the company's Share Incentive Program (SIP) for executives and members of the Management Boards of the company and affiliated companies. In addition, if convertible bonds are issued in accordance with the Annual General Meeting resolution of 26 June 2013, shareholders' subscription rights may also be excluded in order to issue (own) shares to the holders of these convertible bonds who exercise the conversion or subscription rights granted to them under the terms of the convertible bonds to shares of the company. This authorization may be exercised in whole, in part or in several partial amounts for one or more purposes by the company, a subsidiary (§ 189a 7 UGB) or by third parties for the account of the company or a subsidiary and remains in force for five years from the date of this resolution, i.e. until 15 June 2021.

No own shares have been bought since the authorization was issued in June 2016.

The Annual General Meeting of 16 June 2016 also authorized the Management Board, under the provisions of § 65 (1) 7 of the AktG, to purchase own shares for the purpose of securities trading, which may also be conducted off-market, during a period of 30 months from the date of the resolution (i.e. until 15 December 2018), provided that the trading portfolio of shares purchased for this purpose does not exceed 5 per cent of the company's respective share capital at the end of any given day. The consideration for each share to be acquired must not be less than half the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition and must not exceed twice the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition. This authorization may be exercised in full or in part or also in several partial amounts by the company, by a subsidiary (§ 189a 7 UGB) or by third parties acting for the account of the company or a subsidiary.

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

- RBI AG was insured as a subsidiary of RZB under RZB's group-wide D&O insurance until the merger took effect on 18 March 2017. On 18 March 2017, the insured party was changed from RZB to RBI AG through an addendum to the contract. Thus there was no change to the insurance cover for RBI AG and for the whole RBI Group. Insurance cover would remain in place following a merger with another leagal entity of the RBI Group. In the event of a merger with a legal entity outwith the RBI Group, the insurance policy would automatically cease at the end of the insurance period in which the merger took effect. In such cases, insurance cover only exists for claims for damages arising from breaches of obligations that occurred before the merger, which are reported to the insurer prior to any termination of RBI's group-wide D&O insurance cover, and thereafter, within the agreed notification period of five years.
- The company's SIP provides the following upon change in corporate control: "If a change in corporate control or a merger occurs during the vesting period, and the combination does not exclusively concern subsidiaries, all contingent shares will lapse without replacement at the time of acquiring the shares of RBI AG and the investor's effective power to dispose of them, or at the time of the merger. An indemnification payment will be made for these contingent shares. The indemnity sum calculated will be paid out with the next possible salary payment."
- Furthermore, the syndicate agreement concluded by RBI AG in relation to a subsidiary bank with a joint shareholder will automatically be terminated upon a change of control.
- RBI AG is a member of the Professional Association of Raiffeisen Banks. Upon a change in control of RBI AG which results in the attainment of control by shareholders outside of the Raiffeisen Banking Group Austria, membership of the Professional Association of Raiffeisen Banks and of the Raiffeisen Customer Guarantee Scheme Austria may be terminated. RBI AG continues to serve as the central institution of the Raiffeisen Banking Group at a national level. Upon a change in control of RBI AG, related contracts (membership of the liquidity group pursuant to § 27a of the BWG; membership of the federal IPS pursuant to Art. 113 (7) of the CRR; membership of the Österreichischen Raiffeisen-Einlagensicherung EGen) may end or change.
- The company's refinancing agreements and agreements concerning third-party financing for subsidiaries, which are guaranteed by the company, stipulate that the lenders can demand early repayment of the financing in the event of a change in control.

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

Non-financial Performance Indicators

Pursuant to the Sustainability and Diversity Improvement Act (NaDiVeG), the consolidated non-financial statement, which has to be prepared for the first time in accordance with § 267a of the Austrian Commercial Code (UGB), is issued as an independent non-financial report (Sustainability Report). The report containing detailed information on sustainability management developments, will be published online – at www.rbinternational.com → About us → Sustainability Management – and also contains the disclosure for the parent company in accordance with § 243b of the UGB.

Corporate Governance

The Corporate Governance Report is available on RBI's website (www.rbinternational.com → Investor Relations → Corporate Governance).

Risk report

Taking and transforming risks form integral components of the banking business. This makes active risk management as much a core competence of overall bank governance as capital planning and management of the bank's profitability. In order to effectively identify, classify and contain risks, RBI AG utilizes comprehensive risk management and controlling.

This function spans the entire organizational structure, including all levels of management, and is implemented through the risk management organization. Risk management is structured to ensure the careful handling and professional management of credit risk, country risk, market risk, liquidity risk, investment risk and operational risk in order to ensure an appropriate risk/reward ratio.

Active risk management is a core competency of RBI AG. In order to effectively identify, measure, and manage risks the bank 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 risk report describes the principles and organization of risk management and explains the current risk exposures in all material risk categories.

Risk management principles

RBI AG has a system of risk principles and procedures in place for measuring and monitoring risk. It is aimed at controlling and managing the risks at all banks and specialist companies owned by the bank. The risk policies and risk management principles are determined by the Management Board of RBI AG. The bank's risk principles include the following:

- Integrated risk management
  Credit, country, market, liquidity, and operational risks are managed as main risks on a bank-wide basis. For this purpose, these risks are measured, limited, aggregated, and compared to available risk coverage capital.

- Standardized methodologies
  Risk measurement and risk limitation methods are standardized in order to ensure a consistent and coherent approach to risk management. This is efficient for the development of risk management methods and it forms the basis for consistent overall bank management across all countries and business segments in RBI AG.
- Continuous planning
  Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to preventing risk concentrations.
- Independent control
  A clear personnel and organizational separation is maintained between business operations and any risk management or risk controlling activities.
- Ex ante and ex post control
  Risks are consistently measured within the scope of product selling and in risk-adjusted performance measurement. Thereby it is ensured that business in general is conducted only under risk-return considerations and that there are no incentives for taking high risks.

Organization of risk management

The Management Board of RBI AG ensures the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions on the basis of the risk reports and analyses. Independent risk management units and special committees support the Management Board in implementing these tasks.

RBI AG's risk management functions are performed on different levels. RBI AG develops and implements the relevant concepts as the parent credit institution and in cooperation with the subsidiaries of the Group. The central risk management units are responsible for the adequate and appropriate implementation of the risk management processes throughout the company. In addition, they implement the risk policy in the respective risk categories and manage RBI AG's activities within the approved risk budget. The merger of RZB AG into RBI AG made it possible to simplify and streamline the organization of risk management and risk controlling.

The central and independent risk controlling function under the Austrian Banking Act is performed by the Group Risk Controlling organizational area. It is responsible for developing the company-wide framework for overall bank risk management (integrating all risk types) and preparing independent and neutral reports on the risk profile for the Risk Committee of the Supervisory Board, to the Management Board and the heads of the individual business areas.

Risk committees

The Group Risk Committee is the most senior decision-making body for all of the Group's risk-related topic areas. It decides on the risk management methods and on the control concepts used for the overall Group and for key subdivisions, and is responsible for ongoing development and implementation of methods and parameters for risk quantification and for refining steering instruments. This also includes the risk appetite, different risk budgets and limits at overall bank level and monitoring of the current risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and controlling activities (e.g. allocation of risk capital) and advises the Management Board on these matters.

The Group Asset/Liability Committee assesses and manages the statement of financial position structure and liquidity risks and defines the methodology for internal funds transfer pricing. In this context, it plays an important role in long-term funding planning and the hedging of structural interest rate and foreign exchange risks. The Capital Hedge Committee is a sub-committee of the Group Asset/Liability Committee and manages the currency risk of the capital position.

The Market Risk Committee controls market risks of trading and banking book transactions and establishes corresponding limits and processes. In performing its control function, it relies in particular on profit and loss reports, the risks calculated and the limit utilization, as well as the results of scenario analyses and stress tests with respect to market risks.

The Credit Committees are staffed by front office and back office representatives with different participants depending on the customer segment (corporate customers, financial institutions and the public sector). They decide on the specific lending criteria for different customer segments and countries. Under the lending approval process and credit approval authority based on rating and exposure size, they also make the respective credit decisions.

The Problem Loan Committee is the most important committee in the assessment and decision-making process for problem customers. The Problem Loan Committee primarily comprises decision-making authorities (Management Boards) and is chaired by the Chief Risk Officer (CRO) of RBI AG. Additional voting members include Management Board members responsible for the customer divisions, the Chief Financial Officer (CFO) and the relevant division and department heads of Risk Management and Workout.

The Securitization Committee is the decision-making committee for limit applications relating to securitization positions within the scope of the specific decision-making authority and for the development of proposals to modify the securitization strategy for the Management Board. The Securitization Committee also serves as a platform for the exchange of information pertaining to securitization positions and market developments.

The Group Operational Risk Management & Controls Committee comprises representatives of the business areas (retail, market and corporate customers), as well as participants from Compliance, (including Financial Crime Management), Internal Control System, Operations, and Security and Risk Controlling, and is chaired by the CRO. This committee is responsible for managing operational risk (including conduct risk) for the purpose of deriving and establishing an operational risk strategy based on the risk profile and business strategy and to make decisions concerning measures, controls and risk acceptance.

The Contingency/Recovery Committee is a decision-making body which is convened by the Management Board. The composition of the committee varies as circumstances require depending on the requirements of the specific situation. The committee's core task is to maintain/restore financial stability as defined by the Federal Act on the Recovery and Resolution of Banks (BaSAG) and/or the Banking Recovery and Resolution Directive (BRRD) in the event of a critical financial situation.

Quality assurance and auditing

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This is to ensure that RBI AG adheres to all legal requirements and that it can achieve the highest standards in its risk management practices.

All these aspects are coordinated by the division Group Compliance, which continuously analyzes the internal control system and – if actions are necessary for addressing any deficiencies – is also responsible for tracking their implementation.

Two very important functions in assuring independent auditing are performed by the divisions Audit and Compliance. Independent internal auditing is a legal requirement and a central pillar of the internal control system. Audit periodically assesses all business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board of RBI AG which discusses them on a regular basis in its board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements in addition to and as an integral part of the internal control system. Thereby, compliance with existing regulations in daily operations is monitored.

Moreover, an independent and objective audit, free of potential conflicts of interest, is carried out during the audit of the annual financial statements by the auditing companies.

Overall bank risk management

Maintaining an adequate level of capital is a core objective of the risk management of the company. Capital requirements are monitored regularly on the basis of the risk determined by internal models; the choice of models used reflects the materiality of risks. This overall bank risk management approach takes account of capital requirements from a regulatory point of view (sustainability and going concern perspective) and from an economic standpoint (target rating perspective). It is therefore in line with the quantitative aspects of the internal capital adequacy assessment process (ICAAP) as legally required. RBI AG's overall ICAAP process is audited during the supervisory review process for the RBI credit institution group (RBI Kreditinstitutsgruppe) on an annual basis.

The Risk Appetite Framework (RAF) limits the Group's overall risk in line with the strategic business objectives and allocates this to the various risk categories and business areas. The primary aim of the RAF is to limit risk in particular in adverse scenarios and for major singular risks in such a way as to ensure compliance with regulatory minimum ratios. The RAF is therefore based on the ICAAP's three pillars (target rating, going-concern, sustainability perspective) and sets the concentration risk limits for the risk types identified as significant in the risk assessment.

In addition, the risk appetite decided by the Management Board and the Group's risk strategy and its implementation are reported regularly to the Supervisory Board's Risk Committee.

Objective	Description of risk	Measurement technique	Confidence level
Target rating perspective	Risk of not being able to satisfy claims of the Group´s senior debt holders	Unexpected losses on an annual basis (economic capital) must not exceed the present value of equity and subordinated liabilities	99.92 per cent as derived from the default probability implied by the target rating
Going concern perspective	Risk of not meeting the capital requirement as defined in the Basel III regulations	Risk-taking capacity (projected earnings plus capital exceeding regulatory requirements) must not fall below the annualized value-at-risk of the Group	95 per cent presuming the owners´ willingness to inject additional own funds
Sustainability perspective	Risk of falling short of a sustainable tier 1 capital ratio over a full business cycle	Capital and loss projection for a three-year planning period based on a severe macroeconomic downturn scenario	85-90 per cent based on the management decision that the Group might be required to temporarily reduce risks or raise additional core capital

Target rating perspective

Risks in the target rating perspective are measured on the basis of economic capital, which represents a comparable measure across all types of risks. It is calculated as the sum of unexpected losses stemming from different risk categories (credit, participation, market, liquidity, macroeconomic and operational risk as well as risk resulting from other tangible assets). In addition, a general buffer for other risks that are not explicitly quantified is held.

The following table shows the risk distribution of individual risk types to economic capital:

in € thousand	2017	Percentage	2016	Percentage
Participation risk	2,375,902	68.9%	1,744,561	62.3%
Credit risk corporate customers	448,070	13.0%	428,390	15.3%
Credit risk sovereigns	117,988	3.4%	139,020	5.0%
Operational risk	86,162	2.5%	95,801	3.4%
Market risk	77,670	2.3%	63,143	2.3%
Credit risk financial institutions	75,686	2.2%	115,551	4.1%
Macroeconomic risk	43,019	1.2%	24,000	0.9%
Other tangible assets	42,655	1.2%	28,253	1.0%
CVA risk	17,084	0.5%	28,007	1.0%
Risk buffer	164,212	4.8%	133,336	4.8%
Total	**3,448,448**	**100.0%**	**2,800,063**	**100.0%**

The changes in the individual risk categories relative to the comparable period, especially for the participation risk, are predominantly due to the merger of RZB AG into RBI AG.

The objective of calculating the economic capital is to determine the amount of capital that would be required for servicing all customer and creditor claims also for such a rare loss event. To calculate the economic capital, RBI AG applies a confidence level of 99.92 per cent derived from the default probability implied by the target rating. On the basis of the empirical analysis of rating agencies, the selected confidence level corresponds to a rating of Single A.

Economic capital is an important instrument in overall bank risk management and is used in allocating the risk budget. Economic capital limits are allocated to individual business segments during the annual budgeting process and are complemented for day-to-day management by volume, sensitivity, or value-at-risk limits. At RBI AG, this is planned on a revolving basis for the upcoming three years and incorporates the future development of economic capital as well as available internal capital. Economic capital thus substantially influences the plans for future lending activities and the overall limit for taking market risks.

Risk-adjusted performance measurement is also based on this risk measure. The ratio of the profitability of business units to the amount of economic capital attributable to such units is determined (risk-adjusted return on risk-adjusted capital, RORAC) to yield a comparable performance measure for all of the bank's business units. This measure is used in turn as an indicator in overall bank management, related capital allocation and in the compensation of executive management.

Going concern perspective

Parallel to the target rating perspective, internal capital adequacy is also assessed with a focus on the uninterrupted operation of the bank on a going concern basis. The risk is compared to risk-taking capacity – having regard to regulatory capital and minimum capital requirements. In line with this target, risk taking capacity is calculated as the amount of expected profits, expected impairment losses, and the excess of total capital (taking into account various limits on eligible capital). This capital amount is compared to the overall value-at-risk (including expected losses). Quantitative models used in the calculation are based on methods comparable (albeit with a lower 95 per cent confidence level) to those used in the target rating perspective. Using this approach, the bank ensures adequate regulatory capitalization (going concern) with the given probability.

Sustainability perspective

The sustainability perspective is to ensure that RBI AG can maintain a sufficiently high tier 1capital ratio at the end of the full multi-year planning period even if the macroeconomic environment deteriorates unexpectedly. The analysis of the sustainability perspective is based on a multi-year macroeconomic stress test which simulates hypothetical market developments in a significant, but realistic economic downturn. The risk parameters include: interest rates, foreign exchange rates and securities prices, as well as changes in default probabilities and rating migrations in the credit portfolio.

The main focus of this integrated stress test is on the ensuing tier 1 capital ratio at the end of the multi-year period. The ratio should not fall below a sustainable level and make it necessary for the bank to increase capital substantially or significantly reduce business activity. The current minimum amount of tier 1 capital is thus determined by the extent of the potential economic downturn. The need to allocate loan loss provisions, potential pro-cyclical effects that increase minimum regulatory capital requirements, the impact of foreign exchange fluctuations as well as other valuation and earnings effects are incorporated into this downturn scenario.

This perspective thus also complements traditional risk measurement based on the value-at-risk concept (which is mainly based on historical data). It is able to incorporate exceptional market situations that have not been observed in the past and it is possible to estimate the potential impact of such developments. The stress test enables risk concentrations to be analyzed (e.g., individual positions, industries, or regions) and gives insight into profitability, liquidity and solvency under extreme situations. Based on these analyses, RBI AG's risk management actively manages portfolio diversification, for example through limits for total exposure in individual industry segments and countries and through ongoing adjustments to lending standards.

Credit risk

RBI AG's credit risk stems mainly from default risks that arise from business with retail and corporate customers, other banks and sovereign borrowers. It is by far the most important risk category for RBI AG, which is also indicated by internal and regulatory capital requirements. Credit risk is therefore analyzed and monitored both on an individual loan and customer basis as well as on a portfolio basis. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and the tools and processes which have been developed for this purpose. The internal control system for credit risks includes different types of monitoring measures, which are tightly integrated into the workflows to be monitored – from the customer's initial credit application, to the bank's credit approval, and finally to the repayment of the loan.

No lending transaction is performed in the non-retail segments before the limit application process has been completed. This process applies not only to new lending, but also to increases in existing limits, roll-overs, overdrafts, and to cases in which the borrower's risk profile is no longer the same as the profile that formed the basis for the original lending decision (e.g., with respect to the financial situation of the borrower, purpose or collateral). In addition, it applies to the setting of counterparty limits in treasury and investment banking operations, other credit limits, and to participations.

Credit decisions are made within the context of a hierarchical competence authority scheme depending on the type and size of a loan. The approval of the business and the credit risk management divisions is always required for individual limit decisions and the regular rating renewals. If the individual decision-making parties disagree, the potential transaction has to be decided upon by the next higher-ranking credit authority.

Credit portfolio management

RBI AG's credit portfolio is managed, among other factors, on the basis of the portfolio strategy. This limits the exposure to different countries, industries and product types to avoid undesired risk concentrations. In addition, the long-term opportunities in the single markets are regularly analyzed. This enables future lending activities to be strategically repositioned at an early stage.

RBI AG's credit portfolio is broadly diversified by region and sector. The geographical breakdown of the loans on and off the statement of financial position reflects the broad diversification of the credit business in the European markets. These loans are broken down by region according to the customer's country of risk as follows (countries with credit exposure greater than € 1 billion are shown separately):

in € thousand	2017	Percentage	2016	Percentage
Austria	25,078,927	39.6%	18,539,615	33.7%
Germany	7,554,023	11.9%	5,143,729	9.3%
Great Britain	4,811,873	7.6%	4,957,889	9.0%
Poland	2,250,890	3.6%	1,916,577	3.5%
France	2,211,598	3.5%	2,711,170	4.9%
Swiss	2,015,822	3.2%	1,912,805	3.5%
Russia	1,936,666	3.1%	2,065,985	3.8%
Far East	1,734,518	2.7%	2,541,580	4.6%
USA	1,603,949	2.5%	1,834,726	3.3%
Czech Republic	1,357,831	2.1%	971,152	1.8%
Netherlands	1,297,300	2.0%	1,378,088	2.5%
Romania	1,280,230	2.0%	1,368,135	2.5%
Luxemburg	1,082,753	1.7%	620,422	1.1%
Others	9,116,805	14.4%	9,106,801	16.5%
Total	**63,333,185**	**100.0%**	**55,068,672**	**100.0%**

The following table shows the effect of the merger of RZB AG into RBI AG, broken down by region.

in € thousand	2017	Percentage
Austria	9,084,174	70.6%
Germany	935,769	7.3%
Italy	654,815	5.1%
Spain	501,661	3.9%
Poland	345,394	2.7%
Luxemburg	278,357	2.2%
Ireland	196,639	1.5%
Czech Republic	133,228	1.0%
Portugal	29,999	0.2%
Others	708,811	5.5%
Total	**12,868,846**	**100.0%**

Taking the merger of RZB AG into RBI AG into account, the credit portfolio recorded a year-on-year decline of € 4,604,333 thousand to € 63,333,185 thousand. This was primarily the result of declines in swap and money-market transactions. In addition, the reduction of branches in Asia resulted in a reduction in the credit portfolio.

Risk policies and the assessment of credit ratings at RBI AG also take account of the borrowers' industries. Banking and insurance represents the largest industry class in the credit portfolio. However, this is largely attributable to exposures to members of the Austrian Raiffeisen Group. The public sector is mainly attributable to securities of the Republic of Austria as issuer. The following table sets out the credit exposure broken down according to the customers' industry classification:

in € thousand	2017	Percentage	2016	Percentage
Financial Intermediation	29,557,283	46.7%	25,627,976	46.5%
Real estate, renting and business activities	8,794,547	13.9%	6,755,529	12.3%
Public administration and defence, compulsory social security	6,840,031	10.8%	3,426,900	6.2%
Manufacturing	5,847,157	9.2%	6,329,540	11.5%
Wholesale and retail trade; repair of motor vehicles, motorcyles and personal and household goods	5,711,127	9.0%	5,741,176	10.4%
Others	2,083,826	3.3%	1,880,235	3.4%
Agriculture, hunting and forestry; fishing; mining and quarrying	1,373,671	2.2%	1,103,904	2.0%
Construction	948,663	1.5%	1,586,444	2.9%
Transport, storage and communication	877,358	1.4%	996,611	1.8%
Education; health and social work; other community, social and personal service activities	677,820	1.1%	641,043	1.2%
Electricity, gas and water supply	621,703	1.0%	979,316	1.8%
Total	**63,333,185**	**100.0%**	**55,068,672**	**100.0%**

A more detailed credit portfolio analysis is based on individual customer ratings. Customer ratings are tailor-made and are therefore carried out separately for different asset classes. Internal risk classification models (rating and scoring models), which are validated by a central organization unit, are used. The rating models in the main non-retail segments – corporates and financial institutions – provide for 27 rating grades, and in the public sector for ten rating grades. Rating and validation software tools are available for rating preparation and validation (e.g. business valuation, rating and default database).

Collateralization is one of the main strategies and an actively pursued measure for reducing potential credit risks. The value of collateral and the effects of other risk mitigation techniques are determined during the limit application process. The risk mitigation effect taken into account is the value that RBI AG expects to receive when it sells the collateral within a reasonable period. Types of eligible collateral and valuation guidelines are defined in the collateral list. The collateral value is calculated according to uniform methods, including standardized calculation formulas based on market values, predefined minimum discounts, and expert assessments.

Credit default and workout process

The credit portfolio and individual borrowers are subject to constant monitoring. The main objectives of monitoring are to ensure that the borrower meets the terms and conditions of the contract and to keep track of the borrower's financial position. Such a review is conducted at least once annually in the non-retail asset classes (corporates, financial institutions, and sovereigns). This includes a rating review and the revaluation of financial and tangible collateral.

Problem loans (where debtors might run into material financial difficulties or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees make decisions on problematic exposures. If restructuring is necessary, problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Involving employees of the workout departments at an early stage can help reduce losses from problem loans.

According to Article 178 CRR, a default and thus non-performing loan (NPL) is defined as a case in which a specific debtor is unlikely to pay its credit obligations to the bank in full, or a case in which the debtor is overdue more than 90 days on any material credit obligation. RBI AG has defined twelve indicators to identify a default event in the non-retail segment. These include: a customer is involved in insolvency or similar proceedings; an impairment provision has been allocated or a direct write-off has been taken; credit risk management has judged that a customer account receivable is not wholly recoverable; the work-out unit is considering stepping in to help a customer regain its financial soundness.

As part of the Basel II project, a Group-wide default database was created to record and document customer defaults. Defaults and default reasons are also recorded in the database, which enables probabilities of default to be calculated and validated.

Provisions for impairment losses are formed in accordance with defined guidelines based on IFRS accounting principles and cover all identifiable credit risks. In the non-retail business, problem loan committees decide on individual loan loss provisions.

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

	NPL		NPL Ratio		NPL Coverage Ratio	
in € thousand	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Corporate customers	1.139.154	1.594.494	6,1%	8,4%	47,3%	74,2%
Sovereigns	70	1.397	0,0%	0,4%	46,0%	0,0%
Total non-banks	**1.139.224**	**1.595.891**	**5,9%**	**8,3%**	**47,4%**	**74,3%**
Banks	9.299	75.605	0,1%	0,8%	99,4%	62,6%
Total	**1.148.523**	**1.671.496**	**4,2%**	**5,8%**	**47,8%**	**73,8%**

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

in € thousand	As at 1/1/2017	Change in consolidated group	Allocation[1]	Release	Usage[2]	Reclassifications, exchange differences[3]	As at 31/12/2017
Individual loan loss provisions	**1,225,930**	**6,252**	**262,440**	**(121,016)**	**(815,605)**	**(9,807)**	**548,193**
Banks	46,720	0	1,063	(347)	(33,091)	(5,751)	8,594
Corporate customers	1,161,703	0	232,143	(99,789)	(775,225)	(23,263)	495,568
Retail customers	3,052	0	3,873	(5)	(7,288)	1,185	817
Sovereigns	0	0	0	0	0	0	0
Off-balance sheet obligations	14,456	6,252	25,361	(20,875)	0	18,021	43,215
Portfolio-based loan loss provisions	**30,460**	**155**	**1,579**	**(8,114)**	**0**	**31**	**24,111**
Banks	580	0	1	(118)	0	(125)	339
Corporate customers	21,373	130	1,069	(5,440)	0	171	17,302
Retail customers	100	0	459	(104)	0	(17)	438
Sovereigns	1	0	9	(1)	0	23	32
Off-balance sheet obligations	8,406	25	41	(2,451)	0	(20)	6,000
Total	**1,256,390**	**6,407**	**264,018**	**(129,130)**	**(815,605)**	**(9,776)**	**572,304**

1 This includes changes due to Unwinding of impaired customers and changes in internal interest exemptions.
2 This includes changes to internal interest exemptions.
3 This includes reclassifications of provisions and changes to customer categories.

Country risk

Country risk includes transfer and convertibility risks as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. RBI AG's business activities in the converging Central, Eastern European and Asia markets expose it to this risk. In those markets, political and economic risks to some extent are still considered to be significant.

RBI AG's active country risk management is based on the country risk policy, which is set by the Management Board. This policy is part of the credit portfolio limit system and sets a strict limitation on cross-border risk exposure to individual countries. In day-to-day work, business units therefore have to submit limit applications for the respective countries for all cross-border transactions in addition to the limit applications for specific customers. A model which takes into account the internal rating for the sovereign, the size of the country, and RBI AG's own capitalization is applied to determine the absolute limit for individual countries.

Country risk is also reflected through the internal funds transfer pricing system in product pricing and in risk-adjusted performance measurement. In this way, the bank offers the business units an incentive to hedge country risks by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries. The insights gained from the country risk analysis are not only used to limit total cross-border exposure, but also to cap total credit exposure in each individual country (i.e. including the exposure that is funded by local deposits). RBI AG thus realigns its business activities to the expected economic development in different markets and enhances the broad diversification of its credit portfolio.

Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities or commodities lending or borrowing transaction can lead to losses from reestablishing an equivalent contract. At RBI AG, this risk is measured by the mark-to-market approach where a predefined buffer is added to the current positive fair value of the contract in order to account for potential future changes. The total amount of the potential expected credit exposures from derivatives transactions determined in this way is set out in the tables of the individual customer segments. For internal management purposes, potential price changes, which affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts, the standard limit approval process applies; the same risk classification, limitation, and monitoring procedures as in traditional lending are used. Credit risk mitigation instruments such as netting agreements and collateralization represent an important strategy for reducing counterparty credit risk. In general, RBI AG strives to conclude standardized ISDA master agreements with all major counterparties for derivative transactions to perform close-out netting and to agree on credit support annexes (CSA) for full risk coverage for positive fair values on a daily basis.

Participation risk

The risks from listed and unlisted participations are also considered to be part of the banking book. They are reported separately under this risk category. Most of RBI AG's direct or indirect participations are fully consolidated in the consolidated financial statements and their risks are therefore captured in detail. Accordingly, the management, measurement and monitoring methods described for the other types of risk are used for the risks arising out of such participations.

The roots of participation risk and default risk are similar: a deterioration in the financial situation of a participation is normally followed by a rating downgrade (or default) of that unit. The calculation of the value-at-risk and of the economic capital for participations is based on an extension of the credit risk approach according to Basel III.

RBI AG's participations are managed by RBI Group Participations. It monitors the risks that arise from long-term participations in equity and is also responsible for the ensuing results. New investments are made only by RBI AG's Management Board on the basis of a separate due diligence.

Market risk

RBI AG defines market risk as the risk of possible losses arising from changes in market prices of trading and banking book positions. Market risk is determined by fluctuations in exchange rates, interest rates, credit spreads, equity and commodity prices, and other relevant market parameters (e.g. implied volatilities).

Market risks from the customer divisions are transferred to the Treasury division by using transfer price method. Treasury is responsible for managing structural market risks and for complying with the bank's overall limit. The Capital Markets division comprises proprietary trading, market making, and customer business with money market and capital market products.

Organization of market risk management

RBI AG measures, monitors, and manages all market risks for the bank as a whole.

The Market Risk Committee is responsible for strategic market risk management. It is responsible for managing and controlling all market risks. The bank's overall limit is set by the Management Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to strategy, business model and risk appetite.

The Market Risk Management department ensures that the business volume and product range comply with the defined and agreed strategy and risk appetite. It is responsible for developing and enhancing risk management processes, manuals, measurement techniques, risk management infrastructure and systems for all market risk categories and secondary credit risks arising from market price changes in derivative transactions. In addition, the department independently measures and reports all market risks on a daily basis.

All products in which open positions can be held are listed in the product catalog. New products are added to this list only after successfully completing the *product approval process*. Product applications are investigated thoroughly for any risks. They are approved only if the new products can be implemented in the bank's front- and back-office (and risk management) systems respectively.

Limit system

RBI AG uses a comprehensive risk management approach for trading and banking books (total-return approach). Market risks are managed consistently in all trading and banking books. The following values are measured and limited on a daily basis in the market risk management system:

- Value-at-Risk (VaR) confidence level 99 per cent, horizon one day
  The VaR limit caps the maximum loss which is not exceeded with a confidence level of 99 per cent within one day. It is the main steering instrument in liquid markets and normal market situations. At the end of the third quarter, the VaR calculation was supplemented to include base interest rate risk factors.

- Sensitivities (to changes in exchange rates, interest rates, gamma, vega, equity and commodity prices). Sensitivity limits are designed to avoid concentrations in normal market situations and represent the main steering instrument in stress situations or in illiquid markets or those markets that are structurally difficult to measure.

- Stop loss
  This limit strengthens traders' management of their proprietary positions to ensure that they do not allow losses to accumulate, but strictly limit them instead.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The risk concentrations revealed by these stress tests are reported to the Market Risk Committee and limits are set to reflect them. Stress test reports for individual portfolios are included in daily market risk reports.

Value-at-Risk (VaR)

VaR is measured based on a hybrid approach in which 5,000 scenarios are simulated. The approach combines the advantages of a historical simulation and a Monte Carlo simulation. The market parameters used are based on 500-day historical time series. Distribution assumptions include modern features like volatility declustering and random time change in order to accurately reproduce fat-tailed and asymmetrical distributions. The Austrian Financial Market Authority has approved this model as an internal model for calculating total capital requirements for market risks. Value-at-risk results are used for economic capital allocation as well as risk limitation purposes.

Structural interest rate risks and spread risks from bond books maintained as a liquidity buffer dominate RBI AG's VaR.

Due to the merger with RZB AG, only limited comparability with the previous year's figures is possible.

Trading book VaR 99% 1d in € thousand	**VaR as of 31/12/2017**	**Average VaR**	**Maximum VaR**	**Minimum VaR**
Currency risk	806	1,587	8,468	415
Interest rate risk	1,489	1,052	2,418	420
Credit spread risk	638	664	1,262	321
Vega risk	87	181	400	80
Basis risk	1,120	434	1,120	321
Total	1,910	2,380	9,084	1,298

Trading book VaR 99% 1d in € thousand	VaR as of 31/12/2016	Average VaR	Maximum VaR	Minimum VaR
Currency risk	2,951	1,595	5,203	478
Interest rate risk	2,215	934	2,551	252
Credit spread risk	322	1,450	5,353	274
Vega risk	249	479	1,337	111
Total	3,565	3,159	6,545	1,296

Banking book VaR 99% 1d in € thousand	VaR as of 31/12/2017	Average VaR	Maximum VaR	Minimum VaR
Currency risk	0	0	55	0
Interest rate risk	1,563	1,858	6,568	761
Credit spread risk	4,713	4,821	12,760	1,323
Vega risk	195	1,137	4,011	178
Basis risk	1,706	1,207	1,893	895
Total	5,148	6,828	21,319	3,097

Banking book VaR 99% 1d in € thousand	VaR as of 31/12/2016	Average VaR	Maximum VaR	Minimum VaR
Currency risk	0	0	4	0
Interest rate risk	2,267	1,875	15,063	851
Credit spread risk	1,591	2,883	9,960	1,071
Vega risk	1,082	2,160	5,240	632
Total	3,552	5,634	18,315	3,048

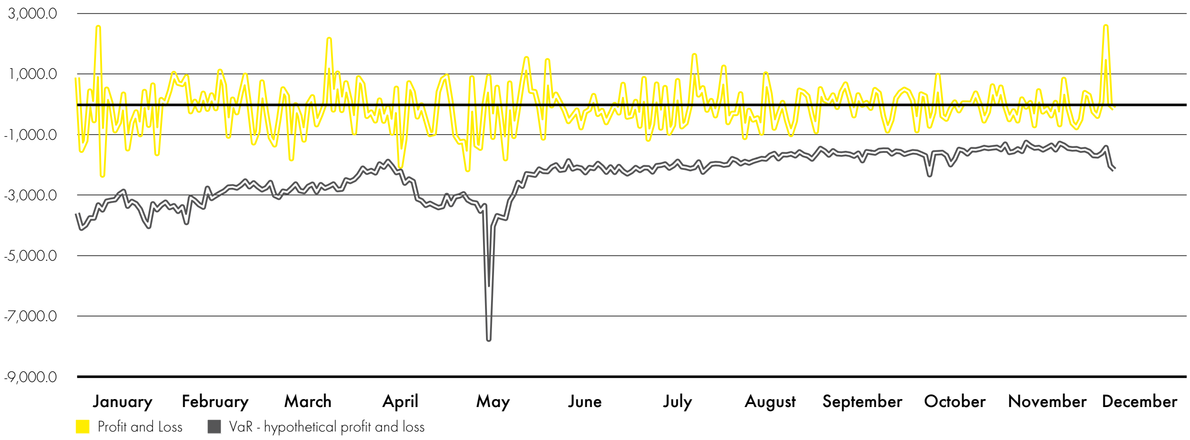
Total VaR 99% 1d in € thousand	VaR as of 31/12/2017	Average VaR	Maximum VaR	Minimum VaR
Currency risk	806	1,587	8,468	415
Interest rate risk	2,285	1,758	4,736	924
Credit spread risk	4,794	4,984	12,791	1,468
Vega risk	183	1,129	4,091	177
Basis risk	2,291	1,305	2,291	940
Total	5,634	7,091	20,573	3,331

Total VaR 99% 1d in € thousand	VaR as of 31/12/2016	Average VaR	Maximum VaR	Minimum VaR
Currency risk	2,951	1,595	5,207	478
Interest rate risk	2,079	2,064	14,459	891
Credit spread risk	1,653	3,903	10,591	1,389
Vega risk	1,007	1,969	4,702	665
Total	4,480	6,850	17,320	3,668

Besides qualitative analysis of profitability, backtesting and statistical validation techniques are regularly used to monitor the risk measurement methods employed. If model weaknesses are identified, the methods are adjusted. The following chart compares VaR with the hypothetical profits and losses for RBI AG's regulatory trading book on a daily basis. VaR denotes the maximum loss that will not be exceeded with a 99 per cent confidence level within a day. The respective hypothetical profit or loss represents that which would have been realized due to changes in the actual market movements on the next day. Last year there were no hypothetical backtesting exceptions.

Value-at-Risk and theoretical market price changes of trading book

in € thousand



Interest rate risk in the trading book

The following table shows the largest present value changes in the trading book given a parallel one-basis-point interest rate increase (significant currencies shown separately). The trading book strategy remains largely unchanged.

2017 in € thousand	Total	< 3 m	> 3 to 12 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	3	5	0	0	5	(5)	(1)	1	(1)	0	1	0
CNY	4	0	0	4	0	0	0	0	0	0	0	0
CZK	24	4	(3)	(3)	14	7	(1)	1	4	0	0	0
EUR	(65)	7	(28)	37	(78)	59	48	(66)	40	(39)	(9)	(36)
GBP	(1)	0	0	(1)	0	0	0	0	0	0	0	0
HRK	0	0	0	0	0	1	1	(1)	0	0	0	0
HUF	21	(3)	(9)	4	22	3	2	17	(15)	0	0	0
NOK	1	0	0	1	0	0	1	0	0	0	0	0
PLN	12	1	(2)	1	9	1	0	4	(3)	0	0	0
RON	1	0	0	(1)	2	0	3	(3)	0	0	0	0
RUB	(3)	(2)	2	(2)	(2)	1	1	0	0	0	0	0
USD	9	(3)	2	6	(15)	(9)	1	21	(18)	(15)	25	13
Others	1	0	0	0	(2)	0	(1)	1	3	0	0	0

2016 in € thousand	Total	< 3 m	> 3 to 12 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	(8)	1	2	(5)	(9)	1	9	(5)	(1)	(1)	1	0
CNY	5	4	1	0	0	0	0	0	0	0	0	0
CZK	5	(4)	(1)	4	3	1	1	(2)	2	0	0	0
EUR	(137)	9	4	7	16	2	(56)	(58)	33	(92)	10	(12)
GBP	1	0	0	1	0	0	0	0	0	0	0	0
HRK	(1)	0	0	0	0	0	2	(3)	0	0	0	0
HUF	39	0	(6)	4	14	12	15	1	(2)	0	0	0
NOK	1	0	1	0	0	0	0	1	0	0	0	0
PLN	1	0	0	1	1	1	1	(1)	(2)	0	0	0
RON	3	0	0	0	2	0	1	0	0	0	0	0
RUB	(5)	(1)	0	(5)	2	(1)	0	0	0	0	0	0
USD	(13)	(14)	8	2	(8)	(3)	8	(6)	(33)	6	15	12
Others	0	0	(1)	(1)	1	0	0	0	1	0	0	0

Interest rate risk in the banking book

As a result of different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and refinancing on debt and capital markets), RBI AG is subject to interest rate risk. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book exists in the euro and US dollar as major currencies.

This risk is mainly hedged by a combination of transactions on and off the statement of financial position, in particular interest rate swaps and – to a lesser extent – interest rate forwards and interest rate options are also used. Management of the statement of financial position is a core task of the Treasury division, which is supported by the Group Asset/Liability Committee. The latter uses scenarios and interest income simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the banking book is measured not only in a value-at-risk framework, but is also managed by the traditional tools of nominal and interest rate gap analyses. The following table shows the change in the present value of the banking book given a one-basis-point parallel interest rate increase. The main currencies are shown separately.

2017 in € thousend	Total	< 3 m	> 3 to 12 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	(14)	6	0	1	1	2	3	(2)	(7)	(17)	0	0
CNY	(3)	0	0	(3)	0	0	0	0	0	0	0	0
CZK	12	1	1	0	0	7	6	0	(2)	0	0	0
EUR	311	(12)	1	200	(18)	22	125	117	13	(28)	(19)	(90)
GBP	(4)	0	0	0	0	0	(1)	(1)	(1)	0	0	0
HUF	1	1	0	0	(1)	0	2	0	0	0	0	0
PLN	16	1	0	1	2	2	17	(1)	(6)	0	0	0
SGD	1	0	0	1	0	0	0	0	0	0	0	0
USD	(90)	11	(9)	6	(10)	(5)	3	(6)	(25)	(34)	(21)	2
Others	0	1	0	0	0	0	0	0	0	0	0	0

2016 in € thousand	Total	< 3 m	> 3 to 12 months	> 6 to 12 m	> 1 to 2 y	> 2 to 3 y	> 3 to 5 y	> 5 to 7 y	> 7 to 10 y	> 10 to 15 y	> 15 to 20 y	>20y
CHF	(14)	1	0	0	1	2	10	4	(8)	(23)	0	0
CNY	(4)	(2)	(2)	0	0	0	0	0	0	0	0	0
CZK	17	2	0	0	6	4	3	1	0	0	0	0
EUR	311	(21)	5	109	36	(27)	64	235	(55)	18	15	(68)
GBP	(5)	0	0	0	0	0	(1)	(1)	(2)	0	0	0
HUF	(2)	(2)	0	0	0	0	0	0	0	0	0	0
PLN	16	0	(1)	0	5	2	7	2	0	0	0	0
SGD	1	1	0	1	0	0	0	0	0	0	0	0
USD	(118)	17	(4)	0	22	(6)	(5)	(10)	(19)	(45)	(39)	(29)
Others	0	1	0	0	0	0	0	0	0	0	0	0

Credit spread risk

The market risk management framework uses time-dependent bond and CDS-spread curves as risk factors to measure credit spread risks. It covers all capital market instruments in the trading and banking book.

Liquidity management

Principles

Internal liquidity management is an important business process within general bank management because it ensures the continuous availability of funds required to cover day-to-day demands.

Liquidity adequacy is ensured from both an economic and also a regulatory perspective. In order to approach the economic perspective RBI AG established a governance framework comprising internal limits and steering measures which complies with the Principles for Sound Liquidity Risk Management and Supervision established by the Basel Committee on Banking Supervision and the regulation on credit institution risk management (KI-RMV) issued by the Austrian regulatory authority.

The regulatory component is addressed by compliance with reporting requirements under Basel III (liquidity coverage ratio, net stable funding ratio and additional liquidity monitoring metrics) respectively complying with the regulatory limits. In addition some Units of the group have additional liquidity and reporting requirements set by their local supervisory authorities.

Organization and responsibility

Responsibility for ensuring adequate levels of liquidity lies with the overall Management Board. The functionally responsible board members are the Chief Financial Officer (Treasury/ALM) and the Chief Risk Officer (Risk). Accordingly, the processes regarding liquidity risk are run essentially by two areas within the bank: On the one side the Treasury unit, which takes on liquidity risk positions within the strategy, guidelines and parameters set by the responsible decision making bodies. On the other side they are monitored and supported by independent Risk Controlling unit, which measures and models liquidity risk positions, sets limits and supervises the compliance with those.

Besides the responsible units in the line functions, there is the Group Asset/Liability Management Committee (ALCO) acting as the decision making body with respect to all matters affecting the management of the liquidity position and balance sheet structure of RBI AG including the definition of strategies and policies for managing liquidity risks. The ALCO takes decisions and provides standard reports on liquidity risk to the Board of Management at least on a monthly basis.

Liquidity strategy

Treasury units are committed to achieve KPIs and to comply to risk based principles. The current set of KPIs includes general targets (e.g. for return on risk-adjusted capital (RORAC) or coverage ratios), as well as specific Treasury targets for liquidity such as a minimum survival period in defined stress scenarios or diversification of the funding structure. While generating an adequate structural income from maturity transformation which reflects the liquidity and market risk positions taken by the bank, Treasury has to follow a prudent and sustainable risk policy when steering the balance sheet. Strategic goals comprise a reduction of parent funding within the group, a further increase of the stability of the depositor base and continuous compliance with regulatory requirements and the internal limit framework.

Liquidity Risk Framework

Regulatory and internal liquidity reports and ratios are generated and determined based on defined modelling approaches. Whereas the regulatory reports are generated in accordance with the requirements of the authorities, the internal reports are based on assumptions from empirical observations.

RBI AG has a substantial database along with expertise in forecasting capital flows arising from all material items on and off the statement of financial position. Cash inflows and outflows are modelled in a sufficiently detailed manner which, as a minimum, distinguishes between products, customer segments and, where applicable, currencies. Modelling of retail and corporate customer deposits includes assumptions concerning the retention times for deposits after maturity. The modelling approaches are prudent, in that they do not, for example, assume rollover of deposits from financial institutions and all financing channels and liquidity buffers are subject to simultaneous stress testing, without considering the mitigating effects of diversification

The mainstays of the internal liquidity risk framework are the going concern and the time to wall scenario (TTW). The going concern report shows the structural liquidity position and covers all main risk drivers which could detrimentally affect RBI AG in a normal business environment (business as usual). The going concern models are also the main input factors for the cost contribution for the funds transfer pricing model. The time to wall report, on the other hand, shows the survival horizon for defined adverse scenarios and stress models (market, reputational and combined crisis) and determines the minimum level of the liquidity buffer (and/or the counter-balancing capacity) for each Group unit.

The liquidity scenarios are modelled using a Group-wide approach which considers local specifics where warranted due to influencing factors such as the market or the legal environment or certain business characteristics. When modelling cash inflows and outflows a distinction is at minimum made between products, customer segments and individual currencies (where applicable). For products without a contractual maturity, the distribution of cash inflows and outflows is calculated using a geometric Brownian motion which derives statistical forecasts for future daily balances from the observed, exponentially weighted historical volatility of the corresponding products.

The liquidity risk framework is continuously developed. The technical infrastructure is enhanced and data availability is improved in order to meet the new reporting and management requirements for this area of risk.

Risk appetite and liquidity limits

The liquidity position is monitored at the level of RBI AG and at the level of its branches and is restricted by means of a comprehensive limit system. The limits are determined both for a normal business environment and also for stress scenarios. In accordance with the defined risk appetite, each unit must demonstrate a survival horizon of a few months (TTW) in a severe, combined stress scenario (reputational and market stress). This can be ensured either by a structurally positive liquidity profile or by a sufficiently high liquidity buffer. In a normal going concern environment, maturity transformation must be fully covered by the available liquidity buffer in the medium term. This means that the cumulative liquidity position over a period of up to one year must be positive. In the long term (one year or more), maturity transformation is permitted up to a certain level. For internal models, these limits are supplemented by limits for compliance with regulatory liquidity ratios, such as the liquidity coverage ratio (LCR). All limits must be complied with on a daily basis.

Liquidity monitoring

The bank uses a range of customized measurement tools and early warning indicators that provide board members and senior management with timely and forward looking information. The limit framework ensures that the bank can continue to operate in a period of severe stress.

Monitoring of limits and reporting limit compliance is performed effectively and the respective escalation channels are being utilized and work as designed. Limit compliance is generally very high and any breach is reported to ALCO and escalated. In such cases, appropriate steps are undertaken or contentious matters are escalated to the next highest responsible body.

Liquidity stress test

Stress tests are conducted on a daily basis for RBI AG and once a week at Group level. The tests cover three scenarios (market, reputational and combined crisis), consider the effects of the scenarios for a period of several months and demonstrate that stress events can simultaneously result in a time-critical liquidity requirement in several currencies. The stress scenarios include the principal funding and market liquidity risks, without considering beneficial diversification effects (i.e. all units of RBI AG are simultaneously subject to a severe combined crisis for all their major products). The results of the stress tests are reported to the Management Board and other members of management on a weekly basis; they also form a key component of the monthly ALCO meetings and are included in the bank’s strategic planning and contingency planning.

A conservative approach is adopted when establishing outflow ratios based on historical data and expert opinions. The simulations assume a lack of access to the money or capital markets and also assume simultaneous significant outflows of customer deposits. In this respect, the deposit concentration risk is considered by assigning even higher outflow ratios to large customers. Furthermore, stress assumptions are formulated for the drawdown of guarantees and credit obligations. In addition, the liquidity buffer positions are adapted by haircuts in order to cover the risk of disadvantageous market movements, and the potential outflows resulting from collateralized derivative transactions are estimated. The bank continuously monitors whether the formulated stress assumptions are still appropriate or whether new risks need to be considered.

The time to wall concept has established itself as the main control instrument for day-to-day liquidity management and is therefore a central component of funding planning and budgeting. It is also fundamental to determining performance ratios relating to liquidity

Liquidity buffer

As shown by the daily liquidity risk reports, each Group unit actively maintains and manages liquidity buffers, including high quality liquid assets (HQLA) which are always sufficient to cover the net outflows expected in crisis scenarios. RBI AG has sizeable, unencumbered and liquid securities portfolios and favors securities eligible for Central Bank tender transactions in order to ensure sufficient liquidity in various currencies. Each Group unit ensures the availability of liquidity buffers, tests its ability to utilize central bank funds, constantly evaluates its collateral positions as regards their market value and encumbrance and examines their other countermeasures, including the funding potential and the realizability of the assets.

Generally, a haircut is applied to all liquidity buffer positions. These haircuts include a market-risk-specific haircut and a central bank haircut. While the market risk haircut represents the potential price volatility of the assets-side securities in the liquidity buffer, the central bank haircut represents an additional haircut for each individual relevant security that may be offered as collateral.

Intraday liquidity management

In compliance with regulatory requirements for intraday liquidity management a daily stressed forecast of available intraday liquidity at defined critical times during a business day is calculated for RBI AG. This stressed forecast, which considers outflow assumptions analogous to the regular liquidity stress testing in the Group (see above), is quite conservative since inflows that are not final (revocable) are not considered at all. In case of limit breaches, the intraday contingency and escalation process is triggered.

Emergency funding plan

Under aggravated liquidity conditions, the units switch to a contingency process in which they follow predefined liquidity contingency plans. These contingency plans also constitute an element of the liquidity management framework and are mandatory for all significant Group units and thus also for RBI AG. The emergency management process is sophisticated and is designed so that the Group can retain a strong liquidity position even in serious crisis situations.

Liability structure and liquidity position

Funding is founded on a strong base of customer deposits and is supplemented by wholesale funding. The ability to procure funds is precisely monitored and evaluated by Treasury.

In the past year and to date, RBI AG's excess liquidity was significantly above all regulatory and internal limits. The result of the internal time to wall stress test demonstrates that RBI AG would survive throughout the modelled stress phase of a few months even without applying contingency measures.

The results of the going concern scenario are shown in the following table. The table shows excess liquidity and the ratio of expected capital inflows and the counter-balancing capacity to capital outflows (liquidity ratio) for selected maturities on a cumulative basis. The capital flows are based on assumptions taken from expert opinions, statistical analyses and country specifics. This calculation also includes estimates of the stability of the customer deposit base, outflows from off-balance sheet items and downward market movements in relation to positions which are included in the counter-balancing capacity.

in € thousand	2017		2016	
Maturity	1 month	1 year	1 month	1 year
Liquidity gap	2,379,611	3,724,891	4,211,782	4,958,137
Liquidity ratio	107%	105%	113%	108%

Liquidity gap and liquidity ratio have declined due to the planned reduction of excess liquidity.

Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR) supports the short-term resilience of banks, which must ensure that they have an adequate stock of unencumbered high-quality liquid assets (HQLA) in order to be able to cover potential outflows due to liabilities that may be incurred during crises. HQLAs can be converted into cash in order to cover the liquidity requirement within the framework of a liquidity stress scenario for at least 30 calendar days.

The calculation of the expected cash inflows and outflows as well as HQLAs is based on regulatory guidelines.

In 2017 the regulatory LCR limit was 80 per cent; it will be 100% from 2018.

in € thousand	31/12/2017	31/12/2016
Average liquid assets	11,404,506	4,616,369
Net outflows	9,084,032	2,077,857
Inflows	4,559,677	4,780,120
Outflows	13,643,709	6,857,977
Liquidity Coverage Ratio	**126%**	**222%**

Compared to year-end 2016, in 2017 the LCR of RBI Group decreased as planned. Main drivers were the inclusion of RZB AG's business into RBI AG in March 2017 and the intended liquidity surplus reduction at RBI AG. The increase in average liquid assets resulted from the merger of RZB into RBI AG.

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the ratio of available stable funding to required stable funding. The regulatory limit is expected to be set at 100 per cent and to be used for the first time in 2020. This ratio should continuously be at least 100 per cent, although no regulatory limit has been set. Available stable funding is defined as that portion of equity and debt which is expected to be a reliable source of funds over the time horizon of one year covered by the NSFR. A bank's required stable funding depends on the liquidity characteristics and residual maturities of the various assets held and of off-balance sheet exposures.

RBI AG targets a balanced funding position. The regulatory provisions are currently being revised by the regulatory authorities.

in € thousand	2017	2016
Required stable funding	32,282,796	26,830,272
Available stable funding	29,326,354	26,144,916
Net Stable Funding Ratio	**91%**	**97%**

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In this risk category, internal risk drivers such as unauthorized activities, fraud or theft, losses caused by conduct, model errors, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or fraudulent intentions are also managed and controlled.

These risks are analyzed and managed on the basis of RBI's own historical loss data and the results of the risk assessment.

As with other risk types, the principle of firewalling between risk management and risk controlling also applies to operational risk at RBI AG. To this end, individuals are designated and trained as Operational Risk Managers for each division. Operational Risk Managers provide central Operational Risk Controlling with reports on risk assessments, loss events, indicators and measures. They are supported in their work by Dedicated Operational Risk Specialists (DORS).

Operational risk controlling units are responsible for reporting, implementing the framework, developing control measures and monitoring compliance with requirements. Within the framework of the annual risk management cycle, they also coordinate the participation of the relevant second line of defense departments (Financial Crime Management, Compliance, Vendor Management, Outsourcing Management, Insurance Management, Information Security, Physical Security, BCM, Internal Control System) and all first line of defense contacts (Operational Risk Managers).

Risk identification

Identifying and evaluating risks that endanger the bank as a going concern (but risks that occur with a very low degree of probability) and other areas in which losses occur more frequently (but cause only small losses) represent key tasks in the management of operational risk.

Operational risk is assessed in a structured form according to categories such as business processes and event types by risk assessments. Moreover, all new products are subject to a risk assessment. The impact of high probability/low impact events and low probability/high impact events is measured over a one- and ten-year horizon. Low probability/high impact events are quanti fied on the basis of scenarios. The internal risk profile, loss events or external changes determine which scenarios are analyzed.

Monitoring

In order to monitor operational risks, early warning indicators are used for prompt identification and mitigation of losses.

Operating losses are recorded in a central database named ORCA (Operational Risk Controlling Application) in a structured manner and are broken down by business line and type of event. In addition to the requirements for the internal and external reporting, loss events are used for the exchange of information with international databases to further develop the measurement methods used as well as to track measures and effectiveness of controls. Since 2010, RBI AG has participated in the ORX data consortium (Operational Risk data exchange Association), whose data is currently used for internal benchmark purposes and analyses and as part of the operational risk model. The ORX data consortium is an association of banks and insurance groups for statistical purposes. The results of the analyses and events resulting from operational risk are reported in a comprehensive manner to the relevant Operational Risk Management Committee on a regular basis.

Quantification and mitigation

Since October 2016 RBI AG has calculated the equity requirement using the Advanced Measurement Approach (AMA).

The Advanced Measurement Approach is based on an internal model with the input factors from the external and internal loss events and the Group-wide scenarios. Risk-based management is carried out with the allocation on the basis of the input factors of the corresponding units and operating income for stabilization. The implementation of these high qualitative standards has already been rolled out in broad sections of the Group.

To mitigate operational risk, the business division heads take preventive action to reduce and transfer risk. The progress and success of these actions is monitored by risk controlling. The business division heads also draw up contingency plans and nominate persons or departments to take the required measures if losses do in fact occur. In addition, several dedicated organizational units provide support to business divisions to reduce operational risks. An important role in connection with operational risk activities is taken on by Financial Crime Management. Financial Crime Management provides support for the prevention and identification of fraud. RBI AG also organizes regular extensive staff training programs and has a range of contingency plans and back-up systems in place.

Internal control and risk management system with regard to the accounting process

Introduction

The establishment and definition of a suitable internal control and risk management system with regard to the accounting process is extremely significant for RBI AG. The annual financial statements of RBI AG are prepared in the Financial Accounting and Treasury Accounting departments, which fall within the CFO's area of responsibility. The foreign branches deliver financial statements to head office and they themselves are responsible for preparing the financial statements.

The annual financial statements are prepared on the basis of the relevant Austrian laws, above all the Austrian Banking Act (BWG) and the Austrian Commercial Code (UGB), which deal with the preparation of annual financial statements.

RBI AG's general ledger is maintained in SAP. The GEBOS core banking system fulfills important sub-ledger functions such as credit and deposit processing (GIRO) and a partial coexistence function to the SAP general ledger. Other sub-ledgers exist in addition to GEBOS, including in particular:

- Wall Street Systems and Murex (Treasury transactions)
- GEOS und GEOS Nostro (securities settlement and nostro securities management)
- Payments
- Banktrade (guarantees and letters of credit)
- UBIX (stock exchange traded securities derivatives)
- ARTS/SE4 (Repo and lending business)
- SAP sub-ledgers (accounts receivable/accounts payable/fixed asset accounting)

The accounting process can be described as follows:

- Day-to-day accounting
  Day-to-day accounting records are mainly posted to the respective sub-ledgers (sub-systems). This posting data is transferred to the general ledger (SAP) in aggregated form on a daily basis, using automated interfaces. In addition, individual postings are recorded directly in the SAP general ledger.
  The general ledger in SAP has multi-GAAP functionality, which means two equivalent parallel general ledgers are maintained in SAP: one in accordance with UGB/BWG reporting standards and also a parallel ledger in accordance with IFRS. An operational chart of accounts exists for the two general ledgers; depending on the respective content, all postings are effected either simultaneously in both general ledgers or in only one of the two ledgers. The parallelism of the entries and the parallel existence of the two general ledgers remove the need for reconciliations from UGB/BWG to IFRS.

- Individual financial statements for RBI head office in accordance with UGB/BWG and IFRS
  The SAP trial balance in accordance with UGB/BWG and/or IFRS results from the posting data of the respective sub-systems which is delivered via automated interfaces. In addition, a number of supplementary ledger-specific closing entries are made directly in SAP. These are independent of the respective sub-systems. The sum of all these entries gives the statement of financial position and the income statement pursuant to UGB/BWG or IFRS.

- Individual financial statements of RBI AG
  In a final step, the financial statements of RBI AG in accordance with UGB/BWG are produced. These include RBI head office and also the branches. Both the branch data and also the closing data of RBI head office are conveyed by automated transfer from SAP or in some cases by direct input into the IBM Cognos Controller consolidation system. The data are consolidated in this system, on the basis of which RBI AG's overall individual financial statements are prepared.

Control environment

In general, all Group-internal instructions can be retrieved from the Group Internal Law Database. With regard to accounting, mention should be made above all of the Group Accounts Manual, which contains a description of the following points in particular:

- General accounting rules
- Measurement methods
- Required (quantitative) information in the notes
- Accounting rules for special transactions

Further guidelines relate solely to RBI AG or only deal with functions within departments. The Corporate Directive Accounting Guidelines for example apply to the accounting system. These deal with the instruction process for the settlement of purchase invoices, cost refunds and the management of clearing accounts.

Risk assessment

The assessment of the risk of incorrect financial reporting is based on various criteria. Valuations of complex financial instruments may lead to an increased risk of error. In addition, asset and liability items have to be valued for the preparation of the annual financial statements; in particular the assessment of the impairment of receivables, securities and participations, which are based on estimates of future developments, gives rise to a risk.

Control measures

The main control measures encompass a wide range of reconciliation processes. Besides the four eyes principle, automation-aided controls and monitoring instruments dependent on risk levels are used. The reconciliation between general ledgers and sub-ledgers or the reconciliation between financial accounting and balance sheet risk management can be cited as examples. Particular emphasis is placed on effective deputizing arrangements to ensure that deadlines are not missed due to the absence of one person.

The Audit Committee of the Supervisory Board considers and approves the annual financial statements and the management report. They are published in the Wiener Zeitung and finally filed with the commercial register.

Information and communication

Information on the accounting treatment of the respective products is regularly exchanged with the specialist departments. For example, regular monthly meetings take place with the Capital Markets and Treasury departments, in which among other topics accounting for complex products is addressed. The Accounting team is also represented at regularly scheduled jour-fixe meetings during the product launch process in order to provide information on the technical aspects of accounting and their implications for product launches. Regular department events ensure that employees receive ongoing training on changes to accounting rules under UGB, BWG and IFRS.

As part of the reporting process, the Management Board receives monthly and quarterly reports analyzing the results of RBI AG. The Supervisory Board is also regularly informed about the results at its meetings. This ensures that the internal control system is monitored.

External reports are for the most part prepared only for the consolidated results of RBI AG. The reporting cycle is quarterly: besides the consolidated financial statements, a semi-annual financial report and interim quarterly reports for the Group are published. In addition, reports have to be regularly provided to the banking supervisory authority.

Monitoring

Financial reporting is an important part of the ICS, in which the accounting processes are subject to additional monitoring and control, the results of which are presented to the Management Board and Supervisory Board. The Audit Committee is also responsible for monitoring the accounting process. The Management Board is responsible for ongoing company-wide monitoring. In accordance with the target operating model, three successive lines of defense are established to meet the increased requirements for internal control systems.

The first line of defense is formed by the individual departments, where department heads are responsible for monitoring their business areas. Controls and plausibility checks are conducted on a regular basis within the departments, in accordance with the documented processes.

The second line of defense is provided by issue-specific specialist areas. These include, for example, Compliance, Data Quality Governance, Operational Risk Controlling or Security & Business Continuity Management. Their primary aim is to support the individual departments when carrying out control steps, to validate the actual controls and to introduce state-of-the-art practices within the organization.

Internal audits are the third line of defense in the monitoring process. Responsibility for auditing lies with Group Internal Audit at RBI and also the respective internal audit departments of the Group units. All internal auditing activities are subject to the Group Audit standards, which are based on the Austrian Financial Market Authority's minimum internal auditing requirements and international best practices. Group Audit's internal rules are additionally applicable (notably the Audit Charter). Group Audit regularly and independently verifies compliance with the internal rules within the RBI Group units. The head of Group Internal Audit reports directly to the Management Boards.

Outlook

Economic prospects

Austria

The economic upturn in Austria probably peaked in 2017, with real GDP growth likely to slow from 3.2 per cent to 2.6 per cent in 2018. Economic growth should continue to be buoyed both by domestic demand and net exports, whereas the contribution to growth from investment is expected to fall back as a result of weakening momentum in equipment investment. In contrast, private consumption is anticipated to benefit from the ongoing increase in employment.

Central Europe

The strong economic growth that Central Europe (CE) achieved in 2017 should continue in 2018. Growth also remains broad based, with increasing export demand, mostly supported by solid economic growth in Germany and in the euro area, rising investment spending and a pick-up in private consumer demand in the region's markets. Significant GDP growth of between 3.8 per cent and 4.1 per cent is expected for the Polish, Slovakian and Slovenian economies in 2018. Hungary and the Czech Republic should also enjoy continued growth of over 3 per cent. According to current forecasts, the CE economies are projected to grow at a rate of 3.8 per cent in 2018, following 4.2 per cent in 2017.

Southeastern Europe

The Southeastern Europe (SEE) region is also expected to continue its growth trend. Following very strong GDP growth of 5.0 per cent in 2017, SEE should be able to increase its economic output in 2018 by 3.7 per cent. Economic growth in Romania is expected to slow to a rate of 4.2 per cent in 2018. Given that this is still above Romania's potential growth rate, however, external imbalances could widen further. Moreover, Romania's public deficit runs the risk of exceeding the 3 per cent Maastricht ceiling. In Serbia, economic growth should recover somewhat in 2018, following the weak growth experienced in 2017. In Croatia, growth in 2018 is projected at 2.3 per cent, somewhat weaker than seen in 2017.

Eastern Europe

According to current forecasts, the Russian economy is poised to continue its moderate recovery in 2018, with economic growth seen at around 1.5 per cent. A slightly higher oil price should support the economy while ongoing comparatively tight monetary and fiscal policy is unlikely to provide any significant economic growth stimulus. The Russian presidential election in March 2018 is not expected to have a major impact on the economic situation. In Ukraine, parliamentary and presidential elections are on the agenda for 2019, which could heighten political uncertainty in 2018 and curb economic growth. As a result, economic growth in Ukraine is seen at a moderate 2.5 per cent in 2018.

Outlook for RBI AG

Given the positive economic outlook for the coming financial year 2018, we assume RBI AG will report sustainable loan growth in the low single digit area for the next few years.

Due to the exceptionally high dividend income from affiliated companies in financial year 2017, which will not be repeated in 2018, we expect lower operating income. In addition, we expect only minor stimuli from the persistent low interest rate environment. As a result, we anticipate a slight volume-related increase in the net interest margin compared to 2017 (€ 245 million). Net fee and commission income should also increase slightly.

In the area of general administrative expenses, continuing high investment for digitalization and regulatory requirements is squeezing earnings. In the medium term, we aim for a cost/income ratio of less than 50 per cent.

Net provisioning for impairment losses was already very low in 2017 with negative effects from only a few large individual cases. The generally good economic situation should also have a positive effect on credit risk in 2018.

We target a CET1 ratio (fully loaded) after dividend of around 13 per cent for the RBI Group in the medium term. Based on this target we intend dividend distributions of 20 to 50 per cent of the consolidated profit.

Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

Raiffeisen Bank International AG,
Vienna

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

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

Basis for our Opinion

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

Key Audit Matters

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

In the following we present the key audit matters from our point of view:

- Recoverability of loans and advances to customers
- Recoverabilty of shares in affiliated companies
- Valuation of derivative financial instruments

1. Recoverability of loans and advances to customers

The Financial Statement Risk

Loans and advances to customers are reported in the statement of financial positionnet of individual and portfolio-based loan loss provisions, in the amount of EUR 18 billion. They comprise predominantly loans and advances to Austrian and foreign corporate customers.

Management Board describes the composition of the loans and advances to customers, the process of monitoring the credit risk and the procedures for determining the loan loss provisions in the "Recognition and Measurement Principles" section in the notes to the Financial Statements and in the "Credit Risk" section of the Risk Report in the Management Report.

As part of the credit risk monitoring process the bank checks if there is any indication of impairment and therefore whether individual loan loss provisions are needed. This includes assessing whether the customer can fully meet the contractually agreed repayments without the need to realize collaterals.

Where there is an indication of impairment of loans, individual loan loss provisions are recognized in the amount of the expected loss according to homogeneous Group-wide standards. The provision amount is determined by the difference between the carrying value of the loan and the lower present value of projected future repayments including interest and any recoveries from the realization of collaterals. The assessment of a loan loss provisioning is significantly influenced by the estimate of the client's economic situation and development, the estimate of collateral values and the forecast amount and timing of future cash flows.

Portfolio-based loan loss provisions are recognized for all loans that are not impaired based on their individual risk profile (individual rating classes). Portfolio-based loan loss provisions are determined using centrally calculated historical Group default rates for each rating class and risk model, considering collateral values and parameters based on statistical assumptions and historical data .

The calculation of loan loss provisions is significantly influenced by management's assumptions and estimates. These assumption and estimate uncertainties lead to a risk of misstatement in the Financial Statements.

Our Audit Approach

We have obtained the documentation that describes the process of loan issuance, loan monitoring and determination of loan loss provisions for corporate customer loans and analyzed these documents to determine whether the processes adequately identify impairment indicators and ensure that the valuation of loans and advances to customers is appropriately reflected in the Financial Statements. In addition we tested the relevant processes as well as the essential key controls within these processes. As part of this work we checked the design, implementation and effectiveness of these key controls.

For individual loan loss provisions we used a sampling based approach to determine whether impairment indicators were identified and appropriate loan loss provisions were calculated. We critically assessed the bank's estimates regarding the amount and timing of future cash flows, including those resulting from realization of collaterals, and whether the bank's assessment was in line with the internal and external information available. The sample selection was made using both a risk based approach dependent on the client's rating class, and a random selection approach for clients with a lower probability of default. With regards to the internal collateral valuation we analyzed whether the assumptions used in the model were adequate and in line with available market data.

For portfolio loan loss provisions we critically assessed whether the models and relevant parameters used were adequate for calculating loan loss provisions. We used sampling to test whether the applied probability of default rates per rating class had been correctly determined. Our valuation specialists assessed the appropriateness of the models and parameters used. These specialists analyzed whether the models and parameters used, taking into account backtesting results, are appropriate for calculating loan loss provisions. We have analyzed the accurate calculation of the provisions.

Finally we assessed whether the disclosures in the notes to the Financial Statements and the Management Report regarding loan loss provisions were appropriate.

2. Recoverability of shares in affiliated companies

The Financial Statement Risk

Shares in affiliated companies amount to around EUR 8 billion in total and represent a significant proportion of the total assets of Raiffeisen Bank International AG. In particular, the bank has shareholdings in domestic and foreign credit institutions, in which it holds a majority either directly (Raiffeisen Bank Polska S.A., Warsaw; Raiffeisen Bank Aval JSC, Kiev) or indirectly through a holding company. Additionally, it has holdings in project companies.

The Management Board describes the process for managing the participation portfolio and the procedures for assessing impairment of shares in affiliated companies under "Recognition and measurement principles" in the notes to the Financial Statements and in the section "Participation risk" in the Risk Report in the Management Report.

At the reporting date, the banks division "Participations" assesses whether, on the basis of the fair value of the individual participations, there are triggers for permanent impairment in any given case or whether a reversal of a previous impairment up to the amount of the acquisition cost is necessary.

Internal company valuations are used to calculate the fair value. The company valuation calculation is based to a large extent on assumptions and estimates regarding the expected future cash flows. These are based on the budgeted figures approved by the governing bodies of the respective company. The discount rates applied can furthermore be affected by market-based, economic and legal factors which may change in the future.

In consequence the valuations are based on judgmental factors by nature and carry uncertainties with respect to the estimates. They therefore lead to a risk of misstatement in the Financial Statements.

Our Audit Approach

We have examined the processes in the "Participations" division and tested the key controls using a sampling approach, to assess whether the process structure and implementation are adequate to identify necessary impairments or potential impairment reversals on a timely basis.

Our valuation specialists have examined the valuation model, the planning assumptions and the valuation parameters. The adequacy of the applied valuation model (models (?)) for calculations of the fair value of the companies was analyzed. The valuation parameters used in the model, primarily the interest rate components, were evaluated and critically assessed. The assumptions used to determine the interest rates were assessed as to their appropriateness by comparison with market and industry-specific benchmarks. Backtesting was performed to assess the forecasting accuracy with respect to the assumptions in the detailed planning phase. In this process the cash flows used in the valuation model from the previous year were compared with and analyzed in relation to the actual values and the current budgeted values. The calculation of the company valuations was analyzed on a sampling basis. The results of the company valuations were compared with market data and publicly available information (primarily market multiples).

Finally we assessed whether the disclosures in the notes to the Financial Statements and in the Management Report regarding the recoverability of shares in affiliated companies are appropriate.

3. Valuation of Derivatives

The Financial Statement Risk

The bank has entered into derivatives transactions for trading and hedging purposes as part of its business activities. The allocation of a derivative to the trading or banking book and any recognition of valuation units or functional units are significant for its presentation and subsequent valuation.

The Management Board describes the procedure for classification of derivative financial instruments, the designation of hedging relationships and functional units and the calculation of fair value of financial instruments in the “Recognition and Measurement Principles” section in the notes to the Financial Statements.

For derivative financial instruments measured at fair value for which no quoted prices or only insufficient observable market data is available, the valuation is determined using internal models and the assumptions and parameters used therein and therefore requires discretionary judgment. Due to the leverage inherent in derivatives, market values of derivatives can be subject to significant fluctuation.

For the formation of hedging relationships (valuation units), certain documentation requirements for the hedging relationship and its efficiency must be met.

In presence of a documented strategy, banking book derivatives used for interest rate risk management can be included in functional units. If the conditions for the recognition of a valuation unit or functional unit are not met or not verified, a corresponding provision for impending losses must be recognized for derivatives with a negative fair value.

Our Audit Approach

We have examined using sampling whether the criteria for designation of derivatives to the banking book or the trading book are met. Our valuation specialists have assessed the fair values calculated by the bank. We have examined the appropriateness of the valuation models used and the underlying valuation parameters. We have also compared the parameters used with market data. Furthermore we have analyzed the valuation assumptions and the calculation of fair values using sampling.

We have examined the existence of valuation units by reviewing the hedge accounting documentation using a sampling approach and in particular assessed whether the hedging intention and documentation of the hedging instrument were in place. We also reviewed the effectiveness tests conducted by the bank to ensure they are appropriate and analyzed the calculation of ineffective relationships.

For functional units of derivatives used for interest risk management, we have critically assessed whether the required strategy is in place based on the documentation, and evaluated whether the documentation and risk management meet the requirements for recognition of functional units.

Finally we have assessed whether the disclosures in the notes to the Financial Statements relating to the categorization, presentation of valuation methods and the recognition of hedging relationships and functional units are complete and appropriate.

Managemet's Responsibility and Responsibility of the Audit Committee for the Financial Statements

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

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

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

Auditors' Responsibility

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

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

Moreover:

- We identify and assess the risks of material misstatements – intentional or unintentional – in the financial statements, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.

- We consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.

- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.

- We assess the overall presentation, structure and content of the financial statements including the notes as well as whether the financial statements give a true and fair view of the underlying business transactions and events.

- We communicate to the audit committee the scope and timing of our audit as well as significant findings including significant deficiencies in internal control that we identify in the course of our audit.

- We report to the audit committee that we have complied with the relevant professional requirements in respect of our independence and that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, related measures taken to ensure our independence.

- From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

Report on Other Legal Requirements

Management Report

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

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

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

Opinion

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

Statement

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

Additional information under Article 10 EU Regulation

At the Annual General Meeting dated 16 June 2016, we were elected as auditors. We were appointed by the supervisory board on 16 June 2016. We have been the Company's auditors since the Company's first listing on the stock exchange in 2005.

We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 EU Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

Engagement Partner

The engagement partner is Mr. Mag. Wilhelm Kovsca.

Vienna, 27 February 2018

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca

Wirtschaftsprüfer

(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 (1) of the Austrian Commercial Code (UGB) applies.

Statement of all legal representatives

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

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

Vienna, 27 February 2018
The Managing Board

Johann Strobl

Chief Executive Officer responsible for Chairman's Office, Group Communications, Group Compliance[1], Group Digital Banking, Group Executive Office, Group Human Resources, Group Internal Audit[1], Group Marketing, Group Participations, Group Regulatory Affairs, Group Strategy, Group Sustainability Management, International Banking Units, Legal Services, Group Asset Management (via RCM)[2], Group Business Management & Development[2], Group Capital Markets[2], Group Investment Banking[2], Institutional Clients[2] and Raiffeisen Research[2]

Martin Grüll

Member of the Management Board responsible for Active Credit Management, Group Investor Relations, Group Planning & Finance, Group Treasury and Tax Management

Andreas Gschwenter

Member of the Management Board responsible for COO Strategy, Governance and Change, Group Efficiency Management, Group IT, Group Procurement, Cost & Real Estate Management, Group Project Portfolio & Security and Head Office Operations

Peter Lennkh

Member of the Management Board responsible for Corporate Customers, Corporate Finance, Group Corporate Business Strategy & Steering, International Business Support, International Leasing Steering & Product Management, Trade Finance & Transaction Banking, International Consumer & Small Business Banking[3], International Premium & Private Banking[3] and International Retail Strategy & Products[3]

Hannes Mösenbacher

Member of the Management Board responsible for Financial Institutions, Country & Portfolio Risk Management, Group Corporate Credit Management, Group Risk Controlling, Group Special Exposures Management, International Retail Risk Management and Sector Risk Controlling Services

1 Reports to the whole Management and Supervisory Board

2 Reports temporarily to the CEO

3 Reports temporarily to the Management Board member for Corporate Banking